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Booking of Operating Expense due to Project Change Orders

MODEC, INC. announced today the booking of operating expense on the consolidated financial statement for the 2011 first quarter. The operating expense is associated with change orders in relation to an FPSO project undertaken by the Company's subsidiary in Singapore, MODEC OFFSHORE PRODUCTION SYSTEMS (SINGAPORE) PTE LTD. ("*MOPS*").

1. Change Orders

The sail out of the FPSO which is currently being converted in Singapore by MOPS is anticipated to be delayed from the original scheduled date mainly due to change orders and technical troubleshooting for machinery equipment supplied by the client. Compensation of incurred expenses is under discussion with the client and the Company decided to book the operating expense of approximately 1.8 billion Japanese yen at MOPS in the 2011 first quarter financial statement.

2. Financial Forecast

Since the profit from other business segment has exceeded the original forecast, the half-year and full-year consolidated financial forecast for the fiscal year ending December 31, 2011 has not been revised. The announcement on the revision of the financial forecast will be made where appropriate, depending on the outcome of the discussion with the client.