

(TRANSLATION FOR REFERENCE PURPOSES ONLY)

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Consolidated Financial Statements

The 3rd Business term

from April 1, 2019

to March 31, 2020

Ocean Network Express Holdings, Ltd.

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan.

Consolidated balance sheet

as of March 31, 2020

(Unit : Thousands of Yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current Assets	397,864,347	Current liabilities	260,964,010
Cash and deposits	240,044,426	Accounts payable - trade	110,907,687
Accounts receivables - trade	126,155,227	Advances received	52,727,453
Short-term loans receivable	46,824	Lease liability	86,124,617
Inventory	25,358,796	Other	11,204,251
Other	6,468,268	Non-current liabilities	508,567,257
Allowance for doubtful accounts	△ 209,196	Lease liability	505,115,344
		Other	3,451,912
Non-current assets	616,072,113	Total liabilities	769,531,267
Property, plant and equipment	593,526,790	(Net assets)	
Machinery and equipment	3,063,690	Shareholders' equity	78,180
Right of use	583,171,881	Capital stock	50,000
Other	7,291,218	Capital surplus	71,733
Intangible assets	12,110,051	Retained earnings	△ 43,552
Software	11,802,072	Accumulated other comprehensive income	508,262
Other	307,979	Foreign currency translation adjustment	508,749
Investments and other assets	10,435,270	Deferred gains or losses on hedges	△ 453
Investment securities	7,348,031	Remeasurements of defined benefit plans	△ 33
Other	3,087,239	Non-controlling interests	243,818,749
		Total net assets	244,405,193
Total assets	1,013,936,460	Total liabilities and net assets	1,013,936,460

Consolidated statement of income
from April 1, 2019 to March 31, 2020

(Unit : Thousands of Yen)

Account	Amount	
Sales		1,389,123,753
Cost of sales		1,267,110,491
Gross Profit		122,013,262
Selling, general and administrative expenses		84,866,263
Operating profit		37,146,999
Non-operating income		
Interest & Dividend income	4,859,642	
Foreign exchange gain	2,930,214	
Other	2,304,329	10,094,186
Non-operating expenses		
Interest expenses	27,058,187	
Other	434,738	27,492,925
Ordinary profit		19,748,260
Profit before income taxes		19,748,260
Income taxes - current	8,052,082	
Income taxes - deferred	150,750	8,202,833
Profit		11,545,426
Profit attributable to non-controlling interests		11,529,011
Profit attributable to owners of parent		16,415

Consolidated statement of changes in equity
from April 1, 2019 to March 31, 2020

(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	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	50,000	71,754	△ 60,348	61,406	511,029	486	△ 19	511,497	240,944,015	241,516,918
Changes of items during period										
Profit (△ loss) attributable to owners of parent			16,415	16,415						16,415
Change in scope of consolidation			380	380						380
Change in ownership interest of parent due to transactions with non-controlling interests		△ 21		△ 21						△ 21
Net changes of items other than shareholders' equity					△ 2,279	△ 940	△ 13	△ 3,234	2,874,734	2,871,499
Total changes of items during period	-	△ 21	16,795	16,774	△ 2,279	△ 940	△ 13	△ 3,234	2,874,734	2,888,274
Balance at end of current period	50,000	71,733	△ 43,552	78,180	508,749	△ 453	△ 33	508,262	243,818,749	244,405,193

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 40

The major consolidated subsidiaries

Ocean Network Express, Pte. Ltd.

Changes in scope of consolidation

20 companies, including Ocean Network Express (India) Private Limited., have been newly included in the scope of consolidation from this fiscal year due to the increase in materiality.

(2) Non-consolidated subsidiaries

Multi-Modal Express, LLC is 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

(1) Number of equity method affiliates and the major equity method affiliates

Number of equity method affiliates 4

The major equity method affiliates

Ocean Network Express (Bangladesh) Ltd.

Changes in scope of equity method

4 companies, including Ocean Network Express (Bangladesh) Ltd., have been newly included in the scope of consolidation from this fiscal year due to the increase in materiality.

(2) Non-consolidated subsidiaries and affiliates not accounted for by the equity method. Both the net profits for the current year and retained earnings of Magenta Singapore Terminal Pte, Ltd. have insignificant impact on the consolidated financial statements and are not accounted for by the equity method.

(3) Items involving application of equity method for which a special description is deemed necessary In the case of entities accounted for under the equity method with account closing dates that are different from the account closing date for the consolidated financial statements, the financial statements for the fiscal year of each of the entities are used.

3. Accounting Period

Although a total of 7 companies, including 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 the 7 companies 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

③ Inventories : Cost determined by the first-in, first-out method (for the value stated in the balance sheet, the carrying amount is written down based on the decreased profitability)

(2) Depreciation method for fix assets

① Property, plant and equipment (excluding leased assets)

Mainly straight-line method

② Intangible assets (excluding leased assets)

Straight-line method

③ Right of use assets

Mainly straight-line method

(3) Recognition for significant reserves

Allowance for doubtful accounts

Allowance for general receivables is based on historical default rate.

Allowance for specific receivables, such as individual doubtful receivables, is based on the individual likelihood of default.

(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.

(6) Application of consolidated taxation system

The Company adopted the consolidated taxation system.

Change in Accounting Standards

(Applying International Financial Reporting Standards (IFRS) 16 Leases)

The overseas consolidated subsidiaries and affiliates accounted for by the equity method that are subject to IFRS have adopted IFRS 16 Leases (issued on January 13, 2016; hereinafter "IFRS 16") from the fiscal year ended March 31, 2020. In applying IFRS 16, the overseas consolidated subsidiaries and affiliates, as lessees, principally recognize all lease transactions on their balance sheets as assets and liabilities. The Company has applied the modified retrospective approach with the cumulative effect of initially applying the standard is recognized as an adjustment to equity at the date of initial application. As a result of the adoption of this accounting standard, assets increased by 676,180,247thousands of yen, liabilities increased by 676,241,496thousands of yen at the beginning of the current fiscal year. The increase in assets is due to the recognition of the right-of-use assets, and the increase in liabilities is due to increase in lease obligations. Furthermore, as a result of applying IFRS 16 on profit before income taxes in the current fiscal year decreased by 7,192,850thousands of yen compared with the amount that would have been recognized under the previous standard.

Notes to Consolidated Balance Sheet

Accumulated depreciation

Accumulated depreciation for property, plant and equipment 99,741,631thousands 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 are exposed to fluctuation risk which the Group manage through the monthly cash planning and so on.

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, 2020 are shown in the following table.

	Carrying value (※ 1)	Estimated fair value (※ 1)	Difference
(1) Cash and deposits	240,044,426	240,044,426	—
(2) Accounts receivable -trade	126,155,227	126,155,227	—
(3) Short-term loans	46,824	46,824	—
(4) Accounts payable - trade	(110,907,687)	(110,907,687)	—
(5) Lease liability (※ 2)	(591,239,962)	(626,084,524)	(34,844,562)
(6) Derivative	(1,362,092)	(1,362,092)	—

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

(※ 2) The figures include lease liability with repayment due dates of one year or less.

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

Fair values of (1) cash and deposits, (2) accounts receivable, (3) short-term loans and (4) accounts payable 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) Lease liability is mainly based on the present value of the total amount including principal and interest, discounted by the expected interest rate assuming a new transaction of a similar installment lease.

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 (7,348,031thousands 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	5,864,433Yen 55Sen
Income per share	164,156Yen 97Sen