

(TRANSLATION FOR REFERENCE PURPOSES ONLY)

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Consolidated Financial Statements

The 7th Business term

from April 1, 2023

to March 31, 2024

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, 2024

(Unit : Thousand of Yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current Assets	3,085,815,589	Current liabilities	649,912,881
Cash and deposits	2,676,831,183	Accounts payable - trade	228,946,746
Accounts receivables - trade	321,269,775	Contract liability	110,133,389
Short-term loans receivable	1,542,910	Short-term loans payables	16,206,324
Inventory	58,991,230	Lease liability	246,897,663
Other	31,401,017	Other	47,728,756
Allowance for doubtful accounts	△ 4,220,527	Non-current liabilities	1,019,302,461
Non-current assets	1,796,420,970	Long-term loans payables	85,065,501
Property, plant and equipment	1,525,354,512	Lease liability	925,989,616
Machinery and equipment	204,668,078	Other	8,247,342
Right of use	1,135,151,093	Total liabilities	1,669,215,342
Other	185,535,340	(Net assets)	
Intangible assets	41,546,538	Shareholders' equity	1,838,033
Software	2,765,091	Capital stock	50,000
Goodwill	19,545,274	Capital surplus	49,787
Other	19,236,172	Retained earnings	1,738,245
Investments and other assets	229,519,919	Accumulated other Comprehensive income	731,731
Investment securities	222,732,100	Foreign currency translation adjustment	731,436
Other	6,787,818	Deferred gains or losses on Hedges	363
Total assets	4,882,236,560	Remeasurements of defined benefit plans	△ 68
		Non-controlling interests	3,210,451,453
		Total net assets	3,213,021,217
		Total liabilities and net assets	4,882,236,560

Consolidated statement of income
from April 1, 2023 to March 31, 2024

(Unit : Thousand of Yen)

Account	Amount	
Sales		2,096,302,146
Cost of sales		1,921,475,540
Gross Profit		174,826,605
Selling, general and administrative expenses		138,062,840
Operating profit		36,763,765
Non-operating income		
Interest & Dividend income	151,483,799	
Other	20,757,351	172,241,150
Non-operating expenses		
Interest expenses	40,156,408	
Foreign exchange loss	5,055,844	
Other	2,300,934	47,513,186
Ordinary profit		161,491,729
Profit before income taxes		161,491,729
Income taxes - current	25,586,087	
Income taxes - deferred	207,708	25,793,796
Profit		135,697,933
Profit attributable to non-controlling interests		135,585,672
Profit attributable to owners of parent		112,260

Consolidated statement of changes in equity
from April 1, 2023 to March 31, 2024

(Unit : Thousand 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	1,627,286	1,749,019	639,640	△ 488	2	639,153	3,038,854,428	3,041,242,601
Changes of items during period										
Profit attributable to owners of parent			112,260	112,260						112,260
Change in ownership interest of parent due to transactions with non-controlling interests		△ 21,944	△ 1,301	△ 23,246						△ 23,246
Net changes of items other than shareholders' equity					91,796	852	△ 70	92,578	171,597,024	171,689,602
Total changes of items during period		△ 21,944	110,958	89,013	91,796	852	△ 70	92,578	171,597,024	171,778,616
Balance at end of current period	50,000	49,787	1,738,245	1,838,033	731,436	363	△ 68	731,731	3,210,451,453	3,213,021,217

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 51

The major consolidated subsidiaries

Ocean Network Express, Pte. Ltd.

Changes in scope of consolidation

From the current consolidated fiscal year, 10 companies were newly included in the scope of consolidated subsidiaries due to their materiality and acquisition of shares.

(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 8

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 Symphony 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 11 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 11 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 right of use assets)

Mainly straight-line method

② Intangible assets (excluding right of use 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.

(6) Policy for converting significant foreign currency-denominated assets or liabilities into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into the yen at the spot exchange rates prevailing on the consolidated closing date, with translation differences recognized as gains or losses. Assets and liabilities of overseas consolidated subsidiaries are translated into yen at the spot exchange rate on the consolidated closing date, while revenues and expenses are translated into yen at the average exchange rate during the period.

However, income and expenses of subsidiaries in a hyperinflationary economy are translated into yen at the spot exchange rate on the consolidated closing date in order to apply the hyperinflationary accounting method.

Notes on changes in method of presentation

(1) Change in method of presentation of short-term loans payable

Short-term loans payable were previously included in other current liabilities (51,603,716 thousand of yen in the previous consolidated fiscal year) on the consolidated balance sheets, but from the current consolidated fiscal year they are presented as short-term loans payable (16,206,324 thousand of yen in the current consolidated fiscal year) due to increased their materiality.

(2) Change in presentation of long-term loans payable

Long-term loans were previously included in other non-current liabilities (2,285,936 thousand of yen in the previous consolidated fiscal year) on the consolidated balance sheets from the current consolidated fiscal year they are presented as long-term loans payable (85,065,501 thousand of yen in the current consolidated fiscal year) due to increased their materiality.

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	1,135,151,093 thousand of yen
Intangible fixed assets	41,546,538 thousand 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)	246,897,663 thousand of yen
Lease liabilities	925,989,616 thousand 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	228,946,746 thousand of yen
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Notes to Consolidated Balance Sheet

Accumulated depreciation

Accumulated depreciation for property, plant and equipment	722,443,897 thousand 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, 2024 are shown in the following table.

	Carrying value (※ 1)	Estimated fair value (※ 1)	Difference
(1) Cash and deposits	2,676,831,183	2,676,831,183	—
(2) Accounts receivable -trade	321,269,775	321,269,775	—
(3) Short-term loans	1,542,910	1,542,910	—
(4) Accounts payable – trade	(228,946,746)	(228,946,746)	—
(5) Loans payable (※ 2)	(101,271,826)	(101,173,410)	98,415
(6) Lease liability (※ 2)	(1,172,887,279)	(1,150,393,747)	22,493,532

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

(※ 2) The figures include loans payable and 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) Loans payable and (6) Lease liability are 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 (222,732,100 thousand 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	25,697,648 Yen 86 Sen
Income per share	1,122,604 Yen 45 Sen

Notes to Business Combinations

(Business combination through acquisition of NYK Ports LLC)

On September 29, 2023, our company acquired 51% of the shares of NYK Ports LLC, making it a consolidated subsidiary.

(1) Outline of business combination

① Name of the acquired company and the business

A. Name of acquired company.

NYK Ports LLC

B. Description of business

Terminal operation business at the Port of Los Angeles

② Main reason for the business combination

As part of the integration of the containership business from the three parent companies, the purpose of this business combination is to streamline container transport operations by networking overseas terminals as a container shipping company.

③ Date of business combination

October 1, 2023 (deemed acquisition date)

④ Legal form of business combination

Acquisition of shares for cash consideration

⑤ Name of the company after the business combination

No change.

⑥ Percentage of voting rights acquired
51%

⑦ Main basis for determining the acquiring company
United Pacific Ports, INC., a consolidated subsidiary of our company, acquired the shares for cash.

(2) Period of the acquired company's results included in the consolidated statements of income
From October 1, 2023 to March 31, 2024

(3) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition (cash)	25,171,417 thousand of yen
Acquisition cost	25,171,417 thousand of yen

(Note) The consideration for the acquisition includes a contingent agreement (earn-out clause) under which a contingent consideration (earn-out consideration) is paid or received depending on the level of achievement of container handling volume, etc. after the business combination. The contingent consideration under the agreement is the fair value as of the acquisition date, discounted to the present value based on the projected possibility of future payment, etc., and is reflected in the above consideration.

(4) Breakdown and amount of major acquisition-related expenses
Advisory fees, etc. 171,826 thousand yen

(5) Amount of goodwill incurred, reason for incurrence, amortization method and amortization period

① Amount of goodwill incurred
11,037,866 thousand yen

② Cause of occurrence
The goodwill was generated from future excess earnings expected from future business development.

③ Amortization method and period
Equal amortization over 15 years

(6) Amount of assets acquired and liabilities assumed on the date of business combination and their breakdown

Current assets	11,278,937 thousand of yen
Non-current assets	27,749,967 thousand of yen
Total assets	39,028,905 thousand of yen
Current liabilities	13,430,047 thousand of yen
Non-current liabilities	12,865,338 thousand of yen
Total liabilities	26,295,386 thousand of yen

- (7) Amount allocated to intangible assets other than goodwill, breakdown by major type and weighted average amortization period

Breakdown by major type	Amount	Aggravated average compensation period
Customer-related intangible assets	14,402,012 thousand of yen	15 years

- (8) Estimated amount and calculation method of the effect of the business combination on the consolidated statement of income for the current consolidated fiscal year, assuming that the business combination was completed as of the beginning of the current consolidated fiscal year.

Sales	24,545,884 thousand of yen
Profit before income taxes	2,837,899 thousand of yen
Profit attributable to owners of parent	945 thousand of yen
Profit per share	9,460 yen

- (9) Contingent consideration stipulated in the business combination agreement and accounting policies after the current consolidated fiscal year

① Details of conditional consideration

Contingent agreements (earn-out clauses) have been entered into whereby contingent consideration (earn-out consideration) is paid or received in accordance with the level of achievement of container handling volume, etc. after the business combination.

② Accounting policy after the current fiscal year

The contingent consideration under such agreements is recognized as the consideration described in (3) above, which is deemed to be the fair value as of the acquisition date, discounted to present value based on the projected possibility of future payments, etc., in accordance with IFRS.

(Business combination through the acquisition of TraPac Holdings, LLC)

On November 2, 2023, the Company acquired 51% of the shares of TraPac Holdings, LLC, making it a consolidated subsidiary.

(1) Outline of Business Combination

① Name of the acquired company and the business

A. Name of acquired company

TraPac Holdings, LLC

B. Description of business

Terminal operation business at the Port of Los Angeles and the Port of Oakland

② Main reason for the business combination

As part of the integration of the container shipping business from the three parent companies, the purpose of the business combination is to streamline container transport operations by networking overseas terminals as a container shipping company.

③ Date of business combination

November 1, 2023 (deemed acquisition date)

④ Legal form of business combination

Acquisition of shares for cash consideration

⑤ Name of the company after the business combination

No change.

⑥ Percentage of voting rights acquired

51%

⑦ Main basis for determining the acquiring company

United Pacific Ports B (UK) Ltd, a consolidated subsidiary of our company, acquired the shares for cash.

(2) Period of the acquired company's results included in the consolidated statements of income
From November 1, 2023 to December 31, 2023

(3) Acquisition cost of acquired company and breakdown by type of consideration

Consideration for acquisition (cash)	24,595,537 thousand of yen
Acquisition cost	24,595,537 thousand of yen

(Note) The consideration for the acquisition includes a contingent agreement (earn-out clause) under which a contingent consideration (earn-out consideration) is paid or received depending on the level of achievement of container handling volume, etc. after the business combination. The contingent consideration under the agreement is the fair value as of the acquisition date, discounted to the present value based on the projected possibility of future payment, etc., and is reflected in the above consideration.

(4) Breakdown and amount of major acquisition-related expenses

Advisory fees, etc. 171,826 thousand yen

(5) Amount of goodwill incurred, reason for incurrence, amortization method and amortization period

① Amount of goodwill incurred

9,099,744 thousand yen

② Cause of occurrence

The goodwill was generated from future excess earnings expected from future business development.

③ Amortization method and period

Equal amortization over 20 years

- (6) Amount of assets acquired and liabilities assumed on the date of business combination and their breakdown

Current assets	6,256,836 thousand of yen
Non-current assets	130,048,845 thousand of yen
Total assets	136,305,681 thousand of yen
Current liabilities	7,241,913 thousand of yen
Non-current liabilities	105,262,433 thousand of yen
Total liabilities	112,504,347 thousand of yen

- (7) Amount allocated to intangible assets other than goodwill, breakdown by major type and weighted average amortization period.

Breakdown by major type	Amount	Aggravated average compensation period
Customer-related intangible assets	2,704,210 thousand of yen	20 years

- (8) Estimated amount and calculation method of the effect of the business combination on the consolidated statement of income for the current consolidated fiscal year, assuming that the business combination was completed as of the beginning of the current consolidated fiscal year.

Sales	43,589,153 thousand of yen
Loss before income taxes (△)	△5,528,716 thousand of yen
Loss attributable to owners of parent (△)	△1,842 thousand of yen
Loss per share (△)	△18,429 yen

- (9) Contingent consideration stipulated in the business combination agreement and accounting policies after the current consolidated fiscal year

① Details of conditional consideration

Contingent agreements (earn-out clauses) have been entered into whereby contingent consideration (earn-out consideration) is paid or received in accordance with the level of achievement of container handling volume, etc. after the business combination.

② Accounting policy after the current fiscal year

The contingent consideration under such agreements is recognized as the consideration described in (3) above, which is deemed to be the fair value as of the acquisition date, discounted to present value based on the projected possibility of future payments, etc., in accordance with IFRS.

(Additional acquisition of shares of a subsidiary)

(1) Outline of the transaction

① Name and business of the combined entity

A. Name of the acquired company

NYK Ports LLC

B. Description of business

Terminal operation business at the Port of Los Angeles

② Date of business combination
January 31, 2024

③ Legal form of business combination
Acquisition of shares from non-controlling shareholders

④ Name of company after business combination
No change.

⑤ Other matters related to the outline of the transaction
Not applicable.

(2) Outline of Accounting Procedures Implemented

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), transactions under common control, etc. are accounted for as transactions with noncontrolling shareholders. The Company has adopted this accounting standard.

(3) Matters Related to Additional Acquisition of Subsidiary's Shares

Consideration for acquisition	cash	81,472,109 thousand yen
Acquisition cost		81,472,109 thousand yen

(4) Matters related to changes in the Company's interest in transactions with noncontrolling shareholders

① Main reasons for changes in capital surplus
Additional acquisition of shares of a subsidiary

② Amount of capital surplus decreased due to transactions with noncontrolling shareholders
21,929 thousand yen