MODEC, INC. and Consolidated Subsidiaries

Consolidated Financial Statements

As of December 31, 2009 and 2008

Together with Independent Auditors’ Report

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 2009 and 2008

A S S E T S

	Millions of Japanese yen		Thousands of U.S. dollars
	2009	2008	2009
CURRENT ASSETS:			
Cash and time deposits	¥ 31,505	¥ 45,082	$ 342,078
Accounts receivable – trade (Note 17)	86,704	21,080	941,416
Inventories (Note 2)	833	577	9,047
Short-term loans receivable (Note 17)	2,047	28,719	22,221
Deferred tax assets (Note 12)	3,532	1,742	38,347
Other current assets (Note 17)	3,216	3,942	34,920
Less- Allowance for bad debts	(104)	(3)	(1,134)
Total current assets	127,733	101,139	1,386,895
PROPERTY AND EQUIPMENT:			
Buildings and structures	148	148	1,605
Machinery and equipment	1,767	1,553	19,187
Vessel (Note 11)	876	6,295	9,516
Construction in progress	—	1,028	—
Less- Accumulated depreciation	(1,275)	(4,590)	(13,847)
Net property and equipment	1,516	4,434	16,461
INTANGIBLE ASSETS (Note 4)	7,272	10,242	78,960
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	14,694	11,692	159,544
Long-term loans receivable	12	—	125
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies (Note 17)	14,281	10,984	155,062
Deferred tax assets (Note 12)	1,651	2,887	17,929
Other investments	1,209	740	13,128
Less- Allowance for bad debts	(3)	(2)	(35)
Total investments and other assets	31,844	26,301	345,753
Total assets	¥ 168,365	¥ 142,116	$ 1,828,069

LIABILITIES AND NET ASSETS

	Millions of Japanese yen		Thousands of U.S. dollars
	2009	2008	2009
CURRENT LIABILITIES:			
Accounts payable – trade	¥ 56,145	¥ 33,903	$ 609,605
Short-term loans payable (Notes 5 and 6)	27,180	27,602	295,115
Current portion of long-term loans payable (Note 5)	16,147	8,458	175,322
Accrued expenses	3,295	2,387	35,774
Income taxes payable	764	476	8,300
Provision for product warranty	2,335	932	25,348
Accrued Employees' Bonuses	73	52	792
Accrued Directors' Bonuses	14	—	147
Advances Received	2,014	15,600	21,872
Deferred tax liabilities (Note 12)	30	33	329
Other Provisions	28	—	304
Other current liabilities	2,511	1,762	27,263
Total current liabilities	110,536	91,205	1,200,171
LONG-TERM LIABILITIES:			
Long-term loans payable (Note 5)	13,473	6,962	146,283
Severance and retirement benefits for employees (Note 9)	147	150	1,594
Deferred tax liabilities (Note 12)	758	884	8,234
Long-term accounts payable	412	412	4,475
Other long-term liabilities	2,965	1,825	32,200
Total long-term liabilities	17,755	10,233	192,786
CONTINGENT LIABILITIES (Note 13)			
NET ASSETS :			
SHAREHOLDERS' EQUITY (Note 7):			
Common stock;			
Authorized – 102,868,000 shares			
Issued – 37,408,000 shares	12,392	12,392	134,545
Capital surplus	13,122	13,122	142,472
Retained earnings	19,249	17,876	209,008
Treasury stock, at cost	(2)	(2)	(19)
Total shareholders' equity	44,761	43,388	486,006
ACCUMULATED LOSSES FROM VALUATION AND TRANSLATION ADJUSTMENTS			
Net unrealized holding losses on securities	(7)	(28)	(71)
Unrealized losses on hedging derivatives,net of tax	(1,327)	(213)	(14,415)
Foreign currency translation adjustments	(5,191)	(5,976)	(56,365)
Total accumulated losses from valuation and translation adjustments	(6,525)	(6,217)	(70,851)
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	1,838	3,507	19,957
Total net assets	40,074	40,678	435,112
Total liabilities and net assets	¥ 168,365	¥ 142,116	$ 1,828,069

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

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2009 and 2008

	Millions of Japanese yen		Thousands of U.S. dollars
	2009	2008	2009
SALES (Note 17)	¥ 204,226	¥ 143,669	$ 2,217,436
COST OF SALES	192,677	130,932	2,092,039
Gross profit	11,549	12,737	125,397
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	7,380	10,763	80,130
Operating profit	4,169	1,974	45,267
OTHER INCOME (EXPENSES):			
Interest income and dividend income (Note 17)	1,406	2,646	15,272
Interest expense	(774)	(1,557)	(8,408)
Foreign exchange loss, net	(68)	(1,998)	(736)
Gain on revaluation of derivatives	448	—	4,867
Equity in earnings of affiliates and unconsolidated subsidiaries	2,362	1,582	25,649
Maintenance cost for idle assets	(437)	—	(4,749)
Gain on sale of intangible assets	140	—	1,517
Loss on disposal of property and equipment	(450)	(2)	(4,889)
Impairment loss on property and equipment (Note 11)	(2,701)	—	(29,330)
Loss on devaluation of investment securities	(66)	—	(719)
Loss on liquidation of affiliates	(65)	—	(706)
Other, net	347	(118)	3,775
Total other income (expenses)	142	553	1,543
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	4,311	2,527	46,810
INCOME TAXES (Note 12):			
Current	2,236	2,649	24,275
Deferred	(174)	(1,713)	(1,886)
INCOME BEFORE MINORITY INTERESTS	2,249	1,591	24,421
MINORITY INTERESTS	(164)	233	(1,784)
NET INCOME	¥ 2,413	¥ 1,358	$ 26,205

	Japanese yen		U.S. dollars
Net income per share (Note 8)	¥64.52	¥36.30	$0.70
Dividends per share (Note 8)	¥20.00	¥17.50	$0.22

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, 2009 and 2008

Millions 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 shareholders' equity	Net unrealized holding gains (losses) 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, 2007	12,392	13,122	17,420	(1)	42,933	13	(114)	314	213	4,886	48,032
Net income			1,358		1,358				–		1,358
Cash dividends paid			(608)		(608)				–		(608)
Purchases of treasury stock				(1)	(1)				–		(1)
Decrease due to changes in fair market values of available-for-sale securities					–	(41)			(41)		(41)
Unrealized losses on hedging derivatives, net of tax					–		(99)		(99)		(99)
Adjustments from translation of foreign currency financial statements					–			(6,290)	(6,290)		(6,290)
Decrease in minority interests in consolidated subsidiaries					–				–	(1,379)	(1,379)
Others			(294)		(294)				–		(294)
Balance at December 31, 2008	12,392	13,122	17,876	(2)	43,388	(28)	(213)	(5,976)	(6,217)	3,507	40,678
Net income			2,413		2,413				–		2,413
Cash dividends paid			(701)		(701)				–		(701)
Purchases of treasury stock				(0)	(0)				–		(0)
Decrease due to change in accounting policies to overseas subsidiaries			(659)		(659)				–		(659)
Increase due to changes in fair market values of available-for-sale securities					–	21			21		21
Unrealized losses on hedging derivatives, net of tax					–		(1,114)		(1,114)		(1,114)
Adjustments from translation of foreign currency financial statements					–			785	785		785
Decrease in minority interests in consolidated subsidiaries					–				–	(1,669)	(1,669)
Others			320		320				–		320
Balance at December 31, 2009	12,392	13,122	19,249	(2)	44,761	(7)	(1,327)	(5,191)	(6,525)	1,838	40,074

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 (losses) 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, 2008	134,545	142,472	194,096	(18)	471,095	(301)	(2,307)	(64,886)	(67,494)	38,073	441,674
Net income			26,205		26,205				－		26,205
Cash dividends paid			(7,616)		(7,616)				－		(7,616)
Purchases of treasury stock				(1)	(1)				－		(1)
Decrease due to change in accounting policies to overseas subsidiaries			(7,159)		(7,159)				－		(7,159)
Decrease due to changes in fair market values of available-for-sale securities					－	230			230		230
Unrealized losses on hedging derivatives, net of tax					－		(12,108)		(12,108)		(12,108)
Adjustments from translation of foreign currency financial statements					－			8,521	8,521		8,521
Decrease in minority interests in consolidated subsidiaries					－				－	(18,116)	(18,116)
Others			3,482		3,482				－		3,482
Balance at December 31, 2009	134,545	142,472	209,008	(19)	486,006	(71)	(14,415)	(56,365)	(70,851)	19,957	435,112

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, 2009 and 2008

	Millions of Japanese yen		Thousands of U.S. dollars
	2009	2008	2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 4,311	¥ 2,527	$ 46,810
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,380	1,619	14,989
Amortization of goodwill	264	26	2,870
Provision for (reversal of) allowance for bad debts	103	(7)	1,113
Provision for (reversal of) severance and retirement benefits for employees	(4)	9	(40)
Accrued directors' bonuses	14	—	147
Provision for (reversal of) product warranty	1,392	(89)	15,118
Interest income and dividend income	(1,407)	(2,646)	(15,272)
Interest expense	774	1,557	8,408
Foreign exchange losses (gains)	(40)	1,250	(437)
Gain on revaluation of derivatives	(448)	—	(4,867)
Equity in earnings of affiliates and unconsolidated subsidiaries	(2,362)	(1,582)	(25,649)
Loss on devaluation of investment securities	66	—	719
Loss on liquidation of affiliates	65	—	706
Impairment loss on property and equipment	2,701	—	29,330
Gain on sale of intangible assets	(140)	—	(1,517)
Changes in assets and liabilities:			
Decrease (Increase) in			
– Accounts receivable - trade	(66,123)	13,731	(717,952)
– Inventories	(267)	1,986	(2,909)
Increase (Decrease) in			
– Accounts payable - trade	23,522	12,840	255,395
– Consumption tax payable	(2)	(25)	(17)
– Long-term accounts payable	—	147	—
Other, net	721	1,963	7,818
	(35,480)	33,306	(385,237)
Interest and dividend received	1,445	2,222	15,689
Interest paid	(1,288)	(1,906)	(13,986)
Income taxes paid	(1,776)	(4,827)	(19,276)
Net cash provided by (used in) operating activities	¥ (37,099)	¥ 28,795	$ (402,810)

	Millions of Japanese yen		Thousands of U.S. dollars
	2009	2008	2009
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment and intangible assets	¥ (992)	¥ (2,817)	$ (10,768)
Purchases of investments in affiliates	(2,010)	(9)	(21,829)
Decrease (Increase) in short-term loans receivable	21,821	(17,848)	236,923
Disbursement of long-term loans receivable	(5,176)	(2,928)	(56,195)
Collection of long-term loans receivable	7,970	15,326	86,540
Purchases of investment in subsidiaries	(3)	(90)	(30)
Proceeds from capital reduction in affiliates	—	1,678	—
Other, net	365	(272)	3,954
Net cash provided by (used in) investing activities	21,975	(6,960)	238,595
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (Decrease) in short-term loans payable	(6,013)	13,828	(65,290)
Proceeds from long-term loans payable	15,555	8,869	168,887
Repayment of long-term loans payable	(8,535)	(16,611)	(92,675)
Proceeds from minority interests payment	—	13	—
Cash dividends paid	(700)	(608)	(7,603)
Cash dividends paid to minority interests	(584)	—	(6,326)
Other, net	(0)	(1)	(1)
Net cash provided by (used in) financing activities	(277)	5,490	(3,008)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,183	(4,051)	23,702
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,218)	23,274	(143,521)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	44,718	21,444	485,540
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	5	—	59
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥31,505	¥44,718	$ 342,078

The accompanying notes are an integral part of these statements.

MODEC, Inc. and Consolidated Subsidiaries

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 ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of the Company's 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 descriptions 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, 2009, which was ¥92.1 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 22 of its subsidiaries for the year ended December 31, 2009 and 21 of its subsidiaries for the year ended December 31, 2008. Material inter-company balances, transactions and profits have been eliminated in consolidation.

Investments in significant unconsolidated subsidiaries and affiliates, which were 14 companies for the year ended December 31, 2009 and 16 companies for the year ended December 31, 2008 were accounted for by using the equity method.

Another 3 subsidiaries for the year ended December 31, 2009 were not consolidated or not applied equity method as they would not have a material effect on the accompanying consolidated financial statements.

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.

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 (“trading securities”), (b) debt securities intended to be held to maturity (“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 (“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 investment 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 (Balance sheet value reflects downturn in profitability).

(Changes of accounting policies)
Raw materials and costs of uncompleted contracts were previously accounted for using the individually identified cost method.
Effective from the year ended December 31, 2009, the Company adopted the new accounting standard, "Accounting Standard for Measurement of Inventories" (Statement No.9, issued by the Accounting Standards Board of Japan on July 5, 2006). Raw materials and costs of uncompleted contracts are accounted for using individually identified cost method (Balance sheet value reflects downturn in profitability).
This adoption had no effect on the financial statements.

(g) Property and Equipment

Property and equipment are carried 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 are 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 corporation 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.

(Additional Information)

Pursuant to the revision of the Japanese Corporate Tax Law, as for the property and equipment acquired before April 1, 2007 and depreciated to their final limit, the residual values of them depreciated using the straight-line method in the following five fiscal years. 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 useful lives and residual values prescribed by the Japanese corporation tax laws and regulations.

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

(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 retirement 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.

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.

(Additional Information)
In the year ended December 31, 2008, the company abolished the severance and retirement benefits plan to directors and corporate auditors in accordance with a resolution of the general shareholders' meeting held on March 28, 2008. As a result, the amount to be paid was fixed and the provision was reclassified as long-term account payable at December 31, 2008.

(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) 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.

(q) 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.

(r) 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.

(s) 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, 2009 and 2008 were as follows:

	Millions of Japanese Yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and time deposits	¥31,505	¥45,082	$342,078
Less : Time deposits with maturities exceeding three months	—	¥(364)	—
Cash and cash equivalents	¥31,505	¥44,718	$342,078

(Changes of Accounting Policies)

(t) Accounting Standard for Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective from the year ended December 31, 2009, the Company and the consolidated subsidiaries adopted the new accounting standard, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No.18 issued by the Accounting Standards Board of Japan on May 17, 2006).

Due to this change, the Retained earnings of beginning of the year decreased by ¥659 million ($7,159 thousand) and the Minority Interests of beginning of the year decreased by ¥1,526 million ($16,571 thousand) and Operating Income and Income Before Income Taxes and Minority Interests decreased by ¥238 million ($2,582 thousand).

The impact on segment information is described in the corresponding pages.

(u) Accounting standards for lease transactions

Finance lease transactions that do not transfer ownership rights were previously accounted for in the same way as operating lease transactions.

Effective from the year ended December 31, 2009, the Company adopted the new accounting standard, "Accounting Standard for Lease Transactions" (Statement No. 13, issued by the Business Accounting Council on June 17, 1993, revised by the Accounting Standards Board of Japan on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No.16 issued by JICPA Accounting System Committee on January 18, 1994, revised by the Accounting Standards Board of Japan on March 30, 2007). These transactions are accounted in a similar manner as ordinary sale and purchase transactions.

This adoption had no effect on the financial statements.

2. Inventories

Inventories as of December 31, 2009 and 2008 consisted of the following:

	Millions of Japanese Yen		Thousands of U.S. dollars
	2009	2008	2009
Raw materials	¥36	¥54	$393
Costs of uncompleted contracts	797	523	8,654
	¥833	¥577	$9,047

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, 2009 and 2008

2009 :	Millions of Japanese Yen		
	Acquisition cost	Book value	Differences
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	—	—	—
Sub Total	—	—	—
Securities with book values not exceeding acquisition costs:			
Equity securities	¥115	¥104	¥(11)
Sub Total	115	104	(11)
Total	¥115	¥104	¥(11)

2008 :	Millions of Japanese Yen		
	Acquisition cost	Book value	Differences
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	—	—	—
Sub Total	—	—	—
Securities with book values not exceeding acquisition costs:			
Equity securities	¥181	¥134	¥(47)
Sub Total	181	134	(47)
Total	¥181	¥134	¥(47)

2009 :	Thousands of U.S. dollars		
	Acquisition cost	Book value	Differences
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	—	—	—
Sub Total	—	—	—
Securities with book values not exceeding acquisition costs:			
Equity securities	$1,246	$1,126	$(120)
Sub Total	1,246	1,126	(120)
Total	$1,246	$1,126	$(120)

(Remarks)
Acquisition cost represents after impaired amount, and valuation loss on investment securities of ¥66 million ($719 thousand) is recorded for the year ended December 31, 2009.

(b) The following table summarizes book values of securities with no available fair values as of December 31, 2009 and 2008

	Millions of Japanese Yen		Thousands of U.S. dollars
	2009	2008	2009
Available-for-sale securities:			
Unlisted equity securities	¥ 200	¥ 200	$ 2,173
Investments in unconsolidated subsidiaries and affiliates:	14,390	11,358	156,245
Total	¥14,590	¥11,558	$158,418

4. Goodwill

Goodwill included in intangible assets as of December 31, 2009 and 2008 were ¥3,673 million ($39,886 thousand) and ¥6,294 million, 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 1.0% and 2.9% as of December 31, 2009 and 2008, respectively.

Long-term loans payable as of December 31, 2009 and 2008 are summarized below:

	Millions of Japanese Yen		Thousands of U.S. dollars
	2009	2008	2009
Loans from banks and others due through 2017	¥29,620	¥15,420	$321,605
Less: Current portion included in current liabilities, at average rate of 1.0%	(16,147)	(8,458)	(175,322)
Loans from banks and others, at average rate of 1.1% due through 2017 (Excluding current portion)	¥13,473	¥6,962	$146,283

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

Year ended December 31,	Millions of Japanese Yen	Thousands of U.S. dollars
2010	¥16,147	$175,322
2011	5,405	58,691
2012	3,781	41,049
2013	1,866	20,263
2014	562	6,097
2015 and thereafter	1,859	20,183
	¥29,620	$321,605

6. Lending Commitment

The Company has a commitment line agreement with a syndicate of five financial institutions for the purpose of efficient providing operating funds. The commitment line amount is $110,000 thousand, and the amount of loans as of December 31, 2009 is $25,000 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 unconsolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on March 30, 2010, the shareholders approved cash dividends amounting to ￥374 million ($4,062 thousand). Such appropriations have not been accrued in the consolidated financial statements as of December 31, 2009. 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 years ended December 31, 2009 and 2008.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years.

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, 2009 and 2008 consisted of the following:

	Millions of Japanese Yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥147	¥150	$1,594
Severance and retirement benefits for employees	¥147	¥150	$1,594

Severance and retirement benefit expenses included in the consolidated statements of income for the years ended December 31, 2009 and 2008 consisted of the following:

	Millions of Japanese Yen		Thousands of U.S. dollars
	2009	2008	2009
Service costs – benefits earned during the year	¥37	¥39	$404
Others	30	29	324
Severance and retirement benefit expenses	¥67	¥68	$728

10. Research and Development Expenses

Research and development expenses included in selling, general and administration expenses were ¥703 million ($7,632 thousand) and ¥522 million for the years ended December 31, 2009 and 2008 respectively.

11. Impairment loss on property and equipment

Impairment loss on property and equipment assets for the year ended December31, 2009 consisted of the following.

Location	Use	Type of asset
Indonesia	FPSO	Vessel

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

ELANG EPS PTE LTD.("EEPL"), a consolidated overseas subsidiary, owns FPSO MODEC Venture 1 ("MV1"). After termination of first charter contract for MV1, EEPL stopped the operation temporarily and continued to maintain MV1 for a new charter contract. However, since the possibility of having a new charter contract is being lower and maintenance cost for MV1 is expected to be increasing, EEPL has concluded to have a plan to scrap MV1. In relation to that, EEPL has impaired the book value of MV1 up to recoverable amount and recognized the impairment loss of ¥2,701 million ($29,330 thousand) for the year ended December 31, 2009. The recoverable amount for this asset group was measured based on net selling price.

12. Income Taxes

The normal statutory income tax rate in Japan arising out of the aggregation of corporate, enterprise and inhabitants taxes are 41% for the years ended December 31, 2009 and 2008.
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 year ended December 31, 2009.

For fiscal 2008, a reconciliation is not required to be disclosed because the difference between the rates is less than 5%.

	2009
Statutory tax rate	41.0%
Difference of statutory tax rate between the Company and overseas subsidiaries	(2.1)
Tax loss carry forward	26.7
Equity in earning of affiliates and unconsolidated subsidiaries	(22.5)
Non-deductible withholding tax (foreign tax)	2.8
Others	1.9
Effective tax rate	47.8%

Significant components of deferred tax assets and liabilities as of December 31, 2009 and 2008 were as follows:

	Millions of Japanese Yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Current assets:			
Enterprise tax payable	¥ 13	¥ 30	$ 143
Accrued employees' bonuses	53	21	579
Provision for product warranty	454	329	4,932
Other Provisions	112	198	1,221
Tax loss carry forward	374	82	4,059
Undistributed profits in a tax haven	135	135	1,471
Foreign exchange losses	780	902	8,467
Loss on deferred hedge	404	92	4,382
Tax effect to the investment for the liquidated subsidiaries	1,453	—	15,776
Others	302	251	3,275
Sub total	4,080	2,040	44,305
Valuation Allowance	(135)	(135)	(1,471)
Offset to deferred tax liabilities (short-term)	(413)	(163)	(4,487)
Total	3,532	1,742	38,347
Fixed assets:			
Unrealized inter-company profit on fixed assets	1,922	2,262	20,868
Tax loss carry forward	1,390	758	15,090
Loss on valuation of golf membership	19	19	207
Severance and retirement benefits for employees	60	62	653
Long term account payable	169	169	1,835
Temporary difference for investment in subsidiaries	—	882	—
Other Provisions	170	—	1,845
Net unrealized holding losses on securities	5	19	50
Others	73	19	795
Sub total	3,808	4,190	41,343
Valuation allowance	(464)	(777)	(5,033)
Offset to deferred tax liabilities (long-term)	(1,693)	(526)	(18,381)
Total	1,651	2,887	17,929
Total deferred tax assets	¥5,183	¥4,629	$56,276

	Millions of Japanese Yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax liabilities:			
Current liabilities:			
Reduction of tax rate in overseas subsidiaries	—	¥ (25)	—
Temporary difference of foreign exchange gain in overseas subsidiaries	(132)	—	(1,430)
Others	(311)	(171)	(3,386)
Sub total	(443)	(196)	(4,816)
Offset to deferred tax assets (short-term)	413	163	4,487
Total	(30)	(33)	(329)
Long-term liabilities:			
Depreciation	(1,012)	(1,232)	(10,987)
Difference on percentage-of-completion method	(294)	(178)	(3,196)
Undistributed earnings of overseas subsidiaries	(1,072)	—	(11,635)
Others	(73)	—	(797)
Sub total	(2,451)	(1,410)	(26,615)
Offset to deferred tax assets (long-term)	1,693	526	18,381
Total	(758)	(884)	(8,234)
Total deferred tax liabilities	(788)	(917)	(8,563)
Net deferred tax assets	¥ 4,395	¥ 3,712	$ 47,713

13. Contingent Liabilities and Commitments

As of December 31, 2009 and 2008, the Company was contingently liable for the following:

	Millions of Japanese Yen		Thousands of U.S. dollars
	2009	2008	2009
Guarantees of bank loans and other indebtedness for unconsolidated subsidiaries and affiliates	¥70,552	¥47,522	$766,038
Guarantees of interest rate swap contracts for unconsolidated subsidiaries and affiliates	¥(9,402)	¥(9,618)	$(102,088)

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

14. Leases

There were no material transactions for the years ended December 31, 2009 and 2008.

15. Derivative Transactions of the Company and its Consolidated Subsidiaries

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
Currency option 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, 2009 and 2008 of derivative transactions for which hedge accounting has not been applied:

	Millions of Japanese Yen			
	Notional amount			
2009:	Total	Due after one year	Market value	Unrealized gain (loss)
Currency related derivatives:				
Foreign exchange forward contracts:				
To buy Singapore dollars	¥349	–	¥354	¥5
To sell U.S. dollars	¥10,648	–	¥10,953	¥(305)
				¥(300)
Currency swaps:				
Receive/JPY and pay/USD	¥5,700	5,000	431	¥431
				¥431
Interest related derivatives:				
Currency and interest rate swaps:				
Receive/JPY Floating rate Pay/USD Fixed rate	¥1,156	1,156	17	¥17
				¥17

	Millions of Japanese Yen			
	Notional amount			
2008:	Total	Due after one year	Market value	Unrealized gain (loss)
Currency related derivatives:				
Foreign exchange forward contracts:				
To buy U.S. dollars	¥4,212	–	¥4,182	¥ (30)
Euro	12	–	11	(1)
Singapore dollars	16,216	¥3,724	16,117	(99)
Norwegian krone	1,078	–	1,067	(11)
To sell U.S. dollars	¥10,106	–	¥9,435	¥671
				¥530
Foreign currency option contracts:				
Purchased call option	¥3,802	¥219	¥54	¥54
Written put option	1,901	110	(304)	(304)
				¥(250)

2009:	Thousands of U.S. dollars: Notional amount: Total	Due after one year	Market value	Unrealized gain (loss)
Currency related derivatives:				
Foreign exchange forward contracts:				
To buy Singapore dollars	$3,794	–	$3,848	$54
To sell U.S. dollars	$115,610	–	$118,919	$(3,309)
				$(3,255)
Currency swaps:				
Receive/JPY and pay/USD	$61,889	$54,289	$4,684	$4,684
				$4,684
Interest related derivatives:				
Currency and interest rate swaps:				
Receive/JPY Floating rate Pay/USD Fixed rate	$12,554	$12,554	$183	$183
				$183

16. Segment Information

Industry segment information for the years ended December 31, 2009 and 2008 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, 2009 and 2008 is as follows:

Millions of Japanese Yen

2009:	Japan	Asia	Central and South America	North America	Others	Total	Corporate and Elimination	Consolidated
Sales:								
Outside customers	¥11,832	¥8,773	¥1,001	¥125,405	¥57,215	¥204,226	–	204,226
Inter segment	5,375	2,694	—	53,188	—	61,257	¥ (61,257)	—
Total	17,207	11,467	1,001	178,593	57,215	265,483	(61,257)	204,226
Operating expenses	16,206	11,816	1,163	176,074	57,087	262,346	(62,289)	200,057
Operating profit (losses)	1,001	(349)	(162)	2,519	128	3,137	1,032	4,169
Assets	81,972	5,844	1,061	81,302	43,584	213,763	(45,398)	168,365

2008:	Millions of Japanese Yen							
	Japan	Asia	Central and South America	North America	Others	Total	Corporate and Elimination	Consolidated
Sales:								
Outside customers	¥35,322	¥ 8,605	¥ 1,058	¥88,506	¥10,178	¥143,669	–	¥ 143,669
Inter segment	2,859	999	–	6,436	–	10,294	¥ (10,294)	–
Total	38,181	9,604	1,058	94,942	10,178	153,963	(10,294)	143,669
Operating expenses	36,535	9,501	1,181	95,230	9,916	152,363	(10,668)	141,695
Operating profit (losses)	¥1,646	103	(123)	(288)	262	1,600	374	1,974
Assets	¥88,967	¥7,942	¥2,683	¥63,560	¥1,374	¥164,526	¥ (22,410)	¥142,116

2009:	Thousands of U.S. dollars							
	Japan	Asia	Central and South America	North America	Others	Total	Corporate and Elimination	Consolidated
Sales:								
Outside customers	128,464	95,254	10,868	1,361,623	621,227	2,217,436	–	2,217,436
Inter segment	58,367	29,246	—	577,499	—	665,112	(665,112)	—
Total	186,831	124,500	10,868	1,939,122	621,227	2,882,548	(665,112)	2,217,436
Operating expenses	175,963	128,285	12,632	1,911,776	619,832	2,848,488	(676,319)	2,172,169
Operating profit (losses)	10,868	(3,785)	(1,764)	27,346	1,395	34,060	11,207	45,267
Assets	890,031	63,458	11,519	882,756	473,228	2,320,992	(492,923)	1,828,069

(Remarks)

Effective from the year ended December 31, 2009, the Company adopted the new accounting standard, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Note 1 (t)). According to the new accounting policy, Operating Income decreased by ¥238 million ($2,582 thousand) and Assets decreased by ¥2,626 million ($28,517 thousand) on the North America segment.

The overseas sales of the Company and its consolidated subsidiaries for the years ended December 31, 2009 and 2008 consisted of the following:

	Millions of Japanese Yen						
2009:	Asia	Africa	Oceania	Central and South America	North America	Other	Total
Overseas sales	¥3,764	¥102,027	¥15,054	¥82,136	¥515	¥290	¥203,786
Consolidated sales	—	—	—	—	—	—	¥204,226
The ratio of consolidated sales	1.8%	50.0%	7.4%	40.2%	0.3%	0.1%	99.8%

	Millions of Japanese Yen						
2008:	Asia	Africa	Oceania	Central and South America	North America	Other	Total
Overseas sales	¥19,923	¥28,880	¥25,581	¥57,268	¥11,669	¥11	¥143,332
Consolidated sales	—	—	—	—	—	—	¥143,669
The ratio of consolidated sales	13.9%	20.1%	17.8%	39.9%	8.1%	0.0%	99.8%

	Thousands of U.S. dollars						
2009:	Asia	Africa	Oceania	Central and South America	North America	Other	Total
Overseas net sales	$40,868	$1,107,780	$163,450	$891,810	$5,593	$3,158	$2,212,659
Consolidated sales	—	—	—	—	—	—	$2,217,436
The ratio of consolidated sales	1.8%	50.0%	7.4%	40.2%	0.3%	0.1%	99.8%

17. Related Party Transactions

Effective from the fiscal year ended December 31, 2009, the Company and the consolidated subsidiaries adopted the “Accounting Standard for Related Party Disclosures” (Statement No.11 issued by the Accounting Standards Board of Japan on October 17, 2006) and “Guidance on Accounting Standard for Related Party Disclosures” (Guidance No. 13 issued by the Accounting Standards Board of Japan on October 17, 2006).

There were no additional transactions to be disclosed in accordance with the application of this standard.

Significant related party transactions and corresponding balances between the Company and unconsolidated subsidiaries or affiliates for the year ended December 31, 2009 are as follows:

2009 :

Related party	Transactions	Millions of Japanese Yen	Thousands of U.S. dollars
Rong Doi MV12 PTE LTD.	Guarantees of bank Loans	¥1,817	$19,728
Rang Dong MV17 B.V.	Collection of loans for working capital	423	4,589
Opportunity MV18 B.V.	Disbursement of loans for working capital	2,261	24,548
Opportunity MV18 B.V.	Collection of loans for capital expenditure	20,228	219,627
Song Doc MV19 B.V.	Disbursement of loans for working capital	3,042	33,033
Song Doc MV19 B.V.	Collection of loans for capital expenditure	7,630	82,843
Gas Opportunity MV20 B.V.	Guarantees of bank loans	20,681	224,550
Tupi Pilot MV22 B.V.	Guarantees of bank loans	45,304	491,904
Tupi Pilot MV22 B.V.	Disbursement of loans for capital expenditure	19,593	212,732
Tupi Pilot MV22 B.V.	Collection of loans for capital expenditure	22,661	246,043

2009 :

Related party	Balances	Millions of Japanese Yen	Thousands of U.S. dollars
MODEC VENTURE 10 B.V.	Long-term loans receivable	¥1,842	$20,000
Espadarte MV14 B.V.	Long-term loans receivable	2,128	23,100
Rang Dong MV17 B.V.	Long-term loans receivable	3,679	39,947
Opportunity MV18 B.V.	Long-term loans receivable	1,989	21,600
Song Doc MV19 B.V.	Long-term loans receivable	2,874	31,200

Significant related party transactions and corresponding balances between the consolidated subsidiaries and unconsolidated subsidiaries or affiliates for the year ended December 31, 2009 are as follows:

2009 :

Related party	Transactions	Millions of Japanese Yen	Thousands of U.S. dollars
Gas Opportunity MV20 B.V.	Construction of FPSO	¥25,905	$281,275
Tupi Pilot MV22 B.V.	Construction of FPSO	42,948	466,314

2009 :

Related party	Balances	Millions of Japanese Yen	Thousands of U.S. dollars
Gas Opportunity MV20 B.V.	Accounts receivable – trade	¥1,891	$20,533
Tupi Pilot MV22 B.V.	Accounts receivable – trade	12,048	130,814

Significant related party transactions and corresponding balances between the Company or its consolidated subsidiaries and unconsolidated subsidiaries or affiliates for the year ended December 31, 2008 are as follows:

2008 :

Related party	Transactions	Millions of Japanese Yen
MODEC FPSO B.V.	Collection of loans for working capital	¥1,659
MODEC Venture 10 B.V.	Operation of FPSO	2,748
MODEC Venture 11 B.V.	Operation of FPSO	1,949
Rong Doi MV12 PTE LTD.	Guarantees of bank Loans	2,084
Espadarte MV14 B.V.	Construction & Operation of FPSO	2,190
PRA-1 MV15 B.V.	Collection of loans for capital expenditure	8,909
Stybarrow MV16 B.V.	Construction & Operation of FPSO	2,382
Stybarrow MV16 B.V.	Collection of loans for capital expenditure	9,238
Rang Dong MV17 B.V.	Construction & Operation of FSO	3,327
Rang Dong MV17 B.V.	Disbursement of loans for capital expenditure	1,518
Opportunity MV18 B.V.	Construction of FPSO	17,014
Opportunity MV18 B.V.	Disbursement of loans for capital expenditure	12,435
Opportunity MV18 B.V.	Interest Income	654
Song Doc MV19 B.V.	Construction of FPSO	9,380
Song Doc MV19 B.V.	Disbursement of loans for capital expenditure	5,105
Gas Opportunity MV20 B.V.	Construction of FPSO	19,849
Gas Opportunity MV20 B.V.	Guarantees of bank loans	16,933
Gas Opportunity MV20 B.V.	Disbursement of loans for capital expenditure	3,111
Gas Opportunity MV20 B.V.	Collection of loans for capital expenditure	2,989
Jubilee Ghana MV21 B.V.	Construction of FPSO	15,682
Jubilee Ghana MV21 B.V.	Guarantees of bank loans	11,502
Jubilee Ghana MV21 B.V.	Disbursement of loans for capital expenditure	4,999
Jubilee Ghana MV21 B.V.	Collection of loans for capital expenditure	3,075
Tupi Pilot MV22 B.V.	Construction of FPSO	12,393
Tupi Pilot MV22 B.V.	Guarantees of bank loans	14,592
Tupi Pilot MV22 B.V.	Disbursement of loans for capital expenditure	5,197
Tupi Pilot MV22 B.V.	Collection of loans for capital expenditure	1,890

2008 :

Related party	Balances	Millions of Japanese Yen
MODEC VENTURE 10 B.V.	Long-term loans receivable	¥1,821
MODEC VENTURE 11 B.V.	Accounts receivable - trade	197
Espadarte MV14 B.V.	Long-term loans receivable	2,103
Espadarte MV14 B.V.	Accounts receivable - trade	101
PRA-1 MV 15 B.V.	Long-term loans receivable	1,290
Stybarrow MV16 B.V.	Accounts receivable - trade	337
Stybarrow MV16 B.V.	Long-term loans receivable	459
Rang Dong MV17 B.V.	Accounts receivable – trade	630
Rang Dong MV17 B.V.	Long-term loans receivable	4,044
Opportunity MV18 B.V.	Accounts receivable – trade	229
Opportunity MV18 B.V.	Short-term loans receivable	17,663
Opportunity MV18 B.V.	Accrued interest income	55
Song Doc MV19 B.V.	Short-term loans receivable	6,858
Gas Opportunity MV20 B.V.	Accounts receivable – trade	3,080
Jubilee Ghana MV21 B.V.	Accounts receivable – trade	2,403
Jubilee Ghana MV21 B.V.	Short-term loans receivable	1,245
Tupi Pilot MV22 B.V.	Short-term loans receivable	2,868

18. Subsequent events

Issuance of new shares through third-party allotment, business alliance with MITSUI & CO., LTD.

The Board of Directors of the Company at its meeting held on February 26, 2010, resolved to issue new shares through a third-party allotment to Mitsui Engineering & Shipbuilding Co., Ltd. (MES) and MITSUI & CO., LTD. (MITSUI), and form a business alliance with MITSUI.

1. Issuance of new shares through third-party allotment

Outline of offering

(1)	Number of shares to be newly issued	9,000,000 shares of common stock
(2)	Issue price	1,732 yen per share ($18.80)
(3)	Amount of proceeds to be raised	15,588 million yen ($169,250 thousand)
(4)	Amount per share to Capital and Capital surplus	Capitalized amount to Capital : 866 yen ($9.40) Capitalized amount to Capital surplus : 866 yen ($9.40)
(5)	Issue date	April 6, 2010
(6)	Method of offering or allotment (Parties to Which Shares Will Be Allotted)	Third-party allotment (MES : 4,509,000 shares MITSUI : 4,491,000 shares)
(7)	Start date of dividend	January 1, 2010
(8)	Purpose of increased capitalization	Investment for the charter project of FPSO, etc.

2. Business alliance with MITSUI

(1) Details of the Business Alliance

With respect to the details of the business alliance, the Company and MITSUI will position themselves as each other's strategic partner and by mutually utilizing the management resources, know-how, brand and customer base, etc., will jointly promote the FPSO, etc. related business.
It will become possible for the Company to enhance its presence and competitiveness, and strengthen the creditworthiness.
Either of the Company and MITSUI may terminate the Business Alliance if MITSUI fails to conduct the payment for the capital Increase through the third-party allotment, by April 6, 2010.

(2) Number of shares to be newly acquired by MITSUI, and ratio to number of issued shares

MITSUI will subscribe for 4,491,000 shares of the common stock to be issued by the Company, by way of the capital increase through the third-party allotment. MITSUI is expected, as a result of such subscription, to hold common stocks accounting for 14.99% of the total number of issued shares, after the capital increase through the third-party allotment, of the Company.