

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 2018

A S S E T S

	Millions of Japanese yen
CURRENT ASSETS:	
Cash and time deposits	¥51,215
Accounts receivable-trade	95,065
Inventories	5,405
Short-term loans receivable	43,021
Deferred tax assets	149
Other current assets	17,614
Less allowance for bad debts	(738)
Total current assets	211,734
PROPERTY AND EQUIPMENT:	
Buildings and structures	70
Machinery and equipment	998
Other property and equipment	1,475
Total property and equipment	2,543
INTANGIBLE ASSETS:	9,260
INVESTMENTS AND OTHER ASSETS:	
Investment securities	71,458
Long-term loans receivable from affiliates	36,947
Deferred tax assets	3,196
Other investments	8,203
Total investments and other assets	119,806
Total assets	¥343,345

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

LIABILITIES AND NET ASSETS

	Millions of Japanese yen
CURRENT LIABILITIES:	
Accounts payable-trade	¥97,680
Current portion of long-term loans payable	6,142
Lease obligations	12
Accrued expenses	15,507
Income taxes payable	7,219
Advances received	9,981
Accrued employees' bonuses	45
Accrued directors' bonuses	19
Provision for product warranty	5,937
Provision for repairs	5
Other provisions	46
Other current liabilities	1,462
Total current liabilities	144,060
LONG-TERM LIABILITIES:	
Long-term loans payable	24,889
Lease obligations	36
Net defined benefit liabilities	347
Deferred tax liabilities	320
Liabilities from application of equity method	2,096
Other long-term provision	397
Other long-term liabilities	6,383
Total long-term liabilities	34,470
Total liabilities	178,531
NET ASSETS:	
SHAREHOLDERS' EQUITY:	
Common stock;	
Authorized - 102,868,000 shares	
Issued - 56,408,000 shares	30,122
Capital surplus	30,851
Retained earnings	93,571
Treasury stock, at cost	(99)
Total shareholders' equity	154,446
ACCUMULATED OTHER COMPREHENSIVE INCOME:	
Unrealized gains (losses) on hedging derivatives, net of tax	(6,864)
Foreign currency translation adjustments	5,740
Retirement liability adjustments for foreign consolidated subsidiaries	(656)
Total accumulated other comprehensive income	(1,781)
NON-CONTROLLING INTERESTS	12,148
Total net assets	164,814
Total liabilities and net assets	¥343,345

* 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, 2018

	Millions of Japanese yen
SALES	<u>¥221,909</u>
COST OF SALES	<u>195,351</u>
Gross profit (loss)	26,557
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>11,628</u>
Operating profit (loss)	14,928
OTHER INCOME (EXPENSES):	
Interest and dividend income	6,107
Equity in earnings of unconsolidated subsidiaries and affiliates, net	9,841
Interest expense	(926)
Foreign exchange gain (loss), net	(1,038)
Others, net	<u>(132)</u>
Total other income (expenses)	13,850
PROFIT (LOSS) BEFORE INCOME TAXES	28,779
INCOME TAXES:	
Current	5,032
Prior	33
Deferred	<u>1,164</u>
PROFIT (LOSS)	<u>22,549</u>
PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	<u>658</u>
PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	<u><u>¥21,891</u></u>

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

Earnings (loss) per share	¥388.23
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MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2018

	Millions of Japanese yen
PROFIT	<u>¥22,549</u>
OTHER COMPREHENSIVE INCOME:	
Unrealized holding gains (losses) on securities, net of tax	17
Unrealized gains (losses) on hedging derivatives, net of tax	(240)
Foreign currency translation adjustments	(3,719)
Retirement liability adjustments for foreign consolidated subsidiaries	(453)
Share of other comprehensive income (loss) of unconsolidated subsidiaries and affiliates accounted for using equity method	<u>1,202</u>
Total other comprehensive income (loss)	<u>(3,192)</u>
COMPREHENSIVE INCOME	<u><u>¥19,357</u></u>
Comprehensive income attributable to owners of parent	¥19,077
Comprehensive income attributable to non-controlling interests	¥279

** 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, 2018

Millions of Japanese yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized losses on securities, net of tax	Unrealized losses on hedging derivatives, net of tax	Foreign currency translation adjustments	Retirement liability adjustments for foreign consolidated subsidiaries	Non-controlling interests	Total net assets
Balance at January 1, 2018	¥30,122	¥30,852	¥74,495	(¥2)	(¥17)	(¥9,109)	¥10,472	(¥312)	¥11,885	¥148,387
Cash dividends paid			(2,890)							(2,890)
Purchases of treasury stock				(97)						(97)
Profit (loss) attributable to owners of parent			21,891							21,891
Purchase of shares of consolidated subsidiaries		(1)								(1)
Change of scope of consolidation			75							75
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					17	2,244	(4,731)	(343)	262	(2,550)
Balance at December 31, 2018	¥30,122	¥30,851	¥93,571	(¥99)	—	(¥6,864)	¥5,740	(¥656)	¥12,148	¥164,814

* 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, 2018

	<u>Millions of Japanese yen</u>
CASH FLOW FROM OPERATING ACTIVITIES:	
Profit (loss) before income taxes	¥28,779
Adjustments to reconcile profit before income taxes to net cash provided by (used in) operating activities:	
Depreciation and amortization	2,083
Amortization of goodwill	161
Increase (decrease) of allowance for bad debts	(601)
Increase (decrease) of net defined benefit liabilities	36
Increase (decrease) of provision for directors' bonuses	5
Increase (decrease) of provision for product warranty	538
Increase (decrease) of provision for repairs	(42)
Interest income and dividend income	(6,107)
Interest expense	926
Foreign exchange (gains) losses, net	(329)
Equity in earnings of unconsolidated subsidiaries and affiliates, net	(9,841)
Decrease (increase) in	
– Accounts receivable - trade	6,782
– Inventories	(4,459)
Increase (decrease) in	
– Accounts payable - trade	23,552
– Consumption tax payable	(112)
Other, net	(1,767)
Total adjustments	39,606
Interest and dividend received	12,422
Interest paid	(955)
Income taxes paid	(5,880)
Net cash provided by operating activities	¥45,193

* 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	(3,189)
Purchases of investments in subsidiaries and affiliates	(4,606)
Decrease (increase) in short-term loans receivable	4,829
Proceeds from sales of property and equipment and intangible assets	3,330
Proceeds from sales of securities	134
Disbursement of time deposits	(74)
Disbursement of long-term loans receivable	(4,599)
Net cash used in investing activities	(4,176)
CASH FLOW FROM FINANCING ACTIVITIES:	
Increase (decrease) in short-term loans payable	(3,091)
Proceeds from long-term loans payable	194
Repayment of long-term loans payable	(11,143)
Purchase of treasury stock	(97)
Cash dividends paid	(2,891)
Proceeds from share issuance to non-controlling shareholders	4
Cash dividends paid to non-controlling shareholders	(5)
Repayments of finance lease obligations	(12)
Net cash used in financing activities	(17,043)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,855)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,116
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28,331
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE OF SCOPE OF CONSOLIDATION	324
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥50,773

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