

## Business Segment Overview

# Ocean Development



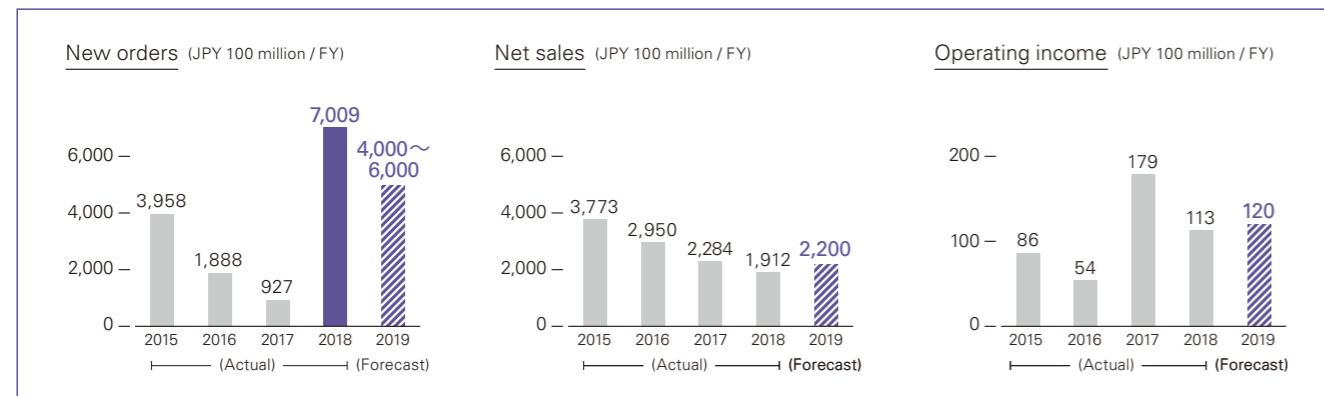
### Business environment and performance

Concerning crude oil prices, the concern over excess supply eased, due in part to the continuation of the reduction of joint production by major oil producing countries. West Texas Intermediate (WTI) continued to recover until the end of 2017, and remained at more than 60 US dollars per barrel. Oil companies are expected to continue the development of offshore oil fields and gas fields from the viewpoint of a sustainable supply of energy resources. Accordingly, the FPSO business is expected to grow stably in the medium and long term.

In the midst of these conditions, the Mitsui E&S Group is making concerted efforts to strengthen collaborations, including entry by the engineering department to Engineering, Procurement and

Construction (EPC) as the topside of FPSO, in accordance with the policy of "Maximize Mitsui E&S Group strengths collectively to improve profitability and stabilize earnings" that was set under the Mid-Term Business Plan 2017.

Orders received increased 608.220 billion yen (+656.1%) year on year, to 700.924 billion yen, partly reflecting two new orders received for large-scale charter projects and orders for specification changes and operation services for existing projects. Net sales declined 37.237 billion yen (-16.3%) year on year, to 191.182 billion yen, due in part to a decrease in the progress of FPSO construction. Operating income declined 6.574 billion yen (-36.7%) from the previous fiscal year, to 11.321 billion yen.



## Our Action Initiatives for innovation

### Our Action Expanding the revenue base by receiving orders for large-scale projects consecutively

#### Orders received from Petrobras for supply of two FPSOs for development of pre-salt oil fields offshore Brazil, S epia and Mero fields

MODEC, Inc. (MODEC) received two consecutive orders for supply and time charter (lease and operations) of the Floating Production, Storage and Offloading system (FPSO) from Petr leo Brasileiro S.A. (Petrobras), the national oil company of the Federative Republic of Brazil. These two FPSOs are among the largest in Brazil, each with an oil production capacity of 180,000 barrels per day. Brazil is one of the most important markets for MODEC. At present, around 30% of crude oil production in this country is produced via ten FPSOs and one FSO that are operated by MODEC. We expect that the orders for large-scale projects that were received consecutively from Petrobras in 2017 will enable us to expand our revenue base further from the next fiscal year onward.



An FPSO of MODEC Group for Petrobras that began time charter service at Tartaruga Verde/Mesti a field offshore Brazil in June 2018

### Our Action Promoting the FLNG projects that attract attention in the offshore oil and gas industry

#### SOFEC, Inc., a MODEC Group company, receives an order for a large mooring system for Africa's first FLNG

SOFEC, Inc., a U.S.-based subsidiary of MODEC, received an order for a project to supply a large mooring system for Africa's first Floating LNG Production Unit (FLNG). The FLNG is an offshore plant that will be deployed in the Coral gas field offshore the Republic of Mozambique, which is being developed by Coral FLNG SA, in which the Eni group and other entities have stakes. It will be the world's first FLNG project for a deep water gas field at water depth 2,000 m or more. FLNG projects attract attention in the offshore oil and gas industry. Currently, there are four such FLNG projects for which final investment decisions have been made, and SOFEC has received orders for large mooring systems for FLNG in three of the projects.



Large Internal Turret (a single-point mooring system) that will be mounted inside hull of the FLNG, for which an order was received

### Our Action Contributing to the further reinforcement of the Japan-Ghana relationship and the development of medical research

#### Supporting infection research in the Republic of Ghana

In May 2018, T.E.N. Ghana MV25 B.V. (MV25), an affiliate of MODEC that provides a time charter service of FPSO in the Republic of Ghana, donated 250,000 US dollars to Tokyo Medical and Dental University (TMDU) for infection research being conducted by TMDU at the Noguchi Memorial Institute for Medical Research (NMIMR), University of Ghana. Not only by providing charter service of FPSOs, also by providing monetary donations via MV25 to research conducted at NMIMR, which serves as a bridge between Japan and Ghana in terms of medical research, MODEC will contribute to the further reinforcement of the relationship between the two countries and the development of medical research.



FPSO Prof. John Evans Atta Mills, which was supplied by MODEC, and by which MV25 provides the time charter service

## Message

With core businesses of engineering, procurement, construction, installation, leasing, and operations service of floating offshore oil and gas production systems, including FPSOs, FSOs and TLPs, MODEC, Inc. (MODEC) provides comprehensive and competitive solutions related to offshore oil and gas development projects for oil companies all over the world. The offshore energy business, the focus of MODEC, is one of the most significant advantages in the Mitsui E&S Group that is extremely unique among major heavy industry groups. The Mitsui E&S Group possesses extensive experience and excellent technologies accumulated through its engineering and construction of ships and machinery, and its overseas Group companies have attractive business models for power generation and the engineering of LNG tanks. MODEC seeks to enhance its corporate value by integrating these strengths with its offshore energy business. In 2018, MODEC marked the 50th anniversary of its founding. We will continue to meet the expectations of society with confidence and pride in the fact that we have been specializing in the offshore business since 1968, when the offshore oil and gas industry itself was still emerging, and we have had a broad range of experiences and have now evolved into an industry-leading entity.



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