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MODEC, INC.
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Revision of 2007 Half-Year Financial Results

MODEC, INC. today announced the revision of the 2007 Half-Year Financial Results which were announced on August 15, 2007.

1. Reason for the revision

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 SHEET

June 30, 2007

ASSETS

	Thousands of Japanese yen
CURRENT ASSETS:	
Cash and time deposits	¥16,388,951
Accounts receivable - trade	28,760,239
Inventories	2,186,465
Short-term loans receivable	23,949,226
Other current assets	7,296,247
Less-Allowance for bad debts	(4,299)
Total current assets	<u>78,576,831</u>
PROPERTY AND EQUIPMENT:	
Buildings and equipment	14,265,953
Other	640,301
	<u>14,906,254</u>
INTANGIBLE ASSETS	16,806,429
OTHER ASSETS:	
Investment securities	14,467,750
Long-term loans receivable	18,406,927
Long-term lease receivable	1,301,726
Other investments	2,225,507
Less-Allowance for bad debts	(2,400)
	<u>36,399,512</u>
Total assets	<u>¥146,689,028</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	Thousands of Japanese yen
CURRENT LIABILITIES:	
Accounts payable - trade	¥23,265,168
Short-term loans payable	44,460,134
Current portion of long-term loans payable	9,660,220
Accrued expenses	4,335,273
Income taxes payable	1,379,448
Other current liabilities	1,998,489
Total current liabilities	<u>85,098,734</u>
 LONG-TERM LIABILITIES:	
Long-term loans payable	10,199,012
Severance and retirement benefits	
For employees	135,907
For directors and corporate auditors	227,134
Deferred tax liabilities	2,463,383
Other long-term liabilities	739,844
Total long-term liabilities	<u>13,765,281</u>
 NET ASSETS	
SHAREHOLDERS' EQUITY:	
Common stock;	
authorized - 102,868,000 shares	
outstanding - 37,408,000 shares	12,391,600
Capital surplus	13,121,672
Retained earnings	14,393,095
Less-Treasury stock at cost	(712)
Total shareholders' equity	<u>39,905,655</u>
 DISCREPANCIES IN APPRAISALS and CONVERSION:	
Net unrealized holding gains on securities	622,737
Deferred Hedge Reserves	(6,941)
Foreign currency translation adjustments	1,907,195
Total discrepancies in appraisals and Conversions	<u>2,522,990</u>
 MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES:	
Total net assets	5,396,364
Total liabilities, net assets	<u>47,825,011</u>
	<u>¥146,689,028</u>

MODEC, INC. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For 6 months ended June 30, 2007

	Thousands of Japanese yen
SALES	<u>¥72,948,004</u>
COST OF SALES	<u>67,083,237</u>
Gross profit	5,864,767
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>4,745,629</u>
Operating profit	1,119,137
OTHER INCOME (EXPENSES):	
Interest income and dividend income	1,863,644
Interest expense	(1,821,555)
Foreign exchange gain (loss), net	(371,939)
Equity in earnings of affiliates	858,247
Other, net	<u>(25,994)</u>
Total other income (expenses)	<u>502,403</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	1,621,540
INCOME TAXES:	
Current	1,269,139
Deferred	<u>(976,818)</u>
INCOME BEFORE MINORITY INTERESTS	1,329,219
MINORITY INTERESTS	160,371
NET INCOME	<u>¥1,168,847</u>
Net income per share	¥31.25

MODEC, INC. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For 6 months ended June 30, 2007

Thousands of Japanese yen

	Shareholders' equity					Discrepancies in appraisals and conversions				Minority Interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred Hedge Reserve	Foreign currency translation adjustments	Total discrepancies in appraisals and		
Balance at December 31, 2006	12,391,600	13,121,672	13,319,510	(712)	38,832,070	780,351		1,237,041	2,017,392	1,373,012	42,222,475
Change of items											
Cash dividends paid			(233,798)		(233,798)				—		(233,798)
Bonuses paid to directors					—				—		—
Net income			1,168,847		1,168,847				—		1,168,847
Increase due to changes in accounting principles adopted for overseas subsidiaries			144,356		144,356				—		144,356
Other			(5,819)		(5,819)				—		(5,819)
Purchases of treasury stock					—				—		—
Change in items other than					—	(157,613)	(6,941)	670,154	505,598	4,023,352	4,528,950
Total change of items	—	—	1,073,585	—	1,073,585	(157,613)	(6,941)	670,154	505,598	4,023,352	5,602,536
Balance at June 30, 2007	12,391,600	13,121,672	14,393,095	(712)	39,905,655	622,737	(6,941)	1,907,195	2,522,990	5,396,364	47,825,011

MODEC, INC. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For 6 months ended June 30, 2007

	<u>Thousands of Japanese yen</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Income before income taxes and minority interests	¥1,621,540
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:	
Depreciation and amortization	817,807
Amortization of consolidated differences	13,242
Provision for (reversal of) allowance for bad debts	891
Provision for severance and retirement benefits for employees	10,313
Provision for severance and retirement benefits for directors and corporate auditors	37,463
Provision for product warranty	(270,868)
Interest income and dividend income	(1,863,644)
Interest expense	1,821,555
Foreign exchange (gain) loss	501,508
Equity in earnings of affiliates	(858,247)
Changes in assets and liabilities:	
Decrease (Increase) in	
– Accounts receivable - trade	(17,574,794)
– Inventories	414,198
– Consumption taxes refund receivable	44,039
Increase (Decrease) in	
– Accounts payable - trade	6,248,490
Bonuses paid to directors	(24,000)
Other, net	60,915
	<u>(8,999,587)</u>
Interest and dividend received	2,049,210
Interest paid	(1,834,030)
Income taxes paid	(1,903,849)
Other, net	(0)
Net cash provided by operating activities	<u>(10,688,257)</u>

	Thousands of Japanese yen
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment and intangible assets	¥(14,013,004)
Purchases of investments in affiliates	(2,326,469)
Increase in short-term loans receivable	14,883,637
Disbursement of long-term loans receivable	(15,026,660)
Collection of long-term loans receivable	221,823
Purchases of investments in subsidiaries	(1,018,128)
Proceeds from disposal of stock in subsidiaries	3,821,990
Other, net	4,947
Net cash used in investing activities	<u>(13,451,864)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Decrease in short-term loans payable	6,383,377
Proceeds from long-term loans payable	7,296,868
Repayment of long-term loans payable	(1,614,048)
Proceeds from stock issue	(0)
Cash dividends paid to minority interests	(140,550)
Cash dividends paid	(234,580)
Other, net	(0)
Net cash used in financing activities	<u>11,691,066</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>10,645</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>(12,438,410)</u>
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO EXCLUSION OF CONSOLIDATED SUBSIDIARIES	<u>0</u>
CASH AND CASH EQUIVALENTS AT ENDING OF YEAR	<u><u>¥16,388,951</u></u>