

August 4, 2016

MODEC, INC.

Toshiro Miyazaki, President & CEO

Code TSE 6269

Contact Yasuhiro Takano  
Executive Managing Officer

TEL +81-3-5290-1200

## Recording of Gain on Revaluation of Derivatives and Foreign Exchange Loss and Difference Between Financial Forecast and Results for the Half-year Ended June 30, 2016

MODEC, INC. announced today that it has recorded a gain on revaluation of derivatives and foreign exchange loss for the second quarter of 2016 (from January 1, 2016 to June 30, 2016). The Company also announced a difference between the consolidated financial forecast and the financial results for the half-year ended June 30, 2016. The consolidated financial forecast for the half-year was announced on February 9, 2016.

### 1. Recording of Gain on Revaluation of Derivatives and Foreign Exchange Loss

The Japanese yen appreciated from approximately 120 yen to 1 US dollar as of December 31, 2015 to approximately 102 yen as of June 30, 2016. In accordance with the appreciation of the yen, 4,762 million yen of foreign exchange loss was recognized for foreign currency denominated assets, and 2,977 million yen of gain on revaluation of derivatives was recognized for the principal of cross-currency interest rate swap arranged for yen-denominated borrowings.

### 2. Half-year Consolidated Financial Forecast and Results (From January 1, 2016 to June 30, 2016)

	Revenue	Operating Profit	Ordinary Profit	Profit Attributable to Owners of Parent	Earnings per share
	Million yen	Million yen	Million yen	Million yen	yen
Previous Forecast (A)	120,000	3,500	7,000	4,000	70.91
Financial Results (B)	104,031	2,344	6,069	4,405	78.09
Variance (B-A)	(15,969)	(1,156)	(931)	405	
Variance (%)	(13.3)	(33.0)	(13.3)	10.1	
2015 Half-year financial results	156,773	(2,159)	2,688	(223)	(3.96)

Reasons for the difference between the financial forecast and the financial results for the half-year ended June 30, 2016

With respect to the half-year consolidated financial results, revenue totaled 104,031 million yen because the Japanese yen has appreciated more strongly against the US dollar than the Company assumed. While profits from overseas affiliates were higher than the Company's assumption, operating profit and ordinary profit stood at 2,344 million yen and 6,069 million yen, respectively, mainly because a foreign exchange loss was recognized as explained in the section above, and because the realization of deferred profits from FPSO construction work, which was originally budgeted to be recognized in the second quarter, will be recognized in the third quarter.

The assumed exchange rate is revised from 115 yen to 110 yen to the US dollar; however, since there are numerous uncertain factors, the Company has not revised the full-year consolidated financial forecast.

The consolidated financial forecast announced today is based on the information available as of August 4, 2016. There is a possibility that the actual financial results might differ from the forecast due to various factors.