

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEET

June 30, 2010

ASSETS

	<u>Millions of Japanese yen</u>
CURRENT ASSETS:	
Cash and time deposits	¥21,888
Accounts receivable - trade	69,900
Inventories	745
Short-term loans receivable	27,317
Other current assets	8,900
Less-Allowance for bad debts	(78)
Total current assets	<u>128,673</u>
PROPERTY AND EQUIPMENT:	
Vessels and equipment	768
Other	537
	<u>1,305</u>
INTANGIBLE ASSETS	6,733
OTHER ASSETS:	
Investment securities	15,078
Long-term loans receivable	18,190
Other investments	2,855
Less-Allowance for bad debts	(4)
	<u>36,119</u>
Total assets	<u><u>¥172,832</u></u>

** The figures are rounded down to the nearest million yen.*

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of Japanese yen
CURRENT LIABILITIES:	
Accounts payable - trade	¥69,200
Short-term loans payable	10,945
Current portion of long-term loans payable	12,141
Accrued expenses	2,974
Income taxes payable	1,924
Advances Received	1,692
Provision for construction warranties	2,508
Other current liabilities	642
Total current liabilities	102,030
LONG-TERM LIABILITIES:	
Long-term loans payable	8,790
Severance and retirement benefits	
For employees	155
Long-term accounts payable	328
Other long-term liabilities	4,694
Total long-term liabilities	13,969
NET ASSETS	
SHAREHOLDERS' EQUITY:	
Common stock;	
authorized - 102,868,000 shares	
outstanding - 46,408,000 shares	20,185
Capital surplus	20,915
Retained earnings	20,576
Less-Treasury stock at cost	(1)
Total shareholders' equity	61,675
ACCUMULATED GAINS (LOSSES) FROM VALUATION AND TRANSLATION ADJUSTMENTS	
Net unrealized holding gains (losses) on securities	(10)
Unrealized losses on hedging derivative, net of tax	(543)
Foreign currency translation adjustments	(6,547)
Total accumulated gains (losses) from valuation and translation adjustments	(7,101)
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES:	
Total net assets	2,258
Total liabilities, net assets	56,832
	¥172,832

* The figures are rounded down to the nearest million yen.

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For year ended June 30, 2010

	Millions of Japanese yen
SALES	¥89,199
COST OF SALES	83,758
Gross profit	<u>5,440</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>3,396</u>
Operating profit (loss)	2,043
OTHER INCOME (EXPENSES):	
Interest income and dividend income	657
Interest expense	(292)
Equity in earnings of affiliates	944
Gain on valuation of derivatives	139
Foreign exchange gain (loss), net	(441)
Gain on disposal of fixed asset	141
Other, net	85
Total other income (expenses)	<u>1,233</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	3,277
INCOME TAXES:	
Current	1,611
Prior	159
Deferred	<u>(777)</u>
INCOME BEFORE MINORITY INTERESTS	2,284
MINORITY INTERESTS	525
NET INCOME	<u><u>¥1,758</u></u>

** The figures are rounded down to the nearest million yen.*

Net income per share ¥42.18

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOW

For year ended June 30, 2010

	<u>Millions of Japanese yen</u>
CASH FLOW FROM OPERATING ACTIVITIES:	
Income before income taxes and minority interests	¥3,277
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:	
Depreciation and amortization	574
Amortization of goodwill	114
Provision for (reversal of) allowance for bad debts	(20)
Provision for severance and retirement benefits for employees	9
Provision for directors' bonuses	(9)
Provision for product warranty	248
Provision for loss on construction contracts	2
Interest income and dividend income	(657)
Interest expense	292
Foreign exchange (gain) loss	279
Equity in earnings of affiliates and unconsolidated subsidiaries	(944)
Gain on valuation of derivatives	(139)
Gain on disposal of fixed asset	(141)
Changes in assets and liabilities:	
Decrease (Increase) in	
– Accounts receivable - trade	(13,938)
– Inventories	57
Increase (Decrease) in	
– Long term accrued expense	(83)
– Accounts payable - trade	15,697
– Accrued consumption taxes	120
Other, net	830
	<u>5,568</u>
Interest and dividend received	716
Interest paid	(281)
Income taxes paid	(1,344)
Net cash provided by operating activities	<u>¥4,659</u>

	Millions of Japanese yen
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchases of property and equipment and intangible assets	¥(271)
Proceeds from sale of property and equipment and intangible assets	846
Purchases of investments in affiliates	0
Decrease in short-term loans receivable	(13,560)
Collection of long-term loans receivable	167
Net cash used in investing activities	<u>(12,817)</u>
CASH FLOW FROM FINANCING ACTIVITIES:	
Decrease in short-term loans payable	(4,747)
Proceeds from long-term loans payable	0
Repayment of long-term loans payable	(723)
Purchase of treasury stock	0
Cash dividends paid	(373)
Cash dividends paid to minority interests	0
Proceeds from stock issue	15,587
Net cash used in financing activities	<u>9,744</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,255)
NET INCREASE IN CASH AND CASH EQUIVALENTS	330
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	31,505
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO THE CHANGE OF CONSOLIDATION SCOPE	(9,948)
CASH AND CASH EQUIVALENTS AT ENDING OF YEAR	<u>¥21,888</u>

* The figures are rounded down to the nearest million yen.