

April 7, 2014

MODEC, INC.  
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**Issuance of New Shares through Public Offering and Third-Party Allotment,  
and Sales of Shares**

MODEC, INC. (MODEC) hereby announces, as set forth below, that it resolved, at its Board of Directors' Meeting held on April 7, 2014, to issue new shares through public offering and third-party allotment, and sales of shares.

**Purpose of the Offering**

MODEC provides complete engineering, construction, installation, leasing and operations services for floating offshore oil and gas production facilities, referred to as Floating Production, Storage and Offloading Systems (FPSOs), Floating Storage and Offloading Systems (FSOs) and Tension Leg Platforms (TLPs), to oil companies around the world.

With the crude oil price high, in the range of \$90 per barrel, oil companies continue to show a strong investment appetite. In Brazil, Petrobras, the state owned company to which MODEC has delivered six FPSOs and FSOs, announced plans for aggressive investment in the development of offshore oil fields, while there are also a number of plans for offshore oil development projects in West Africa. In such environment, MODEC intends to strive for the expansion of this business, especially in Brazil and West Africa. This financing arrangement is intended to meet the funding requirements for the charter business, including the operation of FPSOs of which MODEC has received orders in Brazil and West Africa. Specifically, MODEC plans to use the funds for investments and loans to Cernambi Sul MV24 B.V. and Cernambi Norte MV26 B.V., which are special purpose companies for the charter business of FPSOs offshore Brazil and to T.E.N. Ghana MV25 B.V., a special purpose company for the charter business of FPSO offshore Ghana. Through this financing arrangement, MODEC will maintain and enhance its financial position to establish foundations for stable growth.

As a result of the issuance of new shares through a public offering and third-party allotment to Mitsui Engineering & Shipbuilding Co., Ltd.(MES) and Mitsui & Co., Ltd.(MITSUI) and sale of shares, MODEC plans to boost the liquidity of its shares and to increase the number of shareholders. MODEC will also maintain its cooperative relations with MES, the parent company of MODEC, and MITSUI, a major shareholder, which has a business alliance agreement with MODEC, and will contribute to the enhancement of the corporate value.

1. Issuance of New Shares Through Public Offering (Open to All Parties)

1)	Type and number of shares offered	3,096,000 shares of the common stock
2)	Amount paid	The amount paid shall be decided on a date from Tuesday, April 15, 2014 to Thursday, April 17, 2014 (hereinafter referred to as the “issuance price determination date”) using the method stipulated in Article 25 of Rules Concerning Underwriting, etc. of Securities set by the Japan Securities Dealers Association (JSDA).
3)	Amounts of capital increase and capital reserve increase	The amount of capital increase shall be one (1) half of the ceiling amount of increase in capital stock and the like calculated in accordance with the provisions of Paragraph 1, Article 14 of Corporate Calculation Rules. Fractions of less than 1 yen shall be rounded upwards when they result from the calculation. The amount of capital reserve increase shall be an amount calculated by deducting the amount of capital increase stated above from the concerned ceiling amount of increase in capital stock and the like.
4)	Subscription method	Subscription shall be open to the public. Nomura Securities Co., Ltd., SMBC Nikko Securities Inc., Daiwa Securities Co., Ltd. and Mizuho Securities Co., Ltd. (hereinafter referred to as the “underwriters”) shall purchase all shares from MODEC, Inc. and offer them to investors. Nomura Securities Co., Ltd. and SMBC Nikko Securities Inc. (acting as a sole book runner) shall be lead underwriters for the public offering. The issuance price for the public offering (the offering price) shall be decided on the issuance price determination date, using the method stipulated in Article 25 of Rules Concerning Underwriting, etc. of Securities set by the JSDA, in consideration of demand and other factors, with an amount (fractions of less than 1 yen of which shall be disregarded) calculated by multiplying the closing price of MODEC, Inc.’s common shares on the Tokyo Stock Exchange on the issuance price determination date (the closing price on the closest prior date when no closing price exists for the concerned date) by a figure between 0.90 and 1.00 as a tentative price.
5)	Compensation for the underwriters	An underwriting fee shall not be paid. In place of the fee, an amount calculated by deducting the amount paid (the amount the underwriters paid to MODEC, Inc.) from the issuance price for the public offering (the offering price) shall be paid to the underwriters.
6)	Subscription period	From the business day after the issuance price determination date to the day that corresponds to two (2) business days after the issuance price determination date
7)	Due payment date	A day that falls between Tuesday, April 22, 2014 and Thursday, April 24, 2014, and that is at least five (5) business days after the issuance price determination date
8)	Due delivery date	The business day after the due payment date stated above
9)	Advance on subscription	An amount equal to the issuance price per share
10)	Subscription unit	100 shares
11)	Determination of the amount paid, amounts of capital increase and capital reserve increase, the issuance price (offering price), and all other matters required for the issuance of new shares through	

	the public offering shall be left entirely up to Toshiro Miyazaki, President and CEO of MODEC, Inc.
12)	Each of the items stated above shall be subject to the effectuation of notifications in accordance with the provisions of the Financial Instruments and Exchange Act.

2. Issuance of New Shares Through Third-Party Allotment with Mitsui Engineering & Shipbuilding Co., Ltd. and Mitsui & Co., Ltd. as Allottees (Capital Increase Through Parallel Third-Party Allotment)

1)	Type and number of shares offered	6,439,800 shares of the common stock
2)	Amount paid	The amount paid shall be decided on the issuance price determination date. The amount paid shall be the same as the issuance price for the public offering (the offering price).
3)	Amounts of capital increase and capital reserve increase	The amount of capital increase shall be one (1) half of the ceiling amount of increase in capital stock and the like calculated in accordance with the provisions of Paragraph 1, Article 14 of Corporate Calculation Rules. Fractions of less than 1 yen shall be rounded upwards when they result from the calculation. The amount of capital reserve increase shall be an amount calculated by deducting the amount of capital increase stated above from the concerned ceiling amount of increase in capital stock and the like.
4)	Allottees and number of shares allotted	Mitsui Engineering & Shipbuilding Co., Ltd.: 5,010,000 shares Mitsui & Co., Ltd.: 1,429,800 shares
5)	Subscription period	From the business day after the issuance price determination date to the day that corresponds to two (2) business days after the issuance price determination date. The subscription period shall be the same as the subscription period for the public offering.
6)	Due payment date	The business day after the due payment date stated above
7)	Subscription unit	100 shares
8)	Determination of the amount paid, amounts of capital increase and capital reserve increase and all other matters required for the issuance of new shares through Third-party allotment with Mitsui Engineering & Shipbuilding Co., Ltd. and Mitsui & Co., Ltd. as allottees shall be left entirely up to Toshiro Miyazaki, President and CEO of MODEC, Inc.	
9)	Each of the items stated above shall be subject to the effectuation of notifications in accordance with the provisions of the Financial Instruments and Exchange Act.	
10)	The issuance of new shares through third-party allotment with Mitsui Engineering & Shipbuilding Co., Ltd. and Mitsui & Co., Ltd. as allottees shall be cancelled in cases where the public offering is cancelled.	

3. Sales of Shares (Sales Through Over-Allotment)

1)	Type and number of shares for sale	464,200 shares of the common stock. The number of shares for sale stated above shall be the maximum number of such shares. Their number may decrease or their sale may not take place at all, depending on the state of demand and other factors. The number of shares for sale shall be decided on the issuance price determination date in consideration of the state of demand and other factors.
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2)	Seller	SMBC Nikko Securities Inc.
3)	Sales price	Undecided (The sales price shall be decided on the issuance price determination date. The sales price shall be the same as the issuance price for the public offering (the offering price)) .
4)	Sales method	SMBC Nikko Securities Inc., an underwriter for the public offering, shall perform the additional sale of the common shares of MODEC, Inc. borrowed from Mitsui & Co., Ltd., one of MODEC, Inc.'s shareholders, in consideration of the state of demand for the public offering and other factors.
5)	Subscription period	The subscription period shall be the same as the subscription period for the public offering.
6)	Due payment date	The due payment date shall be the same as the due payment date for the public offering.
7)	Advance on subscription	The advance on subscription shall be the same as the advance on subscription for the public offering.
8)	Subscription unit	100 shares
9)	Determination of the sales price and all other matters required for the sales of shares through the over-allotment shall be left entirely up to Toshiro Miyazaki, President and CEO of MODEC, Inc.	
10)	Each of the items stated above shall be subject to the effectuation of notifications in accordance with the provisions of the Financial Instruments and Exchange Act.	

4. Issuance of New Shares Through Third-party allotment with SMBC Nikko Securities Inc. as Allottee  
(Capital Increase Through Third-Party Allotment)

1)	Type and number of shares for sale	464,200 shares of the common stock
2)	Amount paid	The amount paid shall be the same as the issuance price for the public offering (the offering price).
3)	Amounts of capital increase and capital reserve increase	The amount of capital increase shall be one (1) half of the ceiling amount of increase in capital stock and the like calculated in accordance with the provisions of Paragraph 1, Article 14 of Corporate Calculation Rules. Fractions of less than 1 yen shall be rounded upwards when they result from the calculation. The amount of capital reserve increase shall be an amount calculated by deducting the amount of capital increase stated above from the concerned ceiling amount of increase in capital stock and the like.
4)	Allottee and number of shares allotted	SMBC Nikko Securities Inc.: 464,200 shares
5)	Due subscription date	A day that falls between Tuesday, May 20, 2014 and Friday, May 23, 2014. However, the due subscription date shall be two (2) business days after the thirtieth (30th) day of the day after the termination of the application period for the public offering and share sales through over-allotment (after the closest prior business day in cases where the thirtieth (30th) day is a business holiday.)
6)	Due payment date	A day that falls between Wednesday, May 21, 2014 and Monday, May 26, 2014. However, the due subscription date shall be three (3) business

		days after the thirtieth (30th) day of the day after the termination of the application period for the public offering and share sales through over-allotment (after the closest prior business day in cases where the thirtieth (30th) day is a business holiday.)
7)	Subscription unit	100 shares
8)	Determination of the amount paid, amounts of capital increase and capital reserve increase and all other matters required for the issuance of new shares through third-party allotment with SMBC Nikko Securities Inc. as allottee shall be left entirely up to Toshiro Miyazaki, President and CEO of MODEC, Inc.	
9)	The issuance of shares left unsubscribed until the due subscription date stated in item 5 above shall be terminated.	
10)	Each of the items stated above shall be subject to the effectuation of notifications in accordance with the provisions of the Financial Instruments and Exchange Act.	

## **Reference**

### **Reason of the capital increase (use of funds to be raised)**

All funds estimated to be raised through the public offering and third-party allotment, 23,017,356,232 yen maximum, are planned to use for investments in and loans to special purpose companies established for the FPSO charter business. Specifically, in January 2015, 11,152,000,000 yen (an investment of 5,576,000,000 yen and a loan of 5,576,000,000 yen) will be given to Cernambi Sul MV24 B.V., and in January 2016, 11,700,000,000 yen (an investment of 5,850,000,000 yen and a loan of 5,850,000,000 yen) will be given to Cernambi Norte MV26 B.V. In May 2016, the remaining funds, if any, will be invested in T.E.N. Ghana MV25 B.V.

The special purpose companies plan to use the investments and loans for the FPSO charter business.

Before the funds are allocated to the special purpose companies, they will be used for a short-term loan, which will be repaid by the end of December 2014, to Cernambi Sul MV24 B.V., which will use the loan for the construction of an FPSO. From the payoff date to the date of appropriation to the special purpose companies, MODEC will invest the funds in safe financial instruments.