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October 30, 2024

Consolidated Financial Results for the Nine Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: NAIGAI TRANS LINE LTD.
Listing: Tokyo Stock Exchange
Securities code: 9384
URL: https://www.ntl-naigai.co.jp/en/
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Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: None
Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	27,708	13.9	2,987	(8.9)	3,130	(11.4)	2,133	(10.6)
September 30, 2023	24,326	(32.8)	3,278	(34.2)	3,534	(33.5)	2,385	(34.5)

Note: Comprehensive income For the nine months ended September 30, 2024: ¥2,235 million [(34.8)%]
For the nine months ended September 30, 2023: ¥3,429 million [(25.3)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2024	218.62	–
September 30, 2023	244.73	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	25,403	21,793	82.0
December 31, 2023	23,362	20,381	83.4

Reference: Equity
As of September 30, 2024: ¥20,838 million
As of December 31, 2023: ¥19,477 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	–	40.00	–	45.00	85.00
Fiscal year ending December 31, 2024	–	40.00	–		
Fiscal year ending December 31, 2024 (Forecast)				45.00	85.00

Note: Revisions to the most recently announced dividend forecasts: None

3. Consolidated financial result forecasts for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	34,000	5.3	4,600	9.4	4,800	7.9	3,300	8.5	338.48

Note: Revisions to the most recently announced financial result forecasts: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(2) Application of accounting method specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	10,698,000 shares
As of December 31, 2023	10,698,000 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2024	937,257 shares
As of December 31, 2023	944,480 shares

(iii) Average number of shares outstanding during the period

Nine months ended September 30, 2024	9,757,263 shares
Nine months ended September 30, 2023	9,748,163 shares

Note: The Company's shares held by Custody Bank of Japan, Ltd. as trust assets of the Employee Stock Ownership Plan (J-ESOP) are included in the number of treasury shares to be deducted in calculating the number of treasury shares at the end of the period and the average number of shares outstanding during the period.

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts and other special matters

The forward-looking statements, such as earnings forecasts, contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ significantly depending on a variety of factors in the future.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024), the Japanese economy showed a modest recovery with an improved corporate earnings as well as employment and income environment. However, with increasing risks on downward pressure on the economy mainly due to rising prices and fluctuations in the financial and capital markets, the outlook remains uncertain.

In terms of the current situation of marine transport, freight rates had been rising since May. However, due to a decrease in demand for cargo transport originating from China, which had been a factor in the tight supply and demand for container, and a softening supply-demand balance resulting from a series of new container vessels coming into service on the supply side, the freight rates have been on a downward trend since August.

Under such circumstances, the Group's consolidated financial results were higher in net sales due to the favorable business performance at some overseas subsidiaries and with yen depreciation.

However, profit decreased due to a decrease of non-consolidated gross profit from the previous year, and an increase in selling, general and administrative expenses from active investment in human resources as a growth strategy in the Medium-term Management Plan, which could not be offset by higher net sales.

Consequently, for the nine months ended September 30, 2024, the Company posted net sales of ¥27,708 million (up 13.9% year on year), operating profit of ¥2,987 million (down 8.9% year on year), ordinary profit of ¥3,130 million (down 11.4% year on year), and profit attributable to owners of parent of ¥2,133 million (down 10.6% year on year), showing a year-on-year increase in net sales and decrease in profit.

Operating results by segment are as follows.

1) Japan

Export consolidation cargo services are the mainstay of the international freight transportation business in Japan. In the nine months ended September 30, 2024, on a non-consolidated basis, although net sales increased due to higher marine freight rates and a weak yen since May, profits decreased due to lower gross profit margins resulting from intensified competition with competitors and other factors, as well as higher selling, general and administrative expenses due to higher labor costs and other factors.

Among domestic subsidiaries, UCI Airfreight Japan Inc. continued to perform well in mainstay air transportation, and the volume handled through sales activities, etc. at each sales office increased, resulting in higher net sales and profit. Flying Fish Inc. recorded higher net sale and profit due to introduction of new system and increased customer recognition from sales efforts which led to an increase in transactions, including the acquisition of large new projects.

As a result, net sales of the Japan segment increased by ¥1,110 million (6.5%) year on year to ¥18,145 million, and segment profit (operating profit) decreased by ¥334 million (14.5%) year on year to ¥1,969 million.

2) Overseas

The Group has 11 consolidated subsidiaries in Asia and the United States. At these overseas subsidiaries, the majority of net sales come from the handling of freight from Japan; however, in recent years, they have been working to strengthen and advance services other than those to and from Japan. During the nine months ended September 30, 2024, net sales increased in India, where our warehouse business is performing well, and also in South Korea, including NAIGAI BUSAN LOGISTICS CENTER CO., LTD. which increased its floor space through the acquisition of a logistics warehouse last year, resulting in increased net sales and profit.

As a result, net sales of the Overseas segment increased by ¥2,272 million (31.2%) year on year to ¥9,563 million, and segment profit (operating profit) also increased by ¥43 million (4.5%) year on year to ¥1,019 million.

(2) Explanation of Financial Position

Total assets at the end of the nine months ended September 30, 2024 amounted to ¥25,403 million (up ¥2,040 million from the end of the previous fiscal year). The main reasons for the change are increases of ¥789 million in accounts receivable – trade, ¥354 million in buildings and structures, and ¥329 million in land due to the acquisition of land for a logistics warehouse for UCI Airfreight Japan Inc.

Total liabilities amounted to ¥3,609 million (up ¥628 million from the end of the previous fiscal year). The main reasons for the change are increases of ¥190 million in provision for bonuses, ¥164 million in lease liabilities of non-current liabilities, and ¥161 million in income taxes payable.

In addition, net assets amounted to ¥21,793 million (up ¥1,411 million from the end of the previous fiscal year). The main reasons for the change are increases of ¥1,297 million in retained earnings and ¥43 million in foreign currency translation adjustment.

As a result, equity-to-asset ratio amounted to 82.0% (83.4% at the end of the previous fiscal year).

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

No change has been made to the full-year financial results forecasts for the fiscal year ending December 31, 2024, announced on February 9, 2024.

The Company will promptly disclose the revised financial results forecasts if any revisions become necessary.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	13,885,846	14,008,161
Accounts receivable - trade	2,180,121	2,969,332
Supplies	6,187	4,601
Other	1,046,172	1,183,446
Allowance for doubtful accounts	(12,692)	(10,966)
Total current assets	17,105,635	18,154,576
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,512,122	6,004,098
Accumulated depreciation	(926,389)	(1,064,354)
Buildings and structures, net	4,585,732	4,939,743
Machinery, equipment and vehicles	246,263	297,041
Accumulated depreciation	(161,423)	(166,422)
Machinery, equipment and vehicles, net	84,839	130,619
Land	373,709	702,709
Leased assets	6,241	6,241
Accumulated depreciation	(1,795)	(2,651)
Leased assets, net	4,446	3,590
Right of use assets	536,274	465,776
Accumulated depreciation	(407,836)	(104,724)
Right of use assets, net	128,437	361,051
Construction in progress	321,721	306,546
Other	502,554	512,247
Accumulated depreciation	(374,714)	(394,915)
Other, net	127,839	117,331
Total property, plant and equipment	5,626,726	6,561,592
Intangible assets		
Goodwill	1,638	–
Software	51,131	58,959
Other	6,581	7,525
Total intangible assets	59,351	66,485
Investments and other assets		
Investment securities	69,465	73,263
Guarantee deposits	325,359	353,922
Long-term accounts receivable - other	106,905	106,978
Long-term deposits	5,751	8,819
Deferred tax assets	105,250	120,932
Other	65,367	63,491
Allowance for doubtful accounts	(106,905)	(106,978)
Total investments and other assets	571,194	620,429
Total non-current assets	6,257,272	7,248,507
Total assets	23,362,907	25,403,083

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	1,247,166	1,284,238
Lease liabilities	86,695	157,480
Accrued expenses	263,157	220,840
Income taxes payable	231,363	393,203
Provision for bonuses	16,069	206,242
Other	296,979	321,298
Total current liabilities	2,141,432	2,583,304
Non-current liabilities		
Lease liabilities	53,992	218,789
Deferred tax liabilities	255,417	238,232
Provision for retirement benefits for directors (and other officers)	6,124	5,599
Provision for share awards	85,078	101,315
Retirement benefit liability	375,141	389,441
Other	63,861	73,282
Total non-current liabilities	839,617	1,026,660
Total liabilities	2,981,049	3,609,964
Net assets		
Shareholders' equity		
Share capital	243,937	243,937
Capital surplus	372,887	380,532
Retained earnings	18,329,004	19,626,897
Treasury shares	(1,046,534)	(1,036,460)
Total shareholders' equity	17,899,295	19,214,906
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,818	19,454
Foreign currency translation adjustment	1,546,467	1,589,773
Remeasurements of defined benefit plans	14,657	14,760
Total accumulated other comprehensive income	1,577,943	1,623,988
Non-controlling interests	904,618	954,223
Total net assets	20,381,858	21,793,118
Total liabilities and net assets	23,362,907	25,403,083

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended September 30

(Thousands of yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Net sales	24,326,387	27,708,528
Cost of sales	16,547,253	19,882,792
Gross profit	7,779,134	7,825,736
Selling, general and administrative expenses	4,500,570	4,838,409
Operating profit	3,278,563	2,987,326
Non-operating income		
Interest income	92,554	130,779
Foreign exchange gains	125,992	–
Rental income from real estate	24,120	24,120
Recoveries of written off receivables	14,928	2,120
Other	23,079	20,053
Total non-operating income	280,675	177,073
Non-operating expenses		
Interest expenses	3,517	6,709
Share issuance costs	14,150	-
Foreign exchange losses	–	16,513
Commission expenses	5,563	5,760
Other	1,230	4,610
Total non-operating expenses	24,460	33,594
Ordinary profit	3,534,778	3,130,805
Extraordinary income		
Gain on sale of investment securities	7,080	–
Total extraordinary income	7,080	–
Profit before income taxes	3,541,858	3,130,805
Income taxes - current	1,045,688	989,633
Income taxes - deferred	53,002	(34,078)
Total income taxes	1,098,690	955,555
Profit	2,443,167	2,175,250
Profit attributable to non-controlling interests	57,533	42,133
Profit attributable to owners of parent	2,385,634	2,133,117

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended September 30

(Thousands of yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Profit	2,443,167	2,175,250
Other comprehensive income		
Valuation difference on available-for-sale securities	440	2,635
Foreign currency translation adjustment	985,016	57,226
Remeasurements of defined benefit plans, net of tax	724	108
Total other comprehensive income	986,181	59,970
Comprehensive income	3,429,349	2,235,221
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,321,220	2,179,161
Comprehensive income attributable to non-controlling interests	108,128	56,059

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Notes to quarterly consolidated statements of cash flows)

The Company does not prepare quarterly consolidated statements of cash flows for the nine months ended September 30, 2024.

Depreciation (including amortization of intangible assets but excluding goodwill) and amortization of goodwill for the nine months ended September 30, 2024 are as follows.

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Depreciation	271,478thousand yen	328,667thousand yen
Amortization of goodwill	4,738thousand yen	1,662thousand yen

(Segment information, etc.)

(Segment information)

I. For the nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)

1. Information on net sales, profit or loss, and information on disaggregation of revenue, by reportable segment

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Japan	Overseas	Total		
Net sales					
Revenue from contracts with customers	17,035,124	7,291,263	24,326,387	–	24,326,387
Net sales to outside customers	17,035,124	7,291,263	24,326,387	–	24,326,387
Inter-segment net sales or transfers	579,887	1,344,772	1,924,660	(1,924,660)	–
Total	17,615,011	8,636,035	26,251,047	(1,924,660)	24,326,387
Segment profit	2,304,544	976,304	3,280,849	(2,285)	3,278,563

Notes: 1. The ¥(2,285) thousand adjustment to segment profit represents company-wide expenses not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses not attributable to reportable segments.

2. Segment profit is adjusted to operating profit in the quarterly consolidated statements of income.

2. Information on goodwill, etc. by reportable segment

Not applicable.

II. For the nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024)

1. Information on net sales, profit or loss, and information on disaggregation of revenue, by reportable segment

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Japan	Overseas	Total		
Net sales					
Revenue from contracts with customers	18,145,143	9,563,385	27,708,528	–	27,708,528
Net sales to outside customers	18,145,143	9,563,385	27,708,528	–	27,708,528
Inter-segment net sales or transfers	650,569	1,473,974	2,124,543	(2,124,543)	–
Total	18,795,712	11,037,360	29,833,072	(2,124,543)	27,708,528
Segment profit	1,969,796	1,019,934	2,989,731	(2,405)	2,987,326

Notes: 1. The ¥(2,405) thousand adjustment to segment profit represents company-wide expenses not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses not attributable to reportable segments.

2. Segment profit is adjusted to operating profit in the quarterly consolidated statements of income.

2. Information on goodwill, etc. by reportable segment

Not applicable.

(Revenue recognition)

Information on the disaggregation of revenue from contracts with customers is as presented in “Notes (Segment information, etc.).”