# MODEC, Inc.

# Consolidated Financial Statements

**Years ended December 31, 2022 and 2021**

# Independent auditor's report

**To the Board of Directors of MODEC, Inc.:**

## Opinion

We have audited the accompanying consolidated financial statements of MODEC, Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of profit or loss, comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Reasonableness of the estimated total costs used in recognizing revenue from construction contracts related to the floating production, storage and offloading system**

| The key audit matter | How the matter was addressed in our audit |
| --- | --- |

| | |
|---|---|
| MODEC, Inc. and its consolidated subsidiaries provide construction services related to the floating production, storage and offloading system (hereinafter referred to as "FPSO"). As described in Note 24, "Revenue" to the consolidated financial statements, the revenues related to these construction contracts amounted to US dollar 1,775,068 thousand, representing approximately 64.8% of total revenue in the consolidated financial statements.<br><br>As described in Note 3, "Significant accounting policies, (14) Revenue from contracts with customers" to the consolidated financial statements, MODEC, Inc. and its consolidated subsidiaries recognize revenue from a long-term construction contract over time as the related performance obligations are satisfied by transferring control over goods promised in the contract to a customer. For performance obligations satisfied over time, the estimated progress is calculated as a percentage of accumulated costs incurred to date against the estimated total costs (input method).<br><br>Contracts for construction services related to the FPSOs that MODEC, Inc. and its consolidated subsidiaries provide are individually significant in contract amounts and estimated total costs, and each project has detailed terms and conditions and specifications, in addition to a long construction period. Therefore, the preparation of the project budget, which provided the basis for estimating total costs of each construction contract related to the FPSO, involved a high degree of uncertainty. Specifically, management's determination on the following key assumptions in preparing the project budget primarily related to the work performed by the consolidated subsidiaries to which the construction work was assigned had a significant effect on the estimated total costs at the end of the fiscal year;<br><br>● whether all work necessary to complete | We performed the audit procedures to assess the reasonableness of the estimated total costs used in recognizing revenue from construction contracts related to the FPSOs. These procedures included requesting the component auditors of the relevant consolidated subsidiaries, the assignees of the construction work, to perform an audit and then evaluating the reports of the component auditors to conclude on whether sufficient and appropriate audit evidence was obtained from the procedures. The primary procedures performed by us and the component auditors of the relevant consolidated subsidiaries include the following:<br><br>(1) Internal control testing<br><br>Test of the design and operating effectiveness of certain of MODEC, Inc.'s internal controls relevant to the process of preparing a project budget, focusing on the controls related to estimating a construction period, the controls to update the estimated construction period and the related costs in a timely manner in accordance with changes in circumstances that occurred after the start of construction, and the controls to reflect the risk that these estimates may change within the project budget.<br><br>(2) Assessment of the reasonableness of the estimated total costs<br><br>The procedures including the following to assess whether key assumptions adopted in preparing the project budget for the construction contract, which were used as the basis for estimating the total costs of each construction contract, were appropriate;<br><br>● comparison of the work necessary to complete the construction contracts with the contents of the schedule of accumulated costs within the project budget;<br><br>● assessment as to whether there were any special terms and conditions or specifications requiring consideration for proper estimation of total costs in the contracts with customers or key local subcontractors;<br><br>● evaluation of the accuracy of the project budget by comparing the past project budgets for construction contracts with actual costs subsequently incurred and analyzing the variance between the two, and assessment as to whether the causes of these variances were considered in |

the construction contracts were identified and the estimated costs were included in the project budget; and

- whether any changes in work, such as specifications and the status of compliance with contract terms and conditions, due to changes in circumstances that occurred subsequent to the start of construction needed to be reflected within the project budget in a timely and appropriate manner.

We, therefore, determined that our assessment of the reasonableness of the estimated total costs used in recognizing revenue from construction contracts related to the FPSOs was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

preparation or updating of the latest project budget;

- inspection of the project management materials for the construction contracts and comparison of the progress calculated based on the performance of the construction work confirmed by the customer with the progress measured by using the input method; and
- inquiry of the project manager and other relevant personnel, including the head of accounting, about any changes in circumstances that occurred after the start of construction and their judgment on whether the project budget needed updating for the changes, and inspection of relevant materials supporting their responses to the inquiry, such as the contracts and the minutes of negotiations with customers, key local subcontractors or other relevant parties.

**Reasonableness of the estimate of provisions for onerous contracts related to the operation services of the floating production, storage and offloading system**

**The key audit matter**

MODEC, Inc. and its consolidated subsidiaries provide operation services related to the floating production, storage and offloading system (hereinafter referred to as "FPSO"). As described in Note 19, "Provisions" to the consolidated financial statements, provisions for onerous contracts amounted to US dollar 30,855 thousand at the end of the current fiscal year, which were all related to the contracts for the operation services of the FSPO.

As described in Note 3, "Significant accounting policies, (12) Provisions" to the consolidated financial statements, MODEC, Inc. and its consolidated subsidiaries recognize a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. The provisions are measured as the excess of the expected costs over the expected benefits from continuing with the contract.

**How the matter was addressed in our audit**

We performed the audit procedures to assess the reasonableness of the estimate of provisions for onerous contracts related to the operation services of the FSPO. These procedures included requesting the component auditors of the relevant consolidated subsidiaries, the responsible parties to the contracts, to perform an audit and then evaluating the reports of the component auditors to conclude on whether sufficient and appropriate audit evidence was obtained from the procedures. The primary procedures performed by us and the component auditors of the relevant consolidated subsidiaries include the following:

(1) Internal control testing

Test of the design and operating effectiveness of certain of MODEC, Inc.'s internal controls relevant to the process of preparing project budgets, focusing on controls related to the future forecasts of the FPSOs' operating status, which were used as the basis for estimating the future costs expected to be unavoidable and the expected benefits to be derived from the contract.

(2) Assessment of the reasonableness of the estimate of provisions for onerous contracts

The estimates of the expected benefits to be derived from the contracts for the operation services of the FSPO and the unavoidable costs of meeting the obligations under the contract, which are estimated based on the project budget prepared for each FPSO in the scope of the service contract, involved uncertainty due to the long-term nature of the contract period. In addition, especially for contracts on the FPSOs which were experiencing troubles with the operation, the estimate of future repair costs to address any troubles besides the costs of the operation services contract incurred on a constant basis involved a high degree of uncertainty. Specifically, management's determination on the following key assumptions in preparing the project budget had a significant effect on the estimate of provisions for onerous contracts at the end of the fiscal year;

- the scope of the unavoidable costs of meeting the obligations under the operation services contract, including future repair costs; and
- the future forecasts of the FPSOs' operating status, which affected the estimation of the expected benefits to be derived from the contract.

We, therefore, determined that our assessment of the reasonableness of the estimate of provisions for onerous contracts related to the operation services of the FPSO was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

The procedures including the following to assess whether key assumptions adopted in preparing the project budgets were appropriate;

- inquiry of the project manager and other relevant personnel, including the head of accounting, about key assumptions in preparing the project budgets related to the contracts for the operation services of the FSPO, and inspection of relevant materials supporting their responses to the inquiry, such as the contracts and the minutes of negotiations with customers or key local subcontractors;
- comparison of the work necessary to perform the obligations under the contracts with customers for operation services of the FSPO with the contents of the schedule of accumulated costs within the project budget;
- assessment as to whether there were any special terms and conditions or specifications requiring consideration for proper estimation of provisions in the contracts with customers or key local subcontractors;
- evaluation of the accuracy of the project budget by comparing the past project budgets for contracts for the operation services of the FSPO with actual costs subsequently incurred and analyzing the variance between the two, and assessment as to whether the causes of these variances were considered in preparation of the latest project budget; and
- comparison of the future forecasts of the FPSOs' operating status with the actual operating status in the past and the operating trend for the current fiscal year during which repair work was implemented, including the periods before and after the repair.

## Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information.Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Makoto Yamada

Designated Engagement Partner

Certified Public Accountant

Fumitaka Otani

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

March 28, 2023

1. 【Consolidated financial statements】

1. **Consolidated statement of financial position**

in thousands of US dollars

| | Notes | December 31, 2021 | December 31, 2022 |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 810,131 | 492,625 |
| Trade and other receivables | 6, 24, 32 | 379,394 | 478,083 |
| Contract assets | 24 | 704,730 | 257,328 |
| Loans receivable | 11, 31, 32 | 14,176 | — |
| Other financial assets | 12, 16, 31, 33 | 14,171 | 37,288 |
| Other current assets | 13, 24 | 138,134 | 141,820 |
| Total current assets | | 2,060,740 | 1,407,147 |
| Non-current assets | | | |
| Property, plant and equipment | 4, 7, 9 | 51,366 | 64,314 |
| Intangible assets | 4, 8 | 80,845 | 70,213 |
| Investments accounted for using equity method | 4, 10, 32 | 739,046 | 1,114,066 |
| Loans receivable | 11, 31, 32 | 398,562 | 365,032 |
| Other financial assets | 12, 31 | 13,278 | 13,603 |
| Deferred tax assets | 28 | 54,941 | 65,016 |
| Other non-current assets | 4, 13, 24 | 26,760 | 36,819 |
| Total non-current assets | | 1,364,801 | 1,729,066 |
| Total assets | | 3,425,542 | 3,136,213 |

in thousands of US dollars

| | Notes | December 31, 2021 | December 31, 2022 |
|---|---|---|---|
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 14, 31, 32 | 1,356,472 | 921,708 |
| Contract liabilities | 24 | 405,807 | 499,383 |
| Bonds and borrowings | 15, 31, 33 | 426,867 | 19,084 |
| Income taxes payable | | 40,564 | 38,389 |
| Provisions | 19 | 237,013 | 109,704 |
| Other financial liabilities | 20, 31, 33 | 94,549 | 99,219 |
| Other current liabilities | 21 | 103,483 | 76,954 |
| Total current liabilities | | 2,664,758 | 1,764,443 |
| Non-current liabilities | | | |
| Bonds and borrowings | 15, 31, 33 | 55 | 374,293 |
| Deferred tax liabilities | 28 | 8 | 1,283 |
| Defined benefit liability | 17 | 54,693 | 43,959 |
| Provisions | 19 | 80,597 | 56,675 |
| Other financial liabilities | 20, 31, 33 | 23,584 | 37,127 |
| Other non-current liabilities | 21 | 47,084 | 17,310 |
| Total non-current liabilities | | 206,024 | 530,649 |
| Total liabilities | | 2,870,782 | 2,295,092 |
| Equity | | | |
| Share capital | 22 | 282,292 | 282,292 |
| Capital surplus | 22, 32 | 280,711 | 280,686 |
| Retained earnings | 22 | 85,957 | 131,004 |
| Treasury shares | 22 | (1,291) | (1,092) |
| Other components of equity | | (115,129) | 118,748 |
| Equity attributable to owners of parent | | 532,541 | 811,640 |
| Non-controlling interests | | 22,218 | 29,481 |
| Total equity | | 554,759 | 841,121 |
| Total liabilities and equity | | 3,425,542 | 3,136,213 |

## 2. Consolidated statement of profit or loss

in thousands of US dollars

| | Notes | 2021 | 2022 |
|---|---|---|---|
| Revenue | 4, 24, 32 | 3,899,748 | 2,739,762 |
| Cost of sales | 7, 8, 17, 18, 25, 32 | (4,125,283) | (2,671,503) |
| Gross profit (loss) | | (225,534) | 68,259 |
| Selling, general and administrative expenses | 7, 8, 17, 18, 25, 32 | (145,963) | (153,101) |
| Share of profit of investments accounted for using equity method | 10, 31 | 29,309 | 126,845 |
| Other income | 26 | 24,680 | 33,384 |
| Other expenses | | (44) | (57) |
| Operating profit (loss) | | (317,552) | 75,330 |
| Finance income | 27, 31 | 55,438 | 64,389 |
| Finance costs | 27, 31 | (82,185) | (84,884) |
| Profit (loss) before tax | | (344,300) | 54,835 |
| Income tax expense | 28 | (15,620) | (13,691) |
| Profit (loss) for the period | | (359,920) | 41,143 |

| | | | |
|---|---|---|---|
| Profit attributable to | | | |
| Owners of parent | | (363,975) | 37,377 |
| Non-controlling interests | | 4,055 | 3,766 |
| Profit (loss) for the period | | (359,920) | 41,143 |

in US dollars

| | | | |
|---|---|---|---|
| Earnings per share | | | |
| Basic earnings (loss) per share | 29 | (6.46) | 0.66 |
| Diluted earnings (loss) per share | | (6.46) | 0.66 |

### 3. Consolidated statement of comprehensive income

in thousands of US dollars

| | Notes | 2021 | 2022 |
|---|---|---|---|
| Profit (loss) for the period | | (359,920) | 41,143 |
| Other comprehensive Income | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurements of defined benefit liability | 17, 30 | 5,340 | 8,378 |
| Total items that will not be reclassified subsequently to profit or loss | | 5,340 | 8,378 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Effective portion of cash flow hedges | 30 | (26,551) | 6,962 |
| Exchange differences on translation of foreign operations | 30 | (9,492) | 212 |
| Share of other comprehensive income of investments accounted for using equity method | 10, 30 | 96,902 | 226,675 |
| Total items that may be reclassified subsequently to profit or loss | | 60,858 | 233,850 |
| Total other comprehensive income, net of tax | | 66,199 | 242,228 |
| Total comprehensive income for the period | | (293,720) | 283,372 |

| | | | |
|---|---|---|---|
| Total comprehensive income attributable to | | | |
| Owners of parent | | (297,650) | 278,925 |
| Non-controlling interests | | 3,929 | 4,447 |
| Total comprehensive income | | (293,720) | 283,372 |

## 4. Consolidated statement of changes in equity

2021

in thousands of US dollars

| | Notes | 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) |
| Loss for the period | | — | — | (363,975) | — | — | — |
| Other comprehensive income | 17, 30 | — | — | — | — | 5,060 | 70,781 |
| Total comprehensive income for the period | | — | — | (363,975) | — | 5,060 | 70,781 |
| Dividends to owners of parent | 23 | — | — | (18,980) | — | — | — |
| Dividends to non-controlling shareholder | | — | — | — | — | — | — |
| Share-based payment transactions | 18, 22, 32 | — | (30) | — | 262 | — | — |
| Transfer from other components of equity to retained earnings | | — | — | 5,060 | — | (5,060) | — |
| Total transactions with owners | | — | (30) | (13,919) | 262 | (5,060) | — |
| At December 31, 2021 | | 282,292 | 280,711 | 85,957 | (1,291) | — | (90,866) |

| | Notes | 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 |
| Loss for the period | | — | — | (363,975) | 4,055 | (359,920) |
| Other comprehensive income | 17, 30 | (9,517) | 66,325 | 66,325 | (125) | 66,199 |
| Total comprehensive income for the period | | (9,517) | 66,325 | (297,650) | 3,929 | (293,720) |
| Dividends to owners of parent | 23 | — | — | (18,980) | — | (18,980) |
| Dividends to non-controlling shareholder | | — | — | — | (620) | (620) |
| Share-based payment transactions | 18, 22, 32 | — | — | 231 | — | 231 |
| Transfer from other components of equity to retained earnings | | — | (5,060) | — | — | — |
| Total transactions with owners | | — | (5,060) | (18,748) | (620) | (19,368) |
| At December 31, 2021 | | (24,262) | (115,129) | 532,541 | 22,218 | 554,759 |

2022

in thousands of US dollars

| | Notes | Equity attributable to owners of parent | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Other components of equity | |
| | | Share capital | Capital surplus | Retained earnings | Treasury shares | 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 | | — | — | 37,377 | — | — | — |
| Other comprehensive income | 17, 30 | — | — | — | — | 7,669 | 233,656 |
| Total comprehensive income for the period | | — | — | 37,377 | — | 7,669 | 233,656 |
| Capital contribution to newly established subsidiary | | — | — | — | — | — | — |
| Dividends to non-controlling shareholder | | — | — | — | — | — | — |
| Share-based payment transactions | 18, 22, 32 | — | (24) | — | 198 | — | — |
| Transfer from other components of equity to retained earnings | | — | — | 7,669 | — | (7,669) | — |
| Total transactions with owners | | — | (24) | 7,669 | 198 | (7,669) | — |
| At December 31, 2022 | | 282,292 | 280,686 | 131,004 | (1,092) | — | 142,790 |

| | Notes | Equity attributable to owners of parent | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| | | Other components of equity | | | | |
| | | Exchange differences on translation of foreign operations | Total other components of equity | Total equity attributable to owners of parent | | |
| At January 1, 2022 | | (24,262) | (115,129) | 532,541 | 22,218 | 554,759 |
| Profit for the period | | — | — | 37,377 | 3,766 | 41,143 |
| Other comprehensive income | 17 30 | 221 | 241,547 | 241,547 | 681 | 242,228 |
| Total comprehensive income for the period | | 221 | 241,547 | 278,925 | 4,447 | 283,372 |
| Capital contribution to newly established subsidiary | | — | — | — | 3,500 | 3,500 |
| Dividends to non-controlling shareholder | | — | — | — | (684) | (684) |
| Share-based payment transactions | 18, 22, 32 | — | — | 173 | — | 173 |
| Transfer from other components of equity to retained earnings | | — | (7,669) | — | — | — |
| Total transactions with owners | | — | (7,669) | 173 | 2,815 | 2,989 |
| At December 31, 2022 | | (24,041) | 118,748 | 811,640 | 29,481 | 841,121 |

## 5. Consolidated statement of cash flows

in thousands of US dollars

| | Notes | 2021 | 2022 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit (loss) before tax | | (344,300) | 54,835 |
| Depreciation and amortization | 7, 8 | 41,189 | 39,606 |
| Increase (decrease) in provisions | | 143,009 | (152,571) |
| Increase (decrease) in defined benefit liability | 17 | (3,842) | (10,741) |
| Share of profit of investments accounted for using equity method | | (29,309) | (126,845) |
| Finance income and finance costs | | 26,747 | 20,495 |
| Decrease (increase) in trade and other receivables | | (88,454) | (91,633) |
| Decrease (increase) in contract assets | | (83,252) | 447,452 |
| Decrease (increase) in other current assets | | 187,111 | 7,497 |
| Increase (decrease) in trade and other payables | | 301,257 | (437,736) |
| Increase (decrease) in contract liabilities | | (84,513) | 89,660 |
| Other | | 9,851 | (89,580) |
| Subtotal | | 75,493 | (249,559) |
| Interest received | | 32,841 | 39,631 |
| Dividends received | | 67,233 | 46,229 |
| Interest paid | | (5,235) | (16,898) |
| Income taxes paid | | (18,093) | (28,298) |
| Net cash from operating activities | | 152,239 | (208,895) |
| Cash flows from investing activities | | | |
| Net decrease (increase) in short-term loans receivable | | (9,301) | (8,295) |
| Payments for long-term loans receivable | | (105,306) | (24,103) |
| Collection of long-term loans receivable | | — | 60,604 |
| Purchase of property, plant and equipment and intangible assets | 7, 8 | (29,362) | (6,883) |
| 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 | 32 | (76,573) | (96,383) |
| Net cash used in investing activities | | (220,544) | (56,846) |
| Cash flows from financing activities | | | |
| Net increase (decrease) in short-term borrowings | 31 | (29,000) | — |
| Proceeds from long-term borrowings | 31 | 160,000 | — |
| Repayments of long-term borrowings | 31 | (54,249) | (31,620) |
| Proceeds from issuance of bonds | 31 | 225,000 | — |
| Payments of lease liabilities | | (22,150) | (21,463) |
| Net decrease (increase) in treasury shares | 22 | 262 | — |
| Capital contribution to newly established subsidiary from non-controlling shareholder | | — | 3,500 |
| Dividends paid | 23 | (18,994) | (19) |
| Dividends paid to non-controlling shareholder | | (620) | (684) |
| Receipt of government grants | | 2,737 | 707 |
| Proceeds from settlement of derivative contracts | | 2,979 | 568 |
| Net cash provided by (used in) financing activities | | 265,965 | (49,013) |
| Effect of changes in exchange rates on cash and cash equivalents | | (4,679) | (2,750) |
| Net increase (decrease) in cash and cash equivalents | | 192,981 | (317,505) |
| Cash and cash equivalents at beginning of year | 5 | 617,149 | 810,131 |
| Cash and cash equivalents at end of year | 5 | 810,131 | 492,625 |

## 【Notes to the consolidated financial statements】

### 1. Reporting entity

MODEC, Inc. (the Company) is domiciled and incorporated in Japan. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the Group). The Group is primarily involved in the engineering, procurement, construction and installation of floating, production, storage and offloading systems for oil and gas production such as FPSO, FSO and TLP as well as related sales, leasing, charter and operation services.

### 2. Basis of preparation

(1) Statement of compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with IFRS in compliance with Article 93 of Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements in Japan as the Group satisfies all requirements of "specified company complying with designated international accounting standards" in Article 1-2 of Regulation.

They were authorized for issue by Takeshi Kanamori, President and CEO, and Yasuhiro Takano, CFO, on March 27, 2023.

(2) Basis of measurement

As noted in Note 3. Significant accounting policies the consolidated financial statements have been prepared on the historical cost basis except for financial instruments, defined benefit liability and others, which are measured at fair value.

(3) Functional and presentation currency

The consolidated financial statements are presented in the Company’s functional currency, United States (US) dollars. Financial information presented has been rounded down to the nearest US thousand dollars.

(4) Use of judgements and estimates

In preparing these consolidated financial statements, management has made significant accounting judgements, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, revenue and expenses as well as the disclosures of contingent liabilities at the end of reporting period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about judgements, estimates and assumptions made in applying accounting policies that have significant effects on the amounts recognized in the Group’s consolidated financial statements is as follows:

- Scope of consolidation – Note 3. Significant accounting policies (1) Basis of consolidation
- Revenue recognition – Note 3. Significant accounting policies (14) Revenue from contracts with customers

Judgements, estimates and assumptions that may have significant effects on the Group’s consolidated financial statements are as follows:

- Revenue recognition – Note 3. Significant accounting policies (14) Revenue from contracts with customers
- Measurement of provisions – Note 3. Significant accounting policies (12) Provisions
- Recognition of deferred tax assets – Note 3. Significant accounting policies (17) Income tax
- Fair values of financial instruments – Note 3. Significant accounting policies (4) Financial instruments
- Recoverable amounts in the impairment test of non-financial assets – Note 3. Significant accounting policies (9) Impairment of non-financial assets
- Actuarial assumptions for the measurement of defined benefit liability – Note 3. Significant accounting policies (10) Employee benefits
- Assessment of lease and lease term – Note 3. Significant accounting policies (8) Leases
- Impacts of COVID-19

  COVID-19 infections have negatively impacted to date to the overall progress of the Group’s ongoing EPCI projects. At the end of this year, the Group made the accounting estimates based on the assumptions that it would not further impact to the project profits significantly. The Group considers that the delays of projects caused by COVID-19 pandemic would be a force majeure event according to the contracts and laws and regulations. Therefore, the Group has not incorporated any impacts of liquidated damage penalty into the accounting estimates. However, depending on the outcome of future negotiations with the customers, the Group may be subject to the assessment of penalties.

## 3. Significant accounting policies

(1) Basis of consolidation

① Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between change in non-controlling interests and the fair value of transaction price is directly recognized in equity as equity attributable to owners of parent.

When the Group loses control over a subsidiary, any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Intra-group asset/liability balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated for the preparation of the consolidated financial statements.

② Investment in equity-accounted investees (associates and joint ventures)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the Group and other parties have joint control, whereby the Group has rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant financial and operating activities require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method. (equity-accounted investees)

The consolidated financial statements include the Group's share of the profit or loss and change in other comprehensive income of equity-accounted investees from the date on which significant influence or joint control of equity-accounted investees commences until the date ceases.

Investment in equity-accounted investees are initially recognized at cost, which includes transaction costs. Goodwill recognized on acquisition of the investment relating to an associate or a joint venture is included in investment in equity-accounted investees. The Group's share of the equity-accounted investees' profit or loss and change in other comprehensive income is recognized as change in investment in equity-accounted investees from the date on which control of the equity-accounted investees commences until the date ceases.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. When unrealized gains exceed the Group's interest in the investee, the excess is recognized as deferred revenue in other non-current liabilities. Similarly, unrealized losses are eliminated against the investment but only to the extent that there is no evidence of impairment.

When losses of an equity-accounted investee are greater than the Group's interest in the investee, the Group's interest is reduced to zero and additional losses are recognized only to the extent that the Group has legal or constructive obligations. The additional losses are first accounted for against loans receivable towards the equity-accounted investee that form part of the net investment. Any excess is recognized as an equity method liability.

Goodwill that forms part of the carrying amount of the net investment in equity-accounted investee is not amortized in profit or loss. If there is any indication of impairment of the net investment in equity-accounted investee, the carrying amount of the investment is tested for impairment.

The Group owns 50% or more of voting powers of RANG DONG MV17 B.V., OPPORTUNITY MV18 B.V., GAS OPPORTUNITY MV20 B.V., SHAPE PTE. LTD. and SHAPE BRASIL SOLUCOES DIGITALS LTDA. Since these companies' contractual arrangements agreed by parties provide the parties to the joint control with rights to the net assets of the arrangements, the Group classifies these companies as joint ventures.

(2) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at the sum of the acquisition date fair values of the assets transferred, the liabilities assumed and the equity interests issued by the Group in exchange for the control of the acquiree. Goodwill is recognized the excess of the cost of an acquisition over the fair value of the net identifiable assets and liabilities acquired. While on a bargain purchase, gain is recognized in profit or loss. Transaction costs are expensed as incurred. The Group measures the acquiree's identifiable assets and the liabilities at their acquisition date fair values. The acquisition of non-controlling interests after obtaining the control of acquiree is accounted for as an equity transaction. In such a transaction goodwill is not recognized.

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party before and after the business combination, and that control is not transitory. Such a business combination is principally accounted for using the acquiree's carrying value of assets and liabilities.

(3) Foreign currency

① Foreign currency translations

Transactions in foreign currencies including capital transactions are translated into the functional currency of the Group at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the end of reporting period. Exchange differences are recognized in profit or loss. However, when a gain or loss on assets or liabilities is recognized in other comprehensive income, foreign currency differences arising from the translation of those assets and liabilities are recognized in other comprehensive income. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

② Foreign operations

The assets and liabilities of foreign operations are translated into the presentation currency of the Group, US dollars, at the exchange rates at the end of reporting period. The revenue and expenses of foreign operations are translated into US dollars at the exchange rates at the dates of the transactions. Foreign currency differences arising in the translation of financial statements of foreign operations are recognized in other comprehensive income and accumulated in other components of equity.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount of the exchange differences related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(4) Financial instruments

① Recognition and derecognition

Recognition:

Financial assets and financial liabilities including derivative instruments are initially recognized at trade date when the Group becomes a party to the contractual provisions of the instrument.

Purchase or sale of financial assets is recognized and derecognized using trade date accounting.

Derecognition:

The Group derecognizes a financial asset when:

(a) the contractual rights to the cash flows from the financial asset expire; or

(b) it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

If the Group retains control of the transferred financial asset, the Group continues to recognize the asset and associated liability to the extent of its continuing involvement.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

② Classification

Financial assets:

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value to profit or loss (FVTPL); or fair value to other comprehensive income (FVTOCI) based on the criteria as follows:

(a) a business model whose objective is to hold financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortized cost if it meets both of the following conditions:

(a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets not classified as measured at amortized cost are classified as FVTPL. Financial assets measured at FVTPL are derivative financial assets. The Group does not have any financial assets classified as FVTOCI or as FVTPL held for trading.

Financial liabilities:

Financial liabilities are all classified as measured at amortized cost except those classified as measured at FVTPL. Financial liabilities that are classified as FVTPL are derivative financial liabilities.

③ Measurement

Initial measurement:

A financial asset or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A financial asset or financial liability is initially measured at fair value for an item classified as FVTPL. A trade receivable without a significant financing component is initially measured at the transaction price.

Subsequent measurement:

Financial assets and financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest income and expense, exchange gains and losses and impairment are recognized in profit or loss. On derecognition gain or loss of a financial asset and the difference between the carrying amount of a financial liability extinguished and the consideration paid are recognized in profit or loss.

Financial assets and financial liabilities classified as FVTPL are subsequently measured at fair value.

After initial recognition financial guarantee contracts are subsequently measured at the higher of:

(a) the amount of the loss allowance determined in accordance with the impairment criteria below.

(b) the amount initially recognized less the cumulative amount of income recognized in accordance with the principles of IFRS 15.

Impairment of financial assets:

The Group recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost, a contract asset or a financial guarantee contract.

At the end of each reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Despite above, the Group always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that do not contain a significant financing component.

The Group recognizes in profit or loss, as an impairment gain or loss, for the amount of expected credit losses or reversal that is required to adjust the loss allowance for a financial instrument.

④ Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments such as forward exchange contracts and interest rate swap contracts to hedge its foreign currency and interest rate risk exposures.

The Group makes formal designation and documentation of the hedging relationship and the risk management objective and strategy at the inception of the hedging relationship when applying hedge accounting. That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements when offsetting exposures to fair value changes of the hedged item attributable to the hedged risk or cash flow variability. The Group expects these hedges are effective for offsetting fair value changes attributable to the hedged risk or cash flow variability.

Derivatives are initially measured at fair value and presented in the consolidated statement of financial position when the Group becomes a party to the contracts. Subsequent to initial recognition, except designated as hedging instruments derivatives are measured at fair value, and changes therein are recognized in profit or loss. Derivatives designated as hedging instruments are measured as follows:

Cash flow hedges:

The Group designates primarily cash flow hedge as hedging relationships. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognized in a costs of hedging reserve within equity. When currency swap contract is designated as cash flow hedge, the Group separates the foreign currency basis spread from a financial instrument and excludes it from the designation of that financial instrument as the hedging instrument. The change in fair value of the foreign currency basis spread is separately accounted for as a cost of hedging and recognized in a costs of hedging reserve in other comprehensive income within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized. For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting even after adjusting the hedge ratio or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been

accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.
If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss. The amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are presented in other components of equity as effective portion of cash flow hedges.

(5) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash, subject to insignificant risk of changes in value and redeemable in 3 months or less from each acquisition date.

(6) Property, plant and equipment
① Recognition and measurement
Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset, the cost of dismantling and removing the items, restoring the site on which they are located. Subsequent expenditure is capitalized if it is probable that future economic benefits associated with the expenditure will flow to the Group and its cost can be measured reliably. All other repairs and maintenance are recognized in profit or loss as incurred. Gains and losses arising on disposals of assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss.

② Depreciation
Depreciation is recognized over estimated useful lives of each part of an item of property, plant and equipment using the straight-line method. Depreciation is calculated based on the depreciable value. Depreciable value is the cost of an asset less its residual value.
The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Leasehold improvements | 3–10 years |
| Tools, furniture and fixtures | 2–15 years |
| Machinery and vehicles | 3–7 years |

Depreciation methods, useful lives and residual values of assets are reviewed at the end of each reporting period and revised as necessary.

(7) Intangible assets
Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.
Amortization is recognized over estimated useful lives of each intangible asset using the straight-line method.
The estimated useful lives of intangible assets by major asset group are as follows:

| | |
|---|---|
| Software | 2–10 years |
| Development costs | 5 years |
| Other intangible assets | 2–17 years |

Amortization methods, estimated useful lives and residual values of intangible assets are reviewed at the end of each reporting period and revised as necessary.

(8) Leases
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

As a lessee
The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset less any lease incentives received.
The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the shorter of estimated useful life of the asset or the end of the lease term. The estimated useful life of the right-of-use asset is determined on the same basis as those of property, plant and equipment.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise as follows:

- fixed payments; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. Interest rate used for amortization in each period is the discount rate initially used to determine the present value of the total lease payments in measuring the lease liability. In accordance with the payment of the lease, it is reflected the lease liability as repayment of the principal portion of the lease liability and payment of interest on the lease liability.
The lease liability is remeasured when the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets
The Group has elected not to recognize right-of-use assets and lease liabilities for short-term, 12 months or less, leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(9) Impairment of non-financial assets
For non-financial assets, the Group determines at the end of reporting period whether there is any indication of impairment. If any such indication exists, then the asset or cash-generating unit's recoverable amount is estimated.
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. Cash-generating units are the smallest group of assets that are largely independent of cash inflows of other assets or cash-generating units. If recoverable amount cannot be determined for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs. In the calculation of value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.
An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.
Impairment losses recognized in prior periods are assessed at the end of reporting period for any indications that the loss has decreased or no longer exists.

(10) Employee benefits
① Post-employment benefits
a. Defined contribution plans
Obligations for contributions to defined contribution plans are recognized as an expense in profit or loss in the period during which services are provided by employees.
b. Defined benefit plans
The present value of the Group's obligation in respect of defined benefit plans and related current service cost are calculated separately for each plan using the projected unit credit method. The discount rate is determined by reference to market yields at the end of reporting period on high quality corporate bonds. In determining the discount rate the term of the corporate bonds reflects the estimated timing of benefit payments. Defined benefit liability is recognized by discounting the defined benefit obligation. Current service cost and interest expense related to defined benefit liability are recognized in profit or loss.
Remeasurements of the defined benefit liability are recognized immediately in other comprehensive income and reclassified to retained earnings. Past service cost is recognized in profit or loss when incurred.

② Short-term employee benefits
Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or annual paid vacation if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(11) Share-based payment
Under the arrangement the Company's ordinary shares are granted to the directors and executive officers in accordance with the number of share points awarded to the directors and executive officers. The points are awarded based on the regulation of share-based payment arrangement of the Company. The Company's ordinary shares are acquired in the stock market and held by trust, which is established and funded by the Company.
Under the share-based payment arrangement, as the services provided to the Company by the directors and executive officers, the fair value of equity instruments granted are recognized in profit or loss with a corresponding increase in equity. Fair value of equity instruments granted is determined by reference to the market price of the Company's ordinary shares on the date the Company and the directors and executive officers agree to the share-based payment arrangement. As the directors and executive officers covered by the arrangement provide the services, the Company recognizes expenses and the corresponding rights of directors and executive officers become

vested.

(12) Provisions

A provision is recognized when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is determined by discounting the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

① Warranties

A provision for warranties is recognized for the repair costs of the post-delivered defective items of the products. The provision for the warranties is recognized for the total estimated repair costs of defective items. These warranties are expected to be settled in 4 years from the end of reporting period.

② Loss on construction

A provision for loss on construction is recognized when the total costs of individual construction contract are expected to exceed the total contract value and the estimated excess costs are reasonably determined and reliable. The provision is measured at the future total estimated loss on construction. The provisions for loss on construction are expected to be settled in 2 years from the end of reporting period.

③ Onerous contracts

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on incremental costs necessary to fulfil the obligation under the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract. The provisions for onerous contracts are expected to be settled in 5 years from the end of reporting period.

④ Repair costs of FPSO

A provision is recognized for the estimated repair costs of FPSO. The Group has recognized the estimated cost required to repair the cracks on FPSO. The cracks were identified during decommissioning work undertaken by the Group after the termination of its oil production, and the work was suspended.

(13) Share capital

① Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

② Treasury shares

When shares are acquired, the amount of the consideration paid is recognized as a deduction from equity. When treasury shares are sold, retired, or reissued subsequently, any difference between the carrying value of treasury shares and the amount received is recognized as equity.

(14) Revenue from contracts with customers

The Group recognizes revenue from transactions within the scope of IFRS15 Revenue from Contracts with Customers based on 5 steps as follows:

Step1: Identify the contract
Step2: Identify performance obligations
Step3: Determine the transaction price
Step4: Allocate the transaction price to performance obligations
Step5: Recognize revenue when (or as) the entity satisfies a performance obligation

① Construction contracts

For long term construction contracts revenue is recognized over time as performance obligation is satisfied when the Group transfers control of the promised product to the customer. For performance obligation satisfied over time the Group measures the progress by reference to the cost incurred relative to the total estimated costs (input method).

The Group constructs specialized assets customized to customer's order which the Group does not have an alternative use. These contracts span across several years. The Group has determined that for contracts where the Group has an enforceable right to payment, the customer obtains control all of the work in progress. This is because under those contracts, the assets are at the customer's specification and the Group is entitled to reimbursement of costs incurred to date including a reasonable margin when the contracts are terminated by the customer with their cause.

Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones. Invoices are usually payable within 30 to 60 days.

Contract modifications to the long-term construction contract of the Group do not add any distinct goods or services in general. The Group accounts for such modifications as continuation of the original contract and

recognizes a cumulative revenue at the date of modification.
On some contracts the Group incurs penalties. Penalties are recognized as a deduction of revenue, and the amounts are estimated only to the extent a significant reversal will not occur.
As warranty to the long-term construction contract is obligation to repair or correct the defective product, it is not considered as a separate performance obligation but comprises as a part of construction contract. Warranty period is usually 1 to 3 years after acceptance by the customer. The amount of warranty is based on estimates made from historical warranty data associated with similar services by adjusted for any project-specific claims.
The contract assets relate to the Group's rights to consideration for work completed but not billed. The contract liabilities primarily relate to advance consideration received from customers for contract revenue. Contract assets and liabilities are reported on the consolidated statement of financial position on a contract-by-contract basis.
Costs to obtain or fulfil a contract with a customer are expensed as incurred unless those costs meet the criteria to recognize as an asset. It is recognized as an asset if it meets the criteria of capitalization and amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.
In some circumstances, the Group may not be able to reasonably measure the outcome of a performance obligation (that is the stage of completion), but the Group expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the Group recognizes revenue only to the extent of the costs incurred until such time that the Group can reasonably measure the outcome of the performance obligation.

② Rendering of services
Revenue is recognized when control over the promised services has been transferred to the customer. Revenue is measured at the transaction price agreed under the contract. As the Group renders operation services continuously on the FPSO and FSO owned by the customer and the customer simultaneously receives and consumes the benefits of the services provided, revenue is recognized over time based on the progress that faithfully depicts the performance of services. The progress for the determination of revenue recognition is measured by reference to the costs incurred till date in relative to the total estimated costs. For fixed daily rate contract revenue is recognized over time based on fixed daily operation rate on a monthly basis. For cost plus agreed mark-up contract revenue is recognized over the period in which the services rendered and costs incurred plus agreed mark-up. The payment terms of service contracts are in general within 30 days of receipts of final invoice by customers.
Bonuses are recognized as revenue once it becomes near certain and is highly probable that no significant reversal of revenue recognized will occur. Penalties are recognized as a deduction of revenue only to the extent that it is highly probable that a significant reversal will not occur. Revenue is presented excluding taxes, returns, discounts or penalties.
If the Group’s performance obligation is to arrange for the provision of the specified service by another party, the Group is an agent for the seller or purchaser of the contract. In such a case revenue is recognized at a point in time when performance obligation is satisfied at the net value of the service.

(15) Finance income and finance costs
Finance income comprises interest income, dividends received, derivative revenues and exchange gains. Finance costs comprises interest expenses, derivative losses, exchange losses and loss allowances recognized for expected credit losses. Interest income and interest expenses are recognized as accrue using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Group’s right to receive payment is established.

(16) Government grants
Government grants are recognized at their fair value when the conditions for receiving the grant are met and when they become receivable.

(17) Income tax
Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or in equity, or a business combination.
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the end of reporting period.
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax liabilities are recognized in principle for taxable temporary differences.
Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that

they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured using tax rates that are expected to apply when temporary differences reverse.
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income tax levied by the same tax authority on the same taxable entity.
The amount of current tax payable or receivable is the best estimate of the tax amount, which the Group considers probable based on its interpretation of tax law, expected to be paid or received that reflects uncertainty related to income taxes.

(18) Earnings per share

Basic earnings per share are calculated by dividing profit for the period attributable to owners of parent by the weighted average number of ordinary shares outstanding adjusted by treasury shares during the period.
Diluted earnings per share are calculated based on the weighted average number of ordinary shares outstanding above adjusted by the effects of all dilutive potential ordinary shares.

(19) Standards issued but not yet effective

The standards and interpretations that are new and amended by the approval date of this consolidated financial statements are not expected to have a significant impact on the Group’s consolidated financial statements.

## 4. Operating segments

(1) General information of reportable segments

An operating segment is a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Group’s management to make decisions about resources to be allocated to the segment and assess its performance.
The Group is solely engaged in construction of floating, production, storage and offloading systems for oil and gas productions and various related services as single business; therefore, general information of reportable segments is not presented.

(2) Information about products and services

Revenue from the external customers for products and services is presented in Note 24. Revenue.

(3) Information about geographical areas

Revenue from external customers by geographical areas is as follows:

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Brazil | 2,818,628 | 1,659,707 |
| Senegal | 517,646 | 490,056 |
| Ghana | 199,138 | 166,912 |
| Mexico | 157,016 | 155,088 |
| Guyana | — (Note) 2 | 115,254 |
| Cote d'Ivoire | 64,157 | — (Note) 2 |
| Others | 143,161 | 152,743 |
| Total | 3,899,748 | 2,739,762 |

Note:

1. Revenue is categorized based on the ultimate destination of products and services.
2. Amounts not subject to disclosure.

Information about geographical areas – non-current assets

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Netherlands | 720,518 | 1,101,747 |
| Singapore | 45,434 | 60,418 |
| United States | 64,457 | 56,180 |
| Japan | 46,215 | 38,515 |
| Others | 21,337 | 28,505 |
| Total | 897,962 | 1,285,368 |

Note: Financial instruments other than investments accounted for using equity method, deferred tax assets and rights arising under insurance contracts are excluded.

(4) Information about major customers

Customers represent more than 10% of consolidated revenue are as follows:

in thousands of US dollars

| Customer's name | 2021 | 2022 |
|---|---|---|
| Equinor Brasil Energia Ltda. | 1,105,552 | 660,690 |
| Woodside Energy (Senegal) B.V. | 517,646 | 490,056 |
| BUZIOS5 MV32 B.V. | 538,220 | —(Note) |
| MARLIM1 MV33 B.V. | 496,444 | —(Note) |

Note: Not presented as less than 10% of consolidated revenue.

**5. Cash and cash equivalents**

Cash and cash equivalents are as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Cash and bank deposits | 785,262 | 468,005 |
| Time deposits with maturity of 3 months or less | 24,869 | 24,620 |
| Total | 810,131 | 492,625 |

Note:

1. Cash and cash equivalents are classified as financial assets measured at amortized cost.
2. Cash and cash equivalents in the consolidated statement of financial position is equal to cash and cash equivalents in the consolidated statement of cash flows.

**6. Trade and other receivables**

Trade and other receivables are as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Trade | 356,645 | 474,540 |
| Others | 22,749 | 3,542 |
| Total | 379,394 | 478,083 |

Note:

1. Trade and other receivables are classified as financial assets measured at amortized cost.
2. At December 31, 2022 the amount expected to be recovered after more than 12 months after the reporting period is US$16,960 thousand.

## 7. Property, plant and equipment

Carrying amount of property, plant and equipment and right-of-use assets is as follows:

in thousands of US dollars

| Carrying amount | Property, plant and equipment | Right-of-use assets | Total |
|---|---|---|---|
| At January 1, 2021 | 16,239 | 54,039 | 70,278 |
| At December 31, 2021 | 12,704 | 38,662 | 51,366 |
| At December 31, 2022 | 10,303 | 54,011 | 64,314 |

Reconciliation of carrying amount of property, plant and equipment excluding right-of-use assets is as follows:

in thousands of US dollars

| Acquisition cost | Leasehold improvements | Tools, furniture and fixtures | Machinery and vehicles | Construction in progress | Total |
|---|---|---|---|---|---|
| At January 1, 2021 | 22,376 | 18,768 | 1,073 | 2,471 | 44,690 |
| Additions | 502 | 1,649 | 43 | 482 | 2,677 |
| Disposals | — | (790) | — | — | (790) |
| Exchange differences on translation of foreign operations | (208) | (284) | (23) | (165) | (681) |
| Transfers | 2,092 | 81 | — | (2,174) | — |
| Other | — | (6) | — | (273) | (279) |
| At December 31, 2021 | 24,763 | 19,418 | 1,093 | 340 | 45,615 |
| Additions | 463 | 2,291 | 3 | 621 | 3,379 |
| Disposals | — | (305) | — | — | (305) |
| Exchange differences on translation of foreign operations | 333 | 252 | (21) | 21 | 586 |
| Transfers | 300 | 23 | — | (324) | — |
| Other | 24 | 59 | (35) | (150) | (101) |
| At December 31, 2022 | 25,884 | 21,740 | 1,040 | 508 | 49,174 |

in thousands of US dollars

| Accumulated depreciation | Leasehold improvements | Tools, furniture and fixtures | Machinery and vehicles | Construction in progress | Total |
|---|---|---|---|---|---|
| At January 1, 2021 | 15,841 | 11,880 | 728 | — | 28,450 |
| Depreciation | 2,593 | 2,866 | 82 | — | 5,542 |
| Disposals | — | (713) | — | — | (713) |
| Exchange differences on translation of foreign operations | (183) | (153) | (23) | — | (361) |
| Other | — | (6) | — | — | (6) |
| At December 31, 2021 | 18,251 | 13,872 | 787 | — | 32,911 |
| Depreciation | 3,071 | 2,823 | 77 | — | 5,972 |
| Disposals | — | (294) | — | — | (294) |
| Exchange differences on translation of foreign operations | 183 | 116 | (17) | — | 282 |
| Other | 10 | (7) | (3) | — | (0) |
| At December 31, 2022 | 21,517 | 16,510 | 843 | — | 38,871 |

in thousands of US dollars

| Carrying amount | Leasehold improvements | Tools, furniture and fixtures | Machinery and vehicles | Construction in progress | Total |
|---|---|---|---|---|---|
| At January 1, 2021 | 6,534 | 6,888 | 344 | 2,471 | 16,239 |
| At December 31, 2021 | 6,511 | 5,545 | 306 | 340 | 12,704 |
| At December 31, 2022 | 4,367 | 5,229 | 197 | 508 | 10,303 |

Note: Depreciation of property, plant and equipment is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit and loss.

**8. Intangible assets**

Reconciliation of carrying amount of intangible assets is as follows:

in thousands of US dollars

| Cost | Software | Development costs | Patents and trademarks | Customer relationships | Total |
|---|---|---|---|---|---|
| At January 1, 2021 | 70,512 | 18,281 | 30,079 | 8,254 | 127,127 |
| Additions | 17,244 | 2,848 | — | — | 20,093 |
| Increase due to internal development | — | 2,946 | — | — | 2,946 |
| Disposals | (583) | — | — | — | (583) |
| Exchange differences on translation of foreign operations | (216) | — | — | — | (216) |
| At December 31, 2021 | 86,957 | 24,076 | 30,079 | 8,254 | 149,367 |
| Additions | 4,395 | — | — | — | 4,395 |
| Disposals | (425) | — | — | — | (425) |
| Exchange differences on translation of foreign operations | 66 | — | — | — | 66 |
| Other | (2,308) | (1,158) | — | — | (3,466) |
| At December 31, 2022 | 88,686 | 22,917 | 30,079 | 8,254 | 149,937 |

in thousands of US dollars

| Accumulated amortization | Software | Development costs | Patents and trademarks | Customer relationships | Total |
|---|---|---|---|---|---|
| At January 1, 2021 | 22,094 | — | 28,558 | 7,704 | 58,357 |
| Amortization | 7,079 | 1,605 | 1,520 | 550 | 10,755 |
| Disposals | (4) | — | — | — | (4) |
| Exchange differences on translation of foreign operations | (586) | — | — | — | (586) |
| At December 31, 2021 | 28,583 | 1,605 | 30,079 | 8,254 | 68,522 |
| Amortization | 7,088 | 4,506 | — | — | 11,594 |
| Disposals | (404) | — | — | — | (404) |
| Exchange differences on translation of foreign operations | 157 | — | — | — | 157 |
| Other | (145) | — | — | — | (145) |
| At December 31, 2022 | 35,279 | 6,111 | 30,079 | 8,254 | 79,724 |

in thousands of US dollars

| Carrying amount | Software | Development costs | Patents and trademarks | Customer relationships | Total |
|---|---|---|---|---|---|
| At January 1, 2021 | 48,418 | 18,281 | 1,520 | 550 | 68,770 |
| At December 31, 2021 | 58,374 | 22,470 | — | — | 80,845 |
| At December 31, 2022 | 53,406 | 16,806 | — | — | 70,213 |

Note: 1. There are no material intangible assets with indefinite useful lives.
2. Amortization of intangible assets is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

## 9. Leases

As lessee

The Group leases buildings for offices. The office leases typically run between 2 to 11 years. Some leases contain extension options for certain period after the end of contract term, cancelation options or rent adjustment clause during the contract terms.

Some office building leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Additionally, the Group leases IT equipment and others with contract terms of 1 to 16 years. The IT equipment leases include short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

Carrying amount of right-of-use assets by underlying assets is as follows:

in thousands of US dollars

| | Underlying assets | | | Total |
|---|---|---|---|---|
| | Buildings | Tools, furniture and fixtures | Machinery and vehicles | |
| At January 1,2021 | 47,685 | 6,177 | 176 | 54,039 |
| At December 31, 2021 | 36,391 | 1,805 | 465 | 38,662 |
| At December 31, 2022 | 52,689 | 824 | 497 | 54,011 |

Note: The increase in right-of-use assets amounted to US$6,077 thousand in 2021 and US$37,280 thousand in 2022.

Expenses and cash outflow related to leases are as follows:

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Depreciation of right-of-use assets | | |
| Buildings as underlying assets | 19,096 | 20,485 |
| Tools, furniture and fixtures as underlying assets | 1,292 | 1,129 |
| Machinery and vehicles as underlying assets | 576 | 424 |
| Total depreciation of right-of-use assets | 20,966 | 22,038 |
| Interest expense on lease liabilities | 1,626 | 1,710 |
| Expenses relating to short-term leases | 5,064 | 12,885 |
| Expenses relating to leases of low-value assets | 774 | 1,017 |
| Total cash outflow for leases | 27,800 | 35,366 |

Maturity analysis of lease liabilities is presented in Note 31. Financial instruments (4) Liquidity risk.

## 10. Investments accounted for using equity method

(1) Investments, share of profit and share of other comprehensive income of investments accounted for using equity method

Investments accounted for using equity method are as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Associates | 673,904 | 990,693 |
| Joint ventures | 65,142 | 123,372 |
| Total | 739,046 | 1,114,066 |

Share of profit of investments accounted for using equity method is as follows:

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Associates | 16,643 | 99,461 |
| Joint ventures | 12,666 | 27,384 |
| Total | 29,309 | 126,845 |

Share of other comprehensive income of investments accounted for using equity method is as follows:

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Associates | 96,927 | 226,509 |
| Joint ventures | (24) | 166 |
| Total | 96,902 | 226,675 |

Note: In previous year the Group classified OPPORTUNITY MV18 B.V. (MV18) and GAS OPPORTUNITY MV20 B.V. (MV20) as associates. This year the Group reclassified MV18 and MV20 as joint ventures due to a change made to the key decision making in the shareholder's agreement on October 18, 2022. Although the Group acquired additional equity interests in MV18 and MV20 respectively 22% and 20% from other equity owner, and thus has more than 50% of equity interests, joint control exists through contractual agreements with the other equity owner and has rights to the net assets of MV18 and MV20, the companies MV18 and MV20 are classified as joint ventures.

(2) Associates

Associates that are not individually material

Carrying amount of interests in associates that are not individually material and the Group's share of profit, other comprehensive income and comprehensive income are as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Carrying amount of interests | 673,904 | 990,693 |

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| The Group's share | | |
| Profit | 45,222 | 99,461 |
| Other comprehensive income | 96,149 | 226,509 |
| Comprehensive income | 141,372 | 325,970 |

(3) Joint ventures

① Joint venture that is material to the Group

| Name | Principal Business | Location | Share of equity | |
|---|---|---|---|---|
| | | | December 31, 2021 | December 31, 2022 |
| GAS OPPORTUNITY MV20 B.V. | Charter of FPSO | Netherlands | 50.0% | 70.0% |

Note: Quoted market price of GAS OPPORTUNITY MV20 B.V. is not available as it is not publicly traded.
MV20 was classified as associates in the previous year but was reclassified as joint ventures in this year due to a change made to the key decision making in the shareholder's agreement on October 18, 2022.

Reconciliation of summarized financial statements of GAS OPPORTUNITY MV20 B.V. and the carrying amount of the Group's interest in the associate are as follows:
The summarized financial statements are prepared for the Group's consolidation purpose and are not statutory audited.

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Current assets | 5,695 | 18,961 |
| Non-current assets | 40,828 | 64,638 |
| Total assets | 46,524 | 83,600 |
| Current liabilities | 186,075 | 69,103 |
| Non-current liabilities | 1,740 | 123,170 |
| Total liabilities | 187,815 | 192,273 |
| Total equity | (141,291) | (108,673) |
| Group's share of total equity | (70,645) | (76,071) |
| Consolidation adjustments | (3,446) | (28,086) |
| Carrying amount of Group's interest | (74,092) | (104,157) |

in thousands of US dollars

| | 2021 | 2021 |
|---|---|---|
| Revenue | (4,700) | 25,317 |
| Profit (loss) | (198,134) | 32,303 |
| Other comprehensive income | 1,555 | 315 |
| Total comprehensive income (loss) | (196,578) | 32,618 |
| Dividend that the Group received | — | — |
| The Group's share | | |
| Profit (loss) | (102,514) | 1,337 |
| Other comprehensive income | 777 | 157 |

② Joint ventures that are not individually material

Carrying amount of interests in joint ventures that are not individually material, the Group's share of profit, other comprehensive income and comprehensive income are as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Carrying amount of interests | 65,142 | 123,372 |

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| The Group's share | | |
| Profit | 12,666 | 5,669 |
| Other comprehensive income | (24) | 8 |
| Comprehensive income | 12,641 | 5,678 |

**11. Loans receivable**

Loans receivable is as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Financial assets measured at amortized cost | | |
| Short-term loans receivable | 14,176 | — |
| Long-term loans receivable | 398,562 | 365,032 |
| Total | 412,739 | 365,032 |

**12. Other financial assets**

Other financial assets are as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Financial assets measured at amortized cost | | |
| Pledged deposit | 750 | — |
| Interest receivable | 12,425 | 33,736 |
| Leasehold and guarantee deposits | 10,650 | 12,711 |
| Other | 2,258 | — |
| Financial assets measured at fair value through profit or loss | | |
| Derivative assets | 955 | 4,033 |
| Other | 410 | 410 |
| Total | 27,450 | 50,892 |
| Current assets | 14,171 | 37,288 |
| Non-current assets | 13,278 | 13,603 |

**13. Other assets**

Other assets are as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Contract fulfilment costs | 31,434 | 45,005 |
| Prepaid expenses | 24,111 | 18,894 |
| Value added tax receivable | 63,655 | 45,816 |
| Withholding tax receivable | 34,949 | 45,101 |
| Others | 10,743 | 23,821 |
| Total | 164,894 | 178,639 |
| Current assets | 138,134 | 141,820 |
| Non-current assets | 26,760 | 36,819 |

**14. Trade and other payables**

Trade and other payables are as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---:|---:|
| Trade | 1,137,317 | 749,818 |
| Others | 219,155 | 171,889 |
| Total | 1,356,472 | 921,708 |

Note: Trade and other payables are classified as financial liabilities measured at amortized cost.

**15. Bonds and borrowings**

(1) Bonds and borrowings are as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---:|---:|
| Current portion of long-term borrowings | 31,735 | 19,084 |
| Long-term borrowings | 172,505 | 153,425 |
| Bonds | 222,682 | 220,867 |
| Total | 426,922 | 393,378 |
| Current liabilities | 426,867 | 19,084 |
| Non-current liabilities | 55 | 374,293 |

(2) Borrowings

Weighted average interest rates for current portion of long-term borrowings and long-term borrowings are 5.3% and 5.4%, respectively. The maturity of long-term borrowings is from 2023 to 2026.

(3) Financial covenants

At the end of previous year there were breaches of the financial covenants with regard to the Company as the borrower of loans and bonds. At the end of this year there are no breaches of financial covenants since they were renegotiated with financial institutions.

**16. Pledged asset**

Pledged asset is as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---:|---:|
| Other financial assets (pledged deposit) | 750 | — |
| Total | 750 | — |

Note: Pledged asset (pledged deposit) is for issuance of letter of credit.

## 17. Employee benefits

(1) Overview of defined benefit plan

The Group has defined benefit plans for employee's postretirement benefits.

The Group has adopted retirement lump sum payment system as a defined benefit type of postretirement benefit. The retirement lump sum payment system is to make a lump sum payment to employee when the employee retires or voluntarily leaves the Group. The retirement funds are not accumulated externally but internally.

In addition, the Group has defined contribution plan.

(2) Defined benefit plan

① Movements in defined benefit plan liability

in thousands of US dollars

| | |
|---|---|
| At January 1, 2021 | 58,536 |
| Service cost | 4,665 |
| Interest cost | 783 |
| Decrease (increase) in remeasurements: | |
| Actuarial gain arising from financial assumptions | (2,152) |
| Actuarial gain arising from experience adjustment | (3,669) |
| Benefits paid | (5,396) |
| Effect of changes in exchange rates | 1,926 |
| At December 31, 2021 | 54,693 |
| Service cost | 6,693 |
| Interest cost | 1,028 |
| Decrease (increase) in remeasurements | |
| Actuarial loss arising from changes in demographic assumptions | 313 |
| Actuarial gain arising from financial assumptions | (8,890) |
| Actuarial gain arising from experience adjustment | (67) |
| Benefits paid | (9,811) |
| Effect of changes in exchange rates | (1) |
| At December 31, 2022 | 43,959 |

Note: Weighted average durations of defined benefit plan liability are 10.7 years and 11.0 years at December 31, 2021 and 2022, respectively.

② Actuarial assumptions

Principal actuarial assumptions are as follows:

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Discount rate (weighted average) | 0.5%～2.4% | 1.2%～4.9% |

Note: Additionally, actuarial assumptions include expected pay raise rate, expected death rate and expected retirement rate.

Reasonably possible changes at each year to the discount rate would have affected the defined benefit plan liability as follows.

The sensitivity analysis holds all other assumptions constant. Positive amount is increase in defined benefit plan liability, and negative amount is decrease.

in thousands of US dollars

| | Change in basic rate | December 31, 2021 | December 31, 2022 |
|---|---|---|---|
| Discount rate | 1.0% increase | (4,502) | (3,185) |
| | 1.0% decrease | 5,255 | 3,651 |

(3) Defined contribution plans

Contributions to defined contribution plans are US$11,236 thousand in 2021 and US$19,488 thousand in 2022.

(4) Employee benefit expenses

Employee benefit expenses are US$757,558 thousand in 2021 and US$802,481 thousand in 2022.
Employee benefit expenses are included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

**18. Share-based payment**

① Description of share-based payment trust arrangements (equity-settled)

Under the arrangement the Company’s ordinary shares acquired in the stock market and held by trust, which is a subsidiary established and funded by the Company, are granted to the directors and executive officers in accordance with the number of share points awarded based on the regulation of share-based payment arrangement.

② Fair value of share points awarded during period

Fair value of share points awarded during period is measured by reference to the observable market price. Expected dividend is subtracted from market price for the measurement of fair value. Weighted average fair value of share points awarded are US$17.48 in 2021 and US$13.09 in 2022.

③ Share-based payment transaction expenses

Share-based payment transaction related expenses are US$190 thousand in 2021 and US$132 thousand in 2022.
The expenses are included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

**19. Provisions**

Changes in provisions are as follows:

in thousands of US dollars

| | Warranties | Loss on construction | Onerous contracts | Repair costs | Others | Total |
|---|---|---|---|---|---|---|
| At January 1, 2021 | 68,544 | 61,307 | — | 36,055 | 9,964 | 175,871 |
| Provisions made | 38,233 | 60,529 | 108,934 | 1,833 | 8,988 | 218,519 |
| Provisions utilized | (10,569) | (56,203) | — | (361) | (1,153) | (68,287) |
| Provisions reversed | (7,305) | (441) | — | (152) | — | (7,899) |
| Exchange differences on translation of foreign operations | — | — | — | — | (592) | (592) |
| At December 31, 2021 | 88,902 | 65,191 | 108,934 | 37,375 | 17,206 | 317,611 |
| Provisions made | 14,313 | 11,948 | — | — | 17,274 | 43,536 |
| Provisions utilized | (13,381) | (25,199) | (74,674) | (3,100) | (2,286) | (118,641) |
| Provisions reversed | (2,990) | (21,567) | (3,405) | (34,275) | (14,773) | (77,012) |
| Exchange differences on translation of foreign operations | — | — | — | — | 886 | 886 |
| At December 31, 2022 | 86,844 | 30,372 | 30,855 | — | 18,307 | 166,379 |

Note: 1 Others include provision for lawsuits and asset retirement obligations.
2 Time value adjustments are included in provisions made since the amounts are not material.

**20. Other financial liabilities**

Other financial liabilities are as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Lease liabilities | 43,137 | 58,904 |
| Financial liabilities measured at amortized cost: | | |
| Accrued employee benefits | 67,345 | 75,097 |
| Accrued interest | 792 | 1,933 |
| Financial liabilities measured at fair value through profit or loss: | | |
| Derivative liabilities | 6,858 | 411 |
| Total | 118,133 | 136,346 |
| Current liabilities | 94,549 | 99,219 |
| Non-current liabilities | 23,584 | 37,127 |

## 21. Other liabilities

Other liabilities are as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Deposits received | 54,149 | 3,077 |
| Refund liabilities | 34,518 | 49,901 |
| Equity method liabilities | 28,939 | 5,600 |
| Deferred revenue | 8,091 | — |
| Income taxes payable | 9,913 | 13,231 |
| Other | 14,956 | 22,453 |
| Total | 150,567 | 94,264 |
| Current liabilities | 103,483 | 76,954 |
| Non-current liabilities | 47,084 | 17,310 |

Note: Refund liabilities are recognized among consideration received from customer for the estimated amount of penalty. Penalty is estimated based on the historical amount and information available at the end of reporting period.

## 22. Equity and other components of equity

(1) Share capital

① Number of shares authorized

Number of shares authorized at the end of each reporting period is 102, 868,000 of ordinary shares.

② Movements in outstanding shares, share capital and capital surplus

| | Outstanding shares (in thousands of shares) | Share capital (in thousands of US dollars) | Capital surplus (in thousands of US dollars) |
|---|---|---|---|
| At January 1, 2021 | 56,408 | 282,292 | 280,742 |
| Movement | — | — | (30) |
| At December 31, 2021 | 56,408 | 282,292 | 280,711 |
| Movement | — | — | (24) |
| At December 31, 2022 | 56,408 | 282,292 | 280,686 |

Note: Authorized shares are ordinary shares with no par value and rank equally with regard to the Company's residual assets. All outstanding shares are issued for cash. Movements in capital surplus are from share-based payment transactions.

(2) Treasury shares

Movements in treasury shares are as follows:

| | Number of shares (in thousands of shares) | Amount (in thousands of US dollars) |
|---|---|---|
| At January 1, 2021 | 54 | 1,553 |
| Movement | (9) | (262) |
| At December 31, 2021 | 45 | 1,291 |
| Movement | (6) | (198) |
| At December 31, 2022 | 38 | 1,092 |

Note: Decreases are due to shares granted from trust to the directors under share-based payment transactions.

(3) Capital surplus and retained earnings

① Capital surplus

The Companies Act of Japan provides that an amount of 50% or more of contribution at the share issuance may be incorporated into share capital and the remaining into capital reserve (capital surplus in statement of consolidated financial position). The capital reserve may be incorporated into share capital upon the resolution at the shareholders' meeting.

② Retained earnings

Retained earnings represent profit and loss recognized in current year and previous years and the amount reclassified from other comprehensive income.

The Companies Act requires that an amount equivalent to 10% of dividends of surplus must be appropriated as capital reserve or retained earnings reserve. No further appropriations are required when the total amount of capital reserve and retained earnings reserve equals 25% of share capital. Retained earnings reserve may be reduced upon the resolution at the shareholders' meeting.

Distributable amount is determined based on the Company's Japanese GAAP basis retained earnings.

Distributable amount is subject to certain restrictions imposed by the corporate law. The Company has been compliant with the restrictions.

## 23. Dividends

Dividends paid

2021

| Resolution | Type of shares | Total dividends (in thousands of US dollars) | Dividend per share (in US dollars) | Record date | Effective date |
|---|---|---|---|---|---|
| March 23, 2021 Annual shareholders meeting | Ordinary shares | 11,281 | 0.20 | December 31, 2020 | March 24, 2021 |
| August 3, 2021 Board of directors meeting | Ordinary shares | 7,698 | 0.14 | June 30, 2021 | September 7, 2021 |

Note: Total dividends in March 2021 and August 2021 include US$10 thousand and US$6 thousand dividends, respectively, paid to trust for share-based payment arrangement for executives, which owns the Company's ordinary shares.

## 24. Revenue

(1) Disaggregation of revenue from contracts with customers

The Group is primarily engaged in construction of floating, production, storage and offloading systems for oil and gas productions and provision of various related services as single business. Disaggregation of revenue from contracts with customers is as follows:

The Group's revenue is all from contracts with customers. The considerations of contracts do not contain a significant financing component. Revenue transferred from refund liabilities is not material either in previous year or current year.

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Construction contracts | 3,115,830 | 1,775,068 |
| Operations | 763,921 | 942,416 |
| Other | 19,995 | 22,277 |
| Total | 3,899,748 | 2,739,762 |

Note: Disaggregation of revenue by geographical areas is presented in Note 4. Operating segments.

(2) Contract balances

Information about trade receivables, contract assets and contract liabilities from contracts with customers is as follows:

in thousands of US dollars

| | January 1, 2021 | December 31, 2021 | December 31, 2022 |
|---|---|---|---|
| Trade receivables | 287,506 | 356,645 | 478,083 |
| Contract assets | 621,596 | 704,730 | 257,328 |
| Contract liabilities | 490,710 | 405,807 | 499,383 |

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed on contracts of which performance obligations satisfied over time. This primarily relates to consideration for work completed

regarding construction contracts and operation services at the end of reporting period. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer. Movements in contract assets in the current year are primarily due to the transfer to trade receivables.
The contract liabilities are primarily related to considerations received from customers prior to the provision of services, which are reduced in accordance with the recognition of revenue.
Revenue recognized that was included in the contract liability balance at the beginning of year was US$469,193 thousand in 2021 and US$380,240 thousand in 2022.
Revenue recognized from performance obligations satisfied in previous periods was US$54,253 thousand in 2021 and US$209,791 thousand in 2022.

(3) Transaction price allocated to the remaining performance obligations

Transaction price allocated to the remaining performance obligations by satisfaction period is as follows:
The estimate of variable consideration is not included in this transaction price. No information is included about remaining performance obligations that have an original expected duration of one year or less as a practical expedient.

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Within 1 year | 2,624,350 | 1,863,663 |
| After 1 year | 9,047,117 | 8,927,303 |
| Total | 11,671,468 | 10,790,967 |

Note: The Group expects to recognize as revenue the amount disclosed in After 1 year at December 31, 2022 for major construction contracts in 2 years and operation contracts in 2 to 26 years.

(4) Assets recognized from the costs incurred to fulfill a contract with a customer

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Assets recognized from the costs incurred to fulfill a contract | 31,434 | 45,005 |
| Total | 31,434 | 45,005 |

The costs incurred to fulfill a contract with customer, which directly relate to a contract and are expected to be recovered, are recognized as assets and are included in other current assets and other non-current assets in the consolidated statement of financial position.
Assets recognized for contract fulfillment costs are primarily the setup costs for operation contracts to satisfy performance obligations in the future, which are recoverable as service fee revenue.
Amortization expenses from assets recognized for contract fulfillment costs in previous year and this year are US$187,875 thousand and US$14,283 thousand, respectively.

## 25. Expenses by nature

(1) Cost of sales

Cost of sales is as follows:

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Material and subcontracting | 3,309,069 | 1,811,806 |
| Employee benefits | 664,420 | 693,099 |
| Other | 151,793 | 166,597 |
| Total | 4,125,283 | 2,671,503 |

(2) Selling, general and administrative expenses

Selling, general and administrative expenses are as follows:

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Bidding and proposals | 9,585 | 6,295 |
| Employee benefits | 93,137 | 109,382 |
| Depreciation and amortization | 33,777 | 36,261 |
| Other | 9,462 | 1,161 |
| Total | 145,963 | 153,101 |

**26. Other income**

Other income is as follows:

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Government grants | 3,041 | 707 |
| Reversal of provision for repair | — | 32,216 |
| Recovery of special repair costs | 21,274 | — |
| Others | 363 | 460 |
| Total | 24,680 | 33,384 |

Note: At December 31, 2019, the Group recognized the estimated amount of the Group to bear for the repair costs and related expenses as special repair costs of FPSO Cidade do Rio de Janeiro MV14, for which the Group provided charter services offshore Brazil. Since a portion of special repair costs became recoverable from associate, which owns the FPSO, the amounts received from the associate were recognized as recovery of special repair costs. Reversal of repair costs provision is recognized as income since a portion of repair costs and related expenses were determined to be not incurred this year.

**27. Finance income and finance costs**

(1) Finance income is as follows:

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Interest income | | |
| Financial assets measured at amortized cost | 39,928 | 62,442 |
| Gain on valuation of derivatives | | |
| Financial assets and liabilities measured at fair value through profit or loss | 1,493 | 775 |
| Exchange gain | 11,395 | — |
| Others | 2,620 | 1,171 |
| Total | 55,438 | 64,389 |

(2) Finance costs are as follows:

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Interest expenses | | |
| Financial liabilities measured at amortized cost | 3,365 | 16,300 |
| Lease liabilities | 1,626 | 1,710 |
| Provision for loss allowance | | |
| Financial assets measured at amortized cost | 74,185 | 20,495 |
| Exchange loss | — | 36,374 |

| | | |
|---|---|---|
| Others | 3,008 | 10,004 |
| Total | 82,185 | 84,884 |

**28. Income tax**

(1) Deferred tax assets and deferred tax liabilities

① Movements in deferred tax assets and deferred tax liabilities

2021

in thousands of US dollars

| | January 1, 2021 | Recognized in profit or loss | Recognized in other comprehensive income | December 31, 2021 |
|---|---|---|---|---|
| Deferred tax assets: | | | | |
| Other financial liabilities - current | ― | 322 | ― | 322 |
| Provision for warranties | 11,092 | 3,206 | ― | 14,299 |
| Loss allowances | ― | 9,290 | ― | 9,290 |
| Tax loss carryforwards | 21,238 | (3,650) | ― | 17,588 |
| Provision for loss on construction | 5,592 | 2,598 | ― | 8,191 |
| Construction contracts | 6,680 | (652) | ― | 6,027 |
| Defined benefit liability | 498 | 34 | (480) | 52 |
| Depreciation and amortization | 489 | (489) | ― | 0 |
| Unrealized profit of construction contracts | 17,995 | (3,343) | ― | 14,652 |
| Effective portion of cash flow hedges | ― | ― | 858 | 858 |
| Others | 5,094 | 3,090 | ― | 8,184 |
| Total | 68,681 | 10,408 | 377 | 79,467 |
| Deferred tax liabilities: | | | | |
| Construction contracts | 13,212 | (121) | ― | 13,091 |
| Undistributed profits of subsidiaries | 1,218 | (551) | ― | 666 |
| Effective portion of cash flow hedges | 4,944 | ― | (4,944) | ― |
| Others | 3,898 | 6,877 | ― | 10,775 |
| Total | 23,274 | 6,203 | (4,944) | 24,533 |
| Net deferred tax assets (liabilities) | 45,406 | 4,204 | 5,322 | 54,933 |

2022

in thousands of US dollars

| | January 1, 2022 | Recognized in profit or loss | Recognized in other comprehensive income | December 31, 2022 |
|---|---|---|---|---|
| Deferred tax assets: | | | | |
| Other financial liabilities - current | 322 | 9 | ― | 332 |
| Provision for warranties | 14,299 | (736) | ― | 13,563 |
| Loss allowances | 9,290 | 117 | ― | 9,408 |
| Tax loss carryforwards | 17,588 | 6,724 | ― | 24,312 |
| Provision for loss on construction | 8,191 | (5,927) | ― | 2,264 |

| | | | | |
|---|---|---|---|---|
| Construction contracts | 6,027 | 5,331 | — | 11,359 |
| Defined benefit liability | 52 | 232 | (284) | — |
| Depreciation and amortization | 0 | (0) | — | — |
| Unrealized profit of construction contracts | 14,652 | (2,425) | — | 12,226 |
| Effective portion of cash flow hedges | 858 | — | (858) | — |
| Others | 8,184 | 3,498 | — | 11,682 |
| Total | 79,467 | 6,824 | (1,142) | 85,148 |
| Deferred tax liabilities: | | | | |
| Construction contracts | 13,091 | (10,945) | — | 2,145 |
| Undistributed profits of subsidiaries | 666 | 95 | — | 761 |
| Depreciation and amortization | — | 5,016 | — | 5,016 |
| Effective portion of cash flow hedges | — | — | 651 | 651 |
| Others | 10,775 | 2,064 | — | 12,840 |
| Total | 24,533 | (3,769) | 651 | 21,415 |
| Net deferred tax assets (liabilities) | 54,933 | 10,593 | (1,793) | 63,733 |

Note: The difference between the net deferred tax assets (liabilities) recognized through profit or loss and the deferred tax expense at (2) Income tax ① Income tax recognized in profit or loss is due to exchange differences on translation of foreign operations.

② Deductible temporary differences and tax loss carryforwards for which no deferred tax asset is recognized

Deferred tax assets have not been recognized in respect of the following items because it is not highly probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Deductible temporary differences | 173,838 | 179,500 |
| Tax loss carryforwards | 217,945 | 311,462 |
| Total | 391,784 | 490,963 |

Tax loss carryforwards for which no deferred tax assets are recognized expire as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Over fifth year | 217,945 | 311,462 |

③ Taxable temporary differences for which deferred tax liabilities have not been recognized

The Group has an ability to control the timing of the reversal of all taxable temporary differences associated with investments in subsidiaries, and it is highly probable that the temporary differences will not reverse in the foreseeable future.

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized at December 31, 2021 and 2022 are US$18,200 thousand and US$5,962 thousand, respectively.

(2) Income tax

① Income tax recognized in profit or loss

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Current tax expense | 19,962 | 25,208 |
| Deferred tax expense | (4,342) | (11,517) |
| Total | 15,620 | 13,691 |

② Reconciliation between statutory tax rate and effective tax rate

The effective tax rate represents the ratio of income tax expense to profit (loss) before tax.

| | 2021 | 2022 |
|---|---|---|
| Statutory income tax rate | 31.0% | 31.0% |
| Adjustments: | | |
| Tax rate difference of foreign operations | (2.7) | (14.6) |
| Decrease (increase) in unrecognized deferred tax assets | (41.5) | 105.3 |
| Permanently non-deductible items | (0.2) | 8.3 |
| Share of profit (loss) of investments accounted for using equity method | 9.1 | (71.7) |
| Effect of changes in exchange rates | 1.6 | (42.4) |
| Others | (1.8) | 9.1 |
| Effective tax rate | (4.5) | 25.0 |

Note: The Company calculates the statutory tax rate based on the corporate income tax, inhabitant tax and enterprise tax in Japan. Subsidiaries are subject to corporate income taxes and other taxes in the countries where they are located.

### 29. Earnings per share

The following reflects the share data used in the basic earnings (loss) per share and diluted earnings (loss) per share calculations:

| | 2021 | 2022 |
|---|---|---|
| Profit (loss) used in the basic earnings per share calculation (in thousands of US dollars) | (363,975) | 37,377 |
| Adjustment for profit (in thousands of US dollars) | — | — |
| Profit (loss) used in the diluted earnings per share calculation (in thousands of US dollars) | (363,975) | 37,377 |
| Weighted average number of ordinary shares used in basic earnings per share calculation (in thousands of shares) | 56,359 | 56,367 |
| Effect of dilutive potential ordinary shares | | |
| Share-based compensation (in thousands of shares) | — | 26 |
| Weighted average number of ordinary shares used in diluted earnings per share calculation (in thousands of shares) | 56,359 | 56,394 |

Note:

1. The Company's ordinary shares owned by trust are excluded from weighted average number of shares outstanding in determining basic earnings per share. The weighted average number of treasury shares owned by trust and excluded in determining basic earnings per share are 47 thousand shares in 2021 and 39 thousand shares in 2022.
2. Share-based compensation of 24 thousand shares in 2021 are not included in potential ordinary shares as anti-dilutive.

## 30. Other comprehensive income

Amount arising during year, reclassification adjustment to profit or loss and tax effect by item of other comprehensive income are as follows:

2021

in thousands of US dollars

| | Amount arising during year | Reclassification to profit or loss | Before tax effect | Tax effect | After tax effect |
|---|---|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss | | | | | |
| Remeasurements of defined benefit liability | 5,821 | — | 5,821 | (480) | 5,340 |
| Total items that will not be reclassified subsequently to profit or loss | 5,821 | — | 5,821 | (480) | 5,340 |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Effective portion of cash flow hedges | (36,763) | 4,571 | (32,192) | 5,640 | (26,551) |
| Exchange differences on translation of foreign operations | (9,492) | — | (9,492) | — | (9,492) |
| Share of other comprehensive income of investments accounted for using equity method | 61,757 | 35,145 | 96,902 | — | 96,902 |
| Total items that may be reclassified subsequently to profit or loss | 15,501 | 39,716 | 55,218 | 5,640 | 60,858 |
| Total | 21,323 | 39,716 | 61,040 | 5,159 | 66,199 |

2022

in thousands of US dollars

| | Amount arising during year | Reclassification to profit or loss | Before tax effect | Tax effect | After tax effect |
|---|---|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss | | | | | |
| Remeasurements of defined benefit liability | 8,662 | — | 8,662 | (284) | 8,378 |
| Total items that will not be reclassified subsequently to profit or loss | 8,662 | — | 8,662 | (284) | 8,378 |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Effective portion of cash flow hedges | (6,985) | 15,294 | 8,309 | (1,346) | 6,962 |
| Exchange differences on translation of foreign operations | 212 | — | 212 | — | 212 |
| Share of other comprehensive income of investments accounted for using equity method | 205,378 | 21,297 | 226,675 | — | 226,675 |
| Total items that may be reclassified subsequently to profit or loss | 198,605 | 36,591 | 235,197 | (1,346) | 233,850 |
| Total | 207,268 | 36,591 | 243,860 | (1,631) | 242,228 |

## 31. Financial instruments

(1) Capital management

The Group's capital management aims to improve capital efficiency to ensure sufficient funds for the development of its core business in order to achieve sustainable growth and increase the Group’s corporate value.
For management purpose the Group designated profit attributable to owners of parent and the rate of return on equity attributable to owners of parent (ROE) as indicators related to maintaining a sound financial position.

| | 2021 | 2022 |
|---|---|---|
| ROE (%) | (52.7) | 5.6 |

Note: ROE: Profit attributable to owners of parent/Equity attributable to owners of parent (average between beginning and end of year)

There are no material capital restrictions applied to the Group.

(2) Basic policy of financial risk management

The Group is exposed to financial risks in the course of its business activities and manages such risks based on certain policies to avoid or mitigate such risks.
The Group's policy is to use derivative transactions to avoid market risks and not to engage in speculative transactions.
The Group's business activities are affected by the business and financial market environment. Financial instruments held in the course of business activities are exposed to inherent risks. The risks primarily include credit risk, liquidity risk, foreign currency risk and interest rate risk.

(3) Credit risk

① Credit risk management and maximum exposure to credit risk

Trade and other receivables and contract assets held by the Group are exposed to customer credit risk. The Group mitigates the risk by limiting to transact with creditworthy customers based on credit checks and by managing the balance of receivables on a regular basis. Loans receivable and financial guarantee contracts are exposed to the credit risk of counterparties. The Group addresses collection issues at early stage and mitigates the credit risk by dispatching executives to the counterparties for business management, making necessary instruction, collecting financial information and assessment, and exercising voting rights at general shareholders meeting of counterparties.
Derivative transactions are exposed to counterparty credit risk. To mitigate counterparty credit risk, the Group enters into transactions only with highly rated financial institutions.
The Group does not have excessively concentrated credit risk on specific counterparties.
The maximum exposure to credit risk on financial assets is the carrying amount of the financial assets presented in the consolidated statement of financial position.

The maximum exposure to credit risk on financial guarantee contracts is as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Financial guarantee contracts | 2,029,798 | 1,911,969 |

The credit risk of the financial guarantee contracts is insignificant.

② Credit risk management

The Group recognizes a loss allowance for financial assets measured at amortized cost. In recognizing and measuring the loss allowance, the Group classifies financial assets into 3 stages based on whether there is a significant increase in credit risk associated with the financial asset and whether there is a credit impairment.

Stage 1: Financial assets for which credit risk has not increased significantly since initial recognition
Stage 2: Financial assets for which credit risk has increased significantly since initial recognition but no credit impairment has been recognized
Stage 3: Financial assets for which significant increase in credit risk and credit impairment have been observable

A significant increase in credit risk means that the risk of a default at the end of reporting period has significantly increased compared with the risk of initial recognition. The Group determines whether there is a significant increase in credit risk based on the possibility that the debtor's ability to repay may change in the future, taking into consideration the fact that interest or principal payments are, in principle, overdue for 30 days or more, as well as economic trends in the industry to which the debtor belongs.
The Group determines that a default has occurred when the issuer or obligor is in serious financial difficulty or is delinquent on interest or principal payments.

In the event of default, the Group determines that objective evidence of credit impairment exists and classifies the debt as a credit impaired financial asset.
Regardless of the above stages, if it is reasonably determined that all or part of the financial asset is not collectible, for example when a receivable is legally extinguished, the carrying amount of the financial asset is directly reduced.
In estimating the loss allowance, the expected credit losses on trade and other receivables and contract assets are measured on an aggregate basis with each creditor establishing its own group or subgroup.
In measuring expected credit losses for 12 months and for entire periods, the Group uses reasonable and supportable information about past events, current conditions, and projected future economic conditions that is available at the end of reporting period without undue cost or effort.
In measuring expected credit losses on an aggregate basis, the Company may use historical default rates.

③ Changes in loss allowance

in thousands of US dollars

| | Loss allowance measured at an amount equal to expected credit losses for 12 months | Expected credit losses for entire period | | |
|---|---|---|---|---|
| | | Loss allowance for trade receivables and contract assets | Loss allowance for financial instruments for which credit risk has increased significantly since initial recognition | Loss allowance for credit impaired financial instruments |
| At January 1, 2021 | — | 7,770 | — | 14,899 |
| Provision | — | 10,738 | — | 74,185 |
| Utilization | — | (95) | — | — |
| Reversal | — | — | — | — |
| At December 31, 2021 | — | 18,413 | — | 89,085 |
| Provision | — | 208 | — | 26,234 |
| Utilization | — | — | — | (1,986) |
| Reversal | — | (18,159) | — | (500) |
| Other | — | 11 | — | — |
| At December 31, 2022 | — | 473 | — | 112,833 |

Note 1: There are no properties held as collateral or other credit enhancements.
Note 2: In 2021 an impairment loss was recognized by GAS OPPORTUNITY MV20 B.V., equity-accounted investee, due to the effect of deteriorating profitability resulting from the prolonged shutdown of its charter operations. Based on the status, in 2021 the Group recognized US$28,579 thousand as share of loss on investments accounted for using equity method and US$73,935 thousand as finance costs for a loss allowance on loans receivable from MV20. The Group extended additional US$22,500 thousand loan to MV20 and recognized US$20,377 thousand of loss allowance on the loan in 2022.

④ Carrying amounts of financial instruments related loss allowance
Carrying amounts of financial instruments before deducting loss allowance are as follows:

in thousands of US dollars

| | Financial assets for which loss allowance recognized at an amount equal to expected credit losses for 12 months | Expected credit losses for entire period | | |
|---|---|---|---|---|
| | | Trade receivables and contract assets | Financial instruments for which credit risk has increased significantly since initial recognition | Credit impaired financial instruments |
| At January 1, 2021 | 400,235 | 916,820 | — | 14,952 |
| At December 31, 2021 | 461,572 | 1,074,621 | — | 94,252 |
| At December 31, 2022 | 408,509 | 735,885 | — | 115,804 |

⑤ Credit risk analysis

Analysis of aging on overdue trade and other receivables at the end of each reporting period is as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Within 30 days after due date | 16,692 | 22,995 |
| More than 30 days and within 60 days after due date | 2,726 | 1,136 |
| More than 60 days and within 90 days after due date | 925 | 3,949 |
| More than 90 days after due date (Note) | 75,989 | 32,010 |
| Total | 96,333 | 60,092 |

Note: At each reporting period credit impaired amounts are US$2,486 thousand and US$4,829 thousand, respectively.

Analysis of aging on overdue loans receivable at each reporting period is as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Within 30 days after due date | 12,663 | — |
| More than 30 days and within 60 days after due date | — | — |
| More than 60 days and within 90 days after due date | — | — |
| More than 90 days after due date | — | 109,947 |
| Total | 12,663 | 109,947 |

Note: At each reporting period credit impaired amounts are US$12,663 thousand and US$106,975 thousand, respectively.

(4) Liquidity risk

① Liquidity risk management

The Group procures funds mainly through borrowings from financial institutions and issuing bonds. Regarding exposures to the liquidity risk of trade payable and borrowings, they are managed by the Company's finance department by preparing and updating a cash flow management plan based on the information from each Group entity. In addition, the Group has entered into commitment line contracts with financial institutions to ensure the flexibility and liquidity of funding.

The total amount of commitment line and borrowings from commitment line are as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Total amount of commitment line | 160,000 | 160,000 |
| Borrowings | — | — |
| Unused commitment line | 160,000 | 160,000 |

② Balance of financial liabilities (including derivative financial instruments) by due date

At December 31, 2021

in thousands of US dollars

| | Contractual cash flows | Within 1 year | After 1 year and within 2 years | After 2years and within 3 years | After 3years and within 4 years | After 4years and within 5 years | After 5years |
|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | |
| Trade and other payables | 1,356,472 | 1,356,472 | — | — | — | — | — |
| Bonds and borrowings | 486,977 | 42,854 | 30,000 | 68,283 | 65,366 | 199,123 | 81,349 |
| Lease liabilities | 46,651 | 20,848 | 10,298 | 8,248 | 2,276 | 3,029 | 1,948 |
| Financial guarantee contracts | 2,029,798 | 2,029,798 | — | — | — | — | — |
| Subtotal | 3,919,899 | 3,449,973 | 40,299 | 76,531 | 67,643 | 202,152 | 83,298 |
| Derivative financial liabilities | | | | | | | |
| Cash inflow | 91,341 | 91,341 | — | — | — | — | — |
| Cash outflow | 98,207 | 98,082 | 88 | 31 | 4 | — | — |
| Total | 3,926,764 | 3,456,714 | 40,388 | 76,563 | 67,647 | 202,152 | 83,298 |

At December 31, 2022

in thousands of US dollars

| | Contractual cash flows | Within 1 year | After 1 year and within 2 years | After 2years and within 3 years | After 3years and within 4 years | After 4years and within 5 years | After 5years |
|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | |
| Trade and other payables | 921,708 | 921,708 | — | — | — | — | — |
| Bonds and borrowings | 466,076 | 38,308 | 74,980 | 69,621 | 201,074 | 3,585 | 78,506 |
| Lease liabilities | 61,939 | 23,610 | 20,427 | 13,162 | 3,219 | 1,322 | 197 |
| Financial guarantee contracts | 1,911,969 | 1,911,969 | — | — | — | — | — |
| Subtotal | 3,361,692 | 2,895,595 | 95,408 | 82,783 | 204,294 | 4,907 | 78,703 |
| Derivative financial liabilities | | | | | | | |
| Cash inflow | 11,706 | 10,936 | — | 769 | — | — | — |
| Cash outflow | 12,148 | 11,353 | — | 795 | — | — | — |
| Total | 3,362,134 | 2,896,012 | 95,408 | 82,809 | 204,294 | 4,907 | 78,703 |

Note:

1. The amounts presented are at undiscounted gross amounts and include contractual interest payments.
2. Financial guarantee contracts are contracts of which the Company to compensate for such losses based on performance claims in the event that an associate of the Group as debtor is unable to repay the debt covered by the guarantee obligation. For issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
3. Derivative financial liabilities represent the net cash flow amounts related to derivatives that are cash-settled on a net basis and the gross cash inflows and outflows related to derivatives that are simultaneously cash-settled on a gross basis.

(5) Foreign currency risk

① Foreign currency risk management

The Group is exposed to foreign currency risk arising from foreign currency transactions other than US dollars, which is the Group's functional currency, since the Group operates its business globally. In order to prevent incurring and increasing losses associated with foreign currency risk, the Group's risk management policy is to hedge foreign currency risk arising from purchase order in foreign currency exceeding a certain threshold amount that do not have an offsetting relationship with revenues in the same foreign currency and net exposure of loans receivable and borrowings in foreign currencies with mainly utilizing forward exchange contracts and currency swaps. The Group usually designates these as cash flow hedges and matches the material terms and conditions of those hedged items. The Group determines the economic relationship between the hedging instrument and the hedged item based on their cash flows and assesses the effectiveness of the hedge.

② Exposures to foreign currency fluctuation risk

The Group's exposures to foreign currency fluctuation risk are as follows:
The exposures exclude the amount of foreign currency fluctuation risk hedged using derivative transactions.

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Brazilian Real | (276,630) | (372,121) |
| Singapore dollar | — | (37,444) |

③ Sensitivity analysis of foreign currency

The effect on profit or loss before tax and equity of 10% appreciation of US dollars against the currency below on financial instruments held by the Group at each reporting period with all other variables held constant is as follows:

2021

in thousands of US dollars

| | Effect on profit or loss before tax | Effect on equity |
|---|---|---|
| Brazilian Real | 27,663 | 27,663 |

2022

in thousands of US dollars

| | Effect on profit or loss before tax | Effect on equity |
|---|---|---|
| Brazilian Real | 37,212 | 37,212 |
| Singapore dollar | 3,744 | 3,741 |

(6) Interest rate risk

① Interest rate risk management

Borrowings with variable interest rates are exposed to interest rate fluctuation risk. For some of these long-term borrowings, the Group uses interest rate swaps as hedging instruments on an individual contract basis in order to avoid interest rate fluctuation risk and fix interest payments.

② Sensitivity analysis of interest rate

The effect on profit or loss before tax and equity of a 1% upwards in interest rates on variable borrowings held by the Group at each reporting period with all other variables held constant is as follows:

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Effect on profit or loss before tax | (624) | (1,768) |
| Effect on equity | (269) | (1,665) |

③ Exposures to interest rate fluctuation

Exposures to interest rate fluctuation are as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Variable rate financial instruments | | |
| Financial assets | 198,623 | 172,450 |
| Financial liabilities | 74,039 | 82,363 |
| Net balance | 124,583 | 90,086 |
| Impact of interest rate swaps | 32,623 | 11,250 |
| Net balance | 91,960 | 78,836 |

(7) Interest rate benchmark reform and related risk management

At December 31, 2022, the Group holds financial instruments that reference LIBOR. The Group monitors and manages the risks associated with Interest Rate Benchmark Reform. The Group is in the process of shifting to an alternative reference rate and introducing fallback clauses based on the risk situation.

The Group’s financial instruments that reference LIBOR are loans receivable, borrowings and interest rate swap contracts reference to US dollar LIBOR. Fallback clauses have been introduced to the material contracts. The Group’s policy is to shift to an alternative reference rate when the publication of US dollar LIBOR is ceased.

Outstanding contract amounts reference to US dollar LIBOR at December 31, 2022

in thousands of US dollars

| | Contract amount reference to LIBOR after December 31, 2022 | Contract amount introduced appropriate fallback clauses |
|---|---|---|
| Financial liabilities | | |
| Borrowings | 172,450 | 171,250 |
| Derivatives | | |
| Interest rate swaps | 11,250 | 11,250 |

(8) Fair value of financial instruments

① Fair value and carrying amounts

The fair value of financial instruments measured at amortized cost and their carrying amounts are as follows:

The fair value of financial assets and liabilities measured at amortized cost other than loans receivable and bonds and borrowings are not included because their carrying amounts are considered as a reasonable approximation of fair value.

in thousands of US dollars

| | December 31, 2021 | | December 31, 2022 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Loans receivable | 412,739 | 435,022 | 365,032 | 345,182 |
| Bonds and borrowings | 426,922 | 429,623 | 393,378 | 376,702 |

Note: Current portion of loans receivable and current portion of borrowings are included in loans receivable and bonds and borrowings, respectively.

② Fair value of financial instruments

Fair value measurement method

(Loans receivable)

The fair value of loans receivable is calculated based on the present value of their future cash flows for each contract and discounted at an interest rate equal to an appropriate index such as the yield of government bonds plus a credit spread.

(Bonds and borrowings)

For those with fixed interest rates, the fair value is calculated by discounting the total amount of principal and interest by the interest rate that would be applicable if similar new borrowings were made at the time of fair value evaluation. For those with variable interest rates, the carrying amount is used because the carrying amount reflects market interest rate over a short period of time and is deemed as a reasonable approximation of fair value.

Loans receivable and bonds and borrowings are classified as Level 3 of fair value hierarchy.

(9) Fair value of financial instruments hierarchy

Financial instruments ordinarily measured at fair value after its initial recognition are categorized into the following three levels based on the observability and significance of inputs used to measure such financial instruments.

Level 1: Quoted prices in active markets
Level 2: Inputs, other than Level 1, that are observable either directly or indirectly
Level 3: Unobservable inputs

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of each quarter. There were no transfers made between levels during 2021 and 2022.

Financial instruments ordinarily measured at fair value are as follows:

At December 31, 2021

in thousands of US dollars

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Derivatives assets | — | 955 | — | 955 |
| Other | — | 410 | — | 410 |
| Total | — | 1,366 | — | 1,366 |
| Financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivative liabilities | — | 6,858 | — | 6,858 |
| Total | — | 6,858 | — | 6,858 |

At December 31, 2022

in thousands of US dollars

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Derivatives assets | — | 4,033 | — | 4,033 |
| Other | — | 410 | — | 410 |
| Total | — | 4,444 | — | 4,444 |
| Financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivative liabilities | — | 411 | — | 411 |
| Total | — | 411 | — | 411 |

The derivative assets and derivative liabilities of the Group are not traded in active markets. For the measurement of their fair values the Group is, therefore, not relying on its own estimates to the extent possible but utilizing the best available observable market data. Since all significant inputs are observable for the derivative assets and derivative liabilities, they are classified as Level 2.

In accordance with the Group’s valuation policies and procedures for fair value measurements, the Group’s finance department measures the fair value of derivative assets and derivative liabilities. The results of fair value measurements are approved by the responsible person of the Group’s finance department.

(10) Derivative transactions and hedging activities

In the ordinary course of business, the Group is exposed to market risks such as interest rate and exchange rate fluctuations.

To manage these risks, the Group, in principle, assesses the net amount of risks and seeks to mitigate market risks by utilizing transactions that have the effect of offsetting risks. Furthermore, the Group seeks to reduce the market risks by utilizing appropriate derivative transactions for hedging purposes in accordance with its risk management strategy.

Applying hedge accounting, whether the changes in fair value or cash flows of the hedged items attributable to the hedged risk are in an economic relationship to offset with the changes in fair value or cash flows of the hedging instruments, the Group, in principle, confirms that the existence of an economic relationship between the hedged item and the hedging instrument through a qualitative assessment of whether the significant conditions of the hedged item and the hedging instrument match or closely match and a quantitative assessment of whether the changes in value of the hedged item and the hedging instrument offset each other under the same risk.

The Group principally utilizes highly effective hedges, however, ineffective portions of hedges may occur due to differences in the timing of cash flows or fluctuations in the forecasted value of cash flows between hedging instruments and hedged items. The ineffective portion of the hedge is recognized immediately in profit or loss.

The Group utilizes derivative transactions for hedging purposes based on appropriate hedge ratios in light of the economic relationship between hedging instruments and hedged items and its risk management strategy.

Cash flow hedge

The Group mainly designates forward exchange contracts, interest rate swaps and currency and interest rate swaps as cash flow hedge to hedge against the risks of foreign exchange rate fluctuations related to trade payables denominated in foreign currencies, interest payment fluctuations related to borrowings and interest payment fluctuations and foreign exchange rate fluctuations related to borrowings denominated in foreign currencies.

① Amounts related to items designated as hedging instruments

The amounts related to items designated as hedging instruments are as follows:

At December 31, 2021

in thousands of US dollars

| Hedging instruments | Notional amount | | Carrying amount | | Change in value used to calculate the ineffective portion of the hedge |
|---|---|---|---|---|---|
| | Total | Due after 1 year | Derivative assets | Derivative liabilities | |
| Interest rate and currency risk<br>Interest rate and currency swaps | 13,895 | ― | 514 | ― | (5,884) |
| Interest rate risk<br>Interest rate swaps | 18,050 | 11,250 | ― | 387 | 187 |
| Foreign currency risk<br>Forward exchange contracts | 125,085 | ― | 441 | 6,432 | (29,776) |

At December 31, 2022

in thousands of US dollars

| Hedging instruments | Notional amount | | Carrying amount | | Change in value used to calculate the ineffective portion of the hedge |
|---|---|---|---|---|---|
| | Total | Due after 1 year | Derivative assets | Derivative liabilities | |
| Interest rate and currency risk<br>Interest rate and currency swaps | ― | ― | ― | ― | (600) |
| Interest rate risk<br>Interest rate swaps | 11,250 | 6,750 | 368 | ― | 659 |
| Foreign currency risk<br>Forward exchange contracts | 231,815 | 82,624 | 3,665 | 411 | (5,867) |

Note: Derivative assets and derivative liabilities are included in other financial assets and other financial liabilities in the consolidated statement of financial position, respectively.

The average rates related to hedging instruments are as follows:

| | | December 31, 2021 | December 31, 2022 |
|---|---|---|---|
| Interest rate and currency swaps | | 120.62 yen / US dollar<br>2.67% | - yen / US dollar<br>- % |
| Interest rate swaps | | 3.08% | 3.16% |
| Forward exchange contracts | Euro<br>Norwegian krone<br>Singapore dollar<br>Swiss Franc | 1.17 US dollars / Euro<br>8.57 kroner / US dollar<br>1.35 Singapore dollars / US dollar<br>0.90 francs / US dollar | 1.07 US dollars / Euro<br>- kroner / US dollar<br>1.38 Singapore dollars / US dollar<br>0.94 francs / US dollar |

② Balances in cash flow hedge reserve for continuing hedges

The balances by risk category of cash flow hedge reserve for the Group's continuing hedges are as follows:

At December 31, 2021

in thousands of US dollars

| Risk category | Cash flow hedge reserve |
|---|---|
| Interest rate and currency risk | 352 |
| Interest rate risk | (387) |
| Foreign currency risk | (4,484) |

At December 31, 2022

in thousands of US dollars

| Risk category | Cash flow hedge reserve |
|---|---|
| Interest rate and currency risk | — |
| Interest rate risk | 254 |
| Foreign currency risk | 2,187 |

③ Amounts recognized in profit or loss and comprehensive income related to cash flow hedges

The amounts recognized by the Group in the consolidated statements of profit or loss and comprehensive income related to cash flow hedges by risk category are as follows:

2021

in thousands of US dollars

| Classification of risks | Foreign currency risk | Interest rate risk | Interest rate and currency risk |
|---|---|---|---|
| Gains or losses on hedges recognized in other comprehensive income | (31,066) | 187 | (5,884) |
| Ineffective portion of hedges recognized in profit or loss | 1,289 | — | — |
| Amount reclassified from other components of equity to profit or loss | 3,417 | 463 | 690 |

2022

in thousands of US dollars

| Classification of risks | Foreign currency risk | Interest rate risk | Interest rate and currency risk |
|---|---|---|---|
| Gains or losses on hedges recognized in other comprehensive income | (7,044) | 659 | (600) |
| Ineffective portion of hedges recognized in profit or loss | 1,177 | — | — |
| Amount reclassified from other components of equity to profit or loss | 15,112 | 96 | 86 |

1 No amounts were included directly in the carrying amount of asset and liability both in 2021 and 2022.

2 Line item where ineffective portion of hedges included is finance income in 2021 and finance costs in 2022.

3 Line item where amount reclassified from other components of equity to profit or loss of foreign currency risk included is finance income in 2021 and 2022.

Line items where amount reclassified from other components of equity to profit or loss of interest rate risk and interest rate and currency risk included is finance costs in 2021 and 2022.

④ Changes relating cash flow hedges recognized in other components of equity

The changes relating cash flow hedges recognized in other components of equity in the consolidated statement of financial position are as follows:

in thousands of US dollars

| | Foreign currency risk | Interest rate risk | Interest rate and currency risk | Total |
|---|---|---|---|---|
| At January 1, 2021 | 18,808 | (1,038) | 4,261 | 22,031 |
| Amount arising during the period | (26,086) | 187 | (4,428) | (30,327) |
| Reclassification adjustments to profit or loss | 2,792 | 463 | 519 | 3,775 |
| At December 31, 2021 | (4,484) | (387) | 352 | (4,520) |
| Amount arising during the period | (5,802) | 545 | (438) | (5,695) |
| Reclassification adjustments to profit or loss | 12,475 | 96 | 86 | 12,657 |
| At December 31, 2022 | 2,187 | 254 | — | 2,441 |

## 32. Related parties

(1) Related party transactions

① Name of related parties and relationship with the Group

Refer to Note 34. List of Group companies.

In addition, Mitsui E&S Holdings Co., Ltd. is classified as a parent company under IFRS, but there were no material transactions with the Group in 2021 and 2022.

② Receivables and payables of the Group with associates and joint ventures

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Associates | | |
| Receivables | 665,646 | 673,578 |
| Payables | 3,805 | 10,578 |
| Joint ventures | | |
| Receivables | 37,328 | 48,987 |
| Payables | 972 | 3,119 |

Note: The Group has loans receivable in cash of US$499,337 thousand at December 31, 2021 and US$472,008 thousand at December 31, 2022. Also, the Group has loss allowances of US$86,598 thousand at December 31, 2021 and US$113,306 thousand at December 31, 2022 on the receivables of associates and joint ventures, and they are netted with receivables. The Group recognized loss allowances of US$74,185 thousand in 2021 and US$24,520 thousand in 2022.

Receivables and payables include value added tax and other.

③ Transactions with associates and joint ventures

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Associates | | |
| Revenue | 1,822,380 | 938,824 |
| Purchases | 3,015 | 8,550 |
| Interest income | 37,420 | 57,641 |
| Dividend income | 67,233 | 21,974 |
| Initial and additional capital contributions | 93,198 | 96,383 |
| Payments for loans receivable | 195,976 | 24,103 |
| Collection of loans receivable | 81,619 | 14,204 |
| Joint ventures | | |
| Revenue | 72,625 | 124,516 |

| | | |
|---|---|---|
| Purchases | 9,386 | 10,090 |
| Interest income | 24 | 224 |
| Dividend income | 9,000 | 7,000 |
| Payments for loans receivable | 250 | 22,500 |

Note:
1. Trade terms, conditions and policy of trade terms are on an arm's length basis.
2. The Group's financial guarantees related to associates and joint ventures' bank borrowings are presented in Note 35. Contingencies.

(2) Remuneration of key management personnel

in thousands of US dollars

| | 2021 | 2022 |
|---|---|---|
| Base salary | 1,304 | 1,031 |
| Share-based payment | 65 | 101 |
| Total | 1,370 | 1,133 |

Note: The Company's board of directors are considered as key management personnel.

**33. Cash flow information**

Changes in liabilities arising from financing activities are as follows:

in thousands of US dollars

| | Short-term borrowings | Long-term borrowings | Bonds | Lease liabilities | Derivative liabilities (assets) | Total |
|---|---|---|---|---|---|---|
| At January 1, 2021 | 29,000 | 101,401 | — | 61,075 | (6,730) | 184,746 |
| Changes from financing cash flows | (29,000) | 105,750 | 225,000 | (22,150) | 2,979 | 282,580 |
| Non-cash transactions | | | | | | |
| New leases and contract modifications | — | — | — | 6,063 | — | 6,063 |
| Effect of changes in exchange rates | — | (2,911) | — | (1,850) | — | (4,762) |
| Changes in fair values | — | — | — | — | 3,060 | 3,060 |
| Other | — | — | (2,317) | — | — | (2,317) |
| At December 31, 2021 | — | 204,240 | 222,682 | 43,137 | (690) | 469,369 |
| Changes from financing cash flows | — | (31,620) | — | (21,463) | 568 | (52,516) |
| Non-cash transactions | | | | | | |
| New leases and contract modifications | — | — | — | 37,137 | — | 37,137 |
| Effect of changes in exchange rates | — | (109) | — | 93 | — | (16) |
| Changes in fair values | — | — | — | — | 122 | 122 |
| Other | — | — | (1,814) | — | — | (1,814) |
| At December 31, 2022 | — | 172,510 | 220,867 | 58,904 | — | 452,282 |

Note: The Group has derivatives for the purpose of hedging interest rate and exchange rate fluctuation risks of foreign currency denominated borrowings.

**34. List of Group companies**

Subsidiaries, associates and joint ventures

| Name | Country | Principal business | Voting rights holding (%) |
|---|---|---|---|
| Subsidiaries | | | |
| MODEC INTERNATIONAL, INC. | USA | FPSO design, business support | 100.0 |
| MODEC OFFSHORE PRODUCTION SYSTEMS | Singapore | FPSO engineering services, | 100.0 |

| | | | |
|---|---|---|---|
| (SINGAPORE) PTE. LTD. | | FPSO design, construction and installation | |
| OFFSHORE FRONTIER SOLUTIONS PTE. LTD. | Singapore | FPSO engineering services, FPSO design, construction and installation | 65.0 |
| MODEC MANAGEMENT SERVICES PTE. LTD. | Singapore | FPSO/FSO operations | 100.0 |
| MODEC SERVICOS DE PETROLEO DO BRASIL LTDA | Brazil | FPSO/FSO operations | 100.0 |
| NATIONAL D'OPERATIONS PETROLIERES DE COTE D'IVOIRE | Cote d'Ivoire | FPSO operations | 100.0 |
| MODEC OPERATIONS AND MAINTENANCE SERVICES, INC. | USA | Business support to affiliates | 100.0 |
| MODEC SERVICES NETHERLANDS B.V. | Netherlands | Business support to affiliates, CMS management | 100.0 |
| MODEC SERVICES NETHERLANDS 2 B.V. | Netherlands | Business support to affiliates | 100.0 |
| MODEC HOLDINGS NETHERLANDS B.V. | Netherlands | Sub-holding company | 100.0 |
| SOFEC, INC. | USA | Mooring system design, construction and sales | 80.0 |
| MODEC ANGOLA LDA. | Angola | Business support to affiliates | 100.0 |
| MODEC (GHANA) LTD. | Ghana | FPSO operations | 100.0 |
| SOFEC SERVICES, LLC | USA | Maintenance services | 80.0 |
| SOFEC FLOATING SYSTEMS PTE. LTD. | Singapore | Mooring system design, construction and sales | 80.0 |
| SOFEC MALAYSIA SDN. BHD. | Malaysia | Mooring system design, construction and sales | 80.0 |
| SOFEC FZE | Nigeria | Mooring system design, construction and sales | 80.0 |
| SOFEC MOZAMBIQUE LDA | Mozambique | Mooring system design, construction and sales | 80.0 |
| MODEC PRODUCTION SERVICES GHANA JV LTD | Ghana | FPSO operations | 85.0 |
| MODEC OFFSHORE SERVICOS LTDA. | Brazil | Business support to affiliates | 100.0 |
| MITSUI OCEAN DEVELOPMENT & ENGINEERING COMPANY MEXICO SOCIEDAD DE RESPONSABILIDAD LIMITADA DE CAPITAL VARIABLE (S. DE R.L DE C.V.) | Mexico | FPSO installation and operations | 100.0 |
| MODEC UK LTD. | UK | Business support to affiliates | 100.0 |
| MODEC SENEGAL SASU | Senegal | FPSO operations | 100.0 |
| MODEC GUYANA INC. | Guyana | FPSO operations | 100.0 |
| 2 others | | | |
| Total 26 subsidiaries | | | |
| Associates | | | |
| ESPADARTE MV14 B.V. | Netherlands | FPSO charter | 40.6 |
| PRA-1 MV15 B.V. | Netherlands | FSO charter | 40.6 |
| TUPI PILOT MV22 B.V. | Netherlands | FPSO charter | 42.5 |
| GUARA MV23 B.V. | Netherlands | FPSO charter | 34.0 |
| CERNAMBI SUL MV24 B.V. | Netherlands | FPSO charter | 29.4 |
| T.E.N. GHANA MV25 B.V. | Netherlands | FPSO charter | 25.0 |
| CERNAMBI NORTE MV26 B.V. | Netherlands | FPSO charter | 29.4 |
| CARIOCA MV27 B.V. | Netherlands | FPSO charter | 29.4 |
| TARTARUGA MV29 B.V. | Netherlands | FPSO charter | 29.4 |
| SEPIA MV30 B.V. | Netherlands | FPSO charter | 29.4 |
| LIBRA MV31 B.V. | Netherlands | FPSO charter | 29.4 |
| BUZIOS5 MV32 B.V. | Netherlands | FPSO charter | 35.0 |
| MARLIM1 MV33 B.V. | Netherlands | FPSO charter | 32.5 |
| AREA1 MEXICO MV34 B.V. | Netherlands | FPSO charter | 35.0 |
| MODEC AND TOYO OFFSHORE PRODUCTION SYSTEMS PTE. LTD. | Singapore | FPSO construction | 50.0 |
| Joint ventures | | | |
| MODEC VENTURE 10 B.V. | Netherlands | FPSO charter | 50.0 |
| RONG DOI MV12 PTE. LTD. | Singapore | FSO charter | 42.0 |

| | | | |
|---|---|---|---|
| RANG DONG MV17 B.V. | Netherlands | FSO charter | 65.0 |
| OPPORTUNITY MV18 B.V. | Netherlands | FPSO charter | 67.0 |
| GAS OPPORTUNITY MV20 B.V. | Netherlands | FPSO charter | 70.0 |
| SHAPE PTE. LTD. | Singapore | Digitalization business | 60.2 |
| SHAPE BRASIL SOLUCOES DIGITAIS LTDA. | Brazil | Digitalization business development in FPSO O&M area | 60.2 |
| 1 other | | | |
| Total 23 associates and joint ventures | | | |

**35. Contingencies**

Financial guarantees

The Group has provided guarantees for the bank borrowings of associates and joint ventures as follows:

in thousands of US dollars

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Guarantees for associates | 2,024,798 | 1,906,969 |
| Guarantees for joint ventures | 5,000 | 5,000 |
| Total | 2,029,798 | 1,911,969 |

**36. Subsequent events**

The Company made the resolution of share capital and capital reserve decrease together with other capital surplus appropriation plan in the board of directors' meeting on February 22, 2023. The appropriation plan was presented to the annual shareholders' meeting on March 28, 2023. The plan was approved and resolution passed in the annual shareholders' meeting as follows.

(1) Share capital and capital reserve amounts decrease objective

To decrease and reclassify share capital and capital reserve amounts to retained earnings brought forward for securing flexibility and maneuverability of future capital policy

(2) Share capital amounts decrease detail

① Amounts of share capital decrease

Share capital amounts decrease of 19,500 million Japanese yen

② Share capital amounts decrease manner

The total share capital amounts decrease is reclassified to other capital surplus.

(3) Capital reserve amounts decrease detail

① Amounts of capital reserve decrease

Capital reserve amounts decrease of 19,823 million Japanese yen

② Capital reserve amounts decrease manner

The total capital reserve amounts decrease is reclassified to other capital surplus.

(4) Other capital surplus appropriation detail

The increased total other capital surplus amount of 39,323 million Japanese yen due to share capital and capital reserve decrease is reclassified to retained earnings brought forward.

(5) Time schedule

① Board of directors' meeting resolution: February 22, 2023

② Annual shareholders' meeting resolution: March 28, 2023

③ Last date of creditor claim against plan: May 19, 2023 (scheduled)

④ Effective date of share capital and capital reserve decrease together with other capital surplus appropriation: May 31, 2023 (scheduled)

(6) Other important matters

These transactions are reclassification among accounts in the net assets part of the Company's financial statement. There will be no changes in net assets and no effects on the Company's operating results. The presentation currency of the Group's consolidated financial statements is US dollars. The effect of consolidated financial statements will be the Japanese yen amounts stated above translated to US dollars using the exchange rate applicable on the effective date.