

(TRANSLATION FOR REFERENCE PURPOSES ONLY)

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Consolidated Financial Statements

The 4th Business term

from April 1, 2020

to March 31, 2021

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, 2021

(Unit : Thousands of Yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current Assets	843,024,073	Current liabilities	374,841,828
Cash and deposits	589,097,172	Accounts payable - trade	148,119,300
Accounts receivables - trade	206,947,247	Advances received	107,132,679
Short-term loans receivable	127,766	Lease liability	102,621,136
Inventory	31,204,357	Other	16,968,712
Other	16,900,595	Non-current liabilities	509,768,019
Allowance for doubtful accounts	△ 1,253,066	Lease liability	507,450,242
		Other	2,317,777
Non-current assets	623,709,661	Total liabilities	884,609,848
Property, plant and equipment	602,539,396	(Net assets)	
Machinery and equipment	3,031,834	Shareholders' equity	284,050
Right of use	594,778,372	Capital stock	50,000
Other	4,729,190	Capital surplus	71,732
Intangible assets	9,204,029	Retained earnings	162,317
Software	8,420,744	Accumulated other comprehensive income	515,257
Other	783,284	Foreign currency translation adjustment	515,039
Investments and other assets	11,966,236	Deferred gains or losses on hedges	260
Investment securities	8,794,118	Remeasurements of defined benefit plans	△ 42
Other	3,172,117	Non-controlling interests	581,324,579
		Total net assets	582,123,887
Total assets	1,466,733,735	Total liabilities and net assets	1,466,733,735

Consolidated statement of income
from April 1, 2020 to March 31, 2021

(Unit : Thousands of Yen)

Account	Amount	
Sales		1,607,811,394
Cost of sales		1,126,046,197
Gross Profit		481,765,197
Selling, general and administrative expenses		86,222,080
Operating profit		395,543,116
Non-operating income		
Interest & Dividend income	2,490,441	
Foreign exchange gain	3,379,362	
Other	4,115,265	9,985,069
Non-operating expenses		
Interest expenses	24,428,129	
Other	3,363,257	27,791,386
Ordinary profit		377,736,799
Profit before income taxes		377,736,799
Income taxes - current	7,963,131	
Income taxes - deferred	△ 168,845	7,794,286
Profit		369,942,513
Profit attributable to non-controlling interests		369,736,712
Profit attributable to owners of parent		205,801

Consolidated statement of changes in equity
from April 1, 2020 to March 31, 2021

(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	71,733	△ 43,552	78,180	508,749	△ 453	△ 33	508,262	243,818,749	244,405,193
Changes of items during period										
Profit attributable to owners of parent			205,801	205,801						205,801
Change in scope of consolidation			36	36						36
Change in ownership interest of parent due to transactions with non-controlling interests		△ 1	33	32						32
Net changes of items other than shareholders' equity					6,289	714	△ 9	6,994	337,505,829	337,512,824
Total changes of items during period	-	△ 1	205,870	205,869	6,289	714	△ 9	6,994	337,505,829	337,718,694
Balance at end of current period	50,000	71,732	162,317	284,050	515,039	260	△ 42	515,257	581,324,579	582,123,887

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 39

The major consolidated subsidiaries

Ocean Network Express, Pte. Ltd.

(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 6

The major equity method affiliates

Ocean Network Express (Bangladesh) Ltd.

Changes in scope of equity method

2 companies, including Magenta Singapore Terminal Pte, 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 Harmony Creative Solutions 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 Marítima 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.

Notes on accounting estimates

1. Impairment of fixed assets

The Company assesses whether there are any indicators of impairment for assets or asset groups with definite useful life at each reporting period. If assets or assets groups are assessed to be impaired, the carrying amount is reduced to the recoverable amount, and the amount of the reduction is recorded as an impairment loss.

The recoverable amount is the higher of fair value less costs to sell or value in use of assets or asset groups.

The amount of fixed assets recorded for the current fiscal year mainly includes as follows.

Right-of-use assets	594,778,372	thousands of yen
Intangible fixed assets	9,204,029	thousands of yen

2. Lease Term

When estimating the lease term of the respective lease arrangement, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

If a significant event or a significant change in circumstances occurs which affects this assessment, the assessment will be reviewed.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Company mainly uses the incremental borrowing rates method to determine the discount rates used to calculate lease liabilities. These rates are determined according to several criteria including the duration of the leases, and the lease currencies. The discount rates are reviewed and updated on monthly basis.

The amount recorded for the current fiscal year mainly includes as follows.

Lease liabilities (due within one year)	102,621,136	thousands of yen
Lease liabilities	507,450,242	thousands of yen

3. Cost Estimate

The amounts of accruals for major trade related expenses such as terminal costs, port costs and transportation costs are partially estimated.

The amount recorded for the current fiscal year mainly includes as follows.

Accounts payable	148,119,300	thousands of yen
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Notes to Consolidated Balance Sheet

Accumulated depreciation

Accumulated depreciation for property, plant and equipment	196,120,449	thousands of yen
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Notes to consolidated statement of changes in net assets

Number of issued shares

Common stock	100 shares
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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, 2021 are shown in the following table.

	Carrying value (※ 1)	Estimated fair value (※ 1)	Difference
(1) Cash and deposits	589,097,172	589,097,172	—
(2) Accounts receivable -trade	206,947,247	206,947,247	—
(3) Short-term loans	127,766	127,766	—
(4) Accounts payable - trade	(148,119,300)	(148,119,300)	—
(5) Lease liability (※ 2)	(610,071,379)	(629,678,909)	(19,607,530)

(※ 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.

(Note 2) For unlisted investments in securities (8,794,118thousands 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 7,993,075Yen 92Sen
Income per share 2,058,011Yen 70Sen