NAIGAI TRANS LINE / 9384

COVERAGE INITIATED ON: 2012.10.17
LAST UPDATE: 2019.07.30

Shared Research Inc. has produced this report by request from the company discussed in the report. The aim is to provide an "owner's manual" to investors. We at Shared Research Inc. make every effort to provide an accurate, objective, and neutral analysis. In order to highlight any biases, we clearly attribute our data and findings. We will always present opinions from company management as such. Our views are ours where stated. We do not try to convince or influence, only inform. We appreciate your suggestions and feedback. Write to us at sr_inquiries@sharedresearch.jp or find us on Bloomberg.

INDEX

How to read a Shared Research report: This report begins with the trends and outlook section, which discusses the company's most recent earnings. First-time readers should start at the business section later in the report.

Key financial data

Income statement (JPYmn)	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Est.
Sales	**8,735**	**11,444**	**12,538**	**13,405**	**16,797**	**20,095**	**22,658**	**19,979**	**21,709**	**23,254**	**24,500**
YoY	-26.7%	31.0%	9.6%	6.9%	25.3%	19.6%	12.8%	-11.8%	8.7%	7.1%	5.4%
Gross profit	3,211	3,710	3,981	4,115	4,843	5,663	6,185	5,745	5,990	6,296	
YoY	-19.1%	15.5%	7.3%	3.4%	17.7%	16.9%	9.2%	-7.1%	4.3%	5.1%	
GPM	36.8%	32.4%	31.8%	30.7%	28.8%	28.2%	27.3%	28.8%	27.6%	27.1%	
Operating profit	636	1,031	1,079	908	1,142	1,145	1,578	1,309	1,500	1,617	1,750
YoY	-42.3%	62.1%	4.7%	-15.8%	25.8%	0.3%	37.8%	-17.0%	14.6%	7.8%	8.2%
OPM	7.3%	9.0%	8.6%	6.8%	6.8%	5.7%	7.0%	6.6%	6.9%	7.0%	7.1%
Recurring profit	809	1,036	1,046	975	1,205	1,208	1,569	1,333	1,588	1,657	1,790
YoY	-26.3%	28.1%	1.0%	-6.8%	23.6%	0.3%	29.9%	-15.0%	19.1%	4.3%	8.0%
RPM	9.3%	9.1%	8.3%	7.3%	7.2%	6.0%	6.9%	6.7%	7.3%	7.1%	7.3%
Net income	**396**	**652**	**568**	**459**	**730**	**216**	**1,006**	**439**	**1,192**	**1,147**	**1,220**
YoY	-36.5%	64.6%	-12.9%	-19.2%	59.0%	-70.4%	365.1%	-56.4%	171.8%	-3.8%	6.4%
Net margin	4.5%	5.7%	4.5%	3.4%	4.3%	1.1%	4.4%	2.2%	5.5%	4.9%	5.0%
Per share data											
Shares issued (year-end; '000)	2,446	2,596	2,616	5,261	5,349	5,349	10,698	10,698	10,698	10,698	
EPS	40.5	66.3	54.6	21.9	68.9	20.2	94.7	45.2	122.9	118.2	125.7
EPS (fully diluted)	39.2	65.2	53.8	21.6	-	-	-	-	-	-	
Dividend per share	10.0	12.5	13.8	13.8	16.3	16.5	25.0	30.0	32.0	34.0	34.0
Book value per share	427.2	452.7	477.7	264.4	613.8	643.9	664.3	664.4	773.2	834.1	
Balance sheet (JPYmn)											
Cash and cash equivalents	3,161	3,960	3,895	3,957	4,033	4,914	4,694	4,497	5,101	5,744	
Total current assets	**3,672**	**4,586**	**4,573**	**4,988**	**6,138**	**6,993**	**6,746**	**6,615**	**7,284**	**8,086**	
Tangible fixed assets	447	428	612	633	631	639	702	1,909	1,989	2,056	
Investments and other assets	997	701	715	931	947	687	660	666	669	662	
Intangible fixed assets	104	218	425	558	1,264	848	757	203	166	165	
Total assets	**5,220**	**5,933**	**6,326**	**7,110**	**8,980**	**9,167**	**8,864**	**9,394**	**10,108**	**10,969**	
Accounts payable	503	604	620	762	1,197	1,117	1,040	985	1,059	1,106	
Short-term debt	0	0	87	49	256	29	-	24	-	-	
Total current liabilities	**865**	**1,057**	**1,030**	**1,232**	**2,026**	**1,836**	**1,698**	**1,640**	**1,696**	**1,910**	
Long-term debt	-	-	42	27	-	-	-	500	-	-	
Total fixed liabilities	**149**	**153**	**256**	**268**	**329**	**353**	**380**	**898**	**438**	**452**	
Total liabilities	**1,014**	**1,210**	**1,285**	**1,499**	**2,355**	**2,189**	**2,078**	**2,538**	**2,134**	**2,363**	
Net assets	**4,206**	**4,723**	**5,041**	**5,611**	**6,625**	**6,978**	**6,786**	**6,856**	**7,974**	**8,607**	
Total interest-bearing debt	0	0	129	75	256	29	-	524	-	-	
Statement of cash flows (JPYmn)											
Cash flows from operating activities	524	820	701	668	432	963	1,053	947	1,339	1,458	
Cash flows from investing activities	172	27	-574	-671	-499	160	161	-1,305	-2	-351	
Cash flows from financing activities	-99	-36	-106	-263	52	-416	-1,068	365	-817	-318	
Financial ratios											
ROA (RP-based)	16.0%	18.6%	17.1%	14.5%	15.0%	13.3%	17.4%	14.6%	16.3%	15.7%	
ROE	9.8%	14.6%	11.7%	8.7%	12.0%	3.2%	15.1%	6.8%	17.1%	14.7%	
Equity ratio	80.2%	79.2%	79.0%	78.2%	73.1%	75.1%	72.7%	68.6%	74.2%	73.8%	

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: The company conducted a 2-for-1 stock split in FY12/12 and in FY12/15.

Recent updates

Highlights

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

On **May 31, 2019**, Shared Research updated the report following interviews with the company.

On **April 26, 2019**, the company announced earnings results for Q1 FY12/19.

For previous releases and developments, please refer to the News and topics section.

Trends and outlook

Quarterly trends and results

Cumulative	FY12/18				FY12/19				FY12/19		FY12/19	
(JPYmn)	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	FY12/18				FY12/19			
(JPYmn)	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	FY12/18				FY12/19			
(JPYmn)	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	**FY12/18**				**FY12/19**			
(JPYmn)	**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	FY12/18				FY12/19			
(Average for cumulative period)	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	**FY12/18**				**FY12/19**			
(Three months average)	**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.

For details on previous quarterly and annual results, please refer to the Historical performance section.

Full-year company forecasts

Company forecasts	FY12/18			FY12/19		
(JPYmn)	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.

Full-year earnings forecasts for FY12/19:

- ▷ Sales: JPY24.5bn (+5.9% YoY)
- ▷ Operating profit: JPY1.8bn (+8.2% YoY)
- ▷ Recurring profit: JPY1.8bn (+8.0% YoY)
- ▷ Net income*: JPY1.2bn (+6.4% YoY)

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

Japan segment

Parent company forecast

While concerned about the trade friction between the US and China depressing shipping volumes, the company is still forecasting an increase in shipping volumes at its Japan segment, explaining that its mainstay LCL export business deals primarily with small-lot shipments that are less sensitive to economic trends than large-lot shipments. Combined with price hikes to cover increases in costs, the company sees this increase in shipping volumes leading to higher sales and higher earnings at the parent company.

On the cost front, the company is assuming that marine freight rates for US-bound traffic will continue creeping up but expects freight rates for Asia-bound traffic to remain flat. For trucking, the company is assuming price hikes by truckers will increase its cost of sales in this area and, although it plans to hike its own prices, the company's price hikes are expected to do nothing more than offset the expected increase in its own trucking costs.

Forecast for domestic subsidiaries

The company also anticipates positive contributions to earnings from its domestic subsidiaries, particularly from Flying Fish Inc., whose business in integrated transport solutions for international shipping stands to benefit from rising import volumes from the EU as Japanese tariffs on imports from the EU are eliminated or reduced under the recent trade agreement. (Following the enactment of the EU-Japan Economic Partnership Agreement, tariffs on goods traded between the EU and Japan are eliminated or reduced from February 2019.)

Overseas Segment

At overseas subsidiaries, the company anticipates contributions to consolidated results from the acquisition of Hanjin Shipping Newport Logistics Center, Ltd. in South Korea, the expansion of warehouse operations in India, and improved earnings at subsidiaries in the US and Indonesia following weak results last year.

- The company acquired a majority stake in Hanjin Shipping Newport Logistics Center, Ltd. in March 2019, making it a consolidated subsidiary. Hanjin Shipping Newport Logistics Center reported sales of JPY238mn and an operating profit of JPY12mn in FY12/17.
- In India, the company's subsidiary expanded the floor space of its warehouse in the Salem region from 8,600sqm to 14,350sqm in July 2018. This expansion added to sales and earnings in Q4 FY12/18 and will make a full-year's contribution in FY12/19.

Medium- to long-term outlook

Numerical targets of third medium-term plan

The company has created its third medium-term plan, spanning January 2017–December 2019. The plan targets an ROE of 14% in FY12/19 (6.8% in FY12/16), and an operating profit margin of 7% (6.6%).

In FY12/18, the company's operating profit margin hit 7.0% and ROE 14.7%. The company sees sales and earnings continuing to rise in FY12/19, and for the full year forecasts sales of JPY24.5bn (+5.9% YoY), operating profit of JPY1.8bn (+8.2% YoY), recurring profit of JPY1.8bn (+8.0% YoY), and net income attributable to parent company shareholders of JPY1.2bn (+6.4% YoY).

Overview of the third medium-term plan

The key points in the medium-term plan (covering January 2017–December 2019) are as follows.

NTL plans to leverage the reputation, cargo handling skill, and resources it has built up through its LCL import and export business to achieve sales of JPY30bn within the next few years (JPY20.0bn in FY12/16) as a comprehensive international freight forwarder. The company then plans to position itself as a logistics company with sales on the scale of JPY50bn.

The core long-term strategies by business are as follows.

Parent company

NTL sees LCL services as the backbone of the parent. It aims to step up its marketing activities involving in-house customs clearance and domestic and international freight forwarding to its existing customer base. The goals are to grow sales by expanding handling volumes and cut costs to grow profits.

Domestic group companies

- For domestic group companies, NTL plans to inject management resources into the freight forwarding business, focusing on Flying Fish as the core forwarding company. It aims to expand the territory of Flying Fish and nurture it to be a new core business on a par with the LCL business.
- NTL aims to boost profitability further by expanding the air freight and customs clearance businesses as steady earnings businesses of UCI Air Freight Japan.

Overseas group companies

- NTL plans to have the entire group support the warehouse business at Naigai-Eunsan Logistics (which began operations in November 2016) so it can achieve scale and move into the black quickly.
- It intends to establish management structures in each overseas group company tailored to regional and business-specific characteristics to drive earnings growth.
- It plans to build partnerships where profit growth can be shared by strengthening relationships with existing agents overseas and establishing relationships with new agents.

The company, at its 1H FY12/17 earnings briefing session (in August 2017), commented that it was considering expanding the service area of its freight forwarding business both in Japan and abroad and pursuing M&A opportunities mainly outside Japan as it seeks to achieve JPY30bn in sales over the next several years.

M&A activities during the period covered by the third medium-term plan (January 2017–December 2019) are as follows:

- ▷ NTL in July 2017 announced the acquisition of shares in GTC-ASIA (Myanmar) Co. Ltd., which operates international freight forwarding services in Myanmar, to turn it into a subsidiary. Under current law in Myanmar, foreign investment is required to be through joint ventures with local partners. However, GTC-ASIA was established as a company wholly owned by a single entity before the nation revised the law. Therefore, GTC-ASIA will be allowed to operate as a wholly owned unit of NTL and expand its business throughout Myanmar after the share purchase. NTL expects that the acquisition of GTC-ASIA will help the company increase the handling of LCL shipments from Japan to Myanmar. In the medium-term, NTL also plans to provide project cargo services, such as shipments of parts and materials from Japan to Myanmar, and apparels from Myanmar to Japan.

▷ The company acquired a 60% stake in Hanjin Shipping Newport Logistics Center, Ltd. in March 2019, making it a subsidiary. This follows the June 2015 establishment of Naigai-Eunsan Logistics Co., Ltd., a joint venture with a South Korean company Eunsan Shipping & Aircargo Co., Ltd. to operate a logistics warehouse located at the Busan New Port, in Changwon, South Korea. With the acquisition of a new warehouse in the Busan New Port area, the company will be able to further develop its warehousing business to handle overseas shipments and establish itself in South Korea as a full-service freight forwarder.

Shareholder returns

NTL is targeting a dividend payout ratio of 30% (66.3% in FY12/16). For FY12/19 the company expects to pay a dividend of JPY34.0 per share, representing a dividend payout ratio of 27.0%.

Business

Description

Business model

Aiming to become comprehensive international freight forwarder

The company is looking to become a full-service international freight forwarder. In contrast to its old business model, in which parent company operations consisted largely of LCL/FCL export services and LCL/FCL import services, and focused mainly on handling the marine transport aspect of international shipments (port-to-port services), NTL is looking to become a provider of one-stop, door-to-door shipping services, including not only marine shipping but also land and air transport, as well as ancillary services such as warehousing, customs clearance, and packaging.

A forwarder is a business that does not own means of transportation (such as vessels, airplanes, railcars, and trucks) but acts as an agent on behalf of the shipper. A freight forwarder primarily conducts door-to-door multimodal transport through the use of other parties' transport systems.

Primary business: less-than-container-load (LCL) exports

NTL's business focus is on less-than-container-load (LCL) exports. In FY12/18, the company's LCL export services generated JPY4.6bn (+2.5% YoY) in revenues, or 19.8% of consolidated sales (versus 20.6% in FY12/17). With a gross profit margin of around 40%, this is the company's most profitable service, and Shared Research estimates that it accounted for roughly 30% of consolidated gross profit in FY12/18.

However, with the surge in M&A in the wake of the 2008 global financial crisis, NTL moved away from dependence on LCL export services for profits at the parent level, aiming to diversify risk. Under this new business model, the ratio of LCL exports to consolidated sales and gross profit is on the decline.

Sales: consolidated, parent, and LCL exports

(JPYmn)	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18
Consolidated sales	11,444	12,538	13,405	16,797	20,095	22,658	19,979	21,709	23,254
YoY	31.0%	9.6%	6.9%	25.3%	19.6%	12.8%	-11.8%	8.7%	7.1%
Parent sales	9,137	9,096	9,022	9,494	10,156	10,911	9,938	10,337	10,930
YoY	29.5%	-0.4%	-0.8%	5.2%	7.0%	7.4%	-8.9%	4.0%	5.7%
% of cons. sales	79.8%	72.6%	67.3%	56.5%	50.5%	48.2%	49.7%	47.6%	47.0%
LCL export	5,398	5,177	4,672	4,625	4,708	4,946	4,450	4,483	4,596
YoY	21.5%	-4.1%	-9.8%	-1.0%	1.8%	5.1%	-10.0%	0.7%	2.5%
% of cons. sales	47.2%	41.3%	34.9%	27.5%	23.4%	21.8%	22.3%	20.6%	19.8%
Sales (excl. parent)	2,307	3,442	4,383	7,302	9,939	11,747	10,042	11,372	12,324
YoY	37.2%	49.2%	27.4%	66.6%	36.1%	18.2%	-14.5%	13.3%	8.4%
% of cons. Sales	20.2%	27.4%	32.7%	43.5%	49.5%	51.8%	50.3%	52.4%	53.0%

Source: Shared Research based on company data

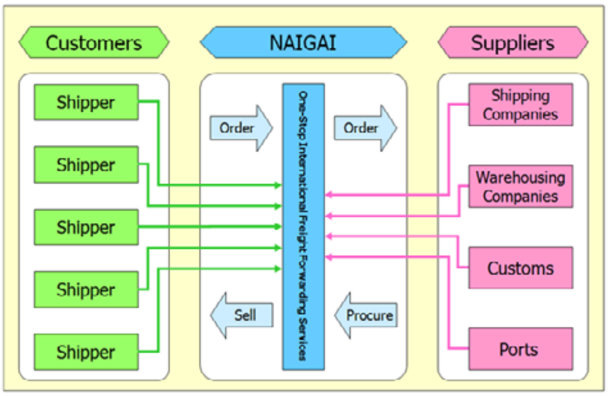
Main supplier: marine shipping companies and warehouse operators

The company's main service suppliers are the large marine shipping companies with which it books ocean freight transport, and warehousing companies that fill containers with cargo.

In addition to Ocean Network Express (ONE), formed by the merger of container shipping businesses of three Japanese liner companies, NTL also has contracts with other major foreign liner companies. On the warehousing side, the company has contracts for space with Sankyu Inc., Azuma Shipping Co., Ltd., Tatsumi Shokai Co., Ltd., among others.

Main customers: trading companies and manufacturers

The company serves various customers, such as manufacturers and trading companies, large and small. These customers engage NTL to transport all kinds of cargo, including machinery, auto parts, chemicals, and textiles. Also, because NTL is an independent NVOCC, it can use space of industry peers (e.g., shipping companies) when they cannot fill a container with their consigned shipments. This is called co-loading. Roughly 50% of sales come from co-loading involving shipments handled by industry peers. NTL aims to increase sales from dedicated container shipments directly consigned by shippers.



Source: Shared Research based on company data

LCL export services

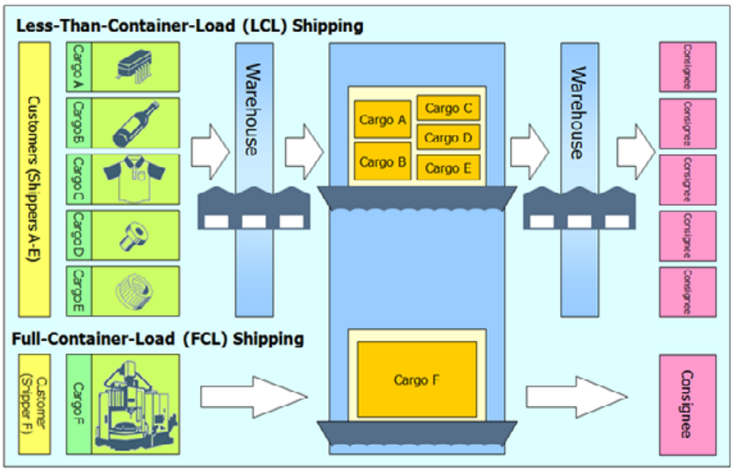
Under LCL export services, the company consolidates small-lot shipments from multiple shippers into a single container going to the same destination port. Revenues come from the rates charged for these LCL export services, which vary depending on the volume of cargo shipped by the customer; on the cost side, the main costs related to the sales are the shipping costs of the container (ocean freight) and warehousing fees. Because the cost of shipping a single container (i.e., the ocean freight charges) is the same regardless of the amount of cargo loaded into the container, the more the company can load into a container the higher its profit margin on that container shipment. From the customer's standpoint, LCL shipping reduces their shipping costs in cases where they are not shipping enough to fill a container.

According to the company, LCL exports are characterized by high gross profit margins, at around 40%, compared with about 15% for full-container-load (FCL) exports, which use an entire container for each client. The industry average load factor necessary to break even appears to be around 45% for LCL exports, while NTL claims its average load factor is about 60%.

In this business, per-client sales are low, at a maximum of JPY5mn per month, due to the small size of the shipments handled. NTL regularly serves approximately 6,000 corporate clients. The company's advantage is that it does not heavily depend on particular industries and clients. However, as company materials indicate, Japan's total export value influences NTL's performance. As a result, its business is undoubtedly affected by macroeconomic conditions.

As mentioned above, the majority of the company's clients are regulars. They appear to value NTL's reliable services. The company said its shipping charges are set 10-20% higher than those of competitors, reflecting its comprehensive strengths, such as frequent shipping schedules, the greater ability to secure container space from shipping companies, and the use of reliable business partners. NTL also offers direct connections to key ports across the world, providing distinct advantages in the form of swift information delivery and lower cost, compared with competing services.

NTL currently offers LCL export shipping from Japan to 47 ports in 23 countries using direct routes as well as shipping services to countries in the Middle East and Central/South America where there is no direct liner service from Japan but shipments can be routed through international hub ports (such as Singapore, Hong Kong, and Busan) where NTL has local subsidiaries. For shipments going to the US, NTL uses the Port of Los Angeles as its hub and from there routes LCL shipments to other major US cities via rail or truck; in the case of Chicago and New York, where there is an especially large amount of freight traffic from Japan, the company offers direct LCL marine shipping services. In Europe, NTL has contracts with major forwarding agents in every country and through these connections is able to offer LCL marine shipping to various destinations via the large hub ports in Rotterdam and Hamburg.



Source: Shared Research based on company data

Segments

The company's segments consist of Japan and Overseas. As of FY12/18, the Japan segment accounted for 67.2% of consolidated sales and 63.1% of operating profit. The Overseas segment accounted for 32.8% of sales and 36.9% of operating profit (simple aggregate of segment profits).

In recent years, the proportion of sales and earnings accounted for by the Japan segment has been declining and proportion accounted for by the Overseas segment has been increasing.

Trends in sales and earnings by segment

(JPYmn)	FY12/09 Act.	FY12/10 Act.	FY12/11 Act.	FY12/12 Act.	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.
Sales	8,735	11,444	12,538	13,405	16,797	20,095	22,658	19,979	21,709	23,254
YoY	-26.7%	31.0%	9.6%	6.9%	25.3%	19.6%	12.8%	-11.8%	8.7%	7.1%
Japan	6,883	8,955	9,128	9,798	11,829	14,293	15,346	13,636	14,558	15,630
YoY	-28.9%	30.1%	1.9%	7.3%	20.7%	20.8%	7.4%	-11.1%	6.8%	7.4%
% of sales	78.8%	78.3%	72.8%	73.1%	70.4%	71.1%	67.7%	68.2%	67.1%	67.2%
Overseas	1,852	2,489	3,410	3,607	4,968	5,801	7,312	6,343	7,151	7,624
YoY	-17.1%	34.4%	37.0%	5.8%	37.7%	16.8%	26.0%	-13.2%	12.7%	6.6%
% of sales	21.2%	21.7%	27.2%	26.9%	29.6%	28.9%	32.3%	31.8%	32.9%	32.8%
Operating profit	636	1,031	1,079	908	1,142	1,145	1,578	1,309	1,500	1,617
YoY	-42.3%	62.2%	4.6%	-15.8%	25.8%	0.3%	37.8%	-17.0%	14.6%	7.8%
OPM	7.3%	9.0%	8.6%	6.8%	6.8%	5.7%	7.0%	6.6%	6.9%	7.0%
Japan	444	739	782	638	631	846	850	827	924	1,036
YoY	-46.6%	66.4%	5.8%	-18.4%	-1.2%	34.1%	0.5%	-2.7%	11.7%	12.1%
Operating profit	6.4%	8.2%	8.6%	6.5%	5.3%	5.9%	5.5%	6.1%	6.3%	6.6%
% of OP	69.8%	71.6%	69.5%	65.9%	52.5%	71.0%	53.0%	62.0%	60.6%	63.1%
Overseas	192	293	342	331	572	346	754	507	602	606
YoY	-28.9%	52.4%	16.9%	-3.4%	72.8%	-39.5%	117.8%	-32.7%	18.6%	0.8%
Operating profit	10.4%	11.8%	10.0%	9.2%	11.5%	6.0%	10.3%	8.0%	8.4%	8.0%
% of OP	30.2%	28.4%	30.5%	34.1%	47.5%	29.0%	47.0%	38.0%	39.4%	36.9%
Eliminations	-	-	-45	-61	-60	-47	-25	-25	-25	-25

Source: Shared Research based on company data
Figures may differ from company materials due to differences in rounding methods.

Japan segment

The Japan segment is composed of the parent company, UCI Air Freight Japan, Inc., and Flying Fish Inc. As of FY12/18, the parent company generated 69.9% of segment sales (versus 71.0% in FY12/17), and 71.8% of segment operating profit (versus 76.3% in FY12/17). (Shared Research estimates based on company data.)

Japan segment: sales and earnings at parent and consolidated levels

(JPYmn)	FY12/09 Act.	FY12/10 Act.	FY12/11 Act.	FY12/12 Act.	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.
Sales	6,883	8,955	9,128	9,798	11,829	14,293	15,346	13,636	14,558	15,630
YoY	-28.9%	30.1%	1.9%	7.3%	20.7%	20.8%	7.4%	-11.1%	6.8%	7.4%
Parent	7,054	9,137	9,096	9,022	9,494	10,156	10,911	9,938	10,337	10,930
YoY	-30.6%	29.5%	-0.4%	-0.8%	5.2%	7.0%	7.4%	-8.9%	4.0%	5.7%
% of segment total	102.5%	102.0%	99.7%	92.1%	80.3%	71.1%	71.1%	72.9%	71.0%	69.9%
Cons.–parent difference	-171	-182	32	776	2,334	4,138	4,435	3,698	4,221	4,700
YoY	-65.1%	6.5%	-117.3%	2356.2%	201.0%	77.2%	7.2%	-16.6%	14.1%	11.3%
% of segment total	-	-	0.3%	7.9%	19.7%	28.9%	28.9%	27.1%	29.0%	30.1%
Operating profit	444	739	782	638	631	846	850	827	924	1,036
YoY	-46.6%	66.4%	5.8%	-18.4%	-1.2%	34.1%	0.5%	-2.7%	11.7%	12.1%
Parent	447	755	748	646	672	806	744	728	705	744
YoY	-46.3%	69.1%	-0.9%	-13.6%	4.0%	20.0%	-7.7%	-2.1%	-3.2%	5.5%
% of operating profit	100.6%	102.2%	95.7%	101.2%	106.5%	95.3%	87.6%	88.1%	76.3%	71.8%
Cons.–parent difference	-3	-16	34	-8	-41	40	106	99	219	292
YoY	-	-	-	-	-	-	166.1%	-6.6%	121.7%	33.5%
% of operating profit	-	-	4.3%	-	-	4.7%	12.4%	11.9%	23.7%	28.2%

Source: Shared Research based on company data
Figures may differ from company materials due to differences in rounding methods.

Breakdown of parent sales by service

Sales by service at the parent can be divided into LCL exports, FCL exports, LCL imports, and FCL imports. As of FY12/18, exports accounted for 71.7% of parent sales (versus 71.0% in FY12/17) and imports 28.3% (versus 29.0% in FY12/17).

Parent sales by service line

(JPYmn)	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.
Sales	9,494	10,156	10,911	9,938	10,337	10,930
YoY	5.2%	7.0%	7.4%	-8.9%	4.0%	5.7%
Export	6,918	7,388	8,007	7,089	7,335	7,842
YoY	-	6.8%	8.4%	-11.5%	3.5%	6.9%
% of total sales	72.9%	72.7%	73.4%	71.3%	71.0%	71.7%
LCL export	4,625	4,708	4,946	4,450	4,483	4,596
YoY	-	1.8%	5.1%	-10.0%	0.7%	2.5%
% of total sales	48.7%	46.4%	45.3%	44.8%	43.4%	42.0%
FCL export	1,703	1,984	2,285	1,855	1,901	2,191
YoY	-	16.5%	15.1%	-18.8%	2.5%	15.2%
% of total sales	17.9%	19.5%	20.9%	18.7%	18.4%	20.0%
Other	569	696	943	784	951	1,056
YoY	-	22.3%	35.6%	-16.9%	21.3%	11.0%
% of total sales	6.0%	6.9%	8.6%	7.9%	9.2%	9.7%
Import	2,577	2,768	2,903	2,849	3,001	3,089
YoY	-	7.4%	4.9%	-1.9%	5.4%	2.9%
% of total sales	27.1%	27.3%	26.6%	28.7%	29.0%	28.3%
LCL import	1,334	1,491	1,675	1,561	1,603	1,695
YoY	-	11.8%	12.4%	-6.8%	2.7%	5.7%
% of total sales	14.1%	14.7%	15.4%	15.7%	15.5%	15.5%
FCL import	903	900	956	932	1,004	954
YoY	-	-0.3%	6.2%	-2.6%	7.8%	-5.0%
% of total sales	9.5%	8.9%	8.8%	9.4%	9.7%	8.7%
Other	360	377	272	356	394	440
YoY	-	4.7%	-27.9%	30.8%	10.6%	11.7%
% of total sales	3.8%	3.7%	2.5%	3.6%	3.8%	4.0%

Source: Shared Research based on company data
Figures in table may vary from company materials due to differences in rounding methods.

Service lines	Overview
LCL exports	The company's LCL export service handles small-lot shipments for export. These shipments are not enough to fill a standard marine shipping container on their own, so NTL consolidates shipments from multiple clients going to the same destination into a single container.
FCL exports	The company's FCL export service handles marine shipping for clients that can fill at least one shipping container.
LCL imports	Under its LCL import service, the company provides a seamless service package for small-lot importers, receiving marine containers packed with multiple small-lot shipments that have been consolidated for shipment to Japan by one of its overseas subsidiaries or an agent acting on its behalf, unloading the container in a warehouse at the receiving port, sorting the freight into the lots designated for individual customers, handling customs clearance, and providing the transportation of the individual shipments to their final destination.
FCL imports	Under its FCL import service, the company provides a seamless service package for importers dealing in container-sized shipments, arranging transportation on both ends via one of its overseas subsidiaries or an agent acting on its behalf, receiving the container at the destination port, handling customs clearance, and delivering the container to its final destination.

NTL is a Non-Vessel Operating Common Carrier (NVOCC) authorized to arrange marine freight shipments from port to port. As an NVOCC, NTL does not own any ships, but operates as a marine transportation company that books space on ships and handles shipments for client companies. NTL says it is looking to expand its business as a full-line freight forwarder with its primary focus on LTL export/import services and FCL shipping services. (A freight forwarder serves as an intermediary, receiving the freight from the shipper then providing door-to-door service by handling all the transportation arrangements with companies that will actually transport the freight.)

Sales contributions from imports have been rising. However, according to the company, import operations require specific knowledge not only about ocean freight transport and customs clearance but also about imported goods and related industries. In response, in February 2013, NTL established a subsidiary, Flying Fish Inc., which specializes in international multimodal transport operations.

Domestic subsidiaries

UCI Air Freight Japan

International air and ocean freight transport; acquired in April 2012 to enter the air freight forwarding business. In FY12/18, sales were JPY2.9bn (up 24.4% YoY) and recurring profit was JPY186mn (up 27.1%).

Flying Fish

International multimodal transport operations; established in February 2013 and took over the international multimodal transport operations business from Flying Fish Services in June 2013. In FY12/18, sales were JPY2.4bn (down 0.1% YoY) and recurring profit was JPY101mn (up 37.9%).

Overseas segment

The Overseas segment comprises subsidiaries in China (a local subsidiary of the parent, and a local subsidiary of Flying Fish), South Korea, Hong Kong, Singapore, Thailand, Indonesia, India, and North America.

Overseas segment: trends in sales and earnings

(JPYmn)	FY12/09 Act.	FY12/10 Act.	FY12/11 Act.	FY12/12 Act.	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.
Sales	1,852	2,489	3,410	3,607	4,968	5,801	7,312	6,343	7,151	7,624
YoY	-17.1%	34.4%	37.0%	5.8%	37.7%	16.8%	26.0%	-13.2%	12.7%	6.6%
% of consolidated sales	21.2%	21.7%	27.2%	26.9%	29.6%	28.9%	32.3%	31.8%	32.9%	32.8%
Operating profit	192	293	342	331	572	346	754	507	602	606
YoY	-28.9%	52.4%	16.9%	-3.4%	72.8%	-39.5%	117.8%	-32.7%	18.6%	0.8%
OPM	10.4%	11.8%	10.0%	9.2%	11.5%	6.0%	10.3%	8.0%	8.4%	8.0%
% of consolidated OP	30.2%	28.4%	30.5%	34.1%	47.5%	29.0%	47.0%	38.0%	39.4%	36.9%

Source: Shared Research based on company data
Figures may differ from company materials due to differences in rounding methods.
Ratios to operating profit are calculated before adjustments are deducted.

Functions of overseas subsidiaries

Country	Company Name	Established	Primary business areas
Singapore	NTL NAIGAI TRANS LINE (S) PTE LTD	Apr. 1997	LCL import/export, FCL, warehousing, transshipment
Thailand	NAIGAI TRANS LINE (THAILAND) CO., LTD.	Jun. 2000	LCL import/export, FCL, equipment import (two locations)
Indonesia	PT. NTL NAIGAI TRANS LINE INDONESIA	Apr. 2001	LCL import/export, FCL, equipment import
China (Shanghai)	SHANGHAI NTL-LOGISTICS LIMITED	Jan. 2003	LCL import/export, FCL, equipment import (four locations)
China (Hong Kong)	NTL-LOGISTICS (HK) LIMITED	Feb. 2006	LCL import/export, FCL, transshipment in the South China region
China (Shenzhen)	NTL-LOGISTICS (SHENZHEN) LIMITED	Nov. 2015	LCL import/export, FCL (two locations)
US	NTL NAIGAI TRANS LINE (USA) INC.	Aug. 2003	LCL import/export, FCL, shipment through domestic customs (two locations)
South Korea	NTL NAIGAI TRANS LINE (KOREA) CO., LTD.	Sep. 2003	LCL import/export, FCL, cargo transshipment (two locations)
	Naigai-Eunsan Logistics Co., Ltd	Jun. 2015	Warehousing, cargo transport, cargo packaging, multiple transport intermediary
	Naigai Busan Logistics Center Co., Ltd.	March 2019	Warehousing, cargo transport, cargo packaging, multimodal transport intermediary
India	NTL-LOGISTICS (INDIA) PRIVATE LIMITED	Jan. 2011	Import/export, LCL, FCL, domestic shipping, warehousing (five locations)
Myanmar	NTL NAIGAI TRANS LINE (MYANMAR) CO., LTD.	Aug. 2017	Import/export, LCL, FCL, domestic shipping

Source: Shared Research based on company data
NTL-Shenzhen is a wholly owned subsidiary of NTL Logistics (HK)

Nine of the company's overseas subsidiaries are tasked with import agency duties for freight, primarily LCL and FCL cargo, that is shipped from Group companies to overseas ports, as well as freight that is being shipped from overseas to either Japan or other overseas locations. The Indian subsidiary acts as a comprehensive freight forwarder for air, land, and ocean freight, including warehousing for the freight. Naigai-Eunsan Logistics Co., Ltd in Korea provides services including warehousing and cargo transport.

Profitability snapshot, financial ratios

For the company's margins, a growing economy means higher container freight-in prices and thus lower GPMs, while a shrinking economy means lower container freight-in prices, resulting in higher GPMs. In contrast, for operating profit, a growing economy usually contributes to higher sales and gross profit, which absorb fixed costs and accordingly improve OPMs, despite lower GPM.

Profit margins (JPYmn)	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
Gross profit	3,211	3,710	3,981	4,115	4,843	5,663	6,185	5,745	5,990	6,296
GPM	36.8%	32.4%	31.8%	30.7%	28.8%	28.2%	27.3%	28.8%	27.6%	27.1%
Operating profit	636	1,031	1,079	908	1,142	1,145	1,578	1,309	1,500	1,617
OPM	7.3%	9.0%	8.6%	6.8%	6.8%	5.7%	7.0%	6.6%	6.9%	7.0%
EBITDA	685	1,106	1,212	1,059	1,324	1,337	1,749	1,489	1,658	1,781
EBITDA margin	7.8%	9.7%	9.7%	7.9%	7.9%	6.7%	7.7%	7.5%	7.6%	7.7%
Net margin	4.5%	5.7%	4.5%	3.4%	4.3%	1.1%	4.4%	2.2%	5.5%	4.9%
Financial ratios										
ROA (RP-based)	16.0%	18.6%	17.1%	14.5%	15.0%	13.3%	17.4%	14.6%	16.3%	15.7%
ROE	9.8%	14.6%	11.7%	8.7%	12.0%	3.2%	15.1%	6.8%	17.1%	14.7%
Total asset turnover	1.7	2.1	2.0	2.0	2.1	2.2	2.5	2.2	2.2	2.2
Working capital	-121	-103	-57	93	509	423	571	691	526	586
Current ratio	425%	434%	444%	405%	303%	381%	397%	403%	430%	423%
Quick ratio	408%	421%	432%	390%	283%	351%	371%	376%	393%	389%
OCF / Current liabilities	0.60	0.85	0.67	0.59	0.27	0.50	0.60	0.57	0.80	0.81
Net debt / Equity	-68.0%	-75.5%	-68.8%	-60.3%	-52.8%	-67.2%	-69.2%	-57.9%	-64.0%	-66.7%
OCF / Total liabilities	0.52	0.68	0.55	0.45	0.18	0.44	0.51	0.37	0.63	0.62
Cash conversion cycle (days)	-18.3	-11.9	-10.5	-7.8	-2.0	0.3	1.5	4.1	3.7	2.5
Changes in working capital	45	18	46	150	416	-87	149	120	-165	60

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Strengths and weaknesses

Strengths

- **High-quality services:** The forwarder industry is essentially a service business, and therefore service quality leads to differentiation. Such factors as frequent shipping schedules, reliability, efficient documentation, and appropriate trouble follow-ups underpin service quality. Handling many clients and cargos put the company in the position to ship more frequently to more ports of destination than its competitors. Frequent shipping schedules enable NTL to attract more clients and offer less-than-container-load (LCL) services more frequently.
- **Sound balance sheet:** NTL's net assets stood at roughly JPY8.6bn as of the end of FY12/18, most of which was cash and deposits. To be precise, as of end FY12/18 cash and deposits totaled JPY5.7bn (vs. JPY5.1bn at end FY12/17). In percentage terms, cash and deposits accounted for 66.7% of total assets at end FY12/18 versus 64.0% at end FY12/17. The company has no interest-bearing debt. Such a strong financial position will be an advantage for NTL in future investments and acquisitions, while showing the company's immunity from external conditions.
- **Drive for growth:** It appears to Shared Research that NTL is led by a chairman with substantial buying power (i.e., ability to secure container space) and supported by highly motivated personnel. The company has been operating under a corporate culture focusing on growing into a global freight transporter.

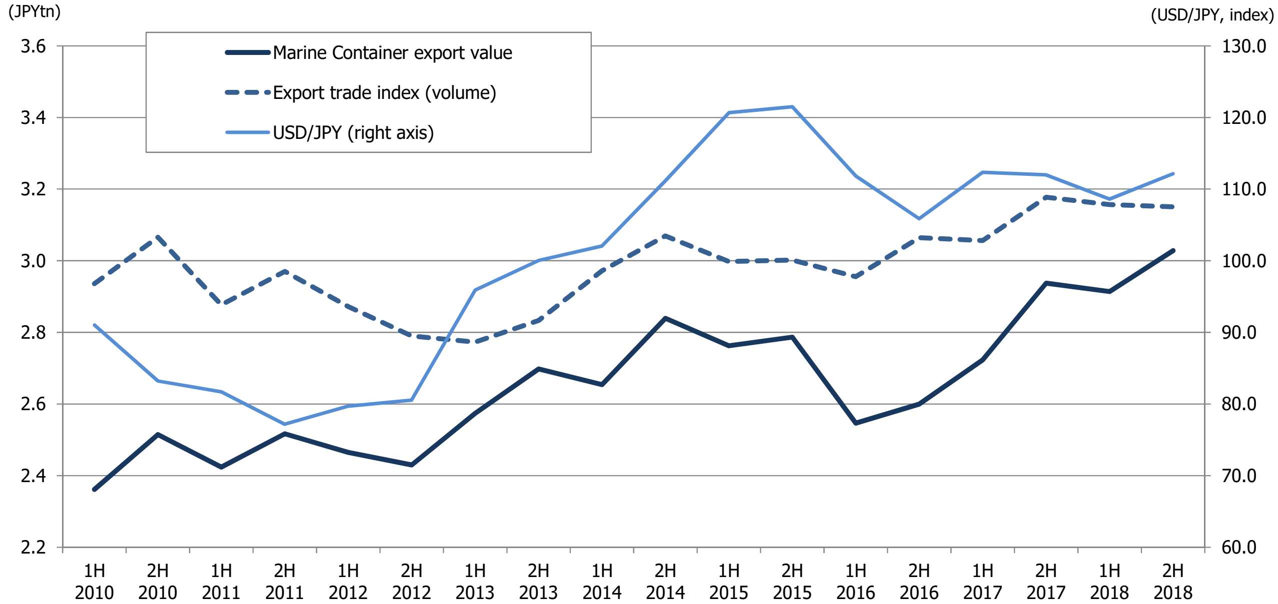
Weaknesses

- **Low growth potential in Japan:** NTL's growth potential is limited in Japan, partly due to the Japanese economy. Japan's exports market, where NTL has been traditionally strong, has been hollowing out as manufacturers (the company's customers) increasingly move production overseas. However, Flying Fish Inc., which acquired the business of Flying Fish Services Corp. in June 2013, has the potential for domestic business through its development of a comprehensive forwarding structure including door-to-door delivery.
- **Executives step in after acquisitions:** NTL's growth largely depends on acquisitions. But changing management at a newly acquired company requires executives of considerable skill—particularly due to differing management styles between companies in Japan and overseas. NTL possesses a limited number of executives capable of managing overseas.
- **Industry lacking skilled workers:** The company is faced with a lack of skilled workers. The shipping industry is a conservative one, and given that staff turnover is low, finding qualified and skilled workers is difficult. According to the Ministry of Health, Labour and Welfare, in 2017 the average accession rate for all industries was 16.0% (15.8% in 2016) and the separation rate was 14.9% (15.0% in 2016). In contrast, in the shipping industry the accession rate was only 13.0% (12.2% in 2016) and the separation rate was 12.4% (12.3% in 2016). (The accession rate: the number of new employees divided by the number of full-time employees as of January 1 times 100. The separation rate is the number of departing employees divided by the number of full-time employees as of January 1 times 100.)

Market and value chain

Market overview

Exports and the forex rate



	2010		2011		2012		2013		2014		2015		2016		2017		2018	
	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
Marine container export value (JPYtn)	2.4	2.5	2.4	2.5	2.5	2.4	2.6	2.7	2.7	2.8	2.8	2.8	2.5	2.6	2.7	2.9	2.9	3.0
Foreign exchange rate (USD/JPY)	91.0	83.2	81.7	77.2	79.7	80.6	95.9	100.0	102.1	111.2	120.7	121.5	111.8	105.9	112.3	112.0	108.6	112.2
Export volume index	107.8	115.1	104.6	109.8	104.3	99.7	98.8	102.1	98.6	103.5	99.9	100.1	97.8	103.2	102.8	108.9	107.8	107.5

Source: Shared Research based on Ministry of Finance, "Foreign Trade Statistics"
Note: All figures are the average for each period.
Note: The export volume index is indexed to 100 starting in 2015.

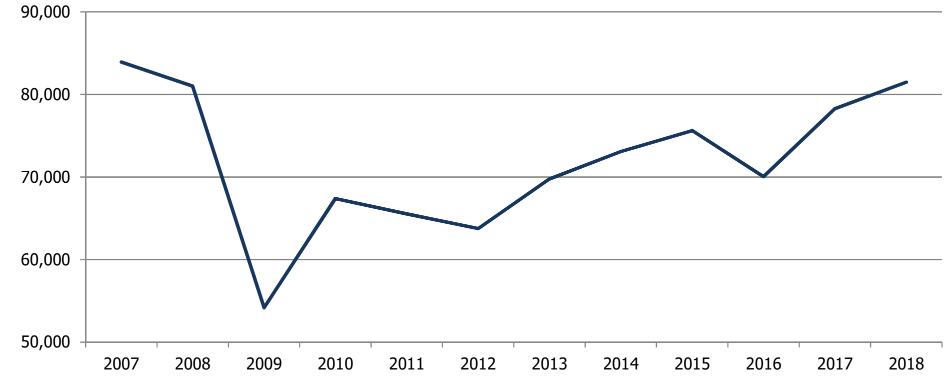
The company's earnings are influenced by the value of exports shipped in marine containers (i.e., containerized exports), trade data, and the yen-dollar exchange rate. The value of containerized exports and the export volume index have been trending upward to recovery since 2H 2016.

The export volume index remained flat from 2H 2012 to 1H 2016. During this time, the value of containerized exports was largely affected by the forex rate. Since 2H 2016, amid the yen remaining high, the value of containerized export has shown a rising trend. We can conclude that the increase in export volume has been the primary driver of the recent upturn in the value of containerized exports.

Export shipments

According to Finance Ministry data, Japan's exports totaled JPY81.5tn in 2018 (+4.1% YoY). Exports included automobiles (15.1% of total exports in 2018), electronics components such as semiconductors (5.1%), auto parts (4.9%), and steel (4.2%).

Total exports



Source: Shared Research based on Ministry of Finance

Total exports, and major export items

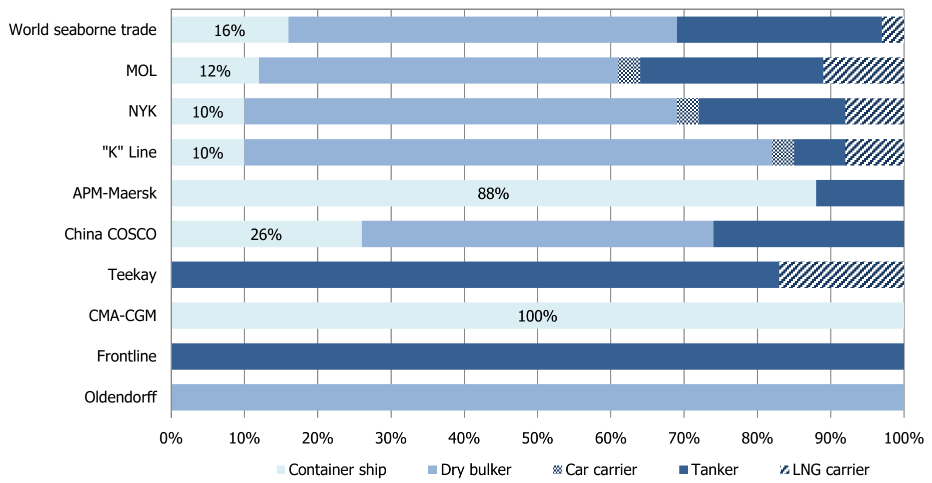
(JPYbn)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total exports	83,931	81,018	54,171	67,400	65,546	63,748	69,774	73,093	75,614	70,036	78,291	81,485
YoY	11.5%	-3.5%	-33.1%	24.4%	-2.7%	-2.7%	9.5%	4.8%	3.4%	-7.4%	11.8%	4.1%
Automobiles	14,317	13,736	6,693	9,174	8,204	9,225	10,413	10,919	12,046	11,333	11,826	12,308
YoY	16.4%	-4.1%	-51.3%	37.1%	-10.6%	12.4%	12.9%	4.9%	10.3%	-5.9%	4.3%	4.1%
% of total exports	17.1%	17.0%	12.4%	13.6%	12.5%	14.5%	14.9%	14.9%	15.9%	16.2%	15.1%	15.1%
Elec. components, semiconductors	5,243	4,625	3,419	4,153	3,565	3,339	3,553	3,691	3,915	3,607	4,022	4,150
YoY	8.0%	-11.8%	-26.1%	21.5%	-14.2%	-6.3%	6.4%	3.9%	6.1%	-7.8%	11.5%	3.2%
% of total exports	6.2%	5.7%	6.3%	6.2%	5.4%	5.2%	5.1%	5.0%	5.2%	5.2%	5.1%	5.1%
Auto parts	3,356	3,066	2,309	3,083	2,997	3,205	3,476	3,475	3,483	3,462	3,897	3,991
YoY	11.0%	-8.6%	-24.7%	33.5%	-2.8%	6.9%	8.5%	0.0%	0.2%	-0.6%	12.6%	2.4%
% of total exports	4.0%	3.8%	4.3%	4.6%	4.6%	5.0%	5.0%	4.8%	4.6%	4.9%	5.0%	4.9%
Steel	4,042	4,574	2,906	3,675	3,709	3,496	3,793	3,958	3,668	2,843	3,284	3,441
YoY	16.0%	13.1%	-36.5%	26.5%	0.9%	-5.8%	8.5%	4.4%	-7.3%	-22.5%	15.5%	4.8%
% of total exports	4.8%	5.6%	5.4%	5.5%	5.7%	5.5%	5.4%	5.4%	4.9%	4.1%	4.2%	4.2%

Source: Shared Research based on Ministry of Finance

Container ships

Container ships account for approximately 16% of the world seaborne trade.

Global major carriers' fleet composition

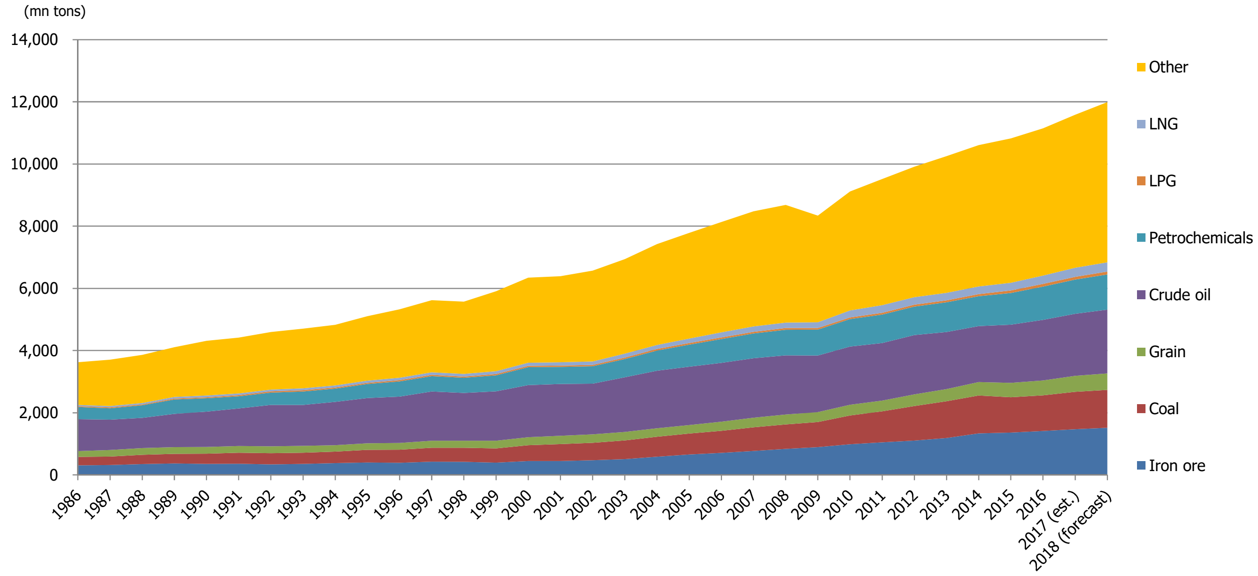


Source: Shared Research based on MOL data (September 2018)
Note: See Glossary for details of the ship types appearing in the chart above.

NTL thinks less-than-container-load (LCL) exports account for about 2% of all containers shipped from Japan. NTL commands approximately 20% of this LCL export market.

The world seaborne trade has gradually expanded. In the chart below, cargos that NTL handles are likely included in the "Others" category. It is clear that this category drove world seaborne trade growth in line with global economic expansion.

World seaborne trade



Source: Shared Research based on the Shipbuilder's Association of Japan

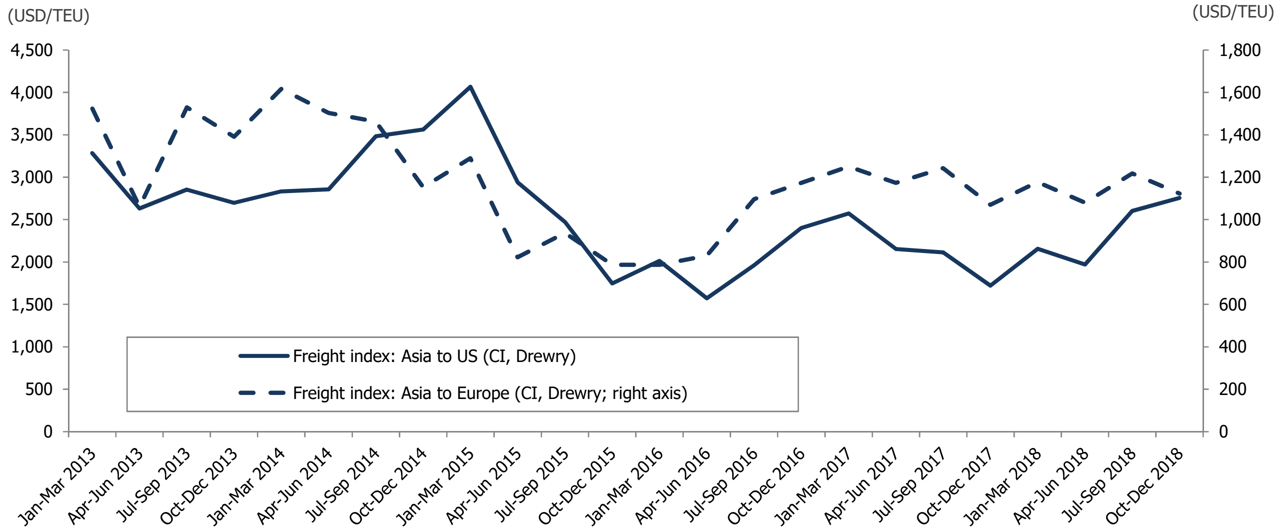
Container freight rates

Global container freight rates trended downward until the beginning of 2012 on the back of container ship oversupply and lower shipping volume due to European debt crises. From the spring of 2012, however, as shipping companies have reduced their fleet holdings, container freight rates have shown a temporary rise. Container rates declined in the summer of 2013 amid uncertainty of the economy, but increased toward the year-end. In 2014, container rates did not rise because of an oversupply, despite strong demand for shipping. In 2015 and also in 2016, a surplus of shipping capacity together with the introduction of very large ships (intended to improve the operating efficiency of shipping companies) increased the demand-supply gap and pushed container freight rates down.

In 2017, in addition to a steady increase in demand for shipping, major shipping companies overseas sought to improve shipping efficiency by forming and reorganizing alliances. However, due to an increase in supply of shipping capacity with the introduction of very large ships, container freight rates recovered slowly. In 2018, container freight rates moved up along with the increase in freight traffic on North American routes; for freight going to Europe, volumes were basically flat YoY and container freight rates were down slightly.

Container rates are generally affected by seasonal factors (i.e., shipping volume fluctuations by season). Usually, container prices tend to be higher from summer to calendar year end because the shipping volume increases as European and US markets near the Christmas selling seasons. As container rates are directly linked to NTL's costs, the price fluctuations would be a short-term risk factor for NTL.

Trends in container freight rates since 2013 (Unit: USD/TEU)



Source: Shared Research, based on data from Japan Maritime Center's Planning and Research Department

Barriers to Entry

As forwarders do not own ships, barriers to entry are low. NTL is the industry leader with a roughly 20% share in Japan's LCL shipping market. The 20% share is not particularly high, meaning the market has many players. Considering most of these players are running small businesses, again, barriers to entry are low.

Competition

As mentioned above, NTL is the leader in the domestic LCL shipping market with a 20% share. Main competitors in the market are Seino Logix Co., Ltd. (a wholly owned subsidiary of Seino Holdings), Transcontainer Ltd. (unlisted), and other large forwarders. The company also competes with overseas and small- and medium-sized forwarders that compete on price.

Although not competing head to head, NTL is often compared with AIT Corporation (TSE1: 9381), which has roughly the same scale of earnings with FY02/18 sales of JPY25.1bn (+18.1% YoY) and an operating profit of JPY1.5bn (+7.5% YoY). However, AIT's focus is on China, mainly importing garments and other goods. In contrast, NTL aims to grow into an international comprehensive freight forwarder that can compete with Kintetsu World Express, Inc. (TSE1: 9375) and Yusen Logistics. In Asia especially, Australia-based Toll Holdings Limited (ASX: TOL) is expanding (Japan Post Holdings Co., Ltd. (TSE 6178 became a subsidiary in May 2015). Since its IPO in 1993, Toll has acquired more than 100 companies, and Toll's FY12/14 sales were roughly JPY350bn (based on forex rates at the time, at JPY80 yen/AUD).

Industry Positioning	NAIGAI Positioning	Competitors
Main Services	Port to Port	Door to Door
Attribute	Independent	Shipping Companies-Affiliates
Core Business	Exports	Imports
Regional Focus	Asia	Europe/US

Source: Shared Research based on company data

Strategy

The company's mainstay LCL export business accounted for 19.8% of consolidated sales and roughly 30% of gross profit (SR estimate) in FY12/18. The company expects these figures to come down over the long term, though, as Japanese manufacturers (the company's customers) are expected to continue reducing domestic production for export and increasing the proportion of local procurement and production overseas.

NTL is looking to become a full-service international freight forwarder. In contrast to its old business model, in which parent company operations consisted largely of LCL/FCL export services and LCL/FCL import services, and focused mainly on handling the marine transport aspect of shipments (i.e., port-to-port services), the company aims to become a provider of comprehensive, door-to-door shipping services (from the shipper's factory or warehouse to the destination designated by the client/receiving company), including not only marine shipping but also land and air transport, as well as ancillary services such as warehousing, customs clearance, and packaging.

Operations strategy

NTL plans to strengthen the forwarding business division (to handle multimodal transport services including customs clearance, delivery, and machinery installation) aiming to grow into a comprehensive freight forwarder, not just a non-vessel operating common carrier (NVOCC). This is to be able to meet increasingly challenging needs of corporate clients by offering comprehensive (door-to-door) freight forwarding services on top of the port-to-port transport services.

Efforts in this regard include the April 2012 acquisition of UCI Air Freight Japan, Inc. (unlisted). With this acquisition, the company entered the air forwarding business.

Overseas strategy

In addition to expanding less-than-container-load (LCL) export sales, the company plans to build a comprehensive LCL import structure to offer door-to-door delivery. Using this structure, NTL aims to raise the import sales ratio (28% of parent sales in FY12/18) and double import revenues in the long run. To achieve that, the company began sales activities linking domestic offices and overseas subsidiaries.

The company established a new subsidiary, Flying Fish Inc., in February 2013, which then acquired the domestic business of Flying Fish Services Corporation in June 2013. Flying Fish Service Corp. has a strong international multimodal transport services with a strong customer base in providing foodstuff imports for large corporations. Consequently, Flying Fish aims at increasing imports and developing a comprehensive forwarding structure including door-to-door delivery services.

In January 2011, NTL acquired LOGISTICS PLUS INDIA PRIVATE LIMITED (international freight forwarder based in New Delhi, India; now NTL-INDIA). With the support of LPI, NTL aims to secure new routes from Southeast Asia to South Asia by utilizing its own warehouse in Singapore. In the long run, LPI will serve as a freight transfer center for container cargos bound for Europe. Another part of the NTL's strategy is to establish new business bases in Southeast Asia and Europe, expanding its reach to major countries and ports worldwide.

NTL is also considering entering warehousing and other businesses that require physical assets. The company started warehousing operations at the Busan New Port in November 2016, focusing on storage, making shipping arrangements, and processing services for cargo going between Japan and South Korea.

Historical performance

Q1 FY12/19 results

- ▷ Sales: JPY5.5bn (-0.4% YoY)
- ▷ Operating profit: JPY298mn (-4.4% YoY)
- ▷ Recurring profit: JPY312mn (+12.0% YoY)
- ▷ Net income*: JPY202mn (+3.7% 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, export volume declined YoY due to slowing economic growth in China affected by protective trade policies implemented by the US in FY12/18.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. In March 2019, it made Naigai Busan Logistics Center Co., Ltd., a subsidiary that it anticipates will contribute to earnings from Q2 FY12/19 onward.

In Q1, sales fell slightly YoY, but gross profit increased on a drop in the cost of sales. At the same time, operating profit declined YoY due to an increase in SG&A expenses, owing to JPY39mn in expenses related to the acquisition of Naigai Busan Logistics Center. If the company had not booked any expenses related to the Naigai Busan Logistics Center acquisition, operating profit would have been up 8.0% YoY. Recurring profit and net income both increased YoY as forex losses came to JPY3mn (versus JPY47mn in Q1 FY12/18).

The rates of progress achieved as compared to company forecasts for cumulative 2Q FY12/19 (1H FY12/19) are 46.8% for sales (compared to 48.9% for 1H results for FY12/2018), 37.2% for operating profit (42.4%), 37.6% for recurring profit (38.6%) and 35.5% for quarterly net income attributable to parent company shareholders (40.4%). If the expenses related to the Naigai Busan Logistics Center acquisition are excluded, the rate of progress for operating profit would be 42.0%, roughly equivalent to that of a year before. According to the company, from Q2 on the effects of increased service charges are expected to start showing up in higher earnings. Naigai Busan Logistics Center's incorporation as a subsidiary is also slated to contribute to profits. At the same time, increased domestic truck freight rates and other outsourcing costs may weigh on earnings.

Earnings by segment were as follows. Operating profit increased YoY for both the Japan and Overseas segments, but consolidated operating profit decreased YoY. This was because of the booking of JPY37mn in expenses related to the acquisition of the Naigai Busan Logistics Center as an adjustment on the consolidated books.

Japan

- ▷ Sales: JPY3.7bn (-1.4% YoY)
- ▷ Operating profit: JPY205mn (+6.4% YoY)

Segment sales declined YoY at both the parent and domestic group companies, but the GPM improved with a drop in the cost of sales ratio, so segment profit (operating profit) rose.

A breakdown of parent sales by services shows YoY decreases in both volume handled and sales for its mainstay LCL exports freight business. On the other hand, the volume of FCL exports was up, as was sales. Parent company sales declined YoY. However, an increase in service charges translated into a higher GPM.

As for Naigai's Japanese subsidiaries, Flying Fish Inc. which is engaged in the international multimodal transport business, enjoyed growth in both sales and profits. Import volumes increased, reflecting the elimination or reduction of duties on cargo from the EU.

On the other hand, both sales and earnings dropped for UCI Airfreight Japan Inc., which is involved in international air and sea freight shipments. That was because demand for transport of goods by air freight trended at a subdued level.

Overseas

- ▷ Sales: JPY1.9bn (+1.6% YoY)
- ▷ Operating profit: JPY136mn (+8.8% YoY)

Both segment sales and profit (operating profit) increased, primarily due to increases in sales and profit at Naigai-Eunsan Logistics Co., Ltd. Results improved for other overseas subsidiaries, including in China (Shanghai), although sales and profits declined in the Southeast Asia region.

Assets, liabilities, and net assets

The company's total assets stood at JPY11.5bn (up JPY538mn from the end of FY12/18). The increase is mostly attributable to turning Naigai Busan Logistics Center into a subsidiary, with the value of buildings and structures increasing by JPY617mn and goodwill by JPY52mn.

Liabilities totaled JPY2.7bn (up JPY303mn). As a result of the Naigai Busan Logistics Center becoming a subsidiary, the company assumed JPY235mn in long-term loans payable.

Net assets came to JPY8.8bn (up JPY235mn), with the non-controlling (minority) shareholders' equity rising to JPY197mn.

Others: Naigai Busan Logistics Center Becomes a Subsidiary

In March 2019 Naigai Trans Line acquired a 60% stake in Hanjin Shipping Newport Logistics Center, Ltd. from Hanjin Shipping Co., Ltd. (The name of the new subsidiary is Naigai Busan Logistics Center Co., Ltd.) The acquisition price was JPY341mn, acquisition costs were JPY39mn (advisor fees, commissions, etc.), and goodwill was valued at JPY59mn (tentatively estimated amount). The goodwill will be amortized on a straight-line basis over the period it will have an investment effect. The company is still deciding the period for amortization.

Naigai Busan Logistics Center is operating logistics warehouses (total warehouse space of around 5,236 tsubo or 17,309sqm) in the Busan New Port district. Its results for FY12/16 were sales of JPY288mn and operating profit of JPY52mn, while for FY12/17 they were sales of JPY238mn, operating profit of JPY12mn (at an exchange rate of JPY0.1001/KRW). From 2Q FY12/19 on, Naigai Busan Logistics Center's income statement is slated to be consolidated with that of the group.

Full-year FY12/18 results

- ▷ Sales: JPY23.3bn (+7.1% YoY)
- ▷ Operating profit: JPY1.6bn (+7.8% YoY)
- ▷ Recurring profit: JPY1.7bn (+4.3% YoY)
- ▷ Net income*: JPY1.1bn (-3.8% YoY)

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

Japan's trading volume, which has an impact on NTL's earnings, posted a strong increase for both imports and exports in 1H, though it slumped in 2H due to the intensifying trade frictions between the U.S. and China (Trade Statistics from the Ministry of Finance).

FY12/18 results represented new record-highs for sales, operating profit, and recurring profit. The decline in net income attributable to parent company shareholders was due to the dropout of JPY102mn in gains on the sale of investment securities booked in FY12/17 and not repeated in FY12/18.

Mainstay LCL exports were high at the parent level, and, along with strong sales, surpassed FY12/17 results. FCL exports as well as sales were robust, posting an over 10% increase YoY. In addition, LCL import sales rose, contributing to higher sales and gross margin. At the parent level, where the focus is on LCL, progressive policies proved successful as FY12/18 saw sales reach new record highs.

At domestic subsidiary UCI Airfreight Japan, Inc., air freight exports continued their brisk pace YoY. In the two years since the November 2016 establishment of overseas subsidiary Naigai-Eunsan Logistics Co., Ltd., earnings have been growing at a steady clip. Furthermore, other subsidiaries have also had a comparatively steady showing.

Earnings by segment were as follows.

Japan

- ▷ Sales: JPY15.6bn (+7.4% YoY)
- ▷ Operating profit: JPY1.0bn (+12.1% YoY)

Segment sales rose, with increased sales for both LCL (less-than-container-load) exports and FCL (full-container-load) shipments at the parent. Segment profit rose on higher sales at the parent and higher profits at both domestic subsidiaries.

At the parent company, full-year sales of JPY10.9bn were up 5.7% YoY and operating profit of JPY760mn was up 7.7% YoY. This represents 44% of consolidated sales (versus 44% in FY12/17) and 46% of consolidated operating profit (versus 47% in FY12/17) prior to adjustments for intra-group transactions. LCL exports, the company's mainstay service line, saw a 2.5% YoY increase in sales to JPY4.6bn, on a 3.0% YoY increase in volumes; FCL exports saw a 15.2% YoY increase in sales to JPY2.2bn on a 13.2% YoY increase in volumes. Imports (LCL, FCL, and other) generated a total of JPY3.1bn in sales, an increase of 2.9% over FY12/17. Although volumes and sales at the company's mainstay LCL shipping business remained in a long-term downtrend, the company has managed to report positive YoY growth in sales and volumes for the past two years. On the earnings front, rising fees for warehousing services drove up the cost of sales but earnings still finished up thanks to sales growth.

Sales and earnings were up at NTL's two domestic subsidiaries, which together accounted for 21% of consolidated sales (versus 21% in FY12/17) and 17% of consolidated operating profit (versus 14% in FY12/17) before adjustments for intra-group transactions.

UCI Airfreight Japan, Inc., which handles both international air freight and international marine shipping, reported higher sales and higher earnings thanks in part to growing revenues from its customs clearing business. Flying Fish Inc., which provides integrated transport solutions for international shipping, reported higher earnings on flat sales YoY as it focused on enhancing profitability and succeeded in increasing its margins.

Overseas

- ▷ Sales: JPY7.6bn (+6.6% YoY)
- ▷ Operating profit: JPY606mn (+0.8% YoY)

The termination of dealings with large shippers in some regions put a damper on sales growth but the segment was still able to report higher sales and earnings for the year thanks to the expansion of its business at Naigai-Eunsan Logistics in South Korea.

The percentage of overseas sales and operating profit to consolidated results are as below (before adjusting for intra-group transactions):

- ▷ Asia: 21% of consolidated sales, 27% of consolidated operating profit
- ▷ China: 7% of consolidated sales, 9% of consolidated operating profit
- ▷ Other regions: 4% of consolidated sales, 0.4% of consolidated operating profit

Changes in assets, liabilities, and net assets

At the end of FY12/18, the company's consolidated balance sheet showed total assets of JPY11.0bn. This represents an increase of JPY861mn over the end of FY12/17, JPY643mn of which came from an increase in cash and deposits.

Liabilities of JPY2.4bn were up JPY229mn over the end of FY12/17, most of this coming from an increase in other current liabilities.

Net assets of JPY8.6bn were up JPY632mn versus the end of FY12/17. The increase was driven by a JPY826mn addition to retained earnings, which was partly offset by JPY204mn in foreign currency translation adjustments.

Q3 FY12/18 results

- ▷ Sales: JPY17.1bn (+6.5% YoY)
- ▷ Operating profit: JPY1.1bn (+2.9% YoY)
- ▷ Recurring profit: JPY1.1bn (+0.0% YoY)
- ▷ Net income*: JPY736mn (-16.1% YoY)

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

Japan's trading volume, which has an impact on NTL's earnings, increased YoY in terms of both imports and exports, a trend that is continuing, particularly in China and other Asian regions. Sales, operating profit, and recurring profit grew YoY while net income fell YoY due in part to JPY102mn in gains on the sale of investment securities recorded as extraordinary income during Q3 of the previous year.

Sales reached 74.5% of FY12/18 full-year company forecasts (sales in Q3 FY12/17 reached 74.1% of full-year results), while operating profit reached 64.6% (71.2% in Q3 FY12/17), recurring profit reached 63.4% (69.8% in Q3 FY12/17), and net income attributable to parent company shareholders was 56.6% (73.6% in Q3 FY12/17).

Earnings by segment were as follows.

Japan

- ▷ Sales: JPY11.5bn (+6.5% YoY)
- ▷ Operating profit: JPY686mn (+7.4% YoY)

The Japan segment is composed of the parent company and consolidated domestic subsidiaries UCI Air Freight Japan, Inc. and Flying Fish Inc.

At the parent level, sales of both LCL (less-than-container-load) and FCL (full-container-load) exports rose due to an increase in clearance handling. Meanwhile, LCL imports grew while FCL imports decreased. Gross profit on LCL sales fell due to lower selling prices and climbing procurement prices. On the other hand, gross profit on FCL sales increased, despite lower selling prices, thanks to growth in volume, while operating profit rose at the parent level. In Q1, GPM dipped temporarily due to climbing domestic warehouse-related expenses, handling charges, and truck freight rates. From Q2 onward, GPM improved in comparison to Q1 thanks to restored unit prices for charges that fall under domestic handling costs, raised shipping fees, and a request to clients for revisions to invoices for bill of landing (B/L) related expenses. However, cost of sales continues to rise.

Domestic subsidiary UCI Air Freight Japan, Inc., which deals in international air and ocean freight transport, recorded increases in both sales and profit while Flying Fish Inc., which conducts international multimodal transport operations, posted increased profits despite a drop in sales. Overall, both sales and profit were up for the Japan segment.

Overseas

- ▷ Sales: JPY5.7bn (+6.7% YoY)
- ▷ Operating profit: JPY431mn (-3.8% YoY)

Overseas sales increased thanks to contributions from Naigai-Eunsan Logistics Co., Ltd. and SHANGHAI NTL-LOGISTICS LIMITED, but overseas profit (operating profit) fell, partly due to a rise in SG&A expenses.

In July 2018, the company expanded its warehouse in India to 14,350sqm (originally 8,600sqm). Due to inclement weather, this expansion made only a limited contribution to results during Q3 (July–September 2018), but the company expects it to contribute substantially starting in Q4 (October–December 2018).

Assets, liabilities, and net assets

Total assets were JPY10.7bn (+JPY605mn from end FY12/17). This increase was mainly due to a JPY407mn rise in cash and deposits and growth of JPY97mn in buildings and structures, which included warehouse expansion at a local subsidiary in India.

Liabilities were JPY2.4bn (+JPY275mn from end FY12/17). The main reasons for this climb were rises of JPY92mn in accounts payable and JPY138mn in provision for bonuses.

Net assets finished at JPY8.3bn (+JPY329mn from end FY12/17). This rise was mostly due to retained earnings that rose by JPY415mn and a JPY114mn fall in foreign currency translation adjustment.

1H FY12/18 results

Japan's trading volume, which has an impact on NTL's earnings, was brisk for imports as well as exports (particularly to China and other Asian countries) backed by steady growth in overseas economies. Under these conditions in 1H FY12/18, the company proceeded with obtaining certification under the Authorized Customs Broker's Program (AEO Customs Broker's Program) and expanding warehouses at a local subsidiary in India.

- ▷ In April 2018, the company was authorized by the Director-General of Tokyo Customs as an Authorized Customs Broker under the Authorized Customs Broker's Program (AEO Customs Broker's Program). The AEO Customs Broker's Program is a system for customs brokers with established systems for cargo security control and regulatory compliance. When authorized, the system permits exemption measures, allowing a reduced lead time in export/import cargo clearance. The company benefits from smoother procedures: in customs clearance procedures for export cargo, it is able to file export declarations relating to cargo located elsewhere than the bonded area; in customs clearance procedures for import cargo, customs declarations can be filed after cargo pickup, improving convenience for customers.
- ▷ In July 2018, the company expanded its warehouse in the Salem region of India from 8,600m^2 to 14,350m^2.

In 1H FY12/18, the company booked sales of JPY11.4bn (+7.9% YoY), operating profit of JPY735mn (+2.2% YoY), recurring profit of JPY721mn (-3.6% YoY), and net income attributable to parent company shareholders of JPY483mn (-21.8% YoY).

On the parent level the handling volume in the mainstay LCL (less-than-container-load) export service grew YoY, but the company faced difficulties passing on the burden of cost hikes (including higher freight rates and handling charges) to selling prices, and profits suffered as a result. Forex losses incurred from yen appreciation in 1H and the absence of a special factor (gains on sale of securities) seen in 1H FY12/17 also weighed on recurring profit and net income attributable to parent company shareholders. Meanwhile, the group's domestic and overseas subsidiaries posted sales and profit growth for the most part, excluding a few.

However, improvements in profitability could be seen when comparing results from Q1 (January through March) to Q2 (April through June). In Q1, sales were JPY5.5bn (+6.9% YoY), operating profit was JPY311mn (-14.2% YoY) and the operating profit margin was 5.6%. In Q2, sales were JPY5.8bn (+8.8% YoY), operating profit was JPY424mn (+18.9% YoY), and the operating profit margin was 7.3%. The company recorded record-high sales and profits in Q2 (April through June). In Q1, the company raised prices in response to hikes in freight rates and handling charges and the results of this rise were manifested in Q2.

Progress versus full-year company forecasts for FY12/18 was 49.3% for sales (1H FY12/17 reached 48.5% of full-year FY12/17 results), 43.2% for operating profit (1H FY12/17 reached 47.9% of full-year FY12/17 results), 41.2% for recurring profit (1H FY12/17 reached 47.1% of full-year FY12/17 results), and 37.1% for net income attributable to parent company shareholders (1H FY12/17 reached 51.8% of full-year FY12/17 results). Rates of progress for sales and profits were below 50% but because results tend to be weighted toward 2H and the effects of price rises are beginning to manifest starting in Q2, no revisions were made to company forecasts.

Earnings by segment were as follows.

Japan

- ▷ Sales: JPY7.6bn (+8.1% YoY)
- ▷ Operating profit: JPY458mn (+8.1% YoY)

The Japan segment is composed of the parent company and consolidated domestic subsidiaries UCI Air Freight Japan, Inc. and Flying Fish Inc. In 1H, the parent company accounted for 44% of consolidated segment sales (simple aggregation of segments) (versus 45% in 1H FY12/17) and 44% of consolidated segment operating profit (versus 46% in 1H FY12/17). Domestic subsidiaries accounted for 21% of consolidated segment sales (versus 20% in 1H FY12/17) and 18% of consolidated segment operating profit (versus 20% in 1H FY12/17).

At the parent level, both sales and profits were up on YoY sales increase at both LCL and FCL export services. In Q1, handling volume increased YoY, but gross profit fell YoY due in part to a fall in selling prices and rises in domestic warehouse-related expenses, handling charges and truck freight rates. Sales and gross profit both increased YoY in Q2 as volume handled increased and the company revised invoices for bill of landing (B/L) related expenses, raised shipping fees, and restored unit prices for charges that fall under domestic handling costs. The company expects the rise in service fees to have a positive impact on sales and profits in Q3 and subsequent quarters as well.

UCI Air Freight Japan, a consolidated subsidiary that operates international air and ocean freight transport, also recorded increased sales and profits. Sales increases in the mainstay air freight and customs clearance businesses contributed to results.

Sales decreased while profits increased for Flying Fish Inc., which conducts international multimodal transport operations. The subsidiary improved profit margins despite lower sales by prioritizing more profitable transactions.

Overseas

- ▷ Sales: JPY3.7bn (+7.3% YoY)
- ▷ Operating profit: JPY289mn (-6.1% YoY)

Sales were brisk at all overseas subsidiaries and both sales and profit increased when measured in local currencies. However, after conversion to yen, operating profit fell YoY despite the rise in sales due to higher cost of sales.

Assets, liabilities and net assets

Total assets increased to JPY10.3bn (+JPY205mn from end FY12/17). An increase of JPY347mn in cash and deposits primarily contributed to the rise.

Liabilities were JPY2.2bn (+JPY92mn from end FY12/17) mainly because of a JPY34mn rise in accounts payable.

Net assets were up to JPY8.1bn (+JPY112mn from end FY12/17). This increase was mostly due to a JPY317mn increase in retained earnings and a JPY201mn decrease in foreign currency translation adjustment.

Income statement

Income statement (JPYmn)	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
Sales	**8,735**	**11,444**	**12,538**	**13,405**	**16,797**	**20,095**	**22,658**	**19,979**	**21,709**	**23,254**
YoY	-26.7%	31.0%	9.6%	6.9%	25.3%	19.6%	12.8%	-11.8%	8.7%	7.1%
Cost of sales	5,524	7,734	8,557	9,290	11,954	14,432	16,473	14,234	15,720	16,958
Gross profit	**3,211**	**3,710**	**3,981**	**4,115**	**4,843**	**5,663**	**6,185**	**5,745**	**5,990**	**6,296**
YoY	-19.1%	15.5%	7.3%	3.4%	17.7%	16.9%	9.2%	-7.1%	4.3%	5.1%
GPM	36.8%	32.4%	31.8%	30.7%	28.8%	28.2%	27.3%	28.8%	27.6%	27.1%
SG&A expenses	2,575	2,678	2,903	3,206	3,700	4,518	4,607	4,435	4,489	4,679
SG&A ratio	29.5%	23.4%	23.2%	23.9%	22.0%	22.5%	20.3%	22.2%	20.7%	20.1%
Operating profit	**636**	**1,031**	**1,079**	**908**	**1,142**	**1,145**	**1,578**	**1,309**	**1,500**	**1,617**
YoY	-42.3%	62.1%	4.7%	-15.8%	25.8%	0.3%	37.8%	-17.0%	14.6%	7.8%
OPM	7.3%	9.0%	8.6%	6.8%	6.8%	5.7%	7.0%	6.6%	6.9%	7.0%
Non-operating income	201	76	62	98	99	115	84	69	109	107
Non-operating expenses	28	71	95	31	37	52	93	45	21	67
Recurring profit	**809**	**1,036**	**1,046**	**975**	**1,205**	**1,208**	**1,569**	**1,333**	**1,588**	**1,657**
YoY	-26.3%	28.1%	1.0%	-6.8%	23.6%	0.3%	29.9%	-15.0%	19.1%	4.3%
RPM	9.3%	9.1%	8.3%	7.3%	7.2%	6.0%	6.9%	6.7%	7.3%	7.1%
Extraordinary gains	7	6		4	3	15	23	0	103	0
Extraordinary losses	98	3	130	106	32	517	2	466	1	17
Tax charges	316	385	343	407	425	471	564	428	470	454
Implied tax rate	44.0%	37.1%	37.4%	46.6%	36.1%	66.7%	35.5%	49.4%	27.8%	27.7%
Minority interests	5	3	5	7	21	19	20	1	28	39
Net income	**396**	**652**	**568**	**459**	**730**	**216**	**1,006**	**439**	**1,192**	**1,147**
YoY	-36.5%	64.6%	-12.9%	-19.2%	59.0%	-70.4%	365.1%	-56.4%	171.8%	-3.8%
Net margin	4.5%	5.7%	4.5%	3.4%	4.3%	1.1%	4.4%	2.2%	5.5%	4.9%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Balance sheet

Balance sheet (JPYmn)	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
ASSETS										
Cash and deposits	2,862	3,565	3,595	3,459	3,753	4,714	4,694	4,497	5,101	5,744
Marketable securities	299	395	300	498	280	200	-	-	-	
Accounts receivable	374	494	557	849	1,701	1,535	1,605	1,671	1,578	1,691
Other	137	132	121	182	404	543	447	448	605	651
Total current assets	**3,672**	**4,586**	**4,573**	**4,988**	**6,138**	**6,993**	**6,746**	**6,615**	**7,284**	**8,086**
Buildings and structures (net)	25	27	149	160	167	163	164	1,370	1,444	1,512
Equipment and vehicles (net)	16	15	28	36	30	51	58	74	85	67
Land	351	351	370	383	378	376	375	374	375	372
Other fixed assets	55	35	65	54	56	49	104	91	85	104
Total tangible fixed assets	**447**	**428**	**612**	**633**	**631**	**639**	**702**	**1,909**	**1,989**	**2,056**
Investment securities	501	219	276	297	433	216	157	168	202	175
Guarantee deposits	193	186	185	197	235	260	247	247	248	269
Insurance funds	120	127	108	115	122	127	127	127	127	127
Other	183	169	146	322	157	84	129	124	93	91
Investments and other assets	**997**	**701**	**715**	**931**	**947**	**687**	**660**	**666**	**669**	**662**
Goodwill	-	132	355	504	1,175	774	688	142	117	87
Software	85	71	58	43	33	24	33	38	36	69
Other	19	15	12	11	56	50	35	24	13	9
Total intangible fixed assets	**104**	**218**	**425**	**558**	**1,264**	**848**	**757**	**203**	**166**	**165**
Total fixed assets	**1,548**	**1,348**	**1,753**	**2,122**	**2,842**	**2,174**	**2,118**	**2,779**	**2,824**	**2,883**
Total assets	**5,220**	**5,934**	**6,326**	**7,110**	**8,980**	**9,167**	**8,864**	**9,394**	**10,108**	**10,969**
LIABILITIES										
Accounts payable	503	604	620	762	1,197	1,117	1,040	985	1,059	1,106
Short-term debt	-	-	87	49	256	29	-	24	-	
Other	362	453	322	421	574	691	658	630	637	805
Total current liabilities	**865**	**1,057**	**1,030**	**1,232**	**2,026**	**1,836**	**1,698**	**1,640**	**1,696**	**1,910**
Long-term debt	-	-	42	27	-	-	-	500	-	
Other	149	153	214	241	329	353	380	398	438	452
Total fixed liabilities	**149**	**153**	**256**	**268**	**329**	**353**	**380**	**898**	**438**	**452**
Total liabilities	**1,014**	**1,210**	**1,285**	**1,499**	**2,355**	**2,189**	**2,078**	**2,538**	**2,134**	**2,363**
NET ASSETS										
Capital stock	157	215	223	228	244	244	244	244	244	244
Capital surplus	147	205	213	218	234	234	234	234	234	225
Retained earnings	4,014	4,520	4,945	5,260	5,845	5,885	6,623	6,819	7,720	8,547
Valuation differences	-138	-239	-381	-142	243	526	362	166	320	91
Share subscription rights	8	-	-	-	-	-	-	-	-	
Treasury stock	-	-0	-0	-0	-0	-0	-1,020	-1,021	-1,021	-1,011
Non-controlling interests	20	22	42	48	60	89	344	414	477	510
Total net assets	**4,206**	**4,723**	**5,041**	**5,611**	**6,625**	**6,978**	**6,786**	**6,856**	**7,974**	**8,607**
Working capital	-121	-103	-57	93	509	423	571	691	526	586
Total interest-bearing debt	-	-	129	75	256	29	-	524	-	-
Net cash	2,862	3,565	3,466	3,384	3,497	4,686	4,694	3,973	5,101	5,744

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Other information

Shareholder returns

The company's policy is to provide a stable, continuous dividend based on a combination of operating performance, the financial situation, and other factors. The company paid an annual dividend of JPY34.0 in FY12/18 (for a dividend payout ratio of 28.8%), paying an interim dividend of JPY16.0 and year-end dividend of JPY18.0. In FY12/19, the company also plans to pay an annual dividend of JPY34.0 (for a dividend payout ratio of 27.1%), paying an interim dividend of JPY17.0 and year-end dividend of JPY17.0.

History

May 1980	Founded under the name of NAIGAI SHIPPING CO., LTD. in Higashi-Ku (currently Chuo-Ku), Osaka as ocean shipping broker
Dec 1986	Altered trade name to NAIGAI TRANS LINE LIMITED
Dec 1991	"Class I Consigned Freight Forwarding Business Operator" license approved by the Ministry of Transport (currently the Ministry of Land, Infrastructure, Transport and Tourism)
April 1997	Established NTL NAIGAI TRANS LINE (S) PTE LTD. in Singapore
June 2000	Established NTL NAIGAI TRANS LINE (T) CO., LTD. in Bangkok
April 2001	Established PT. NTL NAIGAI TRANS LINE INDONESIA in Jakarta
Jan 2003	Established joint venture Shanghai NTL-ADC TRANS LINE LTD. in Shanghai
Aug 2003	Acquired JVL AMERICA INC. from Japan Van Lines Co., Ltd. and established NTL NAIGAI TRANS LINE (USA) INC., in Los Angeles (90% stake)
Sept 2003	Established NTL NAIGAI TRANS LINE (KOREA) CO., LTD. in Seoul and opened Busan Branch
Feb 2006	Established NTL-LOGISTICS (HK) LIMITED in Hong Kong
Dec 2006	Acquired Shanghai NTL-ADC TRANS LINE LTD.
Nov 2008	Listed on the Second Section of the Tokyo Stock Exchange
July 2010	Acquired New York-based Cargo One Inc. (Consolidation Services)
Jan 2011	Acquired an 80% stake in LOGISTICS PLUS INDIA PRIVATE LIMITED (international freight forwarder based in New Delhi, India)
April 2012	Acquired Osaka-based UCI Air Freight Japan, Inc. (international transportation and logistics operator)
Oct 2012	NTL NAIGAI TRANS LINE (USA) INC. acquired Cargo One Inc.
	Established a UCI Air Freight Japan Narita Branch in Narita, Chiba Prefecture
Nov 2012	Established SHANGHAI NTL-LOGISTICS LIMITED Qingdao Branch in Qingdao, China
Feb 2013	Established Flying Fish Inc., a consolidated subsidiary in Tokyo
Jun 2013	Flying Fish Inc. acquired the international transportation operations of Flying Fish Service Corp.
Oct 2013	Established a Chicago branch of NTL NAIGAI TRANS LINE (USA) INC.
Dec 2013	Acquired NTL LOGISTICS PLUS INDIA PRIVATE LIMITED
Jan 2014	Changed the name of NTL LOGISTICS PLUS INDIA PRIVATE LIMITED to NTL-LOGISTICS (INDIA) PRIVATE LIMITED
Mar 2014	Established a UCI Air Freight Japan office in Kansai International Airport, Osaka
Mar 2015	Listed shares on the TSE First Section
Jun 2015	Naigai-Eunsan Logistics Co., Ltd. joint subsidiary in Busan Korea
Nov 2015	Established NTL-Shenzhen as a subsidiary of NTL Logistics (HK)
Jan 2016	Closed Moji and Hiroshima offices
April 2016	Absorption-type merger of Global Maritime Co., Ltd. Opened NTL-Logistics (Shenzhen) Limited Guangzhou Branch to take over operations from SHANGHAI NTL-LOGISTICS LIMITED Guangzhou Branch
Nov 2016	Naigai-Eunsan Logistics begins operation of warehouse in Busan, South Korea
July 2017	Acquired GTC-ASIA's Japan business

Aug 2017	Acquired GTC-ASIA (Myanmar) Co. Ltd. from GTC-ASIA, made it a subsidiary, and renamed it NTL Naigai Trans Line (Myanmar) Co., Ltd.
Oct 2017	Established a Laem Chabang Branch of NTL Naigai Trans Line (Thailand) Co., Ltd.
Dec 2017	Closed NTL NAIGAI TRANS LINE (USA) INC. Chicago Branch
Dec 2017	Closed Hyderabad branch office of NTL-LOGISTICS (INDIA) PRIVATE LIMITED
April 2018	Closed Calcutta branch office of NTL-LOGISTICS (INDIA) PRIVATE LIMITED
Aug 2018	Relocated head office to the Sunrise Building, located in the Bingo-Machi district of Osaka's Chuo Ward
March 2019	Acquired shares in Hanjin Shipping Newport Logistics Center Ltd. from Hanjin Shipping Co., Ltd. and made it a subsidiary. Changed the name to Naigai Busan Logistics Center Co., Ltd.

News and topics

February 2019

On **February 15, 2019**, the company announced its intension to acquire shares in a warehousing company in South Korea, making it a subsidiary.

At a meeting of the company's Board of Directors held on February 15, 2019, the company resolved the acquisition of shares representing a 60% equity stake in Hanjin Shipping Newport Logistics Center, Ltd., owned by Hanjin Shipping Co., Ltd. (debtor in the midst of rehabilitation proceedings). Hanjin Shipping Newport Logistics Center will be considered a specified subsidiary of Naigai Trans Line.

Purpose of share acquisition

In June 2015, Naigai Trans Line established Naigai-Eunsan Logistics Co., Ltd., a joint venture with a South Korean company Eunsan Shipping & Aircargo Co., Ltd. and operates a logistics warehouse located at the Busan New Port, in Changwon, South Korea. With the acquisition of a new warehouse in the Busan New Port area, the company will be able to further develop its warehousing business to handle overseas shipments and establish itself in South Korea as a full-service freight forwarder.

Overview of subsidiary to be transferred to Naigai Trans Line Ltd.

- Name: Hanjin Shipping Newport Logistics Center, Ltd.
- Business: Logistics warehouse operator
- Major shareholders and ownership interest: Hanjin Shipping Co., Ltd. (debtor in rehabilitation) holds 60%, 40% held by four other companies
- Land (leased): Approximately 6,167 tsubo (20,387sqm)
- Warehouse: Approximately 5,236 tsubo (17,309sqm)

Financial performance and financial position in last two years

	FY12/16	FY12/17
Net assets	KRW4.8bn (JPY479mn)	KRW4.8bn (JPY477mn)
Total assets	KRW9.0bn (JPY899mn)	KRW7.8bn (JPY780mn)
Sales	KRW2.9bn (JPY288mn)	KRW2.4bn (JPY238mn)
Operating profit	KRW524mn (JPY52mn)	KRW121mn (JPY12mn)

Source: Shared Research based on company data
Note: Currency translated at KRW1.0 = JPY0.1001

Overview of transaction counterparty

- Name: Hanjin Shipping Co., Ltd. (debtor in rehabilitation)
- Representative: Kim Jinhan (bankruptcy administrator)

Number of shares to be acquired, cost, and share ownership before and after the acquisition

- ▷ Shares owned before the transfer: Zero
- ▷ Number of shares to be acquired: 420,000 shares
- ▷ Amount to be paid: KRW3.86bn (JPY386mn)
- ▷ Shares owned after the transfer: 420,000 shares (representing 60% of voting rights)

Schedule

- ▷ Date of acquisition cost payment and change of ownership: Early March 2019 (scheduled)
- ▷ Date when included in consolidated results: March 31, 2019 (scheduled)

The acquisition of Hanjin Shipping Newport Logistics Center will not have a material impact on consolidated results in FY12/19.

December 2018

On **December 14, 2018**, the company announced an upward revision to its dividend forecast.

The company increased its initial year-end dividend forecast of JPY16 per share by JPY2 to JPY18 per share based on strong earnings and other factors. With this change, the company forecasts an annual dividend of JPY34 per share, including an interim dividend of JPY16 per share.

Major shareholders

Top shareholders	Shares held ('000)	Shareholding ratio
AST G.K.	2,121	21.86%
The Master Trust Bank of Japan, Ltd. (Trust account)	686	7.08%
BNP Paribas Sec Services Luxembourg /JASDEC/Aberdeen Global Client Assets	422	4.35%
NAIGAI TRANS LINE Employee Shareholding Association	377	3.89%
Toru Toda	318	3.28%
Tokiwasoba Co., Ltd.	250	2.58%
Nissho Transportation Co., Ltd.	232	2.39%
Trancom Co., Ltd.	220	2.27%
SICAV ESSOR JAPON OPPORTUNITIES	185	1.91%
Japan Trustee Services Bank, Ltd. (Trust account)	177	1.83%
SUM	4,991	51.43%

Source: Shared Research, based on company data (As of December 31, 2018)
Note: The above percentage figures are based on total shares outstanding and do not including treasury stock; the company holds 991,000 shares as treasury stock but is not included in the list of major shareholders.

Company Chairman Toru Toda owns 3.28% of NTL directly and 21.86% through a family-owned business called AST G.K. Thus, Toda directly and indirectly controls 25.14% of NTL.

Top management

Toru Toda (born 1942), chairman and representative director

Toda worked for Yokohama Eisen K.K. and several other companies, and founded NAIGAI SHIPPING CO., LTD. (predecessor of NTL) in 1980. The company changed its name to NAIGAI TRANS LINE LIMITED in 1986. He gained the current post in 2013.

Akira Tsuneda (born 1953), president and representative director

After working for Nippon Express Co., Ltd., Tsuneda joined NTL in 1999. From 2003, Tsuneda served as the president of Chinese subsidiary SHANGHAI NTL-LOGISTICS LIMITED. He became vice president and representative director in 2012 and gained the current post in 2013.

By the way

Glossary

Car Carrier

As Japan accelerated automobile production in the 1960s, shipping companies increasingly backed away from the business of shipping cars that needed damage-free loading and shipping. This led to the conception of a vessel specifically designed for shipping cars. In 1970, Kawasaki Kisen Kaisha Ltd. ("K" LINE, TSE1: 9107) introduced Japan's first pure car carrier (PCC), Toyota Maru No. 10.

Container ships

Container ships are the fastest among all carrier types, designed to ship various items, including garments, electronic appliances, and hazardous items. These items are put in internationally standard containers and transported.

Dry Bulker

These are vessels to carry such raw materials as coal, iron ore and grain (e.g., wheat, soybean, corn) as well as paper-making materials.

Freight Forwarder

A business that does not own its own vessels but acts as an agent on behalf of the shipper. A freight forwarder primarily conducts door-to-door multimodal transport through the use of other parties' transport systems (e.g., ships, airplanes, railcars, trucks). Although being sub-divided further according to transportation mode used and geographical region of operation, freight forwarders, in general, undertake international freight forwarding.

Full-Container-Load (FCL)
The quantity of freight which is equivalent to that required for the application of a container load rate.

Less-than-Container-Load (LCL)
The quantity of freight which is less than that required for the application of a container load rate. Also known as Loose Freight.

LNG Carrier
An ocean-going ship specially constructed to carry LNG in tanks. Mainly composed of methane, LNG maintains its liquid state below minus 161.5 degrees C. Due to this, LNG carriers are equipped with pressurized tanks and thermal insulations. An LNG tank occupies a large portion of a carrier's total hull volume, resulting in the bigger silhouette of an LNG carrier above the waterline.

Load Factor
Capacity used as against capacity available and expressed as a percentage.

Non-Vessel Operating Common Carrier (NVOCC)
An NVOCC does not own vessels. It buys space from a carrier and sub-sells it to smaller shippers.

Oil Tanker
Oil tankers can be sub-divided into dirty tankers (for heavy oil) and clean tankers (for gasoline, naphtha, kerosene and light oil).

Shipper
The person or company who is usually the supplier or owner of commodities shipped. Also called Consignor.

Third-Party Logistics (3PL)
3PL refers to comprehensive logistics outsourcing services provided to shippers. A 3PL operator helps shippers formulate logistics strategies, gives proposals for logistics system development and undertakes actual logistics operations.

Company profile

Company Name	Head Office
NAIGAI TRANS LINE LTD.	5F Sunrise Bldg. 6-8,2-chome Bingo-cho, Chuo-ku Osaka, Japan 541-0052
Phone	**Listed On**
+81-6-6260-4710	Tokyo Stock Exchange 1st Section
Established	**Exchange Listing**
May 1, 1980	November 5, 2008
Website	**Financial Year-End**
http://www.ntl-naigai.com/	December
IR Contact	**IR Web**
-	http://ir.ntl-naigai.co.jp/ja/index.html
IR Mail	**IR Phone**
-	+81-6-6260-4800

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at http://www.sharedresearch.jp.

Current Client Coverage of Shared Research Inc.

Accordia Golf Trust
ADJUVANT COSME JAPAN CO., LTD.
Aeon Delight Co., Ltd.
Aeon Fantasy Co., Ltd.
Ai Holdings Corporation
and factory, inc.
ANEST IWATA Corporation
AnGes Inc.
Anicom Holdings, Inc.
Anritsu Corporation
Apaman Co., Ltd.
ARATA CORPORATION
Arealink Co.,Ltd.
Artspark Holdings Inc.
AS ONE CORPORATION
Ateam Inc.
Aucfan Co., Ltd.
AVANT CORPORATION
Axell Corporation
Azbil Corporation
AZIA CO., LTD.
AZoom, Co., Ltd.
BEENOS Inc.
Bell-Park Co., Ltd.
Benefit One Inc.
B-lot Co.,Ltd.
Broadleaf Co., Ltd.
Canon Marketing Japan Inc.
Career Design Center Co., Ltd.
Carna Biosciences, Inc.
CARTA HOLDINGS, INC
CERES INC.
Chiyoda Co., Ltd.
Chugoku Marine Paints, Ltd.
cocokara fine Inc.
COMSYS Holdings Corporation
CRE, Inc.
CREEK & RIVER Co., Ltd.
Daiichi Kigenso Kagaku Kogyo Co., Ltd.
Daiseki Co., Ltd.
DIC Corporation
Digital Arts Inc.
Digital Garage Inc.
Dream Incubator Inc.
Earth Corporation
Elecom Co., Ltd.
en-Japan Inc.
euglena Co., Ltd.
Evolable Asia Corp.
FaithNetwork Co., Ltd.
Ferrotec Holdings Corporation
FIELDS CORPORATION
Financial Products Group Co., Ltd.
FreeBit Co., Ltd.
FRONTEO, Inc.
Fujita Kanko Inc.
Gamecard-Joyco Holdings, Inc.
GCA Corporation
Good Com Asset Co., Ltd.
Grandy House Corporation
Hakuto Co., Ltd.
Hamee Corp.
Happinet Corporation
Harmonic Drive Systems Inc.
HOUSEDO Co., Ltd.
IDOM Inc.
IGNIS LTD.
i-mobile Co.,Ltd.
Inabata & Co., Ltd.
Infocom Corporation
Infomart Corporation
Intelligent Wave, Inc.
ipet Insurance CO., Ltd.
istyle Inc.
Itochu Enex Co., Ltd.
JSB Co., Ltd.
JTEC Corporation
J Trust Co., Ltd
Japan Best Rescue System Co., Ltd.
JINS HOLDINGS Inc.
JP-HOLDINGS, INC.
KAMEDA SEIKA CO., LTD.
Kenedix, Inc.
KFC Holdings Japan, Ltd.
KI-Star Real Estate Co., Ltd.
Kondotec Inc.
Kumiai Chemical Industry Co., Ltd.
Lasertec Corporation
LUCKLAND CO., LTD.
MATSUI SECURITIES CO., LTD.
Medical System Network Co., Ltd.
MEDINET Co., Ltd.
MedPeer,Inc.
Mercuria Investment Co., Ltd.
Micronics Japan Co., Ltd.
Milbon Co., Ltd.
MIRAIT Holdings Corporation
Monex Goup Inc.
MORINAGA MILK INDUSTRY CO., LTD.
NAGASE & CO., LTD
NAIGAI TRANS LINE LTD.
NanoCarrier Co., Ltd.
Net One Systems Co.,Ltd.
Nichi-Iko Pharmaceutical Co., Ltd.
Nihon Denkei Co., Ltd.
Nippon Koei Co., Ltd.
NIPPON PARKING DEVELOPMENT Co., Ltd.
NIPRO CORPORATION
Nisshinbo Holdings Inc.
NS TOOL CO., LTD.
OHIZUMI MFG. CO., LTD.
Oisix ra daichi Inc.
Oki Electric Industry Co., Ltd
ONO SOKKI Co., Ltd.
ONWARD HOLDINGS CO.,LTD.
Pan Pacific International Holdings Corporation
PARIS MIKI HOLDINGS Inc.
PIGEON CORPORATION
QB Net Holdings Co., Ltd.
RACCOON HOLDINGS, Inc.
Raysum Co., Ltd.
RESORTTRUST, INC.
ROUND ONE Corporation
RVH Inc.
RYOHIN KEIKAKU CO., LTD.
SanBio Company Limited
SANIX INCORPORATED
Sanrio Company, Ltd.
SATO HOLDINGS CORPORATION
SBS Holdings, Inc.
Seikagaku Corporation
Seria Co.,Ltd.
SHIFT Inc.
SHIP HEALTHCARE HOLDINGS, INC.
SIGMAXYZ Inc.
SMS Co., Ltd.
Snow Peak, Inc.
Solasia Pharma K.K.
SOURCENEXT Corporation
Star Mica Holdings Co., Ltd.
Strike Co., Ltd.
SymBio Pharmaceuticals Limited
Synchro Food Co., Ltd.
TAIYO HOLDINGS CO., LTD.
Takashimaya Company, Limited
Take and Give Needs Co., Ltd.
Takihyo Co., Ltd.
TEAR Corporation
Tenpo Innovation Inc.
3-D Matrix, Ltd.
TKC Corporation
TOKAI Holdings Corporation
TOYOBO CO., LTD.
Toyo Ink SC Holdings Co., Ltd
Toyo Tanso Co., Ltd.
Tri-Stage Inc.
VISION INC.
VISIONARY HOLDINGS CO., LTD.
WirelessGate, Inc.
YELLOW HAT LTD.
YOSHINOYA HOLDINGS CO., LTD.
YUMESHIN HOLDINGS CO., LTD.
Yume no Machi Souzou Iinkai Co., Ltd.
Yushiro Chemical Industry Co., Ltd.
ZAPPALLAS, INC.

Attention: If you would like to see companies you invest in on this list, ask them to become our client, or sponsor a report yourself.

Contact Details

Shared Research Inc.
3-31-12 Sendagi Bunkyo-ku Tokyo, Japan
URL: https://sharedresearch.jp
Phone: +81 (0)3 5834-8787
Email: info@sharedresearch.jp