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MODEC, INC.

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Recording of Extraordinary Loss and Revision of Financial Forecast

MODEC, INC. revised today the consolidated financial forecast for the full-year ending December 31, 2014, which was announced on February 14, 2014 and revised on August 8, 2014. The revision is due to the company's recent business performance and an application of accounting policy to its fixed asset.

● Full-year Consolidated Financial Forecast (From January 1, 2014 to December 31, 2014)

	Revenue	Operating Profit	Ordinary Profit	Net Income	Net Income per share
	million yen	million yen	million yen	million yen	yen
Previous Forecast (A)	300,000	8,000	13,000	6,500	121.88
Revised Forecast(B)	300,000	5,000	13,000	5,000	93.76
Variance (B-A)	—	(3,000)	—	(1,500)	
Variance (%)	—	(37.5)	—	(23.1)	
2013 Full-year financial results	254,401	3,704	15,820	4,922	106.07

● Reason for the Revision

1. Revision of the Financial Forecast

While the construction of FPSO projects progressed on schedule in the third quarter of 2014, unexpected machinery and equipment failures occurred in the charter business in Brazil including breakdowns of gas compressors and heat exchanger of gas cooling system. Approximately 3 billion yen of additional cost has been incurred for the troubleshooting, which led to a downward revision of the operating profit forecast.

On net income level, extraordinary loss relating to the *skwid*, floating wind and current hybrid power generation system will be recorded. In addition, increase in corporate income tax is anticipated in accordance with the progress of FPSO construction at an oversea subsidiary. Besides, loss has been incurred at a Brazilian subsidiary which provides operation and maintenance services. Given these circumstances, the net income forecast has been revised downward.

In the third quarter of 2014, substantial amount of profit would be deferred. In the fourth quarter, on the contrary, profit deferred during the construction phase is expected to be realized with the commencement of an FPSO charter service.

Following the foreign exchange market trend, foreign exchange rate assumption for the fiscal year 2014 has been revised to 105 yen per US dollar.

2. Recording of Extraordinary Loss

With respect to the *skwid*, floating wind and current hybrid power generation system, future cash flow projection which was calculated on a conservative basis will go under the book value mainly due to unpredictable purchase price of electricity. Pursuant to the Accounting Standard for Impairment of Fixed Assets, approximately 600 million yen of impairment will be recorded for the nine months ended September 30, 2014. Meanwhile, impairment for the full-year 2014 is estimated to be approximately 1 billion yen.

The consolidated financial forecast announced today is based on the information available as of November 6, 2014. There is a possibility that the actual financial results might differ from the forecast due to various factors.