

# **MODEC Group Mid-term Business Plan 2024-2026**

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February 14, 2024

Update on February 13, 2025:  
Revision of the financial targets for 2026  
as shown in page 16

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# Introduction

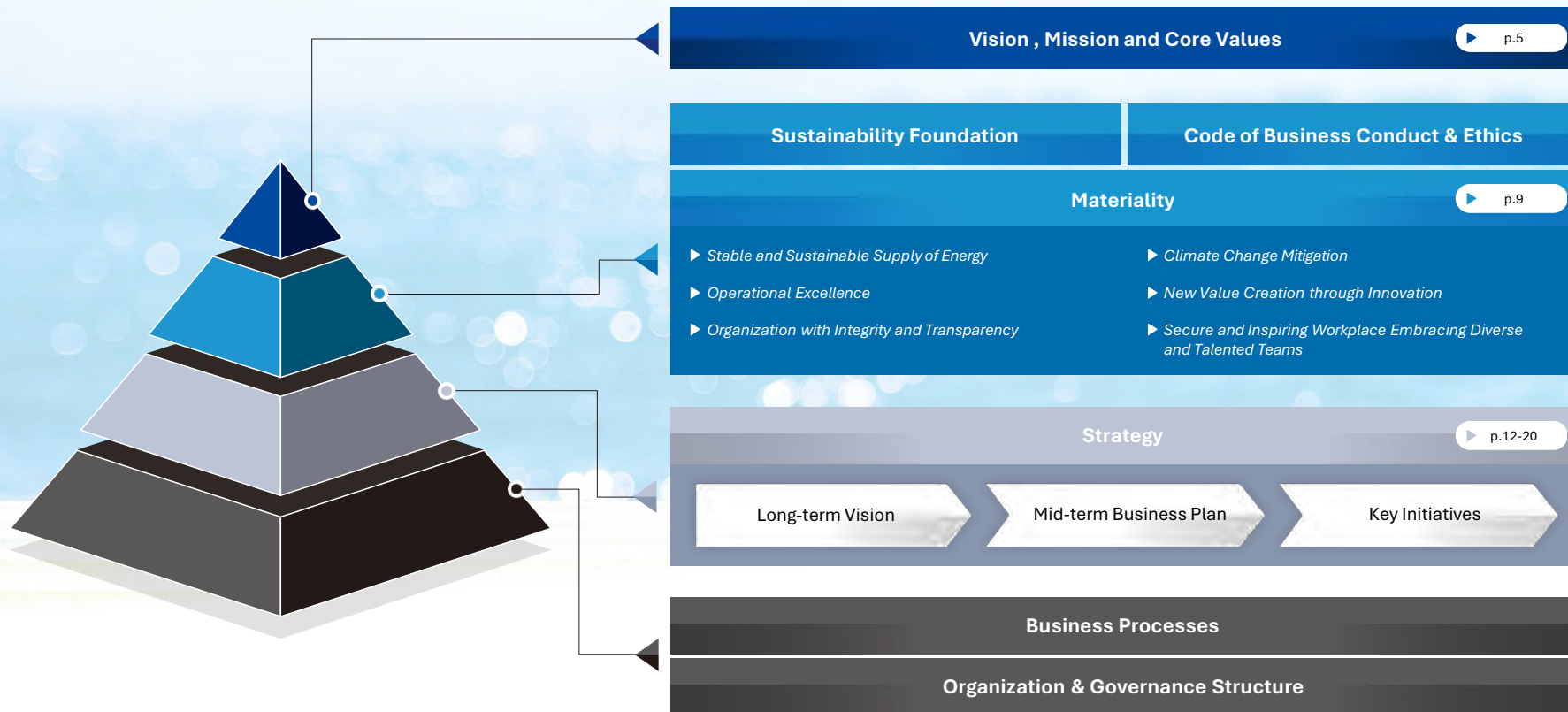
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Overall Framework

New Vision, Mission and Core Values

Review of MTP 2021 – 2023

Business Environment Recognition





## VISION

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

## MISSION

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

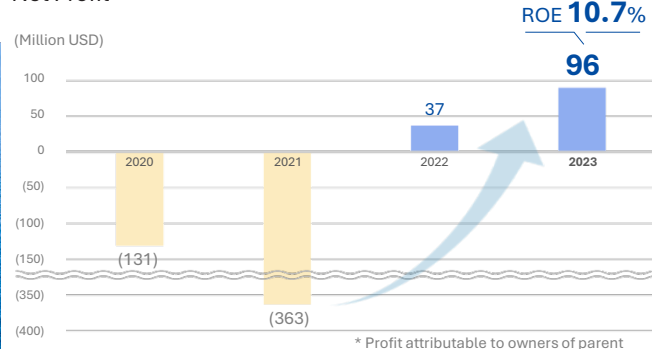
## CORE VALUES

MODEC is committed to our OCEAN

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

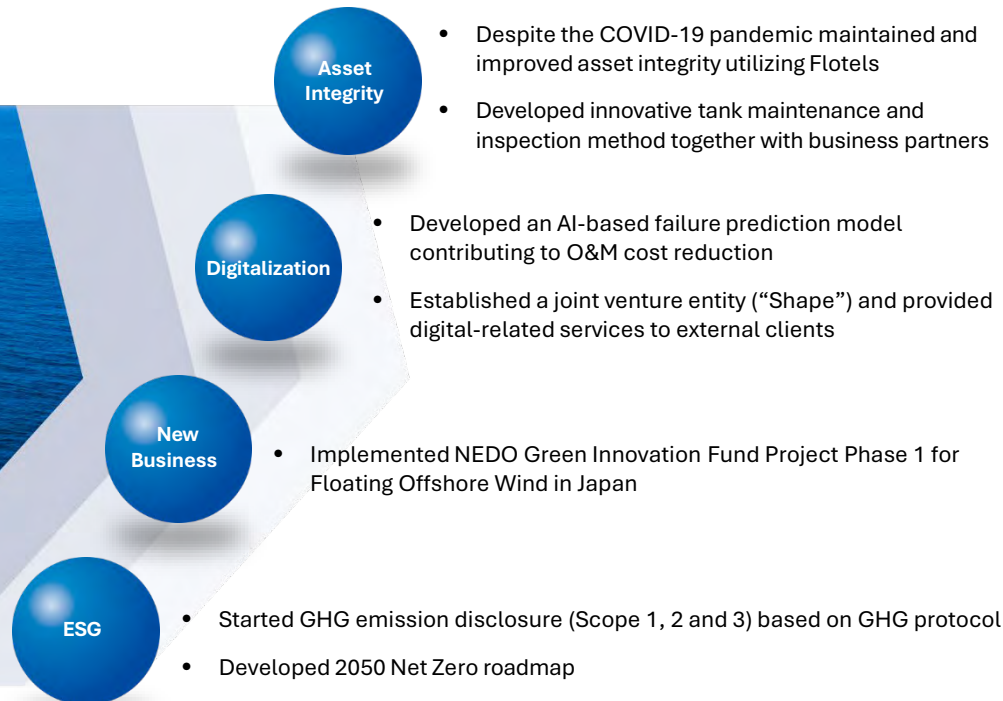
## Financial Results

### Net Profit (\*)



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

## Strategies



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

## ► Long-term (10+ years)

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

## ► Short to Mid-term

### Short to Mid-term

### Long-Term

## ► Long-term (10+ years)

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

## ► Short to Mid-term

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

Macro Trend

Offshore Industry Trend

# Materiality & Vision 2034

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Our Materiality

Vision 2034





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

### Stable and Sustainable Supply of Energy

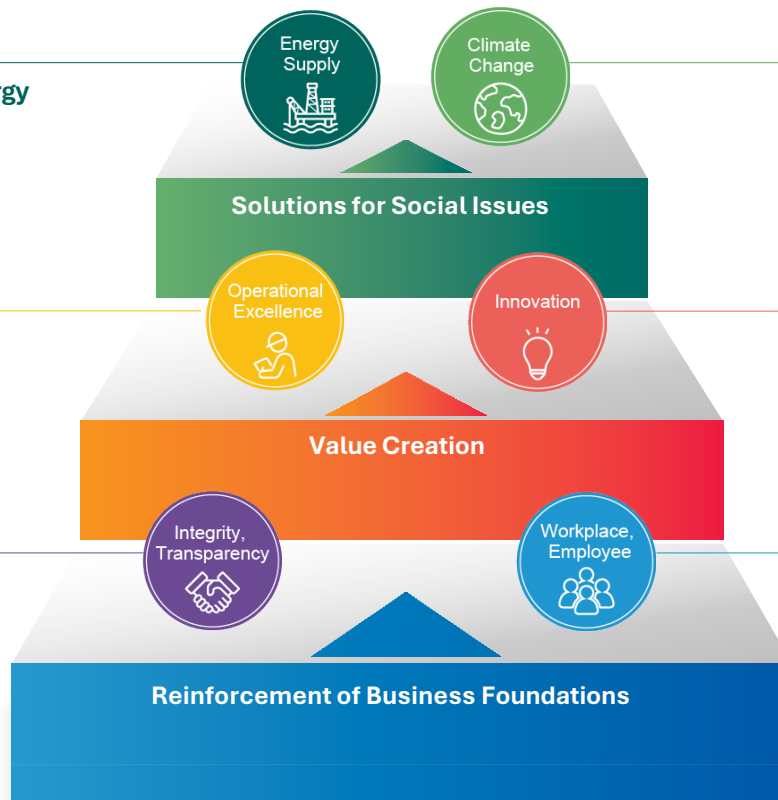
- Contribute to a stable and sustainable energy supply by ensuring reliable operations and continuous improvement of our facilities' asset integrity with lifecycle value maximization.

### Operational Excellence

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

### Organization with Integrity and Transparency

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



### Climate Change Mitigation

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

### New Value Creation through Innovation

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

### Secure and Inspiring Workplace Embracing Diverse and Talented Teams

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

## Vision 2034

## “Global Leading Player in Connecting Ocean and Humanity”



### FPSO

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



### Floating Offshore Wind

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



### Alternative Energy

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



### Digital Solution

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



### Culture & People

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

## Materiality



# Mid-term Business Plan 2024-2026

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Overall Strategy

Enhance Earning Power

FY2026 Financial Target

Strategic Resource Allocation & Acquisition

Advance FPSO Decarbonization

Pave the Way for Materializing New Business

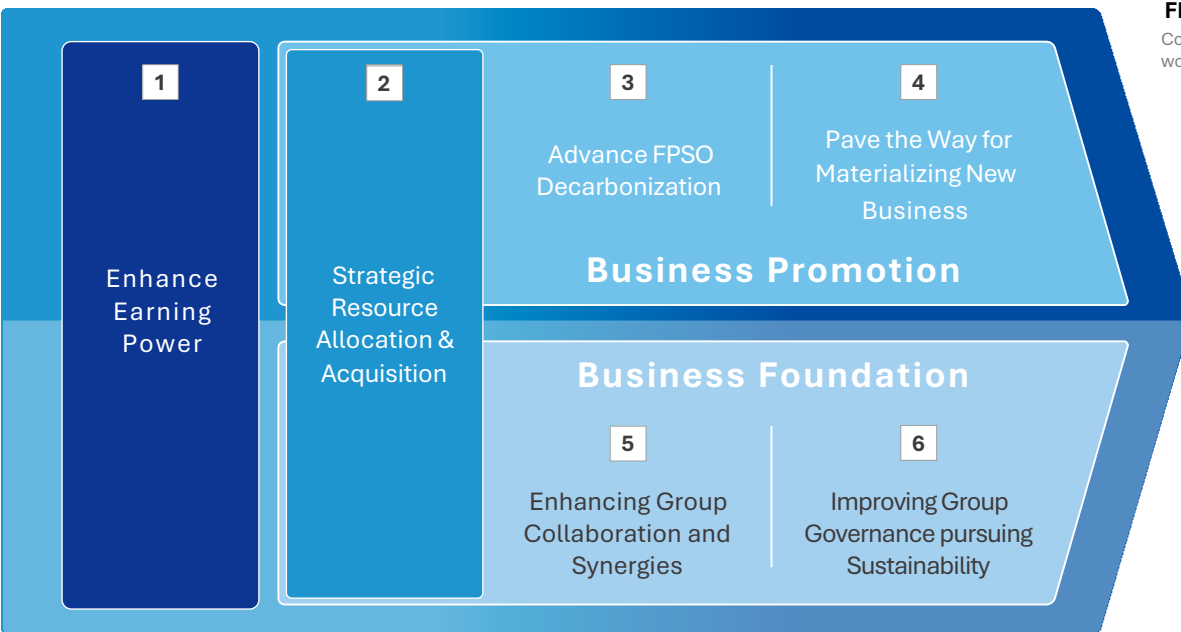
Enhancing Group Collaboration and Synergies

Improving Group Governance pursuing Sustainability



MTP 2024 - 2026

“Explore a *Sustainable Future* with Innovation”



## FPSO

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



## Floating Offshore Wind

Development of 15MW class or larger demo plant



## Major Activities & Deliverables



## Digital Solution

Develop innovative solutions and expand their application to external clients



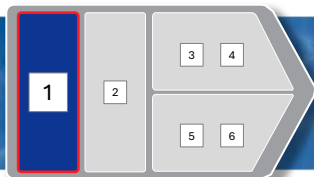
## Alternative Energy

Conceptual design for floating production solutions for carbon free alternative energy

**Vision 2034**

\* Gas turbine combined cycle power unit





## Enhance Earning Power



### Increased Profit Base

#### FPSO Delivered

2021	MV30
2022	MV31
	MV34
2023	MV32
	MV33

#### FPSO Under Construction

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

\* Scheduled delivery year



### Operational Excellence as Global Leading FPSO Player

#### EPCI

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

#### Charter

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

#### Operation

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

#### Digital

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

1

2

3

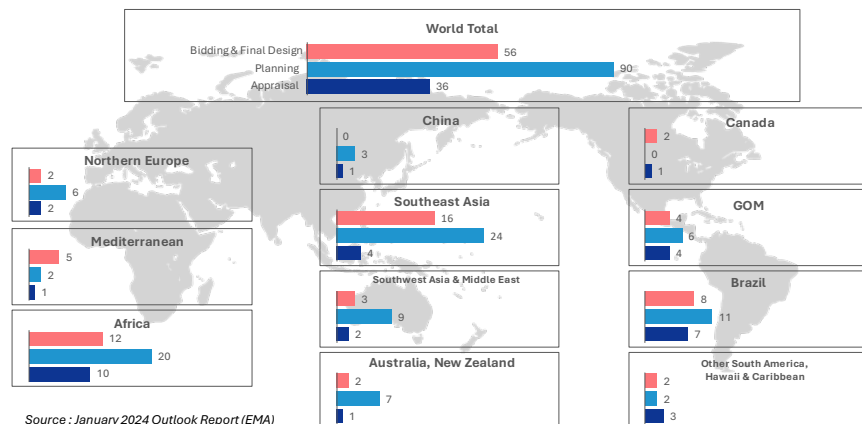
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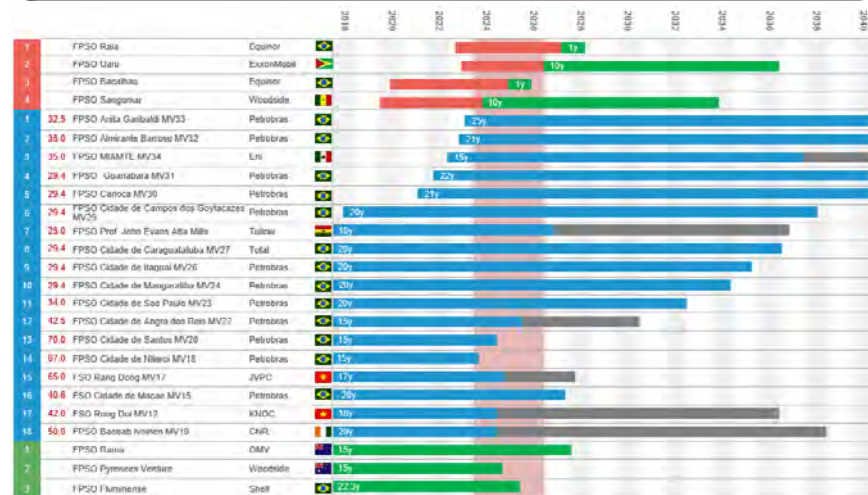
## Enhance Earning Power

### Project Prospects

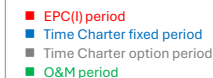


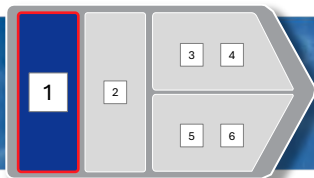
- Substantial number of new prospects, especially for large scale deepwater in Brazil and Africa where we have a competitive advantage
- Using strong relationships with key clients to pursue opportunities

### Project Timeline



- Charter contracts provide long-term profit and cash base



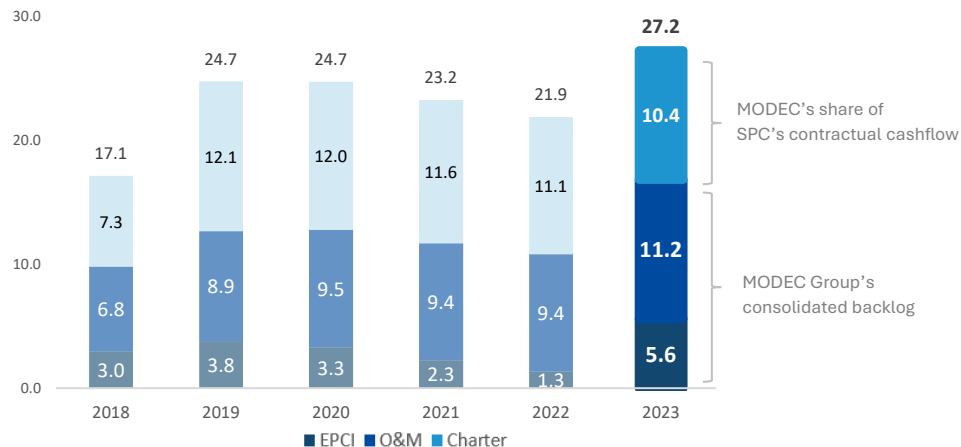


## Enhance Earning Power



### Order Backlog

(Billion USD)

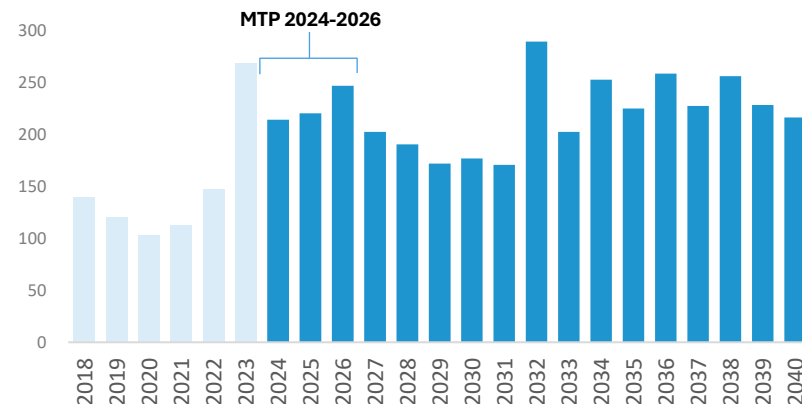


- Back orders reached a new record in 2023, providing robust future cashflow



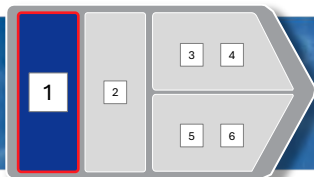
### Net Cashflow from Charter Business \*

(Million USD)



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

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



## Enhance Earning Power

### Financial KPIs

(Million USD)

	FY 2023 (Actual)	FY 2024 (Actual)	FY 2025 (Forecast)	FY 2026	
				Feb 2024 Original Targets	Feb 2025 Revised Targets
Net Profit <sup>(*1)</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>(*2)</sup>	218	328	-	300	450

#### Reason for the revision of financial targets for 2026

- The improved business performance due to the improvement of the operating performance of the existing FPSOs through the extensive special maintenance campaign and better cost management
- The improvement of profit on construction of the EPCI projects through the steady project management in terms of the cost & schedule control

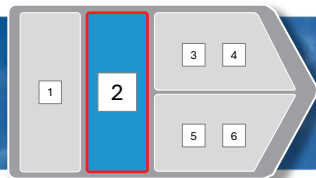
#### Basic Policy

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

\* 1 Profit attributable to owners of parent

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





## Strategic Resource Allocation & Acquisition

### Enhance Earning Power

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



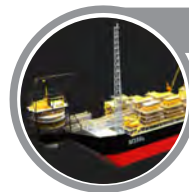
### Resources



- Free cashflow
- People

### Allocation for Future

- R&D, M&A



### Add-Value to our FPSO

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



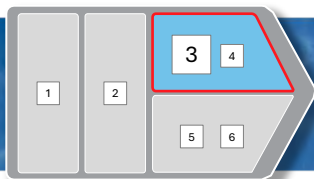
### New Business

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



### Human Capital

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



## Advance FPSO Decarbonization

Up to 2023

### Incremental Reduction

#### Low Carbon FPSO Gen 1.0

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

- Incorporated GTCC in FPSO design

2024 - 2026

### Preparation for Radical Reduction

#### Gen 2.0

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

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

(\*1) Carbon capture and storage

Vision 2034

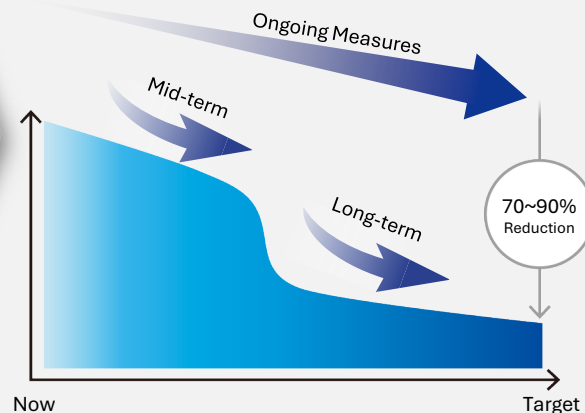
### Target Zero FPSO

#### Gen 3.0/4.0

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

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

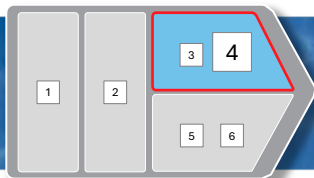
## FPSO Carbon Intensity <sup>(\*2)</sup> as a Strategic KPI



Now

Target

(\*2) tons-Co2e per tons-Hydrocarbon



## Pave the Way for Materializing New Business



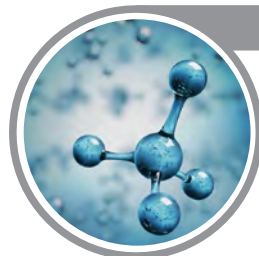
### Floating Offshore Wind

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



### Digital

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



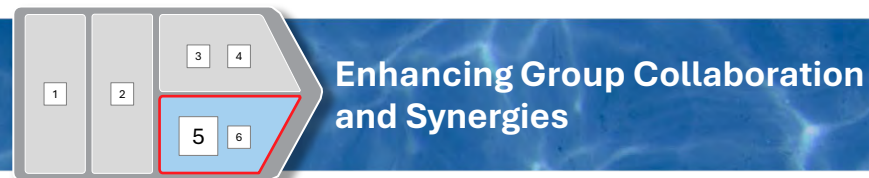
### Alternative Energy

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

### Other New Business Potential

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

## Embedding Sustainability in our Business Foundation



### Enhancing Group Collaboration and Synergies



#### Digitally Enhanced Management System

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



### Improving Group Governance pursuing Sustainability



#### Sustainability Management

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



#### Group-wide Human Capital Management

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



#### Safety and Human Rights

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



# Going Beyond

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Our Aspiration for Net Zero 2050

Our View of the World : Ocean is Full of Potential



# Our Aspiration for Net Zero 2050

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

## Path Toward Net Zero 2050

Emissions from  
MODEC FPSO

Contributions from  
New Businesses

### We aspire to achieve Net Zero by 2050

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



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



## Our Vision

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

## Our Mission

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



