

(TRANSLATION FOR REFERENCE PURPOSES ONLY)

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Consolidated Financial Statements

The 6th Business term

from April 1, 2022

to March 31, 2023

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, 2023

(Unit : Thousands of Yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current Assets	2,800,880,914	Current liabilities	527,201,442
Cash and deposits	2,501,521,328	Accounts payable - trade	210,048,735
Accounts receivables - trade	233,685,246	Contract liability	84,744,855
Short-term loans receivable	504,043	Lease liability	180,804,134
Inventory	44,809,914	Other	51,603,716
Other	24,354,710	Non-current liabilities	639,951,818
Allowance for doubtful accounts	△ 3,994,328	Lease liability	637,665,882
		Other	2,285,936
Non-current assets	1,407,514,947	Total liabilities	1,167,153,261
Property, plant and equipment	957,811,281	(Net assets)	
Machinery and equipment	74,195,241	Shareholders' equity	1,749,019
Right of use	792,496,746	Capital stock	50,000
Other	91,119,293	Capital surplus	71,732
Intangible assets	1,700,782	Retained earnings	1,627,286
Software	808,921	Accumulated other comprehensive income	639,153
Other	891,861	Foreign currency translation adjustment	639,640
Investments and other assets	448,002,884	Deferred gains or losses on Hedges	△ 488
Investment securities	189,880,436	Remeasurements of defined benefit plans	2
Other	258,122,447	Non-controlling interests	3,038,854,428
		Total net assets	3,041,242,601
Total assets	4,208,395,862	Total liabilities and net assets	4,208,395,862

Consolidated statement of income
from April 1, 2022 to March 31, 2023

(Unit : Thousands of Yen)

Account	Amount	
Sales		3,909,100,438
Cost of sales		1,782,776,133
Gross Profit		2,126,324,304
Selling, general and administrative expenses		137,727,724
Operating profit		1,988,596,580
Non-operating income		
Interest & Dividend income	73,139,926	
Foreign exchange gain	0	
Other	7,079,058	80,218,985
Non-operating expenses		
Interest expenses	27,969,098	
Other	1,938,777	35,425,143
Ordinary profit		2,033,390,422
Profit before income taxes		2,033,390,422
Income taxes - current	30,581,077	
Income taxes - deferred	△ 379,701	30,201,375
Profit		2,003,189,046
Profit attributable to non-controlling interests		2,002,379,877
Profit attributable to owners of parent		809,169

Consolidated statement of changes in equity
from April 1, 2022 to March 31, 2023

(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	818,439	940,171	572,598	335	△ 34	572,899	1,949,508,775	1,951,021,846
Changes of items during period										
Profit attributable to owners of parent			809,169	809,169						809,169
Change in ownership interest of parent due to transactions with non-controlling interests			△ 321	△ 321						△ 321
Net changes of items other than shareholders' equity					67,041	△ 824	36	66,254	1,089,345,652	1,089,411,906
Total changes of items during period	-	-	808,847	808,847	67,041	△ 824	36	66,254	1,089,345,652	1,090,220,754
Balance at end of current period	50,000	71,732	1,627,286	1,749,019	639,640	△ 488	2	639,153	3,038,854,428	3,041,242,601

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 41

The major consolidated subsidiaries

Ocean Network Express, Pte. Ltd.

Changes in scope of consolidation

Ocean Network Express (Ecuador) ONECC 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 6

The major equity method affiliates

Poseidon Corp.

(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 9 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 9 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) Application of Group relief system

The Company adopted the Group relief 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	792,496,746 thousands of yen
Intangible fixed assets	1,700,782 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)	180,804,134 thousands of yen
Lease liabilities	637,665,882 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	210,048,735 thousands of yen
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Notes to Consolidated Balance Sheet

Accumulated depreciation

Accumulated depreciation for property, plant and equipment	463,351,085 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, 2023 are shown in the following table.

	Carrying value (※ 1)	Estimated fair value (※ 1)	Difference
(1) Cash and deposits	2,501,521,328	2,501,521,328	
(2) Accounts receivable -trade	233,685,246	233,685,246	
(3) Short-term loans	504,043	504,043	
(4) Accounts payable - trade	(210,048,735)	(210,048,735)	
(5) Lease liability (※ 2)	(818,470,016)	(792,659,352)	25,810,664

(※ 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 (189,880,436 thousands 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 23,881,730 Yen 46 Sen

Income per share 8,091,692 Yen 00 Sen