

MODEC Group Mid-term Business Plan 2024-2026

February 14, 2024

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Introduction

Overall Framework

New Vision, Mission and Core Values

Review of MTP 2021 – 2023

Business Environment Recognition



VISION

Pioneering a world where the ocean and humanity co-exist in harmony

MISSION

Unlocking the ocean's potential by supplying unique floating solutions for a sustainable future

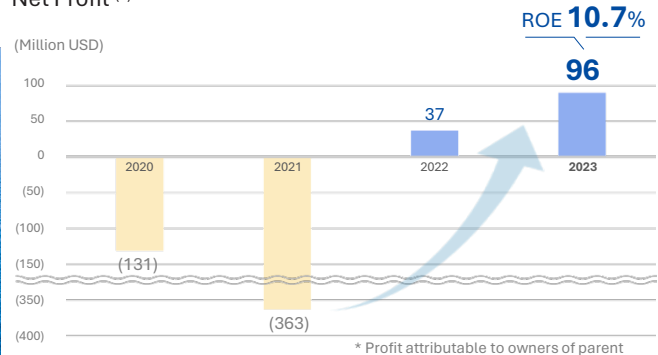
CORE VALUES

MODEC is committed to our OCEAN

O ne team	Unifying a diverse MODEC through inclusion, equality, trust, collaboration and open communication to cultivate true value creation.
C are	Prioritizing safety in all we do and nurturing our people, our assets, our environment and our legacy.
E mpowered	Harnessing our pioneering spirit, taking ownership of our decisions and empowering our people to go beyond, together.
A gile	Responding swiftly to change with a results-oriented mindset and pursuing continuous improvement.
iN tegrity	Conducting business in the right way, every day through our compliance and ethics culture, by upholding human rights and acting with professionalism.

Financial Results

Net Profit (*)



- Below target (USD 200 million) for 2023, largely due to the negative impacts of COVID-19.
- Since 2022, have been on track to return to a stable growth trajectory thanks to our efforts and favorable market trends.
- Capital increase and corporate bond issuance covered the need for cash in our charter business.

Strategies

Asset Integrity

- Despite the COVID-19 pandemic maintained and improved asset integrity utilizing Flotels
- Developed innovative tank maintenance and inspection method together with business partners

Digitalization

- Developed an AI-based failure prediction model contributing to O&M cost reduction
- Established a joint venture entity (“Shape”) and provided digital-related services to external clients

New Business

- Implemented NEDO Green Innovation Fund Project Phase 1 for Floating Offshore Wind in Japan

ESG

- Started GHG emission disclosure (Scope 1, 2 and 3) based on GHG protocol
- Developed 2050 Net Zero roadmap

- Increasing social requirements to mitigate climate change
- Continuous growth of world population
- Diversification of values and lifestyles

▶ **Long-term (10+ years)**

- Increasing geopolitical risks, uncertainty and complexity
- Acceleration of worldwide effort for decarbonization
- Acceleration of automation and digitalization using AI

▶ **Short to Mid-term**

Short to Mid-term

Long-Term

▶ **Long-term (10+ years)**

- Offshore development to play a pivotal role during energy transition
- New floating solutions for renewable and alternative energies
- Innovations to lead various business transformations

▶ **Short to Mid-term**

- Continuing development of competitive deepwater offshore fields
- Meeting global energy demand with stable supplies of oil and gas
- Advancing decarbonizing technologies on offshore floating units

Macro Trend

Offshore Industry Trend

Materiality & Vision 2034

Our Materiality

Vision 2034



Materiality : the important sustainability challenges that the MODEC Group must address

Stable and Sustainable Supply of Energy

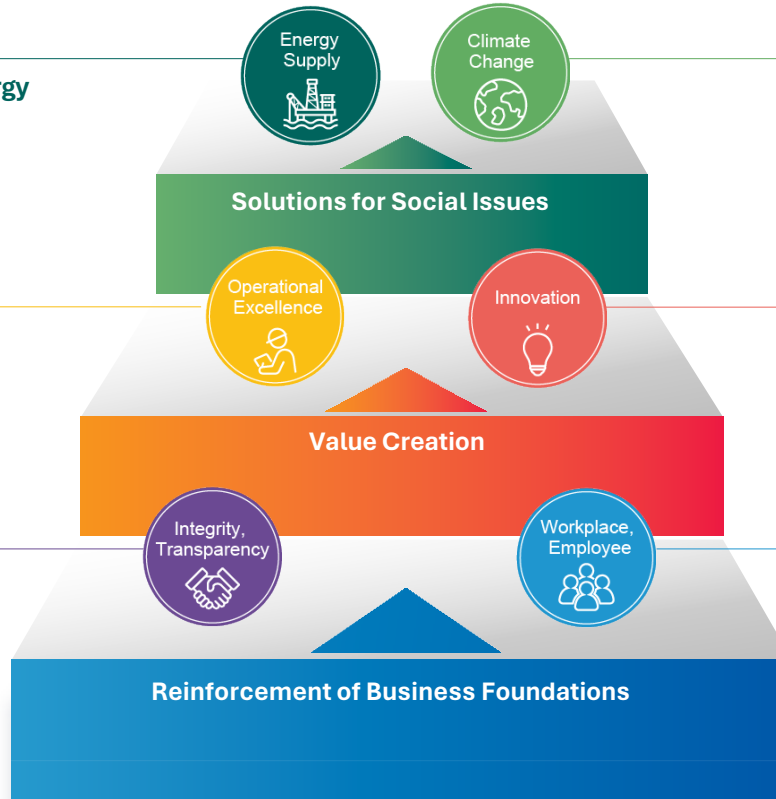
- Contribute to a stable and sustainable energy supply by ensuring reliable operations and continuous improvement of our facilities' asset integrity with lifecycle value maximization.

Operational Excellence

- Execute projects and operations in a safe and responsible manner, that assures the preservation of our environment, quality of our products/services, and compliance with applicable requirements.

Organization with Integrity and Transparency

- Conduct business with a focus on strong internal governance and implementation of robust risk management systems that secure business transparency and promote shareholder values.
- Follow best practices and requiring strict adherence to our Compliance and Ethics programs.



Climate Change Mitigation

- Minimize GHG and other emissions across our business operations and supply chain and develop clean energy solutions to achieve global goals.

New Value Creation through Innovation

- Deliver and operate innovative and digitally-enabled solutions, responding to evolutionary changes in energy landscape.

Secure and Inspiring Workplace Embracing Diverse and Talented Teams

- Respect the rights and dignity of all people, cultivate diverse and talented teams, and support the protection of universal human rights.
- Promote the well-being of the workforce by ensuring all individuals have the right to health, safety, security, and training so that all can take pride and perform at their best.

Vision 2034

“Global Leading Player in Connecting Ocean and Humanity”



FPSO

World's best FPSO builder and operator achieving the **Smallest Carbon Footprint** alongside safety and high uptime



Floating Offshore Wind

Essential player in Floating Offshore Wind based on our **Unique Ocean Friendly Solutions**



Alternative Energy

Make ready Floating Production Solutions for **Carbon Free Alternative Energy**



Digital Solution

Provide **Innovative Digital Solution** to help resolve industry challenges including **GHG Emissions Reduction**



Culture & People

- Innovation culture and new business incubation
- Unlock our **Human Capital** (employees' potential) through DE&I (*)

Materiality



Mid-term Business Plan 2024-2026

Overall Strategy

Enhance Earning Power

FY2026 Financial Target

Strategic Resource Allocation & Acquisition

Advance FPSO Decarbonization

Pave the Way for Materializing New Business

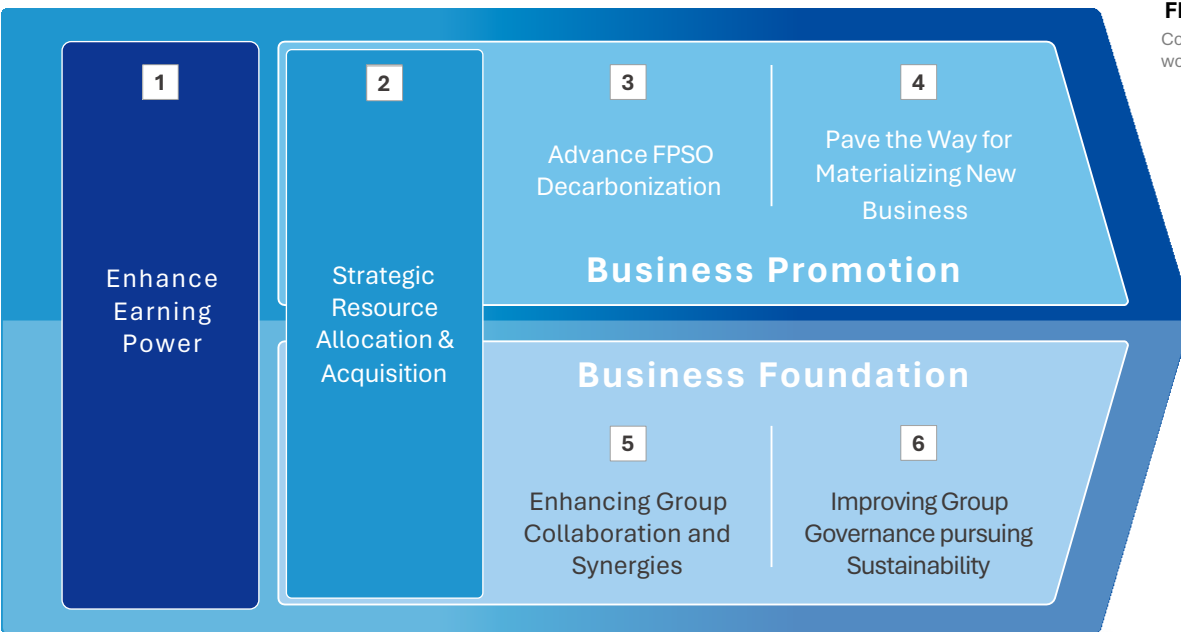
Enhancing Group Collaboration and Synergies

Improving Group Governance pursuing Sustainability



MTP 2024 - 2026

“Explore a *Sustainable Future* with Innovation”



FPSO

Commence operation of world's first FPSO with GTCC (*)



Floating Offshore Wind

Development of 15MW class or larger demo plant



Major Activities & Deliverables



Digital Solution

Develop innovative solutions and expand their application to external clients

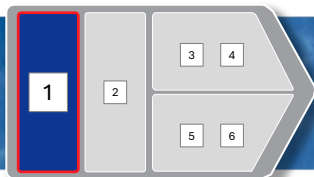


Alternative Energy

Conceptual design for floating production solutions for carbon free alternative energy

Vision 2034

* Gas turbine combined cycle power unit



Enhance Earning Power

Increased Profit Base

FPSO Delivered

2021	MV30
2022	MV31
	MV34
2023	MV32
	MV33

FPSO Under Construction

2024*	Sangomar
2025*	Bacalhau
2026*	Uaru
2027*	Raia

* Scheduled delivery year

Operational Excellence as Global Leading FPSO Player

EPCI

- Maximize customer value with our sophisticated scheduling and cost control, backed by proven track record and digital solutions
- Steadily carry out ongoing projects and secure additional awards

Charter

- Increase profit base, which is contributed to by new charter projects (shown to the left) and supported by our operations

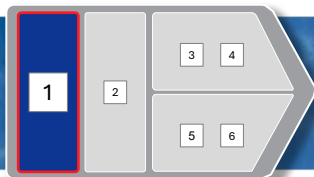
Operation

- Maintain higher uptime supported by improvement of asset integrity
- Improve profitability through operational excellence with lessons learned from over 300 years of cumulative operation time

Digital

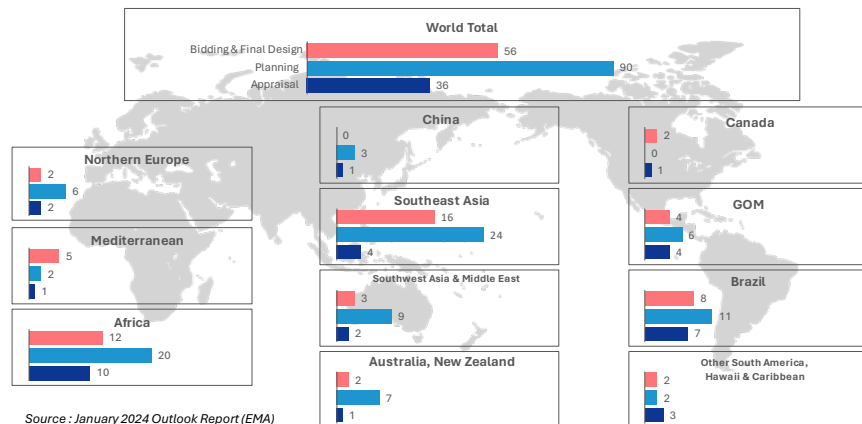
- Maximize throughput by integrating design data and optimizing design and operations with AI-based analytics
- Enhance productivity by automating design work and operations





Enhance Earning Power

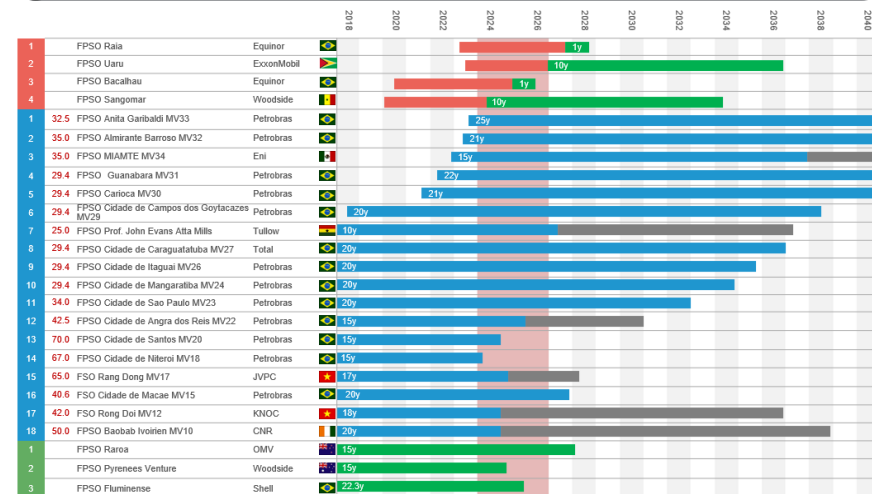
Project Prospects



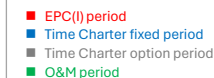
Source : January 2024 Outlook Report (EMA)

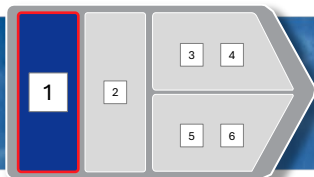
- Substantial number of new prospects, especially for large scale deepwater in Brazil and Africa where we have a competitive advantage
- Using strong relationships with key clients to pursue opportunities

Project Timeline



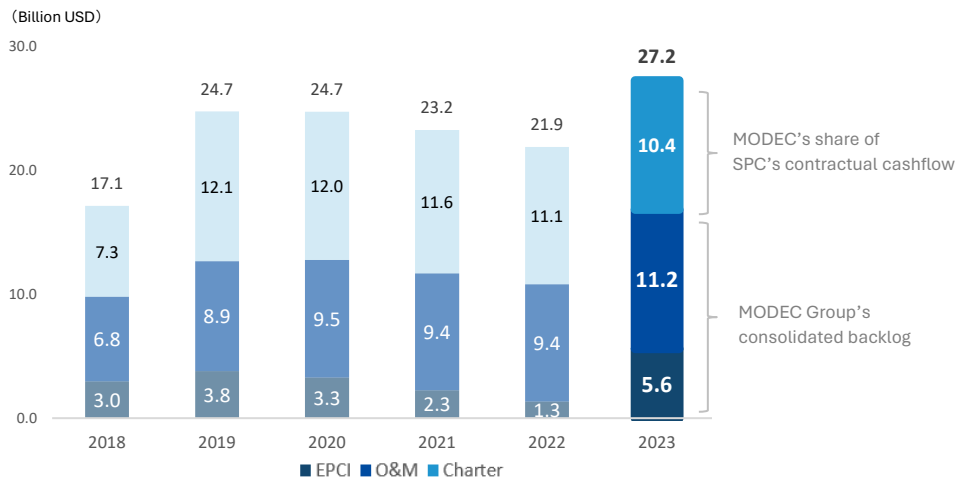
- Charter contracts provide long-term profit and cash base





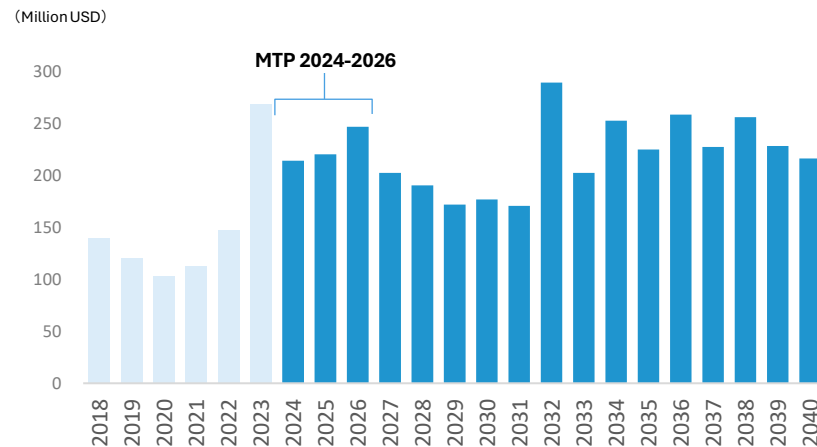
Enhance Earning Power

Order Backlog



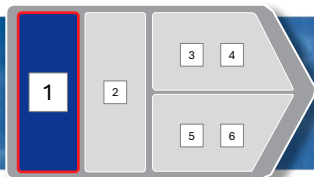
• Back orders reached a new record in 2023, providing robust future cashflow

Net Cashflow from Charter Business *



* MODEC's share of SPC's expected net cashflow after opex, tax and debt services

• Charter business will provide a predictable and stable cashflow for over 10 years



Enhance Earning Power

Financial KPIs

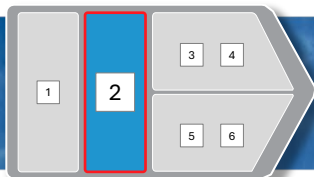
(Million USD)

	FY2023 (Actual)	FY2024 (Forecast)	FY2026 (Target)
Net Profit ^(*1)	96	120	175
ROE	10.7%	-	12.0%
PBR	1.12	-	> 1.0
Adjusted EBITDA ^(*2)	248	-	300

- Maximize customer value through the steady implementation of projects under construction
- Free cashflow earned will be partly invested in our future (e.g., decarbonization and new business)
- Maximize corporate value based on cost-of-capital conscious management
- Shareholder distribution based on financial performance

* 1 Profit attributable to owners of parent

* 2 Adjusted EBITDA represents EBITDA before adjustments of non-recurring extraordinary items



Strategic Resource Allocation & Acquisition

Enhance Earning Power

- EPCI delivery and quality
- Robust backlog and cashflow
- Enhancing asset integrity



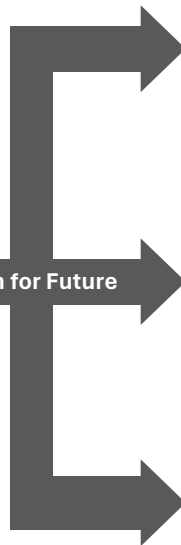
Resources



- Free cashflow
- People

Allocation for Future

- R&D, M&A



Add-Value to our FPSO

- Advance FPSO decarbonization
- Improve FPSO business safety and efficiency
- Strengthen project management capabilities



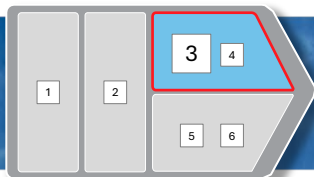
New Business

- Floating offshore wind
- Alternative energy production system (ammonia, methanol, hydrogen, etc.)
- Other businesses utilizing our floating solutions



Human Capital

- Invest in people through various training and development initiatives
- Cultivate the next generation of leaders
- Promote DE&I



Advance FPSO Decarbonization

Up to 2023
Incremental Reduction

2024 - 2026
Preparation for Radical Reduction

Vision 2034
Target Zero FPSO

Low Carbon FPSO Gen 1.0

Gen 2.0

Gen 3.0/4.0



- Implementation**
- Reduced emissions by :
 - improving **asset design/integrity**
 - **optimizing production**

- GTCC in operation**
- Increase GHG emissions reduction throughout the value chain
- Improved operation practice
- Nurture sustainability-conscious mindsets

- CCS (post-combustion) in operation**
- Minimum flaring and fugitive emissions leaks

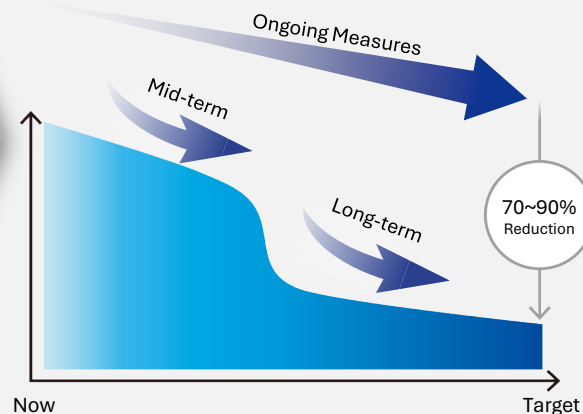
- Design, R&D Phase**
- Incorporated GTCC in FPSO design

- CCS ^(*1) (post-combustion) design and demo plant installation
- Design an alternative energy production system (as part of new business)

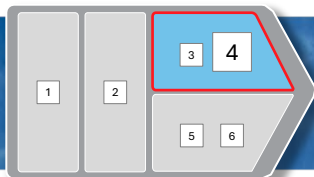
- Further innovations related to FPSO and the alternative energy production systems

(*1) Carbon capture and storage

FPSO Carbon Intensity ^(*2) as a Strategic KPI



(*2) tons-Co2e per tons-Hydrocarbon

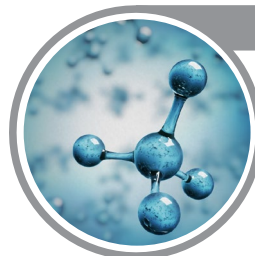


Pave the Way for Materializing New Business



Floating Offshore Wind

- Move forward with development of 15MW class or larger floating offshore wind demo plant
- Diligently work on conceptual studies and Pre-FEED projects



Alternative Energy

- Prepare for future needs in the emerging non-oil (ammonia, methanol, hydrogen, etc.) production market
- Fully utilize our experience in floating solutions and our client and partner networks



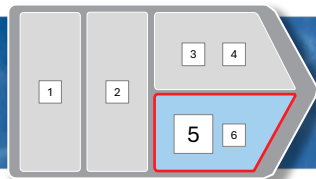
Digital

- Build and expand a new revenue stream from external digital sales, leveraging the expertise gained from our own EPCI and/or O&M digital solutions

Other New Business Potential

Establish and nurture new businesses by leveraging our floating and digital solutions, and establish a pattern of innovation in our organization.

Embedding Sustainability in our Business Foundation



Enhancing Group Collaboration and Synergies

Digitally Enhanced Management System

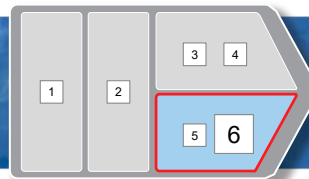


- Implement an enhanced management system for standardization of business processes
- Establish an enterprise data platform that makes real-time and historical data available, promoting data-driven decision-making

Group-wide Human Capital Management



- Cultivate a thriving culture through our OCEAN
- Empower individuals through a wide spectrum of training opportunities
- Enhance our collective potential with a comprehensive human capital management system, and amplify DE&I initiatives



Improving Group Governance pursuing Sustainability

Sustainability Management



- Promote Group-wide activities via the Sustainability Committee
- Improve GHG emissions measurement and reporting systems with third party verification

Safety and Human Rights



- Increase the safety awareness level of MODEC Group employees and subcontractors
- Implement human rights due diligence throughout our supply chain

Going Beyond

Our Aspiration for Net Zero 2050

Our View of the World : Ocean is Full of Potential



We aspire to achieve Net Zero^(*1) carbon emissions by 2050 as a result of implementing the business strategy, including FPSO decarbonization with significantly reduced FPSO Carbon Intensity and new business development.

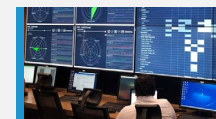
Path Toward Net Zero 2050

Emissions from
MODEC FPSO

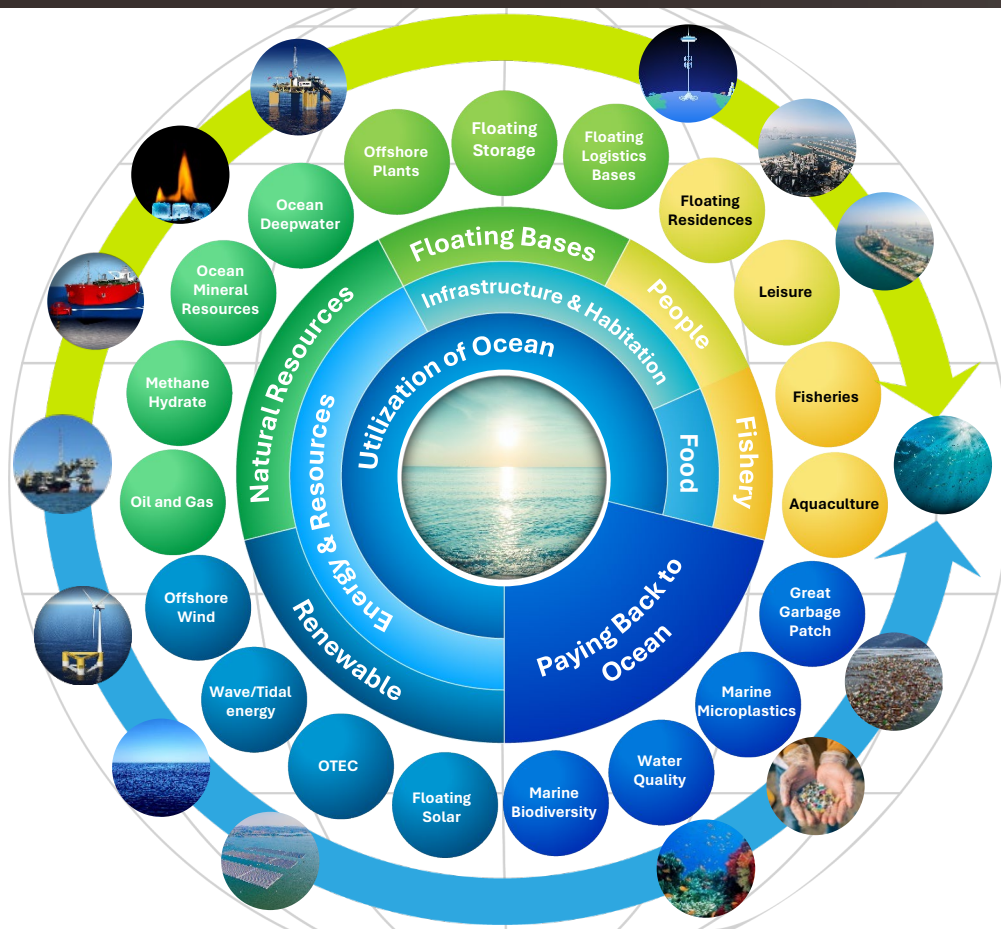
Contributions from
New Businesses

We aspire to achieve Net Zero by 2050

- ***Innovative Solutions*** to deliver clean energy
- ***Digital Arm*** will contribute to non-MODEC facilities
- ***Floating Offshore Wind*** will produce clean energy
- ***FPSO*** will continue to deliver stable energy with a minimal carbon footprint, backed by digitalization



*1: - MODEC's Scope 1, 2 and 3 (Category 13 - Downstream Leased Assets only) GHG emissions will be reduced, and residual emissions will be offset by GHG reduction contributions through new businesses (e.g. we consider electricity generated by FOW as a contribution to emissions reduction relative to conventional energy).
- We are also working to quantify other Scope 3 emissions, beginning with Category 1 (Purchased Goods and Services).
- As part of the above path, we aim to achieve net zero for Scope 1 and 2 by 2030.



Our Vision

Pioneering a world where the ocean and humanity co-exist in harmony

Our Mission

Unlocking the ocean's potential by supplying unique floating solutions for a sustainable future

