



# MODEC Group Integrated Report

# 2024

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

# Vision, Mission and Core Values

In formulating Mid-term Business Plan 2024–2026, in 2023 we revised our Vision, Mission, and Core Values in light of the external environment and the accelerating worldwide trend toward decarbonization and sustainability.

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

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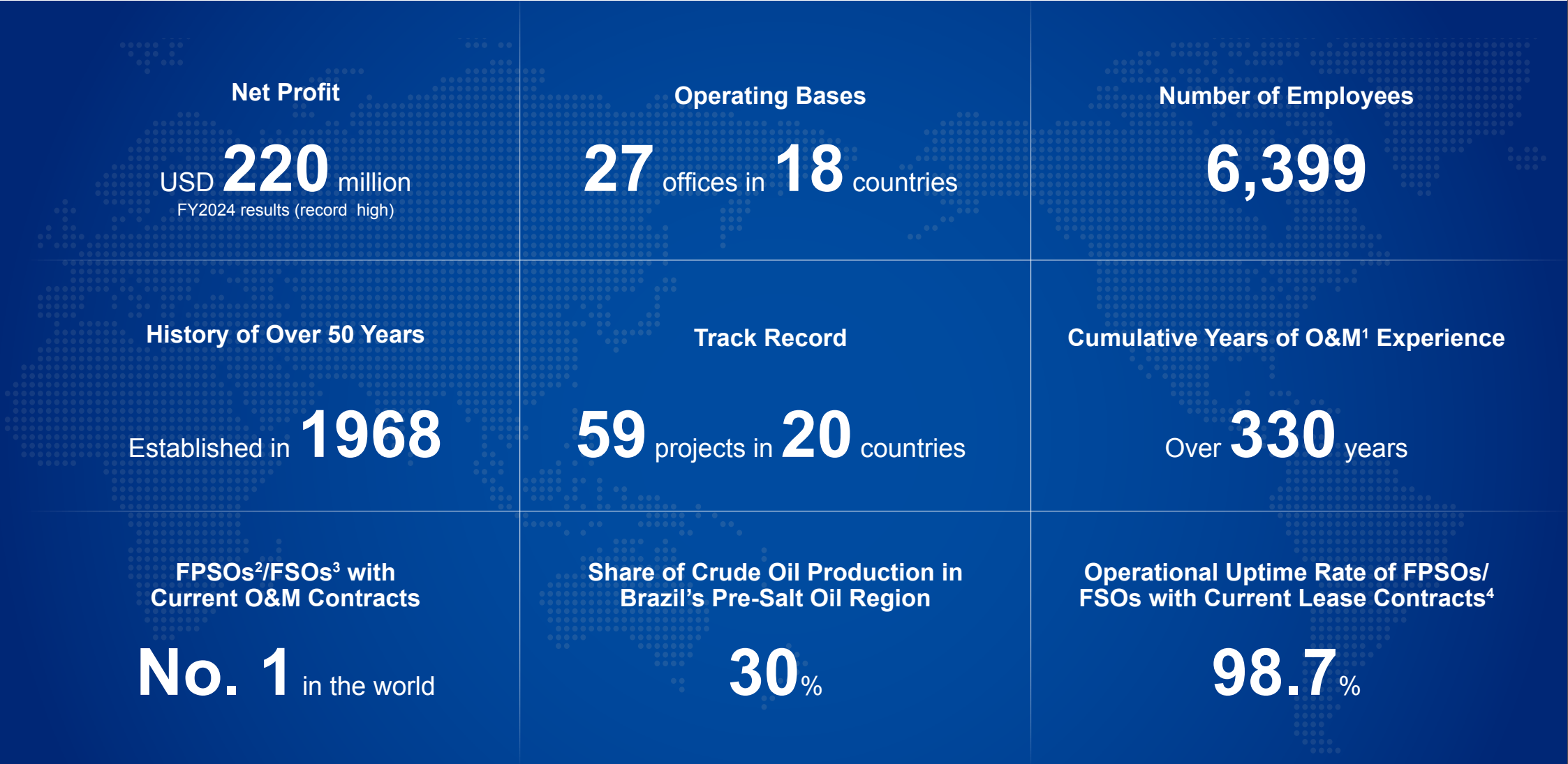
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# At a Glance

MODEC provides total services to ensure 24-hour, 365-day oil and gas production in offshore projects that can continue for 20 years or more. We have been a leader in the world’s offshore oil and gas industry for more than 50 years—handling highly challenging offshore development projects in deepwater regions and in areas with harsh marine conditions.



1. 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  
2. Floating Production, Storage and Offloading system (FPSO) 3. Floating Storage and Offloading system (FSO) 4. Median for 2024

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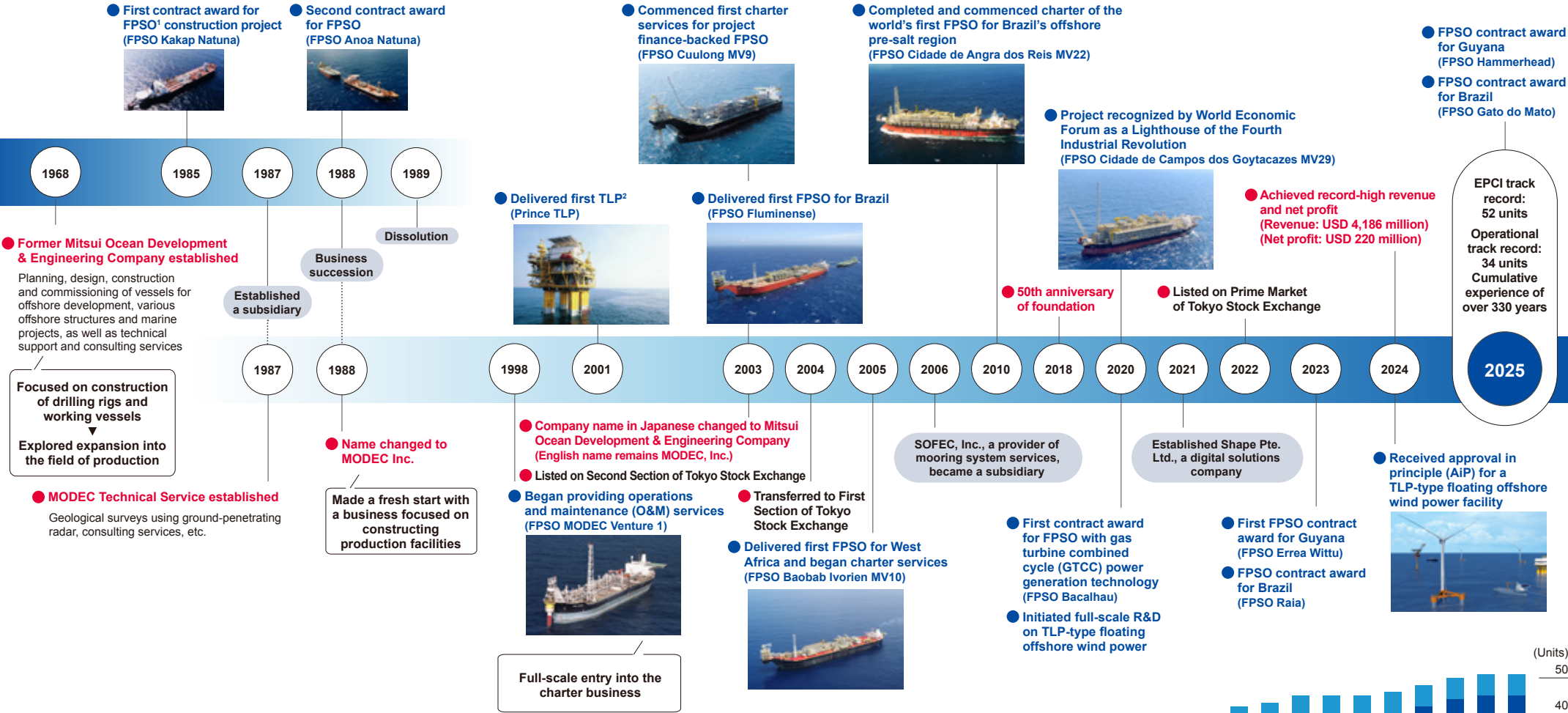
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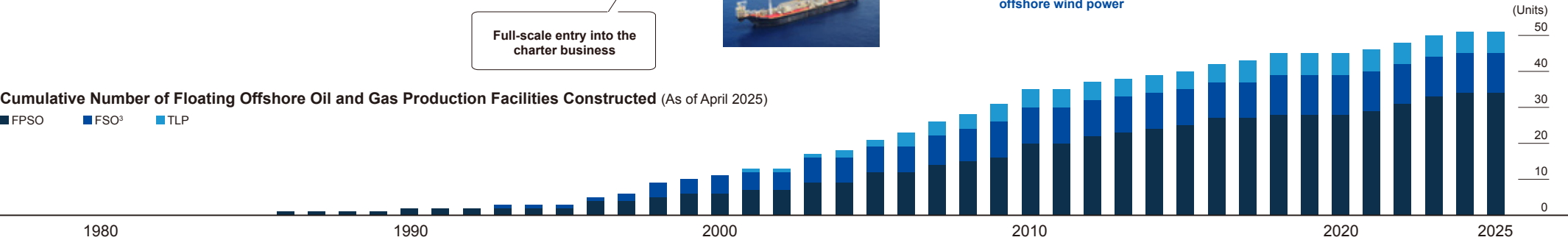
MODEC originated as a comprehensive engineering company specializing in offshore development. Today's MODEC has inherited that business and grown into one of the world's top two companies specializing in floating offshore oil and gas production facility projects. In recent years, we have been actively involved in promoting the decarbonization of FPSOs and developing new businesses.

● Evolution of MODEC ● Evolution of MODEC's floating solutions



Cumulative Number of Floating Offshore Oil and Gas Production Facilities Constructed (As of April 2025)

■ FPSO ■ FSO<sup>3</sup> ■ TLP



1. Floating Production, Storage and Offloading system (FPSO) 2. Tension Leg Platform (TLP) 3. Floating Storage and Offloading system (FSO)

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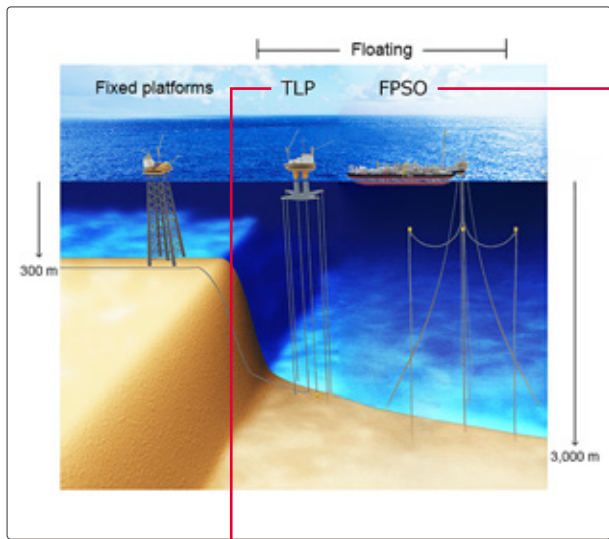
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# MODEC's Floating Solutions



## TLP

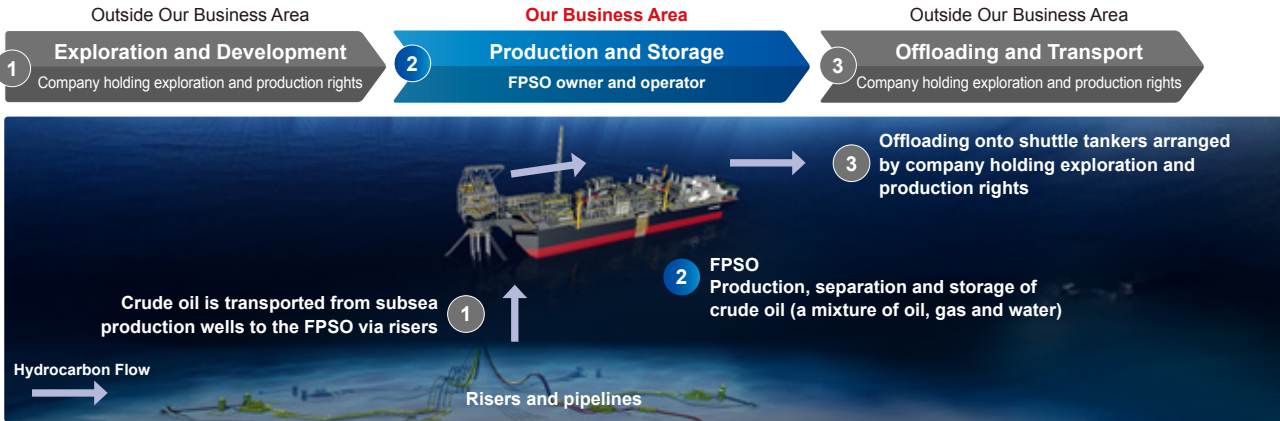
A tension leg platform (TLP) is a floating platform in which the semi-submerged production facility is held in place by steel pipes called tendons that are connected to piles driven into the seabed. It uses strong vertical tension to minimize heave, pitch and roll motions. MODEC is widely recognized in the offshore oil and gas industry as a contractor with proven experience in the construction of TLPs.

## Mooring Systems

Mooring systems are essential components that connect production facilities to the seabed, ensuring FPSOs remain securely positioned against the forces of waves, wind and ocean currents. Designed to withstand extreme conditions—including a once-in-a-100-year storm—mooring systems play a critical role in maintaining the position of production facilities and supporting the safe operation of offshore oil and gas production. There are various types of mooring systems, and the most suitable is selected based on environmental conditions and water depth.

## FPSO

A floating production, storage and offloading system (FPSO) is a floating facility designed for the production of oil and gas in offshore oil and gas fields. Most FPSOs are ship-shaped, and crude oil is stored in storage tanks in the hull of the FPSO before being offloaded onto tankers. Since the 1970s, FPSOs have been used as an innovative alternative to fixed platforms for offshore oil field production and have become the mainstream solution for offshore oil and gas production facilities. Modern FPSOs are capable of operating offshore for extended periods, with some continuing production activities for over 20 years.



## Total Services to Safely Continue Production of Oil and Gas

<b>FEED</b> Front-End Engineering Design (FEED)	We work to understand metocean conditions and client policies while performing basic design tasks for FPSOs and estimating project costs. Close communication with the client is essential throughout the process, and in recent large-scale projects, FEED alone can take over a year.
<b>EPCI</b> Engineering, Procurement, Construction and Installation (EPCI)	As a fables company that does not own factories or shipyards, MODEC specializes in project management services, covering everything from coordination with clients to design, procurement, construction, installation and commissioning. Our ability to select the most suitable contractors and shipyards from around the world enables us to maintain cost competitiveness while ensuring the flexibility to adapt to changing circumstances. In addition, our expertise in collaborating with contractors of diverse nationalities and delivering fully operational facilities as designed is built on over 50 years of experience and a strong track record of operational excellence.
<b>Charter</b>	A charter is a service in which a MODEC affiliate owns an FPSO and provides both leasing and O&M services to the client. Since the charter is provided for a predetermined period, it is also referred to as a time charter contract. After construction is completed and chartering begins, monthly lease revenue is generated based on the contract. This contributes to long-term, stable business earnings that are not significantly impacted by FPSO market conditions or crude oil price fluctuations.
<b>O&amp;M</b> Operations and Maintenance (O&M)	O&M is 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. Our expertise in O&M services, along with feedback from the field, is accumulated and shared as part of our information assets. This contributes to improved engineering and construction, enabling us to continuously provide O&M services that further enhance customer satisfaction.
<b>Decommissioning</b>	Decommissioning involves the safe removal of FPSOs from oil and gas fields after the completion of production. MODEC ensures compliance with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009 (also known as the "Ship Recycling Convention") and is committed to environmentally responsible practices throughout the decommissioning process.

## About SOFEC

SOFEC Inc., a U.S.-based company and a member of the MODEC Group, specializes in mooring systems. As an industry leader, SOFEC provides comprehensive services in the design, construction and installation of various mooring systems, including those for FPSOs. Recognized for its excellence, SOFEC also supplies mooring systems for projects outside of MODEC's involvement.

For more information about SOFEC, please visit their website at <https://www.sofec.com/>



From left  
Internal disconnectable turret / External turret / Tower yoke / Spread mooring

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Our aim is to clearly communicate our value creation story to stakeholders. In this report, we outline our path to achieving sustainable growth and enhancing medium- to long-term corporate value in a way that is easy to understand, with the goal of co-creating value through constructive dialogue.

This is the first year we have issued an integrated report, and we created it with a focus on three points:

- ▶ Present industry information and MODEC's position (competitive advantage)
- ▶ Provide detailed information on our sustainable business model
- ▶ Tell the story of MODEC's vision for the future and the roadmap to achieving it

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graph TD
    Management --> ProductionTeam["Production Team (Corporate Planning & Strategies Department)"]
    ProductionTeam --> RelevantDepartments
  
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Senior management, including the President & CEO, were involved in creating the report, and focused on clarifying our vision and strategies. Young global employees who will lead the next generation also participated, and by reflecting their diverse perspectives and creativity we tried to create a more engaging and meaningful report.

The plans, strategies, forecasts, targets and other forward-looking statements in this integrated report are based on information currently available and on assumptions that the Company believes to be reasonable. These statements involve various risks and uncertainties, including, but not limited to, fluctuations in the economic environment and market trends, changes in laws and regulations, competitive conditions, technological innovations, natural disasters and pandemics. Accordingly, MODEC's actual performance and results could differ materially from the statements made herein.

The diagram shows a central red box labeled "Integrated Report". Above it is a grey box labeled "Dialogue Tools" with an upward arrow. Below it is a grey box labeled "Comprehensiveness / Specialization" with a downward arrow. To the left is a grey box labeled "Non-Financial" with a leftward arrow. To the right is a grey box labeled "Financial" with a rightward arrow. A horizontal line with arrows at both ends passes through the "Integrated Report" box. Below the "Integrated Report" box, there is a vertical stack of three light blue boxes: "Quarterly Financial Results Briefing", "Operations Report", and "Annual Securities Report". To the left of the "Annual Securities Report" box is another light blue box labeled "Sustainability Section of Our Website".

FY2024 (January 1, 2024 to December 31, 2024)  
Note: Parts of the report include information from January 2025 onward.

- *International Integrated Reporting Framework*, IFRS Foundation
- *Guidance for Collaborative Value Creation*, Ministry of Economy, Trade and Industry

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# 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)<sup>1</sup> 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&M<sup>2</sup> 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 CO<sub>2</sub> emissions by 20% or more by equipping it with a gas turbine combined cycle (GTCC)<sup>3</sup> power generation system, the first in the world on an FPSO. It will result in the industry’s lowest CO<sub>2</sub> 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 fabless 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,<sup>4</sup> 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,<sup>5</sup> 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.

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# Business Environment

## Oil to Remain a Key Energy Source

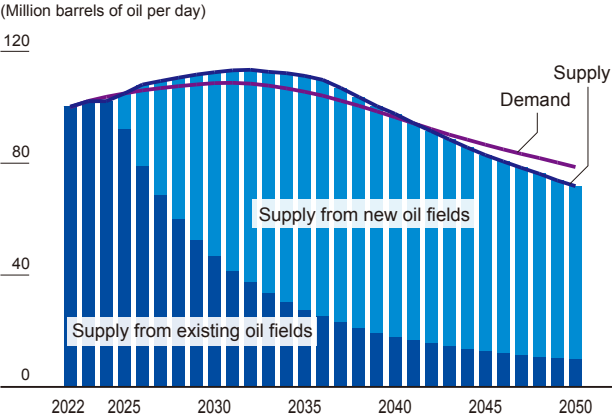
Global energy demand is expected to grow steadily, driven by population growth and economic expansion. The supply of renewable energy is projected to increase rapidly, fueled by global efforts to decarbonize and combat climate change. While demand for oil is anticipated to peak around 2030 and gradually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

## 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.

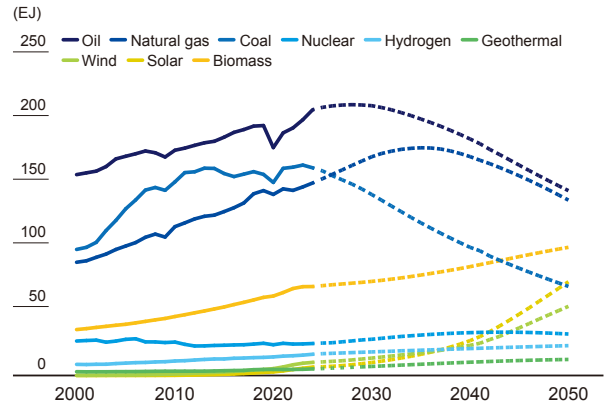
Given this, we will continue to focus on development projects in these regions using FPSOs, which are a core part of our business and backed by extensive construction and operational experience. Through these efforts, we aim to ensure a stable and sustainable energy supply.

### Oil Supply and Demand



Source: Rystad Energy, December 2024

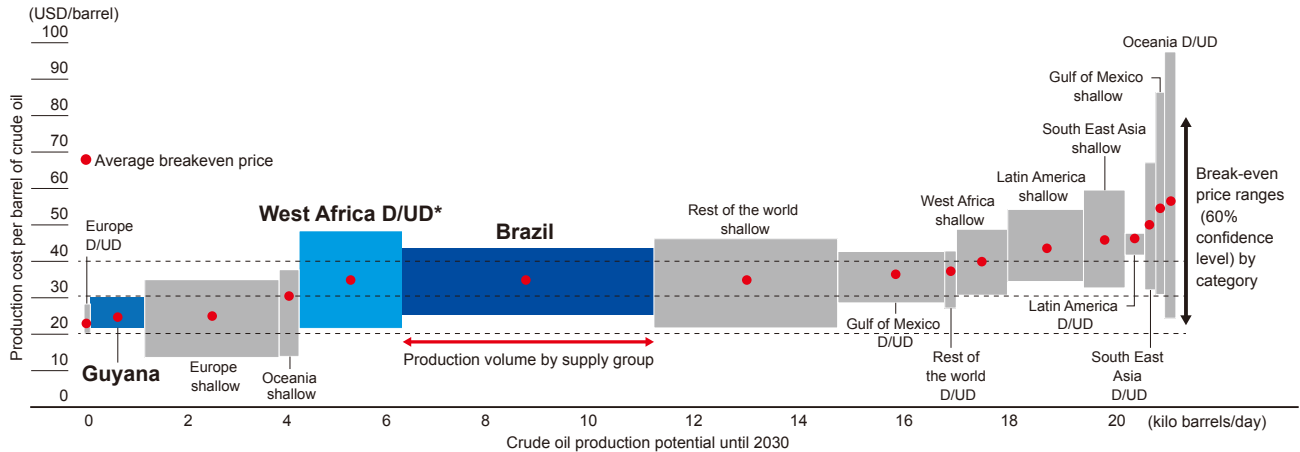
### Supply by Energy Type



Source: Rystad Energy, December 2024

### 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

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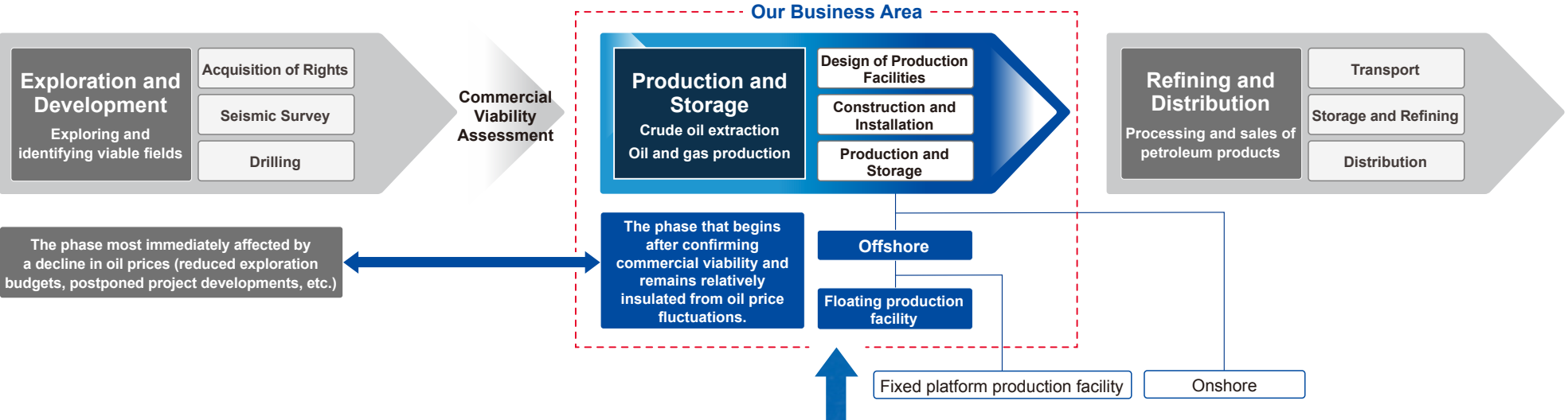
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# FPSO Business Model

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.

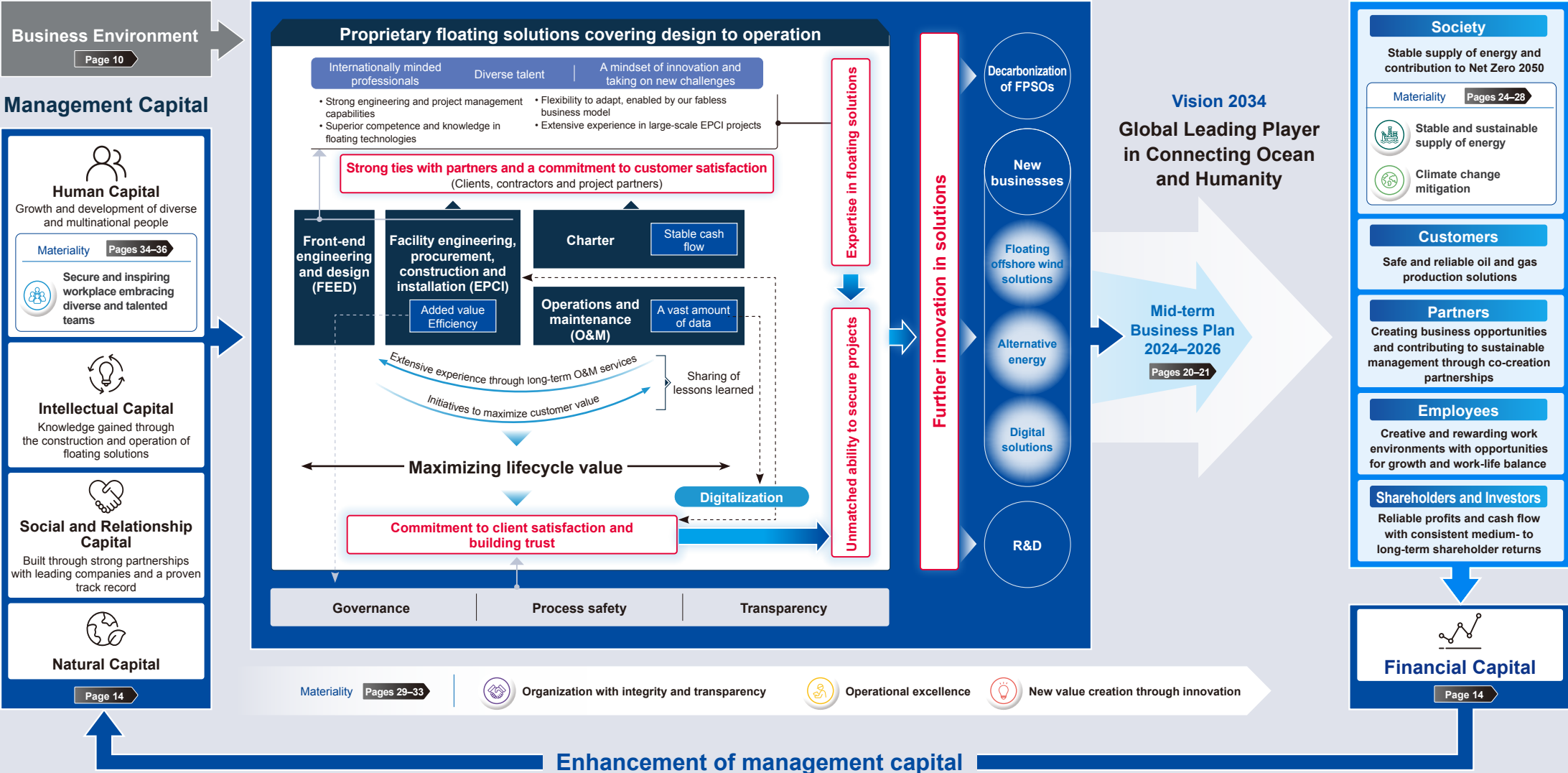
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# Value Creation Process

**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



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# Value Creation Process in Depth

## 1 Business Environment

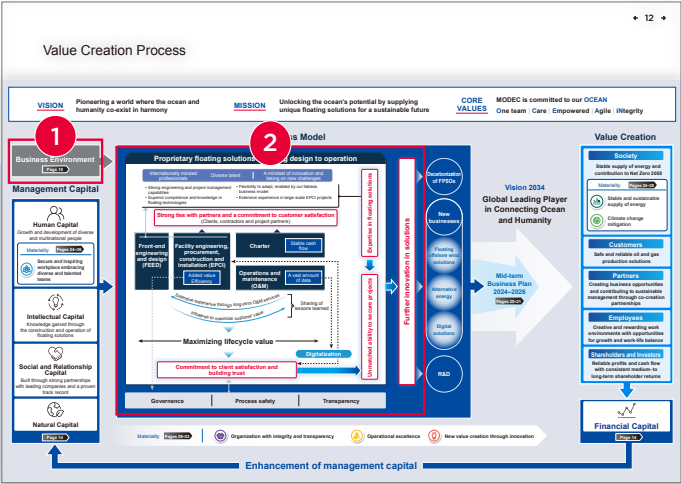
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Since the early 20th century, population growth, industrialization and motorization have fueled a rapid increase in worldwide energy demand. In response, oil and gas development has progressively shifted from onshore to offshore, supported by technological 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.

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# 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"><li>• <b>6,399</b> employees in 18 countries</li><li>• Percentage of non-Japanese employees: <b>95.2%</b> (including overseas operating bases, FY2024)</li></ul>	<ul style="list-style-type: none"><li>• A diverse workforce dedicated to advancing expertise in offshore oil and gas production</li><li>• Professionals committed to ensuring safety in operations that require advanced technical expertise</li><li>• A multinational team representing a wide range of perspectives and experiences</li><li>• An organizational culture built on resilience and adaptability</li></ul>	<ul style="list-style-type: none"><li>• Fostering a client-focus mindset to embrace new challenges and opportunities</li><li>• Creating work environments that inspire creativity and innovation</li><li>• Building a collaborative, team-oriented organization that leverages the strength of diversity</li></ul>
Intellectual Capital	<ul style="list-style-type: none"><li>• Extensive project experience as <b>one of the top two companies globally</b> in the floating production solutions industry</li><li>• A proven track record of constructing <b>52</b> floating production units</li><li>• Over <b>330</b> cumulative years of operating experience</li></ul>	<ul style="list-style-type: none"><li>• Comprehensive construction expertise, including advanced mooring technology</li><li>• Over 330 cumulative years of operations and maintenance (O&amp;M) experience</li><li>• Exceptional project management capabilities for highly complex projects, supported by extensive experience and a strong track record</li></ul>	<ul style="list-style-type: none"><li>• Fostering a culture of innovation and driving the development of new businesses through floating and digital solutions</li></ul>
Social and Relationship Capital	<ul style="list-style-type: none"><li>• Operations in <b>18</b> countries</li><li>• <b>27</b> operating bases worldwide</li></ul>	<ul style="list-style-type: none"><li>• Strong trust with customers, built on a proven track record of success</li><li>• Robust partnerships with major shareholders</li><li>• Established relationships with shipyards and suppliers as well as a global network</li></ul>	<ul style="list-style-type: none"><li>• Strengthening relationships with external stakeholders to drive mutual growth and success</li></ul>
Natural Capital	<ul style="list-style-type: none"><li>• Greenhouse gas (GHG) emissions from leased FPSOs and other sources (Scope 3): <b>5,426,458</b> t-CO<sub>2</sub></li></ul>	<ul style="list-style-type: none"><li>• Capability to reduce GHG emissions through stable operations, innovative design improvements and production optimization</li></ul>	<ul style="list-style-type: none"><li>• Promoting decarbonization initiatives for FPSOs</li><li>• Contributing to GHG emission reductions through the development of new businesses</li></ul>
Manufactured Capital	<ul style="list-style-type: none"><li>• A fabless business model (we do not own factories or shipyards)</li></ul>	<ul style="list-style-type: none"><li>• Expertise in integrated project management, covering engineering, construction and O&amp;M</li><li>• Proven ability to select optimal subcontractors worldwide, backed by over 50 years of industry experience</li><li>• Strong price competitiveness and adaptability to respond to a dynamic business environment</li></ul>	<ul style="list-style-type: none"><li>• Strengthening the EPCI business structure</li></ul>
Financial Capital	<ul style="list-style-type: none"><li>• Free cash flow: USD <b>438</b> million</li><li>• Issuer rating: <b>BBB</b> (Fitch Ratings, as of April 2025)</li></ul>	<ul style="list-style-type: none"><li>• Stable cash flow supported by long-term contracts for charter projects, ensuring financial reliability</li></ul>	<ul style="list-style-type: none"><li>• Maximizing client value by ensuring the steady execution of projects under construction</li><li>• Strategically investing a portion of free cash flow to drive future growth</li></ul>

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Message from the CFO

Maximizing Shareholder Value Through Robust Risk Management, Enhanced Profitability and Strategic Allocation of Management Resources



Ryo Suzuki  
● Director  
Executive Managing Officer

Our business model is based on long-term, fixed-price contracts and provides a highly predictable revenue stream over the long term.

MODEC has established a leading presence in all major offshore oil and gas producing regions of the world, providing reliable one-stop total FPSO solutions to its clients across EPCI,<sup>1</sup> O&M<sup>2</sup> and charter services. Our financial structure is uniquely aligned with our business model, enabling us to deliver consistent, long-term value to our stakeholders.

During the FPSO construction phase, we deliver EPCI services to our clients in the upstream sector of the energy industry. As a fabless company, we do not own factories or shipyards. Instead, we specialize in project management, including the arrangement and oversight of various vendors and shipyards. Once the FPSO is completed, we provide charter and/or O&M services. The total period from FPSO construction to post-delivery charter and O&M services spans many years. Our business is almost entirely underpinned by long-term fixed contracts, a defining feature of both our business model and financial strength. Our large-scale EPCI contracts for FPSOs typically span three to five years, with construction costs ranging from USD 1 billion to USD 3 billion. To manage cash flow during construction, contracts are carefully structured to ensure that MODEC, as the general contractor, does not face a cash shortage. The charter business is based on long-term contracts, ranging from 10 to 25 years with fixed USD day rates, which are payable irrespective of oil prices or production volumes. O&M contracts are also structured with fixed day rates or cost-plus payment terms, allowing for cost recovery. This approach not only underpins our operational resilience but also ensures consistent and stable value creation for our shareholders.

While investors often ask how volatility in the oil and/or gas prices could impact our operating performance, it should be noted that MODEC’s revenues are secured through long-term, fixed-price contracts, thus insulating us from commodity price volatility. MODEC operates in the midstream segment of the energy value chain. All the risks and rewards associated with the ownership of oil and gas reserves, including the impact of price volatility, are entirely for the account of our clients in the upstream sector.

1. Engineering, Procurement, Construction and Installation (EPCI)  
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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Message from the CFO



While the transition to a low-carbon society is a global priority, the growing population and concerns over energy security have renewed the focus on the importance of energy security through the stable supply of oil and gas. In addition, deepwater and ultra-deepwater oil and gas reserves, for which the majority of MODEC's FPSOs are being used, have a low breakeven cost and thus many of those reserves remain profitable even with depressed oil prices below USD 40 per barrel. As a result, major energy companies continue to actively explore and develop the deepwater or ultra-deepwater reserves, particularly in South America and West Africa. Proven expertise in constructing and operating FPSOs is the most critical requirement for production facilities for deepwater/ ultra-deepwater reserves and MODEC has the leading position in this market because of its technological capabilities supported by a track record of success spanning more than 45 years in the offshore oil and gas development business.

EPCI earnings could fluctuate due to timing differences between the clients' development schedules and our capacity.

In view of the robust demand for FPSOs for deepwater and ultra-deepwater reserves, however, we are enhancing our construction and project management capabilities, which will lead to further growth and improved profitability. As of December 31, 2024, 17 FPSO/FSO units are being chartered worldwide, with three additional units under O&M-only contracts. The average remaining life of our charter contracts for the 17 units exceeds 12 years. Our large, diversified charter and O&M portfolio will not only support stable earnings and cash flow over the long term, but also minimize any potential downside impacts from any single unit.

The external environment remains favorable as energy companies continue the development of deepwater and ultra-deepwater reserves and MODEC, as the leading company in this market, is well positioned to take advantage of industry growth. From a financial perspective, long-term, fixed-price contracts are not only a core strength of our business model but they also contribute to the high predictability of our financial performance.

We continue to focus on enhancing dialogue with investors and meeting investor expectation to ensure that our share price reflects the fair value of our business.

One of the key highlights of FY2024 was the secondary offering of MODEC shares by MITSUI E&S Co., Ltd., which previously held 40.5% of our shares. This offering involved the sale of 36.9% of MODEC's outstanding shares. Prior to the offering, three Mitsui Group companies held significant stakes in MODEC, and thus the public float was just around 30% and our share price remained at a low level due to the

lack of market liquidity. The secondary offering, however, significantly improved the market liquidity of MODEC shares, satisfying the listing criteria of the Prime Market of Tokyo Stock Exchange, while preserving our strong relationship with the Mitsui Group. We anticipate further expansion of our investor base in the coming years.

That said, there is still much work to be done to ensure that our stock price accurately reflects MODEC's intrinsic value. Since the May 2024 secondary offering, we have prioritized IR activities to enhance market awareness and understanding about MODEC. While we had been issuing various disclosure materials, including quarterly and annual consolidated financial statements, the extent of the disclosure was relatively limited compared with 10-K reports issued by companies listed in U.S. markets. This integrated report marks our first publication of its kind and will provide investors with deeper insights into MODEC's business.

Both our share price and trading volume have shown steady growth, driven by our strong financial performance and progress with dedicated IR efforts. Nevertheless, we believe that MODEC's share price is still undervalued as evidenced by the relatively low price-earnings ratio (PER) or low EV/EBITDA multiple. Since the secondary offering in May 2024, we have seen a significant increase in investor inquiries and requests for meetings. By attracting more investors through consistent and proactive communication and steadily growing the secondary trading volume, we expect to further increase our share price as well as reduce share price volatility. In the past, there was only limited understanding of the nature of our business and a misunderstanding in the market that MODEC's business was highly sensitive to fluctuations in oil and gas prices or foreign exchange rates. We believe that as investors gain a deeper understanding of our business model, built on the long-term, fixed-price contracts and a stable cash flow, our stock price will rise and our capital cost will decrease.

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Message from the CFO

In April 2024, MODEC received a Fitch rating of BBB- with a Positive outlook. On the other hand, the Company incurred net losses in FY2020 and FY2021 due to the COVID-19 pandemic. Notably, despite the significant net loss recorded in FY2021, Fitch maintained an investment grade rating for MODEC. We believe that this rating reflects the strength of our business model, supported by the probability of new project awards in a favorable industry landscape, stable and predictable cash flow from our charter business and solid financial conditions. Moreover, Fitch upgraded our rating to BBB in April 2025 as a reflection of our improved performance, higher EBITDA and solid financial position in FY2024. As of December 31, 2024, the debt-to-EBITDA ratio stood at just 1.6 times. Our EPS is also solid, and our financial metrics make MODEC an attractive investment opportunity for both new and follow-on investors. In FY2025, we plan to raise cash dividends by JPY 40 per share, bringing the total to JPY 120 per share. MODEC will continuously review the shareholder return policy to provide investors with stable and sustainable returns over the long term.

We have made upward revisions to our mid-term financial targets to reaffirm our commitment to maximizing shareholder value.

We have revised the financial targets of Mid-term Business Plan 2024–2026 upward. This revision reflects the higher-than-expected profitability we achieved through various strategic measures, including the intensive special maintenance campaign for older FPSOs. We anticipate further earnings growth through better cost and schedule management. We believe that the revised net profit and EBITDA targets, though they may appear ambitious, are within an achievable level.

Our growth investments focus on delivering added value to clients such as FPSOs equipped with GTCC<sup>3</sup> power generation systems. We expect these FPSOs to achieve the industry’s lowest CO<sub>2</sub> emissions. We have obtained approval in principle (AiP) from the American Bureau of Shipping (ABS) for an FPSO designed to produce blue ammonia from surplus associated gas. In addition, we have enhanced our business development capabilities and plan to accelerate initiatives that leverage our existing competitive advantages and strategically allocate management resources. We also aim to acquire

necessary new resources, such as human capital, while fostering external partnerships.

We fully recognize that maximizing shareholder value is the core mission of the Company. With this goal in mind, we remain committed to prioritizing growth in collaboration with all our stakeholders. We have already laid a strong foundation and warmly invite our stakeholders to share in our optimism for the future.

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.

Financial KPIs

	FY2023 (Actual)	FY2024 (Actual)	FY2025 (Forecast)	(Million USD)	
				FY2026	
				Initial targets in February 2024	Revised targets in February 2025
Net Profit <sup>4</sup>	96	220	270	175	300
ROE	10.7%	20.3%	—	12.0%	20.0%
PBR	1.1	1.2	—	> 1.0	> 1.0
Adjusted EBITDA <sup>5</sup>	218	328	—	300	450

4. Profit attributable to owners of parent  
5. Adjusted EBITDA represents EBITDA before adjustments of non-recurring extraordinary items  
Note: Targets revised in February 2025

Reasons for FY2026 Target Revisions

- Improved operating performance of existing FPSOs due to the intensive special maintenance campaign and cost management
- Improved profits on FPSO projects achieved through steady project management and effective cost and schedule control

Basic Policy

- Maximize customer value through the steady implementation of projects under construction
- Invest a portion of free cash flow in future growth (Decarbonization of our business and development of new businesses)
- Maximize corporate value based on management that considers capital costs
- Provide performance-based shareholder returns

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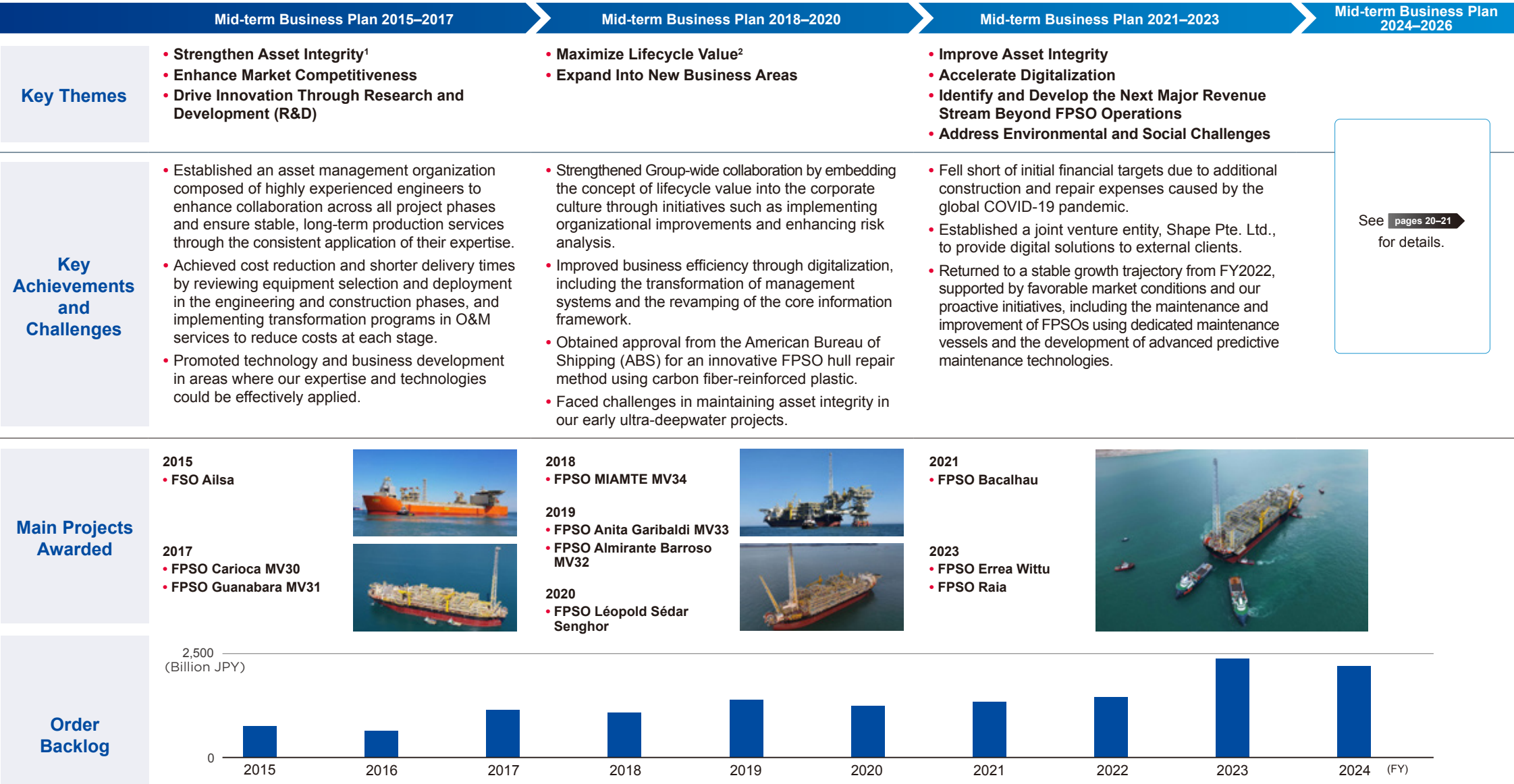
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# Evolution of Our Strategy

We have demonstrated resilience in the face of significant challenges posed by the external environment, including the COVID-19 pandemic, and are now on a steady path to recovery. By leveraging stable cash flows, we are committed to embracing new opportunities and driving sustainable growth for the future.



1. Asset integrity refers to the ability of equipment and facilities to operate safely and efficiently throughout their lifecycle.  
2. Lifecycle value refers to the value delivered to customers and other stakeholders throughout the entire lifecycle of an FPSO, from design to operation.

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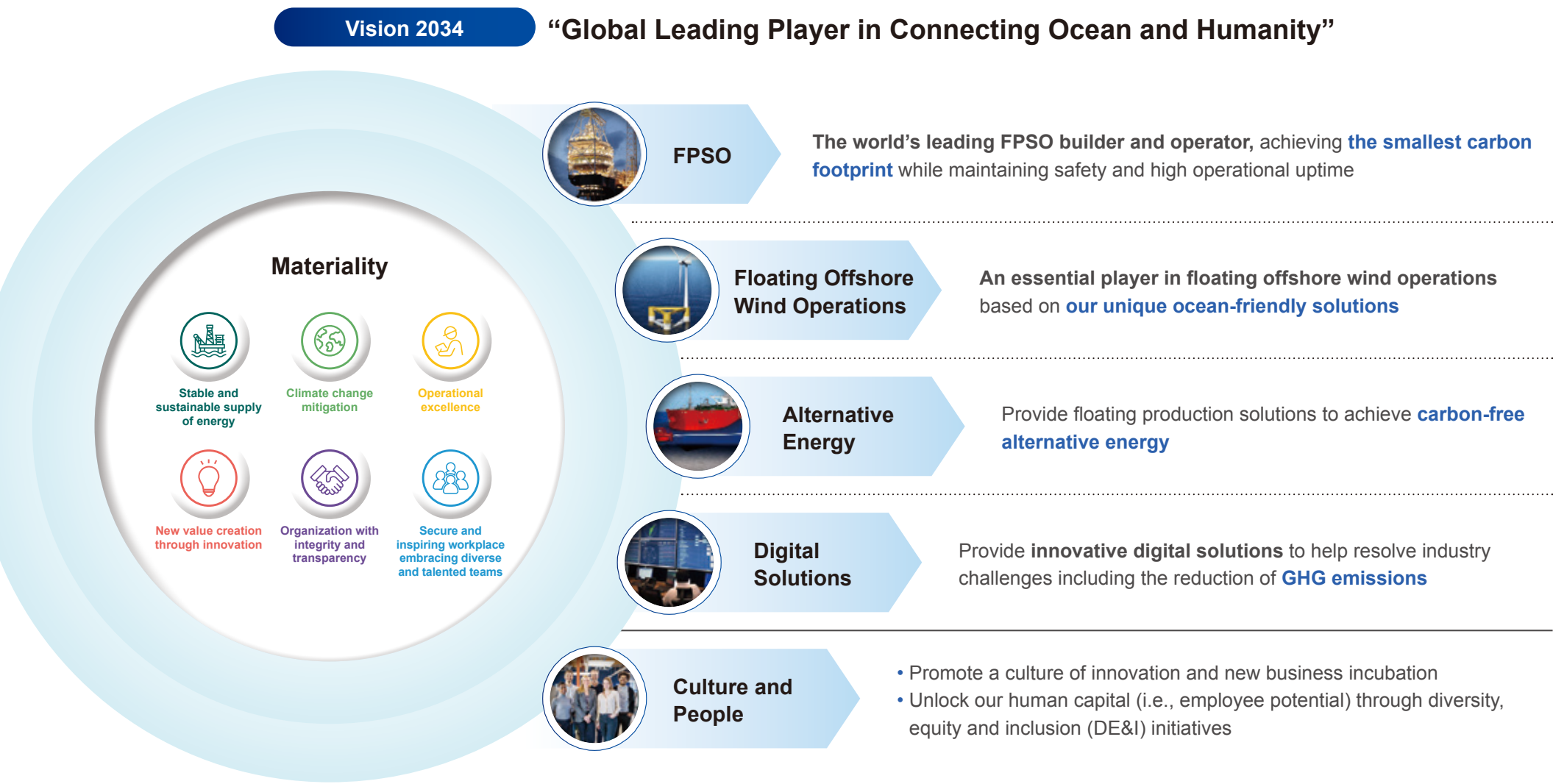
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# Vision 2034

With the aspiration of becoming a “Global Leading Player in Connecting Ocean and Humanity,” we are dedicated to contributing to society through our core FPSO business by balancing the stable supply of energy with the reduction of carbon dioxide emissions. Furthermore, we aim to leverage our unique floating and digital solutions to advance floating offshore wind, alternative energy and digital businesses, thereby supporting the realization of an environmentally friendly world. We will also focus on expanding and strengthening our human capital to support these initiatives, while continuously enhancing our corporate culture. Vision 2034 outlines the long-term aspirations of MODEC, and is the foundation on which Mid-term Business Plan 2024–2026 was formulated.



# Mid-term Business Plan 2024–2026

In February 2024, we announced Mid-term Business Plan 2024–2026, titled “Explore a Sustainable Future with Innovation,” covering the three-year period up to FY2026. Recognizing the accelerating global trends toward decarbonization and sustainability, the plan prioritizes strengthening profitability while addressing the evolving external environment. Key initiatives include promoting the decarbonization of the core FPSO business, exploring and developing new business opportunities, and reinforcing the overall business foundation through strategic investments in human capital. The MODEC Group’s performance has significantly exceeded initial assumptions made during the formulation of the plan. Notably, the net profit target for the final year of the plan, USD 175 million, was achieved in FY2024, two years ahead of schedule—reflecting the success of various initiatives. Ongoing efforts focus on promoting decarbonization in the FPSO business, developing new business areas and reinforcing the business foundation. Other efforts include strengthening governance, improving internal controls and ensuring steady progress on all fronts during the remainder of the plan period.

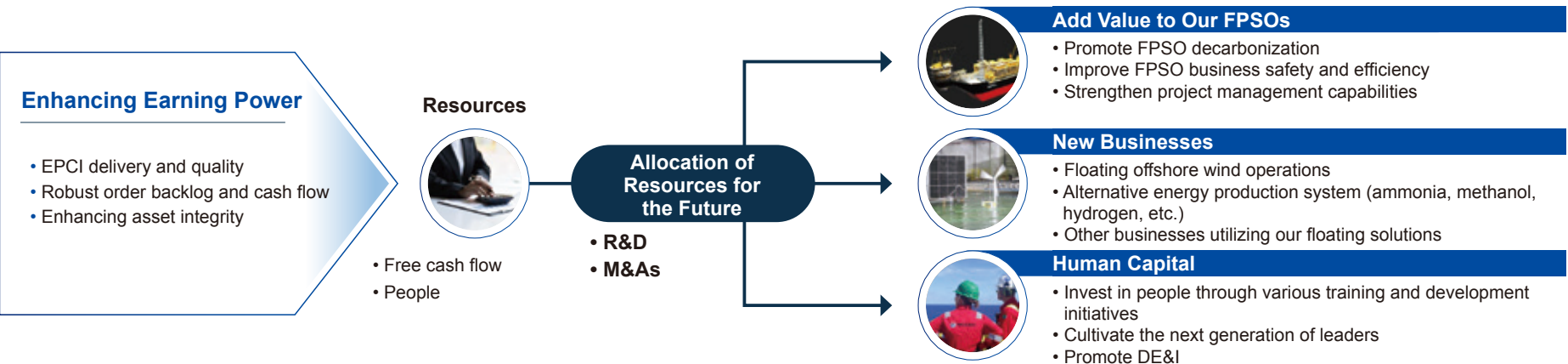
## 01 Enhancing Earning Power

In addition to steady progress in construction projects, our recent focus on maintenance and repair work has significantly enhanced the operational performance of existing vessels, contributing to the achievement of our highest profit level since before the COVID-19 pandemic. We will continue to strengthen relationships with key clients, pursue promising new projects and further enhance our asset management capabilities.

Note: See page 17 for information on the revised quantitative targets of the mid-term business plan.

## 02 Strategic Resource Allocation and Acquisition

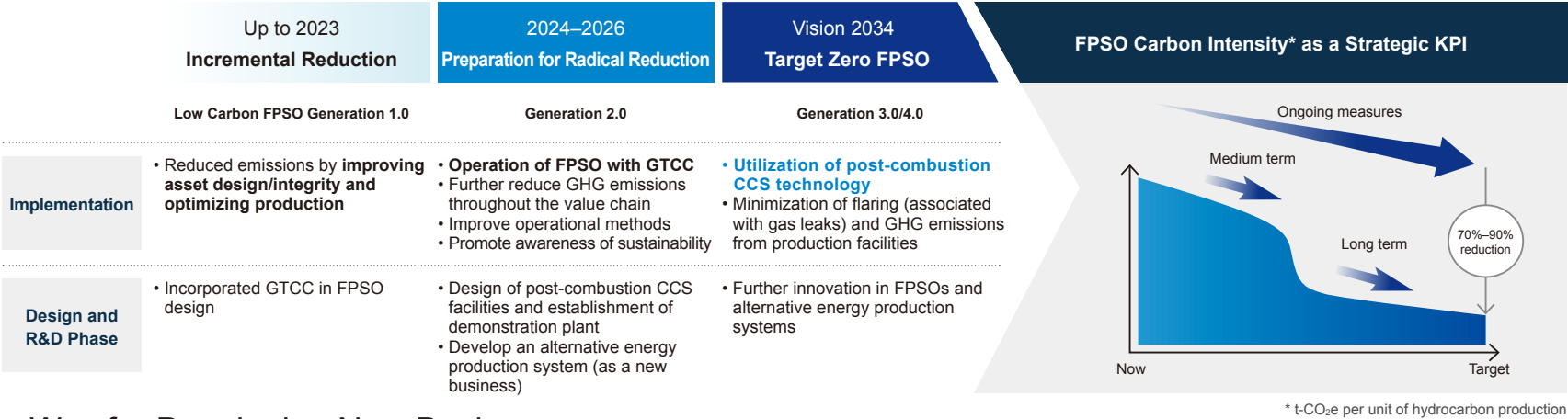
We are reassessing our core strengths and position within the industry. In light of evolving oil and gas market trends, climate change and other external factors, we are prioritizing the allocation of management resources to enhancing the value of FPSOs and developing new businesses. Additionally, we have begun to strategically acquire new resources, including talent acquisition and the formation of external partnerships.



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### 03 Promoting FPSO Decarbonization

We are promoting the development of next-generation FPSO vessels to ensure the long-term sustainability and growth of our FPSO business. As part of our commitment to FPSO decarbonization, we are actively engaging with potential business partners specializing in carbon capture and storage (CCS) technologies. Additionally, we are focused on developing and validating innovative technologies that contribute to decarbonization. To further these efforts, we will continue to prioritize research and development (R&D) of decarbonization technologies, including CCS, while exploring opportunities for new business development.




### 04 Paving the Way for Developing New Business

We are actively advancing the development of innovative floating technologies for offshore wind power generation and alternative energy sectors, contributing to the global transition from a fossil fuel-based society to a low-carbon society. These efforts align with our commitment to sustainability and the creation of long-term value. To further accelerate progress, a dedicated organization for new business development was established in January 2025. This centralized structure streamlines efforts in emerging areas and enhances our ability to drive innovation and capitalize on new opportunities.

### 05 Enhancing Group Collaboration and Synergy

We are implementing a Group-wide management tool powered by digital technology to enhance operational efficiency and decision-making. To advance human capital management, a dedicated working group has been established to develop a comprehensive Group-wide human capital strategy.

**Employee Spotlight**



**Sophie Lim**  
Singapore  
Deputy Section Lead, Tech

**Shaping MODEC's Future Through Data and AI**

At Digital & Analytics (DnA), innovation goes beyond being just a catchphrase—it is the driving force behind everything we do, transforming innovation ideas into reality. In the DnA Tech section, we focus on leveraging advanced technology while creating data driven products—nemo™, MODEC Sensei and other innovative enterprise products.

nemo™ (MODEC's Global Data Platform) stands at the forefront in collecting data from across the Group. Through nemo™, DnA materializes our vision as One MODEC, where data is gathered, structured, and made ready for use throughout the MODEC business lifecycle—benefiting both internal stakeholders and clients.

MODEC Sensei (an enterprise chat tool leveraging LLM/VLM)\* is another groundbreaking product in DnA. Utilizing advanced AI technology, our team has designed this tool specifically for MODEC's use, empowering everyone to access generative AI technology and enhance employees' productivity.

Engineering DX (digital transformation) leverages digital technology to improve engineers' productivity and quality of work. By integrating software applications and automating calculations, we seek to reduce manual tasks and enable engineers to focus on critical thinking tasks. In essence, our mission as DnA in MODEC is to make use of the power of technology to replace daily manual work, equipping our employees with advanced technological skills.

\* Large language model (LLM)/Vision-language model (VLM)

### 06 Improving Group Governance and Pursuing Sustainability

After selecting “climate change,” “human rights” and “human capital and diversity” as key focus areas for our important sustainability challenges, we established dedicated working groups for each one. These groups have started taking concrete actions and are developing detailed roadmaps to guide their long-term efforts. Regarding GHG reduction measures, we have expanded the scope of GHG emission disclosure and begun working to attain third-party verification.

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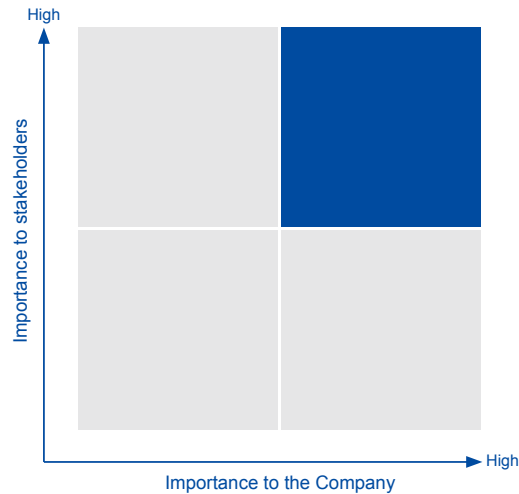
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# Materiality

In 2023, we identified our materiality (“material issues”)—a set of important sustainability-related challenges that we must address. We will link these material issues to our medium- to long-term business strategies, strengthen our management foundation through both organizational and human resource development, create value unique to the MODEC Group, and contribute to solving global social challenges such as providing a stable and sustainable supply of energy and addressing climate change.

## Identification Process

To identify our material issues, we extracted themes to be evaluated from international frameworks such as the UN Sustainable Development Goals (SDGs), the GRI Standards, and the SASB Standards, as well as from other external ESG-related criteria. We then assigned a priority ranking to these items from the perspectives of importance to stakeholders and importance to the Company, drawing on the results of a questionnaire survey and discussions with Group management. Based on these ranked items, we identified our material issues. The material issues were confirmed through discussions with business partners and external experts, and approved by the Management Board and the Board of Directors.



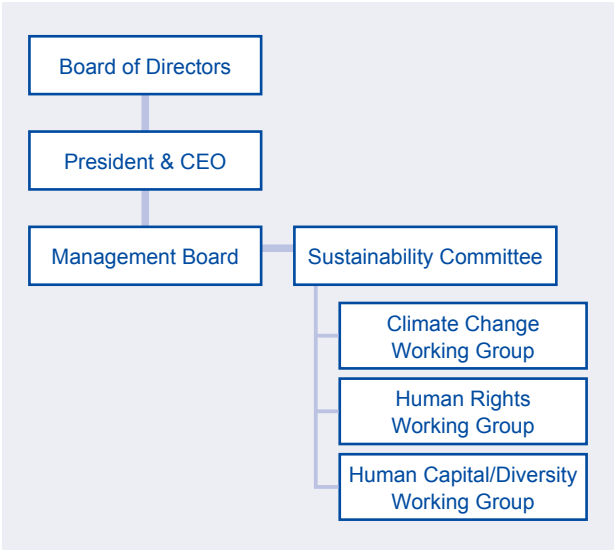
## Sustainability Promotion Framework

To develop and promote activities related to sustainability issues—and to manage and assess these efforts—the MODEC Group established the Sustainability Committee under the Management Board. The Sustainability Committee is chaired by the executive vice president, and members include the presidents/CEOs of major subsidiaries.

The committee met six times in FY2024 and established working groups for each of the three important themes: “climate change,” “human rights,” and “human capital/diversity,” to discuss the formulation of a roadmap and an action plan.

The basic policy on sustainability, which is an important management issue, and key items were deliberated by the Sustainability Committee and then reported to the Management Board and the Board of Directors.

### Sustainability Promotion Framework



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Materiality

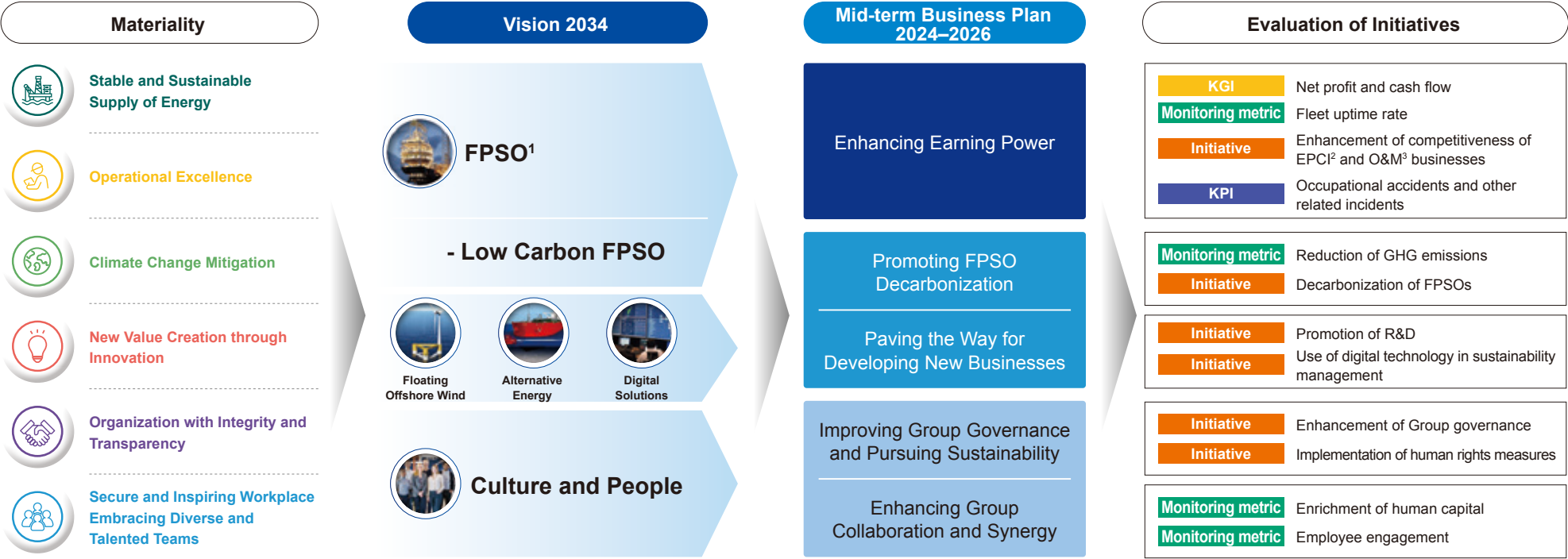
Materiality at MODEC

We have identified six material issues as important sustainability-related challenges. These material issues are categorized according to their characteristics as either “solutions for social issues,” “value creation” or “reinforcement of business foundation.”

Based on these material issues, in 2024 we renewed our Vision, Mission and Core Values as part of efforts to establish our long-term vision (Vision 2034), and formulated Mid-term Business Plan 2024–2026. In alignment with Mid-term Business Plan 2024–2026, we set targets and conduct evaluations for material issue-related initiatives from the following perspectives.

We evaluate our sustainability-related activities using the following four methods.

KGI	Key goal indicator
KPI	Key performance indicator
Monitoring metric	A metric used to monitor progress, even though a target has not yet been set
Initiative	An initiative that is difficult to quantify but will continue to be promoted



1. Floating Production, Storage and Offloading system (FPSO)  
2. Engineering, Procurement, Construction and Installation (EPCI)  
3. 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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# Stable and Sustainable Supply of Energy

For over 50 years, MODEC has played a pivotal role in ensuring the stable supply of energy to meet global demand. As the world accelerates its transition toward a decarbonized society, we remain committed to delivering reliable and sustainable energy solutions by optimizing operations, enhancing asset integrity and maximizing lifecycle value.

## The Background Behind MODEC’s Initiatives

### Importance of a Sustainable Supply of Energy

As global efforts toward decarbonization continue to accelerate, growing geopolitical risks and increasing societal uncertainty and complexity have amplified the need for a stable and reliable energy supply, including oil and gas. Despite the shift toward renewable energy, cost-competitive oil and gas exploration—particularly in deepwater regions—is expected to remain a critical component of the global energy mix for the foreseeable future. By leveraging our extensive experience and advanced technologies, we are committed to collaborating with clients to ensure a stable and sustainable global energy supply.

Furthermore, a stable energy supply not only guarantees consistent delivery to oil-producing nations but also drives the growth and development of related industries, contributing to broader economic stability and progress.

### Maximizing Lifecycle Value

At MODEC, our foremost objective is to maximize the value we deliver to stakeholders through the entire lifecycle of an FPSO—from design and construction to operation.

In particular, for EPCI projects, we are enhancing our engineering capabilities and further strengthening our organizational structure to meet the growing demand for large-scale FPSOs in deepwater and ultra-deepwater regions, where major energy companies are actively investing.

## Examples of Our Initiatives

### Contract Awarded for Shell’s Gato do Mato FPSO Project off the Coast of Brazil (March 2025)



MODEC signed a purchase and sales agreement and formally received a 20-year O&M contract for an FPSO project for the Gato do Mato field, which is being developed off the coast of Brazil by Shell Brasil Petróleo Ltda (“Shell”). The FPSO will be capable of processing 120,000 barrels of oil per day, and will be moored at a water depth of approximately 2,000 meters. This project is MODEC’s 19th FPSO/FSO in Brazil and our second for Shell.

Please see the following website for details.  
[https://www.modec.com/news/2025/20250325\\_pr\\_gdm\\_psa.html](https://www.modec.com/news/2025/20250325_pr_gdm_psa.html)

### Contract Awarded for ExxonMobil’s Guyana Hammerhead FPSO (April 2025)



MODEC has been awarded a contract by ExxonMobil Guyana Limited to develop a FPSO for the Hammerhead Project. The contract is a limited notice to proceed (LNTP) agreement, covering FEED and EPCI phases. The LNTP enables MODEC to commence FPSO design activities, supporting the earliest possible production start in 2029. The FPSO will have a production capacity of 150,000 barrels of oil per day and will be moored at a water depth of approximately 1,025 meters. In addition, we have signed an operations and maintenance enabling agreement (OMEA) for multiple FPSOs in Guyana, and plan to provide long-term O&M services.

Please see the following website for details.  
[https://www.modec.com/news/2025/20250421\\_pr\\_Hammerhead.html](https://www.modec.com/news/2025/20250421_pr_Hammerhead.html)

#### Employee Spotlight



**Nicholas Wills**  
U.S.A.  
Business Development Director

#### A Future of Sustainable Energy Built on Innovation

Over the past year, we engaged extensively with the market, key clients and other industry stakeholders to discuss our updated approach to offshore energy and innovation. Additionally, we joined industry organizations and attended events to promote our work and learn about new technologies, expanding our reach to a greater extent than ever before. I am proud that we were able to demonstrate leadership in developing and promoting these value-based initiatives, showcasing our competence and experience.

Examples of this approach paying off are the orders we recently received for the Gato do Mato and Hammerhead FPSO projects. Our project teams found and demonstrated innovative solutions, which led to excellent results for both the client and MODEC.

In 2025 and beyond, I look forward to further strengthening our position in the market and finding new opportunities, especially considering the relevance and importance of the energy transition.

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Stable and Sustainable Supply of Energy

FPSO Léopold Sédar Senghor Starts Oil Production for Woodside Energy’s Sangomar Project (June 2024)

In June 2024, FPSO Léopold Sédar Senghor, constructed by MODEC, commenced oil production at the Sangomar field off the coast of Senegal. This milestone marks the start of Senegal’s first offshore oil field development project. Moored at a water depth of approximately 780 meters, the FPSO is capable of processing 100,000 barrels of crude oil per day, 130 million standard cubic feet of gas per day, 145,000 barrels of water injection per day, and has an oil storage capacity of 1.3 million barrels. We are responsible for the O&M of the FPSO under an initial 10-year service contract, with an option for a further 10-year extension, enabling potential service provision for up to 20 years.

This FPSO is our fifth delivered to West Africa, a region where we have built a strong presence over the past 30 years.

Please see the following website for details.  
[https://www.modec.com/news/2024/20240612\\_pr\\_Sangomar\\_FO.html](https://www.modec.com/news/2024/20240612_pr_Sangomar_FO.html)



Strengthening Our Global EPCI Business Structure

To further enhance the competitiveness of our EPCI business, we are strengthening our global organizational structure, with Offshore Frontier Solutions Pte. Ltd. (OFS) in Singapore serving as the central hub. As part of this initiative, we have established new bases in Malaysia and India to expand our operational capabilities. OFS Malaysia, our new office in Malaysia, commenced operations in April 2025 and will serve as a strategic hub supporting the execution of EPCI projects. In India, TOYO MODEC OFS India Private Limited (OFS India)—a joint venture between OFS and Toyo Engineering India Private Limited—opened in June 2025. It will be responsible for FEED and detailed engineering of the FPSO topside, as well as provide procurement support services.

Please see the following website for details.  
MODEC announces the opening of a new office in Malaysia  
[https://www.modec.com/news/2025/20250416\\_pr\\_KL-office.html](https://www.modec.com/news/2025/20250416_pr_KL-office.html)

MODEC announces the establishment of OFS India  
[https://www.modec.com/news/2024/20241003\\_pr\\_OFS-India.html](https://www.modec.com/news/2024/20241003_pr_OFS-India.html)



Opening ceremony for the new office in Malaysia



Employee Spotlight



Takeshi Ozaki  
Singapore  
Project Manager

Beyond Energy Supply—Impact and Responsibility That Make a Difference in the Field

Since joining MODEC in 2008, I have been involved in numerous FPSO EPCI projects in locations such as Singapore, West Africa, Brazil and China. While the daily work can be demanding, interacting with the wide variety of people involved in each project and hearing their stories from their perspectives has been both meaningful and enjoyable.

One particularly memorable experience was a project for Ghana that I worked on soon after joining the Company. This project, named after the country’s historically significant first president, received support not only from the energy industry but also from many people throughout the local community. Feeling the weight of their expectations and the responsibility entrusted to us, I was inspired to approach my work with renewed seriousness and dedication. Witnessing the economic development of the town where I was staying at the time, as well as the growth of my local colleagues, made me realize that our project has a significant impact not only on the stable supply of energy, but also on the local community and all those involved.

In a recent project, I was involved in the operation of the first gas turbine combined cycle (GTCC)\* power generation system ever installed on an FPSO. This technology maximizes the use of waste heat of the generator to improve power generation efficiency and significantly reduce CO<sub>2</sub> emissions. Through this project, I have come to feel that our industry is steadily advancing on a sustainable path toward coexistence with the environment. New technologies always bring challenges, and I am sure there will be many more to come. However, I remain committed to my work, always reflecting on the impact our efforts have on many people, and never forgetting my original aspirations.

\* 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.

Status of Construction Projects (As of December 2024)

	FPSO Bacalhau	FPSO Errea Wittu	FPSO Raia
Client	Equinor	ExxonMobil	Equinor
Contract type	EPCI + Short term O&M (1 year)	EPCI + O&M (10 years)	EPCI + Short term O&M (1 year)
Field	Bacalhau	Stabroek	BM-C-33
Water depth	2,027 m	1,690 m	2,900 m
Storage capacity	2,000,000 bbls	2,000,000 bbls	2,000,000 bbls
Production capacity	220,000 bopd 500 mmcsfd	250,000 bopd 540 mmcsfd	125,000 bopd 565 mmcsfd

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# Climate Change Mitigation

MODEC recognizes that, while fulfilling its mission to ensure a stable energy supply, it is essential for companies to address climate change as a prerequisite for the sustainable development of society.

We are committed to contributing to the achievement of global climate goals by minimizing greenhouse gas (GHG) and other emissions across our business activities and supply chain, and by developing clean energy solutions.

## Governance Framework for Responding to Climate Change Risks

Our basic policy and key priorities related to climate change are deliberated by the Sustainability Committee, an advisory body to the Management Board, and subsequently reported to the Management Board and the Board of Directors.

To further strengthen our response, we have established the Climate Change Working Group as a subordinate body of the Sustainability Committee. In FY2024, this working group discussed important topics such as internal carbon pricing and disclosure of Scope 3 GHG emissions.

## Scenario Analysis


In March 2023, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and conducted a scenario analysis to contribute to the global goal of achieving a low- or zero-carbon society.

For this analysis, we selected two temperature scenarios —4°C and 1.5°C—based on the Shared Socioeconomic Pathway (SSP) scenarios adopted by the Intergovernmental Panel on Climate Change (IPCC).

## Risks and Opportunities

We conducted an initial review and assessment of our business activities based on the TCFD recommendations to identify and recognize potential risks and opportunities.

Please see the following website for details.

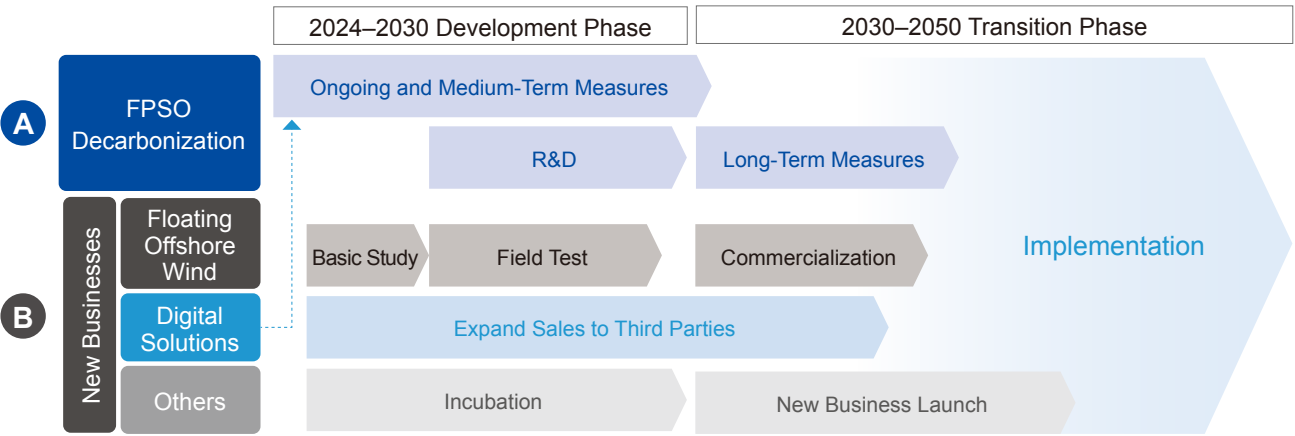
 Disclosure Based on the TCFD Recommendations  
<https://www.modec.com/sustainability/tcfid.html>

## Targets and Roadmap

### Path Toward Net Zero by 2050



### Business Strategy



### Carbon Emissions from FPSOs

We have set the “carbon intensity of FPSOs”<sup>\*</sup> as one of our strategic KPIs and are working toward a significant reduction of 70%–90%.

<sup>\*</sup> Carbon dioxide equivalent emitted in hydrocarbon production

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## Example of Our Initiatives

Initiative Decarbonization of FPSOs

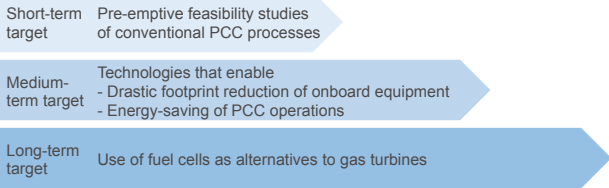
### Decarbonization of FPSOs

To reduce GHG emissions from FPSOs, MODEC is developing carbon capture technologies that collect carbon dioxide (CO<sub>2</sub>) generated during oil production activities before it is released into the atmosphere offshore.

Reducing post-combustion exhaust can result in a significant reduction in CO<sub>2</sub> emissions. In addition to the pre-combustion carbon capture<sup>1</sup> method that we have already implemented, and post-combustion carbon capture (PCC)<sup>2</sup> leveraging our expertise in deepwater underground storage, we are pursuing new technological developments to further advance the decarbonization of FPSOs.

### CO<sub>2</sub> Separation and Capture Technology

In line with our roadmap for FPSO decarbonization, MODEC is also pursuing the practical application of post-combustion carbon capture technology, guided by short-, medium- and long-term targets. These efforts are designed to ensure readiness for immediate implementation while also driving future breakthroughs.



1. Pre-combustion carbon capture: A method for removing CO<sub>2</sub> from fossil fuels before the combustion of fuel gases. Amine absorption and membrane separation are utilized for this process.
2. Post-combustion carbon capture: A method for separating CO<sub>2</sub> from flue gases of the combustion sources. A common method involves using an amine solution, wherein the CO<sub>2</sub> present in the flue gas is absorbed by the amine solution and subsequently separated.
3. Amine solution-based method: This chemical absorption process cools exhaust gas and absorbs CO<sub>2</sub> into an amine solution. While amine-based solvents are efficient, challenges arise due to the large size of the absorption tower required for high-flow, low-pressure, and low CO<sub>2</sub> concentration fuel gas. This poses installation footprint challenges on floating facilities.

### Short-Term Target: Pre-Emptive Feasibility Studies of Conventional PCC Processes

We aim to utilize PCC in upcoming FPSO projects using the amine solution-based method.<sup>3</sup> This method has a proven track record, having been successfully applied not only in commercial onshore PCC plants but also on MODEC's FPSOs for processes such as gas sweetening. Collaboration with licensors on basic design and engineering is underway to prepare for deployment.

### Medium- to Long-Term Target: Development of Fit-for-Purpose Solutions for FPSOs

We will focus on developing advanced PCC technologies designed for FPSO-specific conditions, addressing challenges such as the footprint of amine absorption towers and optimizing processes for offshore application.

### MODEC and Carbon Clean Sign Memorandum of Understanding (MOU) to Accelerate Development and Deployment of Offshore Carbon Capture Technology (June 2025)

MODEC has signed a MOU with Carbon Clean Solutions Ltd. to continue the development of CycloneCC carbon capture technology for early integration into FPSOs. CycloneCC is an innovative carbon capture system that utilizes rotating packed bed (RPB) technology. Compared with conventional systems, it offers a more compact and lower center-of-gravity design, with minimal performance variation due to motion, enabling stable operation even in space-constrained environments such as FPSOs.

We are promoting the development of decarbonization solutions utilizing this technology, with the aim of contributing both to the decarbonization of FPSOs and the creation of next-generation floating solutions

 Please see the following website for details.  
[https://www.modec.com/news/2025/20250605\\_pr\\_CarbonClean.html](https://www.modec.com/news/2025/20250605_pr_CarbonClean.html)

#### Employee Spotlight



**Yasushi Ueda**  
Japan  
Function Manager

### Developing the Future of Energy with Low-Carbon FPSOs

The Low Carbon FPSO Program, which I'm engaged in as the program manager, uniquely combines initiatives for the decarbonization of FPSOs with efforts to develop new concepts that enable a realistic energy transition.

While MODEC is also engaged in floating offshore wind power, we believe that green electricity is not the sole optimal future energy source. Different areas and circumstances require tailored solutions, and humanity needs to pursue the optimal energy value chain globally. To create such a future, MODEC is committed to providing a variety of ocean-based solutions that have real social benefits. Our duty is to contribute to a truly feasible energy transition. The recently developed "Low Carbon Ammonia FPSO" concept is proof of this commitment, as it uniquely converts unused gas from reservoirs into clean fuel.

My heartfelt desire to ensure a bright future for my children and the following generations is the strong driver behind my current work, which I find exciting, filled with insights gained from cutting-edge technologies and involving collaboration across the borders of countries and organizations.

MODEC will continue to harness the technology and passion of our team to develop and deliver floating solutions for the future.

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Climate Change Mitigation

MODEC and JGC Complete First GHG Emissions Quantification Project at an FPSO off the Coast of Brazil (May 2024)

As the development of marine resources advances, reducing environmental impact has become a corporate responsibility. MODEC and JGC Corporation have taken the first step toward decarbonization by accurately measuring GHG emissions from an FPSO off the coast of Brazil.

This project focuses particularly on methane, for which emission prevention measures are increasingly important. Recognizing the limitations of conventional estimation methods, we combined a bottom-up approach—using sensors and infrared cameras—with a top-down approach using drones. This enables high-precision measurement of emissions across the entire FPSO. As a result, we were able to identify emission sources and outline effective reduction measures.

This initiative meets the highest standards of the international Oil & Gas Methane Partnership 2.0 (OGMP 2.0 reporting framework) and has the potential to become an industry benchmark. MODEC will accelerate efforts to reduce the carbon intensity of FPSOs, while JGC Corporation will contribute to the decarbonization of the offshore development industry by providing advanced measurement technologies.

Please see the following website for details.  
[https://www.modec.com/news/2024/20240502\\_pr\\_GHG-Emissions.html](https://www.modec.com/news/2024/20240502_pr_GHG-Emissions.html)



Methane measurements on an FPSO

Establishing a New Benchmark for Decarbonized FPSOs with the World’s First Environmental Certification (July 2024)

The FPSO currently under construction by MODEC for the Bacalhau field off the coast of Brazil has become the world’s first newly built FPSO to receive an approval in principle (AiP) for the Abate Notation covering P+ (enhanced power systems), F (flare systems), Pr (process systems), and S (storage systems) from DNV, the Norwegian classification society, in recognition of its reduced environmental impact.

With an ISO-compliant energy management system, elimination of non-emergency flaring, and highly efficient power generation and heat utilization design, the FPSO is expected to achieve one of the lowest CO<sub>2</sub> emissions per barrel in the industry. This certification marks an important first step in our efforts for decarbonization. Through continued technological innovation at all stages—from FPSO EPCI and supply chain management to final operations—we aim to achieve both a stable energy supply and reduced CO<sub>2</sub> emissions, contributing to the realization of a sustainable society with lower environmental impact.

Please see the following website for details.  
[https://www.modec.com/news/2024/20240718\\_pr\\_bacalhau.html](https://www.modec.com/news/2024/20240718_pr_bacalhau.html)

Reduction of GHG Emissions

	Monitoring metric	Reduction of GHG emissions
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Since FY2019, MODEC has calculated and disclosed GHG emissions from Group companies. In addition, since FY2021, we have calculated and disclosed GHG emissions from leased FPSOs and FSOs—our core business—under Scope 3, Category 13. For details on emissions from other Scope 3 categories, as well as calculation assumptions and breakdowns, please refer to our website.

	(t-CO <sub>2</sub> e)			
	FY2021	FY2022	FY2023	FY2024 <sup>2</sup>
Scope 1	0	0	0	0
Scope 2 (Location based)	1,309	1,503	1,619	1,695
Scope 3 <sup>1</sup> (Category 13 only)	3,784,892	5,203,364	5,298,344	5,426,458 <sup>3</sup>

Employee Spotlight

**Promoting Decarbonization Throughout the FPSO Lifecycle**  
**Hannah Chin**  
Singapore  
Senior Engineer

In order to provide broad and lasting emission reduction solutions, our team has studied the lifecycle emissions of FPSOs to identify decarbonization measures.

We have developed a comprehensive GHG evaluation approach, and a series of surveys and investigations have been conducted (leading to the provision of reasonable estimates) for various stages of FPSOs, from EPCI to operation and brownfield, up to the decommissioning phase.

The total lifecycle emissions of a typical FPSO in operation for 20 years is estimated to be approximately eight million metric tons of CO<sub>2</sub> equivalent. Out of this total, emissions from operations and EPCI contribute 80%-90% and 7%-11%, respectively.

In addition to the use of low-carbon technologies and products to reduce emissions during operation, due to the fact that the majority of emissions from EPCI are related to the supply chain, we have started working with vendors and subcontractors to improve logistics management, green power utilization, sustainable raw material application, fabrication process optimization and other areas.

In the future, this will also help us to identify “green” vendors for long-term collaboration as we transition toward a resilient, low carbon economy.

1. The main reasons for the increase in emissions since FY2021 are growth in the number of leased assets and temporary emissions during the commissioning phase after the start of production.
2. GHG emissions for FY2024 are currently being reviewed by a third-party. Figures may be subject to change after the certification process is completed.
3. Using the equity share approach, Category 13 emissions for FY2024 are 1,758,164 t-CO<sub>2</sub>e.

Please see the following website for details.  
<https://www.modec.com/sustainability/environment.html>

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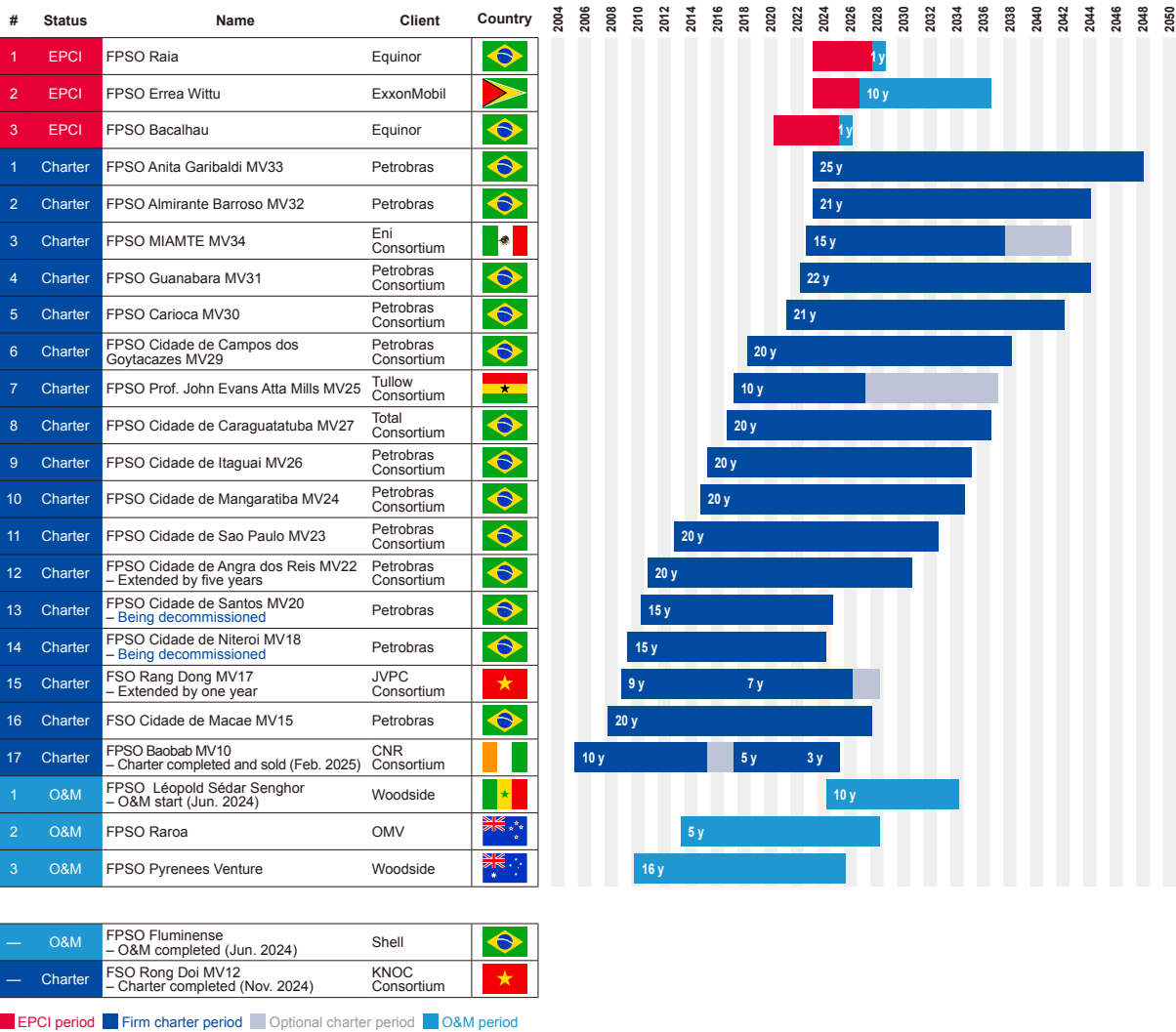
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# Operational Excellence

As of December 2024, we are constructing three FPSOs and operating 18 FPSO/FSO units. To date, we have completed construction of 52 units and have over 330 years of accumulated operational experience. For energy companies, health and safety are of utmost importance. At MODEC, we have always placed safety as our highest priority. Our commitment to nurturing our people, assets and the environment is a core value that we uphold in all our activities. Our Health, Safety, Security and Environment (HSSE) Commitment sets forth clear guidelines on occupational health & safety, security and environmental protection. We take responsibility for environmental conservation as well as legal compliance, and are dedicated to executing construction projects and operations safely and reliably.

## List of EPCI, Charter and O&M Projects (As of December 2024)



### Operational Excellence Built on Diversity and Growth

**Juliana Aquino**  
Brazil  
Area Manager

As the area manager for operations in Rio de Janeiro, I am currently responsible for five of our units. I have the honor of leading a significant part of MODEC's fleet, which includes approximately 750 people working in operations. My journey with the Company, from intern to my current leadership position, reflects its commitment to developing talent from the ground level, investing in people, and having confidence in each employee's capabilities.

Having dedicated nearly 20 years to MODEC, I've had the privilege of witnessing and contributing to the Company's journey from the very beginning in Brazil. Reflecting on our beginnings with a single FPSO, it's truly inspiring to see how far we've come—evolving into a thriving organization that has consistently overcome challenges to achieve remarkable growth. Over the years, we've not only gained invaluable knowledge and strength in O&M but have also adapted to a rapidly changing industry landscape. The increasing complexity of regulations, new technologies and client requirements has transformed our journey into a marathon of innovation and resilience.

In the first decade of O&M activities in Brazil, managing the maintenance and integrity of aging assets has also started to emerge as a huge challenge, especially given the constraints of limited onboard space. Tackling these obstacles has demanded both personal and corporate perseverance, as well as an unwavering commitment to the Company's goals.

The passion and enthusiasm of its employees are evident in every effort to ensure that, above all, MODEC maintains safety as its utmost priority, while overcoming challenges one by one, during the whole lifecycle of its units. It's this spirit that continues to drive us forward, ensuring we remain at the forefront of the industry.

Uptime Rate of FPSOs in Operation				
Monitoring metric		Fleet uptime rate*		
2020	2021	2022	2023	2024
96.4%	97.9%	98.5%	97.6%	98.7%

\* Median uptime rate of FPSOs in operation

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Health, Safety, Security and Environment (HSSE) KPI Occupational accidents and other related incidents

To achieve sustainable development and contribute to society, MODEC places the utmost priority on protecting the health and safety of not only its officers and employees, but also its business partners, local communities and all other stakeholders. We are committed to safeguarding our business, assets and the global environment. By fostering a strong culture of safety, we strive to achieve zero incidents.

Management System

To prevent accidents, losses and environmental pollution—and to minimize any impact should an incident occur—MODEC identifies potential hazards and thoroughly assesses risks, including the likelihood, frequency, and potential severity of harm or damage. Based on the assessments, we have established a wide range of measures and structures within the HSSE Management System to ensure the safety of all our operations and activities, including those involving affiliates, business partners and stakeholders.

HSSE Data

	2020	2021	2022	2023	2024
Exposure hours (employees and contractors)	47,065,375	57,003,832	64,004,670	43,697,775	53,855,476
Fatalities (employees and contractors)	1	2	0	0	0
Lost time injury frequency rate (employees and contractors)	0.19	0.18	0.11	0.32	0.22
Recordable occupational illness frequency rate (employees only)	0.19	0.00	1.08	0.70	0.30

HSSE Commitment Statement

The HSSE Commitment Statement is the highest-level document in our HSSE framework, expressing MODEC’s strong commitment to health and safety, security and the environment. Based on the HSSE Commitment Statement, the HSSE management system has established the Group HSSE Policy and standards that serve as a common framework for all business units and offices. The above policy and standards incorporate elements from international conventions, global standards, and oil and gas industry requirements. Furthermore, each office and business unit develops and implements specific procedures and compliance measures that address local laws, regional regulations and customer-specific requirements.

The CARE Program and a Culture of Safety

At MODEC, HSSE is not just a matter of compliance or a set of rules. We have established the Cultural Awareness Resides in Everyone (CARE) Program, which applies to all officers and employees. This behavior-based safety improvement initiative, with a focus on human factors, is designed to further promote our unique culture of safety across the organization.

Employee Spotlight



Safety and Operation Excellence Based on Transfer of Knowledge

Moustapha Diop  
Senegal  
HSSE Specialist

Every organization, especially those with people who are operating internationally, has the desire to transfer skills and knowledge from their experienced expatriates to help build up the skills and capacity of the local employees working on its behalf. I believe this helps to empower the local workforce in improving the HSSE management culture of their operations. The reasons for doing this are to help to optimize operating costs and to ensure the transfer of knowledge to local personnel.

In Senegal, MODEC is implementing this knowledge transfer process to create the following outcomes:

- 1. A local workforce that is exposed to the value and benefits of implementing high-level HSSE management as a tool to improve the HSSE performance and productivity of the organization and ultimately Senegal.
- 2. An environment where multinational companies such as MODEC bring new skills into the country that will benefit local workers.
- 3. Opportunities for the workers to be engaged in real working conditions at best-in-class operating facilities and with systems where they can experience how to manage HSSE management systems efficiently.
- 4. A working environment that helps ingrain the principle that “Operational Excellence” is the motto that every individual who wants to grow in oil and gas operations should be able to implement on a daily basis, while demonstrating excellence in safety leadership.

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# New Value Creation through Innovation

We provide innovative, digitally driven solutions in response to major changes in the energy industry.

## Research and Development (R&D)

Initiative Promotion of R&D

In Mid-term Business Plan 2024–2026, we have adopted the theme of “Explore a Sustainable Future with Innovation.” We are promoting innovative R&D activities focused on two key objectives: (1) ensuring a stable supply of energy to society through FPSOs while also reducing greenhouse gas emissions, and (2) serving as a bridge to a future based on alternative energy sources beyond oil and gas.

## Examples of Our Initiatives

### Obtained an Approval in Principle for a Blue Ammonia FPSO (January 2025)

MODEC has obtained an approval in principle (AiP) from the American Bureau of Shipping (ABS) for a blue ammonia FPSO facility, which is being jointly developed with Toyo Engineering Corporation.

The facility will produce blue ammonia from surplus associated gas—previously unused, reinjected and stored. The project will cover all offshore operations, from production to storage and shipping. To minimize the FPSO’s carbon emissions associated with ammonia production, CO<sub>2</sub> generated during the production process, as well as from onboard power generation, will be captured using carbon capture and storage (CCS) technology.

This is the first project based on the concept of “floating production solutions for carbon free alternative energy,” as outlined in Mid-term Business Plan 2024–2026. Through collaboration between the two companies, we will promote the offshore production of blue ammonia—an alternative fuel and hydrogen carrier expected to play a key role in the energy transition.

We will continue to refine and advance this concept while addressing key commercialization challenges identified through the development project, with the aim of providing safe and cost-competitive energy supply solutions.

Please see the following website for details.  
[https://www.modec.com/news/2025/20250130\\_pr\\_AmmoniaFPSO.html](https://www.modec.com/news/2025/20250130_pr_AmmoniaFPSO.html)

### Joint R&D Agreement to Enhance Offshore Platform Inspections Using Advanced Drone Technology (July 2024)

FPSO operations are long-term projects (often exceeding 20 years), making daily maintenance inspections and testing essential. However, inspections conducted by human workers at high altitudes or in confined spaces pose occupational health and safety risks, representing a common challenge across the offshore oil and gas industry. By leveraging the combined expertise and proven track record of MODEC and Terra Drone Corp., we will promote the practical application of drone technology to enhance inspection safety, reduce labor requirements, and improve operational efficiency. This initiative will contribute to the sustainability of offshore platform operations.

Please see the following website for details.  
[https://www.modec.com/news/2024/20240701\\_pr\\_TerraDrone.html](https://www.modec.com/news/2024/20240701_pr_TerraDrone.html)

## Digital & Analytics

Initiative Use of digital technology in sustainability management

MODEC is committed to delivering the highest levels of operational excellence in offshore oil and gas development projects. A key strategy for achieving this is the digitalization of offshore production facilities.

We are also promoting the digitalization of our business and processes using the latest technologies to enhance the speed and quality of FPSO/FSO design and construction, while achieving safer and more efficient operations.

### Main Initiatives

- Automation of design drawing quality checks
- Development of real-time monitoring and failure prediction systems for FPSOs in operation
- Promotion of automation of plant control systems in FPSOs

Developed more than 40 AI models to detect early signs of anomalies and failures, helping to prevent facility shutdowns and malfunctions

Manage and analyze over 170 billion rows of data on a cloud-based platform

Operate more than 400 AI models across nine FPSOs currently in operation in Brazil and Africa

Over 10,000 sensors installed on each FPSO

### Employee Spotlight



### Optimizing Energy Efficiency and Emissions: Shape Aura, the Intersection Between AI and Sustainability

Felipe Baldissera  
Brazil  
President & CEO, Shape Digital

In a world where oil and gas production has been identified as critical to sustain global energy security, while climate change and decarbonization remain key challenges, increasing energy efficiency and reducing emissions is paramount for achieving resilient and sustainable energy production in the short, medium and long term.

With that in mind, in 2023 we at Shape Digital, the MODEC spin-off focused on building solutions leveraging AI and industrial experience, developed Shape Aura. From the industry and for the industry, Aura is positioned as software that—using operational data, process simulations and our proprietary AI—provides real-time insights and practical recommendations to offshore teams, with a focus on optimizing energy consumption 24/7.

In addition, Shape Aura has been introduced on the FPSO MV27 in cooperation with TotalEnergies. Since this introduction, energy consumption and emissions have been reduced by approximately 5% simply by utilizing AI and data, without making any additional capital investments. Now, the use of Shape Aura is being expanded to multiple clients and facilities based upon a SaaS\* business model.

\* SaaS stands for Software as a Service.

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New Value Creation through Innovation

Offshore Wind Power

MODEC is advancing business development initiatives aimed at entering the floating offshore wind market, which is expected to experience significant growth in the future.

In wind power generation, the greater the wind received by the turbine blades, the higher the potential electricity output. Offshore wind farms can generate power more efficiently when turbines are installed farther from the coast, where wind speeds are typically stronger. As floating offshore wind power facilities can be installed in deeper waters unsuitable for bottom-fixed systems, the market for these facilities is expected to expand both in Japan and internationally. With more than 50 years of experience in the construction and operation of floating production systems—such as FPSOs—for offshore oil and gas development projects, MODEC is leveraging its accumulated expertise in floating and mooring technologies. Through the development of floating offshore wind power systems, we aim to contribute to the realization of a global decarbonized society.



Please see the following website for details.  
<https://www.modec.com/business/fow/>



Floating offshore wind power generation facility (Conceptual design)

Examples of Our Initiatives

Obtained Basic Design Approval for TLP-Type Floating Offshore Wind Turbine (May 2024)

MODEC, in partnership with Toyo Construction Co., Ltd., has obtained an approval in principle (AiP) from NIPPON KAIJI KYOKAI (“ClassNK”) for a floating structure, tether system and tether pile foundation for a TLP-type\* floating offshore wind turbine.

The AiP covers the supporting structure, not the wind turbine itself. MODEC is responsible for the floater and mooring components, including mooring lines and connectors.

In 2020, we obtained an AiP for floating offshore wind turbines from the Norwegian classification society DNV. To support future demonstration projects in Japan, we have now also secured an AiP from ClassNK. This initiative aims to proactively address parts of the wind farm certification and classification surveys required during the demonstration phase. In obtaining this AiP, we conducted studies on environmental conditions unique to Japan, such as earthquakes and tsunamis, and received valuable feedback from ClassNK, including expert opinions. This input will be incorporated into the design and development phases of the demonstration project.

MODEC has a world-leading track record in the construction of TLP-type floating offshore oil and gas production facilities. We will leverage our experience and technologies to accelerate the realization of a floating and mooring system capable of supporting large-capacity wind turbines, while also achieving high social acceptance and excellent economic performance.

\* Tension Leg Platform (TLP)



Please see the following press release for details.  
[https://www.modec.com/news/2024/20240521\\_pr\\_FOW\\_AiP.html](https://www.modec.com/news/2024/20240521_pr_FOW_AiP.html)

Employee Spotlight



Paving the Way for a Sustainable Future with Next-Generation Mooring Technology

Amir Izadparast  
U.S.A.  
Deputy Section Lead, Tech

As the manager of new technology development at SOFEC, part of the MODEC family of companies, my role involves driving innovation and product development, with a focus on mooring solutions. Our objective is to tackle emerging challenges, improve existing designs, and continuously advance our technology, enabling us to be leaders in the existing oil and gas market while creating opportunities in the new energy transition market, all aligned with MODEC’s materiality of “new value creation through innovation.”

From innovative tower yoke solutions for shallow water application to transfer systems for e-fuels, from CO<sub>2</sub> injection facilities to FPSO decarbonization, from power barges to charging stations, from offshore floating wind to floating substations, and from digital twin for mooring systems to using AI to optimize our processes, I envision a bright future where our company leads the way in developing cutting-edge mooring solutions.

Each day, we strive to contribute to MODEC’s story of new value creation, ensuring that our actions today pave the way for a brighter, more sustainable future for all of us.

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# Organization with Integrity and Transparency

Initiative Enhancement of Group governance Please see page 44 for details.

Integrity is an indispensable principle for any company and stands as one of MODEC’s Core Values. We place great importance on establishing robust governance and risk management systems that enhance business transparency and increase shareholder value. Furthermore, we are dedicated to upholding rigorous compliance and ethics programs, while continuously striving to adopt best practices.

## Group Compliance Framework

We have established the Group Compliance Committee, a body that reports directly to the Board of Directors. The committee is composed of the chief compliance officer (CCO), executive officers, heads of major business units and legal counsel. In addition, members of the Audit and Supervisory Committee participate as observers. The committee meets regularly to monitor compliance with laws, regulations and the Articles of Incorporation, and works to raise compliance awareness throughout the Group. Its efforts include holding training sessions for Group officers and employees and ensuring that compliance-related matters are thoroughly implemented.

## Compliance Training

MODEC conducts annual online training on anti-corruption and the Code of Business Conduct and Ethics for all Group officers and employees. In addition, we hold compliance training sessions at locations around the world, tailored to meet local requirements and needs.



## Code of Business Conduct and Ethics

We have established the Code of Business Conduct and Ethics as a common standard of behavior for MODEC, its subsidiaries, directors, executive officers, employees and all individuals engaged in the Group’s business activities. To ensure that employees of Group companies can read and fully understand the code, it is available in seven languages: Japanese, English, Portuguese, French, Spanish, Chinese and Vietnamese.



## MODEC Ethics Hotline

We have established internal reporting rules to facilitate early detection and resolution of legal or other compliance violations, and set up the MODEC Ethics Hotline (operated by a company that specializes in whistleblower reports) as an internal reporting system for the entire MODEC Group. We are committed to proper operation of the hotline and actively promote its use through training and other awareness-raising initiatives.

Please see the following website for details.  
<https://secure.ethicspoint.com/domain/media/en/gui/33696/index.html>

### Employee Spotlight



### Compliance That Supports Integrity in Business Decisions

Jennifer Bickley  
U.S.A.  
General Counsel (As of May 31, 2025)

Being in a legal and compliance role within any organization can be challenging. As the general counsel and head of compliance, my role is to provide advice, present management with options and share information about best practices for legal and compliance-related issues. Sometimes, these best practices can complicate business operations—for instance, suggesting enhanced due diligence for a client, pushing back on difficult contract terms or recommending not to choose the cheapest vendor due to compliance concerns.

At SOFEC, there is a culture of choosing the right path, even when it leads to business challenges or project difficulties. It is reassuring to know that I can recommend compliance with best practices or suggest a change in course to meet legal requirements, and these recommendations will be respected. In such situations, I collaborate with the project or management teams to find the best practical solution without violating our company policies or ethical practices.

This commitment to integrity and accountability defines our business conduct. Knowing that the Group’s leadership values making the right decisions makes my job easier and more fulfilling!

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# Secure and Inspiring Workplace Embracing Diverse and Talented Teams

MODEC respects the rights and dignity of all individuals, fosters diverse and talented teams and upholds universal human rights. We are committed to ensuring that every employee can take pride in their work and perform to the best of their ability by safeguarding their rights to health, safety, security and education/training, while promoting the well-being of every individual.

## Basic Approach to Human Capital

At MODEC, we believe that our people are the source of our competitive strength. By harnessing the collective capabilities of employees throughout the Group, we strive to realize our vision of “Pioneering a world where the ocean and humanity co-exist in harmony.” In Mid-term Business Plan 2024–2026, we have committed to actively investing in human capital as a foundation for growth and transformation, alongside the decarbonization of FPSOs and the development of new businesses. In FY2024, we also reviewed and updated our policies to further promote human capital management. Our specific initiatives include securing the talent necessary to achieve our business strategies and building a strong management foundation. We are also working to create a diverse and inclusive workplace environment where every individual can maximize their value.

## Human Capital Strategy

We aim to strengthen the profitability of our core FPSO business while creating new businesses and building a sustainable business model by strategically allocating management resources. To realize this business strategy, it is essential to secure talented individuals who can address challenges in each business area and to maximize the value of every employee. As part of our human capital strategy to achieve these goals, we are focusing on the following priority themes to attract, develop and empower our talent.



### I Development of Human Capital Portfolio

To achieve our business strategy, we have identified three key areas where securing and developing talent is essential:

- i. Expansion of the FPSO Business**  
Focusing on strengthening profitability and promoting decarbonization initiatives in the FPSO business
- ii. Creation of New Businesses**  
Driving the creation of new business opportunities, including floating offshore wind, digital solutions and alternative energy, as well as other potential growth areas.
- iii. Establishment of a Group Management Foundation**  
Enhancing the allocation of management resources, promoting Group-wide collaboration and synergy, and promoting sustainability and global governance

To attract and develop outstanding talent in each of the above areas, we are focusing on the following three initiatives:

- Ensuring a stable workforce and developing talent to enhance added value

Monitoring metrics	• New hires: 1,218 • Total number of training participants: 5,601 • Average hours of training per employee: 51
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To improve profitability in the FPSO business, it is essential to attract and retain talent with broad experience and knowledge. Given the nature of our business and industry, our human resources must be highly mobile. To secure an even more stable workforce, we are making the MODEC Group an attractive employer both in Japan and globally by enhancing working conditions and providing career opportunities. For talent development, we are expanding Group-wide training

programs and providing career opportunities to a broader range of employees. Through these efforts, we aim to enhance employee skills and experience.

- Developing talent to support the expansion of new businesses

To drive the creation of new business, it is essential to nurture individuals who possess expertise in both the FPSO business and new business development. For digital solutions, we are advancing human resource development through targeted training and related programs. To further these efforts, we established the New Business Development Group in January 2025, bringing together in-house talent with relevant experience. This group will collaborate with the FPSO Business Unit to formulate and implement strategies and policies for identifying and commercializing new business opportunities, as well as to develop well-rounded human resources.

- Strengthening leadership development to build the foundation for Group management

Monitoring metrics	Leadership/Manager Training • Number of participants: 1,059 • Participation rate: 83%
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To maximize corporate value, we believe it is essential to develop leaders capable of making strategic decisions to drive transformation and defining the ideal state of the MODEC Group, while taking into account the unique business characteristics of each country and region. Within a globally unified framework, we will identify and nurture future executive leaders over the medium to long term, and establish an environment that supports their continued success.

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Secure and Inspiring Workplace Embracing Diverse and Talented Teams

II Maintain the Infrastructure for Advancing Business Together as a Group

Monitoring metrics

- Engagement score: 76%
- Turnover rate: 12.9%
- Voluntary resignation rate: 7.7%

While preserving the autonomy of each country and regional office, we believe it is essential to operate our business based on common guidelines across the entire Group in order to establish a management structure that creates Group synergy. To this end, we are further strengthening the promotion of shared values and establishing a framework in which each office and employee can work toward the same goals.

Specific Measures

• Instilling Our Core Values

To foster a culture based on our Core Values, “OCEAN,” we are promoting training programs that help employees embody these values, as well as initiatives to enhance communication skills and improve teamwork. Additionally, to further embed these values throughout the entire Group, we are implementing communication initiatives that convey management’s vision to employees and conducting workshops and related activities at each location.

III Create a Diverse and Inclusive Workplace

Monitoring metrics

- Percentage of female employees: 19.2%
- Percentage of female managers (Non-consolidated): 13.8%<sup>1</sup>
- Percentage of female managers (Consolidated): 10.5%<sup>2</sup>

At MODEC, we believe that new ideas generated from diverse perspectives further strengthen our competitiveness. We aim to attract a broad range of talented individuals, regardless of personal attributes, and to foster a workplace culture where all employees can work with confidence and peace of mind.

1. Including specialists at the managerial level    2. Including offshore crew

I Examples of Our Initiatives

Promoting Women’s Empowerment

To increase the percentage of women in management positions and core personnel involved in business execution in the

future, we are focusing on career development for women and the cultivation of female leaders. As of December 2024, women accounted for 19.2% of all employees, 10.5% of managerial positions, and 16.7% of executive roles (on a consolidated basis). We will continue to implement initiatives to further increase these figures.

Female Leadership Development Program

In FY2024, we launched an initiative called “HERizon” in Singapore, aimed at developing female employees involved in business decision-making. HERizon is designed to empower future female leaders by equipping them with the skills and confidence needed to advance into decision-making roles. The program features discussions with professionals both inside and outside MODEC, as well as in-person training sessions. From FY2025 onward, we plan to further expand individual programs and the mentorship system, creating additional opportunities and an environment that supports future-oriented, medium- to long-term career development.

International Women’s Day Events

Since FY2022, we have commemorated International Women’s Day each year with events open to all Group employees. These initiatives are designed to foster a mindset shift not only among female employees, but also among their male colleagues. The events provide an opportunity to celebrate the achievements and contributions of women at MODEC, while also recognizing the ongoing challenges they face. Through these efforts, we are deepening our commitment to diversity, equity and inclusion (DE&I) and promoting the empowerment of women throughout the MODEC Group.



Employee Spotlight



Fostering Workplaces That Unlock the Potential of Women and Encourage Them to Take on New Challenges

Shawn Hoh  
Singapore  
Section Lead

The past year and a half have been the most exciting and progressive period I have experienced in my 20 years at MODEC/OFS. When I volunteered for the Women’s Network Committee in 2023, I could not have imagined the impact it has had on me and my female colleagues.

We ambitiously declared at the 2024 MOPS/OFS townhall event in February that the Women’s Network’s vision is to witness gender balance improvement in leadership positions and for MODEC to have a thriving female workforce. As such, our mission is to provide support for female employees to realize their full potential. The Women’s Network set about inspiring female colleagues to be fearless, ambitious and ready to accept challenges. This was achieved through closed-door sharing sessions led by successful women in positions of authority, and informal learning sessions.

While we made incremental but meaningful efforts to change ourselves, our ELT\* and People Department made major strides in improving the organization culture. Supervisors received training on talent perception, avoiding unconscious bias and prejudice during interviews and adopting fair and progressive employment practices.

The women’s leadership development program, HERizon, was launched by the People Department with three key focus areas—amplifying strengths, building skills and perspectives, and cultivating inclusive leadership. This program is specially designed to prepare women for future leadership roles. Most importantly, it starts with self-awareness of strengths to build confidence and the acknowledgement that strengths can come in diverse forms.

Now in 2025, I have seen and felt for myself the increasing appreciation of workforce diversity and talent. This has been made possible through the passion and dedication of our Women’s Network members and the steadfast support of the ELT. This is a supportive workplace—one in which you can feel comfortable in saying “yes” to new challenges.

\* Executive leadership team

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Secure and Inspiring Workplace Embracing Diverse and Talented Teams

Our Fundamental Approach to Human Rights

Initiative Implementation of human rights measures

At MODEC, we believe that respect for human rights is essential in our global business activities, and we are committed to upholding international human rights standards in every country where we operate. To fulfill our responsibilities to stakeholders, we strive to respect and protect the rights of all individuals. Recognizing the importance of human rights considerations in conducting business worldwide, we have established a policy for human rights that explicitly prohibits discrimination based on gender or nationality, as well as child labor and forced labor.



Please see the following website for details.  
<https://www.modec.com/sustainability/social.html>

Initiatives for Subcontractors

Since 2022, we have been working in collaboration with clients and consulting firms to conduct human rights assessments of major shipyards and other key subcontractors. When issues are identified, we work with subcontractors to address and remedy them.

Initiatives for Suppliers

We have established a policy for supply chain management to ensure a sustainable supply chain that is both environmentally and socially responsible. We require our suppliers to understand, embrace and comply with our policies on human rights and labor practices. When initiating business relationships, we conduct a prequalification screening of suppliers and require their understanding and compliance with our Code of Business Conduct and Ethics, which includes respect for human rights. Even after business transactions have been completed, we maintain an ongoing review process, including regular human rights risk assessments of all major suppliers.

Implementation of Appropriate Supply Chain

As a company conducting stable and continuous operations worldwide, we recognize that ensuring a sustainable supply chain that considers both environmental and social factors is one of the most critical issues for the continuation of our business. To address human rights, labor issues and environmental considerations, we have established a range of policies. In order to maintain an appropriate supply chain that is mindful of the environment and society, we require our suppliers to understand, support and implement the following items.

- 1. No forced labor
- 2. No child labor
- 3. Safe and healthy working environment
- 4. Freedom of association and collective bargaining
- 5. No discrimination
- 6. No abuse and harassment
- 7. Labor management
- 8. Suitable remuneration
- 9. Anti-corruption measures
- 10. Environmental consideration

FY2024 Achievements and Future Initiatives

- Established a Human Rights Working Group under the Sustainability Committee, comprising global members from Procurement, HSSE, Compliance and Legal departments.
- Engaged external experts to analyze and evaluate our human rights initiatives in accordance with various international standards.
- Continued to promote the development of internal processes for human rights due diligence within our supply chain, in collaboration with business partners, under the leadership of the Sustainability Committee and the Working Group.

Employee Spotlight



Diverse and Fair Workplaces Built on a Culture of Upholding Human Rights

**Shannon Gilby**  
Australia  
Contracts Manager Compliance Lead

As MODEC traverses an exciting future, we must always reflect its core values—our “OCEAN.” The strength of MODEC lies in its diversity and commitment to doing things the right way, inspired by a sense of shared humanity. This explains why MODEC is strengthening its commitment to upholding human rights across its businesses and for those people indirectly involved in business, including vulnerable workers in the supply chain.

I am proud to be a member of the Human Rights Working Group, and our scope is wide. We are evaluating the culture and practices of MODEC workplaces, and improvement is achievable. However, many workers in the supply chain do not share our freedoms and rights. By using MODEC’s substantial influence across our supply chain, we can protect vulnerable workers who are integral to our finished product, but work out of sight.

We know forced labor occurs, as does modern slavery, and can do so close to home. That is why we have undertaken a human rights saliency assessment to identify and target our greatest human rights risks, and are implementing due diligence measures to look for these risks in our supply chain. And this is just the beginning. In this way, MODEC can improve the lives of people we never meet, but who deserve our help. We should all be proud of MODEC living its Core Values “OCEAN.”

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# Roundtable Discussion



Masato Kobayashi

● External Director  
Chair of Nomination and  
Remuneration Committee

Hirohiko Miyata

● Representative Director, President & CEO  
Chairperson of the Board of Directors

Hiroko Noda

● External Director  
Audit and Supervisory Committee Member

## Board of Directors' Discussions Focus on Medium- to Long-Term Value Creation

### Shaping the Future: Medium- to Long-term Value Creation

**Miyata:** Both of you have served as external directors for over four years and have developed a deep understanding of the Company. From your perspective, how has the Company evolved since your appointment?

**Noda:** I believe the Company has made significant progress. After achieving record-high profits in FY2018, just before I joined the Board, the Company faced a very challenging period, posting losses for three consecutive years. However, through initiatives

such as changes in shareholder composition, the Company achieved a V-shaped recovery. In terms of management structure, MODEC transitioned to a company with an Audit and Supervisory Committee structure and delegated greater authority to the Management Board, enhancing its operational efficiency.

**Kobayashi:** The past five or six years have been a significant turning point for MODEC. While the COVID-19 pandemic contributed to the consecutive losses, I feel that another key factor was the culmination of unresolved challenges from the past, which surfaced all at once. In response, the Company implemented both business and governance reforms, achieving substantial progress in addressing these issues and strengthening its foundation for future growth. Currently, the operation of FPSOs,<sup>1</sup>

which had previously been a challenge, is back on track. As a result, the Board of Directors is now able to focus its discussions on medium- to long-term strategies.

**Noda:** In 2019, the Company was still operating in a suboptimized, section-by-section manner, with various issues continuing to accumulate. However, the need to confront a crisis that required Company-wide collaboration fostered a shared sense of awareness. This, in turn, has transformed the way the organization operates. Since most of the O&M<sup>2</sup> business activities take place in South America, which is geographically on the other side of the world from Japan, the Board of Directors at the time faced challenges in obtaining accurate and timely information. However, thanks to the efforts of the relevant executive officers, the Company has significantly improved its ability to visualize key elements. These include the status of important Group companies, FPSO operating rates, gross profit by EPCI project and progress on new project initiatives. We, external directors, hold these efforts and the resulting improvements in high regard.

**Miyata:** The Company's business is primarily conducted by overseas Group companies, but I believe it has made progress in visualizing business and financial conditions in a timely manner. Additionally, I have observed that trust has deepened among the various decision-making bodies, including the Board of Directors and the Management Board. The delegation of authority to executive management is also advancing steadily.

**Kobayashi:** FPSOs are large-scale projects, and in the past, there were instances where the Company secured orders with low profit margins, which later made it challenging to improve earnings. However, I now see that it takes a more deliberate approach by carefully considering the parameters of the bid process and contract terms, as well as enhancing the evaluation of economic and financial impacts. These efforts, in my view, have contributed to the current improvement in earnings.

**Miyata:** I think you are absolutely right that the lessons learned from past issues and challenges have been effectively applied to risk management. Another key factor, in my view, is that the lessons are being shared through strong communication and coordination between entities within the Group. I intend to further deepen our approach to risk management while continuing to incorporate these valuable lessons.

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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Driving Decarbonization: Leveraging Strong Governance to Explore Strategic Solutions

**Miyata:** I would like to hear your opinions and impressions regarding the role of the Board of Directors, the current state of governance and other related matters.

**Kobayashi:** The executive side was strongly committed to ensuring that half of the Board is composed of external directors. Currently, the Board consists of four external directors, including two independent external directors, as well as three external directors who serve as Audit and Supervisory Committee members. I appreciate that the Board functions as a dynamic and engaging forum where members can freely express their views.

**Miyata:** In order for a company to take the right steps, it is critical to engage in discussions about the direction it should pursue. In that sense, lively and constructive dialogue is a vital element of governance. Since MODEC is the only company of its kind in Japan, I believe it is essential to incorporate external perspectives alongside industry-specific insights.

**Noda:** I also think it is commendable that external directors actively contribute their professional perspectives, drawing on their diverse backgrounds. MODEC has adopted a company with an Audit and Supervisory Committee structure, and more authority is being delegated to the Management Board. However, as a prerequisite for this delegation, I appreciate that we are now in a better position to monitor and stay informed about the discussions taking place at Management Board meetings. Looking ahead,

the Company is now confronting global environmental challenges, which require innovation to address. In this context, I believe that engaging in more medium- to long-term discussions has become an urgent priority for MODEC.

**Kobayashi:** Decarbonization is a trend that is here to stay, even if the pace may vary depending on external factors. However, this is not something that MODEC can tackle alone. The Company's ability to contribute will be heavily influenced by the direction of global energy policies, technological advancements and other external factors. I believe that collaboration with external partners is becoming increasingly important, and it is essential to approach these efforts with steady and dedicated commitment.

**Miyata:** In my view, with regard to decarbonization initiatives, as MODEC explores various possibilities, it will be essential to ensure continuity by balancing medium- to long-term efforts with short-term measures. Rather than taking a dualistic approach of choosing between promoting existing businesses or focusing on decarbonization, I think the Company should pursue synergies by advancing initiatives for cleaner FPSOs and non-fossil energy solutions.

Building “One MODEC”: Advancing Human Capital Management and Strengthening Internal Controls

**Miyata:** Next, I would like to discuss the challenges associated with strengthening sustainability and governance, and hear your thoughts on these important topics.

**Noda:** The Sustainability Committee was established in 2024, and since then, it has focused on three key areas: climate change, human rights and human capital/diversity. Through these efforts, I feel there is shared understanding of the importance of human capital management throughout the Company. Right now, the committee is at the stage of presenting specific measures and KPIs, and I plan to closely oversee how it transitions into the execution phase.

**Kobayashi:** I also recognize that strengthening human resources is a critical issue. While it is important to make improvements at the general employee level, the Company should also place equal emphasis on succession planning. Preparing individuals for key leadership roles, especially those who will take on management

responsibilities in the future, is a long-term effort that cannot be achieved overnight.

**Miyata:** Since its establishment, MODEC has grown into a truly global organization, characterized by the diversity of its workforce. High worker mobility within the industry also plays a significant role in shaping its approach to human capital management. It is essential for the Group to embed MODEC's Vision, Mission and Core Values into every employee as part of its corporate DNA, in a way that truly resonates with them. However, this is not something that can be achieved simply by sending out messages from management and expecting them to permeate the organization—it requires perseverance and patience. The diversity of its employees is a key strength, and MODEC has been actively working on human resource development and organization building at each business entity. The recent establishment of the Global Human Resources Group reflects MODEC's commitment to achieving overall optimization under a unified global policy, while aligning goals with local initiatives at each site. This approach allows the Company to leverage the strength of diversity while ensuring it does not become a weakness. On another note, what are some of the other governance challenges the Company is currently facing?

**Noda:** It is crucial to ensure that the corporate divisions, administrative functions, and the Internal Auditing Department are functioning properly. I understand that efforts to reinforce the second line of defense are already underway. Moving forward, I believe the Company should focus on strengthening and enhancing the internal auditing function, which serves as the third line of defense. I have also noticed progress in gender diversity within the Internal Auditing



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Department compared with the past, which is encouraging. Additionally, I am pleased to see that the department now has more individuals who are well-versed in the Company’s technologies.

**Kobayashi:** When it comes to Group governance, it is essential that everyone moves in the same direction as one team and ensure that the management of overseas entities is aligned with this approach. Recently, there have been changes in top management at some overseas subsidiaries, and efforts are underway to get everyone moving in the same direction. I am pleased to see that these efforts are starting to yield results, with a shared commitment to improvement from all involved. Acting under the “One MODEC” concept, with everyone moving in the same direction, is essential to the Company’s success.

**Miyata:** From the General Meeting of Shareholders to the Board of Directors, the Management Board, and the Group-level management, I believe corporate governance can only function properly if internal controls, including Group governance on the executive side, are firmly in place and working as they should. One key to achieving this, in my view, is visualization—making it possible for senior management to clearly see the true state of the Company’s business. As this aspect improves, the Board of Directors can better grasp the status of execution, and teams at overseas Group companies can also view their actions more objectively. This, I believe, will help bring the Company closer to realizing the “One MODEC” concept. But this concept cannot simply remain a slogan. Visualization is important, but it is also important to clearly define an overall direction that acts as a unifying force, bringing people together under a shared purpose. It is equally important to ensure



that both senior management and frontline employees at operating sites understand this direction and are fully committed to it.

Leading the Way: MODEC Demonstrates Its Commitment to a Responsible Energy Transition

**Miyata:** I believe that shareholders, as well as prospective shareholders considering investing in MODEC, place significant value on the perspectives of external directors. With that in mind, I would like to hear your thoughts on MODEC’s strengths and advantages from your standpoint as external directors.

**Kobayashi:** From an industry standpoint, MODEC is firmly positioned as one of the top companies globally, which I believe gives it a significant competitive advantage. Additionally, the diversity of its workforce and the many talented individuals within the Company are key aspects of its appeal.

**Noda:** MODEC has some of the most talented individuals in the industry, and I also believe its diversity is a significant competitive advantage. In the past, I had the opportunity to board an FPSO off the coast of Rio de Janeiro, Brazil, for an on-site inspection. That experience gave me a deep appreciation of the challenges of working in such a unique environment and under the rough conditions at sea. The expertise the Company has built over the years is undoubtedly one of its key strengths. What impressed me most during my site visit was the shared commitment to operational safety. It was clear that this value was deeply ingrained, and the crew worked together seamlessly as one team, regardless of race, language, or background. I feel this strong sense of unity is another of MODEC’s defining strengths.

**Kobayashi:** I also had the opportunity to join that visit aboard the FPSO with Ms. Noda and others. On an FPSO, the number of people allowed on board is strictly regulated, taking into account factors such as the number of lifeboats available. Conducting O&M services in such a challenging environment, with so many restrictions, is something that is difficult to grasp from the perspective of working in Japan.

**Miyata:** I also visited an FPSO after becoming president, and it reinforced my belief that one of our greatest strengths lies in our on-site expertise. It is essential that we continue to build and enhance this strength. I believe the key to achieving this is by harmonizing our internal controls with the expertise developed on-site. To wrap

up, could you please give a brief message to stakeholders?

**Noda:** As part of its efforts toward energy transition, the Company is leveraging its technologies and achievements, including offshore wind power, to work on innovative projects such as ammonia FPSOs. These new ventures will be long-term undertakings, but I want stakeholders to know that MODEC is a company with a very promising future. It will continue its core mission of supporting lifestyles by ensuring a stable energy supply, while building on that strength to enhance corporate value through advancements in R&D and the development of new businesses.

**Miyata:** The Company is positioned at the center of the energy value chain—carrying a significant responsibility to contribute to the energy transition. Rather than setting aside our current businesses and making a drastic shift, it is equally important to focus on making the FPSO business more sustainable while transitioning to next-generation energy in a thoughtful and effective way.

**Kobayashi:** Energy is essential for human survival, and MODEC plays a vital role in ensuring its supply. The Company has been a key contributor to this and will continue to do so for the foreseeable future. When it comes to energy, MODEC serves a broad and meaningful purpose, acting as a critical player in facilitating a smooth transition to next-generation of energy. I would be delighted if not only current stakeholders but also future ones come together to better understand the significance of MODEC as a company.

**Miyata:** I believe digitalization is another key to our future. Over the years, the Company has accumulated an enormous amount of data through the FPSO O&M services. Our goal now is not only to use this data to improve efficiency but also to transform it into entirely new sources of value. We have begun leveraging this data in generative AI, and we are also planning to actively explore robotics. Advancements in automation and reduced labor requirements will not only enhance efficiency but also improve safety and lower greenhouse gas emissions. The knowledge we have gained from our existing businesses can be applied horizontally as we navigate the energy transition, and I am confident that these advanced approaches will drive new value creation and growth. Moving forward, I want to ensure that stakeholders remain well-informed about MODEC’s business activities and future initiatives, so we can continue to generate even greater interest and engagement.

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Management

Directors



**Hirohiko Miyata**  
Representative Director  
President & CEO

- Number of shares held: 1,700
- Tenure: 1 year, 9 months



**Ryo Suzuki**  
Director  
Executive Managing Officer

- Number of shares held: 200
- New appointment



**Kazuki Shimizu**  
External Director

- Number of shares held: 0
- New appointment



**Masayuki Sugiyama**  
External Director

- Number of shares held: 0
- New appointment



**Masato Kobayashi**  
External Director


- Number of shares held: 0
- Tenure: 4 years



**Yuko Maeda**  
External Director


- Number of shares held: 0
- New appointment

Directors (Audit and Supervisory Committee Members)




**Yoshihiro Takamura**  
Director  
Audit and Supervisory  
Committee Member

- Number of shares held: 1,322
- Tenure: 3 years




**Hiroko Noda**  
External Director  
Audit and Supervisory  
Committee Member

- Number of shares held: 0
- Tenure: 6 years



**Toshihiko Fujita**  
External Director  
Audit and Supervisory  
Committee Member

- Number of shares held: 0
- Tenure: 4 years



**Masaaki Amma**  
External Director  
Audit and Supervisory  
Committee Member

- Number of shares held: 0
- Tenure: 4 years

For details, see the Notice of Convocation of the General Meeting of Shareholders.  
[https://www.modec.com/ir/stock/pdf/2024\\_agm\\_notice\\_en.pdf](https://www.modec.com/ir/stock/pdf/2024_agm_notice_en.pdf)

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## Basic Approach

MODEC strives to enhance its corporate governance in accordance with the fundamental principles of strict compliance, a focus on shareholder returns and securing management transparency. In order to secure transparency, we take a proactive approach to disclosing information in a timely and accurate manner.

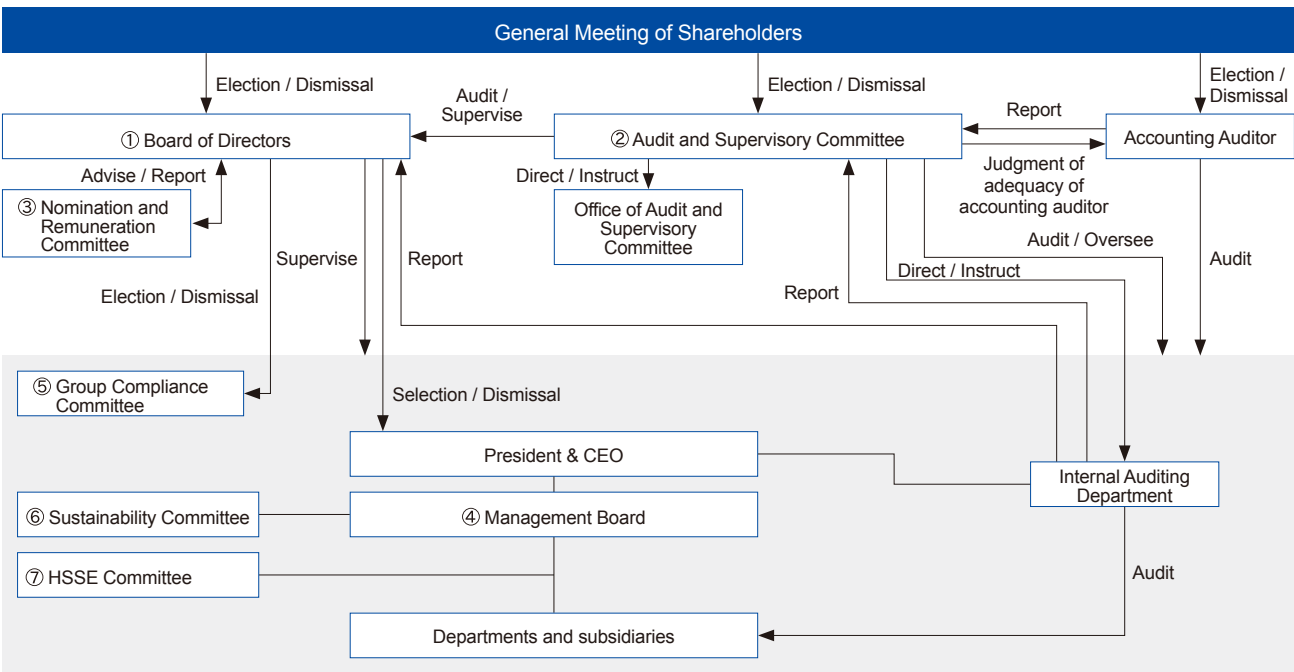
## Corporate Governance System

In order to respond accurately to a rapidly and drastically changing business environment with greater speed, increase the agility and quality of management decision-making, and enhance the Group's corporate value, we transitioned from a company with a Board of Company Auditors structure to a company with an Audit and Supervisory Committee for the purposes outlined below, following a resolution to amend the Articles of Incorporation at the 38th Annual General Meeting of Shareholders.

- Promote the delegation of authority from the Board of Directors to executive directors, and establish a system in which the Board focuses on discussing management policies and strategies
- Strengthen the supervisory function of the Board of Directors and facilitate agile decision-making by including Audit and Supervisory Committee members as members of the Board

In addition, MODEC has introduced an executive officer system to delegate functions related to business execution from the Board of Directors, and to improve management efficiency and facilitate business execution.

## Governance Structure



## ① Board of Directors

The Board of Directors comprises 10 members: six directors (excluding directors who are Audit and Supervisory Committee members), of whom four are external directors, and four directors who serve on the Audit and Supervisory Committee, of whom three are external directors (as of March 27, 2025). The Board of Directors holds regular meetings once a month in principle, and extraordinary meetings as necessary. The Board secures management fairness and transparency by exercising its supervisory function over the Company's overall management, including the exercise of duties by officers. The Board also makes decisions on important business and other matters based on laws and regulations, the Articles of Incorporation and Company rules.

## ② Audit and Supervisory Committee

The Audit and Supervisory Committee includes four directors (three of whom are external directors). The Audit and Supervisory Committee meets once a month in principle, and holds extraordinary meetings as necessary. As an independent body entrusted by shareholders, the committee audits the execution of duties of directors who are not Audit and Supervisory Committee members.

Corporate Governance

③ Nomination and Remuneration Committee

MODEC has voluntarily established a Nomination and Remuneration Committee under the Board of Directors with the aim of strengthening the functions of the Board with regard to the nomination and remuneration of directors and executive officers. We stipulate that in committees, independent external directors shall make up a majority of committee members in order to ensure transparency and objectivity, as well as fair and appropriate deliberations. As of March 27, 2025, the Nomination and Remuneration Committee comprises three independent external directors, including the chairperson. The committee holds meetings as necessary. The President & CEO attends the meetings as an observer.

④ Management Board

MODEC has established a Management Board as a management body for business execution based on the basic policy determined by the Board of Directors. It is composed of executive officers nominated by the President & CEO and approved by the Board of Directors. The Management Board holds regular meetings twice a month in principle, and extraordinary meetings as necessary. It makes decisions on important matters related to business execution based on the management strategy determined by the Board of Directors, and shares information through deliberations and reports.

⑤ Group Compliance Committee

MODEC has formulated the Code of Business Conduct and Ethics as a common code of conduct for the MODEC Group, its directors, executive officers, employees and all others engaged in the Group's business.

To ensure thorough compliance, MODEC has established the Group Compliance Committee as an organization directly under the Board of Directors. Members include executive officers, heads of major operating bases and lawyers. The committee, chaired by the Chief Compliance Officer, holds regular meetings to monitor the status of compliance with laws and regulations and the Articles of Incorporation. In addition, it conducts compliance awareness-raising activities and holds training sessions for all officers and employees of the MODEC Group to promote understanding and ensure adherence to compliance-related matters.

⑥ Sustainability Committee

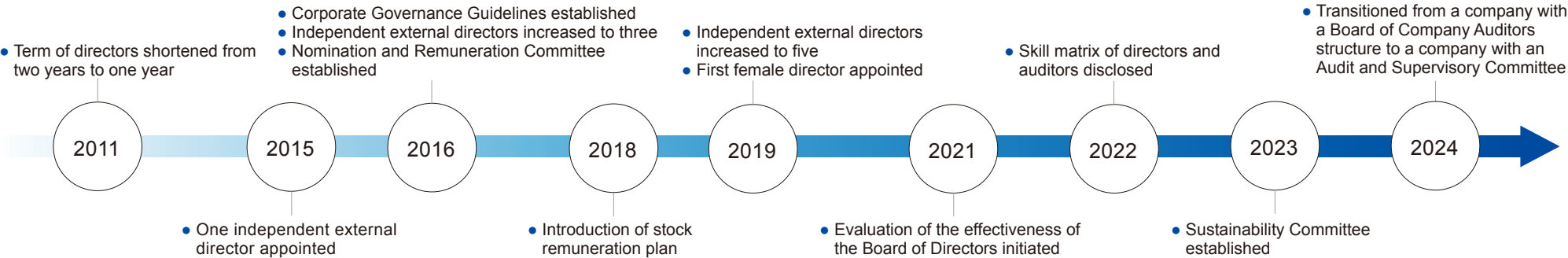
MODEC has established the Sustainability Committee as an advisory body to the Management Board with the aim of planning and promoting Group-wide initiatives related to sustainability issues, while also managing and evaluating the progress of activities. It is chaired by the executive vice president or the executive officer in charge of the Corporate Planning & Strategies Department, and is composed of members

including the presidents and CEOs of major subsidiaries. The committee submits reports and makes recommendations to the Management Board twice a year, and provides updates to the Board of Directors as appropriate.

⑦ Environmental, Health and Safety Committee

MODEC has established the HSSE Committee with the aim of addressing key matters related to workplace safety and environmental protection. These matters include basic measures for preventing employee hazards and health issues; identifying causes of occupational injuries and preventing recurrence; creating implementation plans to promote employee health; promoting environmentally friendly business activities; and other important matters deemed necessary for health & safety and environmental protection. The committee is composed of a general occupational health & safety and environment manager (executive officer in charge of HSSE), an occupational physician, health supervisor (stipulated by law) and employee representatives (recommended by the labor union, and comprising at least half of the committee members).

Transition to Stronger Governance



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Corporate Governance

Main Fields of Experience of Directors

The skill matrix sets out the skills, knowledge, experience and abilities that members of the Board of Directors should possess. We have identified seven key areas: corporate management; international experience; legal and compliance; finance, accounting and taxation; internal control and governance; human resource management and development; and environment and society.

Directors and directors who also serve as Audit and Supervisory Committee members are required to have the skills, knowledge, experience and abilities suitable for decision-making and supervision related to the operation of the Company, which conducts business globally. The main skills expected and the reasons for selecting them are as follows.

Skill Matrix

Name	Reappointment / New appointment / Current position	External / Independent	Knowledge and experience possessed by the officers						
			Corporate management	International experience	Legal and compliance	Finance, accounting and taxation	Internal control and governance	Human resource management and development	Environment and society
Directors (excluding those who are Audit and Supervisory Committee members)									
Hirohiko Miyata	Reappointment		○	○	○		○		○
Ryo Suzuki	New appointment		○	○		○	○		○
Kazuki Shimizu	New appointment	External	○	○			○		
Masayuki Sugiyama	New appointment	External	○	○				○	○
Masato Kobayashi	Reappointment	External / Independent	○		○		○		
Yuko Maeda	New appointment	External / Independent	○				○	○	○
Directors who are Audit and Supervisory Committee members									
Yoshihiro Takamura	Current position		○	○		○	○		
Hiroko Noda	Current position	External / Independent	○	○		○	○	○	
Toshihiko Fujita	Current position	External / Independent			○	○	○	○	
Masaaki Amma	Current position	External / Independent	○	○		○	○	○	○

Note: The above skill matrix does not represent the full scope of each individual's knowledge, experience or expertise.

Selection Criteria for Directors

MODEC has voluntarily established a Nomination and Remuneration Committee under the Board of Directors with the aim of strengthening the functions of the Board with regard to the nomination and remuneration of directors and executive officers. We stipulate that in committees, independent external directors shall make up a majority of committee members in order to ensure transparency and objectivity, as well as fair and appropriate deliberations.

For the election and dismissal of directors who are Audit and Supervisory Committee members, determinations are made in accordance with the policies of “Article 13: Composition of the Board of Directors” and “Article 14: Procedures for the Nomination of Candidates and the Election and Dismissal of Officers” in the Corporate Governance Guidelines, taking into consideration the business experience and knowledge of each individual.

Reasons for Selecting Each Item in the Skill Matrix

Item	Reason for selection
Corporate management	In order to fulfill the role of overseeing management as expected of the Board of Directors, it is necessary to have knowledge and experience in corporate management.
International experience	Since our business mainly serves companies overseas (almost 100% of our sales are recorded overseas), and as we have a global value chain, it is necessary to have international experience.
Legal and compliance	Since negotiations with customers and contractors are complex and diverse, it is necessary to have knowledge and experience related to contract practices and the laws and regulations of various countries from the perspective of risk management.
Finance, accounting and taxation	It is necessary to have knowledge and experience in finance, accounting and taxation in order to ensure sound management through accurate financial reporting and to address issues from a risk management perspective.
Internal control and governance	The establishment of an appropriate governance system is the foundation for sustainable growth, and it is necessary to have knowledge and experience in governance to exercise supervisory functions over subsidiaries operating around the world.
Human resource management and development	In order to maximize capabilities of employees, it is necessary to have knowledge and experience in human resource management and development, including the promotion of DE&I.
Environment and society	It is necessary to have a perspective that can serve as a foundation for innovation and new business initiatives in light of the trend toward decarbonization.

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Initiatives for Board Diversity

Our basic approach is that the Board of Directors shall be composed of people deemed appropriate, taking into account the balance and diversity of knowledge, experience and abilities with respect to each business. We promote discussions from multiple perspectives to achieve sounder, more sustainable management by ensuring diversity of gender, international perspective, career background, age and other attributes.

Effectiveness Evaluation of the Board of Directors and Analysis

The Board of Directors conducts a self-assessment of its effectiveness annually. The evaluations and feedback gathered from each director are used to assess the effectiveness of the Board and to continuously monitor progress on identified issues, with the aim of further enhancing its overall effectiveness.

Evaluation Process (Initiatives in FY2024)

Evaluation Methodology

- (1) Distribute a questionnaire to each director and obtain their anonymous responses (total of 51 questions)
- (2) Conduct individual interviews with six independent external directors and four internal directors (about one hour each).
- (3) Appoint an external third-party organization to implement (1) and (2) above
- (4) Hold discussions by the Board of Directors based on the results of the questionnaire and interviews

FY2023 Evaluation

The following initiatives were implemented in FY2023 to address the issues raised in the FY2022 Board of Directors effectiveness evaluation.

Evaluation	Initiatives
<ul style="list-style-type: none"><li>Using the transition to a company with an Audit and Supervisory Committee as a catalyst, we will proceed with a phased review of the criteria for proposals to the Board of Directors to further enhance discussion of medium- to long-term strategies, and strengthen follow-up on the progress of Mid-term Business Plan 2024–2026.</li><li>To strengthen the effectiveness of MODEC Group governance, it is necessary to further enhance subsidiary management at a global level and the internal audit system.</li></ul>	<ul style="list-style-type: none"><li>In order to further improve the monitoring function of the Board of Directors, we will proceed with strengthening the governance system and the gradual delegation of authority to the business execution side, and will enhance discussions of medium- to long-term strategies such as sustainability, and strengthen follow-up on the progress of Mid-term Business Plan 2024–2026.</li><li>We will strengthen both organizational and human resources aspects of global subsidiary management.</li></ul>

Main Contents of the Questionnaire

- Role of the Board of Directors
  - Composition of the Board of Directors
  - Management of the Board of Directors
  - Discussions of the Board of Directors
  - Monitoring function of the Board of Directors
  - Performance of internal directors (other than Audit and Supervisory Committee members)
- Performance of external directors
  - Support system for directors
  - Training
  - Dialogue with shareholders (investors)
  - Individual efforts of officers
  - Management of the Nomination and Remuneration Committee

FY2024

In the effectiveness evaluation of the Board of Directors, it was confirmed that the Board of Directors is functioning effectively overall. However, the evaluation indicated that improvements are needed in areas such as enhancing its role as a monitoring-focused board, including placing greater emphasis on big-picture discussions on medium- to long-term management strategies and key issues.

To strengthen the Board of Directors’ function as a monitoring body— an area identified as an issue to be addressed—suggestions have been made about placing greater emphasis on big-picture discussions on medium- to long-term management strategies and key issues, including through opportunities for free discussion both within and outside Board meetings.

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Remuneration of Directors

Basic Policy for Remuneration of Directors and Other Officers

The remuneration system for directors and other officers is determined in accordance with the following basic policy aimed at maximizing the value provided to shareholders and other stakeholders.

- The system shall be designed to function as an appropriate incentive commensurate with overall corporate performance and individual achievements in order to facilitate the medium- to long-term enhancement of corporate value and the realization of the business plan.
- The system shall encourage directors and executive officers to perform their duties in accordance with their responsibilities by clearly outlining the roles, responsibilities and achievements of each director and executive officer.
- The system shall ensure that remuneration of directors and executive officers is set at a competitive level to attract the best talent in the market, while complying with regulations, guidelines and other relevant standards.
- The system shall determine remuneration based on appropriate governance and internal control, and shall be reviewed on a timely basis in light of the business environment and other factors.

Remuneration Framework

Directors (excluding non-executive directors)

- Remuneration structure  
Remuneration for directors (excluding non-executive directors) consists of basic remuneration, which is fixed remuneration, bonuses, which are short-term performance-linked remuneration, and stock price-linked remuneration (performance cash), which is medium- to long-term performance-linked remuneration.
- Basic remuneration  
Basic remuneration is a fixed amount calculated based on the director's position and is paid in cash.
- Bonuses  
Bonuses are given as an incentive for achieving management goals. The amount of bonuses is determined by multiplying

the position-based standard amount by a coefficient, which is calculated from the amount of consolidated net profit and cash flow for the applicable fiscal year, and by taking into account dividends paid.

- Stock price-linked remuneration (performance cash)  
Stock price-linked remuneration is designed to promote the continued enhancement of corporate value over the medium to long term, provide incentives for future performance, and further align interests with shareholders. Under this system, stock points are granted each fiscal year based on position and business performance. At the time of retirement, the amount of remuneration is calculated by multiplying the accumulated stock points by the stock price as of the time of retirement. It will be paid in cash.

External directors (excluding Audit and Supervisory Committee members)

- Remuneration structure  
From the perspective of ensuring appropriate supervision of business execution, remuneration consists solely of basic remuneration, without any performance-linked remuneration.
- Basic remuneration  
Basic remuneration is a fixed amount paid in cash.

Process for Determining Officer Remuneration

The Board of Directors deliberates and decides on policies and regulations for determining officer remuneration based on recommendations from the Nomination and Remuneration Committee. In addition, the specific remuneration amount for each director and other officers is determined in accordance with established policies and regulations.

Remuneration for directors who are Audit and Supervisory Committee members

Remuneration for directors who are Audit and Supervisory Committee members is limited to basic remuneration and is determined through discussions among directors who are Audit and Supervisory Committee members.

Approach to Cross-Shareholdings

As a general rule, MODEC does not hold shares of stock for purely investment purposes. With respect to other investment stocks, including cross-held shares, from the perspectives of stock price fluctuation risk and improving asset efficiency, we do not retain such holdings unless it is deemed necessary for maintaining a business relationship or collaboration with the issuing company.

Remuneration (FY2024)

Officer classification	Total remuneration (Million JPY)	Total remuneration by type (Million JPY)				Number of eligible officers
		Basic remuneration	Bonuses	Stock price-linked remuneration	Board Benefit Trust	
Directors (excluding Audit and Supervisory Committee members) (External directors included in above)	426 (43)	186 (43)	185 (—)	45 (—)	9 (—)	11 (8)
Directors (Audit and Supervisory Committee members) (External directors included in above)	46 (24)	46 (24)	— (—)	— (—)	— (—)	4 (3)
Corporate auditors (External auditors included in above)	13 (6)	13 (6)	— (—)	— (—)	— (—)	4 (3)

Note: We transitioned from a company with a Board of Company Auditors structure to a company with an Audit and Supervisory Committee based on a resolution at the 38th Annual General Meeting of Shareholders held on March 27, 2024.

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# Compliance

## Compliance Initiatives

The MODEC Group has established the Code of Business Conduct and Ethics as a common code of conduct. To enforce this code, we have established the Group Compliance Committee, whose members include executive officers, the heads of key subsidiaries and legal counsel, as an organization directly under the Board of Directors. This committee, which is chaired by the Chief Compliance Officer, meets on a regular basis to monitor compliance with laws, regulations, the Articles of Incorporation and other rules in the MODEC Group. Furthermore, we are working to raise awareness of compliance throughout the MODEC Group and taking a comprehensive approach to compliance-related matters, including providing training to all executives and employees.

In addition, we have established internal reporting rules to facilitate early detection and resolution of legal or other compliance violations, and set up the MODEC Ethics Hotline (operated by a company that specializes in whistleblower reports) as an internal reporting system for the entire MODEC Group.

### Compliance

<https://www.modec.com/sustainability/governance.html>

### Code of Business Conduct and Ethics

[https://www.modec.com/sustainability/pdf/CodeOfBusinessConductAndEthics\\_en.pdf](https://www.modec.com/sustainability/pdf/CodeOfBusinessConductAndEthics_en.pdf)

### MODEC Ethics Hotline

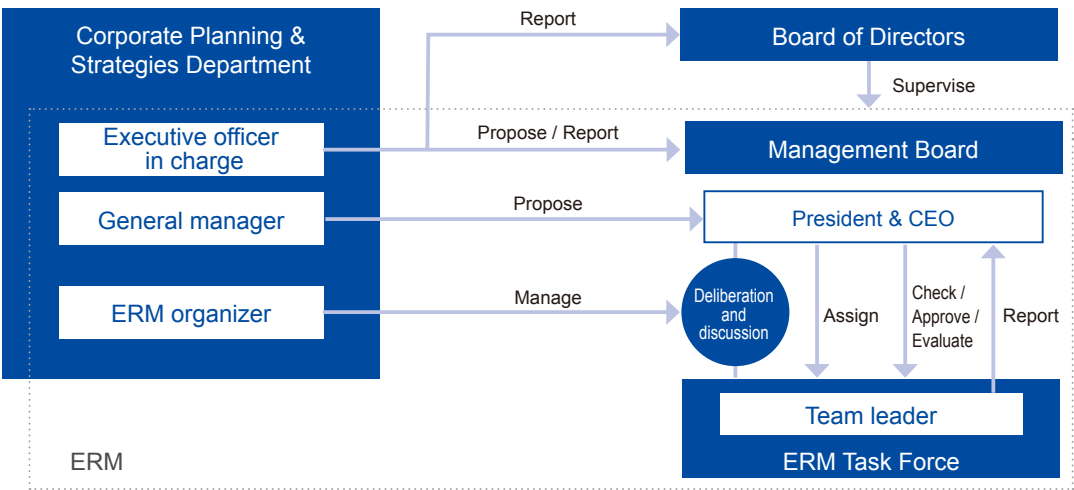
<https://secure.ethicspoint.com/domain/media/en/gui/33696/index.html>

# Risk Management

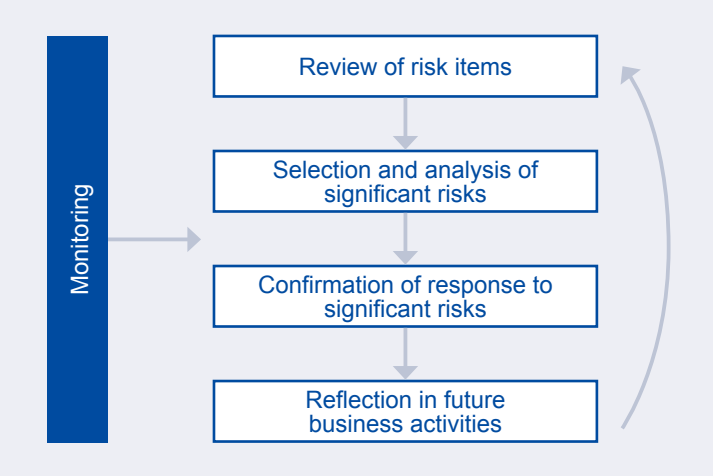
We manage risks related to the MODEC Group's business operations in accordance with Risk Management Regulations, which define the nature of risks and outline administrative procedures, Enterprise Risk Management Standards and other business-related regulations. In executing important operations that involve risk, approval documents are circulated to the President & CEO or the relevant executive officer in accordance with internal rules and regulations, and proposals are submitted to the Board of Directors and the Management Board. For the status of operations, relevant executive officers give a summary of business activities at meetings of the Board of Directors and the Management Board, and report on the status of risks related to the execution of these businesses to ensure thorough risk management.

In addition, to support the enhancement of the MODEC Group's corporate value and sustainable growth, we operate an Enterprise Risk Management (ERM) system—led by a cross-functional team headed by an executive officer—focused on identifying, assessing, addressing and monitoring business-related risks.

## Risk Management System



## Risk Management Process



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Risk Management

Business Risks

Risk Item	Description of Risk and Initiatives
Particularly Significant Risks	
Impact from Uncertain Global Situation	<p>The MODEC Group primarily receives orders for overseas projects, and conducts EPCI, charter and operations-related businesses internationally. We are working to expand opportunities to obtain FPSO orders in development projects led by oil majors. As our customer base grows, depending on the country or region where construction is carried out, rapid changes in economic conditions may lead to delays in mobilizing construction workers and procuring equipment and materials. In addition, risks such as local labor-management issues, obstacles related to business practices, restrictions on fund transfers, and special taxes or tariffs may deteriorate project profitability and impact the MODEC Group's business performance and financial condition.</p> <p>Given the current global situation, various factors exist that could impact the Group's supply chain, including potential tariff increases and U.S.-China friction, and we recognize the need to build a supply chain that is not overly centralized. We are therefore diversifying major subcontractors in order to disperse risks. Since the impacts would also extend to customers, we are partnering and collaborating with customers in an effort to reduce these risks.</p>
Impact from Slump in Oil Prices	<p>With advances in technology, offshore oil exploration has expanded into ultra-deepwater regions, driving increased demand for floating offshore oil and gas production systems. While the global trend toward decarbonization is expected to continue, energy demand is also projected to grow. Given this outlook, we believe that oil and gas demand will remain firm and we will continue to develop our FPSO business. However, a prolonged slump in crude oil prices could lead to postponement of new projects, which could impact the MODEC Group if orders for projects temporarily decline.</p>
Decline in Asset Integrity	<p>The FPSO leasing, chartering and operations and maintenance (O&amp;M) services that the MODEC Group provides to oil and gas development companies are businesses that can be expected to generate stable revenue over long contract periods. On the other hand, FPSO vessels ordered in the 2000s are rapidly aging, and we have responded with the highest priority to ensure safety. Consequently, we have been forced to bear the burden of an unexpected decline in operating rates and the cost of maintaining and strengthening asset integrity. As a result of focused efforts to improve asset integrity over the past few years, the condition of older FPSO vessels has improved. With charter periods coming to an end in succession, these urgent issues are gradually being resolved. However, asset integrity remains a top priority for the MODEC Group, and we will continue to strengthen asset management to enhance profitability.</p>
Price Fluctuation Risk	<p>The global situation has become increasingly uncertain due to Russia's invasion of Ukraine, conflict in the Middle East, and the impact of trade policies under the new U.S. administration. Inflation, exchange rate volatility and other price fluctuations also have a significant effect, and these factors could have an adverse impact on the MODEC Group's FPSO business. Price fluctuation risks are hedged to a certain extent through contracts with customers, and we work to reduce exchange rate risk by settling payments from customers and making payments to major suppliers in U.S. dollars. In addition, we are reducing costs by diversifying material and equipment suppliers and shortening delivery times by standardizing requirements.</p>
Decrease in Fossil Fuel Demand	<p>While demand for oil and gas is expected to remain firm, initiatives aimed at reducing greenhouse gas (GHG) emissions—believed to be a cause of climate change and global warming—are progressing. Over the long term, demand is forecast to gradually decline due to restrained fossil fuel-related investment by oil and gas companies and shifts in their business models. In Mid-term Business Plan 2024–2026, the MODEC Group has set the goal of promoting the development of unique floating solutions and mooring technology in the offshore wind and alternative energy businesses. However, any delay in responding to changes in the business environment could have an impact on the MODEC Group's businesses and financial condition.</p>
Other Significant Risks	
Financing	<p>We work to reduce interest rate fluctuation risks related to borrowings, including the use of interest rate swaps, but the MODEC Group's business performance could nevertheless be impacted by changes in interest rates. In addition, if the MODEC Group begins new FPSO or other projects, new financing will be required. When carrying out projects, we collaborate with business partners including marine transport companies and general trading companies to reduce the financial burden. We also have a policy of mitigating risks through the use of project finance. However, orders for projects and their profitability could be impacted if the Group has difficulty raising the necessary funds in bidding for projects, or if financing conditions such as interest rates deteriorate.</p>
Major Natural Disasters	<p>In order to minimize losses in the event of disasters such as earthquakes, wind or flood damage, and infectious disease pandemics, we have formulated Crisis &amp; Emergency Management Standards that outline the Group's framework and procedures for responding to a crisis. However, property damage, human casualties, or the paralysis of logistical functions resulting from such disasters could impact the MODEC Group's business activities, including FPSO and other construction, leasing, chartering and O&amp;M.</p>
Laws and Regulations	<p>In engaging in business in Japan and internationally, the MODEC Group adheres to the laws of each country, permits and licenses issued by governments and other regulations. However, if these laws are revised or repealed, or if new legal restrictions are imposed, the results could have an impact on the MODEC Group's business performance and financial condition.</p>

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7-Year Financial Data

	Japanese GAAP ←			→ IFRS			(USD million)
	2018	2019	2020	2021	2022	2023	2024
Consolidated Operating Results							
Order backlog	9,796	12,662	12,749	11,671	10,790	16,817	12,944
Revenue	1,998	3,036	2,994	3,899	2,739	3,574	4,186
Operating profit	134	(44)	(138)	(317)	75	192	322
Profit attributable to owners of parent	197	(166)	(126)	(363)	37	96	220
Consolidated Financial Position							
Total assets	3,092	3,498	3,454	3,425	3,136	3,887	4,496
Total equity	1,375	1,111	883	532	811	992	1,180
Total debt <sup>1</sup>	279	226	130	426	393	570	514
Cash and cash equivalents at end of year	461	478	638	810	492	1,013	1,253
Cash flows from operating activities	407	(29)	299	152	(208)	485	560
Cash flows from investing activities	(37)	239	(7)	(220)	(56)	(210)	(122)
Free cash flow	369	210	292	(68)	(265)	275	438
Cash flows from financing activities	(153)	(189)	(134)	265	(49)	241	(186)
Performance Indicators							
Adjusted EBITDA <sup>2</sup>	271	91	93	76	202	306	328
Return on equity (ROE)	15.1	(13.3)	(12.3)	(52.7)	5.6	10.7	20.3
Price-to-book ratio (PBR)	0.8	1.2	1.2	1.3	0.7	1.1	1.2
Ratio of equity attributable to owners of parent	44.5	31.8	25.6	15.5	25.9	25.5	26.3
Stock Information							
Dividends per share (JPY)	52.5	45.0	45.0	15.0	0.0	20.0	80.0
Payout ratio (%)	13.5	—	—	—	0.0	10.0	15.7
Net assets per share (JPY)	2,707.95	2,161.43	1,622.30	9.45	14.40	14.53	17.28
Stock price (JPY)	2,273	2,665	1,873	1,377	1,362	2,318	3,345
FX rate (JPY / USD)	111.02	109.54	103.50	115.01	132.71	141.83	158.15

Note: We applied Japanese GAAP through FY2020 and have adopted International Financial Reporting Standards (IFRS) since FY2021.  
1. Total debt: Borrowings (current liabilities) and bonds and borrowings (non-current liabilities)  
2. Adjusted EBITDA: EBITDA adjusted for one-time items, specifically related to impact of COVID-19 and the special maintenance campaign

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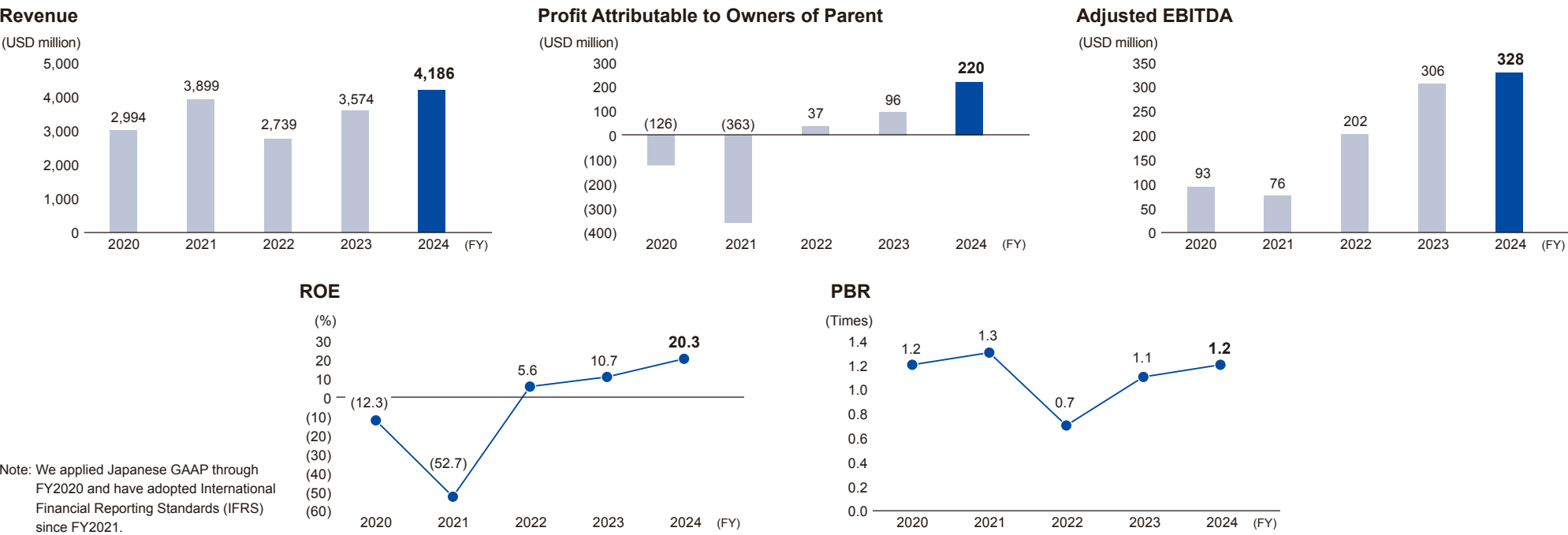
**48 7-Year Financial Data**

49 Financial and Non-Financial Highlights

50 Company Profile and Stock Information

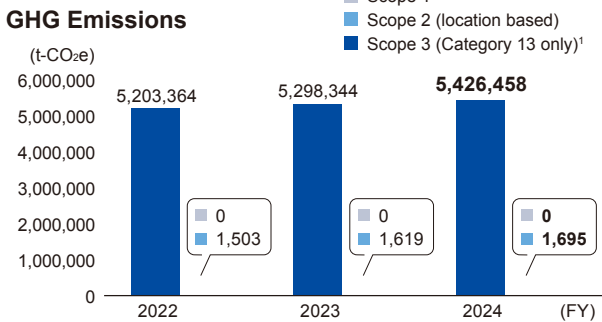
# Financial and Non-Financial Highlights

## Financial Highlights



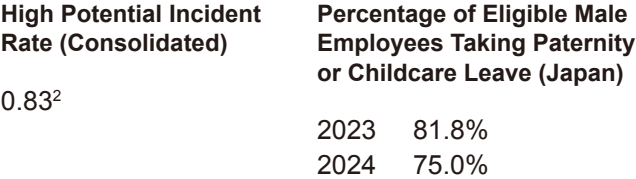
## Non-Financial Highlights

### Environmental



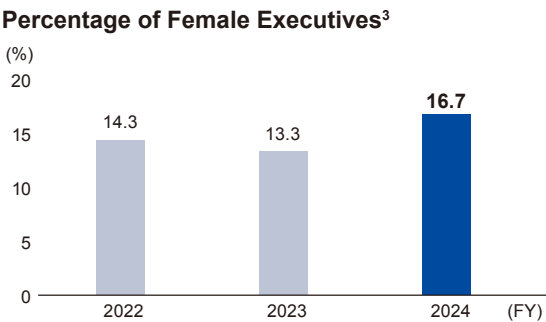
1. The main reasons for the increase in emissions since FY2021 are growth in the number of leased assets and temporary emissions during the commissioning phase after the start of production

### Social



2. The figure for 2024 is based on 1,000,000 labor hours.

### Governance



3. The percentage of female directors. For FY2022 and FY2023, the percentage of female directors and auditors was calculated based on the structure of a company with a Board of Company Auditors, prior to the transition to a company with an Audit and Supervisory Committee.

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# Company Profile and Stock Information

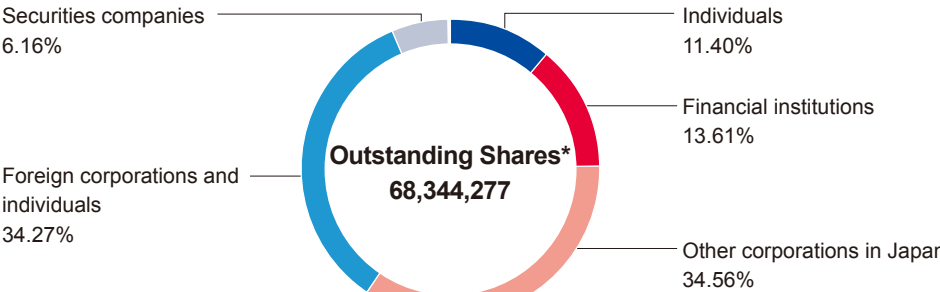
## Company Profile (As of December 31, 2024)

Company Name	MODEC, Inc.
Date of Establishment	June 1, 1987
Capital	18,166.86 million yen
Number of Employees (Consolidated)	6,399
Head Office	Nihonbashi Maruzen Tokyu Building 4th and 5th floors, 3-10, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-0027, Japan

## Stock Information (As of December 31, 2024)

Stock Exchange Listing	Tokyo Stock Exchange, Prime Market
Securities Code	6269
Fiscal Year	From January 1 to December 31
Ordinary General Meeting of Shareholders	Each year in March
Number of Shares Authorized	102,868,000
Number of Shares Outstanding	68,344,277
Number of Shareholders	17,345
Shareholder Registry Administrator	1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan Sumitomo Mitsui Trust Bank, Ltd.
Contact	Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan

## Share Distribution (By Type of Shareholder)



\* Excludes 1,023 shares of treasury stock

## Major Shareholders

Shareholder	Number of Shares Held	Shareholding Ratio (%)
Mitsui O.S.K. Lines, Ltd.	10,251,800	15.00
MITSUI & CO., LTD.	10,162,300	14.86
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,791,900	7.01
Custody Bank of Japan, Ltd. (Trust Account)	3,174,527	4.64
MSIP CLIENT SECURITIES	2,677,570	3.91
Mitsui E&S Co., Ltd.	2,502,400	3.66
JPMorgan Securities Japan Co., Ltd.	2,055,899	3.00
BNYM AS AGT/CLTS 10 PERCENT	1,972,700	2.88
JP MORGAN CHASE BANK 385632	1,217,900	1.78
BOFAS INC SEGREGATION ACCOUNT	841,257	1.23

Notes: 1. The shareholding ratio is calculated excluding treasury stock (1,023 shares).  
2. Treasury stock does not include MODEC shares held by trust accounts under the Stock Remuneration Plan for Directors.

## Stock Price and Trading Volume (As of May 31, 2025)



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