

Message from the CEO

With our frontier spirit and constant innovation, we will pave the way for the future of the ocean and humanity.

Hirohiko Miyata

Representative Director
President & CEO

A New Voyage: Building a Sustainable Future with the Ocean

I assumed the position of MODEC Group CEO in March 2024. This coincided with the start of Mid-term Business Plan 2024–2026. As the framework underpinning this plan, we revised our Vision, Mission and Core Values, contemplating what we want to be 10 years and 30 years from now. Given our history of the engagement in the marine-related industry since our founding in 1968, we have set our Vision as “Pioneering a world where the ocean and humanity co-exist in harmony,” and our Mission as “Unlocking the ocean’s potential by supplying unique floating solutions for a sustainable future.” Mid-term Business Plan 2024–2026 outlines our efforts to contribute to two material challenges facing society: “a stable and sustainable supply of energy” and “the energy transition.” We will tackle these challenges as well as enhance the profitability of the (FPSO)¹ business by venturing into new businesses such as next-generation floating solutions, stepping up research & development (R&D) activities that will support our business, and strategically allocating our talented people as important management resources.

We manage engineering, procurement, construction and installation (EPCI) of FPSOs, and after the FPSO enters the operational stage, we provide long-term leases and/or O&M² services under long-term contracts of approximately 10 to 20 years. Utilizing our experience and commitment to operational excellence in offshore oil and gas production projects all over the world, we have grown to become one of the two global leaders in the FPSO business.

Consolidated results in FY2024 were strong, as we improved operational uptime of existing FPSOs supported by steady progress in FPSO construction projects. This highlighted our rapid recovery from the challenges we faced during the pandemic. Since we achieved the final-year targets of the mid-term business plan in the first year, we made upward revisions to our financial targets.

1. Floating Production, Storage and Offloading system (FPSO)

2. Operations and Maintenance (O&M): A service in which MODEC Group employees, among others, stationed on FPSOs/FSOs installed offshore carry out oil and gas production operations, as well as perform maintenance, inspections and management



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MODEC's Dual Challenge: Realizing a Carbon-Neutral Society While Maintaining a Stable and Sustainable Supply of Energy

Geopolitical risks and increasing uncertainty and complexity around the world have significantly altered the business environment. Although there has been some degree of pushback in the trend toward decarbonization, we believe the overall direction will remain unchanged over the medium to long term. On the other hand, the growing global population and rising demand for electricity mean that a stable supply of oil and gas will continue to be essential, including from the standpoint of energy security. That being said, it is also true that a steady supply of sustainable and cost-effective energy will be needed. With that megatrend as the backdrop, we need to address two seemingly contradictory social issues: shifting to a decarbonized economy and ensuring a stable and sustainable supply of energy.

We are already working to deploy decarbonization technology in FPSOs as an initiative to combat climate change. In our newest FPSO located in Brazil, which we began building in 2024, we will reduce CO₂ emissions by 20% or more by equipping it with a gas turbine combined cycle (GTCC)³ power generation system, the first in the world on an FPSO. It will result in the industry's lowest CO₂ intensity per barrel of oil produced. We will continue our efforts to reduce our carbon footprint while achieving safety and high uptime as an industry-leading FPSO builder and operator.

In FPSOs operations and services, we have long sustained production of an average of approximately 1 million barrels per day offshore—equivalent to more than 1% of the world's crude oil production. In that respect, we recognize our contribution to a stable and sustainable supply of energy,

and we will continue to do so while utilizing digital technology to promote improvement of safety and efficiency in production-related areas.

3. A gas turbine combined cycle (GTCC) power generation system is a highly efficient power generation system that, in addition to conventional gas turbine power generation, utilizes the exhaust heat to drive an additional steam turbine for further power generation.

Creating Value with a Highly Diverse Global Team and Technological Excellence

Our business model is underpinned by four kinds of capital: "natural capital," which is vital to our business; "social and relationship capital" built through strong partnerships with leading companies; diverse and multinational "human capital;" and "intellectual capital" gained through the construction and operation of floating solutions.

For "natural capital," we are working toward decarbonization, taking into consideration the significance and importance of the pressing issue of climate change. For "social and relationship capital," we are a fables company (one that does not own factories or shipyards) involved in the construction of FPSOs. We have built good relationships based on our track record and supply chain that includes subcontractors and shipyards around the world, and those relationships of trust are an asset in conducting our business. The value of this capital is extremely important considering our line of business, and supply chain management encompassing over 300–400 suppliers per FPSO is one of our strengths. The value we create is inseparable from our partnerships with suppliers and our project management capabilities, and through this collaboration, we have consistently met the high expectations of our clients.

Next is diverse and multinational "human capital." This can be considered the foundation of MODEC's value creation process. We have 27 offices worldwide, with more than 6,000

employees of various nationalities forming a global team. Unlike many global companies based in Japan, we are unique in that we have developed globally from the very beginning of our business, and work every day with clients from around the world, our arena of competition. The ability to respond flexibly by finding the best solution globally gives MODEC a unique competitive advantage. For example, our sales operations are based in Houston, Texas, U.S.A., the engineering and material procurement for facilities ordered takes place in Singapore, and O&M of completed FPSOs is done offshore Brazil and other oil-producing countries.

Furthermore, diverse thinking and different opinions are also a major asset in generating new solutions and driving innovation that creates new markets and value. It is important to leverage this diversity to take on new challenges. I have always relished taking on big challenges since I was young, but I have found that a team of individuals who bring different experiences to the table can generate the kind of innovation that I could never come up with on my own. While it is a challenging endeavor, we respect diverse values and ways of thinking, and although we have people from various countries working as independent players, they also share the Core Values of OCEAN,⁴ and work together as one team toward a common objective. I believe that by having them collaborate organically, we can become an organization that combines innovative thinking with practicality, which will lead to business growth.

4. An acronym of One Team, Care, Empowered, Agile, iNtegrity, representing our core values (see page 1 for details)

Finally, for "intellectual capital," we have technologies that are especially important for us in creating value, and are indispensable when talking about MODEC's strengths. Even though we talk about technology in one word, the underlying foundations of our technologies vary. Specifically, we are

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well-versed in applied engineering technologies for FPSOs based on our experience in handling O&M and EPCI; advanced mooring technology that uses technological developments mainly by U.S. subsidiary SOFEC to enable long-term stable operations in deepwater regions; and cutting-edge technologies we developed to respond to the coming decarbonized society.

Our engineering technologies applied in the FPSO business, which leverage our O&M and EPCI experience, have helped us accumulate valuable data assets related to offshore oil and gas development, backed by our extensive track record in O&M. We share this knowledge and incorporate feedback into EPCI to raise the level of client satisfaction. Additionally, the knowledge and experience we have gained through collaboration with our clients, members of our supply chain and investment partners in the charter business have been refined into strengths unique to MODEC. We create opportunities for collaboration that go beyond traditional business boundaries, such as enhancing on-site capabilities and harnessing the power of cross-functional teamwork. In EPCI, we have established new offices in Malaysia and India to sharpen our technological edge and effectiveness, and to deliver innovative, efficient solutions.

Among the technologies that give us a competitive advantage, we have continued to sharpen our expertise to meet client needs, and our advanced mooring technology, which enables operation in deepwater and ultra-deepwater regions,⁵ makes it possible to do business under the severe weather conditions at sea. This technology for a completely different environment from onshore conditions is also applicable in floating production solutions for alternative energy.

5. "Deepwater" refers to ocean depths ranging from 500 meters to 1,999 meters, while "ultra-deepwater" refers to depths of 2,000 meters and beyond

In addition, digital technology is a powerful driving force for enhancing efficiency, safety and automation in both EPCI and O&M of FPSOs, our core business. In FPSO engineering, we actively utilize AI to work more efficiently, and are building a data platform that uses the operational data we have collected, accumulated and analyzed. The result is enhanced project efficiency and shorter construction periods, which leads to even stronger competitive edges. We were also quick to adopt digitalization in FPSO operations. Leveraging the vast amount of data we have amassed over the years, we are utilizing analytics and AI-based learning to enhance failure prediction models, remote monitoring from onshore facilities, and crew training. In 2020, an FPSO project offshore Brazil (for which we performed EPCI and where we are now providing services) was recognized by the World Economic Forum as a Lighthouse of the Fourth Industrial Revolution. By building a digital twin for topside facilities and integrating our proprietary data platform, we successfully reduced operational downtime due to failures by about 65% from the start of operations. We are continuing to pursue further optimization of our operations.

We will continue to harness digital technology such as AI and robotics to reduce labor requirements, improve operational efficiency and enhance safety. As a global leader in FPSO operations, we remain committed to operational excellence.

Embracing New Challenges, Creating New Solutions

Our growth until now has been based on our offshore business, but when I think of the vastness and possibilities of the ocean, I feel that our achievements thus far represent only a tiny fraction of the ocean's potential. MODEC's floating solutions started out in the shallow waters of Asia, but today we have demonstrated



our strengths especially in deepwater and ultra-deepwater regions around the world, and built a long track record of success. That said, past successes can sometimes lead to "inertia" as companies, like physical objects, tend to resist change. They generally prefer to stick with what is familiar. Sustainability is not about maintaining the status quo; it requires adaptation that is based on forward thinking. In other words, being satisfied with past successes can become a major obstacle to transformation. MODEC's current core business is FPSOs, and I am keenly aware of the need to establish new businesses as well. My role as a leader is to expand our view of the ocean, the backdrop of our current business, and further foster a culture of innovation and new business incubation within the MODEC Group, and to embrace this as an enduring aspect of our identity.

As a concrete step, we are applying our technologies and R&D to develop floating offshore wind turbines, and have established new departments and teams related to new businesses and R&D to meet growing demand for non-fossil alternative energy sources, including ammonia, methanol and hydrogen. Furthermore, we will take steps to provide new solutions in cooperation with partners such as MITSUI & CO., LTD. and Mitsui O.S.K. Lines, Ltd., which are our shareholders.

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In the digital field, we used the knowledge gained in the FPSO business as a springboard to launch a subsidiary called Shape Digital, and aim to expand earnings through the provision of digital solutions to outside clients.

Strengthening Organizational Resilience to Adapt Flexibly to Change

As we move our business forward using the various kinds of capital I have outlined, we also need to address sustainability issues. We established the Sustainability Committee under the Management Board to plan and implement measures as a unified organization. The committee began full-scale operation in 2024. Currently, we are focusing on three key areas: climate change, human rights and human capital/ diversity. We formed working groups made up of members selected from major Group companies to work on the issues. When conducting activities, we will generally first draw up a roadmap, then set KPIs and monitoring metrics, and manage their progress. For example, in addressing climate change, we recognize that, as we lease FPSOs, emissions during operations are accounted for under Scope 3. Our goal is to reduce greenhouse gas (GHG) emissions from these FPSOs by 70% to 90% per unit of hydrocarbon production compared with current levels. Combined with emissions reductions from our new business initiatives, we aim to achieve net-zero emissions across all emissions attributable to the Company by 2050. For metrics we are currently monitoring, such as talent development and the promotion of women's empowerment, we are checking and reviewing their trends, and intend to continue developing indicators in the future.

These are moving targets and we must tailor our approach based on evolving circumstances and global trends. The Sustainability Committee will continue to consider how best

to approach each issue and respond flexibly. Given that we have been on the frontlines of energy supply through offshore oil and gas development for many years, I believe we have a responsibility to promote realistic and effective initiatives. We remain committed to being a leader that responds to the social demand for both a stable and sustainable supply of energy and decarbonization by applying our knowledge and our proven capabilities as an operator.

We already have a risk management framework in place, including Enterprise Risk Management, which is conducted in an integrated manner throughout the Group based on a long-term perspective; Group crisis management to respond to any crisis that materializes; and risk management at the individual project level. These are not simply mechanisms. To ensure the sustainability and growth of our business, we must analyze these elements from both financial and non-financial perspectives, and ensure that they evolve as an integrated part of our business strategy. For our risk management system, we think it is necessary to carefully examine both risks and opportunities from the perspective of enhancing our corporate value and making management decisions, then take actions linked to our business strategy. By systematically strengthening risk management, we aim to improve the MODEC Group's resilience and establish an organizational structure that enables a flexible and agile response to external changes.

In terms of Group governance, we established the Group Compliance Committee, whose members include the management of key subsidiaries at the core of our field operations, the first line in governance. This committee monitors compliance with laws and regulations, and provides regular training to instill compliance awareness in our employees worldwide. Through these efforts, we are promoting a global awareness of our zero-tolerance policy. Even for corporate

divisions, the second line, we are working to improve internal controls in ways such as setting up the Subsidiary Management & Support Group. In addition, we will reinforce the Internal Auditing Department, the third line, to further prevent misconduct. To enhance internal audits, we have an internal audit specialist stationed at, or assigned for an extended stay at, a major overseas subsidiary as well as employees who are well-versed in our technologies and business. We are strengthening their roles. Given that a governance failure could instantly destroy everything we have built up over the years, we are constantly enhancing governance, which underpins the Group's operations, to meet the expectations of our many stakeholders, including clients, partners, shareholders and investors.

Global Leading Player in Connecting Ocean and Humanity

The ocean is full of potential. People, like the ocean, have limitless potential. For many years, we have strived for coexistence in harmony with the ocean. As such, we believe that we have a vital role to play in providing unique floating solutions that leverage our strengths as a global leader that connects the oceans and humanity. We will also address the social issues of ensuring a stable supply of energy and the energy transition in pursuit of a sustainable world. Our business operations often span long periods, and we recognize the importance of transforming steadily over short-, medium- and long-term timeframes. I am committed to leading our efforts to take on new challenges for MODEC's sustainable future, together with our clients, business partners, shareholders, investors and other stakeholders.

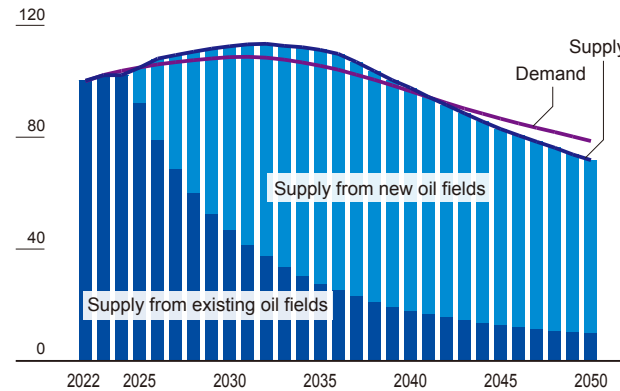
Business Environment

Oil to Remain a Key Energy Source

Global energy demand is expected to grow steadily, driven by population growth and economic expansion. The supply of renewable energy is projected to increase rapidly, fueled by global efforts to decarbonize and combat climate change. While demand for oil is anticipated to peak around 2030 and gradually decline thereafter, it will remain a critical energy source for the foreseeable future.

Oil Supply and Demand

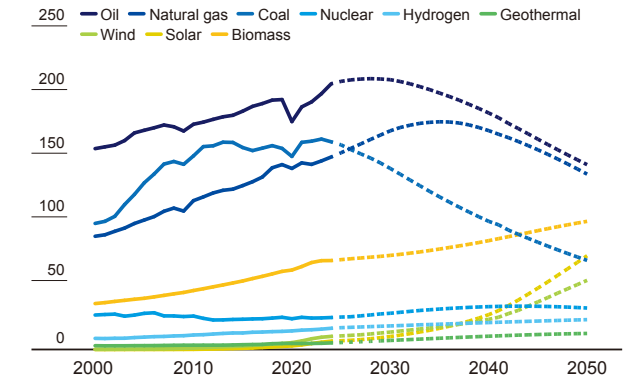
(Million barrels of oil per day)



Source: Rystad Energy, December 2024

Supply by Energy Type

(EJ)



Source: Rystad Energy, December 2024

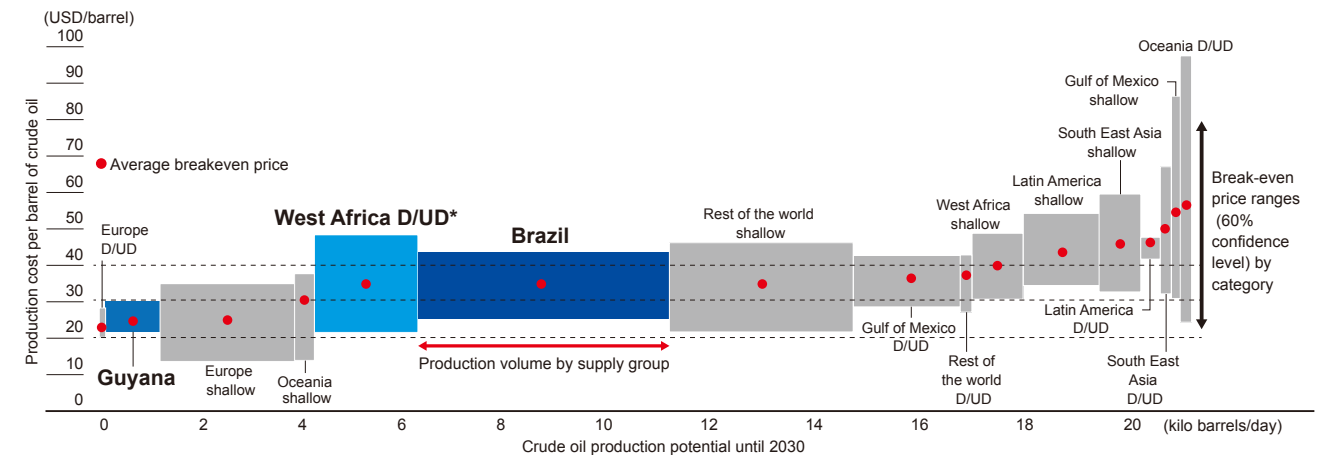
Highly Cost-Competitive Offshore Oil Production

In recent years, oil development has shifted from onshore to offshore fields. Among offshore oil fields, the deepwater and ultra-deepwater fields targeted by the Company offer high cost competitiveness. Even in a softened crude oil price environment, these fields offer favorable business conditions with promising profitability. Notably, projects in key deepwater and ultra-deepwater regions such as South America (Brazil and Guyana) and West Africa boast exceptionally low average production costs, ranging from USD 25 to USD 34 per barrel. These regions have also been confirmed to hold substantial reserves, ensuring their viability for continued development by oil companies.

Given this, we will continue to focus on development projects in these regions using FPSOs, which are a core part of our business and backed by extensive construction and operational experience. Through these efforts, we aim to ensure a stable and sustainable energy supply.

Crude Oil Production Costs (Offshore Fields, Excluding the Middle East)

- MODEC focuses on deepwater fields (500 to 1,999 meters) and ultra-deepwater fields (2,000 meters and beyond).
- MODEC participates in highly cost-competitive projects.



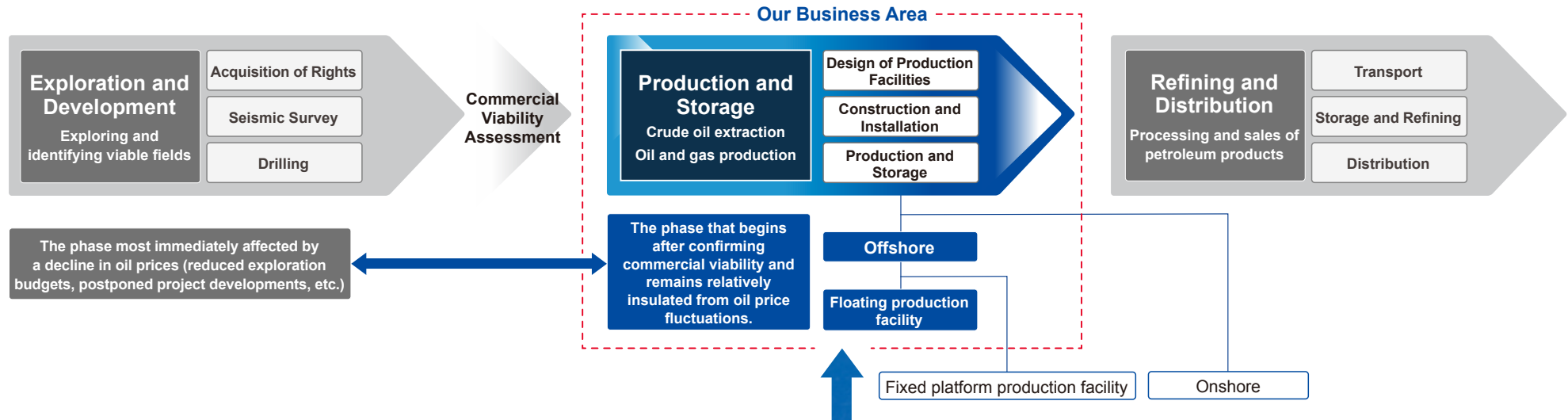
* D/UD: Deepwater/Ultra deepwater

Source: Rystad Energy, December 2024

FPSO Business Model

MODEC provides comprehensive FPSO services for offshore oil and gas development, covering FEED, EPCI, charter and O&M services.

Positioned within the midstream segment of offshore oil and gas development, FPSOs play a vital role in enabling energy companies to recoup their initial investments in offshore field development. Revenue from charter and O&M contracts is generally secured through long-term, non-cancellable agreements. MODEC's business model ensures stable earnings that are resilient to fluctuations in oil prices.



Advantages of Our Revenue Model

Low-risk areas in the development plan

The oil development business consists of three phases: exploration, production and distribution. Our focus on the production phase avoids the high investment risks associated with exploration. By investing in oil fields where commercial viability has already been confirmed, we have established a business foundation that is less affected by oil price volatility.

A highly stable and predictable business model based on long-term contracts

All of our revenue and cash flow is derived from long-term contracts with leading energy companies, including 3-to-5-year EPCI contracts and charter and O&M agreements extending over 20 years. These contracts insulate our business from general economic cycles and energy market volatility.

One of the few companies capable of handling ultra-deepwater projects

As offshore oil and gas fields development expands into ultra-deepwater regions, FPSOs are becoming larger and more complex. We are one of the few companies globally capable of designing, constructing and offering O&M services for FPSOs that can withstand long-term operations in ultra-deepwater or harsh offshore environments. With a proven track record of over 50 years, we provide integrated services—from engineering and construction to operations and maintenance—to meet diverse customer requirements. This extensive experience and expertise differentiate us from new competitors entering the market.

Contribution to the advancement of floating solutions

Leveraging funds generated from FPSO earnings, we are strategically investing in innovative floating solutions, including decarbonization technologies and the development of new businesses, to drive the future of energy.

Value Creation Process

VISION

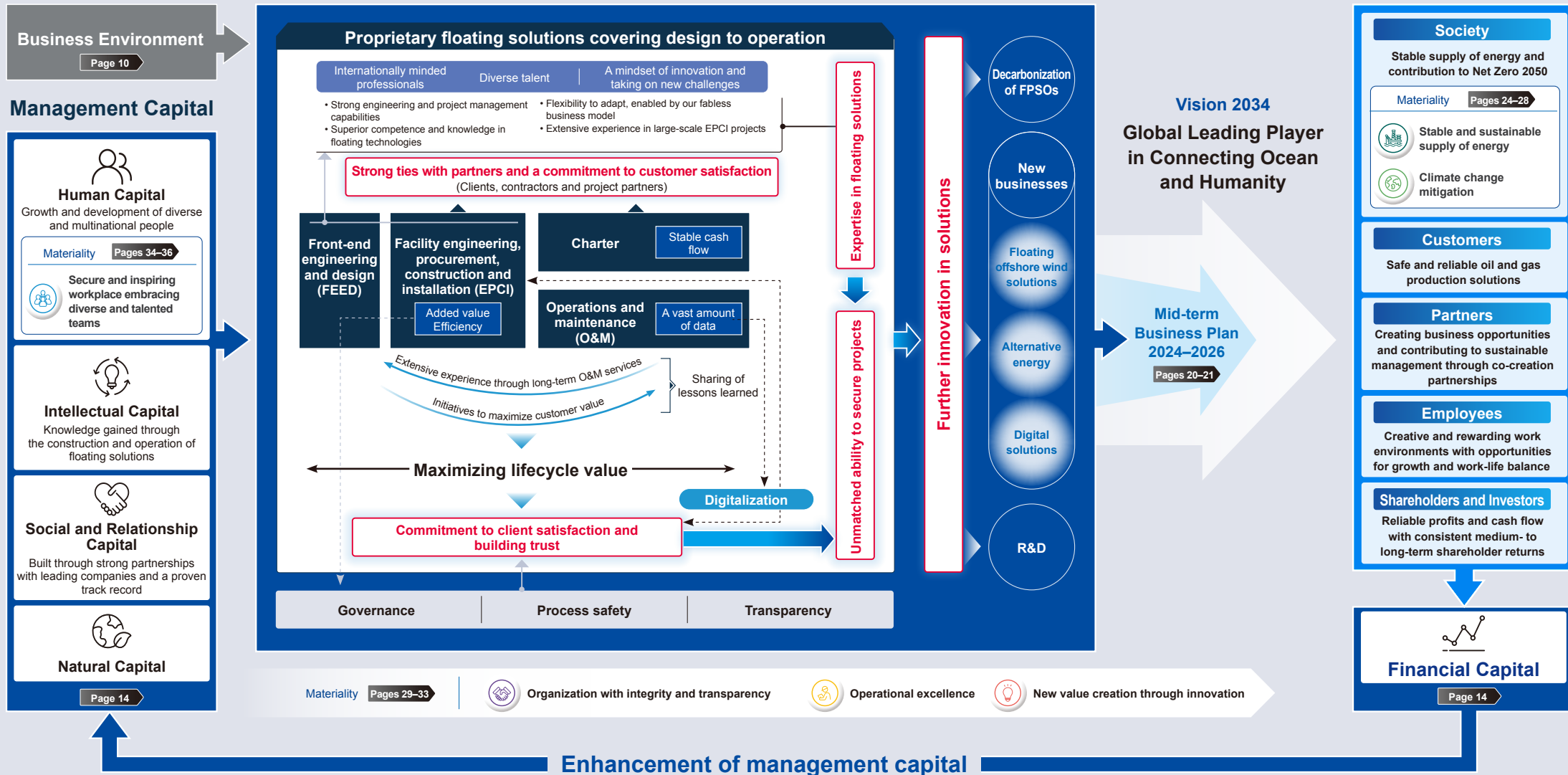
Pioneering a world where the ocean and humanity co-exist in harmony

MISSION

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

CORE VALUES

MODEC is committed to our **OCEAN**
One team | Care | Empowered | Agile | iNtegrity



Value Creation Process in Depth

1 Business Environment

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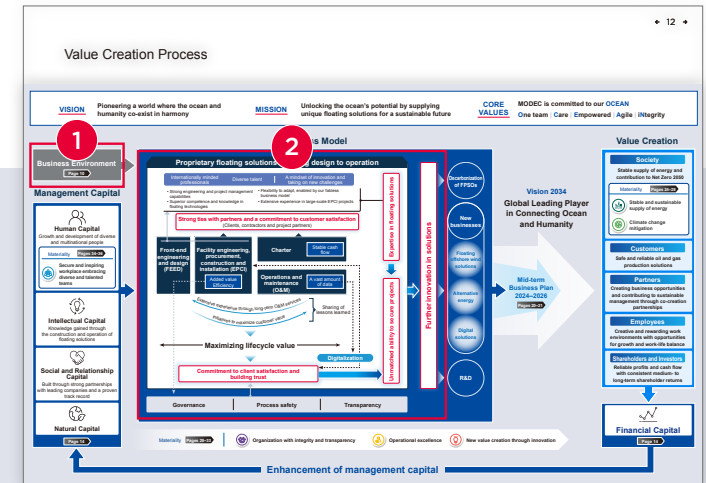
Since the early 20th century, population growth, industrialization and motorization have fueled a rapid increase in worldwide energy demand.

In response, oil and gas development has progressively shifted from onshore to offshore, supported by technological advancements that have made offshore exploration and production increasingly cost-competitive. While energy demand is projected to continue growing, particularly in developing countries, there is a rising societal call for action on climate change. This has heightened the importance of developing and adopting new energy sources, including renewable and alternative energy, alongside efforts to decarbonize fossil fuels.

2 Business Model

MODEC specializes in providing floating solutions for offshore oil and gas production, offering services that span from design and construction to system operation. We deliver a comprehensive range of services related to FPSOs, including FEED, EPCI, charter and O&M. As one of the few companies globally capable of handling large-scale, complex projects in ultra-deepwater regions, we are uniquely positioned to meet the demands of challenging offshore environments.

In response to the global momentum toward decarbonization, we are leveraging the expertise and knowledge accumulated over decades to develop innovative solutions for renewable and alternative energy sources.



Strategic Partnerships with Industry Leaders

Factors that drive demand for our business include highly experienced subcontractors who support the increasingly large-scale EPCI business, extremely reliable project partners who enable us to meet the significant funding requirements of projects, and strong relationships with clients that we have built through successful project development over the years.

Strong Expertise in Floating Solutions

The following strengths form the foundation of our competencies in floating solutions:

- Strong engineering and project management capabilities
- Superior competence and knowledge in floating technologies
- Flexibility to adapt, enabled by our fabless business model
- Extensive experience in large-scale EPCI projects

Commitment to Client Satisfaction and Building Trust

Through digitalization, our experience gained from long-term operations and maintenance is shared as lessons learned—starting from the basic engineering phase—to maximize lifecycle value (i.e., client value). Furthermore, our commitment to business transparency, robust governance, and occupational health and safety initiatives help strengthen relationships with clients.

Proven Capability to Secure Projects

Our expert floating solutions, built on decades of experience and comprehensive knowledge gained from delivering a full range of services, provide maximum value to our clients. The trust we have earned by consistently delivering client value has resulted in a steady stream of new orders.

Maximizing Lifecycle Value

We aim to maximize lifecycle value for our stakeholders by providing integrated FPSO solutions, from FEED and EPCI through to long-term charter periods spanning over 20 years.

Driving Innovations for the Future of Energy

We aim to enhance profitability in our existing business model while strategically allocating cash flow and resources to secure future growth. In emerging business areas, we are advancing our floating solutions to develop alternative energy production systems and explore new business opportunities.

Management Capital

Over the years, MODEC has cultivated its management capital, refining its areas of expertise and strengthening partnerships to continuously enhance its industry-leading corporate value. Looking ahead, we will further develop each form of capital, with a particular focus on diverse human capital, to drive innovation and support future business growth.

| Management Capital | Quantitative Data | Core Strengths | Enhancement Priorities |
|--|---|---|--|
| Human Capital | <ul style="list-style-type: none"> • 6,399 employees in 18 countries • Percentage of non-Japanese employees: 95.2% (including overseas operating bases, FY2024) | <ul style="list-style-type: none"> • A diverse workforce dedicated to advancing expertise in offshore oil and gas production • Professionals committed to ensuring safety in operations that require advanced technical expertise • A multinational team representing a wide range of perspectives and experiences • An organizational culture built on resilience and adaptability | <ul style="list-style-type: none"> • Fostering a client-focus mindset to embrace new challenges and opportunities • Creating work environments that inspire creativity and innovation • Building a collaborative, team-oriented organization that leverages the strength of diversity |
| Intellectual Capital | <ul style="list-style-type: none"> • Extensive project experience as one of the top two companies globally in the floating production solutions industry • A proven track record of constructing 52 floating production units • Over 330 cumulative years of operating experience | <ul style="list-style-type: none"> • Comprehensive construction expertise, including advanced mooring technology • Over 330 cumulative years of operations and maintenance (O&M) experience • Exceptional project management capabilities for highly complex projects, supported by extensive experience and a strong track record | <ul style="list-style-type: none"> • Fostering a culture of innovation and driving the development of new businesses through floating and digital solutions |
| Social and Relationship Capital | <ul style="list-style-type: none"> • Operations in 18 countries • 27 operating bases worldwide | <ul style="list-style-type: none"> • Strong trust with customers, built on a proven track record of success • Robust partnerships with major shareholders • Established relationships with shipyards and suppliers as well as a global network | <ul style="list-style-type: none"> • Strengthening relationships with external stakeholders to drive mutual growth and success |
| Natural Capital | <ul style="list-style-type: none"> • Greenhouse gas (GHG) emissions from leased FPSOs and other sources (Scope 3): 5,426,458 t-CO₂ | <ul style="list-style-type: none"> • Capability to reduce GHG emissions through stable operations, innovative design improvements and production optimization | <ul style="list-style-type: none"> • Promoting decarbonization initiatives for FPSOs • Contributing to GHG emission reductions through the development of new businesses |
| Manufactured Capital | <ul style="list-style-type: none"> • A fabless business model (we do not own factories or shipyards) | <ul style="list-style-type: none"> • Expertise in integrated project management, covering engineering, construction and O&M • Proven ability to select optimal subcontractors worldwide, backed by over 50 years of industry experience • Strong price competitiveness and adaptability to respond to a dynamic business environment | <ul style="list-style-type: none"> • Strengthening the EPCI business structure |
| Financial Capital | <ul style="list-style-type: none"> • Free cash flow: USD 438 million • Issuer rating: BBB (Fitch Ratings, as of April 2025) | <ul style="list-style-type: none"> • Stable cash flow supported by long-term contracts for charter projects, ensuring financial reliability | <ul style="list-style-type: none"> • Maximizing client value by ensuring the steady execution of projects under construction • Strategically investing a portion of free cash flow to drive future growth |