

(TRANSLATION FOR REFERENCE PURPOSES ONLY)

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Consolidated Financial Statements

The 5th Business term

from April 1, 2021

to March 31, 2022

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, 2022

(Unit : Thousands of Yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current Assets	2,348,073,321	Current liabilities	545,052,705
Cash and deposits	1,906,292,865	Accounts payable - trade	199,092,902
Accounts receivables - trade	371,560,394	Contract liability	184,436,931
Short-term loans receivable	587	Lease liability	127,363,597
Inventory	48,400,895	Other	34,159,274
Other	23,713,459	Non-current liabilities	527,876,037
Allowance for doubtful accounts	△ 1,894,881	Lease liability	525,474,329
		Other	2,401,708
Non-current assets	675,877,268	Total liabilities	1,072,928,743
Property, plant and equipment	656,783,579	(Net assets)	
Machinery and equipment	19,909,878	Shareholders' equity	940,174
Right of use	632,617,208	Capital stock	50,000
Other	4,256,491	Capital surplus	71,732
Intangible assets	5,564,648	Retained earnings	818,439
Software	5,163,226	Accumulated other comprehensive income	572,899
Other	401,422	Foreign currency translation adjustment	572,598
Investments and other assets	13,529,040	Deferred gains or losses on hedges	335
Investment securities	10,069,988	Remeasurements of defined benefit plans	△ 34
Other	3,459,051	Non-controlling interests	1,949,508,775
		Total net assets	1,951,021,846
Total assets	3,023,950,590	Total liabilities and net assets	3,023,950,590

Consolidated statement of income
from April 1, 2021 to March 31, 2022

(Unit : Thousands of Yen)

Account	Amount	
Sales		3,353,986,641
Cost of sales		1,354,213,632
Gross Profit		1,999,773,008
Selling, general and administrative expenses		104,925,161
Operating profit		1,894,847,847
Non-operating income		
Interest & Dividend income	4,098,472	
Foreign exchange gain	1,841,193	
Other	5,333,057	11,272,724
Non-operating expenses		
Interest expenses	22,785,838	
Other	1,545,304	24,331,142
Ordinary profit		1,881,789,428
Profit before income taxes		1,881,789,428
Income taxes - current	16,404,389	
Income taxes - deferred	△ 30,422	16,373,966
Profit		1,865,415,461
Profit attributable to non-controlling interests		1,864,759,497
Profit attributable to owners of parent		655,964

Consolidated statement of changes in equity
from April 1, 2021 to March 31, 2022

(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	71,732	162,317	284,050	515,039	260	△ 42	515,257	581,324,579	582,123,887
Changes of items during period										
Profit attributable to owners of parent			655,964	655,964						655,964
Change in ownership interest of parent due to transactions with non-controlling interests			156	156						156
Net changes of items other than shareholders' equity					57,559	75	7	57,642	1,368,184,196	1,368,241,838
Total changes of items during period	-	-	656,121	656,121	57,559	75	7	57,642	1,368,184,196	1,368,897,959
Balance at end of current period	50,000	71,732	818,439	940,171	572,598	335	△ 34	572,899	1,949,508,775	1,951,021,846

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

Ocean Network Express Colombia S.A.S has 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 5

The major equity method affiliates

Ocean Network Express (Bangladesh) Ltd.

(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 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 Measurement and valuation method for inventory

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	632,617,208thousands of yen
Intangible fixed assets	5,564,648thousands 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)	127,363,597thousands of yen
Lease liabilities	525,474,329thousands 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	199,092,902thousands of yen
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Notes to Changes in Accounting Standards

Adoption of Accounting Standard for Revenue Recognition

The Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31 2020.), etc. from the beginning of the fiscal year ended March 31, 2022 to recognize revenue at the amount expected to be received in exchange for the promised goods or services when the control of those goods or services is transferred to customers.

Due to the adoption of "Accounting Standard for Revenue Recognition," etc., Advances received presented in Current liabilities in the consolidated balance sheets of the previous fiscal year, have been included in Contract liability from the fiscal year ended March 31, 2022.

There is no impact on net profit and retained earnings at the beginning of this fiscal year.

Notes to Consolidated Balance Sheet

Accumulated depreciation

Accumulated depreciation for property, plant and equipment	317,572,536thousands of yen
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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, 2022 are shown in the following table.

Thousands of Yen

	Carrying value (※ 1)	Estimated fair value (※ 1)	Difference
(1) Cash and deposits	1,906,292,865	1,906,292,865	
(2) Accounts receivable -trade	317,560,394	317,560,394	
(3) Short-term loans	587	587	
(4) Accounts payable - trade	(199,092,902)	(199,092,902)	
(5) Lease liability (※ 2)	(652,837,926)	(680,397,935)	(27,560,008)

(※ 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) The fair value of non-marketable securities (10,069,988thousands of yen on consolidated balance sheet) is not included in investments in the above summary table of financial instruments.

Notes to Revenue Recognition

Basic information for understanding revenue

Basic information for understanding revenue is as presented in "Basis of preparation of 4. Significant Accounting Policies, (4) revenue and related costs."

Amounts per share

Net assets per share

15,130,712Yen 35Sen

Income per share

6,559,648Yen 61Sen