

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEET

September 30, 2019

ASSETS

	<u>Millions of Japanese yen</u>
CURRENT ASSETS:	
Cash and time deposits	¥37,241
Accounts receivable-trade	134,326
Inventories	8,343
Short-term loans receivable	27,144
Other current assets	13,404
Less allowance for bad debts	<u>(465)</u>
Total current assets	219,995
PROPERTY AND EQUIPMENT:	
Machinery and equipment	6
Other property and equipment	<u>4,737</u>
Total property and equipment	4,743
INTANGIBLE ASSETS:	9,637
INVESTMENTS AND OTHER ASSETS:	
Investment securities	70,320
Long-term loans receivable from affiliates	37,781
Other investments	<u>10,461</u>
Total investments and other assets	118,563
Total assets	<u><u>¥352,940</u></u>

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

LIABILITIES AND NET ASSETS

	Millions of Japanese yen
CURRENT LIABILITIES:	
Accounts payable-trade	¥125,024
Current portion of long-term loans payable	13,917
Accrued expenses	16,593
Income taxes payable	5,238
Advances received	9,623
Accrued employees' bonuses	191
Accrued directors' bonuses	17
Provision for loss on construction contracts	8,037
Provision for product warranty	6,228
Other provisions	44
Other current liabilities	3,736
Total current liabilities	<u>188,653</u>
LONG-TERM LIABILITIES:	
Long-term loans payable	11,474
Net defined benefit liabilities	351
Other long-term liabilities	17,058
Total long-term liabilities	<u>28,884</u>
Total liabilities	217,538
NET ASSETS:	
SHAREHOLDERS' EQUITY:	
Common stock;	
Authorized - 102,868,000 shares	
Issued - 56,408,000 shares	30,122
Capital surplus	29,506
Retained earnings	85,921
Treasury stock, at cost	(188)
Total shareholders' equity	<u>145,360</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME:	
Unrealized gains (losses) on hedging derivatives, net of tax	(14,631)
Foreign currency translation adjustments	534
Retirement liability adjustments for foreign consolidated subsidiaries	(730)
Total accumulated other comprehensive income	<u>(14,828)</u>
NON-CONTROLLING INTERESTS	4,869
Total net assets	<u>135,402</u>
Total liabilities and net assets	<u><u>¥352,940</u></u>

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

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the nine months ended September 30, 2019

	Millions of Japanese yen
SALES	¥219,363
COST OF SALES	219,191
Gross profit (loss)	172
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	9,031
Operating profit (loss)	(8,858)
OTHER INCOME (EXPENSES):	
Interest and dividend income	4,483
Equity in earnings of unconsolidated subsidiaries and affiliates, net	2,690
Gain on sales of non-current assets	377
Gain (loss) on revaluation of derivatives	(50)
Interest expense	(697)
Foreign exchange gain (loss), net	(255)
Others, net	(188)
Total other income (expenses)	6,358
PROFIT (LOSS) BEFORE INCOME TAXES	(2,500)
INCOME TAXES:	
Current	2,344
Prior	0
Deferred	(650)
PROFIT (LOSS)	(4,195)
PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	423
PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	(¥4,618)

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

Earnings (loss) per share (¥81.97)

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended September 30, 2019

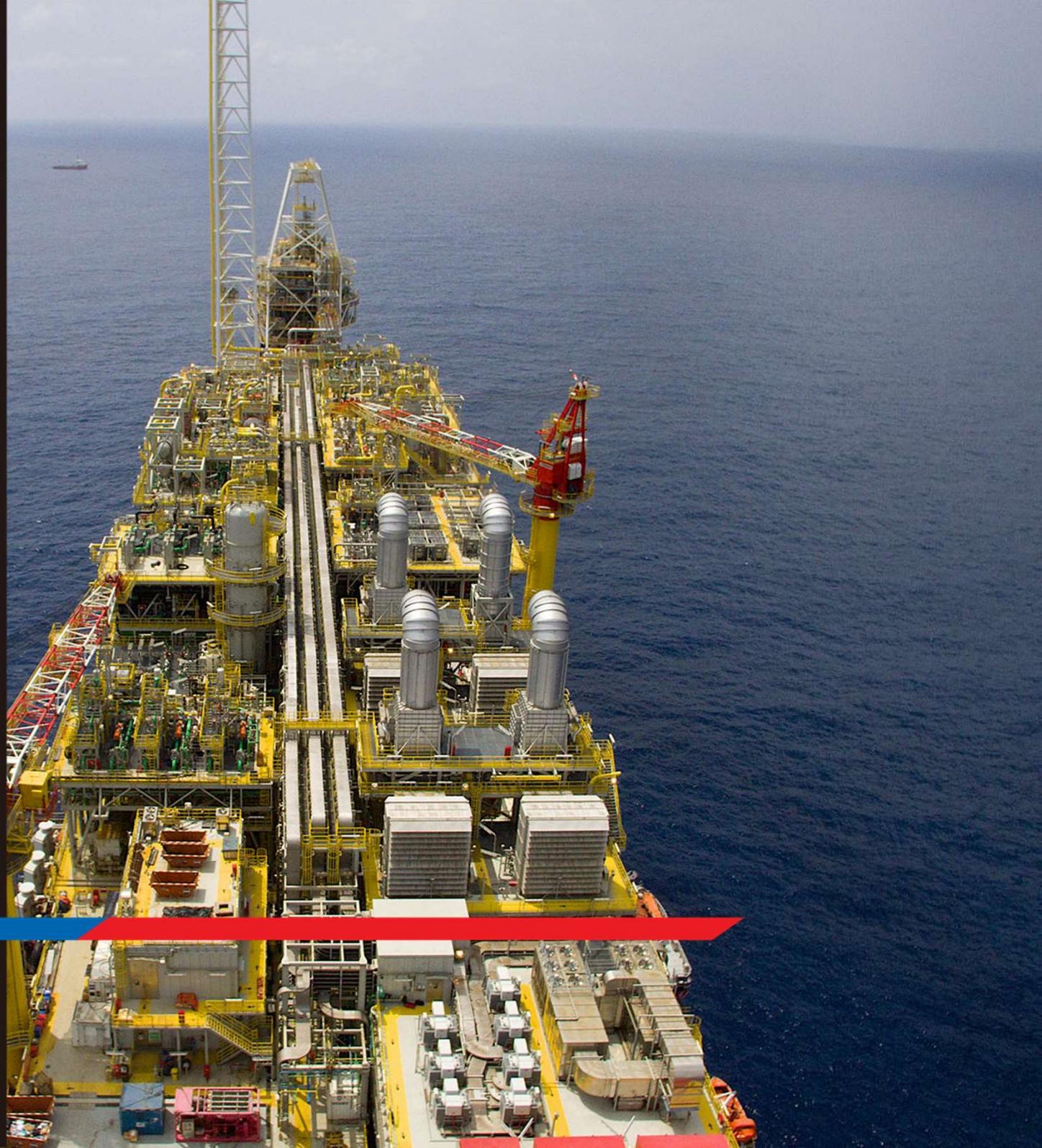
	<u>Millions of Japanese yen</u>
PROFIT(LOSS)	(¥4,195)
OTHER COMPREHENSIVE INCOME:	
Unrealized gains (losses) on hedging derivatives, net of tax	(418)
Foreign currency translation adjustments	(3,359)
Retirement liability adjustments for foreign consolidated subsidiaries	32
Share of other comprehensive income (loss) of unconsolidated subsidiaries and affiliates accounted for using equity method	<u>(9,591)</u>
Total other comprehensive income (loss)	<u>(13,337)</u>
COMPREHENSIVE INCOME	<u><u>(¥17,532)</u></u>
Comprehensive income attributable to owners of parent	(¥17,666)
Comprehensive income attributable to non-controlling interests	¥133

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



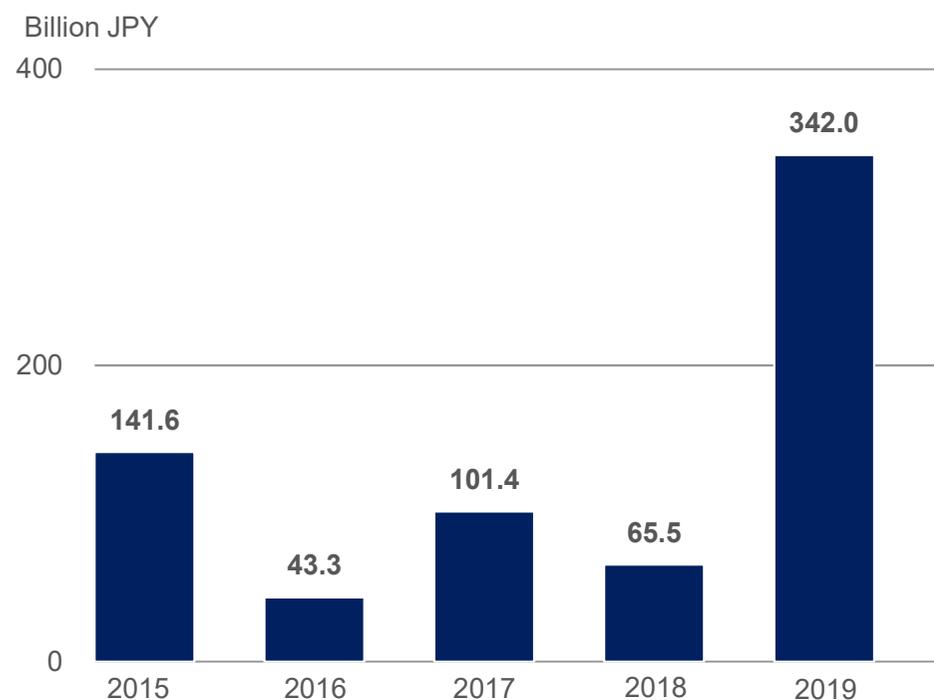
MODEC, Inc.
2019 3Q Financial Results
Supplementary Presentation

November 1, 2019

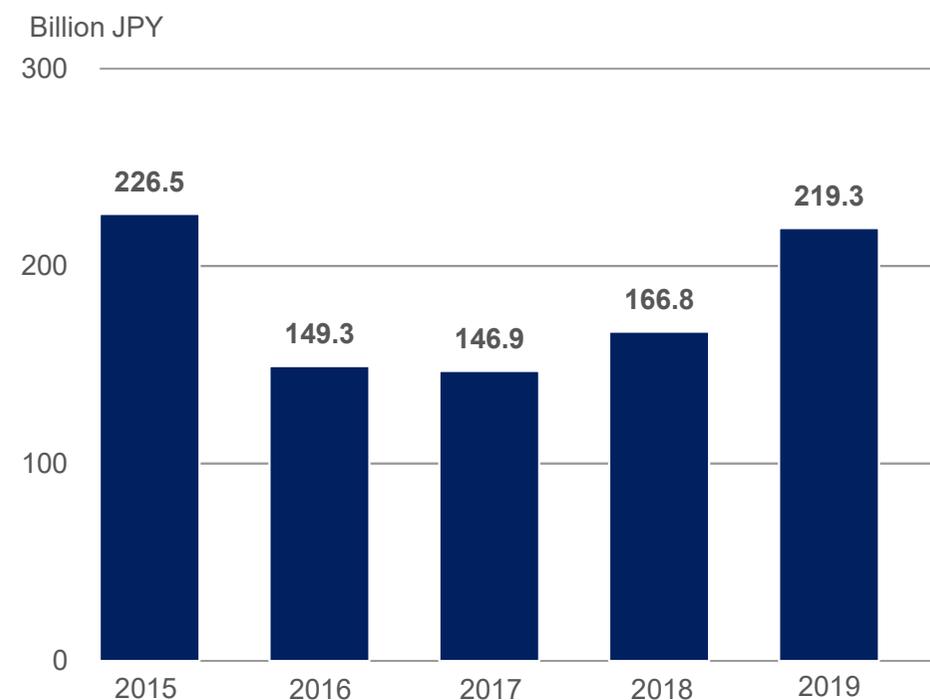


2019 Third Quarter : Highlight

New Order



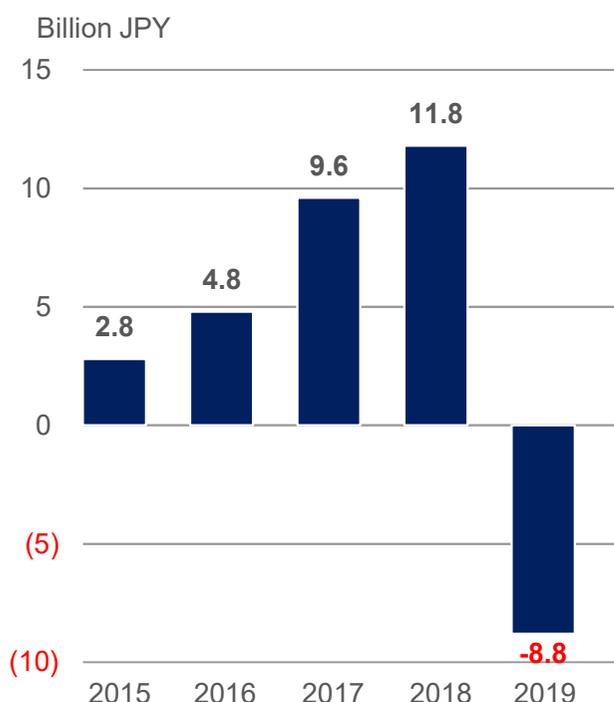
Revenue



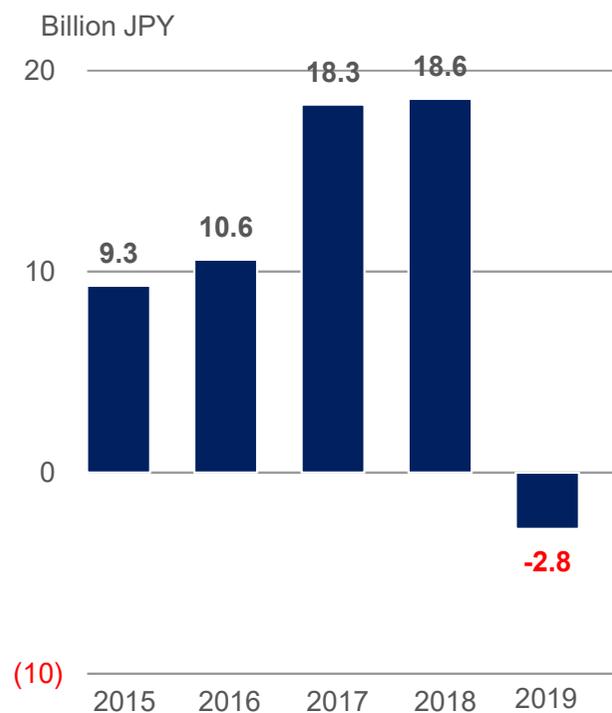
- New order was JPY 342 billion. New order for Marlim revitalization project from Petrobras and for the Barossa field from ConocoPhillips Australia Barossa Pty Ltd. will be recognized in the 4th quarter.
- Revenue increased mainly due to the progress of 3 FPSO constructions.

2019 Third Quarter : Highlight

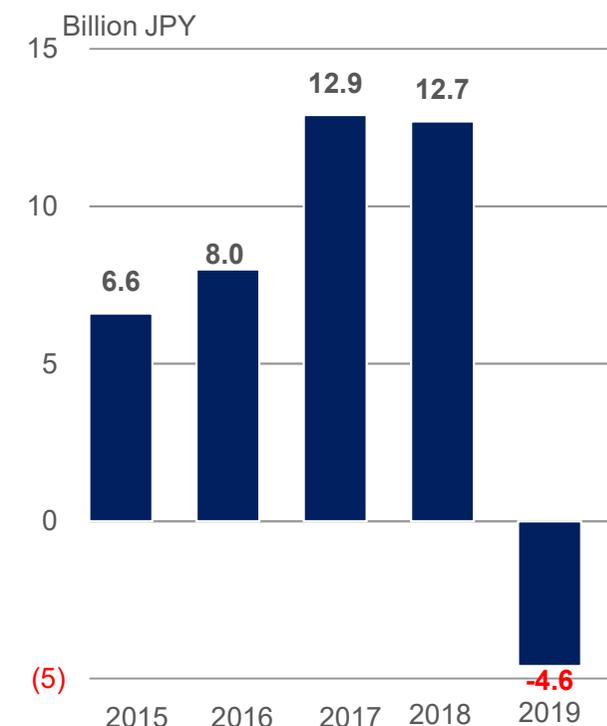
Operating Profit



Ordinary Profit



Profit Attribute to Owners of Parent



- Operating loss was recorded mainly due to the recording of approximately 8 billion yen of provision for loss on EPCI project for Mexico.
- Ordinary loss and loss attributable to owners of parent were also recorded due to the decrease in operating profit as well as decreased profit recognized by a Company's affiliate which is accounted for the equity method. The profit for the affiliate company decreased because of the increased cost for interest rate swap breakage in relation to its bank loan for the charter at issuance of project bond as the market interest rate declined more than expected.

FY2019 : Outlook

Unit: 100 million yen	Previous Forecast* (A)	Revised Forecast (B)	Variance B-A	2018 Full-year Financial Results
Revenue	3,500	3,200	△300	2,219
Operating Profit	80	△60	△140	149
Ordinary Profit	180	20	△160	287
Profit Attributable to Owners of Parent	120	0	△120	218

* Announced on February 5, 2019

- Revenue has been revised downward due to the delay in the timing of new orders in 2019.
- Operating profit, ordinary profit and profit attributable to owners of parent have also been revised downward mainly due to the downward revision of sales forecast in addition to the financial results by the end of 3rd quarter 2019.