

MODEC, INC. and Subsidiaries

CONSOLIDATED BALANCE SHEET

September 30, 2007

ASSETS

| | Thousand of Japanese yen |
|--------------------------------|-----------------------------|
| CURRENT ASSETS: | |
| Cash and time deposits | ¥22,383,714 |
| Accounts receivable - trade | 26,978,105 |
| Inventories | 4,682,054 |
| Short-term loans receivable | 20,062,584 |
| Other current assets | 6,846,493 |
| Less-Allowance for bad debts | (2,572) |
| Total current assets | <u>80,950,380</u> |
| | |
| PROPERTY AND EQUIPMENT: | |
| Vessel | 13,131,467 |
| Other | 699,542 |
| | <u>13,831,009</u> |
| | |
| INTANGIBLE ASSETS | 15,857,717 |
| | |
| OTHER ASSETS: | |
| Investment securities | 15,506,383 |
| Long-term loans receivable | 25,289,600 |
| Long-term lease receivable | 605,906 |
| Other investments | 2,507,097 |
| Less-Allowance for bad debts | (2,400) |
| | <u>43,906,588</u> |
| | |
| Total assets | <u>¥154,545,695</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | Thousand of Japanese yen |
|---|-----------------------------|
| CURRENT LIABILITIES: | |
| Accounts payable - trade | ¥22,726,986 |
| Short-term loans payable | 60,638,088 |
| Other current liabilities | 16,181,003 |
| Total current liabilities | <u>99,546,078</u> |
| | |
| LONG-TERM LIABILITIES: | |
| Long-term loans payable | 7,017,805 |
| Severance and retirement benefits | |
| For employees | 136,539 |
| For directors and corporate auditors | 246,409 |
| Deferred tax liabilities | 1,658,630 |
| Other long-term liabilities | 884,397 |
| Total long-term liabilities | <u>9,943,781</u> |
| | |
| NET ASSETS | |
| SHAREHOLDERS' EQUITY: | |
| Common stock; | |
| authorized - 102,868,000 shares | |
| outstanding - 37,408,000 shares | 12,391,600 |
| Capital surplus | 13,121,672 |
| Retained earnings | 13,863,741 |
| Less-Treasury stock at cost | (712) |
| Total shareholders' equity | <u>39,376,300</u> |
| | |
| DISCREPANCIES IN APPRAISALS and CONVERSION: | |
| Net unrealized holding gains on securities | 493,471 |
| Deferred Hedge Reserves | (6,501) |
| Foreign currency translation adjustments | 334,787 |
| Total discrepancies in appraisals and Conversions | <u>821,758</u> |
| | |
| MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES: | 4,857,777 |
| Total net assets | 45,055,836 |
| Total liabilities, net assets | <u>¥154,545,695</u> |

MODEC, INC. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For 9 months ended September 30, 2007

| | Thousand of Japanese yen |
|--|-----------------------------|
| SALES | <u>¥93,674,316</u> |
| COST OF SALES | <u>85,454,682</u> |
| Gross profit | 8,219,634 |
| | |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | <u>7,103,922</u> |
| Operating profit | 1,115,712 |
| | |
| OTHER INCOME (EXPENSES): | |
| Interest income and dividend income | 2,722,803 |
| Interest expense | (2,772,824) |
| Foreign exchange gain (loss), net | (926,711) |
| Equity in earnings of affiliates | 1,018,033 |
| Other, net | <u>(34,384)</u> |
| Total other income (expenses) | <u>6,917</u> |
| | |
| INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS | 1,122,627 |
| | |
| INCOME TAXES: | |
| Current | 1,611,156 |
| Deferred | <u>(1,391,528)</u> |
| | |
| INCOME BEFORE MINORITY INTERESTS | 902,999 |
| | |
| MINORITY INTERESTS | (34,080) |
| | |
| NET INCOME | <u>¥937,080</u> |
| | |
| Net income per share | ¥25.05 |