

MODEC, INC. and Subsidiaries

CONSOLIDATED BALANCE SHEET

March 31, 2007

ASSETS

	Thousand of Japanese yen		
	<u>March 31, 2007</u>	<u>March 31, 2006</u>	<u>December 31, 2006</u>
CURRENT ASSETS:			
Cash and time deposits	¥18,643,160	¥28,530,894	¥28,827,361
Accounts receivable - trade	27,677,528	17,524,070	10,641,277
Inventories	2,254,369	1,889,708	2,518,199
Short-term loans receivable	35,476,681	3,178,518	27,270,756
Other current assets	7,223,654	5,247,433	5,728,372
Less-Allowance for bad debts	(703)	(3,283)	(3,408)
Total current assets	<u>91,274,690</u>	<u>56,367,342</u>	<u>74,982,558</u>
PROPERTY AND EQUIPMENT:			
Buildings and equipment	956,801	870,134	936,511
Vessel	10,789,313	10,695,748	10,893,928
Other	13,460	305,682	30,759
Less-Accumulated depreciation	(8,006,601)	(7,572,504)	(7,933,101)
	<u>3,752,974</u>	<u>4,299,062</u>	<u>3,928,097</u>
INTANGIBLE ASSETS	14,807,787	5,514,111	15,119,857
OTHER ASSETS:			
Investments securities	12,161,682	9,040,162	11,127,213
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies	6,978,810	45,975,142	13,782,627
Long-term lease receivable	2,037,925	4,592,530	2,565,483
Other investments	2,193,250	1,426,706	1,846,815
Less-Allowance for bad debts	(2,400)	(6,400)	(2,400)
	<u>23,369,269</u>	<u>61,028,142</u>	<u>29,319,738</u>
Total assets	<u>¥133,204,722</u>	<u>¥127,208,659</u>	<u>¥123,350,252</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	Thousand of Japanese yen		
	March 31, 2007	March 31, 2006	December 31, 2006
CURRENT LIABILITIES:			
Accounts payable - trade	¥15,628,211	¥18,797,346	¥16,265,379
Short-term loans payable	52,548,676	49,650,255	34,172,577
Other current liabilities	12,574,616	11,651,266	13,806,935
Total current liabilities	80,751,504	80,098,869	64,244,891
LONG-TERM LIABILITIES:			
Long-term loans payable	3,704,155	5,469,163	12,822,085
Severance and retirement benefits			
For employees	130,945	118,978	125,594
For directors and corporate auditors	207,859	135,107	189,671
Deferred tax liabilities	2,814,654	1,692,346	3,167,136
Other long-term liabilities	735,938	456,929	578,400
Total long-term liabilities	7,593,552	7,872,525	16,882,886
NET ASSETS			
SHAREHOLDERS' EQUITY:			
Common stock;			
authorized - 102,868,000 shares			
outstanding - 37,408,000 shares	12,391,600	12,391,600	12,391,600
Capital surplus	13,121,672	13,121,672	13,121,672
Retained earnings	13,630,751	10,686,351	13,319,510
Less-Treasury stock at cost	(712)	(712)	(713)
Total shareholders' equity	39,143,311	36,198,911	38,832,070
DISCREPANCIES IN APPRAISALS and CONVERSIONS:			
Net unrealized holding gains on securities	671,403	1,051,199	780,351
Foreign currency translation adjustments	1,510,313	725,527	1,237,041
Total discrepancies in appraisals and conversions	2,181,716	1,776,726	2,017,392
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES:			
Total net assets	44,859,666	39,237,263	42,222,475
Total liabilities, net assets	¥133,204,722	¥127,208,659	¥123,350,252

MODEC, INC. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For 3 months ended March 31, 2007

	Thousand of Japanese yen		
	January 1, 2007 through March 31, 2007	January 1, 2006 through March 31, 2006	January 1, 2006 through December 31, 2006
SALES	¥36,931,079	¥26,180,964	¥99,149,334
COST OF SALES	34,269,199	24,261,575	89,767,807
Gross profit	2,661,880	1,919,389	9,381,527
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,055,841	1,299,555	5,887,123
Operating profit	606,039	619,834	3,494,405
OTHER INCOME (EXPENSES):			
Interest income and dividend income	909,656	813,547	3,552,577
Interest expense	(766,845)	(620,175)	(2,555,538)
Foreign exchange gain (loss), net	(99,372)	(237,370)	(1,106,006)
Equity in earnings of affiliates	283,709	255,471	1,132,458
Other, net	(13,970)	84,324	187,444
Total other income (expenses)	313,178	295,797	1,210,935
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	919,216	915,631	4,705,339
INCOME TAXES:			
Current	779,559	384,633	2,636,783
Deferred	(387,734)	45,212	(1,511,569)
INCOME BEFORE MINORITY INTERESTS	527,392	485,786	3,580,125
MINORITY INTERESTS	11,113	28,574	274,376
NET INCOME	¥516,279	¥457,212	¥3,305,749
Net income per share	¥13.80	¥12.22	¥88.37