



October 12, 2023

Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending February 29, 2024
(Six Months Ended August 31, 2023)

[Japanese GAAP]

Company name: AIT CORPORATION

Listing: Tokyo Stock Exchange

Securities code: 9381

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Scheduled date of filing of Quarterly Report:

October 16, 2023

Scheduled date of payment of dividend:

October 27, 2023

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting:

None

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

1. Consolidated Financial Results for the Second Quarter (March 1, 2023 – August 31, 2023) of the Fiscal Year Ending February 29, 2024

(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	%
Six months ended Aug. 31, 2023	25,324	(29.2)	2,204	(20.0)	2,334	(16.8)	1,545	(17.5)
Six months ended Aug. 31, 2022	35,744	32.5	2,754	79.6	2,805	67.7	1,873	92.3

Note: Comprehensive income Six months ended Aug. 31, 2023: 1,900 million yen (down 26.8%)

Six months ended Aug. 31, 2022: 2,597 million yen (up 102.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2023	65.77	-
Six months ended Aug. 31, 2022	79.76	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Aug. 31, 2023	25,581	17,284	66.4
As of Feb. 28, 2023	24,888	16,602	65.6

Reference: Equity capital

As of Aug. 31, 2023: 16,987 million yen

As of Feb. 28, 2023: 16,318 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, 2023	-	30.00	-	50.00	80.00
Fiscal year ending Feb. 29, 2024	-	40.00	-	-	-
Fiscal year ending Feb. 29, 2024 (forecast)	-	-	-	40.00	80.00

Note: Revision to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023 – February 29, 2024)

(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	70,000	0.8	5,300	0.2	5,620	0.3	3,700	0.4	157.49

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: None

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 Aug. 31, 2023:	23,913,600 shares	As of Feb. 28, 2023:	23,913,600 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2023:	420,008 shares	As of Feb. 28, 2023:	420,008 shares
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3) Average number of shares during the period

Six months ended Aug. 31, 2023:	23,493,592 shares	Six months ended Aug. 31, 2022:	23,493,603 shares
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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.

Supplementary information at the quarterly financial results meeting

AIT does not plan to hold a financial results meeting for analysts and institutional investors for the first half. Materials supplementary to the financial results will be available in Japanese language on AIT’s website soon after the release of the first-half financial results.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of the fiscal year ending February 29, 2024, the Japanese economy slowly recovered as social and economic activity returned to normal following the Japanese government's downgrade of COVID-19. There was also a gradual upturn in consumer spending as people are going out again and demand generated by foreign tourists in Japan increased. Although life in Japan is returning to normal, people are increasingly holding down their spending in response to inflation caused by global events, the yen's depreciation, the rising cost of raw materials and other reasons. As a result, the outlook for the economy remains unclear.

The operating environment for the AIT Group has been affected by a continuing decline in ocean shipping rates following the sharp increase in rates during the pandemic. The balance between the supply and demand for transporting cargo in containers was generally normal, rates have been decreasing steadily for Southeast Asia, Europe and North America since the autumn of 2022 and rates are even falling for shipments originating in China, which accounts for the largest share of the AIT Group's cargo volume.

The AIT Group is focusing on sales activities to capture orders in the core international freight forwarding business as well as for customs clearance, delivery, merchandise inspections, needle detection, processing and other services associated with imports and exports. There are also many activities involving our digital strategy in order to become more competitive. For example, the cargo search service was upgraded in June 2023 and other actions were taken to further improve the convenience of our services for customers.

The volume of apparel and travel products started to recover in the first half because people have more opportunities to go out. The volume of imports of household products, furniture and other consumer goods, a category where demand was strong as people stayed home during the pandemic, is decreasing as demand declines and importers reduce inventories. Overall, the volume of international cargo has been low. The decline in ocean shipping rates also impacted results of operations. As a result, operating revenue was lower than in the first half of the previous fiscal year. However, the gross profit margin increased due to lower operating costs due in part to the decline in shipping rates. In addition, measures to reexamine expenses and cut costs continued in order to generate as much earnings as possible. The closing of some locations in China during the previous fiscal year lowered expenses for operating business sites.

Operating revenue decreased 29.2% year-on-year to 25,324 million yen. Operating profit decreased 20.0% to 2,204 million yen. Ordinary profit was down 16.8% to 2,334 million yen, a smaller decrease mainly because there was a foreign exchange gain following the loss one year earlier, and profit attributable to owners of parent decreased 17.5% to 1,545 million yen.

Results by business segment are as follows.

1) Japan

During the first half of the current fiscal year, as ocean freight rates declined, companies importing cargo to Japan have benefited from a downturn in logistics costs, an item that had been a significant burden for these companies. There were many sales activities for adding new customers and raising the volume of business with current customers. However, as the yen continued to depreciate, the volume of imports was lackluster due in part to merchandise inventory reductions and the end of one-time demand created by the pandemic.

The number of containers handled in the ocean freight sector decreased 10.1% from one year earlier to 112,661 TEU for imports and the total for imports and exports decreased 10.4% to 119,649 TEU. Customs clearance orders were lower than one year earlier, decreasing 3.8% to 67,733 because of a decrease in the volume of cargo.

As a result, operating revenue in Japan decreased 30.4% from one year earlier to 21,839 million yen, negatively affected by declines in freight rates and the volume of cargo handled. Segment profit decreased 23.4% to 1,900 million yen. The decrease was smaller than the decline in operating revenue mainly because of an improvement in the gross profit margin and measures to hold down personnel expenses and expenses for business activities by using the digital transformation.

2) China

The downturn in the volume of freight for Japan handled by the AIT Group also reduced opportunities to receive orders for shipments within China. As a result, operating revenue decreased 16.0% from one year earlier to 2,976 million yen. Segment profit increased 23.9% to 237 million yen due to an improvement in the gross profit margin and measures for increasing profitability.

3) Other

There were recoveries in revenue from merchandise inspections and needle detection as well as from internal logistics operations at the subsidiary in Myanmar. At the subsidiaries in Taiwan and Vietnam, the volume of cargo shipped to Japan decreased. As a result, operating revenue decreased 37.2% from one year earlier to 508 million yen and segment profit decreased 18.6% to 66 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**1) Balance sheet position****Assets**

Total assets increased 692 million yen from the end of the previous fiscal year to 25,581 million yen at the end of the first half of the current fiscal year.

Current assets increased 710 million yen to 21,759 million yen. This was mainly due to increases in advances paid of 421 million yen and cash and deposits of 206 million yen.

Non-current assets decreased 18 million yen to 3,821 million yen. This was mainly due to decreases in customer-related assets of 131 million yen and goodwill of 54 million yen. Property, plant and equipment increased 161 million yen.

Liabilities

Total liabilities increased 10 million yen to 8,296 million yen.

Current liabilities decreased 199 million yen to 6,395 million yen. This was mainly due to a decrease in income taxes payable of 262 million yen.

Non-current liabilities increased 210 million yen to 1,901 million yen. This was mainly due to a 48 million increase in retirement benefit liabilities.

Net assets

Net assets increased 681 million yen to 17,284 million yen. This was mainly due to a decrease of 1,174 million yen resulting from dividends from retained earnings and to profit attributable to owners of parent of 1,545 million yen. There was also a 275 million yen increase in foreign currency translation adjustment.

2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the first half of the current fiscal year were 15,521 million yen, up 197 million yen from the end of the previous fiscal year.

The cash flow components and the main reasons for changes are as follows.

Cash flows from operating activities

Net cash provided by operating activities was 1,410 million yen, a decrease of 57 million yen from the same period of the previous fiscal year. Negative factors include income taxes paid of 1,072 million yen, an increase in advances paid of 421 million yen and share of profit of entities accounted for using equity method of 91 million yen. There were positive factors including profit before income taxes of 2,335 million yen, depreciation of 324 million yen,

interest and dividends received of 208 million yen, a decrease in trade receivables of 63 million yen, an increase in trade payables of 57 million yen and amortization of goodwill of 54 million yen.

Cash flows from investing activities

Net cash used in investing activities was 105 million yen compared with net cash provided of 103 million yen in the same period of the previous fiscal year. Although there were positive factors including proceeds from withdrawal of time deposits of 53 million yen, there were negative factors including payments into time deposits of 55 million yen, payments of guarantee deposits of 40 million yen and purchase of property, plant and equipment of 39 million yen.

Cash flows from financing activities

Net cash used in financing activities was 1,352 million yen, an increase of 390 million yen from the same period of the previous fiscal year. The primary use of cash was cash dividends paid of 1,174 million yen.

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

In every fiscal year, the volume of cargo handled is usually high between September and December because of a large volume of winter apparel and merchandise for the year-end selling season.

There are no revisions to the initial revenue and earnings forecasts for the fiscal year ending in February 2024 because the forecasts are based on our cautious stance regarding the outlook for the volume of imports, shipping rates and other items. An announcement will be made promptly if there is a need to revise these forecasts.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	FY2/23 (As of Feb. 28, 2023)	Second quarter of FY2/24 (As of Aug. 31, 2023)
Assets		
Current assets		
Cash and deposits	15,374	15,580
Notes and accounts receivable-trade	4,159	4,155
Advances paid	1,263	1,684
Other	284	378
Allowance for doubtful accounts	(33)	(39)
Total current assets	21,048	21,759
Non-current assets		
Property, plant and equipment	606	767
Intangible assets		
Goodwill	652	598
Customer-related assets	1,579	1,447
Other	174	163
Total intangible assets	2,406	2,209
Investments and other assets		
Investment securities	551	512
Other	307	362
Allowance for doubtful accounts	(31)	(30)
Total investments and other assets	826	844
Total non-current assets	3,840	3,821
Total assets	24,888	25,581
Liabilities		
Current liabilities		
Accounts payable-trade	2,679	2,778
Current portion of long-term borrowings	1,700	1,700
Income taxes payable	1,051	788
Provision for bonuses	442	452
Provision for bonuses for directors (and other officers)	37	20
Other	684	654
Total current liabilities	6,594	6,395
Non-current liabilities		
Deferred tax liabilities	422	391
Retirement benefit liability	681	730
Provision for retirement benefits for directors (and other officers)	182	198
Asset retirement obligations	226	226
Other	178	355
Total non-current liabilities	1,691	1,901
Total liabilities	8,286	8,296

	(Millions of yen)	
	FY2/23 (As of Feb. 28, 2023)	Second quarter of FY2/24 (As of Aug. 31, 2023)
Net assets		
Shareholders' equity		
Share capital	271	500
Capital surplus	5,274	5,045
Retained earnings	10,323	10,693
Treasury shares	(392)	(392)
Total shareholders' equity	15,476	15,846
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14	36
Foreign currency translation adjustment	832	1,108
Remeasurements of defined benefit plans	(4)	(4)
Total accumulated other comprehensive income	842	1,140
Non-controlling interests	283	297
Total net assets	16,602	17,284
Total liabilities and net assets	24,888	25,581

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Six-month Period)**

(Millions of yen)

	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)
Operating revenue		
Forwarding income	35,744	25,324
Total operating revenue	35,744	25,324
Operating costs		
Forwarding cost	29,983	20,219
Total operating costs	29,983	20,219
Gross profit	5,761	5,105
Selling, general and administrative expenses	3,006	2,900
Operating profit	2,754	2,204
Non-operating income		
Interest income	9	14
Dividend income	3	3
Share of profit of entities accounted for using equity method	78	91
Foreign exchange gains	-	2
Other	19	24
Total non-operating income	111	136
Non-operating expenses		
Interest expenses	7	6
Foreign exchange losses	52	-
Other	0	0
Total non-operating expenses	60	6
Ordinary profit	2,805	2,334
Extraordinary income		
Gain on sale of non-current assets	33	2
Total extraordinary income	33	2
Extraordinary losses		
Loss on sale of non-current assets	-	0
Loss on retirement of non-current assets	23	1
Business structure reform expenses	21	-
Total extraordinary losses	44	1
Profit before income taxes	2,794	2,335
Income taxes-current	923	822
Income taxes-deferred	(49)	(62)
Total income taxes	873	759
Profit	1,920	1,576
Profit attributable to non-controlling interests	46	31
Profit attributable to owners of parent	1,873	1,545

Quarterly Consolidated Statement of Comprehensive Income
(For the Six-month Period)

	(Millions of yen)	
	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)
Profit	1,920	1,576
Other comprehensive income		
Valuation difference on available-for-sale securities	0	21
Foreign currency translation adjustment	602	275
Share of other comprehensive income of entities accounted for using equity method	73	26
Remeasurements of defined benefit plans, net of tax	0	0
Total other comprehensive income	677	324
Comprehensive income	2,597	1,900
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,514	1,843
Comprehensive income attributable to non-controlling interests	82	57

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	2,794	2,335
Depreciation	327	324
Amortization of goodwill	54	54
Increase (decrease) in allowance for doubtful accounts	9	4
Increase (decrease) in provision for bonuses	19	5
Increase (decrease) in provision for bonuses for directors (and other officers)	(17)	(16)
Increase (decrease) in retirement benefit liability	4	49
Increase (decrease) in provision for retirement benefits for directors (and other officers)	14	15
Interest and dividend income	(13)	(18)
Interest expenses	7	6
Share of loss (profit) of entities accounted for using equity method	(78)	(91)
Loss (gain) on sale of non-current assets	(33)	(2)
Loss on retirement of non-current assets	23	1
Business structure reform expenses	21	-
Increase (decrease) in deposits received	(52)	(1)
Decrease (increase) in trade receivables	(977)	63
Decrease (increase) in advances paid	(653)	(421)
Increase (decrease) in trade payables	1,062	57
Other, net	(309)	(84)
Subtotal	2,202	2,280
Interest and dividends received	102	208
Interest paid	(7)	(6)
Payments for business structure reform expenses	(51)	-
Income taxes paid	(778)	(1,072)
Net cash provided by (used in) operating activities	1,467	1,410
Cash flows from investing activities		
Payments into time deposits	(189)	(55)
Proceeds from withdrawal of time deposits	341	53
Purchase of property, plant and equipment	(54)	(39)
Proceeds from sale of property, plant and equipment	39	5
Purchase of intangible assets	(35)	(28)
Payments of guarantee deposits	(6)	(40)
Proceeds from refund of guarantee deposits	9	0
Other, net	(0)	-
Net cash provided by (used in) investing activities	103	(105)

(Millions of yen)

	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)
Cash flows from financing activities		
Purchase of treasury shares	(0)	-
Dividends paid	(845)	(1,174)
Other, net	(116)	(177)
Net cash provided by (used in) financing activities	(962)	(1,352)
Effect of exchange rate change on cash and cash equivalents	561	245
Net increase (decrease) in cash and cash equivalents	1,170	197
Cash and cash equivalents at beginning of period	12,419	15,323
Cash and cash equivalents at end of period	13,589	15,521

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information**Segment Information**

I First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)

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	31,333	3,541	34,874	809	35,683	-	35,683
Other revenue	60	-	60	-	60	-	60
(1) Revenue from external customers	31,393	3,541	34,935	809	35,744	-	35,744
(2) Inter-segment revenue and transfers	62	2,862	2,924	299	3,224	(3,224)	-
Total	31,456	6,403	37,859	1,109	38,969	(3,224)	35,744
Segment profit	2,480	191	2,672	81	2,754	-	2,754

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.

II First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)

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	21,779	2,976	24,755	508	25,263	-	25,263
Other revenue	60	-	60	-	60	-	60
(1) Revenue from external customers	21,839	2,976	24,815	508	25,324	-	25,324
(2) Inter-segment revenue and transfers	41	2,124	2,166	237	2,403	(2,403)	-
Total	21,881	5,100	26,982	745	27,727	(2,403)	25,324
Segment profit	1,900	237	2,138	66	2,204	-	2,204

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.

This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.