

December 17, 2007

MODEC, INC.
Kenji Yamada, President & CEO
Code: TSE 6269
Contact: Yasuhiro Takano, General Manager
Corporate Planning & Strategies
TEL: 03-6203-0200

Occurrence of Extraordinary Loss and Sale of Securities
with Associated Revision to Financial Results Forecast

MODEC, INC. announced today that it has decided to write off the investment made by MODEC Production (Langsa) Pte Ltd., its consolidated subsidiary, in the settlement of accounts for the fiscal year ending December 31, 2007 as follows.

1. Occurrence of extraordinary loss

In the Langsa oil field in Indonesia, the only project in which the MODEC Group holds the concession, stable production of crude oil continues, producing 1,000 to 2,000 barrels of oil per day. However, as the development of new oil wells has not progressed as we initially expected and the prospects for the expansion of crude oil production in the future have become uncertain, the MODEC Group has decided to write off the investment which MODEC Production (Langsa) Pte Ltd. made based on its shares in the concession in the fiscal year ending December 31, 2007. The write-off is expected to produce an extraordinary loss of approximately 2.5 billion yen. As a result of providing an allowance for bad debt loss for MODEC Production (Langsa) Pte Ltd., extraordinary loss of approximately 2.2 billion yen is expected on the non-consolidated basis.

MODEC will focus on floating production systems, which shows solid growth, and will continue to expand its businesses as a global leader in this field.

2. Selling of securities

To allocate proceeds to the extraordinary loss above, MODEC plans to sell some of the securities it holds. We expect the extraordinary gain arising from the selling of the securities to be approximately 700 million yen both on the consolidated and non-consolidated basis.

3. Revision of financial results forecast for the fiscal year ending December 31, 2007 (January 1, 2007 to December 31, 2007)

Along with the procedure above, we will revise the full-year financial results forecast which we announced on February 14, 2007 as follows.

(1) Consolidated financial results forecast

(Millions of Japanese yen)

	Sales	Ordinary Income	Net Income	Net Income per share
Previous Forecast (A)	110,000	6,400	4,200	¥112.28
Revised Forecast (B)	130,000	6,800	3,800	¥101.58
Variance (B-A)	20,000	400	(400)	—
Variance (%)	18.2	6.3	(9.5)	—
2006 Financial Results	99,149	4,664	3,305	¥88.37

(2) Non-consolidated financial results forecast

(Millions of Japanese yen)

	Sales	Ordinary Income	Net Income	Net Income per share
Previous Forecast (A)	33,000	2,500	1,400	¥37.43
Revised Forecast (B)	50,000	3,900	1,200	¥32.08
Variance (B-A)	17,000	1,400	(200)	—
Variance (%)	51.5	56.0	(14.3)	—
2006 Financial Results	28,924	3,373	2,255	¥60.31