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MODEC, INC.

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Recording of Extraordinary Loss and Revision of Financial Forecast for the Year Ended December 31, 2019

MODEC, INC. announced today the revision of the consolidated forecast for the full-year ended December 31, 2019, which was announced on February 5, 2019 and revised on November 1, 2019. The revision is mainly due to the recording of extraordinary loss and the company's recent business performance.

1. Recording of Extraordinary Loss

Some cracks were identified on the hull of FPSO Cidade do Rio de Janeiro MV14 ("the FPSO") which has been out of the production since July 2018 and under removal operations from offshore Brazil. In order to tow out the FPSO to a scrap yard outside of Brazil for the final decommissioning, it has been required to repair the cracks and also to remove NORM (Naturally Occurring Radioactive Material) and coral in a shipyard in Brazil. Because sharing of repair costs with ESPADARTE MV14 B.V. which owns the FPSO and insurance payments from our insurers are yet to be determined due to unfinished root cause analysis of the incident, MODEC, INC. and its consolidated subsidiaries (MODEC International, Inc. and MODEC Serviços de Petróleo do Brasil Ltda.) will have no other choice but to record a provision for estimated repair costs of approximate 17 billion yen as of the end of this financial year and recognize it as extraordinary loss in the fourth quarter of 2019.

The estimated repair costs are as below;

Costs of repair and cleaning in a shipyard	Approximately 8.5 billion yen
Other costs including towing to a scrap yard	Approximately 8.5 billion yen
Total	Approximately 17 billion yen

The repair works will be completed in the first quarter 2020.

2. Revision of Financial Forecast for the Year Ended 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)	320,000	(6,000)	2,000	0	0
Revised Forecast (B)	330,000	(5,000)	0	(18,500)	(328.30)
Variance (B-A)	10,000	1,000	(2,000)	(18,500)	
Variance (%)	3.1	-	(100.0)	-	
2018 Full-year financial results	221,909	14,928	28,779	21,891	388.23

(2) Reasons for the Revision

Mainly due to well progressed FPSO construction works and improvement of profitability, revenue and operating profit have been revised upward. On the other hand, ordinary profit and profit attributable to owners of parent have been revised downward mainly due to the foreign exchange loss recognized in its subsidiaries and the extraordinary loss as described above.

The consolidated financial forecast announced today is based on the information available as of January 30, 2020. There is a possibility that the actual financial results might differ from the forecast due to various factors.