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August 10, 2023

Consolidated Financial Results for the Six Months Ended June 30, 2023 (IFRS)

Company name: MODEC, INC.
 Listing: Tokyo Stock Exchange
 Securities code: 6269
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 Scheduled date to file quarterly securities report: August 14, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes “2Q 2023 Results Presentation”
 Holding of quarterly financial results briefing: Yes (to institutional investors and analysts)

(US dollar amounts are rounded down to thousands.)

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	US\$ thousand	%	US\$ thousand	%	US\$ thousand	%	US\$ thousand	%
Six months ended								
June 30, 2023	1,588,647	15.5	49,366	26.6	54,881	121.0	37,343	145.5
June 30, 2022	1,375,521	(34.8)	38,980	43.1	24,834	(57.2)	15,213	(72.9)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share		Diluted earnings per share	
	US\$ thousand	%	US\$ thousand	%	US\$		US\$	
Six months ended								
June 30, 2023	23,793	57.1	32,490	(81.0)	0.42		0.42	
June 30, 2022	15,142	(72.5)	170,606	50.9	0.27		0.27	

(2) Consolidated financial position

	Total assets		Total equity		Equity attributable to owners of parent		Ratio of equity attributable to owners of parent to total assets	
	US\$ thousand		US\$ thousand		US\$ thousand		%	
As of								
June 30, 2023	3,216,686		981,656		938,548		29.2	
December 31, 2022	3,136,213		841,121		811,640		25.9	

Note: The original condensed consolidated financial statements of MODEC, INC. and its subsidiaries (hereinafter “the Company”) for the six months ended June 30, 2023 and 2022 and for the year ended December 31, 2022 are presented in the Company’s functional currency which is US dollars. Therefore, the consolidated operating results and the consolidated financial position above are also presented in US dollars.

For convenience purposes the consolidated operating results and the consolidated financial position in Japanese yen, which are converted in expedient manner, are presented on page 4 of this summary information.

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	yen	yen	yen	yen	yen
Year ended December 31, 2022	—	0.00	—	0.00	0.00
Year ending December 31, 2023	—	0.00			
Year ending December 31, 2023 (Forecast)			—	—	—

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

3. Earnings forecast for 2023 (from January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	US\$ thousand	%	US\$ thousand	%	US\$ thousand	%	US\$ thousand	%	US\$
Full Year	3,000,000	9.5	60,000	(20.4)	70,000	27.7	45,000	20.4	0.80

Note: Revisions to the forecast most recently announced: None

The consolidated earnings forecast of the Company is prepared in US dollars which is the Company's functional currency. For convenience purposes the consolidated earnings forecast in Japanese yen, which is converted in expedient manner, is presented on page 4 of this summary information.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
- (i) Changes in accounting policies required by IFRS: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

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

As of June 30, 2023	68,345,300 shares
As of December 31, 2022	56,408,000 shares

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

As of June 30, 2023	38,217 shares
As of December 31, 2022	38,217 shares

(iii) Average number of shares outstanding during the period

Six months ended June 30, 2023	56,435,735 shares
Six months ended June 30, 2022	56,365,663 shares

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

* Proper use of earnings forecasts and other special matters

- The Company voluntarily adopted International Financial Reporting Standards (IFRS) from the year ended December 31, 2021 for the consolidated financial statements.
- Accompanying condensed quarterly consolidated financial statements and selected notes are presented in functional currency of the Company, US dollars.
- The US dollar amounts in the first page of this summary information is not tagged to XBRL data.
- Earnings forecast and other forward-looking statement included in this material are based on information currently available to the Company and are based on assumptions deemed reasonable. They are not meant to be a guarantee of future performance or outcomes. Actual results may differ materially subject to various factors.

[Reference] Consolidated financial results for the six months ended June 30, 2023 and earnings forecast for the year ending December 31, 2023 presented in Japanese yen

(Yen amounts are rounded down to millions.)

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended								
June 30, 2023	230,338	22.6	7,157	34.4	7,957	134.5	5,414	160.5
June 30, 2022	187,951	(19.5)	5,326	76.8	3,393	(47.1)	2,078	(66.5)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	million yen	%	million yen	%	yen	yen
Six months ended						
June 30, 2023	3,449	66.7	4,710	(79.8)	61.13	61.09
June 30, 2022	2,069	(66.1)	23,311	86.4	36.71	36.69

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	million yen	million yen	million yen	%
As of				
June 30, 2023	466,387	142,330	136,080	29.2
December 31, 2022	416,206	111,625	107,712	25.9

Note: The amounts presented above are converted in expedient manner to Japanese yen as follows:

June 30, 2023 at US\$1.00 = 144.99 Japanese yen at the TTM rate of Sumitomo Mitsui Banking Corporation as of June 30, 2023

June 30, 2022 at US\$1.00 = 136.64 Japanese yen at the TTM rate of Sumitomo Mitsui Banking Corporation as of June 30, 2022

December 31, 2022 at US\$1.00 = 132.71 Japanese yen at the TTM rate of Sumitomo Mitsui Banking Corporation as of December 30, 2022

The percentages indicating year-on-year changes for the consolidated operating results are calculated on Japanese yen basis presented above.

2. Earnings forecast for 2023 (from January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full Year	398,130	9.5	7,962	(20.4)	9,289	27.7	5,971	20.4	105.94

Note: The amounts presented above are converted in expedient manner to Japanese yen at US\$1.00 = 132.71 Japanese yen at the TTM rate of Sumitomo Mitsui Banking Corporation as of December 30, 2022.

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1. Qualitative information on quarterly financial results

(1) Results of operations

In the first half of this year, although the personal consumption and corporate profits recovery were observable in Japan with the progress of normalization of the economic and social activities, the Japanese economy still faces the growing uncertainties due to the soaring energy and raw material prices. On the other hand, the global economy was generally on a moderate recovery trend.

Oil price temporarily fell to the mid US\$60s a barrel at the beginning of May as economic indicators in the United States and China fell below market expectations. Since then, it rose to the lower US\$70s a barrel at the end of this quarter due to the agreement of OPEC Plus to extend the current production cut plan till the end of 2024 and decrease in US crude oil inventories. Coexisting with the decarbonization trend and maintaining stable energy supply remains an important issue. In that context the oil companies are continuing the deep-sea oilfield development projects. In addition, the Company expects steady demand for the Company's main business of floating, production, storage and offloading systems for oil and gas productions especially in the ultra-deep water large-scale projects in which the Company has a competitive advantage.

Under these circumstances, for the six months ended as of June 30, 2023, the total orders on a consolidated basis resulted in US\$7,853,105 thousand (US\$555,855 thousand in YTD 2Q 2022) due to the new orders of construction projects obtained for ExxonMobil Guyana's Uaru project for which the FPSO will be deployed in the Stabroek block field off the coast of Guyana and Equinor Brasil Energia for which the FPSO will be deployed in the BM-C-33 block field off the coast of Brazil. The consolidated revenue was US\$1,588,647 thousand (US\$1,375,521 thousand in YTD 2Q 2022) due to the progress in the construction of FPSOs.

In terms of profit, the operating profit was US\$49,366 thousand (operating profit of US\$38,980 thousand in YTD 2Q 2022). This is due to the revenue recognized from the progress of construction projects and share of profit of investments accounted for using equity method even though the improvement costs incurred for the asset integrity of FPSOs and FSO operating in Brazil had the effect of lowering profit.

In addition, the finance income increased due to the recognition of exchange gain, and therefore the profit before tax for the six months ended as of June 30, 2023 was US\$54,881 thousand (profit before tax of US\$24,834 thousand in YTD 2Q 2022). As a result, the profit attributable to owners of parent for the six months was US\$23,793 thousand (profit attributable to owners of parent of US\$15,142 thousand in YTD 2Q 2022).

(2) Financial position

The total assets at the end of second quarter of this year increased by US\$80,472 thousand to US\$3,216,686 thousand from the end of previous year primarily due to increase in cash and cash equivalents and trade and other receivables.

The total liabilities decreased by US\$60,063 thousand to US\$2,235,029 thousand from the end of previous year primarily due to decrease in contract liabilities.

The total equity increased by US\$140,535 thousand to US\$981,656 thousand from the end of previous year due to the issuance of new shares for the purpose of raising funds for investing and lending. In the second quarter of this year the Company reduced its capital by transferring US\$145,370 thousand of share capital and US\$147,784 thousand of capital surplus to retained earnings, which had no effects to the total equity.

2. Condensed quarterly consolidated financial statements and selected notes

(1) Condensed quarterly consolidated statement of financial position

in thousands of US dollars

	December 31, 2022	June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	492,625	557,898
Trade and other receivables	478,083	504,776
Contract assets	257,328	261,237
Other financial assets	37,288	46,477
Other current assets	141,820	140,985
Total current assets	1,407,147	1,511,376
Non-current assets		
Property, plant and equipment	64,314	57,926
Intangible assets	70,213	65,445
Investments accounted for using equity method	1,114,066	1,113,883
Loans receivable	365,032	355,218
Other financial assets	13,603	13,766
Deferred tax assets	65,016	65,526
Other non-current assets	36,819	33,541
Total non-current assets	1,729,066	1,705,309
Total assets	3,136,213	3,216,686

in thousands of US dollars

	December 31, 2022	June 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	921,708	961,697
Contract liabilities	499,383	438,789
Borrowings	19,084	44,474
Income taxes payable	38,389	49,611
Provisions	109,704	112,629
Other financial liabilities	99,219	104,959
Other current liabilities	76,954	41,837
Total current liabilities	1,764,443	1,753,999
Non-current liabilities		
Bonds and borrowings	374,293	345,860
Deferred tax liabilities	1,283	2
Defined benefit liability	43,959	42,755
Provisions	56,675	58,213
Other financial liabilities	37,127	29,537
Other non-current liabilities	17,310	4,659
Total non-current liabilities	530,649	481,029
Total liabilities	2,295,092	2,235,029
Equity		
Share capital	282,292	190,899
Capital surplus	280,686	186,970
Retained earnings	131,004	447,898
Treasury shares	(1,092)	(1,092)
Other components of equity	118,748	113,873
Equity attributable to owners of parent	811,640	938,548
Non-controlling interests	29,481	43,108
Total equity	841,121	981,656
Total liabilities and equity	3,136,213	3,216,686

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

Condensed quarterly consolidated statement of profit or loss

For the six months ended June 30

in thousands of US dollars

	2022	2023
Revenue	1,375,521	1,588,647
Cost of sales	(1,320,477)	(1,502,763)
Gross profit	55,043	85,884
Selling, general and administrative expenses	(74,256)	(78,287)
Share of profit of investments accounted for using equity method	48,456	41,686
Other income	9,762	243
Other expenses	(25)	(160)
Operating profit	38,980	49,366
Finance income	37,218	28,821
Finance costs	(51,364)	(23,306)
Profit before tax	24,834	54,881
Income tax expense	(9,621)	(17,537)
Profit for the period	15,213	37,343

Profit attributable to		
Owners of parent	15,142	23,793
Non-controlling interests	70	13,550
Profit for the period	15,213	37,343

in US dollars

Earnings per share		
Basic earnings per share	0.27	0.42
Diluted earnings per share	0.27	0.42

For the three months ended June 30

in thousands of US dollars

	2022	2023
Revenue	711,273	843,758
Cost of sales	(663,204)	(786,823)
Gross profit	48,068	56,935
Selling, general and administrative expenses	(30,085)	(35,798)
Share of profit of investments accounted for using equity method	23,705	7,589
Other income	9,647	8
Other expenses	370	(33)
Operating profit	51,706	28,701
Finance income	20,955	16,847
Finance costs	(27,498)	(11,302)
Profit before tax	45,163	34,246
Income tax expense	(13,262)	(6,304)
Profit for the period	31,901	27,941

Profit attributable to		
Owners of parent	31,800	20,697
Non-controlling interests	101	7,244
Profit for the period	31,901	27,941

in US dollars

Earnings per share		
Basic earnings per share	0.56	0.37
Diluted earnings per share	0.56	0.37

Condensed quarterly consolidated statement of other comprehensive income

For the six months ended June 30

in thousands of US dollars

	2022	2023
Profit for the period	15,213	37,343
Other comprehensive Income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit liability	3	(54)
Total items that will not be reclassified subsequently to profit or loss	3	(54)
Items that may be reclassified subsequently to profit or loss		
Effective portion of cash flow hedges	(1,356)	(367)
Exchange differences on translation of foreign operations	(722)	(4,535)
Share of other comprehensive income of investments accounted for using equity method	157,468	104
Total items that may be reclassified subsequently to profit or loss	155,389	(4,799)
Total other comprehensive income, net of tax	155,393	(4,853)
Total comprehensive income for the period	170,606	32,490
Total comprehensive income attributable to		
Owners of parent	170,612	18,863
Non-controlling interests	(5)	13,626
Total comprehensive income	170,606	32,490

For the three months ended June 30

in thousands of US dollars

	2022	2023
Profit for the period	31,901	27,941
Other comprehensive Income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit liability	1	(27)
Total items that will not be reclassified subsequently to profit or loss	1	(27)
Items that may be reclassified subsequently to profit or loss		
Effective portion of cash flow hedges	(2,181)	(1,052)
Exchange differences on translation of foreign operations	2,554	(2,477)
Share of other comprehensive income of investments accounted for using equity method	65,167	34,588
Total items that may be reclassified subsequently to profit or loss	65,540	31,058
Total other comprehensive income, net of tax	65,542	31,031
Total comprehensive income for the period	97,443	58,973
Total comprehensive income attributable to		
Owners of parent	97,425	51,738
Non-controlling interests	18	7,234
Total comprehensive income	97,443	58,973

(3) Condensed quarterly consolidated statement of changes in equity

For the six months ended June 30, 2022

in thousands of US dollars

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Remeasurements of defined benefit liability	Effective portion of cash flow hedges
At January 1, 2022	282,292	280,711	85,957	(1,291)	—	(90,866)
Profit for the period	—	—	15,142	—	—	—
Other comprehensive income	—	—	—	—	3	156,182
Total comprehensive income for the period	—	—	15,142	—	3	156,182
Dividends to non-controlling interests	—	—	—	—	—	—
Share-based payment transactions	—	(77)	—	198	—	—
Transfer from other components of equity to retained earnings	—	—	3	—	(3)	—
Total transactions with owners	—	(77)	3	198	(3)	—
At June 30, 2022	282,292	280,634	101,103	(1,092)	—	65,316

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity		Total equity attributable to owners of parent		
	Exchange differences on translation of foreign operations	Total other components of equity			
At January 1, 2022	(24,262)	(115,129)	532,541	22,218	554,759
Profit for the period	—	—	15,142	70	15,213
Other comprehensive income	(716)	155,469	155,469	(76)	155,393
Total comprehensive income for the period	(716)	155,469	170,612	(5)	170,606
Dividends to non-controlling interests	—	—	—	(364)	(364)
Share-based payment transactions	—	—	121	—	121
Transfer from other components of equity to retained earnings	—	(3)	—	—	—
Total transactions with owners	—	(3)	121	(364)	(243)
At June 30, 2022	(24,979)	40,337	703,275	21,847	725,123

For the six months ended June 30, 2023

in thousands of US dollars

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Remeasurements of defined benefit liability	Effective portion of cash flow hedges
At January 1, 2023	282,292	280,686	131,004	(1,092)	—	142,790
Profit for the period	—	—	23,793	—	—	—
Other comprehensive income	—	—	—	—	(54)	(462)
Total comprehensive income for the period	—	—	23,793	—	(54)	(462)
Issuance of new shares	53,976	53,976	—	—	—	—
Reduction of share capital	(145,370)	145,370	—	—	—	—
Transfer from capital surplus to retained earnings	—	(293,154)	293,154	—	—	—
Share-based payment transactions	—	90	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	(54)	—	54	—
Total transactions with owners	(91,393)	(93,715)	293,099	—	54	—
At June 30, 2023	190,899	186,970	447,898	(1,092)	—	142,327

	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, 2023	(24,041)	118,748	811,640	29,481	841,121
Profit for the period	—	—	23,793	13,550	37,343
Other comprehensive income	(4,412)	(4,929)	(4,929)	76	(4,853)
Total comprehensive income for the period	(4,412)	(4,929)	18,863	13,626	32,490
Issuance of new shares	—	—	107,953	—	107,953
Reduction of share capital	—	—	—	—	—
Transfer from capital surplus to retained earnings	—	—	—	—	—
Share-based payment transactions	—	—	90	—	90
Transfer from other components of equity to retained earnings	—	54	—	—	—
Total transactions with owners	—	54	108,044	—	108,044
At June 30, 2023	(28,453)	113,873	938,548	43,108	981,656

(4) Condensed quarterly consolidated statement of cash flows

For the six months ended June 30

in thousands of US dollars

	2022	2023
Cash flows from operating activities		
Profit before tax	24,834	54,881
Depreciation and amortization	19,595	20,887
Increase (decrease) in provisions	(43,828)	3,481
Increase (decrease) in defined benefit liability	(2,414)	(1,204)
Share of profit of investments accounted for using equity method	(48,456)	(41,686)
Finance income and finance costs	14,145	(5,514)
Decrease (increase) in trade and other receivables	(63,754)	(19,964)
Decrease (increase) in contract assets	103,526	(3,909)
Decrease (increase) in other current assets	(18,344)	(2,754)
Increase (decrease) in trade and other payables	(153,769)	3,996
Increase (decrease) in contract liabilities	(1,924)	(75,430)
Increase (decrease) in other current liabilities	(48,531)	(9,323)
Other	(22,005)	(19,107)
Subtotal	(240,927)	(95,650)
Interest received	20,633	21,550
Dividends received	40,349	56,112
Interest paid	(6,987)	(10,831)
Income taxes paid	(5,752)	(11,677)
Net cash used in operating activities	(192,684)	(40,496)
Cash flows from investing activities		
Net decrease (increase) in short-term loans receivable	(8,295)	—
Repayments of long-term loans receivable	—	6,842
Acquisition of property, plant and equipment and intangible assets	(4,409)	(2,299)
Proceeds from liquidation of investments accounted for using equity method	—	6,221
Proceeds from capital reduction of investments accounted for using equity method	9,749	—
Net cash provided by (used in) investing activities	(2,955)	10,764
Cash flows from financing activities		
Repayments of long-term borrowings	(26,396)	(3,510)
Payments of lease liabilities	(10,301)	(12,202)
Proceeds from issuance of new shares	—	107,953
Dividends paid	(13)	(6)
Dividends paid to non-controlling interests	(364)	—
Receipt of government grants	552	189
Proceeds from settlement of derivative contracts	568	—
Net decrease (increase) in treasury shares	198	—
Net cash provided by (used in) financing activities	(35,756)	92,425
Effect of changes in exchange rates on cash and cash equivalents	(4,927)	2,579
Net increase (decrease) in cash and cash equivalents	(236,323)	65,272
Cash and cash equivalents at beginning of period	810,131	492,625
Cash and cash equivalents at end of period	573,808	557,898

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

(Note to ability to continue as a going concern)

There are no material uncertainties that require disclosure.

(Note to significant changes in equity)

1. Reduction of capital stock and capital reserve with appropriation of surplus

Effective May 31, 2023 the Company reduced 19,500 million Japanese yen of capital stock and 19,823 million Japanese yen of capital reserve and transferred these amounts to other capital surplus. Then, the Company transferred the entire amount of 39,323 million Japanese yen of other capital surplus to retained earnings carried forward and appropriated to deficit carried forward.

2. Issuance of new shares through third-party allotment

The Company issued new shares for the purpose of investing and lending the funds to the affiliate companies, which the Company established for engaging in the charter business of FPSOs and FSOs.

Summary of issuance of additional shares through third-party allotment:

(1) Type and number of shares	Common stock 11,937,300 shares
(2) Per share amount	1,264 Japanese yen per share
(3) Total amount of shares issued	15,088 million Japanese yen
(4) Increase of share capital and capital reserve	Share capital 7,544 million Japanese yen Capital reserve 7,544 million Japanese yen
(5) Allotted companies and allotted number of shares	Mitsui & Co., Ltd. 1,775,000 shares Mitsui O.S.K. Lines, Ltd. 10,162,300 shares
(6) Payments received date	June 30th, 2023

The effect of transaction to the consolidated financial statements is the Japanese yen amounts above translated to US dollars using the exchange rate applicable on payments received date.