MODEC, INC. and Consolidated Subsidiaries

Consolidated Financial Statements

As of December 31, 2007 and 2006

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2006

A S S E T S

	Thousands of Japanese yen		Thousands of U.S. dollars
	2007	2006	2007
CURRENT ASSETS:			
Cash and time deposits	¥21,499,164	¥28,827,361	$ 188,325
Accounts receivable – trade (Note 17)	23,226,559	10,641,277	203,456
Inventories (Note 2)	2,809,596	2,518,199	24,611
Short-term loans receivable (Note 17)	31,234,141	27,270,756	273,600
Short-term lease receivable	2,094,043	2,352,593	18,343
Deferred tax assets (Note 12)	883,932	335,005	7,743
Other current assets (Note 17)	3,088,228	3,040,775	27,051
Less- Allowance for bad debts	(9,726)	(3,408)	(85)
Total current assets	84,825,937	74,982,558	743,044
PROPERTY AND EQUIPMENT:			
Buildings and equipment	1,615,800	936,512	14,154
Vessel	7,634,537	10,893,929	66,876
Construction in progress	986,030	30,759	8,637
Less- Accumulated depreciation	(5,498,718)	(7,933,102)	(48,167)
	4,737,649	3,928,098	41,500
INTANGIBLE ASSETS (Note 4 and 11)	13,134,794	15,119,857	115,056
OTHER ASSETS:			
Investment securities (Note 3)	15,517,686	11,127,213	135,929
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies (Note 17)	12,242,618	13,782,627	107,241
Long-term lease receivable	-	2,565,483	-
Deferred tax assets (Note 12)	2,602,770	1,339,169	22,799
Other investments	675,098	507,647	5,914
Less- Allowance for bad debts	(2,400)	(2,400)	(21)
	31,035,772	29,319,739	271,862
Total assets	¥133,734,152	¥123,350,252	$1,171,462

The accompanying notes are an integral part of these balance sheets.

LIABILITIES AND NET ASSETS

	Thousands of Japanese yen		Thousands of U.S. dollars
	2007	2006	2007
CURRENT LIABILITIES:			
Accounts payable – trade	¥ 25,899,016	¥ 16,265,379	$ 226,866
Short-term loans payable (Notes 5 and 6)	19,152,988	34,172,577	167,773
Current portion of long-term loans payable (Note 5)	13,565,629	2,955,844	118,830
Accrued expenses	3,740,932	5,025,737	32,769
Income taxes payable (Note 12)	2,342,699	1,842,845	20,521
Provision for product warranty	1,220,433	791,649	10,691
Deferred tax liabilities (Note 12)	7,538	7,941	66
Other current liabilities	2,559,773	3,182,919	22,423
Total current liabilities	68,489,008	64,244,891	599,939
LONG-TERM LIABILITIES:			
Long-term loans payable (Note 5)	14,092,281	12,822,085	123,443
Severance and retirement benefits			
For employees (Note 9)	310,224	125,594	2,717
For directors and corporate auditors	265,684	189,671	2,327
Deferred tax liabilities (Note 12)	1,903,334	3,167,137	16,673
Other long-term liabilities	641,785	578,399	5,622
Total long-term liabilities	17,213,308	16,882,886	150,782
NET ASSETS :			
SHAREHOLDERS' EQUITY (Note 7):			
Common stock;			
Authorized – 102,868,000 shares			
Issued – 37,408,000 shares	12,391,600	12,391,600	108,546
Capital surplus	13,121,672	13,121,672	114,941
Retained earnings	17,421,014	13,319,511	152,602
Less- Treasury stock, at cost	(922)	(713)	(8)
Total shareholders' equity	42,933,364	38,832,070	376,081
ACCUMULATED GAINS（LOSSES） FROM VALUATION AND TRANSLATION ADJUSTMENTS			
Net unrealized holding gains on securities	12,519	780,351	110
Unrealized losses on hedging derivatives, net of tax	(114,483)	-	(1,003)
Foreign currency translation adjustments	314,349	1,237,041	2,753
Total accumulated gains (losses) from valuation and translation adjustments	212,385	2,017,392	1,860
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	4,886,087	1,373,013	42,800
Total net assets	48,031,836	42,222,475	420,741
Total liabilities and net assets	¥133,734,152	¥123,350,252	$1,171,462

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2007 and 2006

	Thousands of Japanese yen		Thousands of U.S. dollars
	2007	2006	2007
SALES (Note 17)	¥144,040,901	¥99,149,334	$1,261,746
COST OF SALES (Note 10)	127,132,993	89,767,807	1,113,639
Gross profit	16,907,908	9,381,527	148,107
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	9,947,984	5,887,122	87,141
Operating profit	6,959,924	3,494,405	60,966
OTHER INCOME (EXPENSES):			
Interest income and dividend income (Note 17)	3,579,808	3,552,577	31,358
Interest expense	(3,679,818)	(2,555,538)	(32,234)
Foreign exchange loss, net	(652,061)	(1,106,006)	(5,712)
Equity in earnings of affiliates and unconsolidated subsidiaries	1,877,634	1,132,458	16,447
Gain on sales of investment securities	781,003	-	6,841
Loss on disposal of property, equipment and intangible assets	(152,523)	-	(1,336)
Impairment loss on property, equipment and intangible assets (Note 11)	(2,064,544)	-	(18,085)
Other, net	(256,572)	187,443	(2,246)
Total other income (expenses)	(567,073)	1,210,934	(4,967)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	6,392,851	4,705,339	55,999
INCOME TAXES (Note 12):			
Current	3,814,187	2,636,783	33,411
Deferred	(1,964,093)	(1,511,569)	(17,205)
INCOME BEFORE MINORITY INTERESTS	4,542,757	3,580,125	39,793
MINORITY INTERESTS	43,429	274,376	381
NET INCOME	¥ 4,499,328	¥ 3,305,749	$ 39,412

	Japanese yen		U.S. dollars
Net income per share (Note 8)	¥120.28	¥88.37	$1.05
Dividends per share	¥15.00	¥12.50	$0.13

The accompanying notes are an integral part of these statements.

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31, 2007 and 2006

Thousands of Japanese yen

	Shareholders' equity					Accumulated gains(losses) from valuation and translation adjustments				Minority interests in consolidated subsidiaries	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholder s' equity	Net unrealized holding gains on securities	Unrealized losses on hedging derivatives, net of tax	Foreign currency translation adjustments	Total accumulated gains(losses) from valuation and translation adjustments		
Balance at December 31, 2005	12,391,600	13,121,672	10,434,178	(547)	35,946,903	865,195	—	1,031,558	1,896,753	1,807,072	39,650,728
Net income			3,305,749		3,305,749				—		3,305,749
Cash dividends paid			(420,837)		(420,837)				—		(420,837)
Bonuses paid to directors			(18,000)		(18,000)				—		(18,000)
Purchases of treasury stock				(166)	(166)				—		(166)
Decrease due to changes in fair market values of available-for-sale securities					—	(84,844)			(84,844)		(84,844)
Adjustments from translation of foreign currency financial statements					—			205,483	205,483		205,483
Increase in minority interests in consolidated subsidiaries					—				—	(434,059)	(434,059)
Others			18,421		18,421				—		18,421
Balance at December 31, 2006	12,391,600	13,121,672	13,319,511	(713)	38,832,070	780,351	—	1,237,041	2,017,392	1,373,013	42,222,475
Net income			4,499,328		4,499,328				—		4,499,328
Cash dividends paid			(514,356)		(514,356)				—		(514,356)
Increase due to new accounting standards adopted by consolidated overseas subsidiary			133,666		133,666				—		133,666
Purchases of treasury stock				(209)	(209)				—		(209)
Decrease due to changes in fair market values of available-for-sale securities					—	(767,832)			(767,832)		(767,832)
Unrealized losses on hedging derivatives, net of tax					—		(114,483)		(114,483)		(114,483)
Adjustments from translation of foreign currency financial statements					—			(922,692)	(922,692)		(922,692)
Increase in minority interests in consolidated subsidiaries					—				—	3,513,074	3,513,074
Others			(17,135)		(17,135)				—		(17,135)
Balance at December 31, 2007	12,391,600	13,121,672	17,421,014	(922)	42,933,364	12,519	(114,483)	314,349	212,385	4,886,087	48,031,836

The accompanying notes are an integral part of these statements.

Thousands of U.S. dollars

	Shareholders' equity					Accumulated gains(losses) from valuation and translation adjustments				Minority interests in consolidated subsidiaries	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity	Net unrealized holding gains on securities	Unrealized losses on hedging derivatives, net of tax	Foreign currency translation adjustments	Total accumulated gains(losses) from valuation and translation adjustments		
Balance at December 31, 2006	108,546	114,941	116,674	(6)	340,155	6,835	−	10,836	17,671	12,027	369,853
Net income			39,412		39,412				−		39,412
Cash dividends paid			(4,505)		(4,505)				−		(4,505)
Increase due to new accounting standards adopted by consolidated overseas subsidiary			1,171		1,171				−		1,171
Purchases of treasury stock				(2)	(2)				−		(2)
Decrease due to changes in fair market values of available-for-sale securities					−	(6,725)			(6,725)		(6,725)
Unrealized losses on hedging derivatives, net of tax					−		(1,003)		(1,003)		(1,003)
Adjustments from translation of foreign currency financial statements					−			(8,083)	(8,083)		(8,083)
Increase in minority interests in consolidated subsidiaries					−				−	30,773	30,773
Others			(150)		(150)				−		(150)
Balance at December 31, 2007	108,546	114,941	152,602	(8)	376,081	110	(1,003)	2,753	1,860	42,800	420,741

The accompanying notes are an integral part of these statements.

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2007 and 2006

	Thousands of Japanese yen		Thousands of U.S. dollars
	2007	2006	2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 6,392,851	¥ 4,705,339	$55,999
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	1,656,996	743,185	14,515
Amortization of goodwill	26,486	26,486	232
Provision for (reversal of) allowance for bad debts	6,318	(3,605)	55
Provision for severance and retirement benefits for employees	184,630	11,755	1,617
Provision for severance and retirement benefits for directors and corporate auditors	76,013	68,727	666
Provision for product warranty	661,398	283,263	5,793
Interest income and dividend income	(3,579,808)	(3,552,577)	(31,358)
Interest expense	3,679,818	2,555,538	32,234
Foreign exchange (gain) loss	20,129	(38,533)	176
Equity in earnings of affiliates and unconsolidated subsidiaries	(1,877,634)	(1,132,458)	(16,447)
Impairment loss on property, equipment and intangible assets	2,064,544	-	18,085
Gain on sales of investment securities	(781,003)	-	(6,841)
Losses on disposal of property, equipment and intangible assets	152,523	-	1,336
Changes in assets and liabilities:			
Decrease (Increase) in			
– Accounts receivable - trade	(9,312,149)	9,513,599	(81,571)
– Inventories	(692,137)	(247,482)	(6,063)
– Consumption taxes refund receivable	—	34,700	—
Increase (Decrease) in			
– Accounts payable - trade	8,215,369	(2,992,121)	71,964
Bonuses paid to directors	—	(18,000)	—
Other, net	132,715	2,637,461	1,162
	7,027,059	12,595,277	61,554
Interest and dividend received	3,756,458	2,593,165	32,905
Interest paid	(3,720,049)	(2,478,193)	(32,586)
Income taxes paid	(3,251,472)	(994,213)	(28,481)
Net cash provided by operating activities	3,811,996	11,716,036	33,392

The accompanying notes are an integral part of these statements.

	Thousands of Japanese yen		Thousands of U.S. dollars
	2007	2006	2007
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment and intangible assets	¥(3,091,453)	¥(1,384,713)	$(27,080)
Purchases of investments in affiliates	(4,739,027)	(2,535,886)	(41,512)
Increase in short-term loans receivable	(2,165,522)	(6,447,764)	(18,969)
Disbursement of long-term loans receivable	(27,914,524)	(32,315,137)	(244,521)
Collection of long-term loans receivable	24,553,357	28,476,911	215,078
Purchases of investments in subsidiaries	(942,733)	(5,836,635)	(8,258)
Proceeds from sales of investments in subsidiaries	3,538,960	-	31,000
Proceeds from sales of investment securities	909,490	-	7,967
Other, net	(35,929)	0	(315)
Net cash used in investing activities	(9,887,381)	(20,043,224)	(86,610)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase(Decrease) in short-term loans payable	(12,325,662)	5,963,515	(107,968)
Proceeds from long-term loans payable	18,135,929	10,010,576	158,864
Repayment of long-term loans payable	(5,663,979)	(3,052,688)	(49,614)
Cash dividends paid to minority interests	(130,142)	(632,527)	(1,140)
Cash dividends paid	(514,844)	(420,837)	(4,510)
Other, net	(210)	(166)	(2)
Net cash provided by (used in) financing activities	(498,908)	11,867,873	(4,370)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(809,511)	223,651	(7,091)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,383,804)	3,764,336	(64,679)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28,827,361	25,061,948	252,517
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO ADDITIONAL INCLUSION OF CONSOLIDATED SUBSIDIARIES	-	1,077	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥21,443,557	¥28,827,361	$187,838

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting and Reporting Policies

(a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of MODEC, Inc. (the "Company) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English with some expanded description from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at December 31, 2007, which was ¥114.16 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(b) Principles of Consolidation and Equity Method

The accompanying consolidated financial statements include the accounts of the Company and 20 of its subsidiaries for the year ended December 31, 2007 and 19 of its subsidiaries for the year ended December 31, 2006. Material inter-company balances, transactions and profits have been eliminated in consolidation.

Investments in all of significant unconsolidated subsidiaries and affiliates, which were 14 companies for the year ended December 31, 2007 and 2006 were accounted for by using the equity method.

The consolidated financial statements are required to include the accounts of the Company and significant companies that are controlled by the Company through substantial ownership of more than 50% of the voting rights or through ownership of a high percentage of the voting rights, even if it is equal to or less than 50%, and existence of certain conditions evidencing control by the Company of decision-making bodies of such companies.

Investments in significant unconsolidated subsidiaries and affiliates, of which the Company has ownership of 20% or more but less than or equal to 50%, and of 15% or more and less than 20% and can exercise significant influences over operating financial policies of investees, have been accounted for by the equity method.

All consolidated subsidiaries have the same balance sheet date, December 31, corresponding with that of the Company.

(c) Valuation of Assets and Liabilities of Subsidiaries

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, were evaluated using the fair value at the time the Company acquired the control of the respective subsidiaries.

(d) Goodwill

The excess of cost over the underlying investments in consolidated subsidiaries is recognized as goodwill and is amortized using the straight-line method over their estimated useful lives, except for goodwill recognized in consolidated subsidiaries located in the U.S.A., which is accounted for in accordance with U.S. GAAP.

The excess of cost over the underlying investments in affiliates accounted for under the equity method is treated in the same manner.

(e) Securities

In accordance with the Japanese accounting standard for financial instruments, all companies required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, “trading securities”), (b) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities”), (c) equity securities issued by unconsolidated subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”).

Based on the examination of the intent of holding, the Company classifies its securities as equity securities issued by unconsolidated subsidiaries and affiliated companies and available-for-sale securities. Available-for-sale securities maturing within one year from the balance sheet date are included in current assets. Other securities are included in investments securities. The Company does not have trading securities or held-to-maturity debt securities.

Equity securities issued by unconsolidated subsidiaries and affiliated companies that are not accounted for by equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value as of balance sheet dates. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities without available fair market values are stated at moving-average cost.

(f) Inventories

Both raw materials and costs of uncompleted contracts are stated at cost, determined on an individual project basis.

(g) Property and Equipment

Property and equipment are carried substantially at cost. Depreciation of Floating Production Storage & Offloading Systems ("FPSOs") and Floating Storage & Offloading Systems ("FSOs"), owned by the consolidated overseas subsidiaries are calculated using the straight-line method based on their lease term or their economic useful lives.

Depreciation of property and equipment other than FPSOs and FSOs is calculated as follows. The Company depreciates property and equipment using the declining-balance method based on their useful lives and residual values prescribed by the Japanese corporate tax laws and regulations, except for buildings acquired after March 31, 1998, which are depreciated using the straight-line method. Consolidated overseas subsidiaries depreciate property and equipment using the straight-line method based on their useful lives.

Effective for the year ended December 31, 2007, the Company has changed the depreciation method for property and equipment acquired on or after April 1, 2007 in accordance with the revision of the Japanese Corporate Tax Law (Law for Partial Revision of the Income Tax Law (Law No.6, March 30, 2007) and the Cabinet Order No.83, March 30, 2007). This change has no material impact on the financial statements.

(h) Intangible Assets

The Company amortizes software costs used internally using the straight-line method over the estimated useful life (5 years), and amortizes intangible assets using the straight-line method based on their useful lives and residual values prescribed by the Japanese corporate tax laws and regulations.

Intangible assets of consolidated subsidiaries located in the U.S.A., are accounted for in accordance with U.S. GAAP.

Mining rights of consolidated overseas subsidiaries are amortized using the production method based on forecasted production amounts.

(i) Allowance for Bad Debts

The Company provides for a sufficient allowance for bad debts to cover probable losses on collection by estimating uncollectable amounts individually in addition to amounts for possible losses based on actual losses on collection in the past.

(j) Accrued Employees' Bonuses

The Company accrues employees' bonuses based on the estimated amounts to be paid in the subsequent period.

(k) Accrued Directors' Bonuses

The Company accrues directors' bonuses based on the estimated amounts to be paid in the subsequent period.

(l) Provision for Product Warranty

Provision for product warranty is provided based on the estimated amounts for covering the probable product warranties.

(m) Severance and Retirement Benefits for Employees

The Company and some overseas consolidated subsidiaries have unfunded lump-sum severance and retirement payment plans for employees. Under these plans, employees whose employment is terminated or who retire are entitled to benefits which are, in general, determined on the basis of length of service and current basic salary at the time of termination or retirement. If the termination is involuntary, the employees are generally entitled to larger benefits than in the case of voluntary termination or retirement.

In accordance with the Japanese accounting standard for employees' severance and pension benefits, a "simpler method" can be adopted to calculate severance and retirements benefits for employees if the number of employees is less than 300. Therefore the Company adopts the "simpler method", and records severance and retirement benefits for employees at the amounts payable if all employees voluntarily terminated their employment at the balance sheet date.

For subsidiaries located in the U.S.A, severance benefits are accounted for in accordance with U.S. GAAP.

The Company and some overseas consolidated subsidiaries also adopt defined contribution pension plans.

(n) Severance and Retirement Benefits for Directors and Corporate Auditors

Subject to shareholders' approval, directors and corporate auditors customarily receive lump-sum payments upon retirement under an unfunded retirement allowances plan.

The Company records severance and retirement benefits for directors and corporate auditors at the amounts payable if all directors and corporate auditors voluntarily terminated their employment at the balance sheet date.

(o) Translation of Foreign Currency Accounts

Foreign currency transactions are translated into Japanese yen using the exchange rate in effect at the time of each transaction or at the applicable exchange rates under forward exchange contracts.

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end exchange rate, and the resulting gains or losses are included in other income (expenses) in the statement of income.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen using the exchange rates prevailing at the end of each fiscal year, except the exchange rates in effect at the date of transactions are used for shareholders' equity. The Company records foreign currency translation adjustments in the shareholders' equity.

(p) Finance Lease Transactions without Transfer of Ownership

Finance lease transactions, other than those that transfer ownership of the leased property to the lessee, are accounted for in the same way as operating lease transactions.

(q) Derivative Transactions and Hedge Accounting

Derivative financial instruments of the Company are stated at fair value and gains or losses are recognized for changes in the fair value unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner.

1) If a forward foreign exchange contract is executed to hedge existing foreign currency receivables or payables,
   a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
   b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Some consolidated overseas subsidiaries adopt hedge accounting in accordance with U.S.GAAP.

(r) Revenue Recognition

The Company recognizes revenues on contracts by the completed contract method, except for those items whose contract amount is over 1 billion yen and whose term of construction is over one year in which cases the percentage of completion method is used.

Consolidated subsidiary located in the U.S.A recognizes revenues on all contracts by the percentage of completion method.

(s) Income Taxes

The Company provides income taxes at the amounts currently payable based on taxable income for tax purposes that may be different from income for the accounting purposes. The Company recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(t) Cash Flow Statement

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of December 31, 2007 and 2006 were as follows:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and time deposits	¥21,499,164	¥28,827,361	$188,325
Less : Time deposits with maturities exceeding three months	¥(55,607)	—	$(487)
Cash and cash equivalents	¥21,443,557	¥28,827,361	$187,838

2. Inventories

Inventories as of December 31, 2007 and 2006 consisted of the following:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2007	2006	2007
Raw materials	¥53,745	¥2,039,603	$471
Costs of uncompleted contracts	2,755,851	478,596	24,140
	¥2,809,596	¥2,518,199	$24,611

3. Marketable Securities and Investment Securities

(a) The following tables summarize acquisition costs, book values (fair values) of securities with available fair values as of December 31, 2007 and 2006

	Thousands of Japanese Yen		
2007	Acquisition cost	Book value	Differences
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥180,972	¥202,192	¥21,220
Total	¥180,972	¥202,192	¥21,220

	Thousands of Japanese Yen		
2006	Acquisition cost	Book value	Differences
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥310,587	¥1,633,216	¥1,322,629
Total	¥310,587	¥1,633,216	¥1,322,629

	Thousands of U.S. dollars		
2007 ：	Acquisition cost	Book value	Differences
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	$1,585	$1,771	$186
Total	$1,585	$1,771	$186

(b) Proceeds from the sales of available-for-sale securities and realized gains on the sales of available-for-sale securities for the years ended December 31, 2007 and 2006, were as follows:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2007	2006	2007
Proceeds from sales of available-for-sale securities:	¥ 933,180	—	$ 8,174
Realized gains on sales of available-for-sale securities:	781,003	—	6,841

(c) The following table summarizes book values of securities with no available fair values as of December 31, 2007 and 2006

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2007	2006	2007
Available-for-sale securities:			
Unlisted equity securities	¥ 200,111	¥ 200,111	$ 1,753
Investments in non-consolidated subsidiaries and affiliates:	15,115,383	9,293,885	132,405
Total	¥15,315,494	¥9,493,996	$134,158

4. Goodwill

Goodwill included in intangible assets as of December 31, 2007 and 2006 were ¥7,901,590 thousand ($69,215 thousand) and ¥7,238,064 thousand, respectively.

5. Loans Payable

Short-term loans payable represent notes payable to banks due generally in twelve months and bearing an average interest rate of 5.8% and 6.1% as of December 31, 2007 and 2006, respectively.

Long-term loans payable as of December 31, 2007 and 2006 are summarized below:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2007	2006	2007
Loans from banks and others, at average rate of 5.4% due through 2009	¥27,657,910	¥15,777,929	$242,273
Less: Current portion included in current liabilities	(13,565,629)	(2,955,844)	(118,830)
	¥14,092,281	¥12,822,085	$123,443

The aggregate annual maturities of long-term loans payable are summarized below:

Year ended December 31,	Thousands of Japanese Yen	Thousands of U.S. dollars
2008	¥13,565,629	$ 118,830
2009	14,092,281	123,443
	¥27,657,910	$242,273

6. Lending Commitment

The Company has a commitment line provided by co-financing consisted of five correspondent financial institutions for the purpose of efficient providing operating funds. The commitment line amount is $150,000 thousand, and the amount of loans as of December 31, 2007 is $91,660 thousand.

7. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under The Japanese Corporate Law (“the Law”), in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on March 28, 2008, the shareholders approved cash dividends amounting to ￥280,558 thousand ($2,457 thousand). Such appropriations have not been accrued in the consolidated financial statements as of December 31, 2007. Such appropriations are recognized in the period in which they are approved by the shareholders.

8. Per Share Data

Net income per share is calculated based on the weighted average number of shares of common stock outstanding during the fiscal year.

Diluted net income per share reflects the effect of potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. There is no outstanding potential common stock for the year ended December 31, 2007 and 2006.

9. Severance and Retirement Benefits for Employees

The severance and retirement benefits for employees included in the liability section of the consolidated balance sheets as of December 31, 2007 and 2006 consisted of the following:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation	¥310,224	¥125,594	$2,717
Severance and retirement benefits for employees	¥310,224	¥125,594	$2,717

The projected benefit obligation of subsidiaries located in the U.S.A as of December 31, 2007 is ¥168,745 thousand ($1,478 thousand), which is included in the table above.

Severance and retirement benefit expenses included in the consolidated statements of income for the years ended December 31, 2007 and 2006 were comprised of the following:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2007	2006	2007
Service costs – benefits earned during the year	¥198,234	¥23,099	$1,736
Others	28,237	27,346	248
Severance and retirement benefit expenses	¥226,471	¥50,445	$1,984

The service cost of subsidiaries located in the U.S.A for the year ended December 31, 2007 is ¥168,745 thousand ($1,478 thousand), which is included in the table above.

10. Research and Development Costs

Costs relating to research and development activities charged to income for the years ended December 31, 2007 and 2006 are ¥268,004 thousand ($2,348 thousand) and ¥18,586 thousand, respectively.

11. Impairment loss on property, equipment and intangible assets

Impairment loss on property, equipment and intangible assets for the year ended December31, 2007 consisted of the following:

Location	Use	Type of asset
LANGSA field North of Smatra Island Indonesia	Mining rights	Intangible asset

The business assets are grouped by each company and idle assets are by individual assets. FPSO/FSOs and Mining Rights which are considered smallest independent cash generating units, are grouped by individual assets.

MODEC PRODUCTION (LANGSA) PTE, LTD. (“MPL”), a consolidated overseas subsidiary, owns a share of the mining rights of the LANGSA field. In 2007, MEDCO MOECO LANGSA LTD, the operator of the oilfield, drilled new oil wells in the field aiming for higher production levels. However, the resulting production has not met expectations, and as the outlook of future production is unclear, MPL reduced the carrying amount of the mining rights to the recoverable amount and recognized the reduced value as impairment loss of ¥2,064,544 thousand ($18,085 thousand) for the ‘year ended December 31, 2007.

MPL measured the value in use as the recoverable amount, calculated by discounting future cash flows at an interest rate of 5.33%.

12. Income Taxes

The normal statutory income tax rates in Japan arising out of the aggregation of corporate, enterprise and inhabitants taxes are 41% for the year ended December 31, 2007 and 2006.

The following table summarizes the significant differences between the statutory tax rate and the Company and its consolidated subsidiaries' effective tax rate for financial statement purposes for the years ended December 31, 2007 and 2006:

	2007	2006
Statutory tax rate	41.0%	41.0%
Non-deductible expenses for tax purposes	0.3	0.3
Offset of dividends from overseas consolidated subsidiaries	0.4	10.1
Non-deductible income excluded from accounting purposes	(0.3)	(4.9)
Deductible expenses excluded from accounting purposes	(4.4)	(3.5)
Income of foreign subsidiaries taxed at lower than Japanese normal rate	(0.6)	(3.8)
Credit for foreign taxes	(0.6)	(6.5)
Tax loss carry forward	0.9	2.6
Equity in earning of affiliates and unconsolidated subsidiaries	(12.0)	(9.9)
Non-deductible withholding tax (foreign tax)	3.0	–
Income taxes for prior periods	1.0	–
Undistributed profits in a tax heaven	–	0.2
Others	0.2	(1.7)
Effective tax rate	28.9%	23.9%

Significant components of deferred tax assets and liabilities as of December 31, 2007 and 2006 were as follows:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Current assets:			
Enterprise tax payable	¥ 142,324	¥ 146,366	$1,247
Accrued employees' bonuses	153,905	29,717	1,348
Provision for product warranty	359,245	286,307	3,147
Undistributed profits in a tax haven	31,999	—	280
Foreign exchange losses	96,171	93,038	842
Others	170,132	76,623	1,491
Sub total	953,776	632,051	8,355
Valuation Allowance	—	(27,397)	—

Offset to deferred tax liabilities (short-term)	(69,844)	(269,649)	(612)
Total	883,932	335,005	7,743
Fixed assets:			
Unrealized inter-company profit on fixed assets	1,807,852	1,339,169	15,836
Tax loss carry forward	274,530	488,310	2,405
Loss on valuation of golf membership	18,662	20,549	163
Severance and retirement benefits for employees	58,006	51,494	508
Severance and retirement benefits for directors and corporate auditors	108,930	77,765	954
Temporary difference for investments in subsidiaries	882,023	—	7,726
Depreciation	53,004	—	464
Others	8,558	145,527	76
Sub total	3,211,565	2,122,814	28,132
Valuation allowance	(293,192)	(508,859)	(2,568)
Offset to deferred tax liabilities (long-term)	(315,603)	(274,786)	(2,765)
Total	2,602,770	1,339,169	22,799
Total deferred tax assets	¥3,486,702	¥1,674,174	$30,542
Deferred tax liabilities:			
Current liabilities:			
Reduction of tax rate in foreign subsidiaries	¥ (7,538)	¥ (7,941)	$(66)
Others	(69,844)	(269,649)	(612)
Sub total	(77,382)	(277,590)	(678)
Offset to deferred tax assets (short-term)	69,844	269,649	612
Total	(7,538)	(7,941)	(66)
Long-term liabilities:			
Finance lease	(308,697)	(691,522)	(2,704)
Depreciation	(1,677,718)	(2,140,375)	(14,696)
Net unrealized holding gains on securities	(8,700)	(542,278)	(76)
Difference on percentage-of-completion method	(218,656)	—	(1,916)
Others	(5,166)	(67,748)	(46)
Sub total	(2,218,937)	(3,441,923)	(19,438)
Offset to deferred tax assets (long-term)	315,603	274,786	2,765
Total	(1,903,334)	(3,167,137)	(16,673)
Total deferred tax liabilities	(1,910,872)	(3,175,078)	(16,739)
Net deferred tax liabilities	¥1,575,830	¥(1,500,904)	$(13,803)

13. Contingent Liabilities and Commitments

As of December 31, 2007 and 2006, the Company was contingently liable for the following:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2007	2006	2007
Guarantees of bank loans and other indebtedness for unconsolidated subsidiaries and affiliates	¥15,427,317	¥3,762,137	$135,138
Guarantees of currency swap contracts for unconsolidated subsidiaries and affiliates	¥(1,293,596)	—	$(11,331)

The amounts of guarantees of currency swap contracts for unconsolidated subsidiaries and affiliates represent fair values of the swap contracts.

14. Leases

(a) As Lessee

i) Information on a "as if capitalized" basis of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases and depreciation equivalent of finance leases that do not transfer ownership of the leased property to the lessee for the years ended December 31, 2007 and 2006, were as follows:

	Thousands of Japanese Yen	
2007:	Buildings and equipment	Total
Acquisition cost	¥3,100	¥3,100
Accumulated depreciation	(2,893)	(2,893)
Net leased property	¥ 207	¥ 207

	Thousands of Japanese Yen	
2006:	Buildings and equipment	Total
Acquisition cost	¥9,700	¥9,700
Accumulated depreciation	(8,873)	(8,873)
Net leased property	¥ 827	¥ 827

	Thousands of U.S. dollars	
2007:	Buildings and equipment	Total
Acquisition cost	$27	$27
Accumulated depreciation	(25)	(25)
Net leased property	$ 2	$ 2

ii) Obligations under finance leases:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 236	¥ 707	$2
Due after one year	-	412	-
Total	¥ 236	¥1,119	$2

iii) Annual lease payments and depreciation equivalent:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2007	2006	2007
Annual lease payments	¥707	¥906	$6
Depreciation equivalent	620	803	5
Interest expense equivalent	30	65	0

Depreciation equivalent is computed by a straight-line method over the lease period with no residual value. The difference between total lease payments and acquisition costs under finance leases is recognized as interest expense equivalent, which is allocated to relevant accounting period based on the interest method.

(b) As Lessor

Future lease receivables from operating lease transactions as of December 31, 2007 and 2006, were as follows:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	—	¥920,559	—
Due after one year	—	—	—
Total	—	¥920,559	—

15. <u>Derivative Transactions of the Company and its Consolidated Subsidiaries</u>

The Company and its consolidated subsidiaries utilize forward foreign currency contracts in order to hedge currency fluctuation risks arising from export of products in addition to hedging through increases in overseas production and overseas procurement of materials.

The Company and its consolidated subsidiaries also utilize interest rate swaps as derivative transactions in order to hedge interest rate risks of bonds and loans payable.

As the derivative transactions are made solely with leading financial institutions, the Company and its consolidated subsidiaries do not expect any credit risks.

The Company follows its internal regulations for derivatives, which stipulates the policy, objective, scope, organization, procedures, and financial institutions to deal with, and has a reporting system for derivative transactions reflecting proper internal control functions.

The following summarizes hedging derivative financial instruments used and items hedged:

Hedging instruments:	Hedged items:
Foreign exchange forward contracts	Foreign currency receivables and payables including future transactions
Currency swap contracts	Foreign currency receivables and payables
Interest rate swap contracts	Foreign currency bonds and loans payable

The Company evaluates hedge effectiveness on a semi-annual basis by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items with the corresponding changes in the hedging derivative instruments.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Some consolidated overseas subsidiaries adopt hedge accounting in accordance with U.S.GAAP.

The following tables summarize market value information as of December 31, 2007 and 2006 of derivative transactions for which hedge accounting has not been applied:

	Thousands of Japanese Yen			
	Notional amount			
2007:	Total	Due after one year	Market value	Unrealized gain (loss)
Currency related derivatives:				
Foreign exchange forward contracts:				
To sell U.S. dollars	¥15,666,712	–	¥16,130,746	¥(464,034)
				¥(464,034)
Foreign currency option contracts:				
Purchased call option	¥2,301,168	¥230,117	¥41,058	¥41,058
Written put option	1,179,903	115,058	(46,321)	(46,321)
				¥(5,263)

	Thousands of Japanese Yen			
	Notional amount			
2006:	Total	Due after one year	Market value	Unrealized gain (loss)
Currency related derivatives:				
Foreign exchange forward contracts:				
To sell U.S. dollars	¥18,686,396	–	¥18,693,247	¥6,851
				¥6,851

	Thousands of U.S. dollars			
	Notional amount			
2007:	Total	Due after one year	Market value	Unrealized gain (loss)
Currency related derivatives:				
Foreign exchange forward contracts:				
To sell U.S. dollars	$137,235	–	$141,299	$(4,065)
				$(4,065)
Foreign currency option contracts:				
Purchased call option	$20,157	$2,016	$360	$360
Written put option	10,336	1,008	(406)	(406)
				$ (46)

16. Segment Information

Industry segment information for the years ended December 31, 2007 and 2006 is not disclosed because the Company and its consolidated subsidiaries operate a single business relevant to floating production facilities.

Geographical segment information by area for the years ended December 31, 2007 and 2006 is as follows:

	Thousands of Japanese Yen							
2007:	Japan	Asia	Central and South America	North America	Others	Total	Corporate and Elimination	Consolidated
Sales:								
Outside customers	¥55,699,571	¥ 8,582;684	¥ 1,746,752	¥77,199,193	812,701	¥144,040,901	–	¥ 144,040,901
Inter segment	1,800,180	398,781	–	8,055,126	–	10,254,087	¥ (10,254,087)	–
Total	57,499,751	8,981;465	1,746,752	85,254,319	812,701	154,294,988	(10,254,087)	144,040,901
Operating expenses	52,683,212	8,781,470	1,510,701	84,003,490	687,210	147,666,083	(10,585,106)	137,080,977
Operating profit	¥ 4,816,539	199,995	236,051	1,250,829	125,491	6,628,905	331,019	6,959,924
Assets	¥83,305,186	¥10,703,924	¥6,284,134	¥42,932,423	¥16,308,200	¥159,533,868	¥ (25,799,716)	¥133,734,152

2006:	Thousands of Japanese Yen							
	Japan	Asia	Central and South America	North America	Others	Total	Corporate and Elimination	Consolidated
Sales:								
Outside customers	¥27,524,177	¥ 6,969,218	¥ 2,204,392	¥62,451,547	–	¥99,149,334	–	¥ 99,149,334
Inter segment	1,375,504	–	–	1,152,685	–	2,528,189	¥ (2,528,189)	–
Total	28,899,681	6,969,218	2,204,392	63,604,232	–	101,677,523	(2,528,189)	99,149,334
Operating expenses	27,001,126	6,667,815	1,451,382	63,133,327	¥ 47,962	98,301,612	(2,646,682)	95,654,930
Operating profit	¥ 1,898,555	301,403	753,010	470,905	(47,962)	3,375,911	118,493	3,494,404
Assets	¥85,264,440	¥8,357,130	¥8,909,224	¥31,359,747	¥4,188,855	¥138,079,396	¥ (14,729,144)	¥123,350,252

2007:	Thousands of U.S. dollars							
	Japan	Asia	Central and South America	North America	Others	Total	Corporate and Elimination	Consolidated
Sales:								
Outside customers	$487,908	$75,181	$15,301	$676,237	$7,119	$1,261,746	–	$1,261,746
Inter segment	15,769	3,493	–	70,560	–	89,822	$(89,822)	–
Total	503,677	78,674	15,301	746,797	7,119	1,351,568	(89,822)	1,261,746
Operating expenses	461,486	76,922	13,233	735,840	6,020	1,293,501	(92,722)	1,200,779
Operating profit	$ 42,191	$ 1,752	$ 2,068	$ 10,957	$1,099	$ 58,067	$ 2,900	$ 60,967
Assets	$729,723	$93,762	$55,047	$376,072	$142,854	$1,397,459	$(225,997)	$1,171,462

The overseas sales of the Company and its consolidated subsidiaries for the years ended December 31, 2007 and 2006 consisted of the following:

2007:	Thousands of Japanese Yen						
	Asia	Africa	Oceania	Central and South America	North America	Other	Total
Overseas sales	¥19,851,863	¥3,847,376	¥39,178,399	¥43,003,318	¥37,451,000	¥496,405	¥143,828,361
Consolidated sales	—	—	—	—	—	—	¥144,040,901
The ratio of consolidated sales	13.8%	2.7%	27.2%	29.9%	26.0%	0.3%	99.9%

2006:	Thousands of Japanese Yen						
	Asia	Africa	Oceania	Central and South America	North America	Other	Total
Overseas sales	¥11,530,157	¥5,535,961	¥22,366,557	¥45,345,362	¥14,353,053	—	¥99,131,090
Consolidated sales	—	—	—	—	—	—	¥99,149,334
The ratio of consolidated sales	11.6%	5.6%	22.6%	45.7%	14.5%	—	100.0%

2007:	Thousands of U.S. dollars Asia	Africa	Oceania	Central and South America	North America	Other	Total
Overseas sales	$173,895	$33,702	$343,189	$376,693	$328,057	$4,348	$1,255,536
Consolidated sales	—	—	—	—	—	—	$1,261,746
The ratio of consolidated sales	13.8%	2.7%	27.2%	29.9%	26.0%	0.3%	99.9%

17. **Related Party Transactions**

Significant related party transactions and corresponding balances between the Company and unconsolidated subsidiaries and affiliates for the year ended December 31, 2007 and 2006 are as follows:

		Thousands of Japanese Yen		Thousands of U.S. dollars
Related party	Transactions	2007	2006	2007
Jasmine FPSO PTE LTD.	Disbursement of loan for working capital	—	¥606,321	—
MODEC FPSO B.V.	Construction of FPSO	—	27,178	—
MODEC FPSO B.V.	Guarantees of bank loans	—	347,213	—
MODEC Venture 11 B.V.	Guarantees of bank loans	343,137	—	3,006
MODEC Venture 11 B.V.	Guarantees of performance	684,960	—	6,000
Rong Doi MV12 PTE LTD.	Construction of FSO	—	4,155,358	—
Rong Doi MV12 PTE LTD.	Disbursement of loan for capital expenditure	—	2,480,642	—
Rong Doi MV12 PTE LTD.	Guarantees of bank loans	2,952,584	3,414,923	25,864
Espadarte MV14 B.V.	Construction of FPSO	4,074,822	275,763	35,694
Espadarte MV14 B.V.	Disbursement of loans for capital expenditure	2,795,793	2,757,952	24,490
Espadarte MV14 B.V.	Collection of loans for capital expenditure	13,943,826	—	122,143
Espadarte MV14 B.V.	Interest Income	542,401	—	4,751
PRA-1 MV15 B.V.	Construction of FSO	4,983,076	221,645	43,650
PRA-1 MV15 B.V.	Disbursement of loan for capital expenditure	2,385,137	3,281,342	20,893
PRA-1 MV15 B.V.	Collection of loans for capital expenditure	2,746,848	—	24,061
PRA-1 MV15 B.V.	Interest Income	750,210	—	6,572
Stybarrow MV16 B.V.	Construction of FPSO	14,287,189	20,386,042	125,151
Stybarrow MV16 B.V.	Disbursement of loans for capital expenditure	2,788,134	6,735,806	24,423
Stybarrow MV16 B.V.	Interest Income	637,521	—	5,584

IMC-MODEC JV 1 INC.	Disbursement of loans for capital expenditure	1,634,747	392,500	14,320
Rang Dong MV17 B.V.	Construction of FSO	—	1,729,317	—
Rang Dong MV17 B.V.	Collection of loans	3,157,348	—	27,657
Rang Dong MV17 B.V.	Guarantees of performance	1,141,600	—	10,000
Opportunity MV18 B.V.	Construction of FSO	27,545,319	—	241,287
Opportunity MV18 B.V.	Disbursement of loans for capital expenditure	19,207,929	—	168,254
Opportunity MV18 B.V.	Collection of loans for capital expenditure	9,560,590	—	83,747
Opportunity MV18 B.V.	Guarantees of performance	8,162,440	—	71,500
Song Doc MV19 B.V.	Construction of FSO	6,989,599	—	61,226
Song Doc MV19 B.V.	Disbursement of loans for capital expenditure	3,036,295	—	26,597

		Thousands of Japanese Yen		Thousands of U.S. dollars
Related party	Balances	2007	2006	2007
Jasmine FPSO PTE LTD.	Long-term loans receivable	—	¥1,368,370	—
MODEC FPSO B.V.	Accounts receivable - trade	1,343,709	1,890,290	11,770
MODEC FPSO B.V.	Long-term loans receivable	1,912,180	1,995,260	16,750
MODEC VENTURE 10 B.V.	Long-term loans receivable	2,283,200	2,382,400	20,000
MODEC VENTURE 11 B.V.	Long-term loans receivable	1,246,627	1,300,790	10,920
Rong Doi MV12 PTE LTD.	Accounts receivable - trade	—	17,117	—
Rong Doi MV12 PTE LTD.	Short-term loans receivable	—	30,769	—
Espadarte MV 14 B.V.	Short-term loans receivable	—	14,268,398	—
Espadarte MV14 B.V.	Long-term loans receivable	2,637,096	—	23,100
Espadarte MV14 B.V.	Accounts receivable - trade	662,762	—	5,806
Espadarte MV14 B.V.	Accrued interest income	15,823	—	139
PRA-1 MV 15 B.V.	Accounts receivable - trade	298,865	—	2,618
PRA-1 MV 15 B.V.	Short-term loans receivable	9,523,194	12,000,926	83,420
PRA-1 MV 15 B.V.	Long-term loans receivable	1,618,218	—	14,175
PRA-1 MV 15 B.V.	Accrued interest income	220,766	—	1,934
Stybarrow MV16 B.V.	Accounts receivable - trade	4,767,165	617,060	41,759
Stybarrow MV16 B.V.	Short-term loans receivable	9,727,975	—	85,214
Stybarrow MV16 B.V.	Accrued interest income	7,350	—	64
Stybarrow MV16 B.V.	Long-term loans receivable	—	6,735,806	—
IMC-MODEC JV 1 INC. LTD.	Short-term loans receivable	—	1,274,703	—
Rang Dong MV17 B.V.	Accounts receivable – trade	—	1,729,317	—
Rang Dong MV17 B.V.	Long-term loans receivable	2,545,297	—	22,296
Opportunity MV18 B.V.	Accounts receivable – trade	6,402,624	—	56,085
Opportunity MV18 B.V.	Short-term loans receivable	8,856,306	—	77,578
Song Doc MV19 B.V.	Short-term loans receivable	2,431,736	—	21,301