

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 2013

A S S E T S

	Millions of Japanese yen
CURRENT ASSETS:	
Cash and time deposits	¥21,786
Accounts receivable - trade	84,695
Inventories	3,666
Deferred tax assets	3,564
Other current assets	7,648
Less-Allowance for bad debts	(472)
Total current assets	120,889
PROPERTY AND EQUIPMENT:	
Vessels and equipment	16,105
Buildings and structures	109
Other	862
Construction in progress	524
Total property and equipment	17,602
INTANGIBLE ASSETS:	7,394
INVESTMENTS AND OTHER ASSETS:	
Investment securities	26,543
Long-term loans receivable	38,771
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,594
Deferred tax assets	3,521
Other investments	952
Less - allowance for bad debts	(1,594)
Total investments and other assets	69,788
Total assets	¥215,674

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

LIABILITIES AND NET ASSETS

	Millions of Japanese yen
CURRENT LIABILITIES:	
Accounts payable - trade	¥87,782
Short-term loans payable	9,483
Current portion of long-term loans payable	1,405
Accrued expenses	6,596
Income taxes payable	3,626
Advances received	1,537
Provision for product warranties	3,195
Accrued employees' bonuses	10
Accrued directors' bonuses	11
Other provisions	5
Deferred tax liabilities	11
Other current liabilities	1,385
Total current liabilities	115,050
LONG-TERM LIABILITIES:	
Long-term loans payable	15,615
Severance and retirement benefits for employees	176
Deferred tax liabilities	482
Other long-term liabilities	3,904
Total long-term liabilities	20,179
Total liabilities	135,230
NET ASSETS	
SHAREHOLDERS' EQUITY:	
Common stock;	
authorized - 102,868,000 shares	
outstanding - 46,408,000 shares	20,185
Capital surplus	20,915
Retained earnings	30,528
Less - treasury stock at cost	(1)
Total shareholders' equity	71,628
ACCUMULATED GAINS (LOSSES) FROM VALUATION	
Unrealized gains/(losses) on available-for-sale securities, net of tax	0
Unrealized gains/(losses) on hedging derivative, net of tax	(4,977)
Foreign currency translation adjustments	4,306
Retirement liability adjustments for foreign consolidated subsidiaries, net of tax	(145)
Total accumulated gains (losses) from valuation	(817)
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES:	9,633
Total net assets	80,444
Total liabilities and net assets	¥215,674

* 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, 2013

	Millions of Japanese yen
SALES	¥254,401
COST OF SALES	237,688
Gross profit (loss)	16,713
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	13,009
Operating profit (loss)	3,704
OTHER INCOME (EXPENSES):	
Interest income and dividend income	2,415
Interest expense	(696)
Commission fee	(120)
Equity in earnings of affiliates and unconsolidated subsidiaries	5,622
Foreign exchange gain (loss), net	3,849
Gain on liquidation of subsidiaries and affiliates	101
Loss on sales of property and equipment	(39)
Loss on disposal of property and equipment	(156)
Impairment loss	(2,311)
Provision of allowance for doubtful accounts	(1,594)
Other, net	885
Total other income (expenses)	7,955
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS:	11,659
INCOME TAXES:	
Current	5,019
Prior	(666)
Deferred	577
INCOME BEFORE MINORITY INTERESTS	6,728
MINORITY INTERESTS	1,805
NET INCOME	¥4,922

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

Net income per share	¥106.07
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MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2013

Millions of Japanese yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized losses on available-for- sales securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Retirement liability adjustments for foreign consolidated subsidiaries	Minority interests	Total net assets
Balance at January 1, 2013	20,185	20,915	26,940	(1)	(14)	(8,102)	(5,679)	(137)	6,283	60,389
Cash dividends paid			(1,334)							(1,334)
Net Income			4,922							4,922
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					14	3,124	9,986	(8)	3,349	16,466
Balance at December 31, 2013	20,185	20,915	30,528	(1)	0	(4,977)	4,306	(145)	9,633	80,444

* 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, 2013

	Millions of Japanese yen
Income before minority interests	<u>¥6,728</u>
Other comprehensive income	
Unrealized gains/(losses) on available-for-sale securities, net of tax	14
Unrealized gains/(losses) hedging derivatives, net of tax	1
Foreign currency transaction adjustments	5,944
Share of other comprehensive income of associates accounted for using equity method	8,769
Retirement liability adjustments for foreign consolidated subsidiaries	<u>(36)</u>
Total	<u>14,693</u>
Comprehensive income	<u><u>¥21,421</u></u>
Comprehensive income attributable to owners of the parent	¥18,039
Comprehensive income attributable to owners of minority interests	¥3,382

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

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31, 2013

	Millions of Japanese yen
CASH FLOW FROM OPERATING ACTIVITIES:	
Income before income taxes and minority interests	¥11,659
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:	
Depreciation and amortization	4,223
Amortization of goodwill	349
Increase (Decrease) of allowance for bad debts	1,634
Increase (Decrease) of severance and retirement benefits for employees	9
Increase (Decrease) of directors' bonuses	0
Increase (Decrease) of product warranty	437
Increase (Decrease) of loss on construction contracts	(191)
Interest income and dividend income	(2,415)
Interest expense	696
Foreign exchange (gains) losses	(4,689)
Equity in earnings of affiliates and unconsolidated subsidiaries	(5,622)
Loss on sales of property and equipment	39
Loss on disposal of property and equipment	156
Impairment loss	2,311
Gain on liquidation of subsidiaries and affiliates	(101)
Decrease (Increase) in	
– Accounts receivable - trade	(38,897)
– Inventories	363
– Claims provable in bankruptcy, claims provable in rehabilitation and other	(1,594)
Increase (Decrease) in	
– Accounts payable - trade	21,356
– Consumption tax payable	(89)
Other, net	(1,300)
	<u>(11,663)</u>
Interest and dividend received	4,632
Interest paid	(683)
Income taxes paid	(5,187)
Net cash used in operating activities	<u>¥(12,901)</u>

	Millions of Japanese yen
CASH FLOW FROM INVESTING ACTIVITIES:	
Decrease (Increase) in short-term loans receivable	¥5,206
Disbursement of long-term loans receivable	(50,798)
Collection of long-term loans receivable	40,233
Purchases of property and equipment and intangible assets	(8,833)
Proceeds from sales of property and equipment and intangible assets	28
Purchases of investments in subsidiaries and affiliates	(5,387)
Net cash used in investing activities	(19,551)
CASH FLOW FROM FINANCING ACTIVITIES:	
Increase (Decrease) in short-term loans payable	4,149
Proceeds from long-term loans payable	10,330
Repayment of long-term loans payable	(1,718)
Cash dividends paid	(1,333)
Cash dividends paid to minority shareholders	(28)
Repayments of finance lease obligations	(24)
Net cash provided by financing activities	11,374
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	9,596
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,482)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	33,366
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO THE CHANGE OF CONSOLIDATION SCOPE	(98)
CASH AND CASH EQUIVALENTS AT ENDING OF YEAR	¥21,786

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