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MODEC, INC.

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Revision of Financial Forecast and Projected Dividend for the Year Ended December 31, 2021 and Reduction of Management Compensation

MODEC, INC. announced today the revision of the consolidated forecast for the full-year ended December 31, 2021, which was announced on February 9, 2021 and revised on November 2, 2021 and projected dividend which was announced on February 9, 2021.

In addition, MODEC, INC. announced the reduction of management compensation.

- Revision of Financial Forecast for the Year Ended December 31, 2021

Full-year Consolidated Financial Forecast and Results (From January 1, 2021 to December 31, 2021)

	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)	400,000	-	(4,500)	(6,500)	(115.33)
Revised Forecast (B)	400,000	-	(30,000)	(30,000)	(532.29)
Variance (B-A)	-	-	(25,500)	(23,500)	
Variance (%)	-	-	-	-	
2020 Full-year financial results	309,925	(21,614)	(12,854)	(13,076)	(232.05)

(Note) Ordinary income is displayed as profit before tax by applying International Financial Reporting Standards (IFRS)

(Reasons for the Revision)

In the FPSO Cidade de Santos MV20, which had been suspended since the beginning of 2021, the resumption of operations scheduled in 2021 was delayed to January 2022. Taking such situation into consideration, long-term profits review related to operational services was conducted, and it was found that the inevitable cost of fulfilling the obligations under the contract outweighs the economic benefits expected to be received under the contract. As a result, we expect to recognize provision of approximately ¥4.0 billion for expected loss in future to fulfill the contract. For the same reason, an impairment loss at GAS OPPRTUNITY MV20 BV, an equity-method affiliate of the Company, and an expected credit loss allowance for loans to GAS OPPRTUNITY MV20 BV, totaling approximately ¥6.0 billion, is expected to be recorded in the current fiscal year.

In addition, in the FSO Cidade de Macaé MV15, the start of special maintenance campaign using the flotel, which was originally scheduled to be carried out in 2021, was postponed to 2022, and it turned out that the condition got worse than expected. As a result, it is expected that more repair costs will be incurred after 2022 than originally expected. Therefore, as with the FPSO Cidade de Santos MV20 above, after reviewing long-term profits related to operational services, provision for expected loss in future of approximately ¥6.0 billion to fulfill the contract will be recognized in the current fiscal year.

In addition, the FPSO Guanabara MV31, which is currently under construction, is expected to have a further delay in the construction period, and some concerns were aroused about the onboard equipment. As a result, we expect to record the additional cost of approximately ¥10.0 billion in the current fiscal year. For the above reasons, we have decided to revise the forecasts for ordinary profit and profit attributable to owners of the parent downward.

- Revision of Projected Dividend

	Dividend per share		
	Interim	Year-end	Annual
Previous Forecast	-	¥15.00	¥30.00
Revised Forecast	-	¥0.00	¥15.00
Actual result	¥15.00	-	-
Previous year results (Fiscal 2020)	¥23.75	¥21.25	¥45.00

(Reasons for the Revision)

Our basic policy for profit distribution is to provide stable and continuous dividends to our shareholders while securing internal reserves necessary for future business development and strengthening of our management structure.

However, as the infection of the new coronavirus spreads worldwide from fiscal 2020 onward, MODEC Group, which is expanding its business globally, has been significantly affected in terms of business performance, and we have come to the conclusion that ensuring liquidity on hand for stable management is the most important issue at the moment. Therefore, we regret to say that we decided not to pay the year-end dividend.

We deeply apologize to our shareholders and will endeavor to resume dividends as soon as possible. We ask for your continued support.

- Reduction of Management Compensation

Taking the downward revisions to the full-year consolidated financial forecast and year-end dividend forecast for the fiscal year ended December 2021 seriously, we will reduce management compensation as follows in order to clarify our management responsibilities.

(Detail of reduction)

Representative Director: 40% of monthly remuneration

Full-time director: 20% of monthly remuneration

(Period)

1 year

The consolidated financial forecast announced today is based on the information available as of January 21, 2022. There is a possibility that the actual financial results might differ from the forecast due to various factors.