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MODEC, INC.
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Recording of Provision for Loss on Construction Contract and Revision of Financial Forecast for the Year Ending December 31, 2019

MODEC, INC. announced today the revision of the consolidated forecast for the full-year ending December 31, 2019, which was announced on February 5, 2019. The revision is mainly due to recording of provision for loss on construction contract, a delay in the timing of new orders and increased cost for interest rate swap breakage in a SPC.

In regard to dividend, MODEC, INC. intends to maintain the annual dividend at the level announced on February 5, 2019 (45.00 yen per share including the year-end dividend 22.50 yen).

1. Recording of Provision for Loss on Construction Contract
   Approximately 8 billion yen of provision for loss on construction for EPCI project for Mexico was recorded in the 3rd quarter 2019 with respect to expected increase of construction cost (accumulated total approximately 11 billion yen). This reflects unavoidable revision of the construction execution plan due to extension of construction period of a subcontractor in Mexico mainly because of the tight labor market in the country.

2. Revision of Financial Forecast for the Year Ending December 31, 2019

(1) Full-year Consolidated Financial Forecast and Results (From January 1, 2019 to December 31, 2019)

	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)	350,000	8,000	18,000	12,000	212.95
Revised Forecast (B)	320,000	(6,000)	2,000	0	0
Variance (B-A)	(30,000)	(14,000)	(16,000)	(12,000)	
Variance (%)	(8.6)	-	-	(100.0)	
2018 Full-year financial results	221,909	14,928	28,779	21,891	388.23

(2) Reasons for the Revision

Revenue has been revised downward due to the delay in the timing of new orders in 2019. Operating profit has been revised downward mainly due to the provision for loss on construction as described above and the downward revision of sales forecast. Ordinary profit and profit attributable to owners of parent have also been revised downward due to the decrease in operating profit as well as decreased profit recognized by a Company’s affiliate, CERNAMBI SUL MV24 B.V., which is accounted for the equity method. The profit for the affiliate company decreased because of the increased cost for interest rate swap breakage in relation to its bank loan for the charter at issuance of project bond as the market interest rate declined more than expected.

The consolidated financial forecast announced today is based on the information available as of November 1, 2019. There is a possibility that the actual financial results might differ from the forecast due to various factors.