# MODEC, Inc. Mid-term Business Plan 2017

#### May 2015





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#### 1-1. Review : Projects

Secured orders in Brazil and Africa, our major target regions





### 1-2. Review : Financial Results

Revenue 378.5 billion yen (3,140 million USD) Operating profit 8.5 billion yen (71 million USD) / (12.8 billion yen before deferred profit adjustment)





#### 1-3. Review : New Business Development

#### **Executed R&D for LNG and other new business**



LiBro® FLNG

• Executed FEED\*

**skwid** Floating Wind & Current Hybrid Power Generation system

- Completed prototype unit
- Sunken unit under investigation

DWAL Deep Water Air Lift system

- R&D ongoing
- Cooperating with JOGMEC for basic research



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# 2-1. External Environment

	Later half of 2014-2015	2016	Mid-long term view	
Macro economy	Economy slowed down, shale oil & geopolitical risks impacted	Shale development will slow down, energy demand will increase due to economic recovery	Energy demand will increase due to growth in global population and economy of emerging countries	
Oil prices	Plunged, hit bottom	Level off, then will start to recover	Will rise gradually	
Field development	Field development deferred (E&P limited to keep the current production volume)	Capital spending will return for new field developments	Number of projects will increase esp. in ultra-deep water, field life will get longer	
Competition	Pursuing limited number of viable projects	Same environment will continue	Market entry (in deep water market) by mid-small FPSO contractors and new players	
Million bopd Oil Production		Mtoe Prima	Mtoe Primary Energy Demand	







Source: World Energy Outlook 2014 (IEA) Mtoe: Million Tonnes of Oil Equivalent



### 2-1. FPS Market

Floating Production Systems (in service, on order, prospects) as of April 2015 FPS market will continue to expand



Source: Floating Production Systems Quarterly Report - 2015 Q2 Report (EMA) \*1 project in bidding & final design phase for unidentified region is not included.



# 2-2. Internal Environment

Earning Capability	<ul> <li>Revenue from EPCI has expanded due to increase in project sizes and stable order intake</li> <li>Constant profit from charter business has increased as an outcome of accumulation of good charter projects</li> </ul>
EPCI*	<ul> <li>Project Management capability has been strengthened for execution of larger, deeper and technically challenging projects</li> <li>Robust track record of 45 EPCI projects</li> </ul>
Cash Flow	<ul> <li>Project finance for investment in SPCs has increased due to increase in project sizes</li> </ul>
Asset Management	<ul> <li>Know-how from approx. 150 years of cumulative O&amp;M* experiences</li> <li>Technical challenges in Asset Management phase have emerged due to increase in project sizes and complexity as well as longer field life</li> </ul>

\*EPCI: Engineering, Procurement, Construction and Installation \*O&M: Operation & Maintenance



## 2-2. Robust Charter/O&M Experiences





### 2-2. Focus on High-spec Projects

#### **FPSO Awards (2010-2015)** As of April 2015





# 2-3. Environment Analysis Summary



What is needed to achieve higher customer satisfaction



Strong commitment to ASSET INTEGRIGY



## 2-4. What is ASSET INTEGRITY?



#### **ASSET INTEGRITY** is

To design and construct a facility which can produce oil and gas stably and efficiently in a long period as required by clients,

#### and

To maintain the productivity and condition of the facility in order to provide expected services through O&M and Asset Management

MODEC is able to realize the ASSET INTEGRITY in a high level by utilizing in-house know-how gained through lifecycle experiences of facilities – FEED, EPCI, O&M and Asset management.



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# 3-1. ASSET INTEGRITY enhancement





### 3-2. New Business Development

#### **Continuous endeavor for the future business**

#### Natural gas hydrates



(Left) Burning of synthetic natural gas hydrates Source: MH21 Research Consortium

#### Submarine hydrothermal polymetallic ore deposit



Source: JOGMEC

#### **Rare earth elements**



Source: JOGMEC, University of Tokyo

#### **Development of deepwater mineral resources**



Utilization of MODEC's core technologies and experiences





## 3-3. Strengthening Competitiveness





### 3-4. Countermeasures and Strategies





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# 5. What we want to be 10 years from now

**MODEC WILL BE THE NO.1 ENERGY PRODUCTION SERVICE PROVIDER** by utilizing variety of floating facilities.





#### 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.