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

- **2012**
  - Petrobras Iracema Norte FPSO (Brazil)

- **2013**
  - Petrobras Carioca FPSO (Brazil)
  - Tullow TEN FPSO (Ghana)

- **2014**
  - Petrobras Tartaruga FPSO (Brazil)
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)

Revenue (Million USD) Operating Profit (Million USD)

Revenue:
- 2009: 2,000
- 2010: 1,500
- 2011: 1,000
- 2012: 2,200
- 2013: 6,000
- 2014: 8,000

Operating Profit:
- 2009: 100
- 2010: 200
- 2011: 300
- 2012: 400
- 2013: 500
- 2014: 700
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

*FEED: Front-End Engineering & Design
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2-1. External Environment

**Later half of 2014-2015**
- **Macro economy**: Economy slowed down, shale oil & geopolitical risks impacted
- **Oil prices**: Plunged, hit bottom
- **Field development**: Field development deferred (E&P limited to keep the current production volume)
- **Competition**: Pursuing limited number of viable projects

**2016**
- **Macro economy**: Shale development will slow down, energy demand will increase due to economic recovery
- **Oil prices**: Level off, then will start to recover
- **Field development**: Capital spending will return for new field developments
- **Competition**: Same environment will continue

**Mid-long term view**
- **Macro economy**: Energy demand will increase due to growth in global population and economy of emerging countries
- **Oil prices**: Will rise gradually
- **Field development**: Number of projects will increase esp. in ultra-deep water, field life will get longer
- **Competition**: Market entry (in deep water market) by mid-small FPSO contractors and new players

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### Oil Production

- **Conventional**
  - **Onshore**
  - **Offshore**: 1990=20%*, 2013&onwards=30%*

- **Unconventional**
  - **Tight oil**
  - **Other unconventional**

**Source**: World Energy Outlook 2014 (IEA)

*Offshore ratio: MODEC analysis based on various data

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### Primary Energy Demand

- **Oil**
- **Coal**
- **Gas**
- **Bioenergy**
- **Nuclear**
- **Other renewables**
- **Hydro**

**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

- **Northern Europe**
  - Prospects: 27
  - On order: 10
  - In service: 48

- **Mediterranean**
  - Prospects: 13
  - On order: 2
  - In service: 10

- **Africa**
  - Prospects: 44
  - On order: 12
  - In service: 61

- **Southeast Asia**
  - Prospects: 36
  - On order: 14
  - In service: 80

- **Southwest Asia & Middle East**
  - Prospects: 10
  - On order: 6
  - In service: 18

- **Australia & New Zealand**
  - Prospects: 13
  - On order: 3
  - In service: 15

- **Canada**
  - Prospects: 8
  - On order: 2
  - In service: 10

- **Gulf of Mexico**
  - Prospects: 27
  - On order: 4
  - In service: 54

- **Brazil**
  - Prospects: 41
  - On order: 19
  - In service: 60

- **Other South America & Caribbean**
  - Prospects: 9
  - On order: 3
  - In service: 4

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**
- Revenue from EPCI has expanded due to increase in project sizes and stable order intake
- Constant profit from charter business has increased as an outcome of accumulation of good charter projects

**EPCI***
- Project Management capability has been strengthened for execution of larger, deeper and technically challenging projects
- Robust track record of 45 EPCI projects

**Cash Flow**
- Project finance for investment in SPCs has increased due to increase in project sizes

**Asset Management**
- Know-how from approx. 150 years of cumulative O&M* experiences
- Technical challenges in Asset Management phase have emerged due to increase in project sizes and complexity as well as longer field life

*EPCI: Engineering, Procurement, Construction and Installation
*O&M: Operation & Maintenance
2-2. Robust Charter/O&M Experiences

- Charter projects (First oil during 2015-2017)
- Charter/O&M projects (including option periods)

O&M experiences: 7 years +
EPCI track record: 11 projects +
(At year-end 2000)

O&M experiences: 200 years +
EPCI track record: 45 projects +
(At year-end 2017)
2-2. Focus on High-spec Projects

FPSO Awards (2010-2015) As of April 2015

- Contractor managed project
- MODEC Project
- Oil company managed project

High-spec projects (Larger/Complex/Deeper)

Larger production volume

Deeper

2-3. Environment Analysis Summary

**Current Environment**

**Strength**
- Well-balanced earnings structure between EPCI and charter
- Track record in large scale and deep water projects
- 150 years of cumulative O&M experiences

**Challenges**
- Increasing technical challenges in Asset Management phase
- Increasing investment cash out

**Opportunities**
- Expansion of technically challenging projects esp. in ultra-deep water market in a long term
- Increasing customer needs for long-term, stable production

**Threats**
- Current weakness in oil market
- Market entry by new players

**Main Issues to be solved**
- How to meet ever-increasing customers needs (technical capabilities, cost, operation service quality) and Differentiation from other players
- How to meet the technical challenges in Asset Management phase
- How to enhance our finance-ability to satisfy ever-increasing investment cash out

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

Pursue higher customer satisfaction

- Provision of design and production service necessary for long term and stable oil and gas production

ASSET INTEGRITY enhancement

- New technology, innovative production facility

Execution of R&D

ASSET INTEGRITY enhancement

- Strengthening asset management function, and cooperation with design & EPCI teams
- Utilization of asset management know-how
- Research and development for facility optimization

Execution of R&D

- Execution of R&D by utilizing MODEC’s core technologies and know-how
3-2. New Business Development

Continuous endeavor for the future business

Development of deepwater mineral resources

Utilization of MODEC’s core technologies and experiences

- Natural gas hydrates
  - (Left) Burning of synthetic natural gas hydrates
  - Source: MHI21 Research Consortium

- Submarine hydrothermal polymetallic ore deposit
  - Source: JOGMEC

- Rare earth elements
  - Source: JOGMEC, University of Tokyo

Floating facility
Mooring system
Asset management
O&M
Project Management
Offshore production technology
Design for limited space on board
3-3. Strengthening Competitiveness

Customer perspective

Pursue higher customer satisfaction

- Provision of FEED, EPCI and production services with competitive price and quality

Internal business process perspective

- Streamlining of EPCI and O&M, strengthening cost control, while keeping EPCI quality

Efficient organization

- Reinforcement of cooperation between function-based subsidiaries (for total optimization and consolidated management)
- Enhancement of group cash management for efficient use of funds
3-4. Countermeasures and Strategies

Finance perspective
- Revenue: 3,500 million USD
- Net profit: 100 million USD
- ROE: 10%

Customer perspective
- Pursue higher customer satisfaction

Internal business process perspective
- ASSET INTEGRITY enhancement
- Strengthening competitiveness
- Execution of R&D
- Efficient organization

Growth perspective
- Robust Project Management resources
- Strategic resource injection to asset management
- Strengthening engineering capability
- Continuous commitment to Compliance & HSE
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4. Quantitative Goals

- **Revenue (Million USD)**
  - 2011: 1,672 mil USD
  - 2014: 3,140 mil USD
  - 2017: 3,500 mil USD

- **Net profit (million USD)**
  - 2011: 39.5 mil USD
  - 2014: 45.0 mil USD
  - 2017: 100 mil USD

- **Net profit ratio (%)**
  - 2011: 2.4%
  - 2014: 1.4%
  - 2017: 2.9%

- **ROE**
  - 2011: 5.9%
  - 2014: 4.9%
  - 2017: 10%

**Key Points**

- **Expansion in business scale**
- **Robust & well-muscled structure to realize further growth**
- **Improvement of earning capability**

**Increase in Revenue**

\[ \text{Increase in Revenue (with market re-expansion)} \times \text{Improved earning capability} = \text{Increase in Profit} \]
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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.