

# Mid-Term Business Plan 2014

June 2012

MODEC, Inc.



# Business Environment

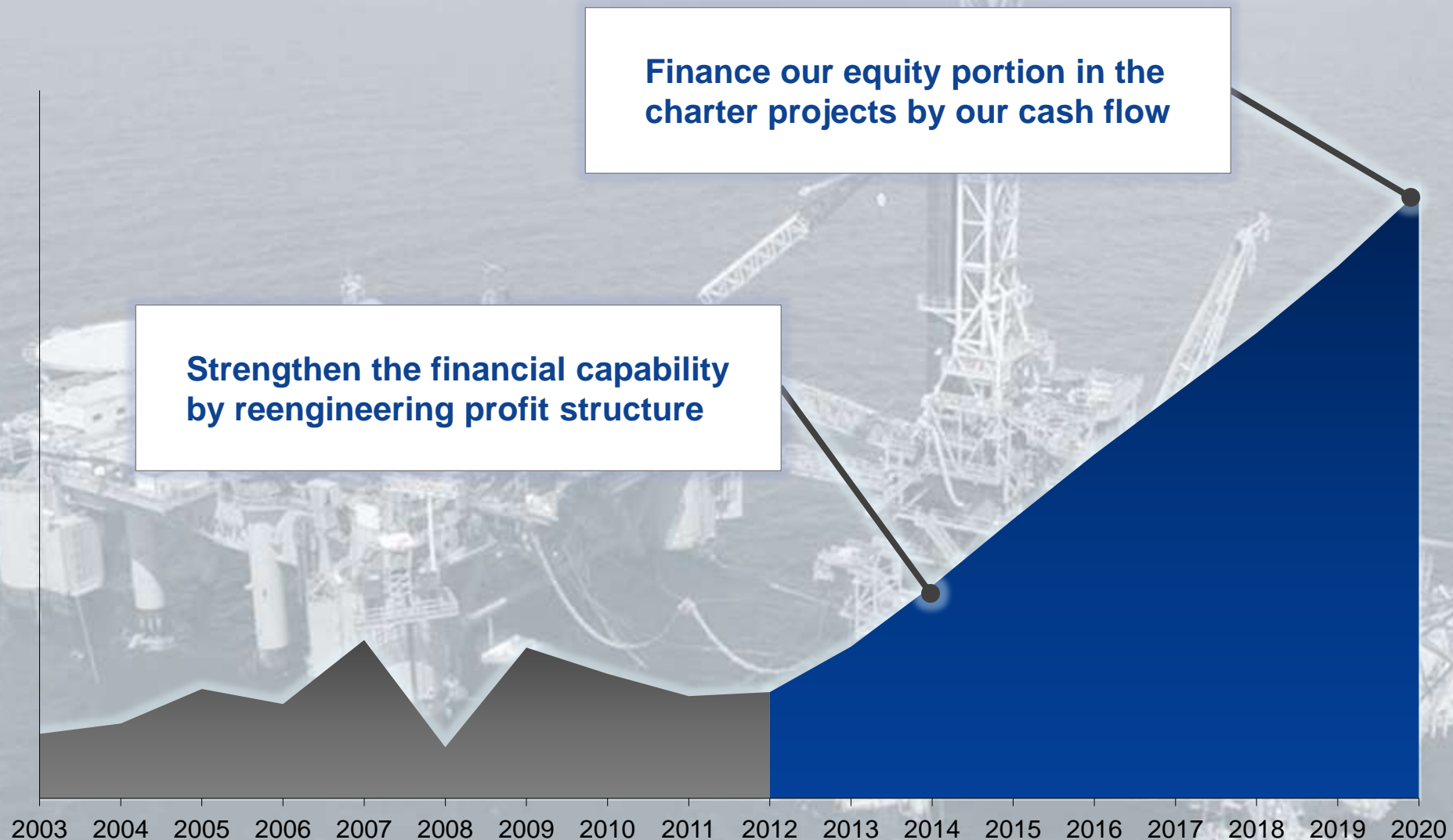
- Global economy moderately grows while the European financial crisis may continue and affect the growth of the global economy.
- In accordance with an energy paradigm shift, the dependency on hydrocarbon resources is increasing.
- Global energy demand is projected to grow further in the mid-and-long term. More than 50% of the global energy supply is still likely to depend on oil and gas.

# Management Vision (Revenue)





# Management Vision (Profit)



# Management Vision (New Product Lines)



**Develop new product lines  
in offshore energy/resource field**

**Be recognized as a reliable FLNG  
contractor**

**Promote business activity for  
offshore gas production systems**

**Accelerate R&D for future business  
in offshore energy/resource field**

# Strength and Strategy of MODEC (1)

Track record of 40 FPSOs/FSOs/TLPs and cumulative 100 years of O&M experience

Advanced mooring technology applicable to complex projects

Financial capability with backup of Japanese financial institutions

- **Growth of FPSO market**
- **Increase of deeper water projects**

**Secure large size project orders by utilizing our strong track record, advanced technology and financial capability**

FPSO PSVM



# Strength and Strategy of MODEC (2)

Track record of 40 FPSOs/FSOs/TLPs and cumulative 100 years of O&M experience

Advanced mooring technology applicable to complex projects

Financial capability with backup of Japanese financial institutions



- **Increased number of competitors as a result of new entry into the market**
- **Intense price competition**



**Establish a firm position in the industry with our strong track record**

**Establish a strong position in African countries where offshore development is actively underway through proactive business promotion**

# Current Concerns and Management Strategy of MODEC (1)

Strong demand for in-house engineers with experience and high capability

Strong control is necessary for value chain optimization in the group

Large investment is required for equity injection into SPC established for charter projects

- **Growth of FPSO market**
- **Increase of deeper water projects**

**Enhance the engineering capability quantitatively and qualitatively**

**Streamline the group management system**

**Generate sufficient cash to finance SPC investment by reengineering the profit structure and increasing the operating cashflow**



# Current Concerns and Management Strategy of MODEC (2)

Strong demand for in-house engineers with experience and high capability

Strong control is necessary for value chain optimization in the group

Large investment is required for equity injection into SPC established for charter projects

- 
- **Increased number of competitors as a result of new entry into the market**
  - **Intense price competition**
- 

**Business process reengineering through all business phases (Proposal, EPCI, O&M, SPC management) for raising the competitiveness**

**Strengthen the interface among all business phases to generate sufficient profit even under the intensive price competition**

**Accelerate R&D activity to develop new product lines**



# Core Strategy

## Growth strategy in the current business area

**Grow our core business, i.e. floating production systems including FPSOs, FSOs and TLPs**



## Strategic development of new product lines

**Accelerate R&D activity for developing technologies in the prospective business area**

- **Floating LNG and Gas-to-Liquid**
- **Application of floating production technology to new offshore energy/resource field**



# Main Strategy (1)

## Growth in FPSO/FSO and TLP business

**Secure orders from strong Brazilian market and emerging African market by utilizing the high quality technologies and services backed up with our strong track record**

- Secure orders by utilizing our strong track record and the reputation of strong commitment
- Establish a strong position in African countries through proactive business promotion
- Reinforce the engineering capability to increase the EPCI capacity and improve the quality





## Main Strategy (2)

### Efficiency in FPSO/FSO and TLP business

**Accelerate the cost reduction effort, enhance the cost competitiveness and maximize the profit**

- Cost reduction in proposal and procurement stage
- Cost reduction in EPCI stage
- Establish a reliable vendor network by managing the supply chain
- Business process reengineering through all project phases (Proposal, EPCI, O&M, SPC management) for profit maximization



## Main Strategy (3)

### Development of new offshore energy business

- Promote business activity for offshore gas production systems
- Accelerate R&D activity for applying the floating production technology to new offshore energy/resource field

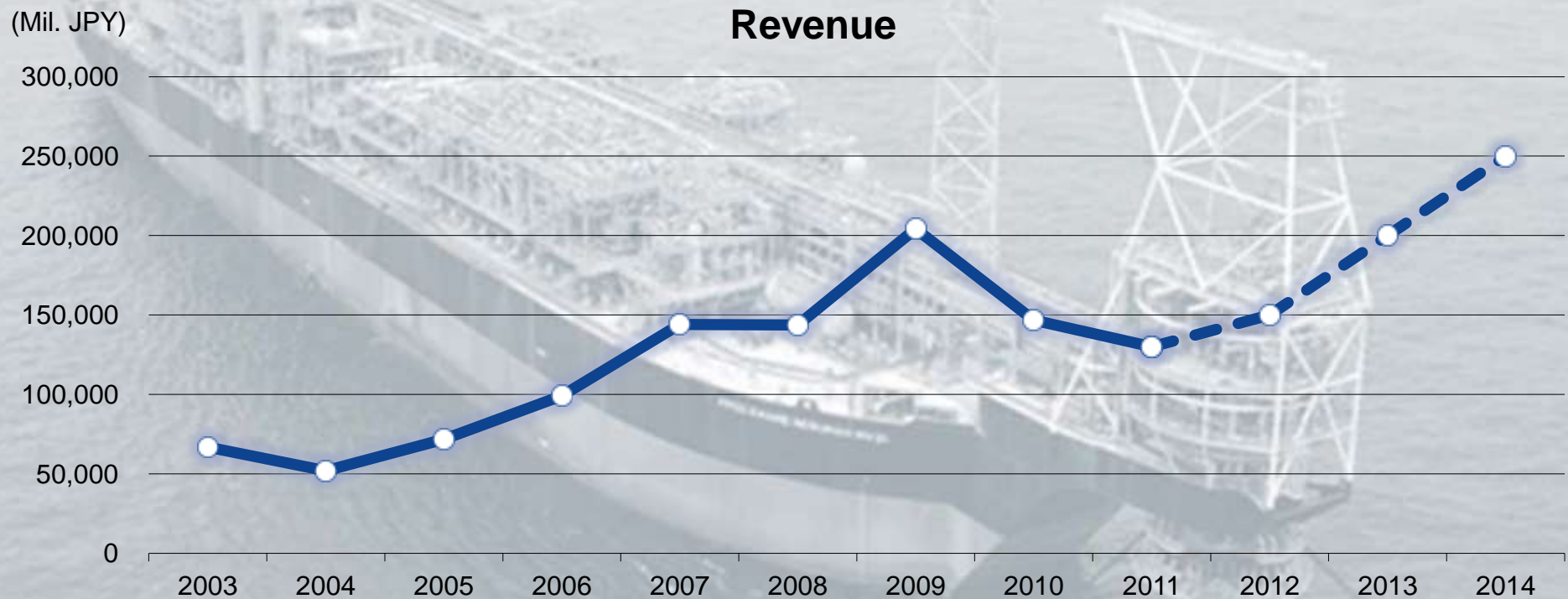
- Commercialize FLNG and GTL business
- Invest and accelerate R&D activity



# Financial Vision - 1

**Performance Image  
(2014)**

<b>Revenue</b>	<b>250 billion JPY</b>
<b>Operating Profit</b>	<b>10 billion JPY</b>



MODEC aims to secure orders from strong Brazilian market and emerging African market. Revenue recorded by the percentage of completion method is expected to exceed the past peak by winning large size projects.



# Financial Vision - 2



Large size project will require larger investment in our SPC. MODEC aims to generate sufficient cash flows from our continuing operations.

# DISCLAIMER

The information contained in this material is based on a set of assumptions and is not guaranteed as to its materialization of financial visions or corporate strategies.