

March 13, 2007

MODEC, INC.  
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### **Revision of 2006 Full-Year Financial Results**

MODEC, INC. today announced the revision of the 2006 Full-Year Financial Results which were announced on February 14, 2007.

1. Reason for the revision

#### **Consolidated Balance Sheets and Consolidated Statements of Cash Flows**

Following the auditor's comments, accounting procedure regarding MODEC (U.S.A.), INC. which acquired the stock of SOFEC, INC. on December 31, 2006 was revised.

2. Revised financial statements (attached)

MODEC, INC. and Subsidiaries

**CONSOLIDATED BALANCE SHEETS**

December 31, 2006

**ASSETS**

	Thousand of Japanese yen	
	2006	2005
<b>CURRENT ASSETS:</b>		
Cash and time deposits	¥28,827,361	¥25,061,948
Accounts receivable - trade	10,641,277	16,409,320
Inventories	2,518,199	2,237,994
Short-term loans receivable	27,270,756	255,827
Short-term lease receivable	2,352,593	2,145,448
Deferred tax assets	335,004	156,195
Other current assets	3,040,775	2,568,466
Less-Allowance for bad debts	(3,408)	(3,013)
Total current assets	74,982,558	48,832,185
 <b>PROPERTY AND EQUIPMENT:</b>		
Buildings and equipment	936,512	774,407
Vessel	10,893,929	10,236,883
Construction in progress	30,759	3,735,215
Less-Accumulated depreciation	(7,933,102)	(7,651,566)
	3,928,098	7,094,939
 <b>INTANGIBLE ASSETS</b>	15,119,857	5,246,688
 <b>OTHER ASSETS:</b>		
Investments securities	11,127,213	8,463,479
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies	13,782,627	28,289,633
Long-term lease receivable	2,565,483	5,043,801
Deferred tax assets	1,339,169	1,345,512
Other investments	507,646	388,817
Less-Allowance for bad debts	(2,400)	(6,400)
	29,319,738	43,524,842
 Total assets	¥123,350,252	¥104,698,654

## LIABILITIES AND SHAREHOLDERS' EQUITY

	Thousand of Japanese yen	
	2006	2005
<b>CURRENT LIABILITIES:</b>		
Accounts payable - trade	¥16,265,379	¥18,889,959
Short-term loans payable	34,172,577	27,960,410
Current portion of long-term loans payable	2,955,844	3,107,316
Accrued expenses	5,025,736	1,692,027
Income taxes payable	1,842,845	345,594
Provision for product warranty	791,649	504,574
Deferred tax liabilities	7,941	725,719
Other current liabilities	3,182,917	3,205,519
Total current liabilities	64,244,891	56,431,118
<b>LONG-TERM LIABILITIES:</b>		
Long-term loans payable	12,822,085	6,478,169
Severance and retirement benefits		
For employees	125,594	113,839
For directors and corporate auditors	189,671	120,944
Deferred tax liabilities	3,167,136	1,548,182
Other long-term liabilities	578,400	355,674
Total long-term liabilities	16,882,886	8,616,808
<b>NET ASSETS</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Common stock;		
authorized - 102,868,000 shares		
outstanding - 37,408,000 shares	12,391,600	12,391,600
Capital surplus	13,121,672	13,121,672
Retained earnings	13,319,510	10,434,178
Less-Treasury stock at cost	(713)	(547)
Total shareholders' equity	38,832,070	35,946,903
<b>DISCREPANCIES IN APPRAISALS and CONVERSIONS:</b>		
Net unrealized holding gains on securities	780,351	865,195
Foreign currency translation adjustments	1,237,041	1,031,558
Total discrepancies in appraisals and conversions	2,017,392	1,896,753
<b>MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES:</b>		
Total net assets	1,373,013	1,807,072
Total liabilities, net assets	42,222,475	39,650,729
	¥123,350,252	¥104,698,655

MODEC, INC. and Subsidiaries

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the year ended December 31, 2006

	Thousand of Japanese yen	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before income taxes and minority interests	¥4,705,339	¥5,408,058
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	743,185	1,116,419
Amortization of consolidated differences	26,486	26,486
Provision for (reversal of) allowance for bad debts	(3,605)	(2,379)
Provision for severance and retirement benefits for employees	11,755	10,730
Provision for severance and retirement benefits for directors and corporate	68,727	15,964
Provision for product warranty	283,263	139,505
Interest income and dividend income	(3,552,577)	(1,287,727)
Interest expense	2,555,538	1,261,365
Foreign exchange loss	(38,532)	131,722
Equity in earnings of affiliates	(1,132,458)	(763,396)
Changes in assets and liabilities:		
Decrease (Increase) in		
– Accounts receivable - trade	9,513,598	1,407,818
– Inventories	(247,482)	(2,072,878)
– Consumption taxes refund	34,700	(51,674)
Increase (Decrease) in		
– Accounts payable - trade	(2,992,120)	7,614,825
Bonuses paid to directors	(18,000)	(13,000)
Other, net	2,637,460	1,424,803
	<u>12,595,276</u>	<u>14,366,641</u>
Interest and dividend received	2,593,165	1,132,849
Interest paid	(2,478,193)	(1,513,965)
Income taxes paid	(994,212)	(2,107,517)
Net cash provided by operating activities	<u>11,716,036</u>	<u>11,878,008</u>

	Thousand of Japanese yen	
	2006	2005
<b>CASH FLOWS FROM INVESTING</b>		
<b>ACTIVITIES:</b>		
Purchases of property and equipment and intangible assets	¥(1,384,713)	¥(4,399,785)
Purchases of investments in affiliates	(2,535,886)	(2,613,862)
Disbursement of short-term loans	(12,572,739)	0
Collection of short-term loans receivable	6,124,975	10,699,185
Disbursement of long-term loans	(32,315,137)	(25,660,021)
Collection of long-term loans receivable	28,476,911	426,203
Purchase of investment in subsidiaries	(5,836,635)	—
Other, net	0	(1,500)
Net cash used in investing activities	(20,043,223)	(21,549,780)
<b>CASH FLOWS FROM FINANCING</b>		
<b>ACTIVITIES:</b>		
Proceeds from short-term loans payable	30,187,221	13,853,314
Repayment of short-term loans payable	(24,223,706)	0
Proceeds from long-term loans payable	10,010,576	3,075,259
Repayment of long-term loans payable	(3,052,688)	(8,225,701)
Issuance of shares	—	10,679,122
Cash dividends paid to minority interests	(632,527)	(81,202)
Cash dividends paid	(420,837)	(297,379)
Other, net	(166)	(316)
Net cash provided by financing activities	11,867,872	19,003,097
<b>EFFECT OF EXCHANGE RATE CHANGES</b>		
<b>ON CASH AND CASH EQUIVALENTS</b>	223,651	1,668,696
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,764,336	11,000,021
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	25,061,948	14,061,927
<b>INCREASE IN CASH AND CASH EQUIVALENTS DUE TO ADDITIONAL or EXCLUSION OF CONSOLIDATED SUBSIDIARIES</b>	1,077	—
<b>CASH AND CASH EQUIVALENTS AT ENDING OF YEAR</b>	<b>¥28,827,361</b>	<b>¥25,061,948</b>