

MODEC, INC. and Subsidiaries

CONSOLIDATED BALANCE SHEET

June 30, 2008

ASSETS

	Thousands of Japanese yen
CURRENT ASSETS:	
Cash and time deposits	¥24,955,050
Accounts receivable - trade	28,107,299
Inventories	6,657,700
Short-term loans receivable	21,524,381
Other current assets	4,342,025
Less-Allowance for bad debts	(3,672)
Total current assets	<u>85,582,785</u>
PROPERTY AND EQUIPMENT:	
Buildings and equipment	3,560,748
Other	960,526
	<u>4,521,275</u>
INTANGIBLE ASSETS	12,165,739
OTHER ASSETS:	
Investment securities	13,123,887
Long-term loans receivable	12,064,956
Other investments	3,923,858
Less-Allowance for bad debts	(2,400)
	<u>29,110,303</u>
Total assets	<u><u>¥131,380,102</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	Thousands of Japanese yen
CURRENT LIABILITIES:	
Accounts payable - trade	¥27,093,653
Short-term loans payable	22,500,742
Current portion of long-term loans payable	14,771,190
Accrued expenses	3,255,656
Income taxes payable	1,493,938
Other current liabilities	4,680,035
Total current liabilities	<u>73,795,218</u>
 LONG-TERM LIABILITIES:	
Long-term loans payable	6,584,737
Severance and retirement benefits	
For employees	136,762
Long-term accrued liability	412,150
Deferred tax liabilities	1,483,055
Other long-term liabilities	1,541,416
Total long-term liabilities	<u>10,158,121</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	18,572,035
Less-Treasury stock at cost	(1,258)
Total shareholders' equity	<u>44,084,049</u>
 DISCREPANCIES IN APPRAISALS and	
Net unrealized holding gains on securities	10,907
Deferred Hedge Reserves	(110,748)
Foreign currency translation adjustments	(1,474,628)
Total discrepancies in appraisals and	
Conversions	<u>(1,574,469)</u>
 MINORITY INTERESTS IN CONSOLIDATED	
SUBSIDIARIES:	4,917,182
Total net assets	47,426,762
Total liabilities, net assets	<u>¥131,380,102</u>

MODEC, INC. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For year ended June 30, 2008

	Thousands of Japanese yen
SALES	<u>¥64,110,761</u>
COST OF SALES	<u>56,531,661</u>
Gross profit	7,579,099
SELLING, GENERAL AND ADMINISTRATIVE	<u>5,934,844</u>
Operating profit	1,644,255
OTHER INCOME (EXPENSES):	
Interest income and dividend income	1,449,430
Interest expense	(816,423)
Foreign exchange gain (loss), net	(458,113)
Equity in earnings of affiliates	857,936
Other, net	<u>18,396</u>
Total other income (expenses)	<u>1,051,227</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	2,695,481
INCOME TAXES:	
Current	2,041,056
Deferred	<u>(1,162,846)</u>
INCOME BEFORE MINORITY INTERESTS	1,817,272
MINORITY INTERESTS	382,816
NET INCOME	<u><u>¥1,434,455</u></u>
Net income per share	¥38.35

MODEC, INC. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOW

For year ended June 30, 2008

	<u>Thousands of Japanese yen</u>
CASH FLOW FROM OPERATING ACTIVITIES:	
Income before income taxes and minority interests	¥2,695,480
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating	
Depreciation and amortization	815,793
Amortization of consolidated differences	13,242
Provision for (reversal of) allowance for bad debts	(6,054)
Provision for severance and retirement benefits for	140,951
Provision for product warranty	(261,940)
Interest income and dividend income	(1,449,431)
Interest expense	816,423
Foreign exchange (gain) loss	113,219
Equity in earnings of affiliates	(857,936)
Loss on retirement of tangible assets	2,269
Changes in assets and liabilities:	
Decrease (Increase) in	
– Accounts receivable - trade	(2,626,978)
– Inventories	(3,724,121)
– Consumption taxes refund receivable	199,604
Increase (Decrease) in	
– Accounts payable - trade	2,406,343
Bonuses paid to directors	(19,500)
Other, net	2,102,530
	<u>359,898</u>
Interest and dividend received	1,315,253
Interest paid	(1,043,079)
Income taxes paid	(2,877,863)
Other, net	0
Net cash provided by operating activities	<u>(2,245,791)</u>

	Thousands of Japanese yen
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchases of property and equipment and intangible	¥(1,723,688)
Purchases of investments in affiliates	(3,102)
Increase in short-term loans receivable	(4,847,576)
Disbursement of long-term loans receivable	(2,296,597)
Collection of long-term loans receivable	12,830,660
Proceeds from capital reduction of the affiliate	1,677,648
Other, net	95,719
Net cash used in investing activities	<u>5,733,064</u>
CASH FLOW FROM FINANCING ACTIVITIES:	
Decrease in short-term loans payable	5,135,409
Proceeds from long-term loans payable	6,482,513
Repayment of long-term loans payable	(11,281,287)
Proceeds from cash payment from minority interests	12,593
Cash dividends paid	(280,857)
Other, net	(335)
Net cash used in financing activities	<u>68,035</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(43,815)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,511,493
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21,443,557
YEAR	<u><u>¥24,955,050</u></u>

MODEC, INC. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For year ended June 30, 2008

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, 2007	12,391,600	13,121,672	17,421,014	(922)	42,933,364	12,519	(114,483)	314,348	212,384	4,886,087	48,031,835
Change of items											
Cash dividends paid			(280,557)		(280,557)				—		(280,557)
Bonuses paid to directors					—				—		—
Net income			1,434,455		1,434,455				—		1,434,455
Other			(2,876)		(2,876)				—		(2,876)
Purchases of treasury stock				(335)	(335)				—		(335)
Change in items other than					—	(1,611)	3,734	(1,788,976)	(1,786,853)	31,095	(1,755,759)
Total change of items	—	—	1,151,022	(335)	1,150,685	(1,611)	3,734	(1,788,976)	(1,786,853)	31,095	(605,072)
Balance at June 30, 2008	12,391,600	13,121,672	18,572,035	(1,258)	44,084,049	10,907	(110,748)	(1,474,628)	(1,574,469)	4,917,182	47,426,763