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MODEC, INC.

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Recording of Valuation Gain and Loss regarding Foreign-currency Assets and Liabilities, and Recording of Extraordinary Loss

MODEC, INC. announced today the recording of valuation gain and loss regarding foreign-currency assets and liabilities, and the recording of extraordinary loss for the first quarter of 2015 (from January 1, 2015 to March 31, 2015).

1. Non-operating profit and loss

Approximately 2 billion yen of gain on valuation of derivatives was recognized with respect to the principal of cross-currency interest rate swap arranged for yen-denominated borrowings.

On the other hand, approximately 2.9 billion yen of foreign exchange loss was recognized. This was due to a sharp decline in Brazilian Real to approximately 3.2 Reals to 1 US dollar as of March 31, 2015, which affected US dollar denominated liability owned by the Company's subsidiary in Brazil which provides operation and maintenance services.

2. Extraordinary Loss

The MODEC-built *skwid*, floating wind and current hybrid power generation system, sank into the water in December 2014 during the installation. The estimated salvage cost of approximately 700 million yen in total was recognized as allowance for disposal of fixed asset in the first quarter of 2015.

3. Financial Forecast

Brazilian Real has appreciated against US dollar and since there are many uncertainties, the Company has not revised the financial forecast.