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On **July 30, 2019**, Naigai Trans Line Ltd. (NTL) announced earnings results for 1H FY12/19.

Cumulative (JPYmm)	FY12/18				FY12/19				FY12/19		FY12/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.	% of FY	FY Est.
Sales	5,548	11,350	17,145	23,254	5,526	11,301			95.6%	11,820	46.1%	24,500
YoY	6.9%	7.9%	6.5%	7.1%	-0.4%	-0.4%				4.1%		5.4%
Gross profit	1,454	3,046	4,608	6,296	1,491	3,129						
YoY	-0.6%	3.2%	3.7%	5.1%	2.6%	2.7%						
GPM	26.2%	26.8%	26.9%	27.1%	27.0%	27.7%						
SG&A expenses	1,142	2,311	3,510	4,679	1,193	2,411						
YoY	3.9%	3.5%	4.0%	4.2%	4.5%	4.3%						
SG&A ratio	20.6%	20.4%	20.5%	20.1%	21.6%	21.3%						
Operating profit	311	735	1,098	1,617	298	718			89.8%	800	41.0%	1,750
YoY	-14.2%	2.2%	2.9%	7.8%	-4.4%	-2.2%				8.9%		8.2%
OPM	5.6%	6.5%	6.4%	7.0%	5.4%	6.4%				6.8%		7.1%
Recurring profit	278	721	1,109	1,657	312	738			88.9%	830	41.2%	1,790
YoY	-28.5%	-3.6%	0.0%	4.3%	12.0%	2.3%				15.1%		8.0%
RPM	5.0%	6.4%	6.5%	7.1%	5.6%	6.5%				7.0%		7.3%
Net income	195	483	736	1,147	202	502			88.0%	570	41.1%	1,220
YoY	-48.3%	-21.8%	-16.1%	-3.8%	3.7%	4.0%				18.1%		6.4%
Net margin	3.5%	4.3%	4.3%	4.9%	3.7%	4.4%				4.8%		5.0%

Quarterly (JPYmm)	FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	5,548	5,802	5,795	6,110	5,526	5,775		
YoY	6.9%	8.8%	4.0%	8.8%	-0.4%	-0.5%		
Gross profit	1,454	1,592	1,562	1,688	1,491	1,639		
YoY	-0.6%	6.9%	4.8%	9.1%	2.6%	2.9%		
GPM	26.2%	27.4%	27.0%	27.6%	27.0%	28.4%		
SG&A expenses	1,142	1,169	1,199	1,169	1,193	1,218		
YoY	3.9%	3.1%	5.0%	4.9%	4.5%	4.2%		
SG&A ratio	20.6%	20.1%	20.7%	19.1%	21.6%	21.1%		
Operating profit	311	424	364	518	298	421		
YoY	-14.2%	18.9%	4.2%	19.9%	-4.4%	-0.7%		
OPM	5.6%	7.3%	6.3%	8.5%	5.4%	7.3%		
Recurring profit	278	443	388	548	312	426		
YoY	-28.5%	23.3%	7.7%	14.2%	12.0%	-3.8%		
RPM	5.0%	7.6%	6.7%	9.0%	5.6%	7.4%		
Net income	195	287	253	411	202	299		
YoY	-48.3%	20.0%	-2.6%	30.3%	3.7%	4.2%		
Net margin	3.5%	5.0%	4.4%	6.7%	3.7%	5.2%		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Performance breakdown by segment

Cumulative (JPYmn)	FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	5,548	11,350	17,145	23,254	5,526	11,301		
YoY	6.9%	7.9%	6.5%	7.1%	-0.4%	-0.4%		
Japan	3,716	7,604	11,474	15,630	3,665	7,447		
YoY	7.2%	8.1%	6.5%	7.4%	-1.4%	-2.1%		
Overseas	1,832	3,746	5,671	7,624	1,861	3,854		
YoY	6.3%	7.3%	6.7%	6.6%	1.6%	2.9%		
Operating profit	311	735	1,098	1,617	298	718		
YoY	-14.2%	2.2%	2.9%	7.8%	-4.4%	-2.2%		
Japan	193	458	686	1,036	205	464		
YoY	-12.9%	8.1%	7.4%	12.1%	6.4%	1.2%		
Overseas	125	289	431	606	136	303		
YoY	-15.6%	-6.1%	-3.8%	0.8%	8.8%	4.7%		
Eliminations, company-wide	-6	-13	-19	-25	-43	-48		

Quarterly (JPYmn)	FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	5,548	5,802	5,795	6,110	5,526	5,775		
YoY	6.9%	8.8%	4.0%	8.8%	-0.4%	-0.5%		
Japan	3,716	3,888	3,870	4,157	3,665	3,782		
YoY	7.2%	9.0%	3.4%	9.9%	-1.4%	-2.7%		
Overseas	1,832	1,914	1,925	1,953	1,861	1,993		
YoY	6.3%	8.3%	5.4%	6.5%	1.6%	4.1%		
Operating profit	311	424	364	518	298	421		
YoY	-14.2%	18.9%	4.2%	19.9%	-4.4%	-0.7%		
Japan	193	265	228	350	205	259		
YoY	-12.9%	31.1%	6.1%	22.6%	6.4%	-2.5%		
Overseas	125	164	142	175	136	167		
YoY	-15.6%	2.8%	1.3%	14.2%	8.8%	1.6%		
Eliminations, company-wide	-6	-6	-6	-6	-43	-5		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

External environment (reference)

Cumulative (Average for cumulative period)	FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Trade index (volume)	106.8	107.8	107.0	107.7	101.4			
YoY	4.2%	4.9%	2.8%	1.7%	-5.1%			
Trade index (value)	105.4	106.1	106.3	107.8	101.4			
YoY	4.9%	6.2%	5.1%	4.1%	-3.9%			
Marine container export (JPYtn)	2.84	2.91	2.93	2.97	2.82			
YoY	5.1%	7.0%	6.1%	5.0%	-0.8%			
USD/JPY	108.2	108.6	109.6	110.4	110.2			
YoY	-4.8%	-3.3%	-2.1%	-1.6%	1.8%			

Quarterly (Three months average)	FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Trade index (volume)	106.8	108.9	105.5	109.6	101.4			
YoY	4.2%	5.6%	-1.1%	-1.4%	-5.1%			
Trade index (value)	105.4	106.9	106.6	112.1	101.4			
YoY	4.9%	7.5%	2.9%	1.3%	-3.9%			
Marine container export (JPYtn)	2.84	2.98	2.96	3.10	2.82			
YoY	5.1%	8.9%	4.2%	2.0%	-0.8%			
USD/JPY	108.2	109.1	111.4	112.9	110.2			
YoY	-4.8%	-1.8%	0.4%	-0.1%	1.8%			

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: JPY/USD exchange rates are based on the monthly average of TTM.

1H FY12/19 results

- ▷ Sales: JPY11.3bn (-0.4% YoY)
- ▷ Operating profit: JPY718mn (-2.2% YoY)
- ▷ Recurring profit: JPY738mn (+2.3% YoY)
- ▷ Net income*: JPY502mn (+4.0% YoY)

*Net Income refers to net income attributable to parent company shareholders.

In terms of Japan's trading volume, which has an impact on NTL's earnings, the total value of exports has been down YoY since end 2018 due to slowing economic growth in China and appreciation of the yen against foreign currencies.

This being the final year of its third medium-term plan (covering January 2017–December 2019), the company strengthened its initiatives targeting growth as a comprehensive international freight forwarder. It has expanded handling volume in the focus areas of customs clearance and overseas warehousing, which has contributed to improving performance.

In 1H, sales fell YoY. SG&A expenses increased in part because of expenses related to the acquisition of Naigai Busan Logistics Center Co., Ltd., the result being that operating profit was down YoY. Recurring profit and net income were both up despite the decline in operating profit. This is not only because non-operating expenses declined as forex losses narrowed to JPY22mn (versus JPY45mn in 1H FY12/18), but also because non-operating income increased on receipt of JPY10mn in compensation for transfer (none in 1H FY12/18).

At the parent, sales fell YoY due to decreased handling volume, but gross profit increased. Unit prices rose as a result of a pricing revision, which in turn made the GPM improve. With the improved GPM, parent operating profit was also up YoY.

Overseas group companies remained strong, with higher sales and profit. Naigai Busan Logistics Center, which began operating in April 2019, contributed to earnings.

Earnings by segment were as follows.

Japan

- ▷ Sales: JPY7.4bn (-2.1% YoY)
- ▷ Operating profit: JPY464mn (+1.2% YoY)

Unit prices rose at the parent, but sales were down on lower handling volume caused by an economic downturn. At domestic subsidiaries, Flying Fish Inc. saw higher sales as it increased the handling of foods imported from Europe. UCI Air Freight Japan, Inc., saw lower sales on a decline in air freight volume and disruption at Kansai International Airport caused by the G20 Osaka summit.

Overseas

- ▷ Sales: JPY3.9bn (+2.9% YoY)
- ▷ Operating profit: JPY303mn (+4.7% YoY)

Sales increased at SHANGHAI NTL-LOGISTICS LIMITED and NTL NAIGAI TRANS LINE (USA) INC. Naigai Busan Logistics Center also contributed to sales. Operating profit was up on higher sales and lower SG&A expenses.

Full-year company forecasts

Company forecasts (JPYmn)	FY12/18			FY12/19		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	11,350	11,904	23,254	11,301	13,199	24,500
YoY	7.9%	6.4%	7.1%	-0.4%	10.9%	5.4%
Cost of sales	8,304	8,654	16,958	8,172		
Gross profit	3,046	3,250	6,296	3,129		
YoY	3.2%	7.0%	5.1%	2.7%		
GPM	26.8%	27.3%	27.1%	27.7%		
SG&A expenses	2,311	2,368	4,679	2,411		
SG&A ratio	20.4%	19.9%	20.1%	21.3%		
Operating profit	735	882	1,617	718	1,032	1,750
YoY	2.2%	12.9%	7.8%	-2.2%	16.9%	8.2%
OPM	6.5%	7.4%	7.0%	6.4%	7.8%	7.1%
Recurring profit	721	935	1,657	738	1,052	1,790
YoY	-3.6%	11.4%	4.3%	2.3%	12.5%	8.0%
RPM	6.4%	7.9%	7.1%	6.5%	8.0%	7.3%
Net income	483	664	1,147	502	718	1,220
YoY	-21.8%	15.5%	-3.8%	4.0%	8.2%	6.4%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

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