MODEC, INC. and Consolidated Subsidiaries

Consolidated Financial Statements

As of December 31, 2008 and 2007

Together with Independent Auditors' Report

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 2008 and 2007

A S S E T S

	Thousands of Japanese yen		Thousands of U.S. dollars
	2008	2007	2008
CURRENT ASSETS:			
Cash and time deposits	¥ 45,082,380	¥ 21,499,164	$ 495,193
Accounts receivable – trade (Note 17)	21,079,791	23,226,559	231,544
Inventories (Note 2)	577,075	2,809,596	6,339
Short-term loans receivable (Note 17)	28,718,593	31,234,141	315,450
Short-term lease receivable	—	2,094,043	—
Deferred tax assets (Note 12)	1,741,907	883,932	19,133
Other current assets (Note 17)	3,941,782	3,088,228	43,298
Less- Allowance for bad debts	(2,738)	(9,726)	(30)
Total current assets	101,138,790	84,825,937	1,110,927
PROPERTY AND EQUIPMENT:			
Buildings and equipment	1,701,321	1,615,800	18,688
Vessel	6,294,317	7,634,537	69,138
Construction in progress	1,027,910	986,030	11,290
Less- Accumulated depreciation	(4,590,062)	(5,498,718)	(50,418)
	4,433,486	4,737,649	48,698
INTANGIBLE ASSETS (Note 4 and 11)	10,242,245	13,134,794	112,503
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	11,692,457	15,517,686	128,432
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies (Note 17)	10,984,287	12,242,618	120,653
Deferred tax assets (Note 12)	2,886,635	2,602,770	31,707
Other investments	740,057	675,098	8,129
Less- Allowance for bad debts	(2,400)	(2,400)	(26)
	26,301,036	31,035,772	288,895
Total assets	¥ 142,115,557	¥ 133,734,152	$ 1,561,023

LIABILITIES AND NET ASSETS

	Thousands of Japanese yen		Thousands of U.S. dollars
	2008	2007	2008
CURRENT LIABILITIES:			
Accounts payable – trade	¥ 33,903,480	¥ 25,899,016	$ 372,402
Short-term loans payable (Notes 5 and 6)	27,601,631	19,152,988	303,181
Current portion of long-term loans payable (Note 5)	8,457,590	13,565,629	92,900
Accrued expenses	2,387,180	3,653,132	26,221
Income taxes payable (Note 12)	476,065	2,342,699	5,229
Provision for product warranty	931,840	1,220,433	10,236
Accrued Employees' Bonuses	52,301	63,800	574
Accrued Directors' Bonuses	—	24,000	—
Advances Received	15,599,505	—	171,348
Deferred tax liabilities (Note 12)	32,776	7,538	360
Other current liabilities	1,761,662	2,559,773	19,350
Total current liabilities	91,204,030	68,489,008	1,001,801
LONG-TERM LIABILITIES:			
Long-term loans payable (Note 5)	6,962,150	14,092,281	76,474
Severance and retirement benefits			
For employees (Note 9)	150,418	141,479	1,652
For directors and corporate auditors	—	265,684	—
Deferred tax liabilities (Note 12)	883,753	1,903,334	9,707
Long-term account payable	412,150	—	4,527
Other long-term liabilities	1,824,847	810,530	20,045
Total long-term liabilities	10,233,318	17,213,308	112,405
CONTINGENT LIABILITIES (Note 13)			
NET ASSETS :			
SHAREHOLDERS' EQUITY (Note 7):			
Common stock;			
Authorized – 102,868,000 shares			
Issued – 37,408,000 shares	12,391,600	12,391,600	136,112
Capital surplus	13,121,672	13,121,672	144,131
Retained earnings	17,876,221	17,421,014	196,355
Less- Treasury stock, at cost	(1,641)	(922)	(18)
Total shareholders' equity	43,387,852	42,933,364	476,580
ACCUMULATED GAINS (LOSSES) FROM VALUATION AND TRANSLATION ADJUSTMENTS			
Net unrealized holding gains (losses) on securities	(27,676)	12,519	(304)
Unrealized losses on hedging derivatives,net of tax	(212,474)	(114,483)	(2,334)
Foreign currency translation adjustments	(5,976,040)	314,349	(65,642)
Total accumulated gains (losses) from valuation and translation adjustments	(6,216,190)	212,385	(68,280)
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	3,506,547	4,886,087	38,517
Total net assets	40,678,209	48,031,836	446,817
Total liabilities and net assets	¥ 142,115,557	¥ 133,734,152	$ 1,561,023

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, 2008 and 2007

	Thousands of Japanese yen		Thousands of U.S. dollars
	2008	2007	2008
SALES (Note 17)	¥ 143,669,121	¥ 144,040,901	$ 1,578,088
COST OF SALES	130,931,898	127,132,993	1,438,180
Gross profit	12,737,223	16,907,908	139,908
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	10,763,395	9,947,984	118,227
Operating profit	1,973,828	6,959,924	21,681
OTHER INCOME (EXPENSES):			
Interest income and dividend income (Note 17)	2,646,485	3,579,808	29,069
Interest expense	(1,557,272)	(3,679,818)	(17,105)
Foreign exchange loss, net	(1,997,700)	(652,061)	(21,943)
Equity in earnings of affiliates and unconsolidated subsidiaries	1,581,641	1,877,634	17,373
Gain on sales of investment securities	—	781,003	—
Loss on disposal of property, equipment and intangible assets	(1,942)	(152,523)	(21)
Impairment loss on property, equipment and intangible assets (Note 11)	—	(2,064,544)	—
Other, net	(117,566)	(256,572)	(1,292)
Total other income (expenses)	553,646	(567,073)	6,081
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	2,527,474	6,392,851	27,762
INCOME TAXES (Note 12):			
Current	2,648,778	3,814,187	29,095
Deferred	(1,712,621)	(1,964,093)	(18,812)
INCOME BEFORE MINORITY INTERESTS	1,591,317	4,542,757	17,479
MINORITY INTERESTS	233,535	43,429	2,565
NET INCOME	¥ 1,357,782	¥ 4,499,328	$ 14,914

	Japanese yen		U.S. dollars
Net income per share (Note 8)	¥36.30	¥120.28	$0.40
Dividends per share (Note 8)	¥17.50	¥15.00	$0.19

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, 2008 and 2007

Thousands 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, 2006	12,391,600	13,121,672	13,319,511	(713)	38,832,070	780,351	−	1,237,041	2,017,392	1,373,013	42,222,475
Net income			4,499,328		4,499,328				−		4,499,328
Cash dividends paid			(514,356)		(514,356)				−		(514,356)
Increase due to changes in accounting standard of subsidiaries			133,666		133,666				−		133,666
Purchases of treasury stock				(209)	(209)				−		(209)
Decrease due to changes in fair market values of available-for-sale securities					−	(767,832)			(767,832)		(767,832)
Unrealized losses on hedging derivatives, net of tax					−		(114,483)		(114,483)		(114,483)
Adjustments from translation of foreign currency financial statements					−			(922,692)	(922,692)		(922,692)
Increase in minority interests in consolidated subsidiaries					−				−	3,513,074	3,513,074
Others			(17,135)		(17,135)				−		(17,135)
Balance at December 31, 2007	12,391,600	13,121,672	17,421,014	(922)	42,933,364	12,519	(114,483)	314,349	212,385	4,886,087	48,031,836
Net income			1,357,782		1,357,782				−		1,357,782
Cash dividends paid			(607,874)		(607,874)				−		(607,874)
Purchases of treasury stock				(719)	(719)				−		(719)
Decrease due to changes in fair market values of available-for-sale securities					−	(40,195)			(40,195)		(40,195)
Unrealized losses on hedging derivatives, net of tax					−		(97,991)		(97,991)		(97,991)
Adjustments from translation of foreign currency financial statements					−			(6,290,389)	(6,290,389)		(6,290,389)
Decrease in minority interests in consolidated subsidiaries					−				−	(1,379,540)	(1,379,540)
Others			(294,701)		(294,701)				−		(294,701)
Balance at December 31, 2008	12,391,600	13,121,672	17,876,221	(1,641)	43,387,852	(27,676)	(212,474)	(5,976,040)	(6,216,190)	3,506,547	40,678,209

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, 2007	136,112	144,131	191,356	(10)	471,588	138	(1,258)	3,453	2,333	53,670	527,591
Net income			14,914		14,914				−		14,914
Cash dividends paid			(6,677)		(6,677)				−		(6,677)
Purchases of treasury stock				(8)	(8)				−		(8)
Decrease due to changes in fair market values of available-for-sale securities					−	(442)			(442)		(442)
Unrealized losses on hedging derivatives, net of tax					−		(1,076)		(1,076)		(1,076)
Adjustments from translation of foreign currency financial statements					−			(69,095)	(69,095)		(69,095)
Decrease in minority interests in consolidated subsidiaries					−				−	(15,153)	(15,153)
Others			(3,237)		(3,237)				−		(3,237)
Balance at December 31, 2008	136,112	144,131	196,355	(18)	476,580	(304)	(2,334)	(65,642)	(68,280)	38,517	446,817

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, 2008 and 2007

	Thousands of Japanese yen		Thousands of U.S. dollars
	2008	2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 2,527,474	¥ 6,392,851	$ 27,762
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	1,619,061	1,656,996	17,784
Amortization of goodwill	26,486	26,486	291
Provision for (reversal of) allowance for bad debts	(6,988)	6,318	(77)
Provision for severance and retirement benefits for employees	8,939	184,630	98
Provision for severance and retirement benefits for directors and corporate auditors	—	76,013	—
Provision for (reversal of) product warranty	(88,695)	661,398	(974)
Interest income and dividend income	(2,646,485)	(3,579,808)	(29,069)
Interest expense	1,557,272	3,679,818	17,105
Foreign exchange loss	1,250,114	20,129	13,731
Equity in earnings of affiliates and unconsolidated subsidiaries	(1,581,641)	(1,877,634)	(17,373)
Impairment loss on property, equipment and intangible assets	—	2,064,544	—
Gain on sales of investment securities	—	(781,003)	—
Losses on disposal of property, equipment and intangible assets	1,942	152,523	21
Changes in assets and liabilities:			
Decrease (Increase) in			
– Accounts receivable - trade	13,730,163	(9,312,149)	150,815
– Inventories	1,985,827	(692,137)	21,813
Increase (Decrease) in			
– Accounts payable - trade	12,840,329	8,215,369	141,041
– Consumption tax payable	(24,989)	—	(274)
– Long-term account payable	146,466	—	1,609
Other, net	1,960,319	132,715	21,532
	33,305,594	7,027,059	365,835
Interest and dividend received	2,222,316	3,756,458	24,410
Interest paid	(1,905,656)	(3,720,049)	(20,932)
Income taxes paid	(4,827,577)	(3,251,472)	(53,027)
Net cash provided by operating activities	¥ 28,794,677	¥ 3,811,996	$ 316,286

	Thousands of Japanese yen		Thousands of U.S. dollars
	2008	2007	2008
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment and intangible assets	¥(2,817,745)	¥(3,091,453)	$(30,951)
Purchases of investments in affiliates	(9,596)	(4,739,027)	(105)
Increase in short-term loans receivable	(17,847,688)	(2,165,522)	(196,042)
Disbursement of long-term loans receivable	(2,927,509)	(27,914,524)	(32,156)
Collection of long-term loans receivable	15,326,306	24,553,357	168,347
Purchases of investment in subsidiaries	(89,642)	(942,733)	(985)
Proceeds from capital reduction in affiliates	1,677,648	—	18,428
Proceeds from sale of investment in subsidiaries	—	3,538,960	—
Proceeds from sale of investment securities	—	909,490	—
Other, net	(271,865)	(35,929)	(2,987)
Net cash used in investing activities	(6,960,091)	(9,887,381)	(76,451)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (Decrease) in short-term loans payable	13,827,838	(12,325,662)	151,888
Proceeds from long-term loans payable	8,869,279	18,135,929	97,422
Repayment of long-term loans payable	(16,610,818)	(5,663,979)	(182,456)
Proceeds from minority interests payment	12,572	—	138
Cash dividends paid	(607,428)	(514,844)	(6,672)
Cash dividends paid to minority interests	—	(130,142)	—
Other, net	(718)	(210)	(9)
Net cash provided by (used in) financing activities	5,490,725	(498,908)	60,311
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(4,050,648)	(809,511)	(44,493)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,274,663	(7,383,804)	255,653
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21,443,557	28,827,361	235,540
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥44,718,220	¥21,443,557	$491,193

The accompanying notes are an integral part of these statements.

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, 2008, which was ¥91.04 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 21 of its subsidiaries for the year ended December 31, 2008 and 20 of its subsidiaries for the year ended December 31, 2007. Material inter-company balances, transactions and profits have been eliminated in consolidation.

Investments in significant unconsolidated subsidiaries and affiliates, which were 16 companies for the year ended December 31, 2008 and 14 companies for 2007 were accounted for by using the equity method.

Another 2 subsidiaries and 1 affiliate for the year ended December 31, 2008 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, except for goodwill recognized in consolidated subsidiaries located in the U.S.A., which is accounted for in accordance with accounting principles generally accepted in U.S.A. ("U.S. GAAP").

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 investments 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.

(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.

Mining rights of consolidated overseas subsidiaries are amortized using the production method based on forecasted production amounts.

(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 retirements 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) Finance Lease Transactions without Transfer of Ownership

Finance lease transactions, other than those that transfer ownership of the leased property to the lessee, are accounted for in the same way as operating lease transactions.

(q) 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.

(r) 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.

(s) 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.

(t) 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, 2008 and 2007 were as follows:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and time deposits	¥45,082,380	¥21,499,164	$495,193
Less : Time deposits with maturities exceeding three months	¥(364,160)	¥(55,607)	$(4,000)
Cash and cash equivalents	¥44,718,220	¥21,443,557	$491,193

(u) Presentation of Current Liabilities

For the year ended December 31, 2008, the advances received which was previously included in other current liabilities is now separately presented in current liabilities due to the significant increase in balance to total liabilities and net assets.

2. Inventories

Inventories as of December 31, 2008 and 2007 consisted of the following:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2008	2007	2008
Raw materials	¥53,745	¥53,745	$590
Costs of uncompleted contracts	523,330	2,755,851	5,749
	¥577,075	¥2,809,596	$6,339

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, 2008 and 2007

2008 :	Thousands 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	¥180,972	¥134,063	¥(46,909)
Sub Total	180,972	134,063	(46,909)
Total	¥180,972	¥134,063	¥(46,909)

2007 :	Thousands of Japanese Yen		
	Acquisition cost	Book value	Differences
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥49,995	¥89,991	¥39,996
Sub Total	49,995	89,991	39,996
Securities with book values not exceeding acquisition costs:			
Equity securities	130,977	112,200	(18,777)
Sub Total	130,977	112,200	(18,777)
Total	¥180,972	¥202,191	¥21,219

2008 :	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	$1,988	$1,473	$(515)
Sub Total	1,988	1,473	(515)
Total	$1,988	$1,473	$(515)

(b) Proceeds from the sales of available-for-sale securities and realized gains on the sales of available-for-sale securities for the years ended December 31, 2008 and 2007, were as follows:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2008	2007	2008
Proceeds from sales of available-for-sale securities:	—	¥ 933,180	—
Realized gains on sales of available-for-sale securities:	—	781,003	—

(c) The following table summarizes book values of securities with no available fair values as of December 31, 2008 and 2007

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2008	2007	2008
Available-for-sale securities:			
Unlisted equity securities	¥ 200,111	¥ 200,111	$ 2,199
Investments in unconsolidated subsidiaries and affiliates:	11,358,282	15,115,383	124,761
Total	¥11,558,393	¥15,315,494	$126,960

4. Goodwill

Goodwill included in intangible assets as of December 31, 2008 and 2007 were ¥6,293,626 thousand ($69,130 thousand) and ¥7,901,590 thousand, 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 2.9% and 5.8% as of December 31, 2008 and 2007, respectively.

Long-term loans payable as of December 31, 2008 and 2007 are summarized below:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2008	2007	2008
Loans from banks and others due through 2017	¥15,419,740	¥27,657,910	$169,374
Less: Current portion included in current liabilities, at average rate of 4.7%	(8,457,590)	(13,565,629)	(92,900)
Loans from banks and others, at average rate of 2.7% due through 2017 (Excluding current portion)	¥6,962,150	¥14,092,281	$76,474

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

Year ended December 31,	Thousands of Japanese Yen	Thousands of U.S. dollars
2009	¥8,457,590	$92,900
2010	1,051,804	11,553
2011	1,066,706	11,717
2012	1,082,615	11,892
2013	1,463,758	16,078
2014 and thereafter	2,297,267	25,234
	¥15,419,740	$169,374

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 $150,000 thousand, and the amount of loans as of December 31, 2008 is $23,700 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 27, 2009, the shareholders approved cash dividends amounting to ￥327,315 thousand ($3,595 thousand). Such appropriations have not been accrued in the consolidated financial statements as of December 31, 2008. 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 year ended December 31, 2008 and 2007.

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, 2008 and 2007 consisted of the following:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2008	2007	2008
Projected benefit obligation	¥150,418	¥141,479	$1,652
Severance and retirement benefits for employees	¥150,418	¥141,479	$1,652

Severance and retirement benefit expenses included in the consolidated statements of income for the years ended December 31, 2008 and 2007 consisted of the following:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2008	2007	2008
Service costs – benefits earned during the year	¥39,308	¥29,489	$432
Others	29,351	28,236	322
Severance and retirement benefit expenses	68,659	¥57,725	$754

10. Research and Development Expenses

Research and development expenses included in selling, general and administration expenses were ¥521,666 thousand ($5,730 thousand) and ¥268,004 thousand for the years ended December 31, 2008 and 2007 respectively.

11. Impairment loss on property, equipment and intangible assets

Impairment loss on property, equipment and intangible assets for the year ended December31, 2007 consisted of the following.

Location	Use	Type of asset
LANGSA field North of SMATRA Island Indonesia	Mining right	Intangible asset

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

MODEC PRODUCTION (LANGSA) PTE, LTD. ("MPL"), a consolidated overseas subsidiary, owns a share of the mining rights of the LANGSA field. In 2007, MEDCO MOECO LANGSA LTD., the operator of the field, drilled new oil wells in the field aiming for higher production levels. However, the resulting production has not met expectations, and as the outlook of future production is unclear, MPL reduced the carrying amount of the mining rights to the recoverable amount and recognized the reduced value as impairment loss of ¥2,064,544 thousand ($18,085 thousand) for the year ended December 31, 2007.

MPL measured the value in use as the recoverable amount, calculated by discounting future cash flows at the interest rate of 5.33%

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, 2008 and 2007.
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, 2007.
For fiscal 2008, a reconciliation is not required to be disclosed because the difference between the rates is less than 5%.

	2007
Statutory tax rate	41.0%
Non-deductible expenses for tax purposes	0.3
Offset of dividends from overseas consolidated subsidiaries	0.4
Non-deductible income excluded from accounting purposes	(0.3)
Deductible expenses excluded from accounting purposes	(4.4)
Income of foreign subsidiaries taxed at lower than Japanese normal rate	(0.6)
Credit for foreign taxes	(0.6)
Tax loss carry forward	0.9
Equity in earning of affiliates and unconsolidated subsidiaries	(12.0)
Non-deductible withholding tax (foreign tax)	3.0
Income taxes for prior periods	1.0
Others	0.2
Effective tax rate	28.9%

Significant components of deferred tax assets and liabilities as of December 31, 2008 and 2007 were as follows:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Current assets:			
Enterprise tax payable	¥ 29,691	¥ 142,324	$ 326
Accrued employees' bonuses	21,443	153,905	236
Provision for product warranty	328,902	359,245	3,613
Other Provisions	198,398	—	2,179
Tax loss carry forward	82,048	—	901
Undistributed profits in a tax haven	135,435	31,999	1,488
Foreign exchange losses	901,838	96,171	9,906
Loss on deferred hedge	91,503	—	1,005
Others	250,617	170,132	2,753
Sub total	2,039,875	953,776	22,406
Valuation Allowance	(135,435)	—	(1,488)
Offset to deferred tax liabilities (short-term)	(162,533)	(69,844)	(1,785)
Total	1,741,907	883,932	19,133
Fixed assets:			
Unrealized inter-company profit on fixed assets	2,262,173	1,807,852	24,848
Tax loss carry forward	758,317	274,530	8,330
Loss on valuation of golf membership	18,662	18,662	205
Severance and retirement benefits for employees	61,671	58,006	677
Severance and retirement benefits for directors and corporate auditors	—	108,930	—
Long term account payable	168,982	—	1,856
Temporary difference for investment in subsidiaries	882,023	882,023	9,688
Net unrealized holding losses on securities	19,233	—	211
Depreciation	—	53,004	—
Others	18,924	8,558	208
Sub total	4,189,985	3,211,565	46,024
Valuation allowance	(776,979)	(293,192)	(8,535)
Offset to deferred tax liabilities (long-term)	(526,371)	(315,603)	(5,782)
Total	2,886,635	2,602,770	31,707
Total deferred tax assets	¥ 4,628,542	¥ 3,486,702	$ 50,841

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax liabilities:			
Current liabilities:			
Reduction of tax rate in foreign subsidiaries	¥ (24,652)	¥ (7,538)	$ (270)
Others	(170,657)	(69,844)	(1,875)
Sub total	(195,309)	(77,382)	(2,145)
Offset to deferred tax assets (short-term)	162,533	69,844	1,785
Total	(32,776)	(7,538)	(360)
Long-term liabilities:			
Finance lease	—	(308,697)	—
Depreciation	(1,232,284)	(1,677,718)	(13,536)
Net unrealized holding gains on securities	—	(8,700)	—
Difference on percentage-of-completion method	(177,840)	(218,656)	(1,953)
Others	—	(5,165)	—
Sub total	(1,410,124)	(2,218,937)	(15,489)
Offset to deferred tax assets (long-term)	526,371	315,603	5,782
Total	(883,753)	(1,903,334)	(9,707)
Total deferred tax liabilities	(916,529)	(1,910,872)	(10,067)
Net deferred tax assets	¥ 3,712,013	¥ 1,575,830	$ 40,773

13. Contingent Liabilities and Commitments

As of December 31, 2008 and 2007, the Company was contingently liable for the following:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2008	2007	2008
Guarantees of bank loans and other indebtedness for unconsolidated subsidiaries and affiliates	¥47,522,358	¥15,427,317	$521,994
Guarantees of interest rate swap contracts for unconsolidated subsidiaries and affiliates	¥(9,617,667)	(1,293,596)	$(105,642)

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

14. Leases

(a) As Lessee

i) Information on a "as if capitalized" basis of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases and depreciation equivalent of finance leases that do not transfer ownership of the leased property to the lessee for the years ended December 31, 2008 and 2007, were as follows:

2008:	Thousands of Japanese Yen Buildings and equipment	Total
Acquisition cost	¥3,100	¥3,100
Accumulated depreciation	(3,100)	(3,100)
Net leased property	—	—

2007:	Thousands of Japanese Yen Buildings and equipment	Total
Acquisition cost	¥3,100	¥3,100
Accumulated depreciation	(2,893)	(2,893)
Net leased property	¥ 207	¥ 207

2008:	Thousands of U.S. dollars Buildings and equipment	Total
Acquisition cost	$34	$34
Accumulated depreciation	(34)	(34)
Net leased property	—	—

ii) Obligations under finance leases:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year	—	¥ 236	—
Due after one year	—	—	—
Total	—	¥236	—

iii) Annual lease payments and depreciation equivalent and interest expense equivalent:

	Thousands of Japanese Yen		Thousands of U.S. dollars
	2008	2007	2008
Annual lease payments	¥236	¥707	$3
Depreciation equivalent	207	620	2
Interest expense equivalent	2	30	0

Depreciation equivalent is computed by a straight-line method over the lease period with no residual value. The difference between total lease payments and acquisition costs under finance leases is recognized as interest expense equivalent, which is allocated to relevant accounting period based on the interest method.

(b) As Lessor

There were no future lease receivables from operating lease transactions as of December 31, 2008 and 2007.

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
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, 2008 and 2007 of derivative transactions for which hedge accounting has not been applied:

	Thousands 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	¥4,212,272	–	¥4,182,309	¥ (29,963)
Euro	12,288	–	11,704	(584)
Singapore dollars	16,216,048	¥3,723,607	16,116,916	(99,132)
Norwegian krone	1,078,560	–	1,067,344	(11,216)
To sell U.S. dollars	¥10,105,570	–	¥9,434,991	¥670,579
				¥529,684
Foreign currency option contracts:				
Purchased call option	¥3,802,386	¥219,071	¥54,298	¥54,298
Written put option	1,901,193	109,535	(304,164)	(304,164)
				¥(249,866)

	Thousands of Japanese Yen			
	Notional amount			
2007:	Total	Due after one year	Market value	Unrealized gain (loss)
Currency related derivatives:				
Foreign exchange forward contracts:				
To sell U.S. dollars	¥15,666,712	–	¥16,130,746	¥(464,034)
				¥(464,034)
Foreign currency option contracts:				
Purchased call option	¥2,301,168	¥230,117	¥41,058	¥41,058
Written put option	1,179,903	115,058	(46,321)	(46,321)
				¥(5,263)

	Thousands of U.S. dollars			
	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	$46,268	–	$45,939	$ (329)
Euro	135	–	129	(6)
Singapore dollars	178,120	$40,901	177,031	(1,089)
Norwegian krone	11,847	–	11,724	(123)
To sell U.S. dollars	$111,001	–	$103,636	$7,365
				$5,818
Foreign currency option contracts:				
Purchased call option	$41,766	$2,406	$596	$596
Written put option	20,883	1,203	(3,341)	(3,341)
				$(2,745)

16. Segment Information

Industry segment information for the years ended December 31, 2008 and 2007 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, 2008 and 2007 is as follows:

	Thousands of Japanese Yen							
2008:	Japan	Asia	Central and South America	North America	Others	Total	Corporate and Elimination	Consolidated
Sales:								
Outside customers	¥35,322,213	¥ 8,604,579	¥ 1,058,323	¥88,505,734	¥10,178,272	¥143,669,121	–	¥ 143,669,121
Inter segment	2,858,868	999,219	–	6,435,896	–	10,293,983	¥ (10,293,983)	–
Total	38,181,081	9,603,798	1,058,323	94,941,630	10,178,272	153,963,104	(10,293,983)	143,669,121
Operating expenses	36,534,553	9,501,291	1,181,518	95,229,998	9,915,954	152,363,314	(10,668,021)	141,695,293
Operating profit (losses)	¥1,646,528	102,507	(123,195)	(288,368)	262,318	1,599,790	374,038	1,973,828
Assets	¥88,966,901	¥7,941,679	¥2,683,125	¥63,559,575	¥1,374,122	¥164,525,402	¥ (22,409,845)	¥142,115,557

	Thousands of Japanese Yen							
2007:	Japan	Asia	Central and South America	North America	Others	Total	Corporate and Elimination	Consolidated
Sales:								
Outside customers	¥55,699,571	¥ 8,582,684	¥ 1,746,752	¥77,199,193	812,701	¥144,040,901	–	¥ 144,040,901
Inter segment	1,800,180	398,781	–	8,055,126	–	10,254,087	¥ (10,254,087)	–
Total	57,499,751	8,981,465	1,746,752	85,254,319	812,701	154,294,988	(10,254,087)	144,040,901
Operating expenses	52,683,212	8,781,470	1,510,701	84,003,490	687,210	147,666,083	(10,585,106)	137,080,977
Operating profit	¥4,816,539	199,995	236,051	1,250,829	125,491	6,628,905	331,019	6,959,924
Assets	¥83,305,186	¥10,703,924	¥6,284,134	¥42,932,423	¥16,308,200	¥159,533,868	¥ (25,799,716)	¥133,734,152

	Thousands of U.S. dollars							
2008:	Japan	Asia	Central and South America	North America	Others	Total	Corporate and Elimination	Consolidated
Sales:								
Outside customers	$387,986	$94,514	$11,625	$972,163	$111,800	$1,578,088	–	$1,578,088
Inter segment	31,402	10,976	–	70,693	–	113,071	$(113,071)	–
Total	419,388	105,490	11,625	1,042,856	111,800	1,691,159	(113,071)	1,578,088
Operating expenses	401,302	104,364	12,978	1,046,024	108,919	1,673,587	(117,180)	1,556,407
Operating profit (losses)	18,086	1,126	(1,353)	(3,168)	2,881	17,572	4,109	21,681
Assets	$977,229	$87,233	$29,472	$698,150	$15,093	$1,807,177	$(246,154)	$1,561,023

The overseas sales of the Company and its consolidated subsidiaries for the years ended December 31, 2008 and 2007 consisted of the following:

	Thousands of Japanese Yen						
2008:	Asia	Africa	Oceania	Central and South America	North America	Other	Total
Overseas sales	¥19,923,452	¥28,879,845	¥25,580,699	¥57,267,836	¥11,668,537	¥11,397	¥143,331,766
Consolidated sales	—	—	—	—	—	—	¥143,669,121
The ratio of consolidated sales	13.9%	20.1%	17.8%	39.9%	8.1%	0.0%	99.8%

	Thousands of Japanese Yen						
2007:	Asia	Africa	Oceania	Central and South America	North America	Other	Total
Overseas sales	¥19,851,863	¥3,847,376	¥39,178,399	¥43,003,318	¥37,451,000	¥496,405	¥143,828,361
Consolidated sales	—	—	—	—	—	—	¥144,040,901
The ratio of consolidated sales	13.8%	2.7%	27.2%	29.9%	26.0%	0.3%	99.9%

	Thousands of U.S. dollars						
2008:	Asia	Africa	Oceania	Central and South America	North America	Other	Total
Overseas net sales	$218,842	$317,222	$280,983	$629,040	$128,169	$126	$1,574,382
Consolidated sales	—	—	—	—		—	$1,578,088
The ratio of consolidated sales	13.9%	20.1%	17.8%	39.9%	8.1%	0.0%	99.8%

17. Related Party Transactions

Significant related party transactions and corresponding balances between the Company and unconsolidated subsidiaries and affiliates for the year ended December 31, 2008 and 2007 are as follows:

		Thousands of Japanese Yen		Thousands of U.S. dollars
Related party	Transactions	2008	2007	2008
MODEC FPSO B.V.	Collection of loans for capital expenditure	¥1,659,088	—	$18,224
MODEC Venture 10 B.V.	Operation of FPSO	2,747,694	—	30,181
MODEC Venture 11 B.V.	Guarantees of bank loans	—	¥343,137	—
MODEC Venture 11 B.V.	Guarantees of performance	—	684,960	—
MODEC Venture 11 B.V.	Operation of FPSO	1,948,838	—	21,406
Rong Doi MV12 PTE LTD.	Guarantees of bank Loans	2,083,642	2,952,584	22,887
Espadarte MV14 B.V.	Construction & Operation of FPSO	2,189,747	4,074,822	24,053
Espadarte MV14 B.V.	Disbursement for loans for capital expenditure	—	2,795,793	—
Espadarte MV14 B.V.	Collection of loans for capital expenditure	—	13,943,826	—
Espadarte MV14 B.V.	Interest Income	—	542,401	—
PRA-1 MV15 B.V.	Construction of FSO	—	4,983,076	—
PRA-1 MV15 B.V.	Disbursement for loans for capital expenditure	—	2,385,137	—
PRA-1 MV15 B.V.	Collection of loans for capital expenditure	8,909,225	2,746,848	97,861
PRA-1 MV15 B.V.	Interest Income	—	750,210	—
Stybarrow MV16 B.V.	Construction & Operation of FPSO	2,382,131	14,287,189	26,166
Stybarrow MV16 B.V.	Disbursement for loans for capital expenditure	—	2,788,134	—
Stybarrow MV16 B.V.	Interest Income	—	637,521	—
Stybarrow MV16 B.V.	Collection of loans for capital expenditure	9,238,041	—	101,472
IMC-MODEC JV 1 INC.	Disbursement for loans for capital expenditure	—	1,634,747	—
Rang Dong MV17 B.V.	Construction & Operation of FSO	3,327,234	—	36,547
Rang Dong MV17 B.V.	Collection of loans for capital expenditure	—	3,157,348	—
Rang Dong MV17 B.V.	Disbursement for loans for capital expenditure	1,517,668	—	16,670
Rang Dong MV17 B.V.	Guarantees of performance	—	1,141,600	—
Opportunity MV18 B.V.	Construction of FPSO	17,014,319	27,545,319	—
Opportunity MV18 B.V.	Disbursement for loans for capital expenditure	12,435,155	19,207,929	136,590
Opportunity MV18 B.V.	Collection of loans for capital expenditure	—	9,560,590	186,888
Opportunity MV18 B.V.	Interest Income	654,498	—	7,189
Opportunity MV18 B.V.	Guarantees of performance	—	8,162,440	—
Song Doc MV19 B.V.	Construction of FPSO	9,379,603	6,989,599	103,027
Song Doc MV19 B.V.	Disbursement for loans for capital expenditure	5,105,132	3,036,295	56,076

		Thousands of Japanese Yen		Thousands of U.S. dollars
Related party	Transactions	2008	2007	2008
Gas Opportunity MV20 B.V.	Construction of FPSO	19,849,086	—	218,026
Gas Opportunity MV20 B.V.	Guarantees of bank loans	16,933,440	—	186,000
Gas Opportunity MV20 B.V.	Disbursement for loans for capital expenditure	3,111,120	—	34,173
Gas Opportunity MV20 B.V.	Collection of loans for capital expenditure	2,988,740	—	32,829
Jubilee Ghana MV21 B.V.	Construction of FPSO	15,681,924	—	172,253
Jubilee Ghana MV21 B.V.	Guarantees of bank loans	11,502,411	—	126,345
Jubilee Ghana MV21 B.V.	Disbursement for loans for capital expenditure	4,998,611	—	54,906
Jubilee Ghana MV21 B.V.	Collection of loans for capital expenditure	3,074,820	—	33,774
Tupi Pilot MV22 B.V.	Construction of FPSO	12,392,692	—	136,124
Tupi Pilot MV22 B.V.	Guarantees of bank loans	14,591,784	—	160,279
Tupi Pilot MV22 B.V.	Disbursement for loans for capital expenditure	5,196,908	—	57,084
Tupi Pilot MV22 B.V.	Collection of loans for capital expenditure	1,890,063	—	20,761

		Thousands of Japanese Yen		Thousands of U.S. dollars
Related party	Balances	2008	2007	2008
MODEC FPSO B.V.	Accounts receivable - trade	—	1,343,709	—
MODEC FPSO B.V.	Long-term loans receivable	—	1,912,180	—
MODEC VENTURE 10 B.V.	Long-term loans receivable	1,820,800	2,283,200	20,000
MODEC VENTURE 11 B.V.	Long-term loans receivable	—	1,246,627	—
MODEC VENTURE 11 B.V.	Accounts receivable - trade	197,351	—	2,168
Espadarte MV14 B.V.	Long-term loans receivable	2,103,024	2,637,096	23,100
Espadarte MV14 B.V.	Accounts receivable - trade	101,336	662,762	1,113
Espadarte MV14 B.V.	Accrued interest income	—	15,823	—
PRA-1 MV 15 B.V.	Accounts receivable - trade	—	298,865	—
PRA-1 MV 15 B.V.	Short-term loans receivable	—	9,523,194	—
PRA-1 MV 15 B.V.	Long-term loans receivable	1,290,492	1,618,218	14,175
PRA-1 MV 15 B.V.	Accrued interest income	—	220,766	—
Stybarrow MV16 B.V.	Accounts receivable - trade	337,062	4,767,165	3,702
Stybarrow MV16 B.V.	Short-term loans receivable	—	9,727,975	—
Stybarrow MV16 B.V.	Accrued interest income	—	7,350	—
Stybarrow MV16 B.V.	Long-term loans receivable	458,842	—	5,040
Rang Dong MV17 B.V.	Accounts receivable – trade	630,401	—	6,924
Rang Dong MV17 B.V.	Long-term loans receivable	4,043,852	2,545,297	44,418
Opportunity MV18 B.V.	Accounts receivable – trade	229,219	6,402,624	2,518
Opportunity MV18 B.V.	Short-term loans receivable	17,662,968	8,856,306	194,013
Opportunity MV18 B.V.	Accrued interest income	55,264	—	607
Song Doc MV19 B.V.	Short-term loans receivable	6,857,670	2,431,736	75,326
Gas Opportunity MV20 B.V.	Accounts receivable – trade	3,079,522	—	33,826
Jubilee Ghana MV21 B.V.	Accounts receivable – trade	2,403,257	—	26,398
Jubilee Ghana MV21 B.V.	Short-term loans receivable	1,245,009	—	13,675
Tupi Pilot MV22 B.V.	Short-term loans receivable	2,868,067	—	31,503