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Recording of Expenses at MV11BV and Revision of Financial Forecast

MODEC, INC. revised today the consolidated financial forecast for the half-year ended June 30, 2015, which was announced on February 10, 2015. The revision is due to repair cost and related expenses recorded at MODEC Venture 11 B.V. and additional deferred profit resulting from increase in equity participation in two SPCs.

1. Recording of Repair Cost and Related Expenses at MV11BV

In April 2015, a failure was found on part of internal turret of the *FPSO MODEC Venture 11* which is in operation offshore Australia. The FPSO is owned and operated by MODEC VENTURE 11 B.V., a consolidated subsidiary of MODEC, INC. The impact of the repair cost and decrease in revenue due to production suspension is estimated to be approx. 2 billion yen at MODEC VENTURE 11 B.V. for the second quarter of 2015. Currently the repair was completed and the FPSO has resumed production.

2. Revision of the Financial Forecast

(1) Half-year Consolidated Financial Forecast (From January 1, 2015 to June 30, 2015)

	Revenue	Operating Profit	Ordinary Profit	Net Income	Net Income per share
	million yen	million yen	million yen	million yen	yen
Previous Forecast (A)	140,000	1,000	3,500	1,000	17.73
Revised Forecast(B)	150,000	(2,000)	2,600	(200)	(3.55)
Variance (B-A)	10,000	(3,000)	(900)	(1,200)	
Variance (%)	7.1	—	(25.7)	—	
2014 Half-year financial results	161,977	3,168	5,861	1,079	21.50

(2) Reason for the Revision

In the first half of 2015, revenue is expected to increase compared to the forecast, due to steady progress of FPSO construction work. In the meanwhile, equity participation in CERNAMBI NORTE MV26 B.V. and CARIOCA MV27 B.V., affiliates accounted for by the equity method, has increased from 25.0% to 29.4%. Following this change, approx. 1 billion yen of profit attributable to FPSO construction work will be deferred, by going back to the beginning of construction work of both FPSOs. Operating profit, ordinary profit, and net income are expected to decrease compared to the forecast, due to the impact of this additional deferred profit as well as the repair cost and related expenses as described in the previous section. CERNAMBI NORTE

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MV26 B.V. is expected to start the FPSO charter service in the third quarter of 2015 and the deferred profit will be realized upon the charter commencement. Due to this fact, full-year financial forecast has not been changed.

The consolidated financial forecast announced today is based on the information available as of July 31, 2015. There is a possibility that the actual financial results might differ from the forecast due to various factors.