



October 12, 2020

Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending February 28, 2021
(Six Months Ended August 31, 2020)

[Japanese GAAP]

Company name: AIT CORPORATION

Listing: TSE 1st section

Securities code: 9381

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Scheduled date of filing of Quarterly Report: October 15, 2020

Scheduled date of payment of dividend: October 29, 2020

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, 2020 – August 31, 2020) of the Fiscal Year Ending February 28, 2021

(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, 2020	21,581	(3.9)	883	19.2	1,051	13.4	716	11.3
Six months ended Aug. 31, 2019	22,451	72.7	741	3.9	926	20.2	643	22.0

Note: Comprehensive income Six months ended Aug. 31, 2020: 636 million yen (up 19.3%)

Six months ended Aug. 31, 2019: 552 million yen (up 19.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2020	30.23	-
Six months ended Aug. 31, 2019	26.91	-

Notes: 1. At the end of the previous fiscal year, a provisional accounting method used for a business combination was finalized. All figures for the six months ended Aug. 31, 2019 reflect the replacement of this provisional method with the finalized numbers.

2. AIT acquired 220,000 treasury shares upon resolution of the Board of Directors on November 19, 2019. In addition, AIT acquired 83,900 treasury shares upon resolution of the Board of Directors on July 13, 2020. The net income per share for the six months ended Aug. 31, 2020 is calculated using an average number of shares during the period of 23,685,574.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of Aug. 31, 2020	20,526		11,789		55.6	
As of Feb. 29, 2020	20,644		11,715		54.9	

Reference: Equity capital As of Aug. 31, 2020: 11,407 million yen As of Feb. 29, 2020: 11,342 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. 29, 2020	-	18.00	-	18.00	36.00
Fiscal year ending Feb. 28, 2021	-	18.00	-	-	-
Fiscal year ending Feb. 28, 2021 (forecast)	-	-	-	18.00	36.00

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

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2021 (March 1, 2020 – February 28, 2021)

(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	45,500	1.1	1,765	12.0	2,045	5.0	1,420	7.1	59.93

Notes: 1. Revision to the most recently announced forecast of consolidated results: None

2. The AIT Board of Directors approved a resolution on November 19, 2019 to repurchase its own shares. Net income per share forecast has been adjusted to reflect the stock repurchase. The AIT Board of Directors approved a resolution on July 13, 2020 to repurchase its own shares. Net income per share forecast has not been adjusted to reflect the stock repurchase.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: -

Excluded: 1, Nisshin Trans Consolidator Co., Ltd.

(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, 2020:	23,913,600 shares	As of Feb. 29, 2020:	23,913,600 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2020:	303,933 shares	As of Feb. 29, 2020:	146,733 shares
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3) Average number of shares during the period

Six months ended Aug. 31, 2020:	23,685,574 shares	Six months ended Aug. 31, 2019:	23,913,567 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

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.

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 28, 2021, there was a sharp downturn of the Japanese economy because of the severe impact of the COVID-19 pandemic on the activities of companies and consumers. Although Japan's state of emergency has ended, caution is still needed regarding economic activities because of the continuing risk of new infections.

In the first quarter, the Chinese government stopped economic activities, including by extending the Spring Festival holiday, because of the COVID-19 outbreak. The result was a temporary halt in cargo movements and the suspension of the production of exported products. In March, manufacturing of products in China slowly restarted and most cargo shipments resumed. In Japan, the government declared a state of emergency in April. The economic impact was enormous and there are currently concerns about a further decline in consumer spending in Japan.

The AIT Group has responded to this crisis by using new ways to conduct sales activities, such as teleworking and meetings using the internet. During the first half, there were many activities for increasing orders involving sea freight, customs clearance and deliveries in Japan for goods imported from China and Southeast Asia. Sales activities also focused on orders for subcontracting services associated with imports and exports, such as inspections, needle detection and processing.

In the AIT Group's international cargo transportation business, most of the cargo is apparel, household products, miscellaneous products, consumer electronics, and other consumer products sold in Japan.

In the first half, the volume of apparel was low, mainly at current customers, because sales of apparel to consumers were down significantly due to the decline in opportunities to go out for shopping during the COVID-19 crisis. But the big increase in the amount of time people spend at home resulted in strong cargo volume growth for products required for household activities, such as household and other miscellaneous products, home appliances, and other products. The higher volume of these household goods offset the downturn in the apparel category. To hold down selling, general and administrative expenses and generate profit, group companies used teleworking and other measures to reduce personnel expenses and other expenses required for business operations.

Operating revenue decreased 3.9% year-on-year to 21,581 million yen, but earnings were higher at all levels mainly due to measures to hold down selling, general and administrative expenses. As a result, operating profit was up 19.2% to 883 million yen, ordinary profit was up 13.4% to 1,051 million yen and profit attributable to owners of parent increased 11.3% to 716 million yen.

Results by business segment are as follows.

In "Other," which is not a reportable segment, U.S. subsidiary AIT International of America, Inc. terminated its operations on February 29, 2020 and is currently being liquidated.

1) Japan

The declaration of a state of emergency and the accompanying limitations on going out and other restrictions caused consumer spending and corporate business activity to plummet. Even after the state of emergency ended, the upturn in consumer spending was slow despite the start of an economic recovery. Consequently, the economic outlook remains uncertain.

During the first half, the volume of cargo was low, especially for apparel. To capture more orders, there were many sales activities by using online meetings and other new channels.

Due to these activities, the number of containers handled in the sea freight sector increased 1.0% from one year earlier to 129,385 TEU for imports and the total for imports and exports was about the same, decreasing 0.6% to 135,798 TEU. Customs clearance orders decreased 9.8% to 68,101.

As a result, operating revenue decreased 3.4% to 17,216 million yen. Segment profit increased 24.8% to 600 million yen mainly because of an improvement in the gross profit margin and measures to hold down personnel expenses and expenses for sales activities.

2) China

New orders for cargo shipments and associated services such as merchandise inspections and needle detection stopped temporarily because of the extension of the Spring Festival holiday and other responses by the Chinese government to the COVID-19 outbreak. Opportunities to earn profits in China declined as a result.

In March, following the Spring Festival holiday, factories slowly began to restart operations and cargo shipments resumed. However, operating revenue was down 9.8% from one year earlier to 3,670 million yen because of the big decline in profit opportunities in February. Segment profit increased 14.9% to 251 million yen because of measures to hold down personnel expenses and expenses for business operations.

3) Other

The liquidation of a U.S. subsidiary and lower revenue at the Myanmar subsidiary because of COVID-19 had a negative effect on the performance of this segment. However, operating revenue increased 25.1% to 693 million yen because of the stable earnings of subsidiaries in Taiwan and Vietnam. Segment profit decreased 23.4% to 31 million yen because of expenses for sales activities.

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 decreased 118 million yen from the end of the previous fiscal year to 20,526 million yen at the end of the period under review.

Current assets increased 245 million yen to 15,698 million yen. This was mainly due to increases in notes and accounts receivable-trade of 746 million yen and advances paid of 353 million yen, which were partially offset by a decrease in cash and deposits of 781 million yen.

Non-current assets decreased 363 million yen to 4,828 million yen. This was mainly due to decreases in customer-related assets of 131 million yen, investment securities of 75 million yen and goodwill of 54 million yen.

Liabilities

Total liabilities decreased 192 million yen to 8,736 million yen.

Current liabilities decreased 134 million yen to 7,256 million yen. This was mainly due to a decrease in short-term borrowings of 4,324 million yen, which was partially offset by increases in current portion of long-term borrowings of 3,700 million yen, accounts payable-trade of 478 million yen and provision for bonuses of 44 million yen.

Non-current liabilities decreased 57 million yen to 1,479 million yen. This was mainly due to a decrease in deferred tax liabilities of 60 million yen.

Net assets

Net assets increased 73 million yen to 11,789 million yen. This was mainly due to a booking of profit attributable to owners of parent of 716 million yen and dividends distributed from retained earnings of 427 million yen. In addition, there were a 127 million yen decrease due to purchase of treasury shares and a 90 million yen decrease in foreign currency translation adjustment.

2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the period under review were 9,826 million yen, down 986 million yen over the end of the previous fiscal year.

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

Cash flows from operating activities

Net cash provided by operating activities was 431 million yen, an increase of 303 million yen from the same period of the previous fiscal year. Although there were negative factors including increases in trade receivables of 761 million yen and advances paid of 353 million yen, income taxes paid of 335 million yen and share of profit of entities accounted for using equity method of 73 million yen, there were positive factors including profit before income taxes of 1,042 million yen, an increase in trade payables of 490 million yen, depreciation of 251 million yen, interest and dividends received of 166 million yen, amortization of goodwill of 54 million yen, and an increase in provision for bonuses of 45 million yen.

Cash flows from investing activities

Net cash used in investing activities was 169 million yen, a decrease of 131 million yen from the same period of the previous fiscal year. Although there were positive factors including proceeds from withdrawal of time deposits of 316 million yen, there were negative factors including payments into time deposits of 523 million yen.

Cash flows from financing activities

Net cash used in financing activities was 1,192 million yen, compared with net cash provided of 55 million yen in the same period of the previous fiscal year. Although there were positive factors including proceeds from long-term borrowings of 3,700 million yen and short-term borrowings of 76 million yen, there were negative factors including repayments of short-term borrowings of 4,399 million yen, cash dividends paid of 427 million yen and purchase of treasury shares of 127 million yen.

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

First half operating revenue was below the first half forecast announced on July 13, 2020 but first half operating profit, ordinary profit and profit attributable to owners of parent were all higher than the forecast.

Apparel, household products and miscellaneous products account for a large share of the cargo handled by the AIT Group. Every fiscal year, the volume of international cargo in these categories is usually highest in the third quarter. For apparel, the outlook is for the volume of cargo to remain low during the remainder of this fiscal year. To offset the decline in the apparel category, we will concentrate on increasing the volume of cargo in the household products, miscellaneous products and other categories where the growth rate is strong. These activities will be accompanied by measures for lowering personnel expenses, fixed expenses and many other expenses in order to generate profit.

Consumer spending in Japan, which affects the AIT Group's performance, is slowly recovering but remains lackluster because of the COVID-19 crisis. The outlook for the group's business climate therefore will probably remain uncertain.

Based on this outlook, we maintain the full year forecasts of consolidated results for the fiscal year ending February 28, 2021, which was announced on July 13, 2020. If revisions to the forecast become necessary, we will make an announcement promptly.

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

(Thousands of yen)

	FY2/20 (As of Feb. 29, 2020)	Second quarter of FY2/21 (As of Aug. 31, 2020)
Assets		
Current assets		
Cash and deposits	10,971,134	10,189,333
Notes and accounts receivable-trade	3,009,596	3,756,455
Advances paid	898,275	1,251,668
Other	603,799	536,206
Allowance for doubtful accounts	(30,073)	(35,653)
Total current assets	15,452,732	15,698,011
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	218,466	196,627
Machinery, equipment and vehicles, net	265,146	250,723
Other, net	97,457	93,404
Total property, plant and equipment	581,070	540,755
Intangible assets		
Goodwill	979,334	924,926
Customer-related assets	2,368,800	2,237,200
Other	254,947	214,530
Total intangible assets	3,603,081	3,376,656
Investments and other assets		
Investment securities	607,619	531,684
Deferred tax assets	88,021	80,972
Guarantee deposits	258,539	250,829
Other	53,477	47,447
Allowance for doubtful accounts	-	(251)
Total investments and other assets	1,007,658	910,681
Total non-current assets	5,191,810	4,828,093
Total assets	20,644,542	20,526,105
Liabilities		
Current liabilities		
Accounts payable-trade	1,616,438	2,095,251
Short-term borrowings	4,347,040	22,845
Current portion of long-term borrowings	-	3,700,000
Income taxes payable	396,152	388,125
Provision for bonuses	288,449	333,348
Provision for bonuses for directors (and other officers)	31,604	16,390
Other	711,463	700,945
Total current liabilities	7,391,148	7,256,906
Non-current liabilities		
Retirement benefit liability	535,126	543,526
Provision for retirement benefits for directors (and other officers)	131,965	126,472
Deferred tax liabilities	624,746	564,092
Asset retirement obligations	207,393	206,293
Other	38,418	39,266
Total non-current liabilities	1,537,650	1,479,651
Total liabilities	8,928,799	8,736,558

	(Thousands of yen)	
	FY2/20 (As of Feb. 29, 2020)	Second quarter of FY2/21 (As of Aug. 31, 2020)
Net assets		
Shareholders' equity		
Share capital	271,140	271,140
Capital surplus	5,275,185	5,275,185
Retained earnings	5,929,306	6,217,628
Treasury shares	(144,392)	(271,752)
Total shareholders' equity	11,331,240	11,492,202
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(8,102)	(13,377)
Foreign currency translation adjustment	19,388	(71,526)
Remeasurements of defined benefit plans	(265)	(246)
Total accumulated other comprehensive income	11,020	(85,150)
Non-controlling interests	373,482	382,495
Total net assets	11,715,743	11,789,546
Total liabilities and net assets	20,644,542	20,526,105

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

(Thousands of yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Operating revenue		
Forwarding income	22,451,873	21,581,222
Total operating revenue	22,451,873	21,581,222
Operating cost		
Forwarding cost	18,405,458	17,726,677
Total operating cost	18,405,458	17,726,677
Gross profit	4,046,414	3,854,544
Selling, general and administrative expenses	3,304,895	2,970,783
Operating profit	741,519	883,760
Non-operating income		
Interest income	12,559	20,161
Dividend income	2,442	3,724
Share of profit of entities accounted for using equity method	107,115	73,388
Foreign exchange gains	36,168	43,133
Other	31,524	30,001
Total non-operating income	189,811	170,408
Non-operating expenses		
Interest expenses	2,004	2,035
Other	2,399	768
Total non-operating expenses	4,403	2,803
Ordinary profit	926,927	1,051,365
Extraordinary income		
Gain on sales of non-current assets	60	-
Gain on sales of shares of subsidiaries and associates	20,408	-
Total extraordinary income	20,468	-
Extraordinary losses		
Loss on sales of non-current assets	-	89
Loss on retirement of non-current assets	895	2,941
Loss on valuation of membership	-	5,490
Total extraordinary losses	895	8,520
Profit before income taxes	946,499	1,042,844
Income taxes-current	310,886	357,983
Income taxes-deferred	(29,474)	(50,085)
Total income taxes	281,412	307,898
Profit	665,087	734,946
Profit attributable to non-controlling interests	21,688	18,821
Profit attributable to owners of parent	643,399	716,125

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

(Thousands of yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Profit	665,087	734,946
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,414)	(5,274)
Foreign currency translation adjustment	(105,109)	(77,160)
Share of other comprehensive income of entities accounted for using equity method	-	(16,446)
Remeasurements of defined benefit plans, net of tax	-	18
Total other comprehensive income	(112,524)	(98,862)
Comprehensive income	552,563	636,083
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	533,524	619,954
Comprehensive income attributable to non-controlling interests	19,039	16,129

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	946,499	1,042,844
Depreciation	234,117	251,733
Amortization of goodwill	61,622	54,407
Increase (decrease) in allowance for doubtful accounts	2,743	5,971
Increase (decrease) in provision for bonuses	(2,908)	45,550
Increase (decrease) in provision for bonuses for directors (and other officers)	(9,850)	(15,214)
Increase (decrease) in retirement benefit liability	(40,194)	8,418
Increase (decrease) in provision for retirement benefits for directors (and other officers)	9,384	(5,492)
Interest and dividend income	(15,002)	(23,885)
Interest expenses	2,004	2,035
Foreign exchange losses (gains)	1,908	1,293
Share of loss (profit) of entities accounted for using equity method	(107,115)	(73,388)
Loss (gain) on sales of property, plant and equipment	(60)	89
Loss on retirement of property, plant and equipment	895	2,941
Loss (gain) on sales of shares of subsidiaries and associates	(20,408)	-
Loss on valuation of membership	-	5,490
Increase (decrease) in deposits received	(856,283)	(23,000)
Decrease (increase) in trade receivables	(710,107)	(761,612)
Decrease (increase) in advances paid	(103,086)	(353,426)
Increase (decrease) in trade payables	459,102	490,613
Other, net	196,296	(52,911)
Subtotal	49,559	602,459
Interest and dividends received	154,538	166,983
Interest paid	(2,027)	(2,088)
Income taxes paid	(74,309)	(335,952)
Net cash provided by (used in) operating activities	127,761	431,402
Cash flows from investing activities		
Payments into time deposits	(405,000)	(523,735)
Proceeds from withdrawal of time deposits	324,000	316,210
Purchase of property, plant and equipment	(72,419)	(29,361)
Proceeds from sales of property, plant and equipment	81	104
Purchase of intangible assets	(99,798)	(6,085)
Proceeds from sales of investment securities	28,935	-
Payments of guarantee deposits	(81,986)	(5,888)
Proceeds from refund of guarantee deposits	1,958	2,250
Other, net	3,303	76,588
Net cash provided by (used in) investing activities	(300,925)	(169,916)

(Thousands of yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Cash flows from financing activities		
Proceeds from short-term borrowings	4,397,200	76,850
Repayments of short-term borrowings	(3,981,000)	(4,399,905)
Proceeds from long-term borrowings	-	3,700,000
Purchase of treasury shares	-	(127,360)
Repayments of lease obligations	(5,798)	(15,228)
Dividends paid	(343,999)	(427,019)
Dividends paid to non-controlling interests	(10,340)	-
Other, net	(353)	-
Net cash provided by (used in) financing activities	55,708	(1,192,663)
Effect of exchange rate change on cash and cash equivalents	(63,080)	(55,016)
Net increase (decrease) in cash and cash equivalents	(180,537)	(986,193)
Cash and cash equivalents at beginning of period	4,837,559	10,812,741
Increase in cash and cash equivalents by share exchange	4,451,253	-
Cash and cash equivalents at end of period	9,108,274	9,826,548

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in the Scope of Consolidation or Application of the Equity Method

Important changes in the scope of consolidation

During the first quarter of FY2/21, consolidated subsidiary Nisshin Trans Consolidator Co., Ltd. merged with consolidated subsidiary Nisshin Transportation Co., Ltd., which is the surviving company. Following the merger, Nisshin Trans Consolidator was dissolved and excluded from the scope of consolidation.

Additional Information

Although Japan has ended the state of emergency, it is still impossible to predict the upcoming effects of this crisis and when it will end. Accounting estimates used for the preparation of the financial statements reflect the business climate and other factors concerning this crisis as of around the end of the previous fiscal year. Management believes that the effects of COVID-19 do not require significant revisions to the factors used for these accounting estimates. If the downturns of economies become even worse because of this crisis, there may be an effect on results of operations. Currently, accounting estimates for the recoverability of deferred tax assets, goodwill valuation and other items are based on the assumption that factors used to determine these estimates will remain the same as during normal business operations.

Segment and Other Information**Segment Information**

I First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)

1. 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)	Sub-total				
Operating revenue							
(1) Revenue from external customers	17,829,521	4,067,924	21,897,446	554,427	22,451,873	-	22,451,873
(2) Inter-segment revenue and transfers	132,511	2,077,798	2,210,309	261,258	2,471,568	(2,471,568)	-
Total	17,962,032	6,145,723	24,107,756	815,685	24,923,441	(2,471,568)	22,451,873
Segment profit	481,166	219,052	700,218	41,300	741,519	-	741,519

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, Vietnam and Myanmar.

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

4. The amount of segment profit reflects a significant revision of the initial allocation of the acquisition cost arising from finalization of the provisional accounting method for business combinations, which is stated in "Notes to Quarterly Consolidated Financial Statements, Business Combinations."

2. Information related to assets for each reportable segment

On March 1, 2019, AIT and Nisshin Transportation conducted a share exchange with AIT as the sole parent company and Nisshin Transportation as the wholly owned subsidiary. Accordingly, Nisshin Transportation and Nisshin Trans Consolidator, Nisshin Global Logistics (Shanghai), Nisshin International Trading (Shanghai), and Nisshin (Myanmar), which are subsidiaries of Nisshin Transportation, were included in the scope of consolidation beginning in the first quarter of FY2/20.

As a result, segment assets in “Japan,” “China” and “Other” increased 10,614,643 thousand yen, 4,439,319 thousand yen and 774,766 thousand yen, respectively, from the end of FY2/19. The amount of segment assets reflects a significant revision of the initial allocation of the acquisition cost arising from finalization of the provisional accounting method for business combinations, which is stated in “Notes to Quarterly Consolidated Financial Statements, Business Combinations.”

II First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)

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

	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	17,216,990	3,670,789	20,887,780	693,441	21,581,222	-	21,581,222
(2) Inter-segment revenue and transfers	78,480	1,794,261	1,872,741	220,048	2,092,789	(2,092,789)	-
Total	17,295,470	5,465,051	22,760,522	913,489	23,674,011	(2,092,789)	21,581,222
Segment profit	600,363	251,776	852,139	31,621	883,760	-	883,760

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, Vietnam and Myanmar. U.S. subsidiary AIT International of America terminated its operations on February 29, 2020 and is currently being liquidated.

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

Business Combinations

Significant revision of initial allocation of acquisition cost in comparative information

A provisional accounting method was used in the second quarter of the previous fiscal year for the business combination on March 1, 2019 involving Nisshin Transportation. This provisional method was finalized at the end of the previous fiscal year.

Due to the finalization of this method, a significant revision of the initial allocation of the acquisition cost is incorporated in the comparative information in the consolidated financial statements for the first half of the current fiscal year. The value of goodwill was finalized, resulting in a 2,214,525 thousand yen reduction in goodwill from the provisional value of 3,309,880 thousand yen to the final value of 1,095,355 thousand yen. The main reasons for this decrease are a 2,632,000 thousand yen increase in customer-related assets and the recognition of deferred tax liabilities of 804,865 thousand yen in conjunction with this increase.

In the consolidated statement of income for the first half of the previous fiscal year, this reduction of goodwill lowered the amortization of goodwill and increased amortization expenses for intangible assets, resulting in a 20,892 thousand yen increase in selling, general and administrative expenses. Consequently, operating profit, ordinary profit and profit before income taxes each decreased 20,892 thousand yen, while profit and profit attributable to owners of parent increased 19,351 thousand yen.

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.