

MODEC, INC. and Consolidated Subsidiaries

**CONSOLIDATED BALANCE SHEET**

December 31, 2016

**ASSETS**

	<u>Millions of Japanese yen</u>
<b>CURRENT ASSETS:</b>	
Cash and time deposits	¥42,807
Accounts receivable – trade	95,544
Inventories	2,360
Short-term loans receivable	55,012
Deferred tax assets	3,263
Other current assets	21,026
Less- Allowance for bad debts	<u>(1,971)</u>
Total current assets	218,042
<b>PROPERTY AND EQUIPMENT:</b>	
Buildings and structures	130
Machinery and equipment	43,542
Other property and equipment	4,078
Construction in progress	186
Less- Accumulated depreciation	<u>(33,776)</u>
Net property and equipment	14,161
<b>INTANGIBLE ASSETS:</b>	7,420
<b>INVESTMENTS AND OTHER ASSETS:</b>	
Investment securities	55,162
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies	28,165
Collateralized deposits	3,781
Deferred tax assets	2,666
Other investments	<u>3,848</u>
Total investments and other assets	93,624
<b>Total assets</b>	<b><u>¥333,249</u></b>

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

## LIABILITIES AND NET ASSETS

	Millions of Japanese yen
<b>CURRENT LIABILITIES:</b>	
Accounts payable – trade	¥96,738
Current portion of long-term loans payable	7,812
Accrued expenses	14,377
Income taxes payable	9,713
Advances received	5,252
Accrued employees' bonuses	7
Accrued directors' bonuses	13
Provision for product warranty	6,860
Provision for repairs	43
Other provisions	5
Deferred tax liabilities	1
Other current liabilities	1,708
Total current liabilities	142,536
<b>LONG-TERM LIABILITIES:</b>	
Long-term loans payable	42,478
Net defined benefit liabilities	265
Liabilities from application of equity method	7,350
Other non-current liabilities	6,007
Total long-term liabilities	56,102
<b>CONTINGENT LIABILITIES:</b>	
Total liabilities	198,639
<b>NET ASSETS</b>	
<b>SHAREHOLDERS' EQUITY:</b>	
Common stock;	
Authorized - 102,868,000 shares	
Issued - 56,408,000 shares	30,122
Capital surplus	30,852
Retained earnings	57,227
Treasury stock, at cost	(1)
Total shareholders' equity	118,200
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME:</b>	
Unrealized holding gains/(losses) on securities, net of tax	(11)
Unrealized gains/(losses) on hedging derivatives, net of tax	(10,453)
Foreign currency translation adjustments	15,490
Retirement liability adjustments for foreign consolidated subsidiaries	(176)
Total accumulated other comprehensive income	4,849
<b>NON-CONTROLLING INTERESTS</b>	
	11,560
Total net assets	134,609
Total liabilities and net assets	¥333,249

\* 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, 2016

	Millions of Japanese yen
SALES	¥229,987
COST OF SALES	198,443
Gross profit	31,544
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	13,526
Operating profit	18,018
OTHER INCOME (EXPENSES):	
Interest income and dividend income	4,055
Equity in earnings of affiliates and unconsolidated subsidiaries	9,618
Gain on revaluation of derivatives	397
Interest expense	(1,421)
Foreign exchange gain (loss), net	(1,807)
Loss on disposal of property and equipment	(107)
Impairment loss	(1,524)
Other, net	548
Total other income (expenses)	9,758
INCOME (LOSS) BEFORE INCOME TAXES	27,776
INCOME TAXES:	
Current	6,284
Prior	6
Deferred	1,873
	8,163
PROFIT (LOSS)	¥19,612
PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(1,400)
PROFIT (LOSS) ATTRIBUTABLE TO OWNERS of PARENT	21,012

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

Net income (loss) per share	¥372.52
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MODEC, INC. and Consolidated Subsidiaries

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended December 31, 2016

	Millions of Japanese yen
Profit (loss)	<u>¥19,612</u>
Other comprehensive income	
Unrealized holding gains/(losses) on securities, net of tax	(19)
Unrealized gains/(losses) on hedging derivatives, net of tax	1,740
Foreign currency transaction adjustments	(945)
Retirement liability adjustments for foreign consolidated subsidiaries	13
Share of other comprehensive income of associates accounted for using equity method	<u>1,269</u>
Total	<u>2,058</u>
Comprehensive income	<u><u>¥21,671</u></u>
Comprehensive income attributable to owners of the parent	¥23,538
Comprehensive income attributable to non-controlling interests	(¥1,867)

\* *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, 2016

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	Retirement liability adjustments for foreign consolidated subsidiaries	Foreign currency translation adjustments	Non-controlling interests	Total net assets
<b>Balance at January 1, 2016</b>	¥30,122	¥30,852	¥38,259	(¥1)	¥7	(¥15,667)	(¥187)	¥18,170	¥13,428	¥114,983
Cash dividends paid			(2,044)							(2,044)
Profit (loss) attributable to owners of parent			21,012							21,012
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					(19)	5,214	10	(2,679)	(1,867)	658
<b>Balance at December 31, 2016</b>	¥30,122	¥30,852	¥57,227	(¥1)	(¥11)	(¥10,453)	(¥176)	¥15,490	¥11,560	¥134,609

\* 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, 2016

	Millions of Japanese yen
CASH FLOW FROM OPERATING ACTIVITIES:	
Income (loss) before income taxes	¥27,776
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:	
Depreciation and amortization	5,364
Impairment loss	1,524
Amortization of goodwill	369
Increase (decrease) of allowance for bad debts	(1,495)
Increase (decrease) of net defined benefit liabilities	45
Increase (decrease) of directors' bonuses	(0)
Increase (decrease) of provision for product warranty	385
Increase (decrease) of provision for repairs	42
Interest income and dividend income	(4,055)
Interest expense	1,421
Foreign exchange (gains) losses, net	(2,019)
Equity in earnings of unconsolidated subsidiaries and affiliates, net	(9,618)
Loss (gain) on revaluation of derivatives	(397)
Loss on disposal of property and equipment	107
Decrease (increase) in	
– Accounts receivable - trade	48,618
– Inventories	1,595
Increase (decrease) in	
– Accounts payable - trade	(40,107)
– Consumption tax payable	393
– Bankrupt and substantially bankrupt claims	1,823
Other, net	(6,931)
Total adjustments	<u>24,844</u>
Interest and dividend received	9,804
Interest paid	(1,447)
Income taxes paid	(2,851)
Net cash provided by operating activities	<u>¥30,350</u>

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

	<u>Millions of Japanese yen</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>	
Purchases of property and equipment and intangible assets	(2,862)
Purchases of investments in subsidiaries and affiliates	(4,474)
Decrease (increase) in short-term loans receivable	(26,605)
Disbursement of long-term loans receivable	(4,430)
Net cash used in investing activities	<u>(38,373)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>	
Increase (decrease) in short-term loans payable	105
Proceeds from long-term loans payable	1,182
Repayment of long-term loans payable	(6,067)
Cash dividends paid	(2,044)
Repayments of finance lease obligations	(30)
Net cash used in financing activities	<u>(6,853)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	(885)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(15,762)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	42,194

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