

MODEC, INC. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

September 30, 2006

ASSETS

	Thousand of Japanese yen		
	<u>September 30, 2006</u>	<u>September 30, 2005</u>	<u>December 31, 2005</u>
CURRENT ASSETS:			
Cash and time deposits	¥25,046,237	¥20,800,488	¥25,061,948
Accounts receivable - trade	12,226,699	15,587,836	16,409,320
Inventories	2,493,528	2,268,574	2,237,994
Short-term loans receivable	27,632,686	231,075	255,827
Other current assets	6,191,717	4,752,600	4,870,110
Less-Allowance for bad debts	(4,780)	(58,812)	(3,013)
Total current assets	<u>73,586,087</u>	<u>43,581,762</u>	<u>48,832,185</u>
 PROPERTY AND EQUIPMENT:			
Vessel	3,245,530	2,867,876	2,882,197
Buildings and equipment	617,254	460,257	477,527
Construction in progress	80,222	2,113,092	3,735,215
	<u>3,943,005</u>	<u>5,441,225</u>	<u>7,094,939</u>
 INTANGIBLE ASSETS	5,865,859	5,369,184	5,246,688
 OTHER ASSETS:			
Investments securities	9,187,166	7,858,317	8,463,479
Long-term loans receivable	12,688,626	20,477,352	28,289,633
Long-term lease receivable	3,259,420	5,416,405	5,043,801
Other investments	1,752,142	1,292,401	1,734,330
Less-Allowance for bad debts	(6,400)	(6,400)	(6,400)
	<u>26,880,955</u>	<u>35,038,075</u>	<u>43,524,842</u>
 Total assets	<u>¥110,275,906</u>	<u>¥89,430,245</u>	<u>¥104,698,654</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	Thousand of Japanese yen		
	<u>September 30, 2006</u>	<u>September 30, 2005</u>	<u>December 31, 2005</u>
CURRENT LIABILITIES:			
Accounts payable - trade	¥21,514,123	¥4,966,877	¥18,889,959
Short-term loans payable	29,089,493	27,364,562	27,960,410
Current portion of long-term loans payable	3,177,973	2,830,073	3,107,316
Accrued expenses	2,259,322	1,805,548	1,692,027
Income taxes payable	2,144,548	367,239	345,594
Other current liabilities	2,035,496	16,287,153	4,435,813
Total current liabilities	<u>60,220,955</u>	<u>53,621,451</u>	<u>56,431,118</u>
LONG-TERM LIABILITIES:			
Long-term loans payable	7,934,396	5,753,955	6,478,169
Severance and retirement benefits			
For employees	115,895	109,207	113,839
For directors and corporate auditors	171,483	106,781	120,944
Deferred tax liabilities	1,384,842	1,637,582	1,548,182
Other long-term liabilities	148,878	378,997	355,674
Total long-term liabilities	<u>9,755,494</u>	<u>7,986,522</u>	<u>8,616,808</u>
NET ASSETS			
SHAREHOLDERS' EQUITY:			
Common stock;	12,391,600	7,159,000	12,391,600
Authorized - 102,868,000 shares			
Issued - 34,008,000 shares at September 30, 2005 and 37,408,000 shares at December 31, 2005 and September 30, 2006			
Capital surplus	13,121,672	7,675,150	13,121,672
Retained earnings	11,802,314	9,753,621	10,434,178
Less-Treasury stock at cost	(713)	(385)	(547)
Total shareholders' equity	<u>37,314,874</u>	<u>24,587,386</u>	<u>35,946,903</u>
DISCREPANCIES IN APPRAISAL and CONVERSIONS:			
Net unrealized holding gains on securities	771,046	929,212	865,195
Foreign currency translation adjustments	907,873	401,888	1,031,558
Total discrepancies in appraisals and Conversions	<u>1,678,919</u>	<u>1,331,101</u>	<u>1,896,753</u>
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES:			
Total net assets	<u>40,299,456</u>	<u>27,822,272</u>	<u>39,650,729</u>
Total liabilities, net assets	<u>¥110,275,906</u>	<u>¥89,430,245</u>	<u>¥104,698,654</u>

MODEC, INC. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For 9 months ended September 30, 2006

	Thousand of Japanese yen		
	January 1, 2006 thru September 30, 2006	January 1, 2005 thru September 30, 2005	January 1, 2005 thru December 31, 2005
SALES	¥77,281,213	¥38,865,717	¥71,614,166
COST OF SALES	70,951,485	32,547,033	63,053,293
Gross profit	6,329,728	6,318,684	8,560,873
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,200,859	3,203,434	4,665,333
Operating profit	2,128,870	3,115,250	3,895,540
OTHER INCOME (EXPENSES):			
Interest income	2,520,674	746,968	1,282,217
Dividend income	7,046	783	5,509
Interest expense	(1,795,992)	(816,051)	(1,261,365)
Foreign exchange gain(loss), net	(930,924)	379,293	580,714
Equity in earnings of affiliates	790,073	443,269	763,396
Other, net	85,311	168,995	142,047
Total other income (expenses)	676,189	923,257	1,512,518
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	2,805,059	4,038,507	5,408,058
INCOME TAXES:			
Current	1,998,653	627,101	1,010,252
Deferred	(1,048,560)	448,633	841,903
INCOME BEFORE MINORITY INTERESTS	1,854,965	2,962,772	3,555,903
MINORITY INTERESTS	69,023	430,327	342,901
NET INCOME	¥1,785,942	¥2,532,445	¥3,213,002