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MODEC, INC.

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## **Recording of Extraordinary Losses and Revision of Financial Forecast**

MODEC, INC. revised today the consolidated financial forecast for the fiscal year ended December 31, 2013, which was announced on February 15, 2013 and revised on August 8, 2013.

- Consolidated Financial Forecast

(Millions of Japanese yen)

	Revenue	Operating Profit	Ordinary Profit	Net Income	Net Income per share
Previous Forecast (A)	220,000	4,000	11,000	6,500	140.06
Revised Forecast(B)	250,000	4,000	15,500	4,900	105.59
Variance (B-A)	30,000	—	4,500	△1,600	
Variance (%)	13.6	—	40.9	△24.6	
2012 financial results	186,891	3,470	9,296	5,130	110.56

- Reasons for the revision

1. Revision for the forecast

Because of well progressed FPSO construction works and the Japanese yen depreciated against the US dollar more than the revised assumption (95 yen per US dollar), MODEC made an upward revision to revenue of Full-year financial forecast. MODEC also made an upward revision to ordinary profit of Full-year financial forecast because, due to foreign exchange rate fluctuations, approximately 4 billion yen gain of assets denominated in foreign currency is anticipated.

Net income of Full-year financial forecast is anticipated to be lower because of extraordinary losses explained in below.

2. Recording of extraordinary losses

- (1) Impairment of fixed assets

As for [skwid], Floating wind & Current Hybrid Power Generation, MODEC conservatively assessed the future cash flow of [skwid] and realized it is below the book value because forecast of purchase price of electricity is unpredictable.

As a result, MODEC needs to record an extraordinary loss of approximately 2.3 billion yen for the year ended December 2013 in accordance with Accounting Standard for Impairment of Fixed Assets.

- (2) Allowance for accounts receivables

MODEC has signed an EPCI contract with OSX 3 Leasing B.V., subsidiary of OSX Brasil S.A., for the supply of an FPSO, but, due to the bankruptcy filing of its parent company, MODEC decided to record an allowance for accounts receivables of approximately 1.6 billion yen for the year ended December 2013.