FASF MEMBERSHIP

January 8, 2019

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending February 28, 2019 (Nine Months Ended November 30, 2018)

[Japanese GAAP]

Company name: AIT CORPORATION Listing: TSE 1st section
Securities code: 9381 URL: http://www.ait-jp.com/
Representative: Hidekazu Yagura, President and CEO
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Scheduled date of filing of Quarterly Report: January 15, 2019
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, 2018 – November 30, 2018) of the Fiscal Year Ending February 28, 2019

(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, 2018	21,038	12.3	1,255	8.7	1,383	12.2	943	13.3
Nine months ended Nov. 30, 2017	18,732	17.7	1,154	4.6	1,233	6.8	832	7.2

Note: Comprehensive income
Nine months ended Nov. 30, 2018: 878 million yen (up 7.7%)
Nine months ended Nov. 30, 2017: 815 million yen (up 50.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Nov. 30, 2018	49.36	-
Nine months ended Nov. 30, 2017	43.56	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Nov. 30, 2018	8,514	5,781	67.5
As of Feb. 28, 2018	7,654	5,610	72.9

Reference: Equity capital As of Nov. 30, 2018: 5,750 million yen As of Feb. 28, 2018: 5,583 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, 2018	-	16.00	-	19.00	35.00
Fiscal year ending Feb. 28, 2019	-	18.00	-		
Fiscal year ending Feb. 28, 2019 (forecast)				18.00	36.00

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

3. Forecast of Consolidated Results for the Fiscal Year Ending February 28, 2019 (March 1, 2018 – February 28, 2019)

(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	28,500	13.5	1,550	3.5	1,610	1.4	1,150	4.5	60.17

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 Nov. 30, 2018:	19,754,400 shares	As of Feb. 28, 2018:	19,754,400 shares

2) Number of treasury shares at the end of the period

As of Nov. 30, 2018:	640,833 shares	As of Feb. 28, 2018:	640,829 shares

3) Average number of shares outstanding during the period

Nine months ended Nov. 30, 2018:	19,113,569 shares	Nine months ended Nov. 30, 2017:	19,113,614 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

The Japanese economy recovered slowly during the first nine months of the fiscal year ending February 28, 2019. There was an upturn in consumer spending as corporate earnings and the labor market steadily improved. However, the outlook for the economy remains unclear overseas due to concerns regarding the trade friction resulting from the U.S. trade policies.

The AIT Group actively conducted sales activities aimed at receiving more orders for fully integrated service packages that include international freight as well as customs clearance, delivery and other services. Another goal was to extend operations beyond the core apparel and household goods sectors in order to handle freight in categories new to the AIT Group. There were also activities aimed at adding new customers and deepening relationships with large customers and other current customers.

In the second half of the previous consolidated fiscal year, the volume of business, mainly with large customers, which generally has low margins, increased, and more customs clearance work was outsourced. Consequently, the gross profit margin was on a downtrend. In response, the AIT Group focused on revising service rates and took other actions aimed at improving the gross profit margin.

Selling, general and administrative expenses increased, mainly due to higher personnel expenses. To offset this increase and maintain the stability of earnings, there were measures for using integrated freight handling services to increase earnings and for improving the gross profit margin.

Operating revenue increased 12.3% year-on-year to 21,038 million yen. Operating profit was up 8.7% to 1,255 million yen, ordinary profit up 12.2% to 1,383 million yen and profit attributable to owners of parent up 13.3% to 943 million yen.

Pursuant to the resolution approved by the Board of Directors at the meeting held on October 10, 2018 for the share exchange with Nisshin Transportation Co., Ltd. with AIT as the sole parent company and Nisshin Transportation as the wholly owned subsidiary, a share exchange agreement was signed between the two companies. In connection with the conclusion of the share exchange agreement, the Board of Directors approved a resolution on the same day to establish a capital and business alliance with Hitachi Transport System, Ltd., which is the sole parent company of Nisshin Transportation. A capital and business alliance agreement between AIT and Hitachi Transport System was signed on the same day.

Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Additional Information” on page 8 for further information.

Results by business segment are as follows.

1) Japan

In the first nine months of current fiscal year, the AIT Group stepped up sales to capture more orders. As a result, the number of containers handled in the sea freight sector increased 5.5% to 158,302 TEU for imports and 6.8% to 167,407 TEU for total imports and exports, higher than one year earlier. The number of customs clearance orders were largely on par with the same period a year earlier, declining only 0.5% to 66,989. The main reasons were a drop in volume in March because of the Chinese New Year holidays and temporary restrictions on orders, chiefly new orders, because of cargo disruption and delays in Japan caused by typhoon damage in September 2018.

Sea freight rates, mainly on import cargoes, were raised to pass on the higher transportation costs to customers and thus improve earnings.

As a result, operating revenue increased 9.4% to 16,816 million yen. However, segment profit decreased 0.9% to 760 million yen primarily because of increases in operating cost and selling, general and administrative expenses.

2) China

Along with the increase in export and import cargo volumes from China, opportunities to provide services increased involving shipments within China. In addition, the appreciation of the yuan raised yen translations of revenue and earnings in China. As a result, operating revenue increased 16.8% to 3,778 million yen and segment profit increased 12.3% to 481 million yen.

3) Thailand

As the volume of cargo handled is small, operating revenue increased 15.2% to 64 million yen and there was a segment profit of 1 million yen, compared with a 4 million yen loss one year earlier, because of expenses for sales activities.

The subsidiary AIT LOGISTICS (THAILAND) LIMITED ceased its operations on November 30, 2018. This company is currently being liquidated.

4) Other

This segment includes the operations of subsidiaries in the United States and Taiwan and a joint venture in Vietnam. There was slow growth in the volume of freight handled in all three companies. However, the contribution to consolidated operating revenue was negligible because the total freight volume at these companies is still small. In the first nine months, operating revenue was 379 million yen, up from 69 million yen one year earlier, and segment profit was 12 million yen, compared with a 36 million yen loss 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 859 million yen from the end of the previous fiscal year to 8,514 million yen at the end of the period under review. This was mainly due to increases in accounts receivable-trade of 615 million yen and cash and deposits of 167 million yen.

Liabilities

Liabilities increased 688 million yen to 2,733 million yen. This was mainly due to increases in accounts payable-trade of 437 million yen, provision for bonuses of 49 million yen and net defined benefit liability of 33 million yen.

Net assets

Net assets increased 171 million yen to 5,781 million yen. This was mainly due to the booking of profit attributable to owners of parent of 943 million yen, which was partially offset by dividends distributed from retained earnings of 707 million yen and a decrease in foreign currency translation adjustment of 69 million yen.

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

There are no revisions to the full year forecasts of consolidated results for the fiscal year ending February 28, 2019, which was announced on April 11, 2018.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY2/18 (As of Feb. 28, 2018)	Third quarter of FY2/19 (As of Nov. 30, 2018)
Assets		
Current assets		
Cash and deposits	4,434,299	4,601,523
Notes and accounts receivable-trade	1,799,606	2,415,249
Advances paid	954,508	951,615
Other	158,757	196,661
Allowance for doubtful accounts	(19,899)	(21,796)
Total current assets	7,327,273	8,143,254
Non-current assets		
Property, plant and equipment	41,584	50,797
Intangible assets	52,704	88,951
Investments and other assets		
Investment securities	2,904	3,217
Guarantee deposits	225,532	228,336
Other	5,166	232
Allowance for doubtful accounts	(238)	(232)
Total investments and other assets	233,364	231,554
Total non-current assets	327,652	371,303
Total assets	7,654,926	8,514,557
Liabilities		
Current liabilities		
Accounts payable-trade	1,061,969	1,499,114
Income taxes payable	229,140	219,486
Provision for bonuses	69,233	118,882
Provision for directors’ bonuses	16,800	14,250
Other	254,539	395,444
Total current liabilities	1,631,682	2,247,176
Non-current liabilities		
Net defined benefit liability	268,535	302,440
Provision for directors’ retirement benefits	77,670	90,082
Other	66,955	93,570
Total non-current liabilities	413,160	486,093
Total liabilities	2,044,842	2,733,270

(Thousands of yen)

	FY2/18 (As of Feb. 28, 2018)	Third quarter of FY2/19 (As of Nov. 30, 2018)
Net assets		
Shareholders’ equity		
Capital stock	271,140	271,140
Capital surplus	221,590	221,590
Retained earnings	4,920,476	5,156,785
Treasury shares	(68,004)	(68,008)
Total shareholders’ equity	5,345,203	5,581,508
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27	245
Foreign currency translation adjustment	237,880	168,260
Total accumulated other comprehensive income	237,907	168,506
Non-controlling interests	26,972	31,272
Total net assets	5,610,083	5,781,287
Total liabilities and net assets	7,654,926	8,514,557

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY2/18 (Mar. 1, 2017 – Nov. 30, 2017)	First nine months of FY2/19 (Mar. 1, 2018 – Nov. 30, 2018)
Operating revenue		
Forwarding income	18,732,003	21,038,793
Total operating revenue	18,732,003	21,038,793
Operating cost		
Forwarding cost	14,669,249	16,683,018
Total operating cost	14,669,249	16,683,018
Gross profit	4,062,753	4,355,775
Selling, general and administrative expenses	2,907,825	3,100,570
Operating profit	1,154,928	1,255,204
Non-operating income		
Interest income	18,763	10,658
Dividend income	58	60
Foreign exchange gains	32,392	80,732
Other	29,910	37,162
Total non-operating income	81,123	128,614
Non-operating expenses		
Loss on withdrawal of membership	2,700	-
Total non-operating expenses	2,700	-
Ordinary profit	1,233,351	1,383,818
Extraordinary losses		
Loss on retirement of non-current assets	227	367
Total extraordinary losses	227	367
Profit before income taxes	1,233,124	1,383,450
Income taxes-current	460,843	446,964
Income taxes-deferred	(52,029)	(11,704)
Total income taxes	408,814	435,259
Profit	824,309	948,191
Profit (loss) attributable to non-controlling interests	(8,232)	4,680
Profit attributable to owners of parent	832,542	943,510

Quarterly Consolidated Statement of Comprehensive Income

(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY2/18 (Mar. 1, 2017 – Nov. 30, 2017)	First nine months of FY2/19 (Mar. 1, 2018 – Nov. 30, 2018)
Profit	824,309	948,191
Other comprehensive income		
Valuation difference on available-for-sale securities	92	217
Deferred gains or losses on hedges	(38)	-
Foreign currency translation adjustment	(8,560)	(69,998)
Total other comprehensive income	(8,505)	(69,781)
Comprehensive income	815,804	878,410
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	825,604	874,109
Comprehensive income attributable to non-controlling interests	(9,800)	4,300

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders’ Equity

Not applicable.

Additional Information

Conclusion of the Share Exchange Agreement

Pursuant to the resolution approved by the Board of Directors at the meeting held on October 10, 2018 for the share exchange (the “Share Exchange”) with Nisshin Transportation Co., Ltd. (“Nisshin”) with AIT as the sole parent company and Nisshin as the wholly owned subsidiary. A share exchange agreement (the “Agreement”) between AIT and Nisshin was signed on the same day.

At the extraordinary general meeting of shareholders held on December 21, 2018, shareholders approved the Share Exchange with the effective date of March 1, 2019.

In connection with the conclusion of the Agreement, the AIT Board of Directors approved a resolution on October 10, 2018 to establish a capital and business alliance with Hitachi Transport System, Ltd., which is the sole parent company of Nisshin. A capital and business alliance agreement between AIT and Hitachi Transport System was signed on the same day.

1. Purpose of the Share Exchange

AIT is an integrated logistics company with wide-ranging logistics expertise including international transportation, customs clearance and third-party logistics business. AIT specializes mainly in China-related business by having a suitable number of business bases along the Chinese coast since its establishment and provides a high-level transportation service and the rapid cargo-related information for customers. AIT was registered as an Authorized Economic Operator by Japan Customs. AIT, as a company with high-level security and thorough compliance, targets the provision of highly convenient and world-class services in international transportation business.

Nisshin is a wholly owned subsidiary of Hitachi Transport System and provides integrated freight transportation services for both exports and imports, mainly involving China. Nisshin also has transportation-related businesses such as needle detection in apparel shipments, merchandise inspections and distribution processing. Hitachi Transport System was established as the subsidiary of Hitachi, Ltd. in charge of transportation for Hitachi and now provides comprehensive logistics services covering land, sea and air transportation as the Hitachi Transport System Group, which has 95 consolidated subsidiaries.

By making Nisshin a wholly owned subsidiary, AIT intends to expand its marine transportation business between China and Japan in order to improve service quality for customers.

2. Outline of the Share Exchange

(1) Method of the Share Exchange

Based on the Agreement as of October 10, 2018, the Nisshin shares held by Hitachi Transport System will be purchased by AIT and the AIT shares will be allotted to Hitachi Transport System, with an effective date of March 1, 2019.

(2) Allotment in the Share Exchange

	AIT (Sole parent company)	Nisshin (Wholly owned subsidiary)
Exchange ratio	1	1.20

Notes: 1. Ratio of allotment in the Share Exchange
1.20 shares of common stock of AIT will be allotted to 1 share of common stock of Nisshin.
2. The number of shares allotted by the Share Exchange
AIT shall allot 4,800,000 shares of common stock of AIT to Hitachi Transport System, which is the sole parent company of Nisshin. 4,800,000 shares shall consist of 640,800* treasury shares and 4,159,200* shares newly issued.

*The number of treasury shares and newly issued shares allotted may change due to the handling of numbers of shares below one tangen (trading unit).

(3) Treatment of share acquisition rights and bonds with share acquisition rights in association with the Share Exchange

Nisshin has not issued share acquisition rights and bonds with share acquisition rights.

3. Basis of the allotment in the Share Exchange, etc.

(1) Basis of and reason for the allotment

To secure fairness and validity in the analysis of the share exchange ratio used in the Share Exchange (the "Share Exchange Ratio"), it was decided that AIT would request an independent third party to analyze the Share Exchange Ratio and chose IR Japan, Inc. as the third-party financial advisor.

Considering financial positions, achievement trends, stock price trends, etc., of both AIT and Nisshin and the analysis of the Share Exchange Ratio by the third-party financial advisor, AIT, Nisshin and Hitachi Transport System proceeded with careful negotiations and discussions and finally reached the conclusion that the Share Exchange Ratio is reasonable. As a result, the Board of Directors of AIT and Nisshin approved the resolutions on October 10, 2018 to execute the Share Exchange at this Share Exchange Ratio.

(2) Matters related to the analysis

(i) Name of the third-party financial advisor and the relations between AIT, Nisshin and Hitachi Transport System

IR Japan is not a related party of AIT, Nisshin or Hitachi Transport System and does not have any interest related to this Share Exchange to be shown in this document.

(ii) Summary of the analysis

IR Japan performed an average share price analysis on the shares of AIT because it is listed on a Financial Instruments Exchange, as well as a discounted cash flow analysis (hereinafter "DCF") to reflect the future business achievements. An average share price analysis was performed considering such prices of shares of AIT in the first section of the Tokyo Stock Exchange as follows:

a) Average daily closing price from April 10, 2018 to October 9, 2018.
b) Average daily closing price from July 10, 2018 to October 9, 2018.
c) Average daily closing price from September 10, 2018 to October 9, 2018.
d) Average daily closing price from October 2, 2018 to October 9, 2018.
e) Closing price on October 9, 2018.

IR Japan performed a comparable companies analysis on the shares of Nisshin because it is not listed in the Financial Instruments Exchange, but there are a plurality of listed companies in charge of similar business, as well as DCF to reflect the future business achievements.

Value ranges calculated by using 1 as the value of one share of AIT stock are as follows.

<table>
<tr><th colspan="2">Method</th><th rowspan="2">Results</th></tr>
<tr><th>AIT</th><th>Nisshin</th></tr>
<tr><td>Average share price analysis</td><td>Comparable companies analysis</td><td>0.80–1.13</td></tr>
<tr><td>DCF</td><td>DCF</td><td>1.05–1.67</td></tr>
</table>

IR Japan has relied upon and assumes the accuracy and completeness of all information that was furnished by AIT and Nisshin or is publicly available and IR Japan has not independently verified such information, its accuracy or completeness. IR Japan has not independently evaluated and has not asked a third party to evaluate any assets or liabilities (including contingent liabilities) of AIT, Nisshin or their affiliates. The Share Exchange Ratio analysis by IR Japan is based on such information and economic condition as of October 9, 2018. The expected future financial conditions (including profit plans) are based on the best currently available estimates and judgments by the managements of AIT and Nisshin.

The business plans of AIT and Nisshin which IR Japan relied upon for the analysis of DCF do not include business years with significant profit fluctuations. The expected future financial conditions of AIT and Nisshin which IR Japan relied upon for the analysis of DCF do not include the execution of this Share Exchange.

(3) Prospects and reasons for delisting

Not applicable.

(4) Measures to ensure fairness

In order to ensure fairness and validity of the decision of the number of AIT shares allotted to the shareholders of Nisshin, AIT chose IR Japan as the independent third-party financial advisor and requested them to evaluate the shares of Nisshin. AIT has not received from IR Japan a Fairness Opinion stating the validity of consideration for the Share Exchange.

4. Summary of accounting method

The Share Exchange is a transaction that meets the standards for accounting methods concerning business combinations. AIT expects to record goodwill on its balance sheet following the Share Exchange but the amount of this goodwill has not yet been determined.

Segment and Other Information

I First nine months of FY2/18 (Mar. 1, 2017 – Nov. 30, 2017)

Information related to operating revenue and profit or loss for each reportable segment (Thousands of yen)

	Reportable segment				Other (Note 2)	Total	Adjustment	Amounts shown on quarterly consolidated statement of income (Note 3)
	Japan	China (Note 1)	Thailand	Total				
Operating revenue								
(1) Revenue from external customers	15,373,021	3,233,672	56,269	18,662,962	69,040	18,732,003	-	18,732,003
(2) Inter-segment revenue and transfers	77,060	1,774,896	34,025	1,885,982	60,546	1,946,528	(1,946,528)	-
Total	15,450,081	5,008,568	90,295	20,548,945	129,587	20,678,532	(1,946,528)	18,732,003
Segment profit (loss)	767,618	428,712	(4,530)	1,191,800	(36,872)	1,154,928	-	1,154,928

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 the U.S., Taiwan and Vietnam.
3. Segment profit (loss) is consistent with operating profit recorded in the quarterly consolidated statement of income.

II First nine months of FY2/19 (Mar. 1, 2018 – Nov. 30, 2018)

Information related to operating revenue and profit or loss for each reportable segment (Thousands of yen)

	Reportable segment				Other (Note 2)	Total	Adjustment	Amounts shown on quarterly consolidated statement of income (Note 3)
	Japan	China (Note 1)	Thailand	Total				
Operating revenue								
(1) Revenue from external customers	16,816,085	3,778,369	64,815	20,659,271	379,522	21,038,793	-	21,038,793
(2) Inter-segment revenue and transfers	154,123	1,846,501	23,826	2,024,452	193,472	2,217,924	(2,217,924)	-
Total	16,970,209	5,624,871	88,642	22,683,723	572,994	23,256,718	(2,217,924)	21,038,793
Segment profit	760,689	481,250	1,105	1,243,045	12,158	1,255,204	-	1,255,204

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 the U.S., Taiwan and Vietnam.
3. Segment profit is consistent with operating profit recorded in the quarterly consolidated statement of income.