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November 9, 2022

Consolidated Financial Results for the Nine Months Ended September 30, 2022 (IFRS)

Company name: MODEC, INC.
 Listing: Tokyo Stock Exchange
 Securities code: 6269
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 Scheduled date to file quarterly securities report: November 10, 2022
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes "3Q 2022 Results Presentation"
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions.)

1. Consolidated financial results for the nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended								
September 30, 2022	288,349	(13.7)	5,968	-	4,480	-	1,792	-
September 30, 2021	333,958	-	(6,007)	-	(1,187)	-	(2,768)	-

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	million yen	%	million yen	%	yen	yen
Nine months ended						
September 30, 2022	1,883	-	35,082	788.9	33.41	33.40
September 30, 2021	(2,992)	-	3,946	-	(53.10)	(53.10)

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	million yen	million yen	million yen	%
As of				
September 30, 2022	456,884	115,385	112,332	24.6
December 31, 2021	393,971	63,802	61,247	15.5

Note: The original condensed consolidated financial statements of MODEC, INC. and its subsidiaries (hereinafter "the Company") for the nine months ended September 30, 2022 and 2021 and for the year ended December 31, 2021 are presented in US dollars on page 4 of this material. The amount presented for consolidated operating results and consolidated financial position are converted to Japanese yen, respectively, as follows:

September 30, 2022 1 US dollar = 144.81 Japanese yen at the TTM rate of Sumitomo Mitsui Banking Corporation as of September 30, 2022.

September 30, 2021 1 US dollar = 111.95 Japanese yen at the TTM rate of Sumitomo Mitsui Banking Corporation as of September 30, 2021.

December 31, 2021 1 US dollar = 115.01 Japanese yen at the TTM rate of Sumitomo Mitsui Banking Corporation as of December 30, 2021.

The percentage indicating year-on-year changes is calculated on Japanese yen basis presented above.

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
Year ended December 31, 2021	yen —	yen 15.00	yen —	yen 0.00	yen 15.00
Year ending December 31, 2022	—	0.00			
Year ending December 31, 2022 (Forecast)			—	0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Earnings forecast for 2022 (from January 1, 2022 to December 31, 2022)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full Year	276,024	(38.5)	-	-	3,450	-	2,530	-	2,530	-	44.89

Note 1: Revisions to the forecast most recently announced: None

Note 2: The original consolidated earnings forecast of the Company is presented in US dollars on page 4 of this material. The amount presented for the earnings forecast for 2022 is converted to Japanese yen at 115.01 yen at the TTM rate of Sumitomo Mitsui Banking Corporation as of December 30, 2021.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022	56,408,000 shares
As of December 31, 2021	56,408,000 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2022	38,196 shares
As of December 31, 2021	45,100 shares

(iii) Average number of shares outstanding during the period

Nine months ended September 30, 2022	56,367,059 shares
Nine months ended September 30, 2021	56,358,435 shares

* Quarterly financial results are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts and other special matters

- The Company adopted International Financial Reporting Standards (hereinafter "IFRS") from the year ended December 31, 2021 for the consolidated financial statements. Therefore, the financial results for the nine months ended September 30, 2021 are presented in accordance with IFRS.
- Accompanying condensed quarterly consolidated financial statements and selected notes are presented in functional currency of the Company, US dollars.
- While earnings forecast and other forward-looking statement included in this material are based on information currently available to the Company and are based on assumptions deemed reasonable, they are not a guarantee of future performance or outcomes. Actual results may differ materially subject to various factors.

[Reference] Consolidated financial results for the nine months ended 2022 and earnings forecast for the year ending December 2022 presented in functional currency of the Company, US dollars

(US dollar amounts are rounded down to thousands.)

1. Consolidated financial results for the nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	US\$ thousand	%	US\$ thousand	%	US\$ thousand	%	US\$ thousand	%
Nine months ended								
September 30, 2022	1,991,229	(33.2)	41,214	—	30,939	-	12,378	-
September 30, 2021	2,983,102	-	(53,666)	-	(10,604)	-	(24,731)	-

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	US\$ thousand	%	US\$ thousand	%	US\$	US\$
Nine months ended						
September 30, 2022	13,006	—	242,264	587.2	0.23	0.23
September 30, 2021	(26,732)	-	35,254	-	(0.47)	(0.47)

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	US\$ thousand	US\$ thousand	US\$ thousand	%
As of				
September 30, 2022	3,155,060	796,807	775,719	24.6
December 31, 2021	3,425,542	554,759	532,541	15.5

2. Earnings forecast for 2022 (from January 1, 2022 to December 31, 2022)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	US\$ thousand	%	US\$ thousand	%	US\$ thousand	%	US\$ thousand	%	US\$ thousand	%	US\$
Full Year	2,400,000	(38.5)	-	-	30,000	-	22,000	-	22,000	-	0.39

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1. Qualitative information on quarterly financial results

(1) Results of operations

In the third quarter of this year the recovery of personal consumption and corporate profits were observable in Japanese economy as COVID-19 restrictions were eased and economic and social activities became normalized. However, Japanese economy still faces the growing uncertainties due to the rapid depreciation of Japanese yen and soaring raw material prices. On the other hand, the global economy was generally on a recovery trend as it normalized although a slowdown in recovery in some countries were observable due to the prolonged Russian invasion of Ukraine and the COVID-19 lockdown impact in China.

Oil price temporarily rose to the lower US\$120s a barrel driven by the EU embargo on Russian crude oil. Since then, it has fallen to around US\$80 a barrel due to the concern about an economic recession because of a slowdown in Chinese economy and monetary tightening in major countries. Although the decarbonization trend is inevitable in the world, it is expected that oil companies will continue a certain level of deep-sea oilfield development projects with the objective of maintaining a stable energy supply. The business related to offshore oil and gas production facilities is expected to grow steadily in the ultra-deep water large-scale projects in which the Group has strengths.

The business environment surrounding the Group is undergoing significant changes such as the further promotion of renewable energy and the evolution of digital technologies. The Group will capture these changes and steadily develop its new businesses such as floating offshore wind power generation, offshore resource development and digital solution business while ensuring profits in existing businesses.

Under these circumstances, for the nine months ended as of September 30, 2022, the total orders on a consolidated basis resulted in US\$830,885 thousand (US\$2,579,736 thousand in YTD 3Q 2021) due to the variation orders of FPSO construction projects. The consolidated revenue was US\$1,991,229 thousand (US\$2,983,102 thousand in YTD 3Q 2021) due to progress in the construction of FPSOs.

In terms of profit, the operating profit was US\$41,214 thousand (operating loss of US\$(53,666) thousand in YTD 3Q 2021). This is due to the progress of some construction projects with relatively higher profitability and increase in the profit of charter business despite the lower profitability of the existing FPSO construction projects caused by the outbreak of COVID-19 pandemic in previous year still affecting current year and increase in repair costs of FPSOs operating in Brazil.

In addition, foreign currency exchange loss due to higher US dollars and the recognition of loss allowance for expected credit loss for the additional loan to the associate which owns an FPSO resulted in the profit before tax for the nine months ended as of September 30, 2022 of US\$30,939 thousand (loss before tax of US\$(10,604) thousand in YTD 3Q 2021). As a result, the profit attributable to owners of parent for the nine months was US\$13,006 thousand (loss attributable to owners of parent of US\$(26,732) thousand in YTD 3Q 2021).

(2) Financial position

The total assets at the end of third quarter of this year decreased by US\$270,481 thousand to US\$3,155,060 thousand from the end of previous year primarily due to decrease in cash and cash equivalents.

The total liabilities decreased by US\$512,529 thousand to US\$2,358,253 thousand from the end of previous year primarily due to decrease in trade and other payables.

The total equity increased by US\$242,047 thousand to US\$796,807 thousand from the end of previous year primarily due to increase in other components of equity.

2. Condensed quarterly consolidated financial statements and selected notes

(1) Condensed quarterly consolidated statement of financial position

in thousands of US dollars

	December 31, 2021	September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	810,131	383,987
Trade and other receivables	379,394	529,708
Contract assets	704,730	508,848
Loans receivable	14,176	—
Other financial assets	14,171	28,831
Other current assets	138,134	157,420
Total current assets	2,060,740	1,608,796
Non-current assets		
Property, plant and equipment	51,366	62,530
Intangible assets	80,845	73,087
Investments accounted for using equity method	739,046	954,058
Loans receivable	398,562	354,725
Other financial assets	13,278	14,543
Deferred tax assets	54,941	56,673
Other non-current assets	26,760	30,645
Total non-current assets	1,364,801	1,546,264
Total assets	3,425,542	3,155,060

in thousands of US dollars

	December 31, 2021	September 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	1,356,472	1,013,709
Contract liabilities	405,807	401,801
Bonds and borrowings	426,867	7,064
Income taxes payable	40,564	53,396
Provisions	237,013	164,808
Other financial liabilities	94,549	101,171
Other current liabilities	103,483	68,661
Total current liabilities	2,664,758	1,810,613
Non-current liabilities		
Bonds and borrowings	55	390,872
Deferred tax liabilities	8	505
Defined benefit liability	54,693	53,528
Provisions	80,597	54,938
Other financial liabilities	23,584	33,195
Other non-current liabilities	47,084	14,600
Total non-current liabilities	206,024	547,640
Total liabilities	2,870,782	2,358,253
Equity		
Share capital	282,292	282,292
Capital surplus	280,711	280,660
Retained earnings	85,957	98,969
Treasury shares	(1,291)	(1,092)
Other components of equity	(115,129)	114,890
Equity attributable to owners of parent	532,541	775,719
Non-controlling interests	22,218	21,087
Total equity	554,759	796,807
Total liabilities and equity	3,425,542	3,155,060

(2) Condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of other comprehensive income

Condensed quarterly consolidated statement of profit or loss

For the nine months ended September 30

in thousands of US dollars

	2021	2022
Revenue	2,983,102	1,991,229
Cost of sales	(2,956,403)	(1,917,566)
Gross profit	26,699	73,663
Selling, general and administrative expenses	(102,917)	(112,449)
Share of profit of investments accounted for using equity method	7,740	66,908
Other income	14,882	13,119
Other expenses	(72)	(26)
Operating profit	(53,666)	41,214
Finance income	49,352	50,104
Finance costs	(6,290)	(60,379)
Profit before tax	(10,604)	30,939
Income tax expense	(14,127)	(18,561)
Profit for the period	(24,731)	12,378

Profit attributable to		
Owners of parent	(26,732)	13,006
Non-controlling interests	2,001	(628)
Profit	(24,731)	12,378

in US dollars

Earnings per share		
Basic earnings per share	(0.47)	0.23
Diluted earnings per share	(0.47)	0.23

For the three months ended September 30

in thousands of US dollars

	2021	2022
Revenue	871,942	615,708
Cost of sales	(888,292)	(597,089)
Gross profit (loss)	(16,349)	18,619
Selling, general and administrative expenses	(38,868)	(38,192)
Share of profit of investments accounted for using equity method	(26,164)	18,451
Other income	490	3,357
Other expenses	(7)	(1)
Operating profit (loss)	(80,899)	2,233
Finance income	14,151	12,886
Finance costs	(1,837)	(9,015)
Profit before tax	(68,584)	6,104
Income tax expense	(12,261)	(8,939)
Profit for the period	(80,846)	(2,835)

Profit attributable to		
Owners of parent	(81,897)	(2,136)
Non-controlling interests	1,051	(698)
Profit	(80,846)	(2,835)

in US dollars

Earnings per share		
Basic earnings per share	(1.45)	(0.04)
Diluted earnings per share	(1.45)	(0.04)

Condensed quarterly consolidated statement of other comprehensive income

For the nine months ended September 30

in thousands of US dollars

	2021	2022
Profit for the period	(24,731)	12,378
Other comprehensive Income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit liability	151	5
Total items that will not be reclassified subsequently to profit or loss	151	5
Items that may be reclassified subsequently to profit or loss		
Effective portion of cash flow hedges	(24,829)	1,083
Exchange differences on translation of foreign operations	2,025	821
Share of other comprehensive income of investments accounted for using equity method	82,637	227,976
Total items that may be reclassified subsequently to profit or loss	59,833	229,880
Total other comprehensive income, net of tax	59,985	229,885
Total comprehensive income for the period	35,254	242,264
Total comprehensive income attributable to		
Owners of parent	33,645	243,030
Non-controlling interests	1,609	(766)
Total comprehensive income	35,254	242,264

For the three months ended September 30

in thousands of US dollars

	2021	2022
Profit for the period	(80,846)	(2,835)
Other comprehensive Income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit liability	50	1
Total items that will not be reclassified subsequently to profit or loss	50	1
Items that may be reclassified subsequently to profit or loss		
Effective portion of cash flow hedges	(5,899)	2,439
Exchange differences on translation of foreign operations	(7,470)	1,543
Share of other comprehensive income of investments accounted for using equity method	16,355	70,508
Total items that may be reclassified subsequently to profit or loss	2,985	74,490
Total other comprehensive income, net of tax	3,036	74,492
Total comprehensive income for the period	(77,809)	71,657

Total comprehensive income attributable to		
Owners of parent	(78,679)	72,418
Non-controlling interests	869	(760)
Total comprehensive income	(77,809)	71,657

(3) Condensed quarterly consolidated statement of changes in equity

For the nine months ended September 30, 2021

in thousands of US dollars

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Remeasurements of defined benefit liability	Effective portion of cash flow hedges
At January 1, 2021	282,292	280,742	463,852	(1,553)	—	(161,648)
Profit for the period	—	—	(26,732)	—	—	—
Other comprehensive income	—	—	—	—	151	58,200
Total comprehensive income for the period	—	—	(26,732)	—	151	58,200
Dividends to owners of parent	—	—	(18,980)	—	—	—
Dividends to non-controlling interests	—	—	—	—	—	—
Share-based payment transactions	—	(84)	—	262	—	—
Transfer from other components of equity to retained earnings	—	—	151	—	(151)	—
Total transactions with owners	—	(84)	(18,828)	262	(151)	—
At September 30, 2021	282,292	280,657	418,291	(1,291)	—	(103,447)

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity		Total equity attributable to owners of parent		
	Exchange differences on translation of foreign operations	Total other components of equity			
At January 1, 2021	(14,745)	(176,394)	848,940	18,908	867,849
Profit for the period	—	—	(26,732)	2,001	(24,731)
Other comprehensive income	2,025	60,378	60,378	(392)	59,985
Total comprehensive income for the period	2,025	60,378	33,645	1,609	35,254
Dividends to owners of parent	—	—	(18,980)	—	(18,980)
Dividends to non-controlling interests	—	—	—	(620)	(620)
Share-based payment transactions	—	—	177	—	177
Transfer from other components of equity to retained earnings	—	(151)	—	—	—
Total transactions with owners	—	(151)	(18,802)	(620)	(19,422)
At September 30, 2021	(12,720)	(116,167)	863,783	19,897	883,680

For the nine months ended September 30, 2022

in thousands of US dollars

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Remeasurements of defined benefit liability	Effective portion of cash flow hedges
At January 1, 2022	282,292	280,711	85,957	(1,291)	—	(90,866)
Profit for the period	—	—	13,006	—	—	—
Other comprehensive income	—	—	—	—	5	229,242
Total comprehensive income for the period	—	—	13,006	—	5	229,242
Dividends to non-controlling interests	—	—	—	—	—	—
Share-based payment transactions	—	(51)	—	198	—	—
Transfer from other components of equity to retained earnings	—	—	5	—	(5)	—
Total transactions with owners	—	(51)	5	198	(5)	—
At September 30, 2022	282,292	280,660	98,969	(1,092)	—	138,376

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity		Total equity attributable to owners of parent		
	Exchange differences on translation of foreign operations	Total other components of equity			
At January 1, 2022	(24,262)	(115,129)	532,541	22,218	554,759
Profit for the period	—	—	13,006	(628)	12,378
Other comprehensive income	777	230,024	230,024	(138)	229,885
Total comprehensive income for the period	777	230,024	243,030	(766)	242,264
Dividends to non-controlling interests	—	—	—	(364)	(364)
Share-based payment transactions	—	—	147	—	147
Transfer from other components of equity to retained earnings	—	(5)	—	—	—
Total transactions with owners	—	(5)	147	(364)	(217)
At September 30, 2022	(23,485)	114,890	775,719	21,087	796,807

(4) Condensed quarterly consolidated statement of cash flows

For the nine months ended September 30

in thousands of US dollars

	2021	2022
Cash flows from operating activities		
Profit before tax	(10,604)	30,939
Depreciation and amortization	26,788	29,358
Increase (decrease) in provisions	(11,999)	(98,701)
Increase (decrease) in defined benefit liability	1,473	(1,164)
Finance income and finance costs	(43,062)	10,275
Share of profit of investments accounted for using equity method	(7,740)	(66,908)
Decrease (increase) in trade and other receivables	(62,824)	(161,132)
Decrease (increase) in contract assets	(353,558)	195,877
Decrease (increase) in other current assets	161,419	(12,089)
Increase (decrease) in trade and other payables	219,508	(343,646)
Increase (decrease) in contract liabilities	(6,945)	(3,577)
Increase (decrease) in other current liabilities	(5,238)	(29,445)
Other	12,209	(43,014)
Subtotal	(80,575)	(493,231)
Interest received	30,914	31,391
Dividends received	51,389	46,229
Interest paid	(3,820)	(11,750)
Income taxes paid	(15,856)	(8,512)
Net cash used in operating activities	(17,947)	(435,872)
Cash flows from investing activities		
Net decrease (increase) in short-term loans receivable	(82,987)	14,204
Payments for long-term loans receivable	(33,500)	(22,500)
Collection of long-term loans receivable	—	60,604
Purchase of property, plant and equipment and intangible assets	(8,769)	(5,385)
Proceeds from capital reduction of investments accounted for using equity method	—	9,749
Proceeds from liquidation of investments accounted for using equity method	—	8,464
Purchase of investments accounted for using equity method	(15,296)	—
Net cash provided by (used in) investing activities	(140,552)	65,138
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	11,000	—
Proceeds from long-term borrowings	136,000	—
Repayments of long-term borrowings	(47,602)	(29,172)
Payments of lease liabilities	(16,160)	(15,737)
Net decrease (increase) in treasury shares	262	198
Dividends paid	(18,970)	(19)
Dividends paid to non-controlling interests	(620)	(364)
Receipt of government grants	2,389	664
Proceeds from settlement of derivative contracts	2,951	568
Net cash provided by (used in) financing activities	69,249	(43,862)
Effect of changes in exchange rates on cash and cash equivalents	(5,623)	(11,547)
Net decrease in cash and cash equivalents	(94,874)	(426,143)
Cash and cash equivalents at beginning of period	617,149	810,131
Cash and cash equivalents at end of period	522,275	383,987

(5) Selected notes to the condensed quarterly consolidated financial statements

(Note to ability to continue as a going concern)

There are no material uncertainties that require disclosure.

MODEC, Inc.

2022 3Q Financial Results Supplementary Presentation

November 9, 2022



(Note)

From the end of FY2021 consolidated fiscal year, the Company's consolidated financial results have applied International Financial Reporting Standards (IFRS) instead of the conventional Japanese GAAP. In addition, the currency unit has been changed to the US dollar instead of the conventional Japanese yen.

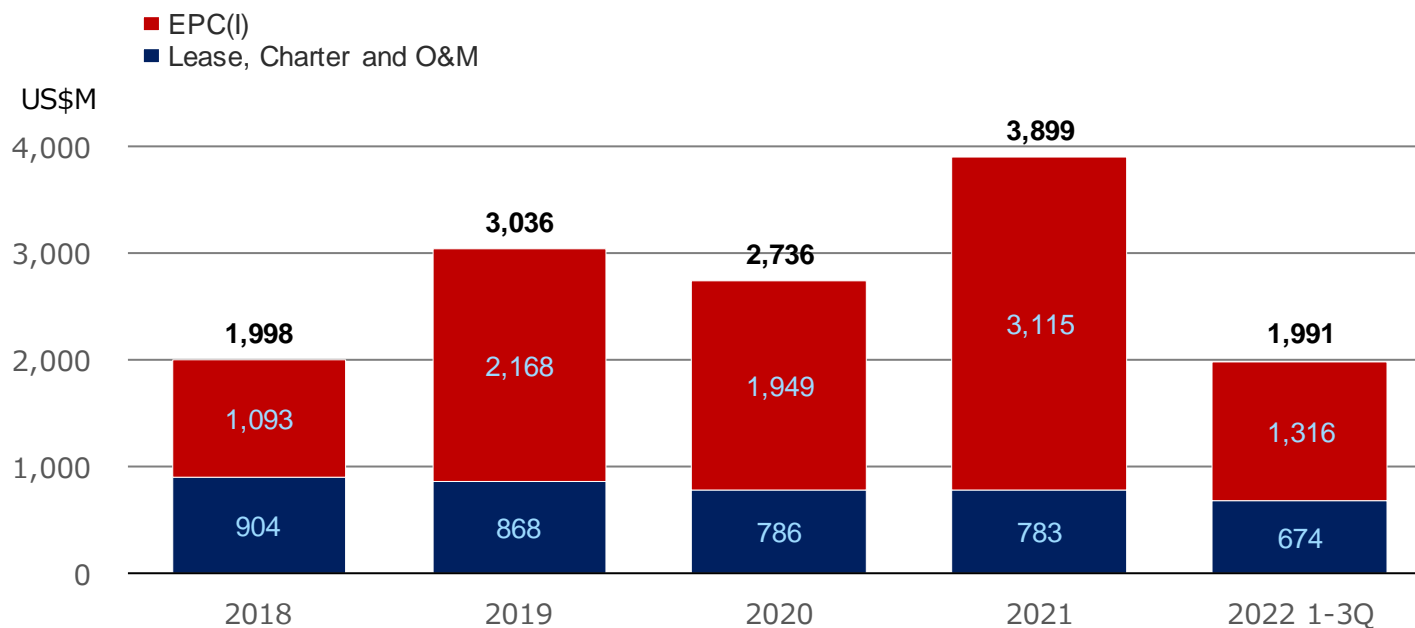
As a result, the figures for previous years in this document are handled as below.

- Before FY2019: Japanese standard (Japanese yen) figures are converted to US dollars at the midpoint of the market price of telegraph spots for customers at the end of each year.

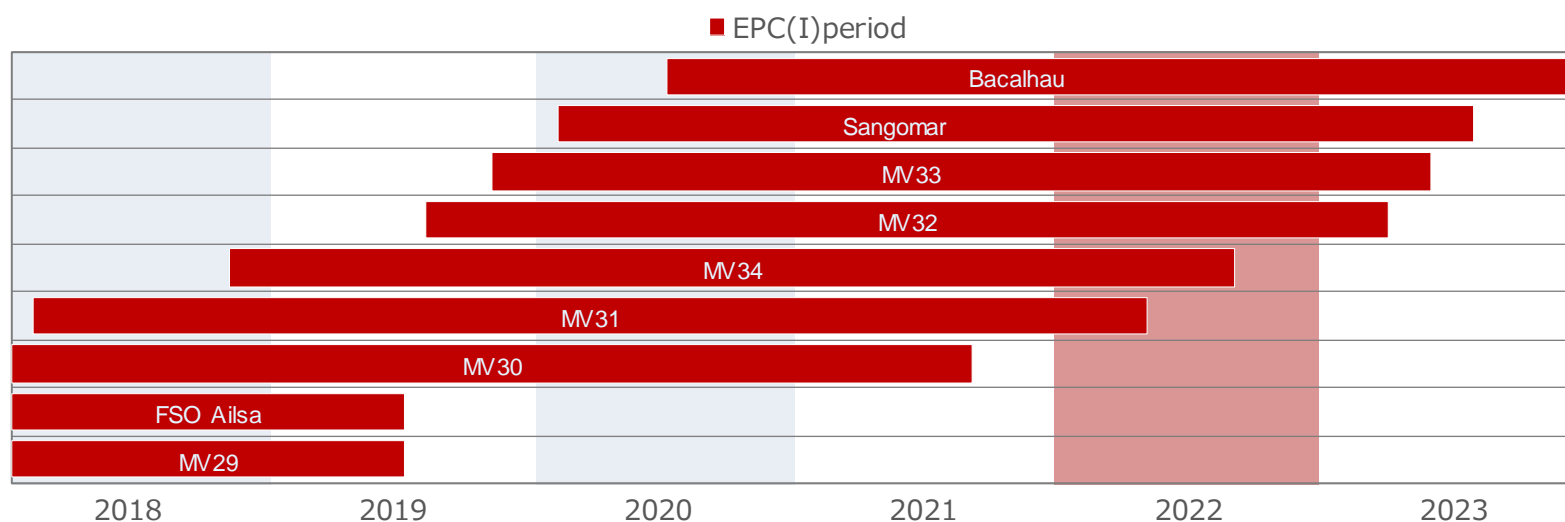
2018: 1 US dollar = 111.02 yen

2019: 1 US dollar = 109.54 yen

Revenue



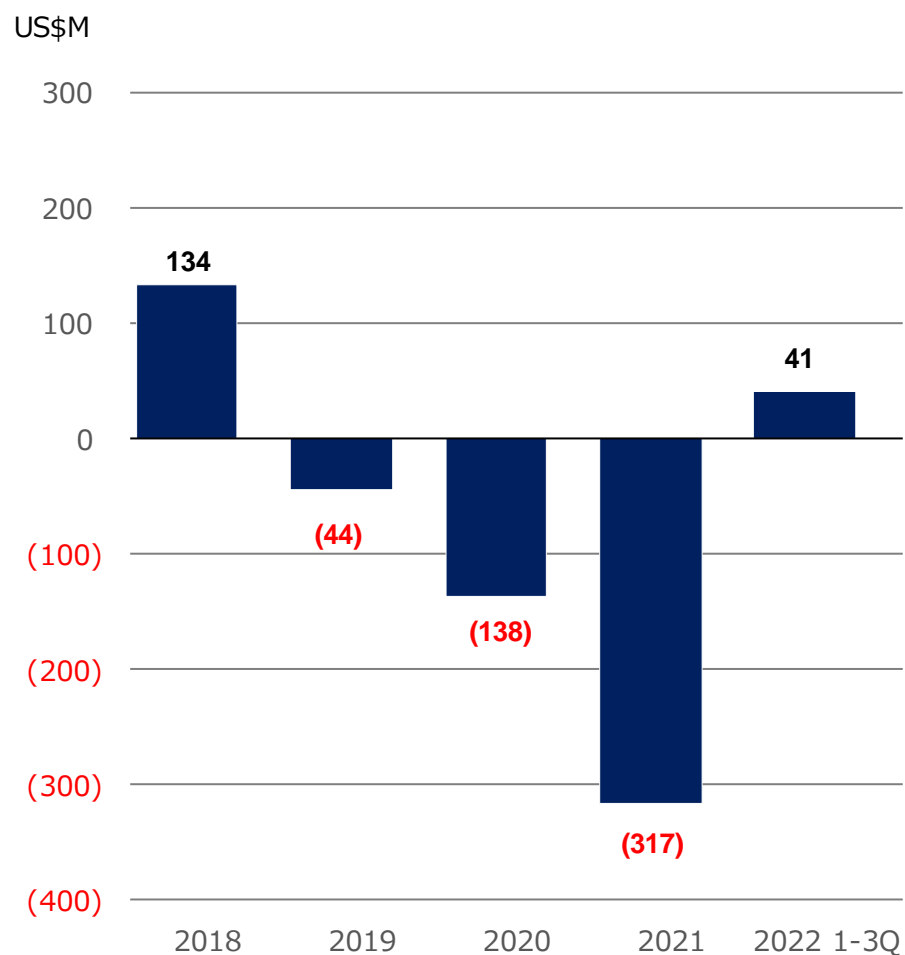
Sales revenue is steadily booked due to construction of Bacalhau, Sangomar, etc. and O&M services



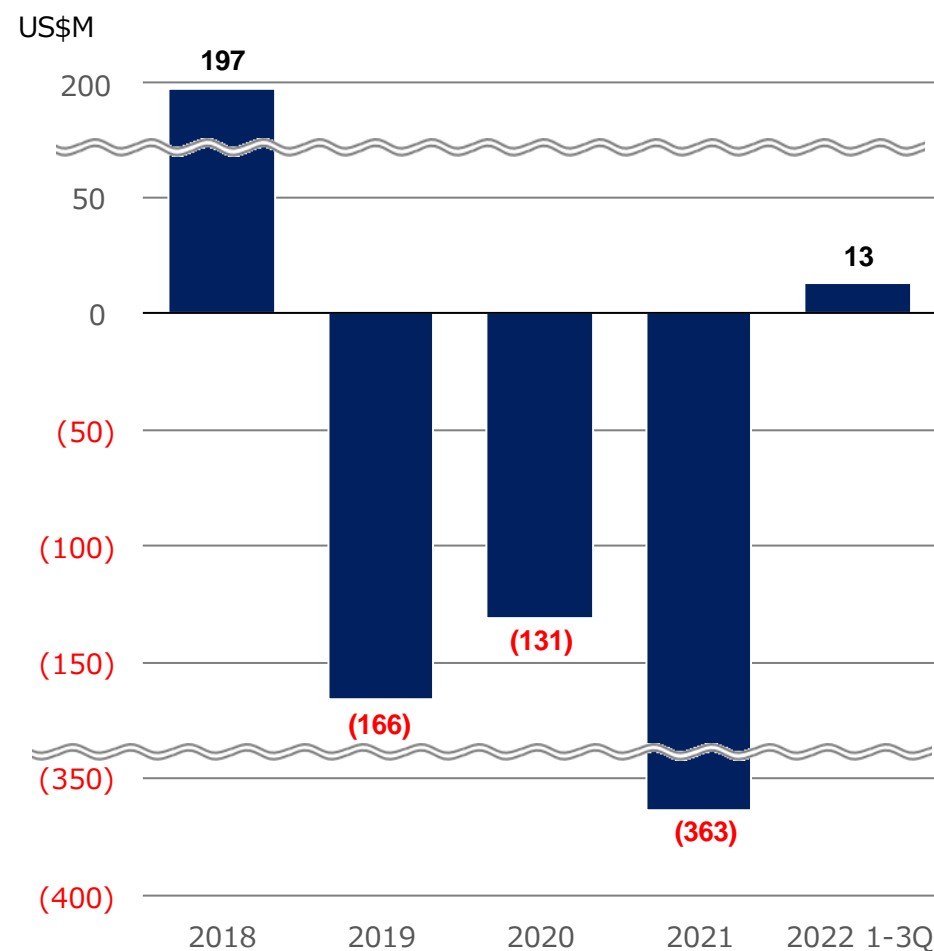
2022 1-3Q Construction revenue (US\$M)	
Bacalhau	: 500
Sangomar	: 350
MV32	: 150
MV33	: 120
Others	: 190

Operating Profit / Profit Attributable to Owners of Parent

Operating Profit



Profit Attributable to Owners of Parent



(Note) Shifted to IFRS from FY2020, and record equity in earnings of affiliates, etc. as operating income