

Consolidated Financial Statements

The 1st Business term

from February 27, 2017

to March 31, 2018

Ocean Network Express Holdings, Ltd.

Consolidated balance sheet

as of March 31, 2018

(Unit : Thousands of Yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current Assets	51,641,083	Current liabilities	11,589,361
Cash and deposits	41,651,602	Accounts payable - trade	8,894,189
Short-term loans receivable	2,978,409	Accounts payable - other	2,552,450
Other	7,011,071	Other	142,721
		Non-current liabilities	3,612,111
Non-current assets	25,438,893	Long-term accounts payable - other	3,527,800
Property, plant and equipment	5,570,912	Other	84,311
Machinery and equipment	2,915,104	Total liabilities	15,201,472
Other	2,655,807	(Net assets)	
Intangible assets	16,088,765	Shareholders' equity	5,607
Software	15,679,655	Capital stock	50,000
Other	409,109	Capital surplus	50,000
Investments and other assets	3,779,215	Retained earnings	△94,392
Investment securities	2,924,380	Accumulated other comprehensive income	507,646
Other	854,835	Foreign currency translation adjustment	507,646
		Non-controlling interests	61,365,250
Total assets	77,079,976	Total net assets	61,878,504
		Total liabilities and net assets	77,079,976

Consolidated statement of income
from February 27, 2017 to March 31, 2018

(Unit : Thousands of Yen)

Account	Amount	
Sales		26,716
Cost of sales		4,933,251
Gross loss (△)		△ 4,906,535
Selling, general and administrative expenses		19,146,155
Operating loss (△)		△ 24,052,690
Non-operating income		
Interest income	353,019	
Other	42,664	395,683
Non-operating expenses		
Interest expenses	8,761	
Foreign exchange losses	99,446	
Other	194	108,402
Ordinary loss (△)		△ 23,765,409
Loss before income taxes (△)		△ 23,765,409
Income taxes - current	10,499	10,499
Loss (△)		△ 23,775,908
Loss attributable to non-controlling interests (△)		△ 23,681,516
Loss attributable to owners of parent (△)		△ 94,392

Consolidated statement of changes in equity

from February 27, 2017 to March 31, 2018

(Unit : Thousands of Yen)

	Shareholders' equity				Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	-	-	-	-	-	-	-	-
Changes of items during period								
Issuance of new shares	50,000	50,000		100,000				100,000
Profit (△loss) attributable to owners of parent			△ 94,392	△ 94,392				△ 94,392
Net changes of items other than shareholders' equity					507,646	507,646	61,365,250	61,872,896
Total changes of items during period	50,000	50,000	△ 94,392	5,607	507,646	507,646	61,365,250	61,878,504
Balance at end of current period	50,000	50,000	△ 94,392	5,607	507,646	507,646	61,365,250	61,878,504

Notes to Consolidated Financial Statements

Basis of preparation

1. Scope of consolidation

(1) Number of consolidated subsidiaries and the major consolidated subsidiaries

Number of consolidated subsidiaries 16

The major consolidated subsidiaries

Ocean Network Express, Pte. Ltd.

(2) Non-consolidated subsidiaries

Ocean Network Express(Japan)Ltd. and Ocean Network Express (China) Ltd are the major non-consolidated subsidiaries.

The aggregated total assets, revenue, net profit and retained earnings of all non-consolidated subsidiaries have insignificant impact on the consolidated financial statements and are excluded from the scope of consolidation

2. Equity Method Accounting

Non-consolidated subsidiaries and affiliates not accounted for by the equity method. Both the net profits for the current year and retained earnings of Ocean Network Express(Japan)Ltd. ,Ocean Network Express (China) Ltd, and Ocean Network Express (Bangladesh) Ltd. have insignificant impact on the consolidated financial statements and are not accounted for by the equity method.

3. Accounting Period

Although Ocean Network Express (Latin America) Agência Maritima Ltda. have a December 31 year end, all the other subsidiaries have a March 31 year end. For Ocean Network Express (Latin America) Agência Maritima Ltda. with a December year end, adjustments have been made for any significant transactions which took place during the period between their year end and the year end of the Company.

4. Significant Accounting Policies

(1) Measurement and valuation method for assets

① Measurement and valuation method for securities

Other securities

Non-marketable securities : Cost determined by the moving-average method

② Measurement and valuation method for derivatives

Derivative : Market price as of financial year end

(2) Depreciation method for fix assets

① Property, plant and equipment (excluding leased assets)

Straight-line method

② Intangible assets (excluding leased assets)

Straight-line method

(3) Provisions

① Provision for employee bonus

: An amount which is expected to be paid to employees as bonus for services rendered for the current financial year will be accrued

② Provision for annual leave : An amount reliably estimated of the present legal or constructive obligation which is paid for services rendered by employees up to end of the current financial year will be accrued

(4) Revenue and related costs

The major subsidiary, Ocean Network Express, Pte. Ltd. adopts the complex transportation progress method in which the revenues from container vessels are recognized based on the passage of the transportation period. Related costs are recognized when incurred.

(5) Accounting treatment for consumption and other taxes

Accounted using the tax excluded method.

Notes to Consolidated Balance Sheet

Accumulated depreciation	
Accumulated depreciation for property, plant and equipment	78,896 thousands of yen

Notes to consolidated statement of changes in net assets

Number of issued shares	
Common stock	100 shares

Notes related to financial instruments

1. Status of financial instruments

The Group basically plans for financing within the internal funds and all the other subsidiaries obtain funding as short term loans from Ocean Network Express, Pte. Ltd. The Group utilizes derivatives only for avoiding the foreign currency exchange risk, but does not utilize them for speculation. The credit risk of customers for accounts receivable - trade is reduced in accordance with the internal regulation. Accounts payable-Trade and accounts payable-Non trade are exposed to fluctuation risk which the Group manage through the monthly cash planning and so on. Long term accounts payable-Non trade is the obligation by installment purchase of assets which is managed by the payment date agreed on the contract.

2. Estimated fair value of financial instruments

The carrying value, the estimated fair value and the difference between them on the consolidated balance sheets as of March 31, 2018 are shown in the following table.

	Carrying value (Note1)	Estimated fair value (Note2)	Difference
(1) Cash and deposits	41,651,602	41,651,602	—
(2) Short-term loans	2,978,409	2,978,409	—
(3) Accounts payable – trade	(8,894,189)	(8,894,189)	—
(4) Accounts payable –non trade	(2,552,450)	(2,552,450)	—
(5) Long term Accounts payable- non trade	(3,527,800)	(3,527,613)	△186
(6) Derivative	35,961	35,961	—

(※) The amounts in parentheses represent net liability position.

(Note 1) The item regarding fair value of financial instruments and Derivative transactions

Fair values of (1) cash and deposits, (2) short-term loans, (3) accounts payable – trade and (4) accounts payable –non trade are based on carrying value as most of them are settled within a short term and their fair value approximates carrying value.

Fair Value of (5) Long term Accounts payable- non trade is mainly based on the present value of the total amount including principal and interest, discounted by the expected interest rate assuming a new borrowing of a similar installment loan.

Assets and liabilities arising from (6) derivative shown at net value, fair value is based on market prices provided by financial institutions.

(Note2) For unlisted investments in securities (2,924,380 thousands of yen on consolidated balance sheet), there is neither market value nor estimated future cash flow, and it is difficult to determine the

fair value. Therefore, the fair value of unlisted investments in securities is not included in investments in the above summary table of financial instruments.

Amounts per share

Net assets per share	5,132,537 Yen 21 Sen
Loss per share	△1,395,030 Yen 05 Sen

Subsequent event

On April 2, 2018, an aggregate of 220,000 preference shares amounting to US\$2200 million were allotted and issued as fully paid preference shares to the major subsidiary, Ocean Network Express, Pte. Ltd.

• The method of public offering	Allotted to preferred shareholders
• The class and the number of the shares	Preferred shares, 220,000 shares
• The issue value	2,200,000,000USD
• The capitalized amount	2,200,000,000USD
• Purpose of use	Contribution at establishment
• Other	The Preference Shareholder shall not be entitled to the right to vote related to business operations and shall be limited to the right to vote such as dividend resolutions. The Preference Shares shall rank pari passu with the Ordinary Shares in relation to dividends The residual assets shall be distributed to the Preference Shareholder in preference to the Ordinary Shareholders.