

MODEC, INC. and Subsidiaries

**CONSOLIDATED BALANCE SHEETS**

September 30, 2005

**ASSETS**

	Thousands of Japanese yen	
	September 30, 2005	December 31, 2004
CURRENT ASSETS:		
Cash and time deposits	¥20,800,487	¥14,061,926
Accounts receivable - trade	15,587,835	14,059,343
Inventories	2,268,574	165,115
Short-term loans receivable	231,075	9,783,707
Other current assets	4,752,600	4,636,065
Less-Allowance for bad debts	(58,812)	(5,392)
Total current assets	<u>43,581,761</u>	<u>42,700,765</u>
PROPERTY AND EQUIPMENT	5,441,225	5,708,562
INTANGIBLE ASSETS	5,369,183	4,769,788
OTHER ASSETS:		
Investments securities	7,858,317	3,882,261
Long-term loans receivable	20,477,352	1,745,350
Long-term lease receivable	5,416,405	6,273,427
Other, net	1,292,400	1,447,283
Less-Allowance for bad debts	(6,400)	(6,400)
	<u>35,038,074</u>	<u>13,341,922</u>
Total assets	<u>¥89,430,245</u>	<u>¥66,521,038</u>

## LIABILITIES AND SHAREHOLDERS' EQUITY

	Thousands of Japanese yen	
	September 30, 2005	December 31, 2004
<b>CURRENT LIABILITIES:</b>		
Accounts payable - trade	¥4,966,876	¥10,255,786
Short-term loans payable	30,194,635	19,316,267
Other current liabilities	18,459,939	5,337,606
Total current liabilities	53,621,451	34,909,660
<b>LONG-TERM LIABILITIES:</b>		
Long-term loans payable	5,753,955	6,345,467
Severance and retirement benefits		
For employees	109,207	103,109
For directors and corporate auditors	106,781	104,980
Deferred tax liabilities	1,637,581	1,378,991
Other long-term liabilities	378,996	-
Total long-term liabilities	7,986,522	7,932,547
<b>MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES</b>		
	1,903,785	1,393,821
<b>SHAREHOLDERS' EQUITY:</b>		
Common stock;		
authorized - 102,868,000 shares		
outstanding - 34,008,000 shares	7,159,000	7,159,000
Capital surplus	7,675,150	7,675,150
Retained earnings	9,753,620	7,531,744
Net unrealized holding gains on securities	929,212	575,833
Foreign currency translation adjustments	401,888	(656,489)
Less-Treasury stock at cost	(384)	(230)
	25,918,486	22,285,008
Total liabilities, minority interests and shareholders' equity	¥89,430,245	¥66,521,038

MODEC, INC. and Subsidiaries

**CONSOLIDATED STATEMENTS OF INCOME**

For 9 months ended September 30, 2005

	Thousands of Japanese yen	
	January 1, 2005 thru September 30, 2005	January 1, 2004 thru December 31, 2004
SALES	¥38,865,716	¥51,891,763
COST OF SALES	32,547,032	44,553,251
Gross profit	6,318,684	7,338,512
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,203,434	3,559,152
Operating profit	3,115,249	3,779,359
OTHER INCOME (EXPENSES):		
Interest income and dividend income	747,751	842,170
Interest expense	(816,051)	(685,373)
Foreign exchange gain (loss), net	379,293	(420,480)
Equity in earnings of affiliates	443,268	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	168,996	286,799
Total other income (expenses)	923,257	(365,102)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	4,038,506	3,414,257
INCOME TAXES:		
Current	627,101	2,290,351
Adjustment to prior years	-	(489,907)
Deferred	448,633	(1,174,044)
INCOME BEFORE MINORITY INTERESTS	2,962,772	2,787,857
MINORITY INTERESTS	430,327	557,363
NET INCOME	¥2,532,444	¥2,230,493
	Japanese yen	
Net income per share	¥74.46	¥72.77