

MODEC, INC. and Consolidated Subsidiaries

**CONSOLIDATED BALANCE SHEET**

December 31, 2012

**ASSETS**

|                                    | Millions of<br>Japanese yen |
|------------------------------------|-----------------------------|
| CURRENT ASSETS:                    |                             |
| Cash and time deposits             | ¥33,366                     |
| Accounts receivable - trade        | 50,105                      |
| Inventories                        | 6,601                       |
| Short-term loans receivable        | 3,739                       |
| Other current assets               | 8,604                       |
| Less-Allowance for bad debts       | (414)                       |
| Total current assets               | 102,003                     |
| PROPERTY AND EQUIPMENT:            |                             |
| Vessels and equipment              | 10,748                      |
| Other                              | 1,675                       |
| Total property and equipment       | 12,423                      |
| INTANGIBLE ASSETS:                 | 6,759                       |
| INVESTMENTS AND OTHER ASSETS:      |                             |
| Investment securities              | 13,685                      |
| Long-term loans receivable         | 14,050                      |
| Other investments                  | 5,181                       |
| Total investments and other assets | 32,917                      |
| Total assets                       | ¥154,104                    |

*\* The figures are rounded down to the nearest million yen.*

## LIABILITIES AND NET ASSETS

|                                                                                | Millions of<br>Japanese yen |
|--------------------------------------------------------------------------------|-----------------------------|
| CURRENT LIABILITIES:                                                           |                             |
| Accounts payable - trade                                                       | ¥56,917                     |
| Short-term loans payable                                                       | 1,125                       |
| Current portion of long-term loans payable                                     | 2,276                       |
| Accrued expenses                                                               | 5,965                       |
| Income taxes payable                                                           | 4,296                       |
| Advances Received                                                              | 8,584                       |
| Provision for product warranties                                               | 2,284                       |
| Other current liabilities                                                      | 1,789                       |
| Total current liabilities                                                      | <u>83,239</u>               |
| LONG-TERM LIABILITIES:                                                         |                             |
| Long-term loans payable                                                        | 3,592                       |
| Severance and retirement benefits for employees                                | 166                         |
| Other long-term liabilities                                                    | 6,715                       |
| Total long-term liabilities                                                    | <u>10,475</u>               |
| Total liabilities                                                              | 93,715                      |
| NET ASSETS                                                                     |                             |
| SHAREHOLDERS' EQUITY:                                                          |                             |
| Common stock;                                                                  |                             |
| authorized - 102,868,000 shares                                                |                             |
| outstanding - 46,408,000 shares                                                | 20,185                      |
| Capital surplus                                                                | 20,915                      |
| Retained earnings                                                              | 26,940                      |
| Less-Treasury stock at cost                                                    | (1)                         |
| Total shareholders' equity                                                     | <u>68,039</u>               |
| ACCUMULATED GAINS (LOSSES) FROM VALUATION<br>AND TRANSLATION ADJUSTMENTS:      |                             |
| Unrealized losses on available-for-sales securities, net of taxes              | (14)                        |
| Unrealized losses on hedging derivative, net of tax                            | (8,102)                     |
| Foreign currency translation adjustments                                       | (5,679)                     |
| Retirement liability adjustments for foreign consolidated subsidiaries         | (137)                       |
| Total accumulated gains (losses) from valuation<br>and translation adjustments | <u>(13,933)</u>             |
| MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES:                               | 6,283                       |
| Total net assets                                                               | <u>60,389</u>               |
| Total liabilities and net assets                                               | <u><u>¥154,104</u></u>      |

\* The figures are rounded down to the nearest million yen.

MODEC, INC. and Consolidated Subsidiaries

**CONSOLIDATED STATEMENT OF INCOME**

For the year ended December 31, 2012

|                                                                  | Millions of<br>Japanese yen |
|------------------------------------------------------------------|-----------------------------|
| SALES                                                            | ¥186,891                    |
| COST OF SALES                                                    | 173,265                     |
| Gross profit (loss)                                              | 13,626                      |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES                     | 10,155                      |
| Operating profit (loss)                                          | 3,470                       |
| OTHER INCOME (EXPENSES):                                         |                             |
| Interest income and dividend income                              | 1,451                       |
| Interest expense                                                 | (496)                       |
| Equity in earnings of affiliates and unconsolidated subsidiaries | 2,382                       |
| Loss on valuation of derivatives                                 | (452)                       |
| Foreign exchange gain (loss), net                                | 2,655                       |
| Other, net                                                       | 285                         |
| Total other income (expenses)                                    | 5,826                       |
| INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS:               | 9,296                       |
| INCOME TAXES:                                                    |                             |
| Current                                                          | 4,666                       |
| Prior                                                            | 58                          |
| Deferred                                                         | (1,286)                     |
| INCOME BEFORE MINORITY INTERESTS                                 | 5,858                       |
| MINORITY INTERESTS                                               | 727                         |
| NET INCOME                                                       | ¥5,130                      |

*\* The figures are rounded down to the nearest million yen.*

|                      |         |
|----------------------|---------|
| Net income per share | ¥110.56 |
|----------------------|---------|

MODEC, INC. and Consolidated Subsidiaries

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the year ended December 31, 2012

|                                                                                                                                    | <u>Millions of<br/>Japanese yen</u> |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES:                                                                                               |                                     |
| Income before income taxes and minority interests                                                                                  | ¥9,296                              |
| Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities: |                                     |
| Depreciation and amortization                                                                                                      | 2,980                               |
| Amortization of goodwill                                                                                                           | 286                                 |
| Provision for (reversal of) allowance for bad debts                                                                                | 64                                  |
| Provision for (reversal of) severance and retirement benefits for employees                                                        | (1)                                 |
| Provision for (reversal of) directors' bonuses                                                                                     | (8)                                 |
| Provision for (reversal of) product warranty                                                                                       | 368                                 |
| Provision for (reversal of) loss on construction contracts                                                                         | 191                                 |
| Interest income and dividend income                                                                                                | (1,451)                             |
| Interest expense                                                                                                                   | 496                                 |
| Foreign exchange (gains) losses                                                                                                    | (1,813)                             |
| Loss (Gain) on valuation of derivatives                                                                                            | 452                                 |
| Equity in earnings of affiliates and unconsolidated subsidiaries                                                                   | (2,382)                             |
| Decrease (Increase) in                                                                                                             |                                     |
| – Accounts receivable - trade                                                                                                      | 6,626                               |
| – Inventories                                                                                                                      | (4,079)                             |
| Increase (Decrease) in                                                                                                             |                                     |
| – Accounts payable - trade                                                                                                         | 9,391                               |
| – Consumption tax payable                                                                                                          | 87                                  |
| Other, net                                                                                                                         | 2,277                               |
|                                                                                                                                    | <u>22,782</u>                       |
| Interest and dividend received                                                                                                     | 3,905                               |
| Interest paid                                                                                                                      | (502)                               |
| Income taxes paid                                                                                                                  | (3,290)                             |
| Net cash provided by operating activities                                                                                          | <u>¥22,896</u>                      |

|                                                                     | Millions of<br>Japanese yen |
|---------------------------------------------------------------------|-----------------------------|
| CASH FLOW FROM INVESTING ACTIVITIES:                                |                             |
| Decrease (Increase) in short-term loans receivable                  | ¥3,616                      |
| Disbursement of long-term loans receivable                          | (4,495)                     |
| Collection of long-term loans receivable                            | 673                         |
| Purchases of property and equipment and intangible assets           | (2,067)                     |
| Proceeds from sales of property and equipment and intangible assets | 3                           |
| Purchases of investments in affiliates                              | (933)                       |
| Net cash used in investing activities                               | (3,202)                     |
| CASH FLOW FROM FINANCING ACTIVITIES:                                |                             |
| Increase (Decrease) in short-term loans payable                     | (1,153)                     |
| Repayment of long-term loans payable                                | (3,512)                     |
| Cash dividends paid                                                 | (1,221)                     |
| Repayments of finance lease obligations                             | (10)                        |
| Net cash used in financing activities                               | (5,897)                     |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH<br>EQUIVALENTS     | 2,250                       |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                | 16,046                      |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR                      | 17,320                      |
| CASH AND CASH EQUIVALENTS AT ENDING OF YEAR                         | ¥33,366                     |

\* The figures are rounded down to the nearest million yen.

MODEC, INC. and Consolidated Subsidiaries

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

For the year ended December 31, 2012

Millions of Japanese yen

|                                                                                                       | Common<br>stock | Capital surplus | Retained<br>earnings | Treasury stock | Unrealized<br>losses on<br>available-for-<br>sales<br>securities, net<br>of taxes | Unrealized<br>losses on<br>hedging<br>derivatives,<br>net of taxes | Foreign<br>currency<br>translation<br>adjustments | Retirement<br>liability<br>adjustments<br>for foreign<br>consolidated<br>subsidiaries | Minority<br>interests | Total net<br>assets |
|-------------------------------------------------------------------------------------------------------|-----------------|-----------------|----------------------|----------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------|---------------------|
| <b>Balance at December 31, 2011</b>                                                                   | 20,185          | 20,915          | 23,027               | (1)            | (11)                                                                              | (6,579)                                                            | (10,182)                                          | —                                                                                     | 4,876                 | 52,230              |
| Cash dividends paid                                                                                   |                 |                 | (1,218)              |                |                                                                                   |                                                                    |                                                   |                                                                                       |                       | (1,218)             |
| Net Income                                                                                            |                 |                 | 5,130                |                |                                                                                   |                                                                    |                                                   |                                                                                       |                       | 5,130               |
| Net changes of items in accumulated gains<br>(losses) from revaluation and translation<br>adjustments |                 |                 |                      |                | (3)                                                                               | (1,522)                                                            | 4,502                                             | (137)                                                                                 | 1,406                 | 4,245               |
| <b>Balance at December 31, 2012</b>                                                                   | 20,185          | 20,915          | 26,940               | (1)            | (14)                                                                              | (8,102)                                                            | (5,679)                                           | (137)                                                                                 | 6,283                 | 60,389              |

\* The figures are rounded down to the nearest million yen.

MODEC, INC. and Consolidated Subsidiaries

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the year ended December 31, 2012

|                                                                                     | Millions of<br>Japanese yen |
|-------------------------------------------------------------------------------------|-----------------------------|
| Income before minority interests                                                    | <u>¥5,858</u>               |
| Other comprehensive income                                                          |                             |
| Unrealized losses on available-for-sales securities, net of taxes                   | (3)                         |
| Unrealized losses hedging derivatives, net of tax                                   | 215                         |
| Foreign currency transaction adjustments                                            | 2,815                       |
| Share of other comprehensive income of associates accounted for using equity method | 626                         |
| Retirement liability adjustments for foreign consolidated subsidiaries              | <u>(137)</u>                |
| Total                                                                               | <u>3,517</u>                |
| Comprehensive income                                                                | <u><u>¥9,376</u></u>        |
| Comprehensive income attributable to owners of the parent                           | ¥7,969                      |
| Comprehensive income attributable to owners of minority interests                   | ¥1,406                      |

*\* The figures are rounded down to the nearest million yen.*