

MODEC, INC. and Consolidated Subsidiaries

**CONSOLIDATED BALANCE SHEET**

December 31, 2015

**ASSETS**

	<u>Millions of Japanese yen</u>
<b>CURRENT ASSETS:</b>	
Cash and time deposits	¥57,956
Accounts receivable – trade	145,752
Inventories	3,814
Short-term loans receivable	20,239
Deferred tax assets	4,214
Other current assets	11,539
Less- Allowance for bad debts	<u>(1,395)</u>
Total current assets	242,120
 <b>PROPERTY AND EQUIPMENT:</b>	
Buildings and structures	165
Machinery and equipment	45,166
Other Property and equipment	4,302
Construction in progress	16
Less- Accumulated depreciation	<u>(31,165)</u>
Net property and equipment	18,485
 <b>INTANGIBLE ASSETS:</b>	7,476
 <b>INVESTMENTS AND OTHER ASSETS:</b>	
Investment securities	50,987
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies	27,009
Deferred tax assets	4,663
Bankrupt and substantially bankrupt claims	1,823
Other investments	3,722
Less- Allowance for bad debts	<u>(1,823)</u>
Total investments and other assets	<u>86,381</u>
Total assets	<u><u>354,464</u></u>

\* 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	¥145,230
Current portion of long-term loans payable	6,044
Accrued expenses	8,822
Income taxes payable	4,360
Advances received	4,031
Accrued employees’ bonuses	12
Accrued directors’ bonuses	14
Provision for product warranty	6,699
Provision for repairs	3
Other provisions	5
Foreign exchange contract	87
Other current liabilities	1,940
Total current liabilities	177,251
<b>LONG-TERM LIABILITIES:</b>	
Long-term loans payable	50,219
Net defined benefit liabilities	220
Liabilities from application of equity method	4,906
Other non-current liabilities	6,884
Total long-term liabilities	62,229
Total liabilities	239,481
<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	38,259
Treasury stock, at cost	(1)
Total shareholders’ equity	99,232
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</b>	
Unrealized gains/(losses) on available-for-sale securities, net of tax	7
Unrealized gains/(losses) on hedging derivative, net of tax	(15,667)
Foreign currency translation adjustments	18,170
Retirement liability adjustments for foreign consolidated subsidiaries, net of tax	(187)
Total accumulated gains (losses) from valuation	2,322
<b>MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES:</b>	
	13,428
Total net assets	114,983
Total liabilities and net assets	¥354,464

\* 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, 2015

	Millions of Japanese yen
SALES	¥295,596
COST OF SALES	275,517
Gross profit	20,078
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	15,003
Operating profit	5,075
OTHER INCOME (EXPENSES):	
Interest income and dividend income	3,652
Equity in earnings of affiliates and unconsolidated subsidiaries	8,345
Gain on revaluation of derivatives	2,078
Interest expense	(1,395)
Commission fee	(244)
Foreign exchange gain (loss), net	(5,306)
Gain on sales of investment securities	12
Gain on liquidation of subsidiaries and affiliates	586
Insurance income	3,117
Loss on abandonment of property and equipment	(645)
Loss on disposal of non-current assets	(161)
Loss on liquidation of subsidiaries and affiliates	(686)
Provision of allowance for doubtful accounts	(212)
Other, net	614
Total other income (expenses)	9,754
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS:	14,829
INCOME TAXES:	
Current	7,800
Prior	(32)
Deferred	797
	7,865
INCOME (LOSS) BEFORE MINORITY INTERESTS	6,263
MINORITY INTERESTS	438
NET INCOME (LOSS)	¥5,824
* <i>The figures are rounded down to the nearest million yen.</i>	
Net income (loss) per share	¥103.26

MODEC, INC. and Consolidated Subsidiaries

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the year ended December 31, 2015

	Millions of Japanese yen
Income (loss) before minority interests	<u>¥6,263</u>
Other comprehensive income	
Unrealized gains/(losses) on available-for-sale securities, net of tax	6
Unrealized gains/(losses) hedging derivatives, net of tax	(911)
Foreign currency transaction adjustments	2,987
Retirement liability adjustments for foreign consolidated subsidiaries	18
Share of other comprehensive income of associates accounted for using equity method	<u>(737)</u>
Total	<u>1,362</u>
Comprehensive income	<u><u>¥7,626</u></u>
Comprehensive income attributable to owners of the parent	¥6,683
Comprehensive income attributable to owners of minority interests	¥943

*\* 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, 2015

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	Retirement liability adjustments for foreign consolidated subsidiaries	Foreign currency translation adjustments	Minority interests	Total net assets
<b>Balance at January 1, 2015</b>	¥30,122	¥30,852	¥34,338	(¥1)	¥1	(¥13,741)	(¥197)	¥15,402	¥12,855	¥109,631
Cash dividends paid			(1,903)							(1,903)
Net Income			5,824							5,824
Net changes of items in accumulated gains (losses) from revaluation and translation adjustments					6	(1,926)	10	2,767	572	1,431
<b>Balance at December 31, 2015</b>	¥30,122	¥30,852	¥38,259	(¥1)	¥7	(¥15,667)	(¥187)	¥18,170	¥13,428	¥114,983

\* 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, 2015

	<u>Millions of Japanese yen</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>	
Income before income taxes and minority interests	¥14,829
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:	
Depreciation and amortization	5,652
Amortization of goodwill	386
Increase (decrease) of allowance for bad debts	913
Increase (decrease) of severance and retirement benefits for employees	27
Increase (decrease) of directors' bonuses	(1)
Increase (decrease) of product warranty	1,007
Increase (decrease) in provision for repairs	(1,133)
Interest income and dividend income	(3,652)
Interest expense	1,395
Foreign exchange (gains) losses	4,099
Equity in earnings of affiliates and unconsolidated subsidiaries	(8,345)
Loss (gain) on valuation of derivatives	(2,078)
Insurance income	(3,117)
Loss on abandonment of property and equipment	645
Loss on disposal of non-current assets	161
Loss (gain) on sales of investment securities	(12)
Loss on liquidation of subsidiaries and affiliates	99
Decrease (Increase) in	
– Accounts receivable - trade	20,472
– Inventories	(1,628)
Increase (Decrease) in	
– Accounts payable - trade	(13,168)
– Consumption tax payable	110
Other, net	(4,739)
	<u>11,924</u>
Interest and dividend received	7,299
Interest paid	(1,079)
Income taxes paid	(12,799)
Proceeds from insurance income	3,117
Net cash provided by operating activities	<u>¥8,462</u>

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

	Millions of Japanese yen
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>	
Purchases of property and equipment and intangible assets	(¥3,415)
Loss (gain) on disposal of property, plant and equipment	(645)
Purchases of investments in subsidiaries and affiliates	(6,425)
Proceeds from sales of shares of subsidiaries and associates	1
Decrease (increase) in short-term loans receivable	(28,387)
Proceeds from sales of securities	161
Disbursement of long-term loans receivable	(6,639)
Collection of long-term loans receivable	32,643
Loss (gain) on liquidation of subsidiaries and associates	3
Net cash used in investing activities	<u>(12,703)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>	
Increase (decrease) in short-term loans payable	(4,064)
Proceeds from long-term loans payable	38,902
Repayment of long-term loans payable	(1,478)
Cash dividends paid	(1,902)
Repayments of finance lease obligations	(30)
Net cash provided by financing activities	<u>31,426</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	137
<b>NET INCREASE (Decrease) IN CASH AND CASH EQUIVALENTS</b>	27,323
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>30,632</u>
<b>CASH AND CASH EQUIVALENTS AT ENDING OF YEAR</b>	<u><u>¥57,956</u></u>

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