

August 5, 2022

MODEC, Inc.
Takeshi Kanamori, President & CEO
Code: TSE 6269
Contact: Corporate Planning & Strategies Dept.
TEL: +81-3-5290-1240

Announcement on Execution of Agreement regarding Establishment of Joint Venture Company with TOYO

MODEC, Inc. (“MODEC”, President & CEO: Takeshi Kanamori) announced today that MODEC and Toyo Engineering Corporation (“TOYO”, President & CEO: Haruo Nagamatsu) have executed the agreement for the establishment of a joint venture company for the Engineering, Procurement, Construction and Installation (EPCI) business of Floating Production Storage and Offloading (FPSO) vessels. The establishment of the joint venture company is subject to obtaining official permits and approvals of relevant authorities.

1. Purpose of Establishment of the Joint Venture Company

MODEC is a leading provider of floating production solutions such as FPSOs to the offshore oil & gas industry. MODEC performs EPCI activities, and further by owning and operating its own FPSOs, it provides oil companies around the world with comprehensive and competitive solutions for oil & gas production services. As offshore oil and gas development projects increase in scale and move into deeper waters, the durations of the client contracts for FPSOs have become long-term as well as FPSOs have increased in size and complexity. As one of the few companies that can address these large-scale FPSO projects, MODEC recognize the importance of enhancement of its engineering and project management capabilities to meet clients’ requirements and expectations. Furthermore, MODEC, as a leading company in the industry, is aiming to develop environmentally-friendly technologies for next-generation FPSOs.

TOYO is a global engineering group that has rich EPC experience in industrial facilities, such as oil & gas development, refinery, petrochemicals, fertilizer and power generation. There are 6 autonomous EPC group affiliates widespread across the world. With this global network, TOYO is aiming for solutions emphasizing both “Aim to realize an environmentally-friendly society” and “Enrich people’s lives”.

For the past 15 years, MODEC has been collaborating with TOYO, which boasts a robust track record as a global engineering group, on the topside EPC scopes for several FPSO projects. Through the establishment of the joint venture company, MODEC and TOYO will further deepen the form of collaboration and jointly strengthen the engineering and project management capabilities in order to carry out the challenging large-scale FPSO projects, and the two companies jointly aim to strengthen the technological capabilities and competitiveness in the FPSO industry. Furthermore, synergies between MODEC and TOYO are expected to be demonstrated in the exploration of new technology and product opportunities in growth markets as well as in the development of environmentally friendly FPSOs for realization of decarbonized society.

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2. Outline of the joint venture company

(1) Name	Offshore Frontier Solutions Pte. Ltd.
(2) Head Office	Singapore
(3) Representative	To be nominated
(4) Business	EPCI business for FPSOs
(5) Capital	10 million United States dollars
(6) Shareholding ratios (*)	MODEC Offshore Production Systems (Singapore) Pte. Ltd. ("MOPS", wholly owned subsidiary of MODEC) 65% TOYO 35%
(7) Date of establishment (*)	August 2022 (Planned)

(*) The company will initially be established by MOPS, and TOYO plans to invest in the company around September 2022 (subject to approval by the relevant authorities).

3. Outline of the joint venture partner

(1) Name	Toyo Engineering Corporation		
(2) Head office	HIBIYA FORT TOWER, 16th Floor 1-1, Nishi Shimbashi 1-chome Minato-ku, Tokyo105-0003, Japan		
(3) Representative	Haruo Nagamatsu, President & CEO		
(4) Business	R&D support, design, engineering, procurement, construction, commissioning, technical assistance for industrial facilities Business Fields: oil, gas, oil & gas development, petrochemicals, chemicals, water treatment, transportation systems, power generation, nuclear power, advanced production systems, pharmaceutical, fine chemical, distribution systems, biotechnology, environment and others		
(5) Capital	18,198 million yen		
(6) Date of establishment	May 1, 1961		
(7) Major shareholders and shareholding ratios	Mitsui & Co., Ltd.:	Ownership voting rights ratio 22.89% (Shareholding ratio 14.93 %)	
(8) Relationship between MODEC and TOYO	Capital relationship	No	
	Relationship in human resources	No	
	Business relationship	No business transactions in the last 12 months	
	Whether TOYO falls within a related party to MODEC	No	
(9) Consolidated financial results and financial position for the last 3 years			
Accounting period	FY2019	FY2020	FY2021
Consolidated total equity	35,980 million yen	40,077 million yen	44,562 million yen
Consolidated total assets	208,719 million yen	218,255 million yen	240,853 million yen
Consolidated net assets per share	544.16 yen	650.52 yen	766.81 yen
Consolidated revenue	219,094 million yen	184,000 million yen	202,986 million yen

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Consolidated operating profit	1,890 million yen	1,615 million yen	2,963 million yen
Consolidated ordinary income	2,467 million yen	2,781 million yen	3,126 million yen
Comprehensive income attributable to Owners of parent	1,664 million yen	814 million yen	1,620 million yen
Consolidated net income per share	28.40 yen	13.91 yen	27.65 yen
Dividend per share	0 yen	0 yen	0 yen

4. Schedule

Execution of the agreement for the establishment of the joint venture company: August 5, 2022

5. Future outlook

Although MODEC expects that the impact of this matter on its consolidated financial results for the fiscal year ending December 2022 will be minor, it will promptly disclose any matters that should be disclosed when necessary.