

MODEC, INC. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

March 31, 2005

ASSETS

	Thousands of Japanese yen	
	March 31, 2005	December 31, 2004
CURRENT ASSETS:		
Cash and time deposits	¥10,466,700	¥14,061,926
Accounts receivable - trade	12,084,807	14,059,343
Inventories	1,113,501	165,115
Short-term loans receivable	8,960,975	9,783,707
Other current assets	3,930,541	4,636,065
Less-Allowance for bad debts	(4,892)	(5,392)
Total current assets	36,551,634	42,700,765
NON-CURRENT ASSETS:		
PROPERTY AND EQUIPMENT:		
Machinery and equipment	5,626,783	5,606,362
Other, net	1,075,979	102,199
	6,702,762	5,708,562
INTANGIBLE ASSETS		
Consolidated differences	3,869,490	3,768,430
Other intangible assets	1,334,009	1,001,357
	5,203,499	4,769,788
OTHER ASSETS:		
Investment securities	5,003,780	3,882,261
Long-term lease receivable	6,158,669	6,273,427
Other, net	3,240,882	3,192,633
Less-Allowance for bad debts	(6,923)	(6,400)
	14,396,409	13,341,922
Total non-current assets	26,302,671	23,820,272
Total assets	¥62,854,306	¥66,521,038

LIABILITIES AND SHAREHOLDERS' EQUITY

	Thousands of Japanese yen	
	March 31, 2005	December 31, 2004
CURRENT LIABILITIES:		
Accounts payable - trade	¥7,318,865	¥10,255,786
Short-term loans payable	16,126,279	12,663,618
Current portion of long-term loans payable	1,918,774	6,652,649
Accrued employees' bonuses	47,493	45,870
Provision for product warranty	265,929	322,184
Other current liabilities	5,081,178	4,969,552
Total current liabilities	30,758,520	34,909,660
LONG-TERM LIABILITIES:		
Long-term loans payable	5,639,129	6,345,467
Severance and retirement benefits		
For employees	107,916	103,109
For directors and corporate auditors	120,430	104,980
Deferred tax liabilities	1,407,191	1,378,991
Total long-term liabilities	7,274,667	7,932,547
Total liabilities	38,033,187	42,842,208
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES		
	1,611,304	1,393,821
SHAREHOLDERS' EQUITY:		
Common stock;		
Authorized - 102,868,000 shares		
Issued - 34,008,000 shares	7,159,000	7,159,000
Capital surplus	7,675,150	7,675,150
Retained earnings	8,079,472	7,531,744
Net unrealized holding gains on securities	614,139	575,833
Foreign currency translation adjustments	(317,562)	(656,489)
Less-Treasury stock at cost	(384)	(230)
Total shareholders' equity	23,209,814	22,285,008
Total liabilities and shareholders' equity	¥62,854,306	¥66,521,038

MODEC, INC. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For 3 months ended March 31, 2005

	Thousands of Japanese yen	
	January 1, 2005 thru March 31, 2005	January 1, 2004 thru December 31, 2004
	SALES	¥9,394,592
COST OF SALES	7,500,791	44,553,251
Gross profit	1,893,800	7,338,512
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	988,186	3,559,152
Operating profit	905,614	3,779,359
OTHER INCOME (EXPENSES):		
Interest income	205,085	836,395
Dividend income	-	5,775
Interest expense	(203,963)	(685,373)
Foreign exchange gain	227,658	-
Foreign exchange loss	-	(420,480)
Equity in earnings of affiliates	61,483	128,326
Depreciation of idle assets	-	(229,125)
Gain from sale of property and equipment	-	41,874
Loss on sale of property and equipment	-	(86,486)
Loss on bad debt	-	(242,807)
Other, net	69,681	286,799
Total other income (expenses)	359,945	(365,102)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	1,265,559	3,414,257
INCOME TAXES		
Current	139,761	2,290,351
Adjustment to prior years	-	(489,907)
Deferred	205,304	(1,174,044)
INCOME BEFORE MINORITY INTERESTS	920,494	2,787,857
MINORITY INTERESTS	232,236	557,363
NET INCOME	¥688,257	¥2,230,493
	Japanese yen	
Net income per share	¥20.23	¥72.77