

MODEC, INC. and Subsidiaries

**CONSOLIDATED BALANCE SHEETS**

March 31, 2006

**ASSETS**

	Thousands of Japanese yen		
	March 31, 2006	March 31, 2005	December 31, 2005
<b>CURRENT ASSETS:</b>			
Cash and time deposits	¥ 28,530,894	¥ 10,466,700	¥ 25,061,948
Accounts receivable – trade	17,524,070	12,084,807	16,409,320
Inventories	1,889,708	1,113,501	2,237,994
Short-term loans receivable	3,178,518	8,960,975	255,826
Other current assets	5,247,433	3,930,541	4,870,109
Less- Allowance for bad debts	(3,283)	(4,892)	(3,013)
Total current assets	56,367,342	36,551,634	48,832,185
<b>PROPERTY AND EQUIPMENT:</b>			
Machinery and equipment	3,721,825	5,626,783	3,168,283
Other, net	577,236	1,075,979	3,926,656
	4,299,062	6,702,762	7,094,939
<b>INTANGIBLE ASSETS:</b>			
Consolidated difference	4,155,712	3,869,490	3,866,432
Other intangible assets	1,358,399	1,334,009	1,380,255
	5,514,111	5,203,499	5,246,687
<b>OTHER ASSETS:</b>			
Investment securities	9,040,162	5,003,780	8,463,478
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies	45,975,142	1,797,610	28,289,633
Long-term lease receivable	4,592,530	6,158,669	5,043,800
Other, net	1,426,706	1,443,272	1,734,329
Less- Allowance for bad debts	(6,400)	(6,923)	(6,400)
	61,028,142	14,396,409	43,524,842
Total assets	¥127,208,659	¥ 62,854,306	¥104,698,654

## LIABILITIES AND SHAREHOLDERS' EQUITY

	Thousands of Japanese yen		
	March 31, 2006	March 31, 2005	December 31, 2005
<b>CURRENT LIABILITIES:</b>			
Accounts payable - trade	¥ 18,797,346	¥ 7,318,865	¥ 18,889,959
Short-term loans payable	49,650,255	16,126,279	27,960,409
Current portion of long-term loans payable	1,947,231	1,918,774	3,107,315
Accrued expenses	2,807,070	1,252,823	1,644,540
Income taxes payable	475,083	254,005	345,593
Other current liabilities	6,421,882	3,887,772	4,483,298
Total current liabilities	80,098,869	30,758,520	56,431,117
<b>LONG-TERM LIABILITIES:</b>			
Long-term loans payable	5,469,163	5,639,129	6,478,169
Severance and retirement benefits			
For employees	118,978	107,916	113,839
For directors and corporate auditors	135,107	120,430	120,944
Deferred tax liabilities	1,692,346	1,407,191	1,548,181
Other long-term liabilities	456,929	—	355,674
Total long-term liabilities	7,872,525	7,274,667	8,616,808
<b>MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES</b>	1,261,626	1,611,304	1,807,072
<b>SHAREHOLDERS' EQUITY:</b>			
Common stock;			
Authorized – 102,868,000 shares			
Issued – 37,408,000 shares at March 31, 2006 and December 31, 2005; 34,008,000 shares at March 31, 2005	12,391,600	7,159,000	12,391,600
Capital surplus	13,121,672	7,675,150	13,121,672
Retained earnings	10,686,351	8,079,472	10,434,177
Net unrealized holding gains on securities	1,051,199	614,139	865,195
Foreign currency translation adjustments	725,527	(317,562)	1,031,557
Less-Treasury stock at cost	(712)	(384)	(546)
	37,975,637	23,209,814	37,843,656
Total liabilities and shareholders' equity	¥127,208,659	¥ 62,854,306	¥104,698,654

MODEC, INC. and Subsidiaries

**CONSOLIDATED STATEMENTS OF INCOME**

For 3 months ended March 31, 2006

	Thousands of Japanese yen		
	January 1, 2006 thru March 31, 2006	January 1, 2005 thru March 31, 2005	January 1, 2005 thru December 31, 2005
SALES	¥ 26,180,964	¥ 9,394,592	¥ 71,614,166
COST OF SALES	24,261,575	7,500,791	63,053,293
Gross profit	1,919,389	1,893,800	8,560,872
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,299,555	988,186	4,665,333
Operating profit	619,834	905,614	3,895,539
OTHER INCOME (EXPENSES):			
Interest income and dividend income	813,547	205,085	1,287,726
Interest expense	(620,175)	(203,963)	(1,261,365)
Foreign exchange gain (loss), net	(237,370)	227,658	580,713
Equity in earnings of affiliates	255,471	61,483	763,396
Other, net	84,324	69,681	142,047
Total other income (expenses)	295,797	359,945	1,512,517
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	915,631	1,265,559	5,408,057
INCOME TAXES:			
Current	384,633	139,761	1,010,252
Deferred	45,212	205,304	841,902
INCOME BEFORE MINORITY INTERESTS	485,786	920,494	3,555,903
MINORITY INTERESTS	28,574	232,236	342,900
NET INCOME	¥ 457,212	¥ 688,257	¥ 3,213,002
		Japanese yen	
Net income per share	¥12.22	¥20.23	¥93.46