

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,¹

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&M² 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.

Roundtable Discussion



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



Roundtable Discussion

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.



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

Corporate Governance

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.

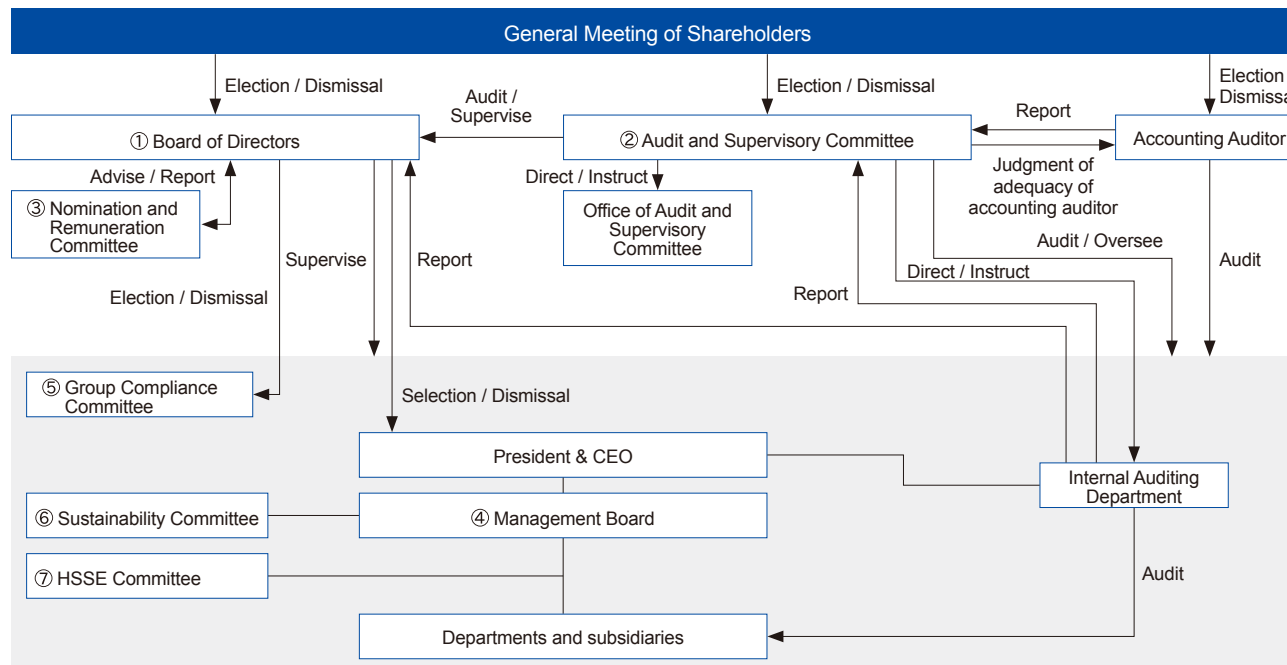
Corporate Governance System

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

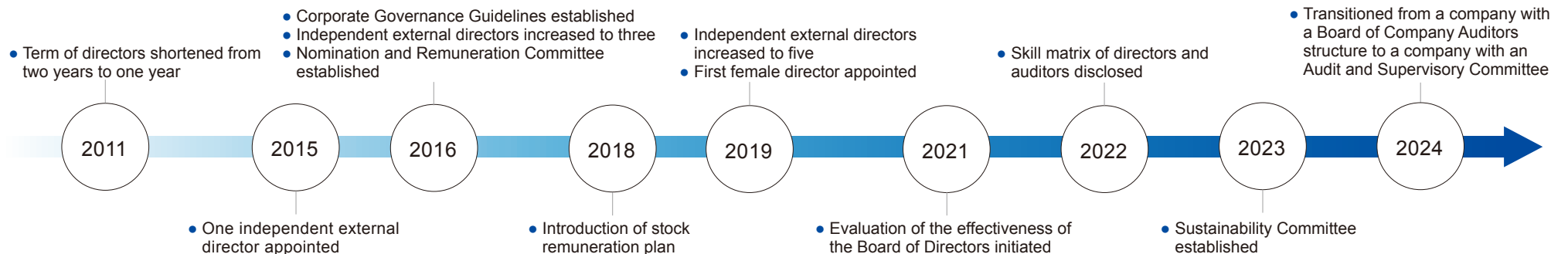
including the presidents and CEOs of major subsidiaries.

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



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.

Corporate Governance

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"> 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. 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. 	<ul style="list-style-type: none"> 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. We will strengthen both organizational and human resources aspects of global subsidiary management.

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.

Corporate Governance

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.

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

MODEC Ethics Hotline

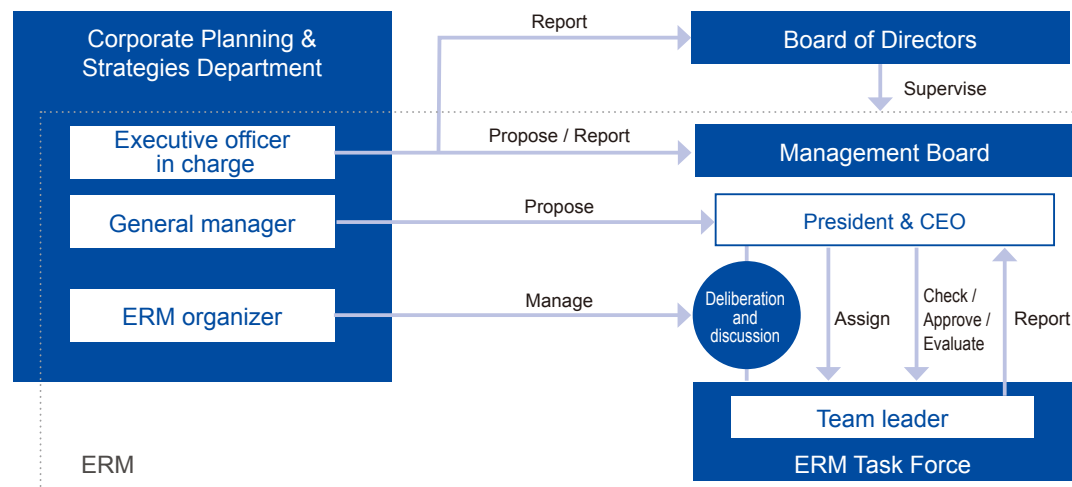
<https://secure.ethicspoint.com/domain/media/en/gui/33696/index.html>

Risk Management

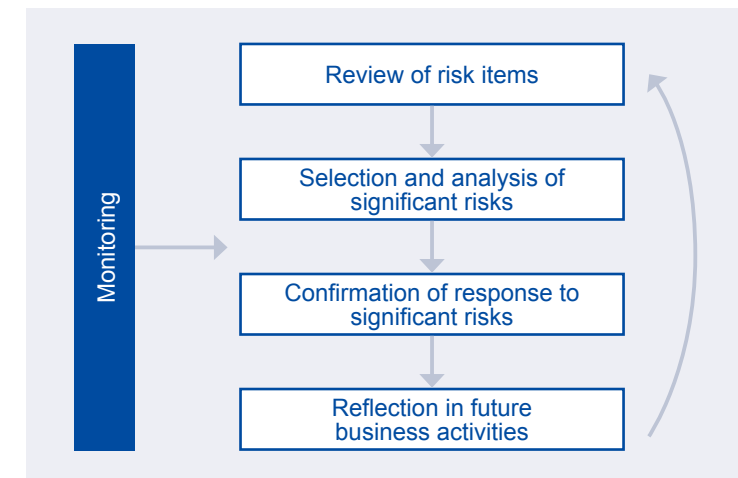
We manage risks related to the MODEC Group's business operations in accordance with Risk Management Regulations, which define the nature of risks and outline administrative procedures, Enterprise Risk Management Standards and other business-related regulations. In executing important operations that 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



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&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 & 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&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>