MODEC, Inc.

Consolidated Financial Statements

Years ended December 31, 2021 and 2020

【Consolidated financial statements】

① **Consolidated statement of financial position**

in thousands of US dollars

	Notes	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Assets				
Current assets				
Cash and cash equivalents	5	473,441	617,149	810,131
Trade and other receivables	6,25,33	483,410	288,303	379,394
Contract assets	25	818,255	621,596	704,730
Loans receivable	12,32,33	84,259	3,532	14,176
Other financial assets	13,17,32,34	19,409	43,202	14,171
Other current assets	14,25	165,011	319,742	138,134
Total current assets		2,043,788	1,893,527	2,060,740
Non-current assets				
Property, plant and equipment	4,7,9	65,290	70,278	51,366
Intangible assets	4,8	60,604	68,770	80,845
Investments accounted for using equity method	4,11,33	683,656	674,771	739,046
Loans receivable	12,32,33	346,879	367,191	398,562
Other financial assets	13,17,32,34	30,479	15,264	13,278
Deferred tax assets	29	43,996	52,229	54,941
Other non-current assets	4,14,25,33	25,278	34,894	26,760
Total non-current assets		1,256,187	1,283,401	1,364,801
Total assets		3,299,975	3,176,928	3,425,542

in thousands of US dollars

	Notes	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	15,32,33	1,159,661	1,058,492	1,356,472
Contract liabilities	25	200,009	490,710	405,807
Bonds and borrowings	16,32,34	127,181	84,542	426,867
Income taxes payable		34,771	38,021	40,564
Provisions	20	229,209	165,947	237,013
Other financial liabilities	21,32,34	93,695	96,815	94,549
Other current liabilities	22	88,463	104,811	103,483
Total current liabilities		1,932,992	2,039,340	2,664,758
Non-current liabilities				
Borrowings	16,32,34	98,847	45,859	55
Deferred tax liabilities	29	4,439	6,822	8
Defined benefit liability	18	50,046	58,536	54,693
Provisions	20	9,987	9,924	80,597
Other financial liabilities	21,32,34	41,093	41,298	23,584
Other non-current liabilities	22	71,532	107,298	47,084
Total non-current liabilities		275,947	269,739	206,024
Total liabilities		2,208,939	2,309,079	2,870,782
Equity				
Share capital	23	282,292	282,292	282,292
Capital surplus	23,33	280,692	280,742	280,711
Retained earnings	23	623,249	463,852	85,957
Treasury shares	23	(1,731)	(1,553)	(1,291)
Other components of equity		(113,780)	(176,394)	(115,129)
Equity attributable to owners of parent		1,070,722	848,940	532,541
Non-controlling interests		20,313	18,908	22,218
Total equity		1,091,036	867,849	554,759
Total liabilities and equity		3,299,975	3,176,928	3,425,542

② Consolidated statement of profit or loss

in thousands of US dollars

	Notes	2020	2021
Revenue	4,25,33	2,736,586	3,899,748
Cost of sales	7,8,18,19,26,33	(2,806,472)	(4,125,283)
Gross loss		(69,886)	(225,534)
Selling, general and administrative expenses	7,8,18,19,26,33	(141,077)	(145,963)
Share of profit (loss) of investments accounted for using equity method	11,32	56,790	29,309
Other income	27	16,109	24,680
Other expenses	27	(257)	(44)
Operating loss		(138,321)	(317,552)
Finance income	28,32	45,236	55,438
Finance costs	28,32	(22,686)	(82,185)
Loss before tax		(115,771)	(344,300)
Income tax expense	29	(17,941)	(15,620)
Loss for the period		(133,712)	(359,920)

Loss attributable to			
Owners of parent		(131,907)	(363,975)
Non-controlling interests		(1,804)	4,055
Profit (loss)		(133,712)	(359,920)

in US dollars

Earnings (loss) per share			
Basic earnings (loss) per share	30	(2.34)	(6.46)
Diluted earnings (loss) per share		-	-

③ Consolidated statement of comprehensive income

in thousands of US dollars

	Notes	2020	2021
Loss for the period		(133,712)	(359,920)
Other comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit liability	18,31	(3,336)	5,340
Total items that will not be reclassified subsequently to profit or loss		(3,336)	5,340
Items that may be reclassified subsequently to profit or loss			
Effective portion of cash flow hedges	31	15,888	(26,551)
Exchange differences on translation of foreign operations	31	(14,745)	(9,492)
Share of other comprehensive income of investments accounted for using equity method	11,31	(63,103)	96,902
Total items that may be reclassified subsequently to profit or loss		(61,960)	60,858
Total other comprehensive income, net of tax		(65,297)	66,199
Total comprehensive income for the period		(199,010)	(293,720)

Total comprehensive income attributable to			
Owners of parent		(197,604)	(297,650)
Non-controlling interests		(1,405)	3,929
Total comprehensive income		(199,010)	(293,720)

④ Consolidated statement of changes in equity

2020

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, 2020		282,292	280,692	623,249	(1,731)	-	(113,780)
Loss for the period		-	-	(131,907)	-	-	-
Other comprehensive income	18,31	-	-	-	-	(3,084)	(47,867)
Total comprehensive income for the period		-	-	(131,907)	-	(3,084)	(47,867)
Dividends to owners of parent	24	-	-	(24,405)	-	-	-
Purchase of treasury shares	23	-	-	-	(1)	-	-
Share-based payment transactions	19,23,33	-	49	-	179	-	-
Transfer from other components of equity to retained earnings		-	-	(3,084)	-	3,084	-
Total transactions with owners		-	49	(27,489)	178	3,084	-
At December 31, 2020		282,292	280,742	463,852	(1,553)	-	(161,648)

	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, 2020		-	(113,780)	1,070,722	20,313	1,091,036
Loss for the period		-	-	(131,907)	(1,804)	(133,712)
Other comprehensive income	31	(14,745)	(65,697)	(65,697)	399	(65,297)
Total comprehensive income for the period		(14,745)	(65,697)	(197,604)	(1,405)	(199,010)
Dividends to owners of parent		-	-	(24,405)	-	(24,405)
Purchase of treasury shares		-	-	(1)	-	(1)
Share-based payment transactions		-	-	228	-	228
Transfer from other components of equity to retained earnings		-	3,084	-	-	-
Total transactions with owners		-	3,084	(24,177)	-	(24,177)
At December 31, 2020		(14,745)	(176,394)	848,940	18,908	867,849

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	18,31	-	-	-	-	5,060	70,781
Total comprehensive income for the period		-	-	(363,975)	-	5,060	70,781
Dividends to owners of parent	24	-	-	(18,980)	-	-	-
Dividends to non-controlling interests		-	-	-	-	-	-
Share-based payment transactions	19,23,33	-	(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)	868,940	18,908	867,849
Loss for the period		-	-	(363,975)	4,055	(359,920)
Other comprehensive income	31	(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		-	-	(18,980)	-	(18,980)
Dividends to non-controlling interests		-	-	-	(620)	(620)
Share-based payment transactions		-	-	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

⑤ Consolidated statement of cash flows

in thousands of US dollars

	Notes	2020	2021
Cash flows from operating activities			
Loss before tax		(115,771)	(344,300)
Depreciation and amortization	7,8	36,827	41,189
Increase (decrease) in provisions		(61,579)	143,009
Increase (decrease) in defined benefit liability	18	8,489	(3,842)
Finance income and finance costs		(22,550)	26,747
Share of profit (loss) of investments accounted for using equity method		(56,790)	(29,309)
Decrease (increase) in trade and other receivables		145,885	(88,454)
Decrease (increase) in contract assets		196,495	(83,252)
Increase (decrease) in trade and other payables		(87,144)	301,257
Increase (decrease) in contract liabilities		291,337	(84,513)
Decrease (increase) in other current assets		(147,273)	187,111
Other		7,467	9,851
Subtotal		195,393	75,493
Interest received		47,725	32,841
Dividends received		79,968	67,233
Interest paid		(7,329)	(5,235)
Income taxes paid		(13,562)	(18,093)
Net cash from operating activities		302,195	152,239
Cash flows from investing activities			
Net decrease (increase) in short-term loans receivable		50,383	(9,301)
Payments for long-term loans receivable		(32,724)	(105,306)
Collection of loans receivable		31,280	-
Purchase of property, plant and equipment and intangible assets	7,8	(37,057)	(29,362)
Proceeds from sale of property, plant and equipment	7	24	-
Purchase of investments accounted for using equity method	33	(18,124)	(76,573)
Net cash used in investing activities		(6,218)	(220,544)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	32	29,000	(29,000)
Proceeds from long-term borrowings	32	-	160,000
Repayments of long-term borrowings	32	(127,838)	(54,249)
Proceeds from issuance of bonds	32	-	225,000
Net decrease (increase) in treasury shares	23	178	262
Dividends paid	24	(24,404)	(18,994)
Dividends paid to non-controlling interests		-	(620)
Proceeds from settlement of derivatives contracts		9,003	2,979
Receipt of government grants		5,718	2,737
Payments of lease liabilities	9,32	(21,752)	(22,150)
Net cash used in financing activities		(130,096)	(265,965)
Effect of changes in exchange rates on cash and cash equivalents		(22,171)	(4,679)
Net increase in cash and cash equivalents		143,708	192,981
Cash and cash equivalents at beginning of year	5	473,441	617,149
Cash and cash equivalents at end of year	5	617,149	810,131

【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 and first-time adoption of IFRS

These consolidated financial statements 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 29, 2022.

The Group has adopted IFRS from current year, that is from January 1, 2021 to December 31, 2021, for the Group consolidation. These consolidated financial statements are the Group's first IFRS consolidated financial statements. The date of transition to IFRS is January 1, 2020, and IFRS 1 First time Adoption of International Financial Reporting Standards has been applied. Reconciliations of the effects of transition from Japan GAAP to IFRS are presented in Note 38. First-time adoption of IFRS.

(2) Basis of measurement

The consolidated financial statements have been prepared as noted in Note 3. Significant accounting policies 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 United States (US) dollars, which is the Company's functional currency. All financial information presented has been rounded down to the nearest thousand unless otherwise indicated.

(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, income and expenses as well as the disclosures of contingent liabilities at the end of the 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

  Spread of COVID-19 infections have negatively impacted to the overall progress of ongoing EPCI projects due to suspension of construction, delays in procurement of equipment and access restrictions to construction sites.

Under the circumstances, the Group has made the accounting estimates based on the assumptions as follows:

Even if the impact of COVID-19 pandemic to projects continues, pandemic will gradually and eventually subside as vaccinated population increase and collective immunity is obtained. Thus, it would not further impact to the critical path of the project schedule.

As global pandemic is declared, the Group considers that the delays of FPSO delivery caused by COVID-19 pandemic would be a force majeure event. The Group, therefore, has not incorporated any impacts of liquidated damages caused by COVID-19 pandemic into the accounting estimates. Depending on the outcome of negotiation with the customers in the coming months, the Group may be subject to the assessment of liquidated damages.

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 Interest 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.

Interests 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.

Interests 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 interests 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 interests 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 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 a 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., SHAPE PTE. LTD. and SHAPE BRASIL SOLUCOES DIGITALS LTDA. As these companies' contractual arrangements agreed by parties provide the parties to the joint arrangements with rights to the net assets of the arrangements, the Group classifies these companies as joint ventures.

(2) Business combinations

The Group accounts for business combinations 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 both before and after the business combination, and that control is not transitory. Such a business combination is accounted for principally 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 reporting date. 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 reporting date. The income 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 in the translation reserve 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.

A regular way 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.

Transferred assets are not derecognized when the Group enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets.

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 and is not designated as at FVTPL:

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

Financial liabilities:

Financial liabilities are all classified as measured at amortized cost except as measured at FVTPL. Financial liabilities that are classified at 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 at 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, foreign 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 at 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 each reporting date, 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, currency swap contracts and interest rate swap contracts to hedge its foreign currency and interest rate risk exposures.
At the inception of the hedging relationship the Group makes formal designation and documentation of the hedging relationship and the Group’s risk management objective and strategy for undertaking the hedge. 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 determines 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 aggregate 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 deposits which are highly liquid and readily convertible into cash with maturities of three months or less from the date of acquisition and subject to an insignificant risk of changes in their fair market value.

(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 and capitalized borrowing costs. 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 based on 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 are reviewed at each reporting date and adjusted if appropriate.

(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 for intangible assets by major asset group are as follows:

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

Residual values, estimated useful lives and amortization methods are reviewed at each reporting date and adjusted as a change in accounting estimate if appropriate. The effect of the change is recognized prospectively in profit or loss.

(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, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, 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 there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, 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.

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

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine 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 each reporting date 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 reporting date 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 share points awarded to the directors and executive officers. The point award is based on the regulation of share-based payment arrangement set by the Company's board of directors. Based on the regulation the Company's ordinary shares were acquired in the stock market and held by trust established 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 agreed to the share-based arrangement. As the subject directors and executive officers provide the services, the Company recognizes expenses with the corresponding number of points, which is equal to the number of share rights of directors and executive officers 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. Substantially all these warranties are expected to be settled in approximately 4 years from the reporting date.

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 approximately 2 years from the reporting date.

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 approximately 6 years from the reporting date.

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 identified and suspended decommissioning work undertaken by the Group after the termination of its oil production. The provision is expected to be settled in approximately 1 year from the reporting date.

(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 IFRS 15 Revenue from Contracts with Customers (IFRS15) based on 5 step approach 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 and maintenance 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 are 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.

(15) Finance income and finance costs

Finance income comprises interest income, dividends received, derivative revenues and foreign currency gains. Finance costs comprises interest expenses, derivative losses, foreign currency losses and recognized 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 reporting date.

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.

(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 customer for products and services is presented in Note 25. Revenue.

(3) Information about geographical areas

Revenue from the external customer by geographical areas is as follows:

in thousands of US dollars

	2020	2021
Brazil	1,605,003	2,818,628
Senegal	181,423	517,646
Ghana	239,660	199,138
Mexico	389,672	157,016
Cote d'Ivoire	— (Note) 2	64,157
Australia	82,532	— (Note) 2
Others	238,293	143,161
Total	2,736,586	3,899,748

Note:

1. Revenue is categorized based on the country of customer location. However, if there is no individually important country, it is categorized as a region.
2. Presentations are omitted in 2020 and 2021, respectively, as it's not a subject to disclosure.

Carrying amount of non-current assets by geographical areas excluding financial instruments (other than investments accounted for using equity method), deferred tax assets and rights arising under insurance contracts is as follows:

in thousands of US dollars

	2020	2021
Netherlands	668,465	720,518
United States	84,722	64,457
Japan	39,960	46,215
Singapore	27,929	45,434
Others	27,561	21,337
Total	848,639	897,962

(4) Information about major customers

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

in thousands of US dollars

Customer's name	2020	2021
Equinor Brasil Energia Ltda.	－(Note)	1,105,552
BUZIOS5 MV32 B.V.	471,783	538,220
Woodside Energy (Senegal) B.V.	－(Note)	517,646
MARLIM1 MV33 B.V.	452,078	496,444
AREA1 MEXICO MV34 B.V.	389,672	－(Note)

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

5. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Cash and bank balances	291,143	420,670	785,262
Time deposits with maturity of 3 months or less	182,298	196,478	24,869
Total	473,441	617,149	810,131

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

The breakdown of trade and other receivables is as follows:

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Trade	455,625	287,506	356,645
Others	27,785	796	22,749
Total	483,410	288,303	379,394

Trade and other receivables are classified as financial assets measured at amortized cost.

7. Property, plant and equipment

The 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, 2020	12,868	52,422	65,290
At December 31, 2020	16,239	54,039	70,278
At December 31, 2021	12,704	38,662	51,366

(1) Reconciliation of carrying amount

Reconciliation of carrying amount of property, plant and equipment (except for 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, 2020	20,621	15,769	826	92	37,310
Additions	2,508	3,672	316	2,471	8,969
Disposals	—	(50)	(103)	—	(154)
Foreign currency translation differences	(825)	(623)	34	(20)	(1,435)
Transfers	71	—	—	(71)	—
At December 31, 2020	22,376	18,768	1,073	2,471	44,690
Additions	502	1,649	43	482	2,677
Disposals	—	(790)	—	—	(790)
Foreign currency translation differences	(208)	(284)	(23)	(165)	(681)
Transfers	2,092	81	—	(2,174)	—
Other movements	—	(6)	—	(273)	(279)
At December 31, 2021	24,763	19,418	1,093	340	45,615

in thousands of US dollars

Accumulated depreciation and impairment	Leasehold improvements	Tools, furniture and fixtures	Machinery and vehicles	Construction in progress	Total
At January 1, 2020	13,986	9,681	773	—	24,441
Depreciation	2,457	2,550	24	—	5,033
Disposals	—	(44)	(103)	—	(148)
Foreign currency translation differences	(603)	(306)	34	—	(875)
At December 31, 2020	15,841	11,880	728	—	28,450
Depreciation	2,593	2,866	82	—	5,542
Disposals	—	(713)	—	—	(713)
Foreign currency translation differences	(183)	(153)	(23)	—	(361)
Other movements	—	(6)	—	—	(6)
At December 31, 2021	18,251	13,872	787	—	32,911

in thousands of US dollars

Carrying amount	Leasehold improvements	Tools, furniture and fixtures	Machinery and vehicles	Construction in progress	Total
At January 1, 2020	6,634	6,088	53	92	12,868
At December 31, 2020	6,534	6,888	344	2,471	16,239
At December 31, 2021	6,511	5,545	306	340	12,704

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.

(2) Impairment loss

No impairment losses on property, plant and equipment were recognized in 2020 and 2021.

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, 2020	66,710	5,713	30,079	8,254	110,757
Additions	4,426	8,916	—	—	13,343
Increase due to internal development	—	3,650	—	—	3,650
Disposals	(404)	—	—	—	(404)
Foreign currency translation differences	(219)	—	—	—	(219)
At December 31, 2020	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)
Foreign currency translation differences	(216)	—	—	—	(216)
At December 31, 2021	86,957	24,076	30,079	8,254	149,367

in thousands of US dollars

Accumulated amortization and impairment	Software	Development costs	Patents and trademarks	Customer relationships	Total
At January 1, 2020	15,901	—	27,097	7,154	50,153
Amortization	6,434	—	1,461	550	8,446
Disposals	(236)	—	—	—	(236)
Foreign currency translation differences	(5)	—	—	—	(5)
At December 31, 2020	22,094	—	28,558	7,704	58,357
Amortization	7,079	1,605	1,520	550	10,755
Disposals	(4)	—	—	—	(4)
Foreign currency translation differences	(586)	—	—	—	(586)
At December 31, 2021	28,583	1,605	30,079	8,254	68,522

in thousands of US dollars

Carrying amount	Software	Development costs	Patents and trademarks	Customer relationships	Total
At January 1, 2020	50,809	5,713	2,981	1,100	60,604
At December 31, 2020	48,418	18,281	1,520	550	68,770
At December 31, 2021	58,374	22,470	—	—	80,845

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

(1) Lessee

The Group leases buildings for offices. The office leases typically run between one to eleven 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. Act on Land and Building Leases is applicable to the office building leases in Japan. The Group has a right to renew the lease at the end of lease term unless the lessor has a justifiable reason to reject. The extension options held are exercisable only by the Group and not by the lessors. 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 with contract terms of one to sixteen years. Some IT leases contain purchase options at the end of lease term. The IT equipment leases include short-term and/or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

Carrying amounts of right-of-use assets are as follows:

in thousands of US dollars

	Underlying assets			Total
	Buildings	Tools, furniture and fixtures	Machinery and vehicles	
At January 1, 2020	42,889	9,257	275	52,422
At December 31, 2020	47,685	6,177	176	54,039
At December 31, 2021	36,391	1,805	465	38,662

The increase in right-of-use assets amounted to US$22,594 thousand in 2020 and US$6,077 thousand in 2021.

Amounts recognized in profit or loss and statement of cash flows related to leases are as follows:

in thousands of US dollars

	2020	2021
Depreciation of right-of-use assets		
Buildings as underlying assets	17,434	19,096
Tools, furniture and fixtures as underlying assets	1,765	1,292
Machinery and vehicles as underlying assets	194	576
Total depreciation of right-of-use assets	19,393	20,966
Interest on lease liabilities	1,699	1,626
Expenses relating to short-term leases	4,911	5,064
Expenses relating to leases of low-value assets	849	774
Total cash outflow for leases	27,233	27,800

Maturity analysis of lease liabilities is presented in Note 32. Financial instruments.

10. Impairment losses on non-financial assets

No impairment losses on non-financial assets were recognized in 2020 and 2021.

11. Investments accounted for using equity method

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

Investments accounted for using equity method, share of profit (loss) of investments accounted for using equity method and share of other comprehensive income of investments accounted for using equity method are follows:

Investments accounted for using equity method

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Joint ventures	59,608	61,616	65,142
Associates	624,048	613,155	673,904
Total	683,656	674,771	739,046

Share of profit (loss) of investments accounted for using equity method

in thousands of US dollars

	2020	2021
Joint ventures	677	12,666
Associates	56,112	16,643
Total	56,790	29,309

Share of other comprehensive income of investments accounted for using equity method

in thousands of US dollars

	2020	2021
Joint ventures	—	(24)
Associates	(63,103)	96,927
Total	(63,103)	96,902

(2) Joint ventures

① Joint ventures that are not individually material

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

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Carrying amount of interests	59,608	61,616	65,142

in thousands of US dollars

	2020	2021
The Group's share:		
Profit (loss)	677	12,666
Other comprehensive income	—	(24)
Comprehensive income	677	12,641

(3) Associates

① Associate that is material to the Group

Associate that is material to the Group is as follows:

Name	Principal Business	Location	Share of equity		
			Transition date January 1, 2020	December 31, 2020	December 31, 2021
GAS OPPORTUNITY MV20 B.V.	Charter of FPSO	Netherlands	50.0%	50.0%	50.0%

Note: Investment in GAS OPPORTUNITY MV20 B.V. is measured using equity method.
Quoted market price of GAS OPPORTUNITY MV20 B.V. is not available as it is not publicly traded.

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

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Current assets	13,628	5,272	5,695
Non-current assets	239,896	209,941	40,828
Total assets	253,524	215,214	46,524
Current liabilities	60,405	70,925	186,075
Non-current liabilities	130,799	89,001	1,740
Total liabilities	191,204	159,927	187,815
Total equity	62,319	55,286	(141,291)
Group's share of total equity	31,159	27,643	(70,645)
Consolidation adjustments	(5,954)	(5,161)	(3,446)
Carrying amount of Group's interest	25,205	22,481	(74,092)

In thousands of US dollars

	2020	2021
Revenue	45,052	(4,700)
Profit (loss)	(8,464)	(198,134)
Other comprehensive income	1,431	1,555
Total comprehensive income (loss)	(7,032)	(196,578)
Dividend	—	—
The Group's share:		
Profit (loss)	(4,232)	(102,514)
Other comprehensive income	715	777

② Associates that are not individually material

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

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Carrying amount of interests	598,842	590,673	673,904

in thousands of US dollars

	2020	2021
The Group's share:		
Profit (loss)	60,344	45,222
Other comprehensive income	(63,819)	96,149
Comprehensive income	(3,474)	141,372

12. Loans receivable

The breakdown of loans receivable is as follows:

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Financial assets measured at amortized cost			
Short-term loans receivable	84,259	3,532	14,176
Long-term loans receivable	346,879	367,191	398,562
Total	431,138	370,723	412,739

13. Other financial assets

The breakdown of other financial assets is as follows:

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Financial assets measured at amortized cost			
Pledged deposit	15,407	13,250	750
Interest receivable	9,370	2,789	12,425
Leasehold and guarantee deposits	10,183	10,329	10,650
Others	2,154	2,345	2,258
Financial assets measured at fair value through profit or loss			
Derivative assets	12,333	29,341	955
Others	442	410	410
Total	49,889	58,467	27,450
Current assets	19,409	43,202	14,171
Non-current assets	30,479	15,264	13,278

14. Other assets

The breakdown of other assets is as follows:

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Contract fulfilment costs	62,068	203,387	31,434
Prepaid expenses	41,962	41,628	24,111
Value added tax receivable	36,782	61,674	63,655
Withholding tax receivable	28,810	24,488	34,949
Others	20,664	23,458	10,743
Total	190,289	354,637	164,894
Current assets	165,011	319,742	138,134
Non-current assets	25,278	34,894	26,760

15. Trade and other payables

The breakdown of trade and other payables is as follows:

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Trade	961,362	890,122	1,137,317
Others	198,298	168,370	219,155
Total	1,159,661	1,058,492	1,356,472

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

16. Bonds and borrowings

(1) The breakdown of bonds and borrowings

The breakdown of bonds and borrowings is as follows:

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Short-term borrowings	—	29,000	—
Current portion of long-term borrowings	127,181	55,542	31,735
Long-term borrowings	98,847	45,859	172,505
Bonds	—	—	222,682
Total	226,028	130,401	426,922
Current liabilities	127,181	84,542	426,867
Non-current liabilities	98,847	45,859	55

(2) Borrowings

Weighted average interest rates for current portion of long-term borrowings and long-term borrowings are 0.9% and 1.1%, respectively. The maturity of long-term borrowings is between 2022 and 2026.

(3) Financial covenants

Borrowings and bonds are subject to the financial covenants. The details are as follows:

① Term loan agreement

Borrowing balance: US$96,000 thousand
Total equity in the consolidated statement of financial position and the net assets of Company's stand-alone balance sheet must be equal to or more than 75% of previous year consolidated statement of financial position and balance sheet, respectively, and equal to or more than 75% of them at the end of December 2014, respectively.

② Syndicated loan agreement

Borrowing balance: US$64,000 thousand
Total equity in the consolidated statement of financial position at December 31, 2021 and yearends thereafter must be equal to or more than 75% of consolidated statement of financial position at December 31, 2020.

③ US dollar bonds

Bond balance: US$225,000 thousand
Total equity must be equal to or more than US$688,514 thousand at the end of each quarter.

The borrowings and bonds above were in breach of the financial covenants at the end of 2021. However, in February 2022, the Company obtained the consent from the lenders not to address acceleration clause.

17. Pledged asset

Pledged asset is as follows:

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Other financial assets (pledged deposit)	15,407	13,250	750
Total	15,407	13,250	750

Pledged asset (pledged deposit) is for issuance of letter of credit.
There are no outstanding liabilities to be secured on each reporting date.

18. Employee benefits

(1) Overview of defined benefit plan

The Company and some subsidiaries have defined benefit plans for employee's postretirement benefits. In addition to the defined benefit plans, the Company and some subsidiaries have defined contribution plan. 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 Company. The retirement funds are not accumulated externally but internally. The retirement lump sum payment is distributed in accordance with the retirement benefit rule in employment regulation.

(2) Defined benefit plan

① Defined benefit plan liability

Movements in defined benefit plan liability are as follows:

in thousands of US dollars

At January 1, 2020	50,046
Service cost	6,360
Interest cost	1,141
Decrease (increase) in remeasurements:	
Actuarial loss arising from financial assumptions	3,873
Actuarial gain arising from experience adjustment	(97)
Benefits paid	(3,256)
Effect of changes in exchange rates	467
At December 31, 2020	58,536
Service cost	4,665
Interest cost	783
Decrease (increase) in remeasurements	
Actuarial loss 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

Weighted average durations of defined benefit plan liabilities are 9.4 years and 10.7 years at December 31, 2020 and 2021, respectively.

② Actuarial assumptions

Actuarial assumptions are as follows:

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Discount rate (weighted average)	0.6%～2.8%	0.6%～1.8%	0.5%～2.4%

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

Note: Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below. Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

in thousands of US dollars

	Change in basic rate	December 31, 2020	December 31, 2021
Discount rate	1.0% increase	(4,668)	(4,502)
	1.0% decrease	5,469	5,255

(3) Defined contribution plans

Contributions to defined contribution plans are US$13,739 thousand in 2020 and US$11,236 thousand in 2021.

(4) Employee benefit expenses

Employee benefit expenses included in the consolidated statement of profit or loss are US$940,237 thousand in 2020 and US$1,072,316 thousand in 2021.

Employee benefit expenses are included in cost of sales and selling, general and administrative expenses.

19. Share-based payment arrangements

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

The Company has adopted share-based payment arrangements for executives since 2018.

The arrangement aims at improving consciousness of the directors and executive officers to contribute to the Group’s mid-term and long-term performances and maximize business value by clearly defining the link of the Group’s performance and share value with the directors and executive officers compensation, not only rewarding the directors and executive officers with the merit of stock price increase but also bearing the risk of stock price decrease and sharing the risk and reward of stock price fluctuations with the shareholders. Under the arrangement the Company’s ordinary shares, which were acquired in the stock market and held by the trust subsidiary established by the Company, are granted to the directors and executive officers in accordance with the regulation of share-based payment arrangement set by the Company’s board of directors.

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$15.16 in 2020 and US$17.48 in 2021.

③ Share-based payment trust arrangements expenses

Share-based payment transactions related expenses are US$49 thousand in 2020 and (US$30 thousand) in 2021. The expenses are included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

20. 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, 2020	62,587	70,063	—	96,526	10,019	239,197
Provisions made	17,912	57,721	—	—	1,904	77,538
Provisions utilized	(4,817)	(66,477)	—	(51,125)	(248)	(122,668)
Provisions reversed	(7,138)	—	—	(9,372)	—	(16,510)
Foreign currency translation differences	—	—	—	26	(1,711)	(1,685)
At December 31, 2020	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)
Foreign currency translation differences	—	—	—	—	(592)	(592)
At December 31, 2021	88,902	65,191	108,934	37,375	17,206	317,611

Note: Others include provision for lawsuits and asset retirement obligations.
Time value adjustment is included in provisions made since it is not material.

21. Other financial liabilities

The breakdown of other financial liabilities is as follows:

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Lease liabilities	61,465	61,075	43,137
Financial liabilities measured at amortized cost:			
Accrued employee benefits	69,168	71,683	67,345
Accrued interest	1,530	1,051	792
Other	69	—	—
Financial liabilities measured at fair value through profit or loss:			
Derivative liabilities	2,555	4,302	6,858
Total	134,789	138,113	118,133
Current liabilities	93,695	96,815	94,549
Non-current liabilities	41,093	41,298	23,584

22. Other liabilities

The breakdown of other liabilities is as follows:

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Deposits received	31,449	50,548	54,149
Refund liabilities	45,100	40,291	34,518
Equity method liabilities	30,996	73,901	28,939
Deferred revenue	31,089	28,827	8,091
Other	21,359	18,540	24,869
Total	159,995	212,110	150,567
Current liabilities	88,463	104,811	103,483
Non-current liabilities	71,532	107,298	47,084

Note: Refund liabilities are recognized among consideration received from customer to the extent that it is highly probable that a significant reversal in the amount of penalty estimated will not occur in future. The estimate of penalty is based on the historical amount and information available at the reporting date.

23. Equity and other components of equity

(1) Share capital

① Number of shares authorized

Number of shares authorized at each reporting date is 102, 868,000 of ordinary shares.

② Outstanding shares, share capital and capital surplus

Movements in outstanding shares, share capital and capital surplus are as follows:

	Outstanding shares (in thousands of shares)	Share capital (in thousands of US dollars)	Capital surplus (in thousands of US dollars)
At January 1, 2020	56,408	282,292	280,692
Movement	—	—	49
At December 31, 2020	56,408	282,292	280,742
Movement	—	—	(30)
At December 31, 2021	56,408	282,292	280,711

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 arrangement.

(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, 2020	60	1,731
Movement	(6)	(178)
At December 31, 2020	54	1,553
Movement	(9)	(262)
At December 31, 2021	45	1,291

Decreases are due to shares granted from trust account to the directors based on share-based payment arrangement.

(3) Capital surplus and retained earnings

① Capital surplus

Japanese corporate law requires 50% or more of value of issued shares for cash or amount of the grant is to be allocated to share capital and the rest in capital surplus. Capital surplus may be reallocated to share capital based on the resolution of 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 corporate law regulates that the amount of retained earnings equal to 10% of dividends distribution to be allocated to capital surplus or legal reserve until the aggregate amount of capital surplus and legal reserve reaches the amount equal to 25% of share capital. The retained earnings may be distributed based on the resolution of 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.

24. Dividends

(1) Dividends paid

2020

Resolution	Type of shares	Total dividends (in thousands of US dollars)	Dividend per share (in US dollars)	Record date	Effective date
March 19, 2020 Annual shareholders meeting	Ordinary shares	11,598	0.21	December 31,2019	March 23, 2020
August 5, 2020 Board of directors meeting	Ordinary shares	12,806	0.22	June 30, 2020	September 8, 2020

Note: Total dividends in March 2020 and August 2020 include US$12 thousand and US$11 thousand dividends, respectively, paid to the trust for share-based payment arrangement for executives which owns the Company's ordinary shares.

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 the trust for share-based payment arrangement for executives which owns the Company's ordinary shares.

(2) Dividends declared after reporting date

2020

Resolution	Type of shares	Source of dividends	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	Retained earnings	11,281	0.20	December 31, 2020	March 24, 2021

Note: Total dividends include US$10 thousand dividends paid to the trust for share-based payment arrangement for executives which owns the Company's ordinary shares.

2021

No dividends were declared.

25. 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. Refund liabilities subsequently recognized as revenue are not material either in previous year or current year.

in thousands of US dollars

	2020	2021
Construction contracts	1,949,760	3,115,830
Operations	774,175	763,921
Other	12,649	19,995
Total	2,736,586	3,899,748

Note:

1. The amounts are after elimination of intragroup transactions.
2. Disaggregation of revenue by geographical areas is presented in Note 4. Operating segments.

(2) Contract balances

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Trade receivables	455,625	287,506	356,645
Contract assets	818,255	621,596	704,730
Contract liabilities	200,009	490,710	405,807

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on contracts of which performance obligations satisfied over time. This primarily relates to the Group's rights to unbilled portion of construction contracts consideration for work completed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.
The contract liabilities relate to the advance considerations received from customers before transfer of products, which is required primarily due to the standpoint of credit risk management.
The amount of US$179, 698 thousand and US$469,193 thousand included in contract liabilities at January 1, 2020 and 2021 were recognized as revenue in 2020 and 2021, respectively. The amount of revenue recognized from performance obligations satisfied in previous periods is not material.

(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 allowed by IFRS 15.

in thousands of US dollars

	December 31, 2020	December 31, 2021
Within 1 year	2,734,343	2,624,350
After 1 year	10,015,398	9,047,117
Total	12,749,742	11,671,468

Note: Among the remaining performance obligations at December 31, 2021, major construction contracts will be satisfied in 2 years and operation contracts in 2 to 27 years.

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

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Assets recognized from the costs incurred to fulfill a contract with a customer	62,068	203,387	31,434
Total	62,068	203,387	31,434

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 or other non-current assets in consolidated statement of financial position.
Assets recognized for contract fulfillment costs are primarily the setup costs for operations and maintenance 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 current year are US$42,154 thousand and US$ 187,875 thousand, respectively.

26. Expenses by nature

(1) Cost of sales

The breakdown of cost of sales is as follows:

in thousands of US dollars

	2020	2021
Material and subcontracting	2,203,365	3,309,069
Employee benefits	528,286	664,420
Other	74,820	151,793
Total	2,806,472	4,125,283

(2) Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses is as follows:

in thousands of US dollars

	2020	2021
Bidding and proposals	8,430	9,585
Employee benefits	100,296	93,137
Depreciation and amortization	30,760	33,777
Other	1,590	9,462
Total	141,077	145,963

27. Other income and other expenses

(1) Other income

The breakdown of other income is as follows:

in thousands of US dollars

	2020	2021
Government grants	5,040	3,041
Recovery of special repair costs	9,618	21,274
Others	1,451	363
Total	16,109	24,680

Note: The recovery of special repair costs detail is as follows:

In year ended December 2019 the estimated amount of the Company and consolidated subsidiary to bear for the repair costs and related expenses of FPSO Cidade do Rio de Janeiro MV14, for which charter services were provided offshore Brazil, were recognized as special repair costs.
As a part of special repair costs became recoverable from associate in previous year and current year, the total recovered amounts were recognized and included in other income.

(2) Other expenses

The breakdown of other expenses is as follows:

in thousands of US dollars

	2020	2021
Loss on disposal of property and equipment and intangible assets	169	7
Others	88	37
Total	257	44

28. Finance income and finance costs

(1) Finance income

The breakdown of finance income is as follows:

in thousands of US dollars

	2020	2021
Interest income		
Financial assets measured at amortized cost	40,638	39,928
Gain on valuation of derivatives		
Financial assets and liabilities measured at fair value through profit or loss	—	1,493
Foreign exchange gain	2,247	11,395
Others	2,349	2,620
Total	45,236	55,438

(2) Finance costs

The breakdown of finance costs is as follows:

in thousands of US dollars

	2020	2021
Interest expenses		
Financial liabilities measured at amortized cost	5,214	3,365
Lease liabilities	1,699	1,626
Loss on valuation of derivatives		
Financial assets and liabilities measured at fair value through profit or loss	1,777	—
Provision for loss allowance		
Financial assets measured at amortized cost	12,412	74,185
Others	1,581	3,008
Total	22,686	82,185

29. Income tax

(1) Deferred tax assets and deferred tax liabilities

① Changes in deferred tax balances

Changes in deferred tax balances is as follows:

2020

in thousands of US dollars

	January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020
Deferred tax assets:				
Accrued business tax	505	(505)	—	—
Other financial liabilities - current	112	(112)	—	—
Provision for warranties	10,233	858	—	11,092
Loss allowances	892	(892)	—	—
Tax loss carryforwards	10,943	10,295	—	21,238
Provision for loss on construction	13,819	(8,226)	—	5,592
Estimated cost of sales	237	(237)	—	—
Construction contracts	449	6,231	—	6,680
Defined benefit liability	2,359	(2,300)	439	498
Depreciation and amortization	1,011	(521)	—	489
Unrealized profit of construction contracts	14,945	3,049	—	17,995
Effective portion of cash flow hedges	193	—	(193)	—
Others	6,670	(1,576)	—	5,094
Total	62,374	6,061	245	68,681
Deferred tax liabilities:				
Construction contracts	12,842	370	—	13,212
Undistributed profits of associates and joint ventures	1,229	(10)	—	1,218
Effective portion of cash flow hedges	3,591	—	1,353	4,944
Others	5,153	(1,255)	—	3,898
Total	22,816	(895)	1,353	23,274
Net deferred tax assets (liabilities)	39,557	6,957	(1,107)	45,406

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 and others.

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	10,373	412	79,467
Deferred tax liabilities:				
Construction contracts	13,212	(121)	—	13,091
Undistributed profits of associates and joint ventures	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	4,169	5,356	54,933

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 and others.

② Deductible temporary differences and tax loss carryforwards for which deferred tax assets not recognized

Deductible temporary differences and tax loss carryforward for which deferred tax assets are not recognized are as follows: Deductible temporary differences will not expire under current tax law. The Group has not recognized deferred tax assets on these since the certainty of generating required future taxable income is not considered high.

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Deductible temporary differences	105,332	86,465	173,838
Tax losses	119,947	147,878	217,945
Total	225,280	234,344	391,784

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

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
First year	137	—	—
Over fifth year	119,810	147,878	217,945

③ Taxable temporary differences for which deferred tax liabilities not recognized

The total amount of temporary differences related to investments in subsidiaries that are not recognized as deferred tax liabilities at the date of transition, December 31, 2020 and 2021 are US$6,747 thousand, US$10,310 thousand and US$18,200 thousand, respectively. This is because the Group has an ability to control the timing of the reversal of temporary differences and it is highly probable that the temporary differences will not reverse in the foreseeable future.

(2) Income tax

① Income tax recognized in profit or loss

in thousands of US dollars

	2020	2021
Current tax expense		
Subtotal	24,783	19,962
Deferred tax expense		
Origination and reversal of temporary differences	26,639	(91,715)
Revaluation of deferred tax assets	(33,482)	87,372
Subtotal	(6,842)	(4,342)
Total	17,941	15,620

② Reconciliation between statutory tax rate and effective tax rate

Reconciliation between statutory tax rate and effective tax rate is as follows:
The effective tax rates represent the ratio of income tax expense to loss before tax.

	2020	2021
Statutory income tax rates	31.0%	31.0%
Adjustments:		
Difference of tax rate between the Company and foreign subsidiaries	(9.6)	(2.7)
Decrease (increase) in unrecognized deferred tax assets	(52.3)	(41.5)
Permanently non-deductible items such as entertainment expenses	0.1	(0.2)
Share of profit (loss) of investments accounted for using equity method	15.2	9.1
Others	0.1	(0.2)
Effective tax rate	(15.5)	(4.5)

Note: The Company calculates the statutory tax rate as 31.0% for the year end of December 31, 2020 and 31.0% for the year end of December 31, 2021 based on the corporate income tax, inhabitant tax, and enterprise tax in Japan. (The Company is subject to corporation, inhabitant and enterprise taxes. The statutory tax rate is calculated based on these taxes.)
Subsidiaries operating in other countries are subject to corporate income taxes and other taxes in the countries where they are located.

(3) Uncertain income tax treatment

Consolidated subsidiaries of MODEC MANAGEMENT SERVICES PTE.LTD., MODEC (GHANA) LTD., and MODEC PRODUCTION SERVICES GHANA JV LIMITED, and an associate, T.E.N. GHANA MV25 B.V., applied equity method (hereafter referred as the companies) are under tax audit by the Ghanaian tax authorities for the years 2012 through 2018. The companies firstly received the letter from the authorities notifying the additional tax due in 2019, and since then, the investigation has been continued and the companies have received the updated tax audit letters in November 2020, December 2021, and March 2022. Although the amount of the additional tax due has decreased in the letters, the Group judged that the companies have properly filed their tax returns in accordance with local tax laws and therefore continued to submit the objection letters to the authorities. Accordingly, the portion that the companies have objected has not been reflected in the financial statement for current year, and the Group believes that it will not have a significant impact on the Group's financial results in the future.

30. Earnings per share

Earnings (loss) per share are as follows:

in US dollars

	2020	2021
Basic earnings (loss) per share	(2.34)	(6.46)

The following reflects the share data used in the basic earnings (loss) per share calculation:

	2020	2021
Profit (loss) used in the basic earnings (loss) per share calculation		
Profit (loss) attributable to owners of parent (in thousands of US dollars)	(131,907)	(363,975)
Weighted average number of ordinary shares used in the basic earnings (loss) per share calculation (in thousands of shares)	56,351	56,359

Note:

1. 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 55 thousand shares in 2020 and 47 thousand shares in 2021.
2. Share-based compensation of 23 thousand shares in 2020 and 25 thousand shares in 2021 are not included in potential ordinary shares as they are anti-dilutive.

31. 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:

2020

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 to profit or loss					
Remeasurements of defined benefit liability	(3,776)	—	(3,776)	439	(3,336)
Total items that will not be reclassified to profit or loss	(3,776)	—	(3,776)	439	(3,336)
Items that may be reclassified to profit or loss					
Effective portion of cash flow hedges	22,095	(4,524)	17,570	(1,682)	15,888
Exchange differences on translation of foreign operations	(14,745)	—	(14,745)	—	(14,745)
Share of other comprehensive income of investments accounted for using equity method	(129,263)	36,494	(92,768)	29,665	(63,103)
Total items that may be reclassified to profit or loss	(121,913)	31,969	(89,943)	27,983	(61,960)
Total	(125,689)	31,969	(93,720)	28,422	(65,297)

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 to profit or loss					
Remeasurements of defined benefit liability	5,821	—	5,821	(480)	5,340
Total items that will not be reclassified to profit or loss	5,821	—	5,821	(480)	5,340
Items that may be reclassified 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	81,291	45,208	126,500	(29,597)	96,902
Total items that may be reclassified to profit or loss	35,035	49,780	84,815	(23,956)	60,858
Total	40,857	49,780	90,637	(24,437)	66,199

32. 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.
Profit attributable to owners of parent and ROE (rate of return on equity attributable to owners of parent) are managed as indicators related to maintaining a sound financial position.
The Group's capital management is designed to achieve sustainable growth and increase the Group's corporate value.
The main indicator used by the Group for capital management is as follows:

	2020	2021
ROE (%)	(13.7)	(52.7)

Note: Profit attributable to owners of parent/Equity attributable to owners of parent (Average between beginning and end of current 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 the number of customers to those with creditworthiness based on credit checks and by managing the balance of receivables and payables on a regular basis. Loans receivable and financial guarantee contracts are exposed to credit risk of counterparties. The Company addresses collection issues earlier 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 after impairment 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

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Financial guarantee contracts	673,253	1,763,101	2,029,798

The credit risk of the financial guarantee contracts above is immaterial.

② Credit risk management

The Group recognizes a loss allowance for financial assets classified as financial assets measured at amortized cost. In recognizing and measuring the loss allowance, the Group classifies financial assets into 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 the risk of a default at the reporting date 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, such as when a receivable is legally extinguished, the carrying amount of the financial asset is written off directly.
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 reporting date 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

Changes in loss allowance are as follows:

in thousands of US dollars

	2020			
	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, 2020	—	1,730	—	2,486
Provision (Note)	—	7,237	—	12,412
Utilization	—	(1,198)	—	—
Reversal (Note)	—	—	—	—
Other	—	—	—	—
At December 31, 2020	—	7,770	—	14,899

in thousands of US dollars

	2021			
	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 (Note)	—	10,738	—	74,185
Utilization	—	(95)	—	—
Reversal (Note)	—	—	—	—
Other	—	—	—	—
At December 31, 2021	—	18,413	—	89,085

Note: There are no significant changes in the total carrying amount of loans receivable in the prior or current years that would affect the change in the loss allowance. In addition, there are no properties held as collateral or other credit enhancements. In the current year 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, 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 the company.

④ Carrying amounts of financial instruments related loss allowance

Carrying amounts of financial instruments related loss allowance (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, 2020	496,038	1,275,612	—	2,486
At December 31, 2020	400,235	916,820	—	14,952
At December 31, 2021	461,572	1,074,621	—	94,252

⑤ Credit risk analysis

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

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Within 30 days after due date	42,393	26,897	16,692
More than 30 days and within 60 days after due date	6,013	15,782	2,726
More than 60 days and within 90 days after due date	15,960	5,818	925
More than 90 days after due date (Note)	50,038	63,207	75,989
Total	114,405	111,706	96,333

Note: Includes US$2,486 thousand at January 1, 2020, US$2,486 thousand at December 31, 2020, and US$2,486 thousand at December 31, 2021 of credit impaired amount at each reporting date.

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

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Within 30 days after due date (Note)	—	—	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	—	—	—
Total	—	—	12,663

Note: Includes US$12,663 thousand of credit impaired at December 31, 2021.

(4) Liquidity risk

① Liquidity risk management

The Group procures funds mainly through borrowings from financial institutions and issuing bonds. Although trade payable and borrowings are exposed to liquidity risk, they are managed by the finance department with preparing and updating a cash flow management plan based on the information from each Group entity. In addition, the Group may enter into commitment line with financial institutions to ensure the flexibility and liquidity of fund procurement.

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

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Total amount of commitment line	160,000	160,000	160,000
Drawn borrowings	—	—	—
Undrawn commitment balance	160,000	160,000	160,000

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

Balance of financial liabilities (including derivative financial instruments) by due date is as follows:

Transition date, January 1, 2020

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	1,159,661	1,159,661	—	—	—	—	—
Bonds and borrowings	232,798	130,206	55,929	33,734	6,015	4,639	2,273
Lease liabilities	66,268	22,290	17,621	7,146	12,341	4,812	2,056
Financial guarantee contracts	673,253	673,253	—	—	—	—	—
Subtotal	2,131,982	1,985,412	73,550	40,880	18,356	9,452	4,329
Derivative financial liabilities							
Cash inflow	92,822	88,114	4,707	—	—	—	—
Cash outflow	95,393	90,369	4,852	90	54	22	3
Total	2,134,553	1,987,667	73,696	40,970	18,410	9,474	4,333

At December 31, 2020

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	1,176,894	1,176,894	—	—	—	—	—
Bonds and borrowings	132,069	85,627	33,719	5,880	4,576	2,264	—
Lease liabilities	64,421	21,797	19,205	8,670	7,721	3,007	4,019
Financial guarantee contracts	1,763,101	1,763,101	—	—	—	—	—
Subtotal	3,136,487	3,047,421	52,925	14,551	12,298	5,271	4,019
Derivative financial liabilities							
Cash inflow	619	619	—	—	—	—	—
Cash outflow	4,930	4,351	298	183	85	12	0
Total	3,140,797	3,051,152	53,223	14,735	12,383	5,284	4,019

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

Note:

1. The amounts above are presented at undiscounted gross amounts and include contractual interest payments.
2. Financial guarantee contracts are contracts to compensate for such losses based on performance claims in the event that the debtor is unable to repay the debt covered by the guarantee obligation and are included in the earliest period in which performance of the guarantee may be required in the maximum amount.
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.
4. Bonds and borrowings are subject to financial covenants as described in Note 16. Bonds and borrowings (3) Financial covenants.

(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, the Group's functional currency) as the Group operates its business globally. In order to prevent the incurring and expanding the losses associated with foreign currency risk, the Group's risk management policy is to hedge the net exposed foreign currency risk arising from purchase order in foreign currencies unable to offset corresponding revenue and exceeding a certain threshold and net exposed balance of loans receivable and borrowings in foreign currencies with mainly utilizing forward exchange contracts and currency swaps. The Group generally 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 the currency, amount and timing of the related cash flows and assesses the effectiveness of the hedge.

② Exposures to foreign currency fluctuation

Exposures to foreign currency fluctuation are as follows:

The amount of exposure excludes the amount of foreign currency risk hedged using derivative transactions.

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Brazilian Real	(129,648)	(119,588)	(276,630)

③ Sensitivity analysis of foreign currency

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

2020

in thousands of US dollars

	Impact on profit	Impact on equity
Brazilian Real	11,643	11,958

2021

in thousands of US dollars

	Impact on profit	Impact on equity
Brazilian Real	27,663	27,663

(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 of profit 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

	2020	2021
Impact on profit	(139)	(624)
Impact on equity	729	(269)

③ Exposures to interest rate fluctuation

Exposures to interest rate fluctuation are as follows:

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Variable rate financial instruments			
Financial liabilities	196,964	84,213	198,623
Financial assets	52,978	19,835	74,039
Net balance	143,985	64,378	124,583
Impact of interest rate swaps	181,364	73,413	32,623
Net balance	(37,378)	(9,035)	91,960

(7) Interest rate benchmark reform and related risk management

Fundamental reform of major interest rate benchmark is underway and some interbank rates including the London Interbank Offered Rate (LIBOR) will be replaced by alternative risk-free rates (Interest Rate Benchmark Reform). Publication of LIBOR has already been permanently discontinued since the end of December 2021, with the exception of certain US dollar tenors, which are scheduled to remain published until June 2023. At December 31,

2021, the Group held financial instruments that reference LIBOR. The finance department monitors and manages the risks associated with Interest Rate Benchmark Reform, and based on the risk situation, the Group is in the process of shifting to an alternative reference rate and introducing fallback clauses.
The financial instruments that the Group holds that reference LIBOR are non-derivative debt of borrowings and derivative transaction of interest rate swap contracts referred to US dollar LIBOR and fallback clauses have been introduced to the contracts of which amounts are material. The Group's policy is to shift to an alternative reference rate when US dollar LIBOR ceases to be published. There are no material contracts which will not end before June 2023 and for which fallback clauses have not been introduced.

Outstanding contracts reference to US dollar LIBOR at December 31, 2021

in thousands of US dollars

	Outstanding balance reference to LIBOR after December 31, 2021	Outstanding balance introduced appropriate fallback clauses
Financial assets		
Loans receivable	14,176	—
Financial liabilities		
Borrowings	184,050	160,000
Derivatives		
Interest rate swaps	18,050	—

(8) Fair value of financial instruments

① Fair value and carrying amount

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, bonds and borrowings are not included because their fair value approximates their carrying amounts.

in thousands of US dollars

	Transition date January 1, 2020		December 31, 2020		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Loans receivable	431,138	448,126	370,723	408,827	412,739	435,022
Bonds and borrowings	226,028	226,028	130,401	130,401	426,922	429,623

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, which are classified by a certain period of time 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 fair value approximates the carrying amount deemed that the interest rate reflects market interest rates over a short period of time.

The fair value hierarchy for loans receivable, bonds and borrowings is classified as Level 3.

(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 2020 and 2021.

Financial instruments ordinarily measured at fair value are as follows:

Transition date, January 1, 2020

in thousands of US dollars

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	12,333	—	12,333
Other	—	442	—	442
Total	—	12,775	—	12,775
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	2,555	—	2,555
Total	—	2,555	—	2,555

At December 31, 2020

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	—	29,341	—	29,341
Other	—	410	—	410
Total	—	29,751	—	29,751
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	4,302	—	4,302
Total	—	4,302	—	4,302

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

The fair values of derivative assets and liabilities, such as forward exchange contracts and interest rate swaps, are not traded in active markets and, therefore, the fair values are based on the best available observable market data and

not relying on the entity's own estimates to the extent possible. If all significant inputs are observable, the item is classified as Level 2.
In accordance with the valuation policies and procedures for fair value measurements established by the Group, the finance department determines the valuation methods and measures the fair value of the financial instruments.
The results of the fair value measurements are approved by the appropriate responsible person.

(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 risk and seeks to mitigate market risks by utilizing transactions that have the effect of offsetting risks. Furthermore, the Group reduces the market risks by utilizing various derivative transactions in accordance with its risk management strategy.
Applying hedge accounting, in order to confirm that the changes in fair value or cash flows of the hedged items attributable to the hedged risk are in an economic relationship which can be offset with the changes in fair value or cash flows of the hedging instruments, in principle, the existence of an economic relationship between the hedged item and the hedging instrument is confirmed through a qualitative assessment of whether the significant conditions of the hedged item and the hedging instrument are matched or closely matched and a quantitative assessment of whether the changes in value of the hedged item and the hedging instrument are offset each other under the same risk. The ineffective portion of the hedge is recognized immediately in profit or loss. Although the Group adopts highly effective hedges, ineffective portions of hedges may be expected due to differences in the timing of cash flows between hedging instruments and hedged items and fluctuations in the forecasted value of cash flows between hedging instruments and hedged items.
The Group also sets 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 designates forward exchange contracts and interest and currency swaps as cash flow hedge mainly to hedge against the risk of fluctuations of foreign exchange rates related to trade receivables and payables denominated in foreign currency, and interest rate swap to hedge against the risk of fluctuations of interest payments related to borrowings.
The Group uses interest rate swaps as hedging instruments on an individual contract basis to hedge against the risk of fluctuations of interest payments and to fix interest expenses for certain borrowings with variable interest rates. The Group also uses forward exchange contracts and interest rate and currency swaps as hedging instruments to hedge against the risk of exchange rate fluctuations for trade receivables and payables denominated in foreign currencies and borrowings.

① Material derivative transactions designated as hedge

The carrying amounts of hedging instruments for which the Company and certain consolidated subsidiaries apply hedge accounting are as follows:

Transition date, January 1, 2020

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					
Interest rate and currency swaps	135,114	43,712	11,148	―	(4,061)
Interest rate risk					
Interest rate swaps	46,250	27,150	―	406	(935)
Foreign currency risk					
Forward exchange contracts	199,766	4,830	1,184	2,148	(9,700)

Derivative assets or liabilities are included in other financial assets or other financial liabilities, respectively, in the consolidated statement of financial position.

The average rates related to hedging instruments are as follows:

		Average rate
Interest rate and currency swaps		120.57 yen / US dollar 2.68%
Interest rate swaps		2.88%
Forward exchange contracts	Euro Norwegian krone Japanese yen British pound Singapore dollar Swiss Franc Brazilian Real Canadian dollar Mexican peso	1.14 US dollars / Euro 8.93 kroner / US dollar 106.15 yen / US dollar 1.30 US dollars / pound 1.35 Singapore dollars / US dollar 0.97 francs / US dollar 4.09 real / US dollar 1.32 Canadian dollars / US dollar 19.51 pesos / US dollar

At December 31, 2020

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 Interest rate and currency swaps	46,263	16,194	5,708	—	(4,868)
Interest rate risk Interest rate swaps	27,150	18,050	—	1,038	(966)
Foreign currency risk Forward exchange contracts	389,645	28,253	23,632	3,264	25,620

Derivative assets or liabilities are included in other financial assets or other financial liabilities, respectively, in the consolidated statement of financial position.

The average rates related to hedging instruments are as follows:

		Average rate
Interest rate and currency swaps		120.63 yen / US dollar 2.67%
Interest rate swaps		3.01%
Forward exchange contracts	Euro Norwegian krone Japanese yen British pound Singapore dollar Swiss Franc Brazilian Real Mexican peso	1.15 US dollars / Euro 10.25 kroner / US dollar 106.15 yen / US dollar 1.30 US dollars / pond 1.39 Singapore dollars / US dollar 0.90 francs / US dollar 4.69 real / US dollar 19.93 pesos / US dollar

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					
Interest rate and currency swaps	13,895	—	514	—	(5,884)
Interest rate risk					
Interest rate swaps	18,050	11,250	—	387	187
Foreign currency risk					
Forward exchange contracts	125,085	—	441	6,432	(29,776)

Derivative assets or liabilities are included in other financial assets or other financial liabilities, respectively, in the consolidated statement of financial position.

The average rates related to hedging instruments are as follows:

		Average rate
Interest rate and currency swaps		120.62 yen / US dollar 2.67%
Interest rate swaps		3.08%
Forward exchange contracts	Euro	1.17 US dollars / Euro
	Norwegian krone	8.57 kroner / US dollar
	Japanese yen	109.14 yen / US dollar
	Singapore dollar	1.35 Singapore dollars / US dollar
	Swiss Franc	0.90 francs / US dollar

② Cash flow items related to hedged items designated as hedges

The amounts recognized in other components of equity for hedging instruments for which the Company and certain consolidated subsidiaries applying hedge accounting are as follows:

Transition date, January 1, 2020

in thousands of US dollars

Classification of risks	Cash flow hedge reserve
Interest rate and currency risk	7,818
Interest rate risk	(406)
Foreign currency risk	(1,269)

At December 31, 2020

in thousands of US dollars

Classification of risks	Cash flow hedge reserve
Interest rate and currency risk	4,261
Interest rate risk	(1,038)
Foreign currency risk	18,808

At December 31, 2021

in thousands of US dollars

Classification of risks	Cash flow hedge reserve
Interest rate and currency risk	352
Interest rate risk	(387)
Foreign currency risk	(4,484)

③ Effect of consolidated statements of profit or loss and comprehensive income

The amounts recognized in the consolidated statements of profit or loss and comprehensive income for hedging instruments for which the Company and certain consolidated subsidiaries applying hedge accounting are as follows:

2020

in thousands of US dollars

Classification of risks	Gains or losses on hedges recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Line item where ineffective portion of hedges included	Amount directly included in carrying amount of asset or liability	Amount reclassified from other components of equity to profit or loss	Line items where amount reclassified from other components of equity to profit or loss included
Interest rate and currency risk	(4,868)	—	—	—	(571)	Finance costs
Interest rate risk	(966)	—	—	—	334	Finance costs
Foreign currency risk	27,930	(2,310)	Finance costs	—	(4,288)	Finance income

2021

in thousands of US dollars

Classification of risks	Gains or losses on hedges recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Line item where ineffective portion of hedges included	Amount directly included in carrying amount of asset or liability	Amount reclassified from other components of equity to profit or loss	Line items where amount reclassified from other components of equity to profit or loss included
Interest rate and currency risk	(5,884)	—	—	—	690	Finance costs
Interest rate risk	187	—	—	—	463	Finance costs
Foreign currency risk	(31,066)	1,289	Finance income	—	3,417	Finance income

④ Changes in other components of equity relating cash flow hedges

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

in thousands of US dollars

	Interest rate and currency risk	Interest rate risk	Foreign currency risk	Total
At January 1, 2020	7,818	(406)	(1,269)	6,142
Amount arising during the period	(3,184)	(966)	23,430	19,279
Reclassification adjustments to profit	(373)	334	(3,352)	(3,391)
At December 31, 2020	4,261	(1,038)	18,808	22,031
Amount arising during the period	(4,428)	187	(26,086)	(30,327)
Reclassification adjustments to profit	519	463	2,792	3,775
At December 31, 2021	352	(387)	(4,484)	(4,520)

33. Related parties

(1) Related party transactions

① Name of related parties and relationship with the Group

Refer to Note 35. 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 in 2020 and 2021.

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

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Associates			
Receivables	500,350	552,480	665,646
Payables	1,834	18,536	3,805
Joint ventures			
Receivables	1,544	19,704	37,328
Payables	―	568	972

Note: The Group has loans receivable in cash of US$431,138 thousand at transition date, US$383,826 thousand at December 31, 2020 and US$499,337 thousand at December 31, 2021. Also, the Group has recognized loss allowances of US$12,412 thousand at December 31, 2020 and US$90,568 thousand at December 31, 2021 on the receivables of associates and joint ventures, and they are netted with receivables above. No loss allowances were recognized at transition date. Unsettled balances include consumption and other taxes. There are no collateralized transactions with associates and joint ventures.

③ Transactions with associates and joint ventures

in thousands of US dollars

	2020	2021
Associates		
Revenue	1,644,146	1,822,380
Purchase	10,185	3,015
Interest income	36,907	37,420
Dividend income	52,949	67,233
Underwriting of additional investment	13,151	93,198
Joint ventures		
Revenue	27,443	72,625
Purchase	1,595	9,386
Interest income	105	24
Dividend income	1,000	9,000

Note: Trade terms, conditions and policy of trade terms and conditions are as follows:

- Consumption and other taxes are not included in amount of transaction.
- Trade terms and conditions are arm's length basis. No receivables or payables have collaterals or guarantees.
- Underwriting of additional investment is for newly established companies and capital increase of existing companies.

(2) Remuneration of key management personnel

in thousands of US dollars

	2020	2021
Base salary	1,941	1,304
Share-based payment	90	65
Total	2,032	1,370

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

34. 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, 2020	—	226,028	—	61,465	(14,370)	273,123
Changes from financing cash flows	29,000	(127,838)	—	(21,752)	9,003	(111,587)
Non-cash transactions						
New leases and contract modifications	—	—	—	22,594	—	22,594
Effect of changes in exchange rates	—	3,211	—	(1,232)	—	1,978
Changes in fair values	—	—	—	—	(1,363)	(1,363)
At December 31, 2020	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

Note: Derivatives are held to hedge interest rate and exchange rate fluctuation risks of borrowings.

35. List of Group companies

(1) 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) PTE. LTD.	Singapore	FPSO engineering services, FPSO design, construction and installation	100.0
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 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
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
3 others			
Total 23 subsidiaries			
Associates			
ESPADARTE MV14 B.V.	Netherlands	FPSO charter	40.6
PRA-1 MV15 B.V.	Netherlands	FSO charter	40.6
OPPORTUNITY MV18 B.V.	Netherlands	FPSO charter	45.0
GAS OPPORTUNITY MV20 B.V.	Netherlands	FPSO charter	50.0
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
STYBARROW MV16 B.V.	Netherlands	FPSO charter	40.0
RANG DONG MV17 B.V.	Netherlands	FSO charter	65.0
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 24 associates and joint ventures			

(2) Information on non-controlling interests

There are no subsidiaries that have non-controlling interests that are material to the Group.

36. Contingencies

Financial guarantees

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

in thousands of US dollars

	Transition date January 1, 2020	December 31, 2020	December 31, 2021
Guarantees for joint ventures	5,000	5,000	5,000
Guarantees for associates	668,253	1,758,101	2,024,798
Total	673,253	1,763,101	2,029,798

37. Subsequent events

There are no significant or material reportable events.

38. First-time adoption of IFRS

The Group has disclosed its consolidated financial statements in accordance with IFRS for the first time in the current year. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are for the year ended December 31, 2020. The transition date to IFRS is January 1, 2020.

Exemption clause in IFRS 1

IFRS requires a company that applies IFRS for the first time to retrospectively apply the standards required in IFRS in principle. However, IFRS 1 stipulates those to which the exemption clause is voluntarily applied for some standards required by IFRS.

The Group elected to use the following exemptions:

① Cumulative translation differences

The Group regards cumulative translation differences of foreign operations as zero at the transition date and recognizes as retained earnings.

② Leases (as a lessee)

IFRS 1 allows a first-time adopter to measure a lease liability and a right-of-use asset at the date of transition to IFRS for all those lease contracts on the basis of facts and circumstances exiting at that date. The Group has measured a lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of transition to IFRS. And the Group has measured a right-of-use asset, on a lease-by-lease basis, at either its carrying amount as if IFRS has been applied since the commencement date of the lease, but discounted using the lessee’s incremental borrowing rate at the date of transition to IFRS, or an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of transition to IFRS.

The Group has applied IAS 36 “Impairment of Assets” to a right-of-use assets at the date of transition to IFRS.

The reconciliation required to be disclosed at the first-time adoption of IFRS is as follows: “Reclassification” column in the reconciliation table below presents items that do not affect retained earnings and comprehensive income and “Recognition and measurement differences” column presents items that affect retained earnings and comprehensive

income.
The Group presents its consolidated financial statements and the note to the consolidated financial statements in US dollars which was judged as the Group's functional currency at the adoption of IFRS.

(1) Reconciliation of equity at the date of transition (January 1, 2020)

Japanese GAAP accounts	Japanese GAAP (in millions of yen)	Functional currency translation (in millions of US dollars)	Reclassification (in millions of US dollars)	Recognition and measurement differences (in millions of US dollars)	IFRS (in millions of US dollars)	Notes	IFRS accounts
Assets							Assets
Current assets							Current assets
Cash and time deposits	52,381	478	(2)	(2)	473	A	Cash and cash equivalents
Accounts receivable-trade	163,364	1,491	(998)	(9)	483	B, C, F	Trade and other receivables
	-	-	1,035	(217)	818	B	Contract assets
Inventories	4,630	42	(42)	-	-	D	
Short-term loans receivable	8,387	76	-	7	84		Loans receivable
	-	-	22	(3)	19	A	Other financial assets
Other current assets	19,198	175	(2)	(7)	165	D, F	Other current assets
Allowance for bad debts	(450)	(4)	2	1	-	C	
Total current assets	247,512	2,259	15	(231)	2,043		Total current assets
Fixed assets							Non-current assets
Property and equipment	5,048	46	-	19	65	N	Property, plant and equipment
Goodwill	850	7	(7)	-	-		
Intangible assets	8,801	80	(14)	(5)	60		Intangible assets
Investment securities	72,202	657	-	26	683	G	Investments accounted for using equity method
Long-term loans receivable from affiliates	37,886	345	-	1	346		Loans receivable
	-	-	54	(23)	30		Other financial assets
Deferred tax assets	3,922	35	-	8	43	P	Deferred tax assets
Other investments	6,965	63	(47)	9	25		Other non-current assets
Total fixed assets	135,677	1,237	(15)	34	1,256		Total non-current assets
Total assets	383,189	3,496	-	(196)	3,299		Total assets

Japanese GAAP accounts	Japanese GAAP (in millions of yen)	Functional currency translation (in millions of US dollars)	Reclassification (in millions of US dollars)	Recognition and measurement differences (in millions of US dollars)	IFRS (in millions of US dollars)	Notes	IFRS accounts
Liabilities							Liabilities
Current liabilities							Current liabilities
Accounts payable-trade	150,847	1,377	91	(308)	1,159	O	Trade and other payables
Current portion of long-term loans payable	13,931	127	(127)	-	-		
Accrued expenses	18,110	165	(189)	24	-		
Income taxes payable	5,129	46	(12)	-	34		Income taxes payable
	-	-	226	2	229	H	Provisions
Advances received	13,411	122	(122)	-	-	E, O	
			122	77	200	E, O	Contract liabilities
			127	-	127		Bonds and borrowings
Provision for loss on construction contracts	7,146	65	(65)	-	-	H	
Provision for construction warranty	6,930	63	(63)	-	-	H	
Provision for repairs	10,573	96	(96)	-	-	H	
Other provisions	111	1	(1)	-	-	I	
	-	-	85	8	93	N	Other financial liabilities
Other current liabilities	5,668	51	16	20	88	I	Other current liabilities
Total current liabilities	231,860	2,116	(7)	(175)	1,932		Total current liabilities
Long-term liabilities							Non-current liabilities
Long-term loans payable	10,827	98	-	-	98		Borrowings
Lease obligations	2,238	20	(20)	-	-		
Net defined benefit liabilities	366	3	42	4	50		Defined benefit liability
Deferred tax liabilities	196	1	-	2	4		Deferred tax liabilities
Liabilities from application of equity method	5,451	49	(49)	-	-		
Other long-term provision	285	2	5	1	9	H	Provisions
	-	-	21	19	41	N	Other financial liabilities
Other long-term liabilities	6,596	60	8	2	71		Other non-current liabilities
Total long-term liabilities	25,962	237	7	30	275		Total non-current liabilities
Total liabilities	257,823	2,353	-	(144)	2,208		Total liabilities
Net assets							Equity
Common stock	30,122	284	-	(2)	282	K	Share capital
Capital surplus	29,301	276	-	4	280		Capital surplus
Retained earnings	71,950	652	-	(29)	623	L, M, R	Retained earnings
Treasury shares	(188)	(1)	-	-	(1)		Treasury shares
Total accumulated other comprehensive income	(9,394)	(101)	-	(12)	(113)	L, M, Q	Other components of equity
	121,791	1,110	-	(39)	1,070		Equity attributable to owners of parent
Non-controlling interests	3,575	32	-	(12)	20		Non-controlling interests
Total net assets	125,366	1,143	-	(52)	1,091		Total equity
Total liabilities and net assets	383,189	3,496	-	(196)	3,299		Total liabilities and equity

(2) Reconciliation of equity at December 31, 2020

Japanese GAAP accounts	Japanese GAAP (in millions of yen)	Functional currency translation (in millions of US dollars)	Reclassification (in millions of US dollars)	Recognition and measurement differences (in millions of US dollars)	IFRS (in millions of US dollars)	Notes	IFRS accounts
Assets							Assets
Current assets							Current assets
Cash and time deposits	66,117	638	(13)	(8)	617	A	Cash and cash equivalents
Accounts receivable-trade	124,741	1,205	(974)	57	288	B, C, F	Trade and other receivables
	-	-	979	(357)	621	B	Contract assets
Inventories	19,066	178	(178)	-	-	D	
Short-term loans receivable	-	-	-	3	3		Loans receivable
	-	-	49	(6)	43	A	Other financial assets
Other current assets	19,082	183	135	-	319	D, F	Other current assets
Allowance for bad debts	(1,061)	(10)	10	-	-	C	
Total current assets	227,946	2,195	9	(311)	1,893		Total current assets
Long-term assets							Non-current assets
Property and equipment	4,728	45	-	24	70	N	Property, plant and equipment
Goodwill	653	6	(6)	-	-		
Intangible assets	9,622	92	(8)	(14)	68		Intangible assets
Investment securities	67,543	646	-	28	674	G	Investments accounted for using equity method
Long-term loans receivable from affiliates	38,004	367	-	-	367		Loans receivable
	-	-	46	(31)	15		Other financial assets
Deferred tax assets	4,832	46	-	5	52	P	Deferred tax assets
Other investments	4,200	40	(40)	35	34		Other non-current assets
Total long-term assets	129,585	1,244	(9)	48	1,283		Total non-current assets
Total assets	357,532	3,439	-	(262)	3,176		Total assets

Japanese GAAP accounts	Japanese GAAP (in millions of yen)	Functional currency translation (in millions of US dollars)	Reclassification (in millions of US dollars)	Recognition and measurement differences (in millions of US dollars)	IFRS (in millions of US dollars)	Notes	IFRS accounts
Liabilities							Liabilities
Current liabilities							Current liabilities
Accounts payable-trade	151,331	1,462	83	(487)	1,058	O	Trade and other payables
Short-term loans payable	3,001	28	55	-	84		Bonds and borrowings
Current portion of long-term loans payable	5,748	55	(55)	-	-		
Accrued expenses	15,653	151	(177)	25	-		
Income taxes payable	5,189	50	(12)	-	38		Income taxes payable
	-	-	165	-	165	H	Provisions
Advances received	32,455	305	(305)	-	-	E, O	
	-	-	305	185	490	E, O	Contract liabilities
Provision for loss on construction contracts	5,579	53	(53)	-	-	H	
Provision for construction warranty	7,256	70	(70)	-	-	H	
Provision for repairs	3,731	36	(36)	-	-	H	
Other provisions	158	1	(1)	-	-	I	
	-	-	85	10	96	N	Other financial liabilities
Other current liabilities	7,690	74	6	24	104	I	Other current liabilities
Total current liabilities	237,796	2,288	(7)	(242)	2,039		Total current liabilities
Long-term liabilities							Non-current liabilities
Long-term loans payable	4,746	45	-	-	45		Borrowings
Lease obligations	1,620	15	(15)	-	-		
Net defined benefit liabilities	885	8	49	-	58		Defined benefit liability
Deferred tax liabilities	62	0	-	6	6		Deferred tax liabilities
Liabilities from application of equity method	10,807	104	(104)	-	-		
Other provisions	271	2	5	1	9	H	Provisions
	-	-	15	25	41	N	Other financial liabilities
Other long-term liabilities	6,326	61	56	(10)	107		Other non-current liabilities
Total long-term liabilities	24,720	238	7	23	269		Total non-current liabilities
Total liabilities	262,517	2,527	-	(218)	2,309		Total liabilities
Net assets							Equity
Common stock	30,122	284	-	(2)	282	K	Share capital
Capital surplus	29,301	276	-	4	280		Capital surplus
Retained earnings	56,265	480	-	(16)	463	L, M, R	Retained earnings
Treasury shares	(169)	(1)	-	-	(1)		Treasury shares
Total accumulated other comprehensive income	(24,097)	(162)	-	(13)	(176)	L, M, Q	Other components of equity
	91,422	877	-	(28)	848		Equity attributable to owners of parent
Non-controlling interests	3,592	34	-	(15)	18		Non-controlling interests
Total net assets	95,015	911	-	(43)	867		Total equity
Total liabilities and net assets	357,532	3,439	-	(262)	3,176		Total liabilities and equity

(3) Notes on reconciliation of equity

Reconciliations consist mainly of the followings:

① Reclassification

Reclassifications to comply with IFRS consist mainly of the following:

A Pledged deposit, which were included in “Cash and deposits” under Japanese GAAP, are presented as “Other financial assets (current)” under IFRS.

B The rights to the consideration received for revenues which were included in “Trade and other receivables” under Japanese GAAP, except the rights to receive payment are unconditional, are presented as “Contract assets” under IFRS.

C “Allowance for doubtful accounts (current)” which was separately presented under Japanese GAAP, is presented as “Trade and other receivables” under IFRS.

D “Work in progress” which were included in “Inventories” under Japanese GAAP, is presented as “Other current assets” under IFRS.

E The obligation of transferring goods or services which the payment already received included in “Advances received” under Japanese GAAP, is separately presented as “Contract liabilities” under IFRS.

F “Accounts receivable - other”, which was included in “Other” in current assets under Japanese GAAP, is reclassified to “Trade and other receivables” under IFRS. “Accounts payable – other”, which was included in “Other” in current liabilities under Japanese GAAP, is reclassified to “Trade and other payables” under IFRS.

G “Investments accounted for using equity method,” which was included in “Investment securities” under Japanese GAAP, is separately presented under IFRS.

H “Provision for construction warranties”, “Provision for loss on construction contracts,” and “Allowance for repair” which were separately presented in current liabilities under Japanese GAAP, are presented as “Provisions (current)” under IFRS. And “Other long-term provision” which was presented in long-term liabilities under Japanese GAAP, is presented as “Provisions (non-current)” under IFRS.

I “Accrued employees’ bonuses” and “Accrued directors’ bonuses” are separately presented in current liabilities under Japanese GAAP are reclassified to “Other current liabilities” under IFRS.

② Recognition and measurement adjustments

J Revision of the scope of consolidation

The scope of consolidation was reviewed under IFRS and some companies classified as subsidiaries under Japanese GAAP are classified as equity-accounted investees under IFRS.

K Adjustments to stock issuance costs

Stock issuance costs which were expensed under Japanese GAAP are recognized as the deduction from equity under IFRS.

L Adjustments to defined benefit liability

Under Japanese GAAP, actuarial gains and losses were recognized in other comprehensive income as incurred and amortized over a certain time period. Under IFRS, actuarial gain or loss was recognized in other comprehensive income as incurred and immediately transferred to retained earnings.

M Adjustments to hedge accounting

Under Japanese GAAP, exceptional accounting treatment was applied to interest rate swaps if specific requirements were met. Under IFRS, interest rate swaps were measured at fair market value, so the adjustments were reflected in retained earnings. Interest rate and currency swaps that were not qualified for hedge accounting because the foreign exchange risk was assessed in terms of Japanese yen, were reflected in other comprehensive income under IFRS because they were qualified for hedge accounting by using US dollar as a functional currency. In addition, interest rate swap which were classified as ineffective and recognized all losses at once when conducted refinance at the equity-accounted investee under Japanese GAAP were classified as effective, and the recognition of losses were deferred under IFRS.

N Adjustments to leases

Under Japanese GAAP, the lessees’ finance leases that are not transferred the ownership were recognized as “Lease asset” and depreciated. Under IFRS, for all the lessees’ leases except for short-term leases and low value leases are recognized as “right-of-use assets” and depreciated over expected lease term. In addition, corresponding lease liabilities were recognized and amortized using the effective interest method. Accompanying revenue and cost that were not adjusted with lease revenue over the lease period under Japanese GAAP at the equity-accounted investees were recognized over the lease period as lease revenue adjustments.

O Adjustments to revenue from contracts with customers

Under Japanese GAAP, the measurement of progress for long term construction contract is based on physical progress method. Under IFRS, the measurement of progress is changed to cost-to-cost method.

P Reassessment of recoverability of deferred tax assets
In adoption of IFRS, the recoverability of all deferred tax assets was reassessed.

Q The Group has chosen an exemption set out in IFRS 1 and reclassified total cumulative translation differences at the transition date to retained earnings.

R Adjustments to retained earnings
The effects of adjustments to retained earnings from the reconciliations mentioned above are as follows (after tax effect and non-controlling interest):

in millions of US dollars

	Transition date January 1, 2020	December 31, 2020
L Adjustments to defined benefit liability	(13)	(12)
M Adjustments to hedge accounting	5	12
N Adjustments to leases	6	8
O Adjustments to revenue from contracts with customers	(39)	(44)
P Adjustments to deferred taxes	16	2
Q Adjustments to cumulative translation differences for all foreign operations	11	11
Other	(16)	5
Total	(29)	(16)

(4) Reconciliation of profit or loss and comprehensive income for the year ended December 31, 2020

Japanese GAAP accounts	Japanese GAAP (in millions of yen)	Functional currency translation (in millions of US dollars)	Reclassification (in millions of US dollars)	Recognition and measurement differences (in millions of US dollars)	IFRS (in millions of US dollars)	Notes	IFRS accounts
Sales	309,925	2,922	-	(185)	2,736	E	Revenue
Cost of sales	319,524	3,015	(26)	(182)	2,806	B, E	Cost of sales
Gross loss	(9,598)	(92)	26	(3)	(69)		Gross loss
Selling, general and administrative expenses	12,015	114	26	-	141	B	Selling, general and administrative expenses
			43	13	56	A	Share of profit (loss) of investments accounted for using equity method
			21	(5)	16	A	Other income
			4	(3)	0	A	Other expenses
Operating loss	(21,614)	(207)	59	8	(138)		Operating loss
Non-operating income	9,666	92	(92)	-	-	A	
Non-operating expenses	906	14	(14)	-	-	A	
Extraordinary income	1,552	14	(14)	-	-	A	
Extraordinary losses	447	4	(4)	-	-	A	
	-	-	43	2	45		Finance income
	-	-	13	7	22		Finance costs
Loss before income taxes	(11,749)	(118)	-	2	(115)		Loss before tax
Income taxes	1,147	10	-	7	17	C, F	Income tax expense
Loss	(12,897)	(129)	-	(4)	(133)		Loss
Loss attributable to non-controlling interests	178	1	-	(3)	(1)		Loss attributable to non-controlling interests
Loss attributable to owners of parent	(13,076)	(130)	-	(1)	(131)		Loss attributable to owners of parent

Japanese GAAP accounts	Japanese GAAP (in millions of yen)	Functional currency translation (in millions of US dollars)	Reclassification (in millions of US dollars)	Recognition and measurement differences (in millions of US dollars)	IFRS (in millions of US dollars)	Notes	IFRS accounts
Loss	(12,897)	(129)	-	(4)	(133)		Loss
Other comprehensive income							Other comprehensive income
Unrealized gains on hedging derivatives	2,155	20	-	(4)	15		Effective portion of cash flow hedges
Foreign currency translation adjustments	(5,945)	(14)	-	-	(14)		Exchange differences on translation of foreign operations
Retirement liability adjustments for foreign consolidated subsidiaries	(112)	(1)	-	(2)	(3)		Remeasurements of defined benefit liability
Share of other comprehensive income of unconsolidated subsidiaries and affiliates accounted for using equity method	(10,962)	(70)	-	7	(63)		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	(14,864)	(65)	-	-	(65)		Other comprehensive income, net of tax
Comprehensive income	(27,762)	(194)	-	(4)	(199)		Comprehensive income

(5) Notes on reconciliations of profit or loss and comprehensive income

Reconciliation of profit or loss and comprehensive income are mainly as follows:

① Reclassification

Reclassifications to comply with IFRS Standards are mainly as follows:

A For items presented as “Non-operating income”, “Non-operating expenses”, “Extraordinary income” and “Extraordinary losses” under Japanese GAAP, financial-related items are presented as “Finance income” or “Finance costs” and other items as “Other income” or “Other expenses”. “Equity in earnings of unconsolidated subsidiaries and affiliates” which was presented as “Non-operating income” under Japanese GAAP is separately presented in operating profit as “Share of profit of investments accounted for using equity method”.

B Certain expenses included in “Cost of sales” under Japanese GAAP are reclassified and presented in “Selling, general and administrative expenses” under IFRS.

C “Income taxes-current” and “Income taxes-deferred” presented separately under Japanese GAAP are presented in total as “Income tax expense” under IFRS.

② Recognition and measurement adjustments

D Revision of the scope of consolidation

Some companies consolidated as subsidiaries under Japanese GAAP are reevaluated to equity-accounted investees at the transition to IFRS. Those revenue, cost of sales, income and expenses under Japanese GAAP were derecognized, and “Share of profit of investments accounted for using equity method” are recognized under IFRS.

E Adjustments to revenue from contracts with customers

Under Japanese GAAP, the measurement of progress for long term construction contract is based on physical progress method. Under IFRS, the measurement of progress is changed to cost-to-cost method.

F Income tax expense

Deferred tax related to the elimination of unrealized profit or loss were calculated using the effective tax rate of seller under Japanese GAAP while using the effective tax rate of purchaser under IFRS.

(6) Adjustments to the consolidated statement of cash flows

Major differences between the consolidated statement of cash flows under Japanese GAAP and IFRS are change in presentation currency from Japanese yen under Japanese GAAP to functional currency (US dollars) under IFRS. Also, some subsidiaries were consolidated under Japanese GAAP but are not consolidated under IFRS. Those have affected cash and cash equivalents balance, foreign currency translation differences and respective cash flows.