

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 2017

ASSETS

	Millions of Japanese yen
CURRENT ASSETS:	
Cash and time deposits	¥31,380
Accounts receivable – trade	98,188
Inventories	1,096
Short-term loans receivable	46,282
Deferred tax assets	2,403
Other current assets	19,983
Less- Allowance for bad debts	(1,297)
Total current assets	198,035
PROPERTY AND EQUIPMENT:	
Buildings and structures	130
Machinery and equipment	32,259
Other property and equipment	3,912
Construction in progress	110
Less- Accumulated depreciation	(29,549)
Net property and equipment	6,863
INTANGIBLE ASSETS:	7,446
INVESTMENTS AND OTHER ASSETS:	
Investment securities	63,225
Long-term loans receivable from affiliates	34,762
Deferred tax assets	1,767
Other investments	9,063
Total investments and other assets	108,819
Total assets	¥321,165

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

LIABILITIES AND NET ASSETS

	Millions of Japanese yen
CURRENT LIABILITIES:	
Accounts payable – trade	¥80,335
Short-term loans payable	3,390
Current portion of long-term loans payable	11,077
Lease obligations	6
Accrued expenses	13,971
Income taxes payable	6,717
Advances received	6,425
Accrued employees' bonuses	43
Accrued directors' bonuses	13
Provision for product warranty	5,495
Provision for repairs	49
Other provisions	5
Other current liabilities	1,049
Total current liabilities	128,581
LONG-TERM LIABILITIES:	
Long-term loans payable	31,586
Lease obligations	2
Net defined benefit liabilities	310
Liabilities from application of equity method	6,875
Other long-term liabilities	5,422
Total long-term liabilities	44,197
Total liabilities	172,778
NET ASSETS:	
SHAREHOLDERS' EQUITY:	
Common stock;	
Authorized - 102,868,000 shares	
Issued - 56,408,000 shares	30,122
Capital surplus	30,852
Retained earnings	74,495
Treasury stock, at cost	(2)
Total shareholders' equity	135,468
ACCUMULATED OTHER COMPREHENSIVE INCOME:	
Unrealized holding gains (losses) on securities, net of tax	(17)
Unrealized gains (losses) on hedging derivatives, net of tax	(9,109)
Foreign currency translation adjustments	10,472
Retirement liability adjustments for foreign consolidated subsidiaries	(312)
Total accumulated other comprehensive income	1,032
NON-CONTROLLING INTERESTS	11,885
Total net assets	148,387
Total liabilities and net assets	¥321,165

* 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, 2017

	Millions of Japanese yen
SALES	¥191,182
COST OF SALES	166,377
Gross profit (loss)	<u>24,804</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	13,356
Operating profit (loss)	<u>11,448</u>
OTHER INCOME (EXPENSES):	
Interest and dividend income	5,143
Equity in earnings of unconsolidated subsidiaries and affiliates, net	9,686
Interest expense	(1,389)
Foreign exchange gain (loss), net	(1,321)
Gain on sales of affiliate's stock	491
Gain on liquidation of affiliates	249
Others, net	755
Total other income (expenses)	<u>13,616</u>
PROFIT (LOSS) BEFORE INCOME TAXES	25,064
INCOME TAXES:	
Current	3,028
Prior	(89)
Deferred	1,976
	<u>4,915</u>
PROFIT (LOSS)	<u>20,149</u>
PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	695
PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	<u><u>¥19,454</u></u>

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

Earnings (loss) per share	¥344.89
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MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2017

	Millions of Japanese yen
PROFIT (LOSS)	<u>¥20,149</u>
OTHER COMPREHENSIVE INCOME (LOSS):	
Unrealized holding gains (losses) on securities, net of tax	(6)
Unrealized gains (losses) on hedging derivatives, net of tax	(1,001)
Foreign currency translation adjustments	(2,663)
Retirement liability adjustments for foreign consolidated subsidiaries	(166)
Share of other comprehensive income (loss) of unconsolidated subsidiaries and affiliates accounted for using equity method	<u>(300)</u>
Total other comprehensive income (loss)	<u>(4,138)</u>
COMPREHENSIVE INCOME (LOSS)	<u><u>¥16,011</u></u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	¥15,637
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	¥373

* 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, 2017

Millions of Japanese yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized losses on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Retirement liability adjustments for foreign consolidated subsidiaries	Non- controlling interests	Total net assets
Balance at January 1, 2017	¥30,122	¥30,852	¥57,227	(¥1)	(¥11)	(¥10,453)	¥15,490	(¥176)	¥11,560	¥134,609
Cash dividends paid			(2,185)							(2,185)
Purchases of treasury stock				(0)						(0)
Profit (loss) attributable to owners of parent			19,454							19,454
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					(6)	1,343	(5,018)	(135)	325	(3,491)
Balance at December 31, 2017	¥30,122	¥30,852	¥74,495	(¥2)	(¥17)	(¥9,109)	¥10,472	(¥312)	¥11,885	¥148,387

* 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, 2017

	Millions of Japanese yen
CASH FLOW FROM OPERATING ACTIVITIES:	
Income (loss) before income taxes	¥25,064
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:	
Depreciation and amortization	4,673
Amortization of goodwill	164
Increase (decrease) of allowance for bad debts	(343)
Increase (decrease) of net defined benefit liabilities	45
Increase (decrease) of provision for product warranty	(1,159)
Increase (decrease) of provision for repairs	6
Interest income and dividend income	(5,143)
Interest expense	1,389
Foreign exchange (gains) losses, net	448
Equity in earnings of unconsolidated subsidiaries and affiliates, net	(9,686)
Loss (gain) on sales of affiliate's stock	(491)
Loss (gain) on liquidation of subsidiaries and affiliates	(249)
Decrease (increase) in	
– Accounts receivable - trade	(4,662)
– Inventories	1,187
Increase (decrease) in	
– Accounts payable - trade	(13,829)
– Consumption tax payable	(148)
Other, net	(7,849)
Total adjustments	(10,583)
Interest and dividend received	13,224
Interest paid	(1,403)
Income taxes paid	(4,553)
Net cash used in operating activities	(¥3,315)

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

	Millions of Japanese yen
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchases of property and equipment and intangible assets	(4,490)
Purchases of investments in subsidiaries and affiliates	(8,219)
Proceeds from sales of shares of subsidiaries and associates	301
Decrease (increase) in short-term loans receivable	17,034
Disbursement of long-term loans receivable	(8,214)
Net cash used in investing activities	(3,588)
CASH FLOW FROM FINANCING ACTIVITIES:	
Increase (decrease) in short-term loans payable	3,380
Proceeds from long-term loans payable	1,634
Repayment of long-term loans payable	(8,458)
Purchase of treasury stock	(0)
Cash dividends paid	(2,186)
Cash dividends paid to non-controlling interests	(47)
Repayments of finance lease obligations	(20)
Net cash used in financing activities	(5,698)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,260)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,862)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	42,194
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥28,331

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