February 12, 2010

MODEC, INC.
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Change of an Agreement on FPSO, Recording of an Extraordinary Loss associated with the Write-off of FPSO owned by a Subsidiary, and Revision of Financial Results Forecast associated with the Change and Write-off

MODEC, INC. revised today the consolidated financial results forecast for the fiscal year ending December 31, 2009, which was announced on November 12, 2009.

1. Consolidated financial results forecast

(Millions of Japanese yen)

	Sales	Operating Profit	Ordinary Income	Net Income
Previous Forecast (A)	165,000	1,000	3,400	2,100
Revised Forecast (B)	200,000	4,000	7,000	2,300
Variance (B-A)	35,000	3,000	3,600	200
Variance (%)	21.2	300.0	105.9	9.5

2. Reasons for the revision of the forecast

(1) Change of agreement on FPSO

MODEC, Inc. (MODEC) has reached an agreement with Tullow Ghana Ltd. (Tullow), a local subsidiary of Tullow Oil Plc, a British oil company, to change a charter agreement on FPSO (Floating Production, Storage & Offloading System) for which MODEC received the order from Tullow in August 2008 to a construction and sale agreement.

MODEC had continued negotiations with Tullow to amend the terms of the charter agreement as there arose a need to revise the financing scheme of a special purpose company, the counterparty to the charter agreement, because of the effect of the financial crisis occurring after MODEC received the order. However, Tullow has decided to purchase the FPSO instead.

Although MODEC accounted for income from the construction work of the FPSO by carrying forward the amount equivalent to its equity as an internal profit, MODEC has decided to record it as a profit in one lump sum in the accounts for the fiscal year ending December 2009 in association with the change of the charger agreement. MODEC therefore expects that operating profit will increase by approximately ¥3 billion from the value in the previous results forecast.

(2) Recording an extraordinary loss associated with the write-off of FPSO owned by a subsidiary

Although ELANG EPS PTE LTD. (EEPL), a subsidiary of MODEC, received an informal decision from a new oil company in August 2007 that the oil company would enter into a re-charter agreement on the FPSO MODEC Venture 1 owned by EEPL after the original charter agreement has expired, EEPL has not reached an official agreement for the oil company's own reasons.

Given that no promising alternative project has emerged and that considerable outlays will arise for holding and maintaining the facilities if conducting marketing activities, EEPL has decided to dispose of the FPSO.

As a result, MODEC needs to record an extraordinary loss of approximately ¥3 billion at the consolidated account settlement for the fiscal year ended December 2009.

(3) An increase in sales based on the percentage of completion method

As the rates of progress of construction work of FPSO, etc. executed by subsidiaries of MODEC exceeded the initial projections as of the end of December 2009, sales to be recorded based on the percentage of completion method are expected to be ¥200 billion larger than the value in the previous earnings forecast.

(4) Recording of foreign exchange gains

Foreign exchange gains have arisen associated with rises in the exchange rates against the U.S. dollar of European currencies received as advance payments for expenses that would emerge when executing the construction work of FPSO, etc. at its subsidiaries. The amount of foreign exchange gains is projected to be approximately ¥0.5 billion.

3. Reasons for the revision of the forecast

With respect to the FPSO project for Tullow, negotiations for the conclusion of the charter agreement may be resumed if MODEC receives a request from Tullow with an improving financing environment. In that case, earnings of MODEC may fluctuate temporarily, depending on the results of the negotiation.

As the development of a number of large offshore oil and gas fields is planned by oil development companies after the fiscal year ending December 2010, the FPSO business is a promising area. MODEC will continue to work to expand the FPSO business as a leading world-class company in this area.