

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)

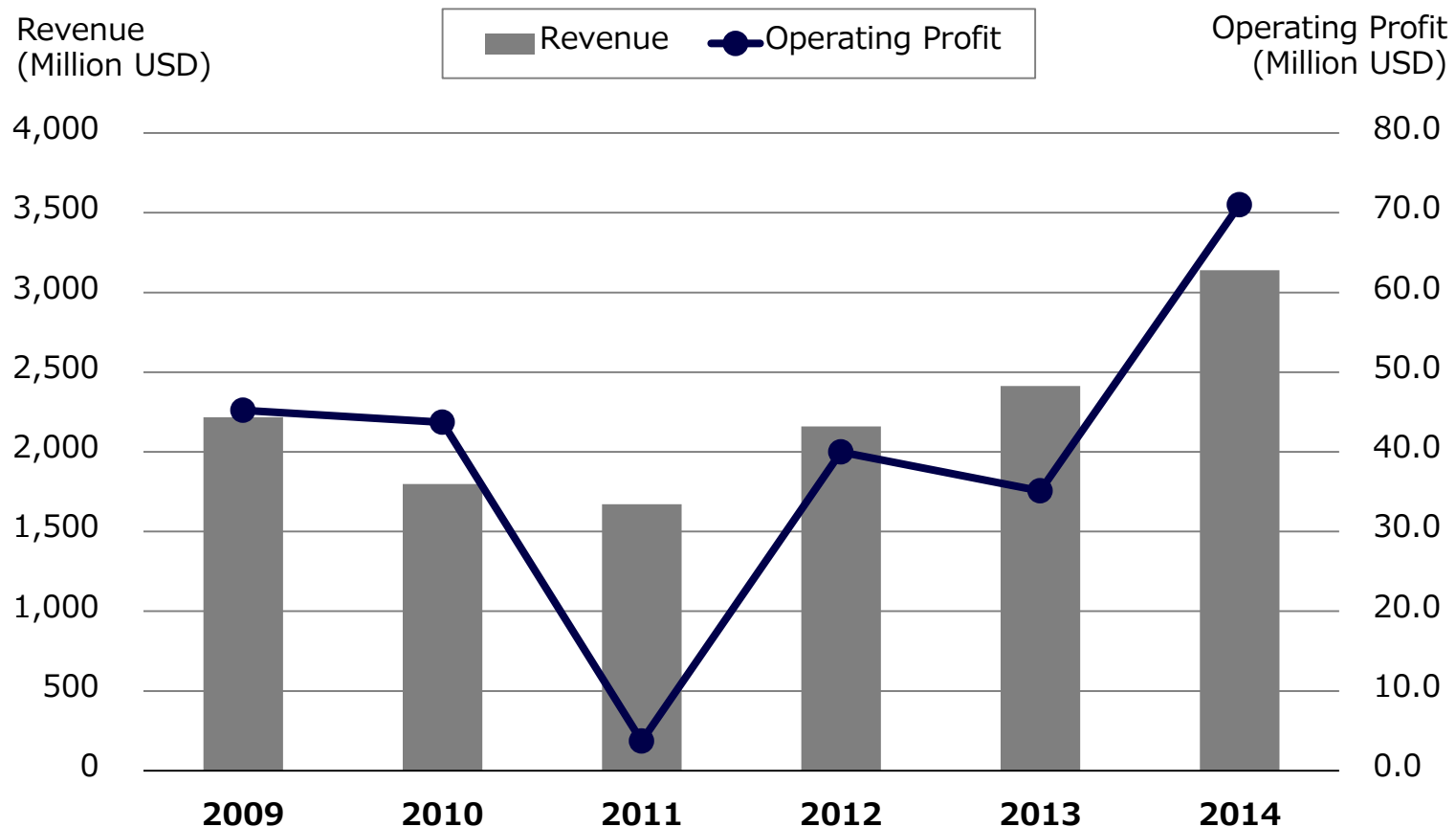
2014



- 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)



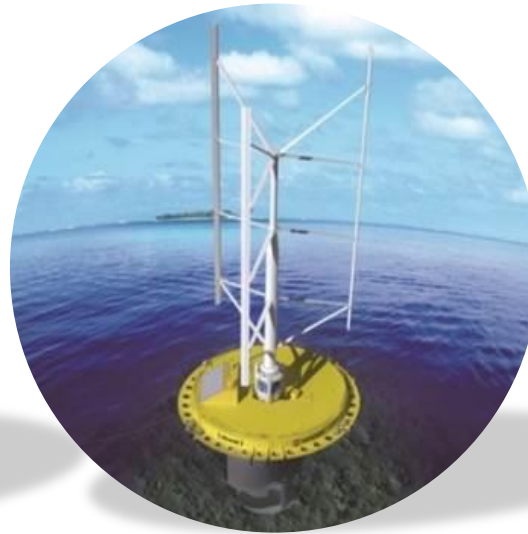
1-3. Review : New Business Development

Executed R&D for LNG and other new business



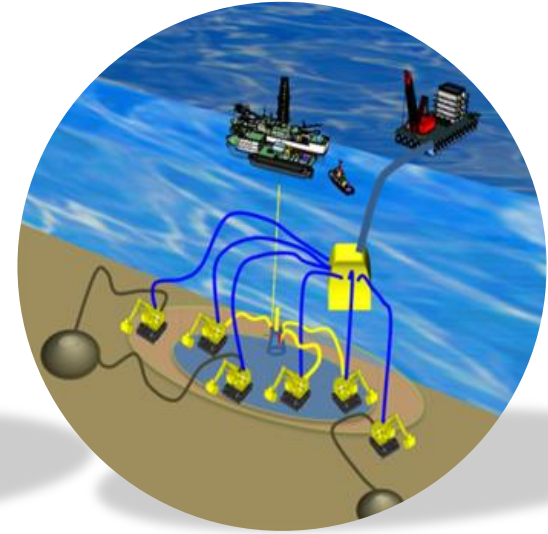
LiBro® FLNG

- Executed FEED*



skwid
Floating Wind & Current
Hybrid Power Generation
system

- Completed prototype unit
- Sunken unit under investigation



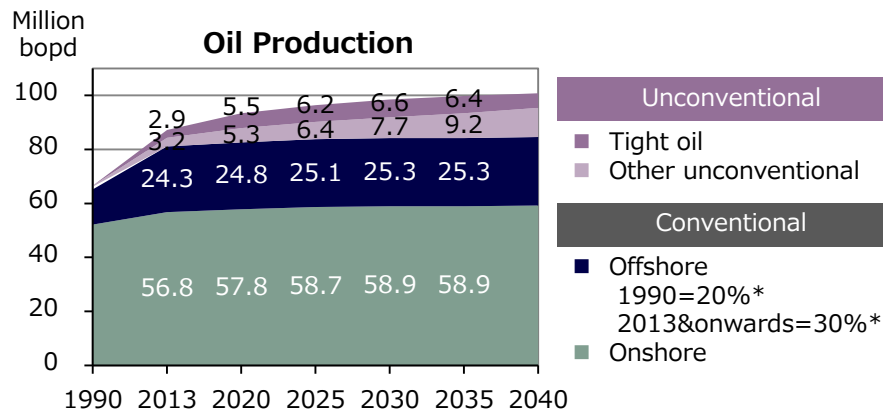
DWAL
Deep Water Air Lift
system

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

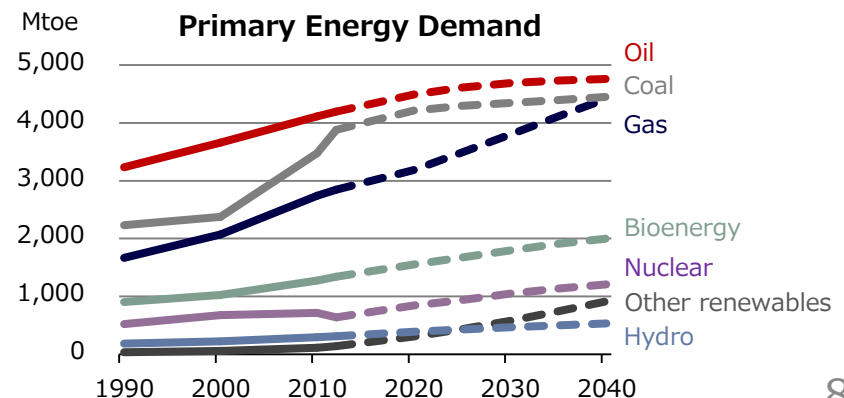
*FEED: Front-End Engineering & Design

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2-1. External Environment



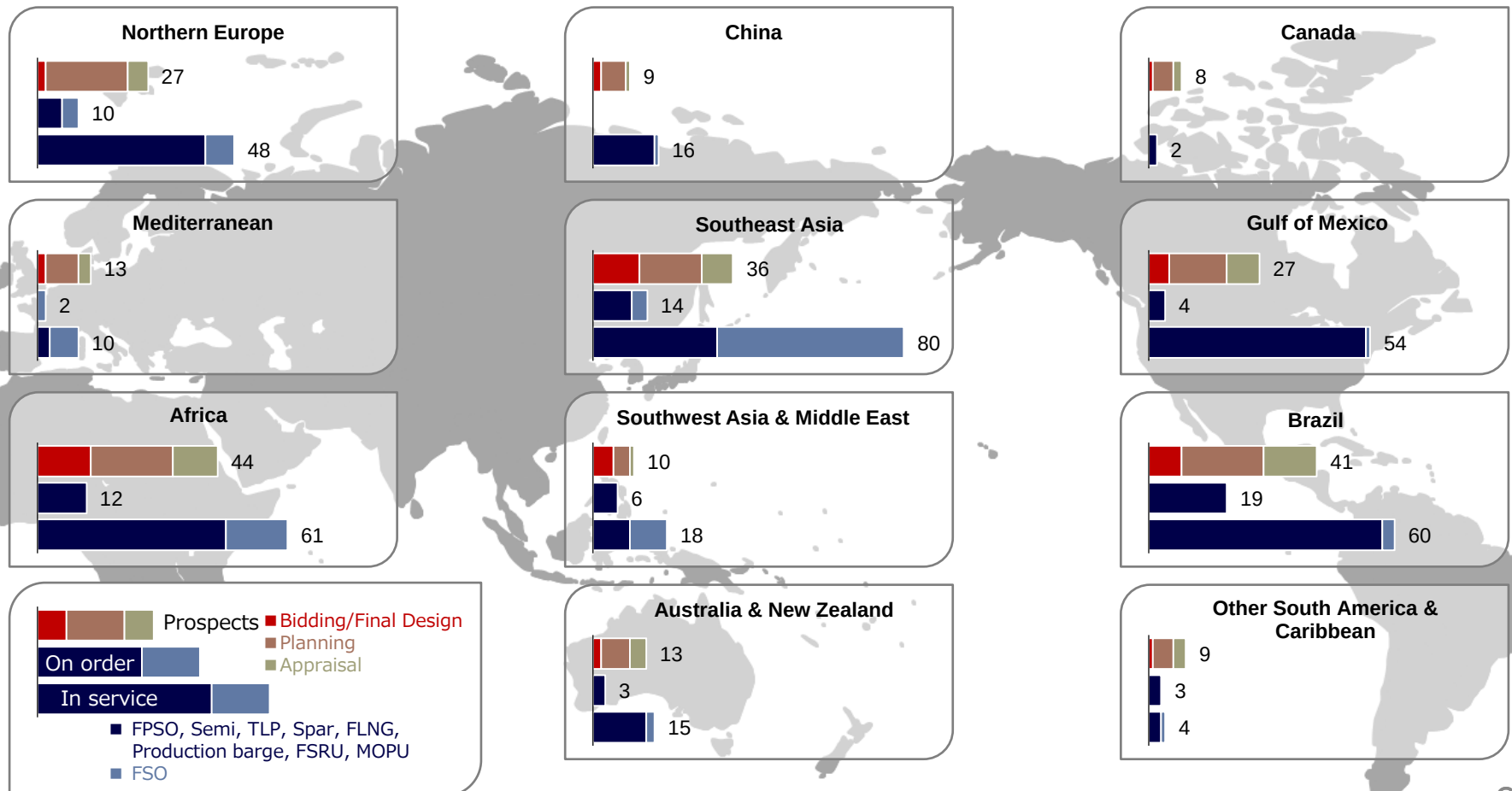
Source: World Energy Outlook 2014 (IEA)
 *Offshore ratio: MODEC analysis based on various data



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



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

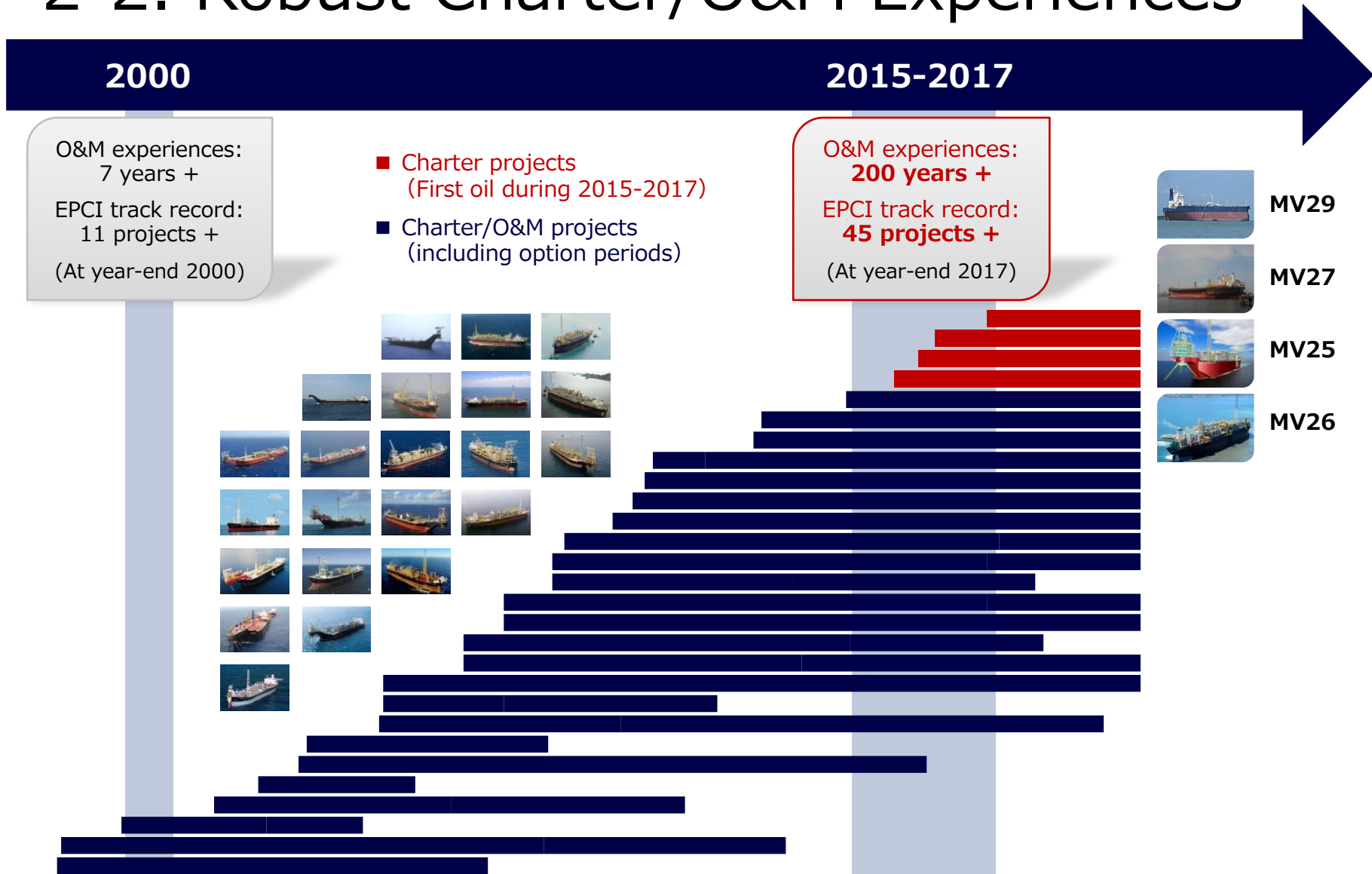
Asset Management

- 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

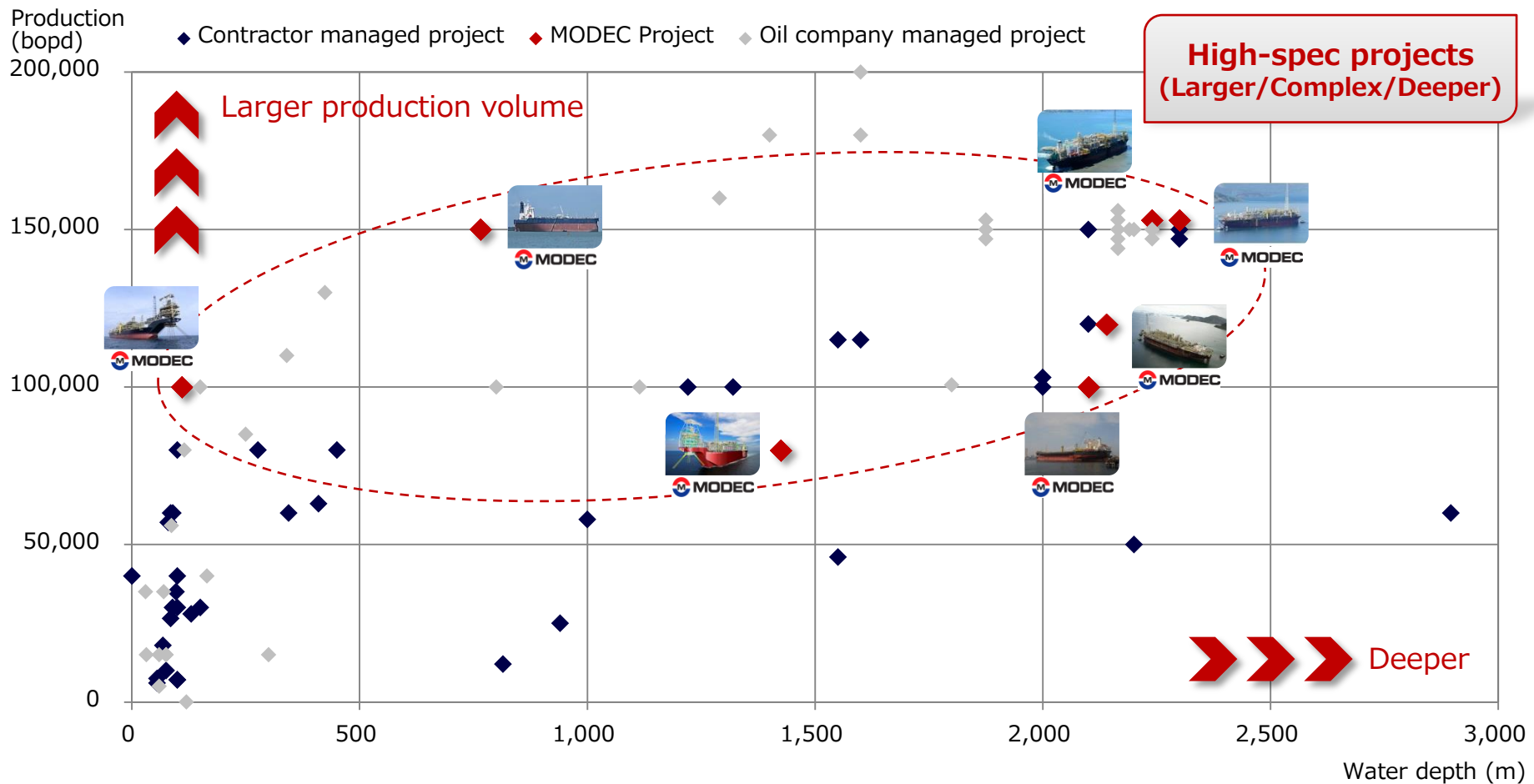
*O&M: Operation & Maintenance

2-2. Robust Charter/O&M Experiences

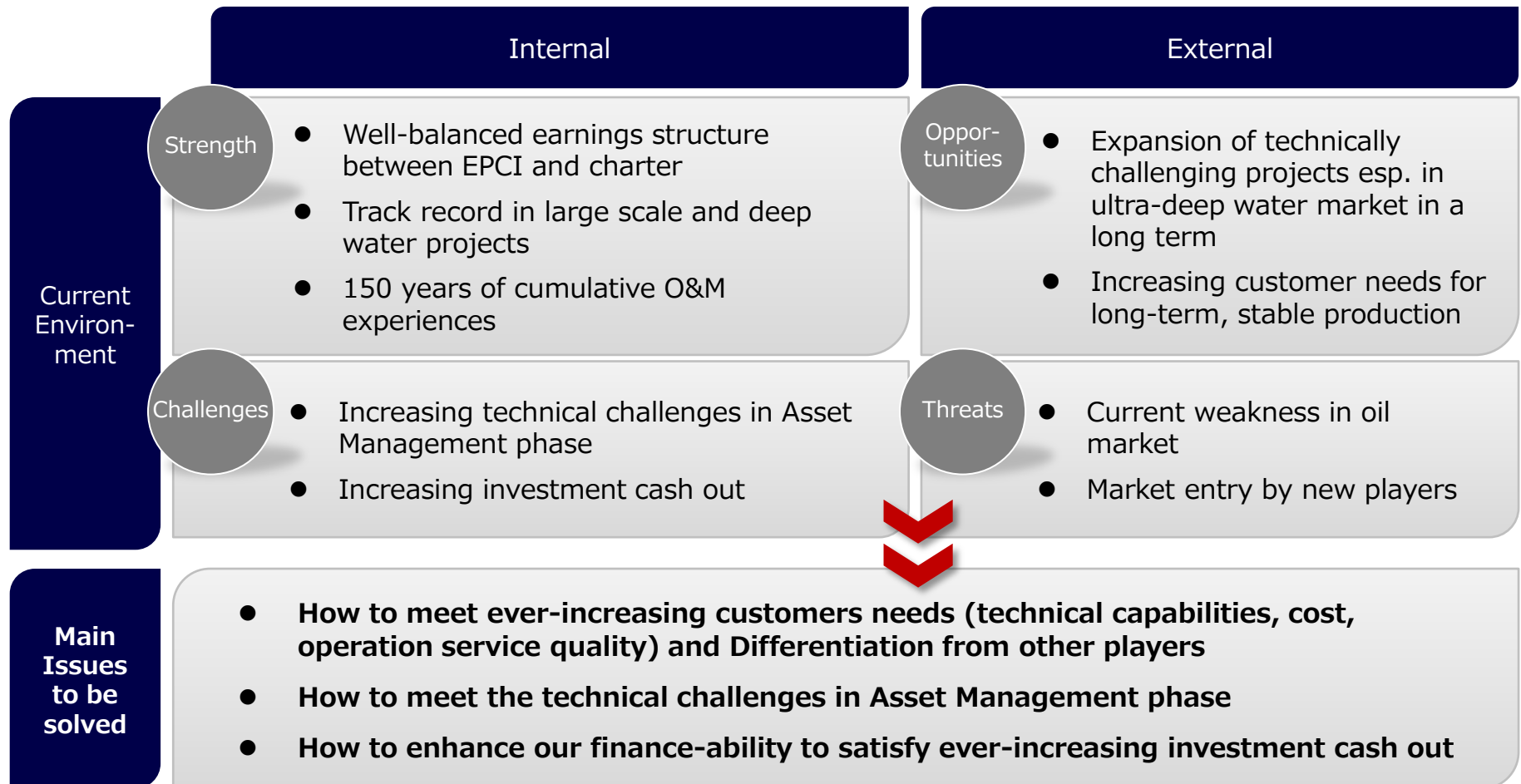


2-2. Focus on High-spec Projects

FPSO Awards (2010-2015) As of April 2015



2-3. Environment Analysis Summary

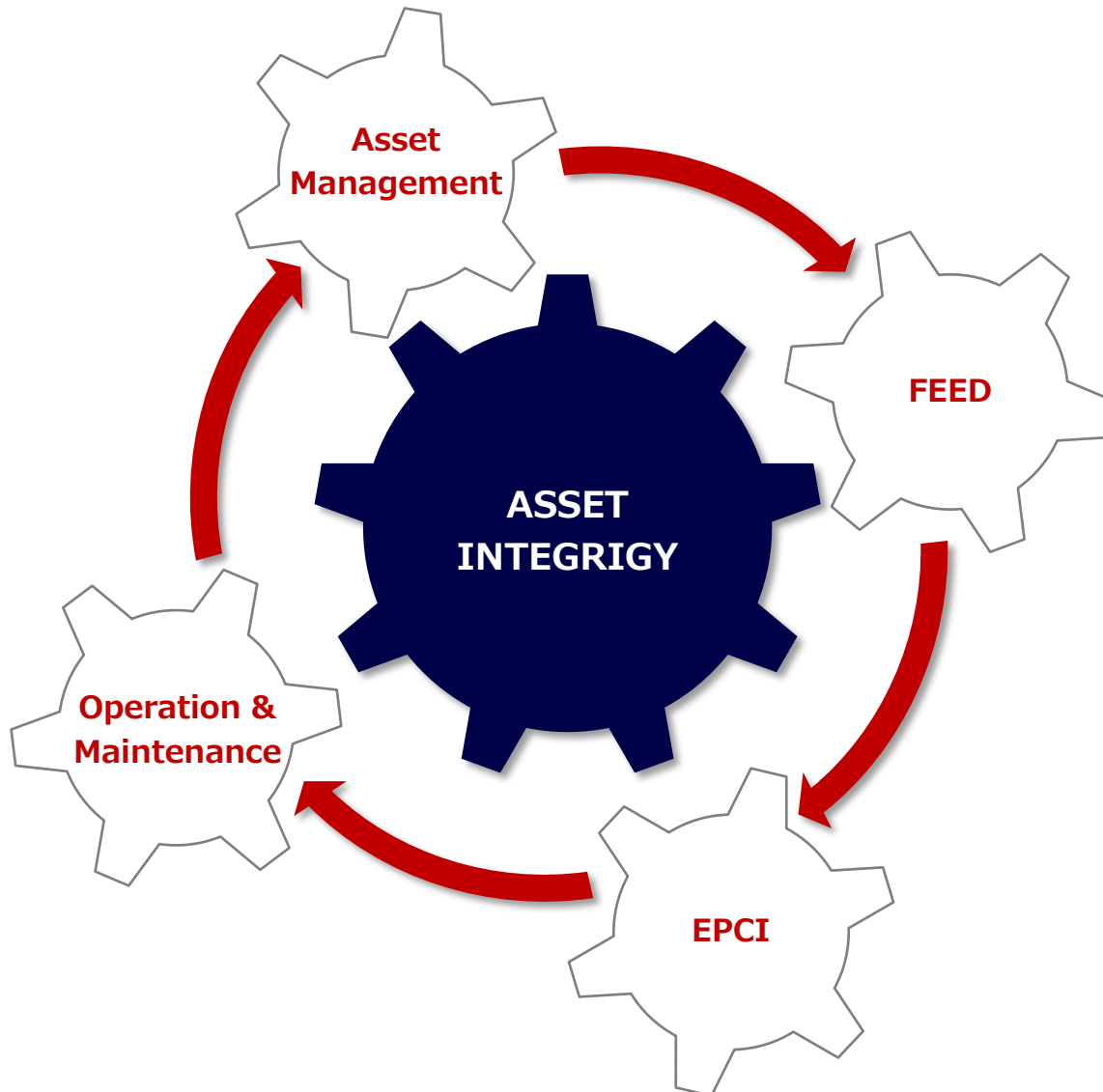


What is needed to achieve higher customer satisfaction



**Strong commitment to
ASSET INTEGRITY**

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

Customer
perspective

- 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**

Internal
business
process
perspective

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

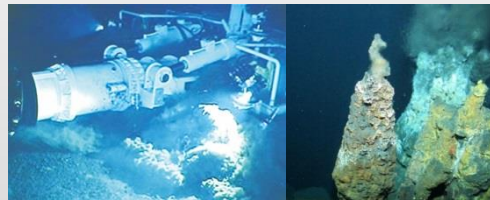
Continuous endeavor for the future business

Natural gas hydrates



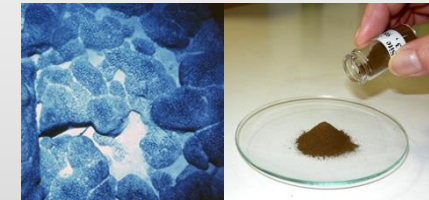
(Left) Burning of synthetic natural gas hydrates
Source: MH21 Research Consortium

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

Floating facility Mooring system



Asset management O&M



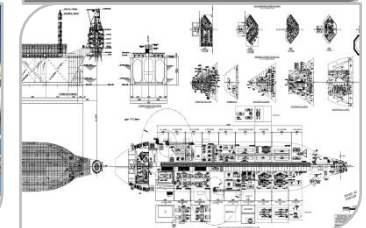
Project Management



Offshore production technology



Design for limited space on board



3-3. Strengthening Competitiveness

Pursue higher customer satisfaction

Customer
perspective

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

➤ **Strengthening competitiveness**



Strengthening competitiveness

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

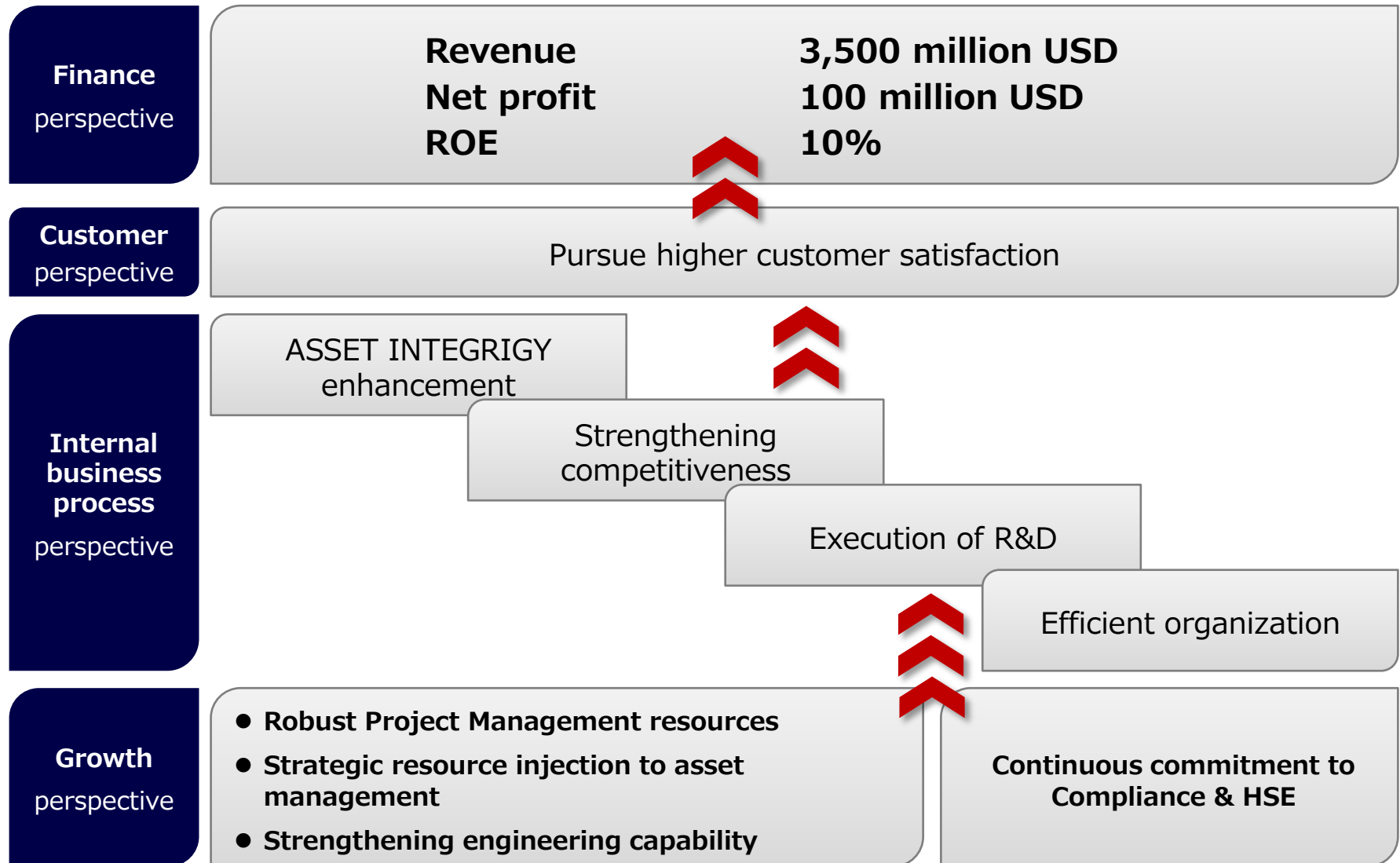


Efficient organization

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

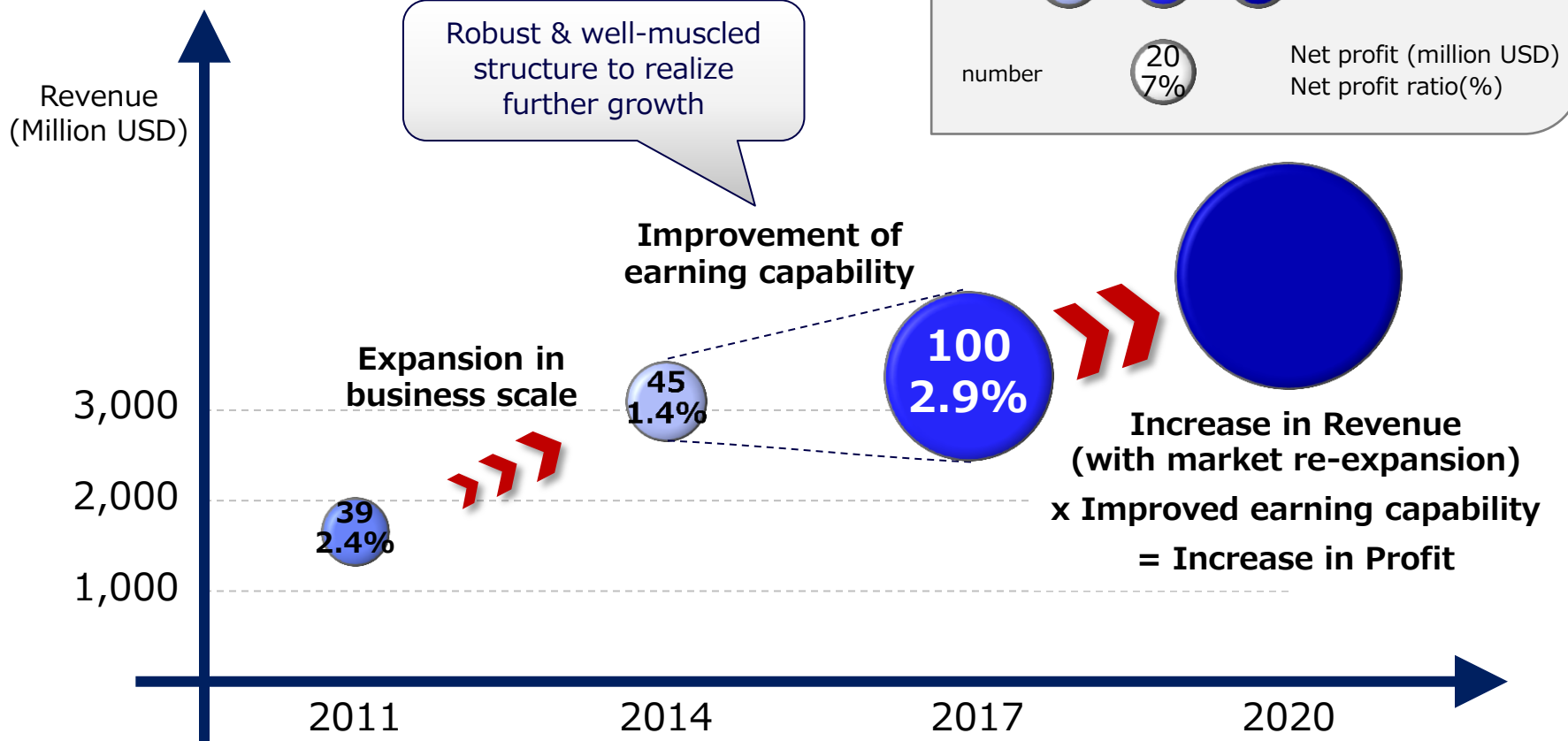
Internal
business
process
perspective

3-4. Countermeasures and Strategies



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4. Quantitative Goals



Revenue	1,672 mil USD	3,140 mil USD	3,500 mil USD
Net profit	39.5 mil USD	45.0 mil USD	100 mil USD
Net profit ratio	2.4%	1.4%	2.9%
ROE	5.9%	4.9%	10%

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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.