Consolidated Financial Statements

MODEC, INC. and Consolidated Subsidiaries

For the years ended December 31,
2015 and 2014

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 2015 and 2014

A S S E T S

	Millions of Japanese yen	
	2015	2014
CURRENT ASSETS:		
Cash and time deposits (Notes 1(t) and 17)	¥57,956	¥30,632
Accounts receivable – trade (Notes 16, 17 and 20)	145,752	168,012
Inventories (Note 2)	3,814	5,929
Short-term loans receivable (Notes 17 and 20)	20,239	41,008
Deferred tax assets (Note 13)	4,214	4,815
Other current assets	11,539	10,075
Less- Allowance for bad debts (Note 17)	(1,395)	(481)
Total current assets	242,120	259,992
PROPERTY AND EQUIPMENT (Note 19):		
Buildings and structures	165	165
Machinery and equipment	45,166	39,954
Other property and equipment	4,302	4,148
Construction in progress (Note 12)	16	26
Less- Accumulated depreciation	(31,165)	(27,370)
Net property and equipment	18,485	16,924
INTANGIBLE ASSETS (Note 4)	7,476	7,795
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Notes 3 and 17)	50,987	37,388
Long-term loans receivable from unconsolidated subsidiaries and affiliates (Notes 17 and 20)	27,009	20,153
Deferred tax assets (Note 13)	4,663	5,053
Bankrupt and substantially bankrupt claims (Note 17)	1,823	1,824
Other investments	3,722	1,168
Less- Allowance for bad debts (Note 17)	(1,823)	(1,824)
Total investments and other assets	86,381	63,763
Total assets	¥354,464	¥348,477

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES

	Millions of Japanese yen	
	2015	2014
CURRENT LIABILITIES:		
Accounts payable – trade (Notes 17 and 20)	¥145,230	¥160,077
Short-term loans payable (Notes 5, 7 and 17)	—	5,967
Current portion of long-term loans payable (Notes 5, 17 and 20)	6,044	2,198
Accrued expenses	8,822	8,677
Income taxes payable (Note 13)	4,360	8,521
Provision for product warranty	6,699	5,692
Provision for repairs	3	1,137
Accrued employees' bonuses	12	7
Accrued directors' bonuses	14	15
Advances received	4,031	4,657
Deferred tax liabilities (Note 13)	0	32
Other provisions	5	7
Foreign exchange contracts	87	4,119
Other current liabilities	1,940	2,040
Total current liabilities	177,251	203,152
LONG-TERM LIABILITIES:		
Long-term loans payable (Notes 5, 17 and 20)	50,219	15,205
Net defined benefit liabilities (Notes 1(u) and 10)	220	192
Deferred tax liabilities (Note 13)	—	615
Liabilities from application of equity method	4,906	14,954
Other long-term liabilities	6,884	4,724
Total long-term liabilities	62,229	35,693
CONTINGENT LIABILITIES AND COMMITMENTS (Note 14)		
Total liabilities	¥239,481	¥238,845

NET ASSETS

	Millions of Japanese yen	
	2015	2014
NET ASSETS:		
SHAREHOLDERS' EQUITY (Note 8):		
Common stock		
Authorized – 102,868,000 shares in 2015 and in 2014		
Issued – 56,408,000 shares in 2015 and in 2014	¥30,122	¥30,122
Capital surplus	30,852	30,852
Retained earnings	38,259	34,338
Treasury stock, at cost		
663 shares in 2015 and in 2014	(1)	(1)
Total shareholders' equity	99,232	95,311
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Unrealized holding gains on securities, net of tax	7	1
Unrealized losses on hedging derivatives, net of tax	(15,667)	(13,741)
Foreign currency translation adjustments	18,170	15,402
Retirement liability adjustments for foreign consolidated subsidiaries	(187)	(197)
Total accumulated other comprehensive income	2,322	1,464
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	13,428	12,855
Total net assets	114,983	109,631
Total liabilities and net assets	¥354,464	¥348,477

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2015 and 2014

	Millions of Japanese yen	
	2015	2014
SALES (Notes 19 and 20)	¥295,596	¥378,523
COST OF SALES (Note 20)	275,517	356,565
Gross profit	20,078	21,958
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	15,003	13,391
Operating profit	5,075	8,566
OTHER INCOME (EXPENSES):		
Interest income and dividend income	3,652	2,826
Foreign exchange gains (losses), net	(5,306)	236
Equity in earnings of unconsolidated subsidiaries and affiliates, net	8,345	6,694
Gain on revaluation of derivatives (Note 1(v))	2,078	0
Interest expense	(1,395)	(740)
Commission fee	(244)	(153)
Gain on sales of investment securities (Note 3)	12	—
Loss on liquidations of subsidiaries and affiliates, net	(99)	(214)
Insurance income	3,117	—
Removal expenses of property and equipment	(645)	—
Loss on disposal of property and equipment and intangible assets	(161)	(1,207)
Impairment loss on property and equipment (Note 12)	—	(604)
Provision of allowance for bad debts	(212)	(229)
Others, net (Note 1(v))	614	1,136
Total other income (expenses)	9,754	7,743
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	14,829	16,309
INCOME TAXES (Note 13):		
Current	7,768	11,047
Deferred	797	(1,935)
INCOME BEFORE MINORITY INTERESTS	6,263	7,197
MINORITY INTERESTS	438	1,775
NET INCOME	¥5,824	¥5,422

	Japanese yen	
Net income per share (Note 9)	¥103.26	¥101.67
Dividends per share (Note 9)	¥35.00	¥32.50

The accompanying notes are an integral part of these consolidated financial statements.

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2015 and 2014

	Millions of Japanese yen	
	2015 (Note 15)	2014 (Note 15)
Income before minority interests	¥6,263	¥7,197
Other comprehensive income		
Unrealized holding gains on securities, net of tax	6	1
Unrealized losses on hedging derivatives, net of tax	(911)	(299)
Foreign currency translation adjustments	2,987	7,158
Retirement liability adjustments for foreign consolidated subsidiaries	18	(70)
Share of other comprehensive loss of unconsolidated subsidiaries and affiliates accounted for using equity method	(737)	(3,068)
Total other comprehensive income	1,362	3,721
Comprehensive income	¥7,626	¥10,919

	Millions of Japanese yen	
	2015	2014
Comprehensive income attributable to owners of the parent	¥6,683	¥7,703
Comprehensive income attributable to minority interests	¥943	¥3,215

The accompanying notes are an integral part of these consolidated financial statements.

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31, 2015 and 2014

Millions of Japanese yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on securities, net of tax	Unrealized losses on hedging derivatives, net of tax	Foreign currency translation adjustments	Retirement liability adjustments for foreign consolidated subsidiaries	Minority interests in consolidated subsidiaries	Total net assets
Balance at January 1, 2014	¥20,185	¥20,915	¥30,528	¥ (1)	¥ (0)	¥(4,977)	¥4,306	¥(145)	¥9,633	¥80,444
Issuance of stocks	9,936	9,936								19,873
Cash dividends paid			(1,612)							(1,612)
Net income			5,422							5,422
Increase due to changes in fair market values of available-for-sale securities					1					1
Unrealized losses on hedging derivatives, net of tax						(8,763)				(8,763)
Adjustments from translation of foreign currency financial statements							11,095			11,095
Adjustments from retirement liability for foreign consolidated subsidiaries								(52)		(52)
Increase in minority interests in consolidated subsidiaries									3,222	3,222
Balance at January 1, 2015	¥30,122	¥30,852	¥34,338	¥(1)	¥1	¥(13,741)	¥15,402	¥(197)	¥12,855	¥109,631
Issuance of stocks										—
Cash dividends paid			(1,903)							(1,903)
Net income			5,824							5,824
Increase due to changes in fair market values of available-for-sale securities					6					6
Unrealized losses on hedging derivatives, net of tax						(1,926)				(1,926)
Adjustments from translation of foreign currency financial statements							2,767			2,767
Adjustments from retirement liability for foreign consolidated subsidiaries								10		10
Increase in minority interests in consolidated subsidiaries									572	572
Balance at December 31, 2015	¥30,122	¥30,852	¥38,259	¥(1)	¥7	¥(15,667)	¥18,170	¥(187)	¥13,428	¥114,983

The accompanying notes are an integral part of these consolidated financial statements.

MODEC, INC. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

	Millions of Japanese yen	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income taxes and minority interests	¥14,829	¥16,309
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	5,652	5,257
Impairment loss on property and equipment	—	604
Amortization of goodwill	386	399
Increase (decrease) of allowance for bad debts	913	226
Increase (decrease) of net defined benefit liabilities	27	16
Increase (decrease) of accrued directors' bonuses	(1)	4
Increase (decrease) of provision for product warranty	1,007	2,040
Increase (decrease) of provision for repairs	(1,133)	1,137
Interest income and dividend income	(3,652)	(2,826)
Interest expense	1,395	740
Foreign exchange (gains) losses, net	4,099	884
Equity in earnings of unconsolidated subsidiaries and affiliates, net	(8,345)	(6,694)
Loss (gain) on revaluation of derivatives (Note 1(v))	(2,078)	0
Insurance income	(3,117)	—
Removal expenses of property and equipment	645	—
Loss on disposal of property and equipment and intangible assets	161	1,207
Loss (gain) on sales of investment securities	(12)	—
Loss (gain) on liquidations of subsidiaries and affiliates, net	99	214
Changes in assets and liabilities:		
Decrease (increase) in		
– Accounts receivable – trade	20,472	(74,482)
– Inventories	(1,628)	(1,916)
– Bankrupt and substantially bankrupt claims	0	(229)
Increase (decrease) in		
– Accounts payable – trade	(13,168)	63,499
– Consumption tax payable	110	(1,179)
Others, net (Note 1(v))	(4,739)	9,419
Total adjustments	11,924	14,633
Interest and dividend received	7,299	3,693
Interest paid	(1,079)	(860)
Income taxes paid	(12,799)	(5,133)
Proceeds from insurance income	3,117	—
Net cash provided by operating activities	¥8,462	¥12,333

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of Japanese yen	
	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment and intangible assets	¥(3,415)	¥(3,755)
Proceeds from sale on property and equipment and intangible assets	—	3
Disbursements of removal of property and equipment	(645)	—
Purchases of investments in subsidiaries and affiliates	(6,425)	(3)
Proceeds from sales of investments in affiliates	1	—
Decrease (increase) in short-term loans receivable	(28,387)	(4,826)
Proceeds from sales of investment securities (Note 3)	161	—
Disbursements of long-term loans receivable	(6,639)	(12,349)
Collections of long-term loans receivable	32,643	2,876
Proceeds from liquidation of subsidiaries and affiliates	3	20
Net cash used in investing activities	(12,703)	(18,033)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in short-term loans payable	(4,064)	(4,584)
Proceeds from long-term loans payable	38,902	—
Repayments of long-term loans payable	(1,478)	(1,935)
Proceeds from issuance of stocks	—	19,873
Cash dividends paid	(1,902)	(1,611)
Repayments of finance lease obligations	(30)	(29)
Net cash provided by financing activities	31,426	11,713
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	137	2,833
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,323	8,846
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	30,632	21,786
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 1 (t))	¥57,956	¥30,632

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 foreign subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile and significant differences between Japanese GAAP and Local GAAP are adjusted in consolidation. 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 reported in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

All of the Japanese yen and U.S. dollar amounts presented in the accompanying consolidated financial statements and notes of the Company are rounded down to the million.

(b) Principles of Consolidation and Equity Method

The accompanying consolidated financial statements include the accounts of the Company and 20 of its subsidiaries for the year ended December 31, 2015 and 22 of its subsidiaries for the year ended December 31, 2014. Material inter-company balances, transactions and profits have been eliminated in consolidation.

Investments in significant unconsolidated subsidiary and affiliates, which were 18 companies for the years ended December 31, 2015 and 2014 were accounted for using the equity method.

Another 4 subsidiaries for the year ended December 31, 2015 and 5 subsidiaries for the year ended December 31, 2014 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 subsidiary 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 using 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 by 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. The excess of cost over the underlying investments in affiliates accounted for using the equity method is treated in the same manner.

(e) Securities

In accordance with the Japanese accounting standard for financial instruments, all companies are 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 affiliates, 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 affiliates and available-for-sale securities. Available-for-sale securities maturing within one year from the balance sheet date are recorded in current assets. Other securities are recorded in investment securities. The Company does not have trading securities or held-to-maturity debt securities.

Equity securities issued by unconsolidated subsidiaries and affiliates that are not accounted for using the 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 net assets. 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 (Balance sheet value reflects downturn in profitability).

(g) Property and Equipment

Property and equipment are stated at cost. Depreciation of Floating Production Storage & Offloading Systems ("FPSOs") and Floating Storage & Offloading Systems ("FSOs") owned by the consolidated foreign subsidiaries are calculated using the straight-line method based on their lease terms 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 which are depreciated using the straight-line method. Consolidated foreign subsidiaries depreciate property and equipment using the straight-line method based on their estimated useful lives.

(h) Intangible Assets

The Company amortizes software costs used internally using the straight-line method over the estimated useful lives mainly of 5 years, and amortizes other intangible assets using the straight-line method based on the useful lives prescribed by the Japanese corporation tax laws and regulations.

(i) Finance Lease Transaction without Transfer of Ownership

Lessee:
The method of amortization of the lease assets related to finance lease transactions without transfer of ownership is by the straight-line method corresponding to lease period with zero residual value.

(j) 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.

(k) Accrued Employees' Bonuses

The Company accrues employees' bonuses based on the estimated amounts to be paid in the subsequent period.

(l) Accrued Directors' Bonuses

The Company accrues directors' bonuses based on the estimated amounts to be paid in the subsequent period.

(m) Provision for Product Warranty

Provision for product warranty is provided based on the estimated amounts for covering the probable product warranties.

(n) Provision for Repairs

Provision for repairs is provided based on the estimated amounts for foreseeable periodic repair expenses deemed to correspond to normal wear and tear of equipments as of the end of the fiscal year to be paid in the subsequent period.

(o) Severance and Retirement Benefits for Employees

The Company and certain foreign 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 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 retirement 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 certain foreign consolidated subsidiaries also adopt defined contribution pension plans.

(p) 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 appropriate year-end current exchange rates, and the resulting gains or losses are recorded in other income (expenses) in the consolidated statements of income.

Financial statements of foreign consolidated 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 as a component of net assets in the consolidated balance sheets.

(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 and currency swap contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and currency swap contracts and hedged items are accounted for in the following manner.

1) If a forward foreign exchange contract or a currency swap 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 or a currency swap 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 contracts and currency swap contracts 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.

Certain foreign consolidated subsidiaries adopt hedge accounting in accordance with U.S.GAAP.

(r) Revenue Recognition

The Company applied the percentage of completion method to the construction contracts in case that the outcome of construction contracts can be reliably estimated. The percentage of completion is calculated by percentage of cost method or units of work performed method which is based on physical progress measure. The other construction contracts are recognized by the completed contract method. Consolidated subsidiary located in the U.S.A. recognized 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 Statements

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, 2015 and 2014 are as follows:

	Millions of Japanese yen	
	2015	2014
Cash and time deposits	¥57,956	¥30,632
Cash and cash equivalents	¥57,956	¥30,632

Changes in Accounting Policies:

(u) Implementation of Accounting Standard for Retirement Benefits

The Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits,” May 17, 2012 (hereinafter, the “Accounting Standard”)); and Guidance on Application of Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, “Application Guidelines of Accounting Standards for Business Enterprises,” May 17, 2012 (hereinafter, the “Guidance”)) were applied at the end of the fiscal year 2014 (excluding rules cited in the main text of Item 35 in the Accounting Standard and Item 67 in the Guidance). As a result, for the year ended December 31, 2014, net defined benefit liabilities amounted to ¥ 192 million. This implementation had no effect on previously reported net assets.

Changes in Presentation:

(v) Reclassifications

The Company made certain reclassifications to the previously reported fiscal year 2014 amounts to conform to fiscal year 2015 presentation. These reclassifications had no effect on previously reported net income or net assets.

2. <u>Inventories</u>

Inventories as of December 31, 2015 and 2014 consisted of the following:

	Millions of Japanese yen	
	2015	2014
Raw materials	¥278	¥4,382
Costs of uncompleted contracts	3,535	1,547
	¥3,814	¥5,929

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, 2015 and 2014

	Millions of Japanese yen		
2015:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥64	¥90	¥25
Securities with book values not exceeding acquisition costs:			
Equity securities	100	86	(13)
Total	¥164	¥176	¥11

	Millions of Japanese yen		
2014:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥64	¥79	¥14
Securities with book values not exceeding acquisition costs:			
Equity securities	49	37	(12)
Total	¥114	¥116	¥1

(b) Proceeds from sales of available-for-sale securities and realized gains and losses on sales of available-for-sale securities for the years ended December 31, 2015 and 2014

	Millions of Japanese yen	
	2015	2014
Proceeds from sales of investment securities	¥161	—
Realized gains on sales of investment securities	¥12	—
Realized losses on sales of investment securities	—	—

4. Goodwill

Goodwill included in intangible assets as of December 31, 2015 and 2014 were ¥3,423 million and ¥3,810 million, 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 1.12% as of December 31, 2014.

Long-term loans payable as of December 31, 2015 and 2014 are summarized below:

	Millions of Japanese yen	
	2015	2014
Loans from banks and others due through 2025	¥56,263	¥17,404
Less: Current portion included in current liabilities, at average rate of 1.64%	(6,044)	(2,198)
Loans from banks and others, at average rate of 1.14% due through 2025 (Excluding current portion)	¥50,219	¥15,205

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

Year ending December 31,	Millions of Japanese yen
2016	¥6,044
2017	7,618
2018	12,605
2019	5,631
2020	13,736
2021 and thereafter	10,627
	¥56,263

6. Asset Retirement Obligation

The Company and its subsidiaries recognized the asset retirement obligation following the office rental contract. The note is not required to disclose due to total amount of this liability is immaterial. The Company and its subsidiaries estimated the unrecoverable security deposit amount as the asset retirement obligation. This loss is recognized as the expense instead of the liability.

7. Unused Balance of Overdraft Facilities and Lending Commitment

The Company has a commitment line agreement with a syndicate of seven as of 2015 and six as of 2014 financial institutions, an overdraft facility agreement with two as of 2015 and 2014 financial institutions and a notes payable agreement denominated in U.S. dollars with eight as of 2014 financial institutions for the purpose of efficient providing operating funds. The commitment line amount is $160 million as of December 31, 2015 and $110 million as of December 31, 2014 without any drawdown. The overdraft facility line amount is ¥3,000 million and $30 million without any drawdown as of December 31, 2015 and 2014. The unused balance of notes payable denominated in U.S. dollars is $253 million as of December 31, 2014.

8. Shareholders' Equity

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 prices of the new shares as additional paid-in capital, which is recorded 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, 2015, the shareholders approved cash dividends amounting to ¥916 million for the year ended December 31, 2014. At the annual shareholders' meeting held on March 24, 2016, the shareholders approved cash dividends amounting to ¥987 million for the year ended December 31, 2015. Such appropriations have not been accrued in the consolidated financial statements. Such appropriations are recognized in the period in which they are approved by the shareholders.

For the year ended December 31, 2014, the company issued stocks of 10,000,000 shares. 3,096,000 shares were issued through public offering (open to all parties) and 6,439,800 shares were issued through third-party allotment with Mitsui Engineering & Shipbuilding Co., Ltd. and Mitsui & Co., Ltd. as allottees on April 22, 2014. In addition, 464,200 shares were issued through sales of shares (sales through over-allotment) on May 21, 2014.

9. 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 years ended December 31, 2015 and 2014.
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.

10. Severance and Retirement Benefits for Employees

(a) Defined benefit pension plans

The net defined benefit liabilities recorded in the liability section of the consolidated balance sheets as of December 31, 2015 and 2014 consisted of the following:

i) Movements of net defined benefit liabilities recorded in the consolidated balance sheets (simpler method)

	Millions of Japanese yen	
	2015	2014
Balance at beginning of year	¥192	¥176
Severance and retirement benefit expenses	35	45
Benefits paid	(7)	(29)
Balance at end of year	¥220	¥192

ii) Reconciliation of projected retirement benefit obligation and net defined benefit liabilities recorded in the consolidated balance sheets

	Millions of Japanese yen	
	2015	2014
Projected retirement benefit obligation (Unfunded termination and retirement allowance plan)	¥220	¥192
Net defined benefit liabilities recorded in the consolidated balance sheets	¥220	¥192

iii) Severance and retirement benefit expenses

	Millions of Japanese yen	
	2015	2014
Severance and retirement benefit expenses (simpler method)	¥35	¥45

(b) Defined contribution pension plans

Contribution to pension plans amounted to ¥54 million and ¥53 million for the years ended December 31, 2015 and 2014, respectively.

11. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses are ¥ 103 million and ¥150 million for the years ended December 31, 2015 and 2014, respectively.

12. Impairment Losses on Property and Equipment

Impairment losses on property and equipment for the year ended December 31, 2014 consisted of the following:

(a) Overview of the impairment losses on property and equipment

Location	Use	Type of Assets
Saga, Japan	Floating wind & current hybrid power generator	Construction in progress (Machinery and equipment)

(b) Grouping unit

The business assets have been grouped by each company. FPSOs, FSOs, and floating wind & current hybrid power generator have been grouped by each cash-generating unit.

(c) The recognition and the amount of the impairment losses

Floating wind & current hybrid power generator is under construction. The Company conservatively assessed the future cash flow of the asset and realized it is below the book value because forecast of purchase price of electricity is unpredictable.
As a result, the Company reduced the carrying amount of the asset to the recoverable amount and recognized the impairment loss of ¥604 million for the year ended December 31, 2014.

(d) The measurement of the impairment losses

The Company measured the recoverable amount based on a value in use and calculated it by discounting future cash flow at an interest rate of 2.0%.

13. Income Taxes

The statutory income tax rate in Japan arising out of the aggregation of corporate, enterprise and inhabitants taxes is 36.0% and 38.0% for the years ended December 31, 2015 and 2014, respectively.

1) 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 years ended December 31, 2015 and 2014.

	2015	2014
Statutory income tax rates	36.0 %	38.0 %
Difference of statutory tax rate between the Company and foreign subsidiaries	(6.4)	(6.2)
Equity in earnings of unconsolidated subsidiaries and affiliates, net	(20.3)	(15.6)
Valuation allowance	45.8	35.2
Income of foreign subsidiaries taxed at lower than Japanese statutory rate	0.0	1.0
Income taxes for prior periods	(0.4)	0.1
Others	3.0	3.3
Effective tax rates	57.7 %	55.8 %

2) Significant components of deferred tax assets and liabilities as of December 31, 2015 and 2014 are as follows:

	Millions of Japanese yen	
	2015	2014
Deferred tax assets:		
Current assets:		
Enterprise tax payable	—	¥349
Accrued employees' bonuses	¥4	3
Provision for product warranty	1,222	1,037
Allowance for bad debts	345	172
Tax loss carry forward	277	—
Estimated costs for construction contracts, etc.	1,182	2,755
Difference on percentage-of-completion method (Note 1(v))	2,770	1,654
Others (Note 1(v))	1,757	421
Sub total	7,561	6,395
Valuation allowance	(905)	(353)
Offset to deferred tax liabilities (short-term)	(2,441)	(1,226)
Total	4,214	4,815
Fixed assets:		
Unrealized inter-company profit on fixed assets	4,499	4,094
Tax loss carry forward	6,685	6,925
Net defined benefit liabilities	72	69
Depreciation	56	87
Long-term foreign tax credit	1,535	1,268
Temporary difference for investment in subsidiaries	850	956
Allowance for bad debts	581	656
Impairment loss	—	1,542
Others	2,310	2,069
Sub total	16,591	17,670
Valuation allowance	(9,452)	(9,249)
Offset to deferred tax liabilities (long-term)	(2,476)	(3,367)
Total	4,663	5,053
Total deferred tax assets	¥8,877	¥9,869

	Millions of Japanese yen	
	2015	2014
Deferred tax liabilities:		
Current liabilities:		
Difference on percentage-of-completion method	¥(2,045)	¥(1,070)
Others	(396)	(188)
Sub total	(2,442)	(1,258)
Offset to deferred tax assets (short-term)	2,441	1,226
Total	(0)	(32)
Long-term liabilities:		
Depreciation	(922)	(1,034)
Long-term foreign exchange gain	(1,071)	(1,725)
Difference on percentage-of-completion method	(469)	(1,211)
Others	(13)	(10)
Sub total	(2,476)	(3,982)
Offset to deferred tax assets (long-term)	2,476	3,367
Total	―	(615)
Total deferred tax liabilities	(0)	(647)
Net deferred tax assets	¥8,877	¥9,221

3) The revision of the corporate income tax rate after December 31, 2015

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from January 1, 2016 to December 31, 2016 and on or after January 1, 2017 are changed from 36.0% for the fiscal year ended December 31, 2015 to 33.0% and 32.0%, respectively, as of December 31, 2015.
Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥162 million as of December 31, 2015, income taxes-deferred recognized for the fiscal year ended December 31, 2015 increased by ¥79 million, unrealized holding gains on securities, net of tax, increased by ¥0 million and unrealized losses on hedging derivatives, net of tax, decreased by ¥83 million.

14. Contingent Liabilities and Commitments

As of December 31, 2015 and 2014, the Company was contingently liable for the following:

	Millions of Japanese yen	
	2015	2014
Guarantees of bank loans and other indebtedness for affiliates	¥135,521	¥167,569

For the years ended December 31, 2015 and 2014, the share of the fair market values of swap contracts of affiliates accounted for using the equity method are included in the consolidated financial statements due to the adoption of “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (PITF No.24 issued by the Accounting Standards Board of Japan on March 10, 2008).

15. Comprehensive Income

Each component of other comprehensive income for the years ended of December 31, 2015 and 2014 was the followings:

	Millions of Japanese yen	
	2015	2014
Unrealized holding gains on securities, net of tax		
Amount of generation	¥9	¥2
Amount of rearrangement adjustment	—	—
Before adjusting the tax effect	9	2
Tax effect	(3)	(0)
Unrealized holding gains on securities, net of tax	6	1
Unrealized losses on hedging derivatives, net of tax		
Amount of generation	(1,310)	(163)
Amount of rearrangement adjustment	(155)	(250)
Before adjusting the tax effect	(1,465)	(414)
Tax effect	553	115
Unrealized losses on hedging derivatives, net of tax	(911)	(299)
Foreign currency translation adjustments		
Amount of generation	2,929	7,628
Amount of rearrangement adjustment	94	(214)
Before adjusting the tax effect	3,023	7,413
Tax effect	(36)	(254)
Foreign currency translation adjustments	2,987	7,158
Retirement liability adjustments for foreign consolidated subsidiaries		
Amount of generation	21	(177)
Amount of rearrangement adjustment	56	20
Before adjusting the tax effect	77	(157)
Tax effect	(58)	86
Retirement liability adjustments for foreign consolidated subsidiaries	18	(70)
Share of other comprehensive loss of unconsolidated subsidiaries and affiliates accounted for using equity method		
Amount of generation	(6,374)	(2,392)
Amount of rearrangement adjustment	5,636	(676)
Share of other comprehensive loss of unconsolidated subsidiaries and affiliates accounted for using equity method	(737)	(3,068)
Total	¥1,362	¥3,721

16. Leases

Lessor:
Future lease receivables related to the non-cancellable operating leases are as follows:

	Millions of Japanese yen	
	2015	2014
Due within one year	¥1,535	¥1,531
Due after one year	1,275	2,810
Total	¥2,810	¥4,342

17. Financial Instruments

(a) Concerning status of financial instruments

i) Policies for financial instruments

The Company and its consolidated subsidiaries adopt only short-term financial instruments for operating funds.

The Company and its consolidated subsidiaries have the policy of procuring bank-loans to raise funds.

The Company and some of its consolidated subsidiaries transfer funds to each other through an inter-company cash management systems (CMS).

As to derivative financial instruments, the Company and its consolidated subsidiaries utilize them not for speculation but for hedging purpose only.

ii) Substances and risks of financial instruments and managing of financial instruments

Accounts receivable - trade are exposed to credit risks of customers. The Company and its subsidiaries research the credit standings and select credit worthy customers, and manage the balance of accounts receivable - trade at regular intervals to reduce credit risks.

Short-term and long-term loans receivable that are granted to cater the affiliates mainly established to accomplish charter projects are exposed to credit risks of their customers. The Company reduces the share of risks by arranging project finance or by the cooperation with general trading companies and other business partners.

Majority of accounts receivable - trade and loans receivable are denominated in foreign currencies and net of these balances with accounts payable - trade and loans payable are exposed to currency fluctuation risks. These risks are basically hedged by using forward foreign exchange contracts.

Investment securities are exposed to market fluctuation risks. The Company and its subsidiaries have the business relationships with the issuers of most of investment securities and periodically research the fair market value and financial position of the issuers.

Majority of accounts payable - trade are due within one year. Accounts payable - trade denominated in foreign currencies arising from overseas procurement of materials are exposed to currency fluctuation risks, but these accounts payable - trade are controlled not to exceed accounts receivable - trade in the same foreign currencies.

Short-term and long-term loans payable are mainly raising funds for the affiliates. Majority of loans payable are exposed to currency fluctuation risks, but these loans payable are not exceed loans receivable in the same foreign currencies. In addition, the Company arranges the interest rate swap transaction for some of long-term loans payable by each contract to fix the interest expense and to reduce the interest rate fluctuation risks.

Derivative transactions are consisted of mainly forward foreign exchange contracts and currency swap contracts arranged for the purpose of hedging currency fluctuation risks arising from foreign currency accounts receivable - trade and accounts payable - trade, and interest rate swap transaction for the purpose of interest rate fluctuation risks arising from loans payable.

Accounts payable – trade and loans payable are exposed to the liquidity risks. To manage the liquidity risks, our finance sections appropriately prepare and update the cash management plan.

iii) Supplementary explanation about fair value of financial instruments

The fair value is based on their fair market value quoted market price, if available, or reasonably estimated value if market price is not available. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

The contract amounts of derivative transactions mentioned in Note 18. Derivative Transactions do not indicate the actual market risks involved in the derivative transactions.

(b) Concerning fair value of financial instruments

Consolidated balance sheets amounts, fair value of financial instruments and the difference between them for the years ended December 31, 2015 and 2014 are as follows. Financial instruments for which the fair value is considered to be extremely difficult to obtain are not included in the list below.

2015:	Millions of Japanese yen		
	Book Value	Fair Value	Difference
(1) Cash and time deposits	¥57,956	¥57,956	—
(2) Accounts receivable – trade	145,752	145,752	—
(3) Short-term loans receivable	20,239		
Allowance for bad debts (*1)	(212)		
	20,027	20,027	—
(4) Investment securities	176	176	—
(5) Long-term loans receivable from unconsolidated subsidiaries and affiliates	27,009	27,566	¥557
(6) Bankrupt and substantially bankrupt claims	1,823		
Allowance for bad debts (*2)	(1,823)		
	—	—	—
Assets total	¥250,920	¥251,477	¥557
(7) Accounts payable – trade	¥145,230	¥145,230	—
(8) Current portion of long-term loans payable	6,044	6,044	—
(9) Long-term loans payable	50,219	50,219	—
Liabilities total	¥201,493	¥201,493	—
(10) Derivative transactions (*3)			
i) Derivative transactions for which hedge accounting has not been applied	¥2,011	¥2,011	—
ii) Derivative transactions for which hedge accounting has been applied	(2,291)	(2,430)	(139)
Derivative transactions total	¥(279)	¥(419)	¥(139)

*1: Individual allowance for bad debts is deducted from short-term loans receivable.

*2: Individual allowance for bad debts is deducted from bankrupt and substantially bankrupt claims.

*3: Derivative transactions are presented net of receivables and payables. Figures with parenthesis indicate payables.

2014:

	Millions of Japanese yen		
	Book Value	Fair Value	Difference
(1) Cash and time deposits	¥30,632	¥30,632	—
(2) Accounts receivable – trade	168,012	168,012	—
(3) Short-term loans receivable	41,008	41,008	—
(4) Investment securities	116	116	—
(5) Long-term loans receivable from unconsolidated subsidiaries and affiliates	20,153	21,283	¥1,130
(6) Bankrupt and substantially bankrupt claims	1,824		
Allowance for bad debts (*1)	(1,824)		
	—	—	—
Assets total	¥259,923	¥261,054	¥1,130
(7) Accounts payable – trade	¥160,077	¥160,077	—
(8) Short-term loans payable	5,967	5,967	—
(9) Current portion of long-term loans payable	2,198	2,198	—
(10) Long-term loans payable	15,205	15,205	—
Liabilities total	¥183,449	¥183,449	—
(11) Derivative transactions (*2)			
i) Derivative transactions for which hedge accounting has not been applied	—	—	—
ii) Derivative transactions for which hedge accounting has been applied	¥(4,473)	¥(4,473)	—
Derivative transactions total	¥(4,473)	¥(4,473)	—

*1 Individual allowance for bad debts is deducted from bankrupt and substantially bankrupt claims.

*2 Derivative transactions are presented net of receivables and payables. Figures with parenthesis indicate payables.

(note 1) Articles concerning calculation method of fair value, marketable securities and derivative transaction

Assets

(1) Cash and time deposits, (2) Accounts receivable – trade and (3) Short-term loans receivable

Fair values of these accounts are stated at the balance sheet amounts because they are considered to be close to the balance sheet amounts and these accounts are settled in short-term.

(4) Investment securities

Fair value of this account is based on available market price. Securities held by intent are described in the corresponding pages. (Please see Note 3. Marketable Securities and Investment Securities.)

(5) Long-term loans receivable from unconsolidated subsidiaries and affiliates

Fair value of this account is stated at the present value calculated from the future cash flows discounted by the premium-added rate on the proper index like yield on the government bonds.

(6) Bankrupt and substantially bankrupt claims

Fair value of this account is stated at the balance sheet amounts because the estimated amounts of bad debts are calculated based on the collectible amounts and fair value of the amounts are considered to be close to the balance sheet amounts.

Liabilities

(7) Accounts payable – trade and (8) Current portion of long-term loans payable

Fair values of these accounts are stated at the balance sheet amounts because they are considered to be close to the balance sheet amounts and these accounts are settled in short-term.

(9) Long-term loans payable

Fair value of long-term loans payable with fixed interest rate is calculated using the total amount of the principal and interest discounted by the interest rate on condition that the borrowing is newly executed at the date of fair value evaluation.

Fair value of long-term loans payable with floating interest rate is stated at the balance sheet amounts. Considering that floating interest rate reflects latest market conditions and credit of the Company considered being almost same as before, fair value of long-term loans payable is close to the balance sheet amounts.

Derivative Transactions

Please see Note 18. Derivative Transactions.

(note 2) Consolidated balance sheets amounts of financial instruments for which the fair value is considered to be extremely difficult to obtain are as follows:

	Millions of Japanese yen	
	2015	2014
Privately owned equity securities	¥50,810	¥37,271

As to these financial instruments, there is no available fair market value and it is considered to cost a great deal to estimate future cash flows. So these financial instruments are not included in (4) Investment securities because it is considered to be extremely difficult to obtain fair value.

(note 3) The expected redemption amount of monetary asset and securities with maturity after December 31, 2015 and 2014 are as follows:

2015:	Millions of Japanese yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥57,956	—	—	—
Accounts receivable – trade	145,752	—	—	—
Short-term loans receivable	20,239	—	—	—
Long-term loans receivable from unconsolidated subsidiaries and affiliates	—	¥5,806	¥10,663	¥10,539

2014:	Millions of Japanese yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥30,632	—	—	—
Accounts receivable – trade	168,012	—	—	—
Short-term loans receivable	41,008	—	—	—
Long-term loans receivable from unconsolidated subsidiaries and affiliates	—	¥5,807	¥4,067	¥10,278

(note 4) The aggregate annual maturities of long-term loans payable are as follows:

	Millions of Japanese yen
2017	¥7,618
2018	12,605
2019	5,631
2020	13,736
2021 and thereafter	10,627
Total	¥50,219

18. Derivative Transactions

The Company and its consolidated subsidiaries utilize forward foreign currency contracts and currency swap 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 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
	Future transactions
Currency swap contracts	Foreign currency receivables and payables
Interest rate swap contracts	Loans payable

The Company evaluates hedge effectiveness on a quarterly 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.

The following tables summarize market value information as of December 31, 2015 and 2014 of derivative transactions:

(a) Derivative transactions for which hedge accounting has not been applied

2015:	Millions of Japanese yen			
Currency related derivatives	Contract Amount			
Type	Total	Due after one year	Contract Amount less Market Value	Unrealized gain (loss)
Forward contract				
To sell U.S. dollars	¥8,665	−	¥(79)	¥(79)
Currency swap				
To receive Japanese yen, to pay U.S. dollars	26,990	¥24,050	2,090	2,090
Total	¥35,656	¥24,050	¥2,011	¥2,011

(b) Derivative transactions for which hedge accounting has been applied

2015:
Currency related derivatives

Type	Hedged Items	Millions of Japanese yen: Contract Amount: Total	Contract Amount: Due after one year	Contract Amount less Market Value
Forward contract (principle method)				
To buy Euro	Accounts payable – trade and others	¥4,910	¥70	¥5
To buy Norwegian krone		69	―	(4)
To buy Japanese yen		112	―	3
To buy STG pounds		682	―	(12)
To buy Singapore dollars		1,147	―	(10)
To buy Brazilian Real		315	―	(5)
Total		¥7,238	¥70	¥(23)

2014:
Currency related derivatives

Type	Hedged Items	Millions of Japanese yen: Contract Amount: Total	Contract Amount: Due after one year	Contract Amount less Market Value
Forward contract (principle method)				
To sell U.S. dollars	Accounts receivable – trade and others	¥19,702	―	¥(3,494)
Forward contract (principle method)				
To buy Euro	Accounts payable – trade and others	3,446	¥26	(242)
To buy Norwegian krone		1,359	―	(237)
To buy Japanese yen		455	―	(67)
To buy STG pounds		1,117	―	(8)
To buy Singapore dollars		194	―	(0)
To buy Switzerland franc		1,012	―	(68)
Total		¥27,287	¥26	¥(4,119)

2015:
Interest related derivatives

Type	Hedged Items	Millions of Japanese yen: Contract Amount: Total	Contract Amount: Due after one year	Contract Amount less Market Value
Interest rate swap (principle method)				
To receive float, pay fix	Long-term loans payable	¥29,375	¥25,376	¥(2,267)
Interest rate swap (exceptional method(*))				
To receive float, pay fix	Long-term loans payable	9,130	8,587	(139)
Total		¥38,505	¥33,963	(2,406)

2014:
Interest related derivatives

Type	Hedged Items	Millions of Japanese yen: Contract Amount: Total	Contract Amount: Due after one year	Contract Amount less Market Value
Interest rate swap (principle method)				
To receive float, pay fix	Long-term loans payable	¥4,252	¥3,246	¥(354)

19. Segment Information

(1) Overview of reportable segment

The Company and its subsidiaries construct FPSOs and FSOs and operate their related services as single business therefore overview of reportable segment is not presented.

(2) Information by products and services

The Company and its subsidiaries construct FPSOs and FSOs and operate their related services as single business therefore information by products and services is not presented.

(3) Information by geographical area

(a) Sales

2015:

Millions of Japanese yen					
Brazil	Ghana	Oceania	Asia	Other	Total
¥205,932	¥43,906	¥16,969	¥17,258	¥11,529	¥295,596

2014:

Millions of Japanese yen					
Brazil	Ghana	Oceania	Asia	Other	Total
¥241,873	¥91,376	¥21,087	¥12,156	¥12,029	¥378,523

(Note) Sales amount is classified by country or geographical area based on the location of customers.

(b) Property and equipment

2015:

Millions of Japanese yen					
Australia	Vietnam	Netherlands	U.S.A.	Other	Total
¥6,919	¥5,351	¥3,594	¥1,809	¥810	¥18,485

2014:

Millions of Japanese yen				
Australia	Vietnam	U.S.A.	Other	Total
¥7,946	¥6,087	¥1,929	¥960	¥16,924

(4) Information by major customer

2015:

Millions of Japanese yen		
Customers	Sales	Related Segment
Tartaruga MV29 B.V.	¥66,990	(note 1)
Carioca MV27 B.V.	¥53,438	(note 1)
Cernambi Norte MV26 B.V.	¥35,896	(note 1)

2014:

Millions of Japanese yen		
Customers	Sales	Related Segment
Carioca MV27 B.V.	¥98,604	(note 1)
T.E.N. Ghana MV25 B.V.	79,295	(note 1)
Cernambi Norte MV26 B.V.	56,083	(note 1)
Cernambi Sul MV24 B.V.	38,136	(note 1)

(note 1) The Company and its subsidiaries construct FPSOs and FSOs and provide related services as single business therefore related segment is not presented.

(5) Information about losses on impairment of property and equipment for each reportable segment

The company and its subsidiaries construct FPSOs and FSOs and operate their related services as singles business therefore information about losses on impairment of property and equipment for each reportable segment is not presented.

(6) Information about goodwill amortization amount and year-end balance for each reportable segment

The company and its subsidiaries construct FPSOs and FSOs and operate their related services as singles business therefore information about goodwill amortization amount and year-end balance for each reportable segment is not presented.

(7) Information about gains on negative goodwill for each reportable segment

The company and its subsidiaries construct FPSOs and FSOs and operate their related services as singles business therefore information about gains on negative goodwill for each reportable segment is not presented.

20. Related Party Transactions

Significant related party transactions and corresponding balances between the Company and unconsolidated subsidiaries or affiliates for the year ended December 31, 2015 are as follows:

2015:

Related parties	Transactions	Millions of Japanese yen
Cernambi Sul MV24 B.V.	Disbursements of loans for capital expenditure	¥104
Cernambi Sul MV24 B.V.	Collections of loans for capital expenditure	31,424
T.E.N. Ghana MV25 B.V.	Construction of FPSO (Sales)	28,566
T.E.N. Ghana MV25 B.V.	Disbursements of loans for capital expenditure	12,245
T.E.N. Ghana MV25 B.V.	Collections of loans for capital expenditure	6,095
T.E.N. Ghana MV25 B.V.	Guarantees of contract fulfillment	6,026
T.E.N. Ghana MV25 B.V.	Guarantees of bank loans	24,118
Cernambi Norte MV26 B.V.	Disbursements of loans for capital expenditure	22,355
Cernambi Norte MV26 B.V.	Collections of loans for capital expenditure	13,509
Cernambi Norte MV26 B.V.	Guarantees of bank loans	46,796
Cernambi Norte MV26 B.V.	Guarantees of derivative transactions	3,581
Carioca MV27 B.V.	Construction of FPSO (Sales)	2,704
Carioca MV27 B.V.	Disbursements of loans for capital expenditure	28,253
Carioca MV27 B.V.	Collections of loans for capital expenditure	10,300
Carioca MV27 B.V.	Guarantees of bank loans	40,208
Carioca MV27 B.V.	Guarantees of derivative transactions	5,010
Tartaruga MV29 B.V.	Construction of FPSO (Sales)	69,798
Tartaruga MV29 B.V.	Disbursements of loans for capital expenditure	7,396
Tartaruga MV29 B.V.	Collections of loans for capital expenditure	11,958
Tartaruga MV29 B.V.	Guarantees of bank loans	12,846

2015:

Related parties	Consolidated balance sheets accounts	Millions of Japanese yen
Song Doc MV19 B.V.	Short-term loans receivable	¥3,760
Gas Opportunity MV20 B.V.	Long-term loans receivable from unconsolidated subsidiaries and affiliates	4,066
Tupi Pilot MV22 B.V.	Long-term loans receivable from unconsolidated subsidiaries and affiliates	5,881
T.E.N. Ghana MV25 B.V.	Accounts receivable - trade	18,924
T.E.N. Ghana MV25 B.V.	Short-term loans receivable	6,038
Cernambi Norte MV26 B.V.	Short-term loans receivable	8,694
Carioca MV27 B.V.	Accounts receivable - trade	16,093
Carioca MV27 B.V.	Short-term loans receivable	17,645
Tartaruga MV29 B.V.	Accounts receivable - trade	39,914

Significant related party transactions and corresponding balances between the consolidated subsidiaries and unconsolidated subsidiaries or affiliates for the year ended December 31, 2015 are as follows:

2015:

Related parties	Transactions	Millions of Japanese yen
Cernambi Sul MV24 B.V.	Disbursements of loans for working capital	¥6,502
Carioca MV27 B.V.	Construction of FPSO (Sales)	45,702
MODEC and TOYO Offshore Production Systems Pte. Ltd.	Construction of FPSO (Cost of sales)	52,299

2015:

Related parties	Consolidated balance sheets accounts	Millions of Japanese yen
Guara MV23 B.V.	Long-term loans receivable from unconsolidated subsidiaries and affiliates	¥6,597
Cernambi Sul MV24 B.V.	Long-term loans receivable from unconsolidated subsidiaries and affiliates	6,502
Carioca MV27 B.V.	Accounts receivable - trade	3,133
MODEC and TOYO Offshore Production Systems Pte. Ltd.	Accounts payable - trade	1,354

A significant related party transaction between the Company and its parent company for the year ended December 31, 2014 is as follows:

2014:

Related party	Transaction	Millions of Japanese yen
Mitsui Engineering & Shipbuilding Co., Ltd.	Allotment of capital increase	¥10,105

Significant related party transactions and corresponding balances between the Company and unconsolidated subsidiaries or affiliates for the year ended December 31, 2014 are as follows:

2014:

Related parties	Transactions	Millions of Japanese yen
Cernambi Sul MV24 B.V.	Disbursements of loans for working capital	¥12,349
Cernambi Sul MV24 B.V.	Guarantees of bank loans	23,925
T.E.N. Ghana MV25 B.V.	Construction of FPSO (Sales)	81,438
T.E.N. Ghana MV25 B.V.	Collections of loans for capital expenditure	2,875
T.E.N. Ghana MV25 B.V.	Guarantees of contract fulfillment	6,028
T.E.N. Ghana MV25 B.V.	Guarantees of bank loans	18,518
Cernambi Norte MV26 B.V.	Construction of FPSO (Sales)	7,210
Cernambi Norte MV26 B.V.	Guarantees of bank loans	55,504
Carioca MV27 B.V.	Construction of FPSO (Sales)	19,110
Carioca MV27 B.V.	Disbursements of loans for capital expenditure	21,011
Carioca MV27 B.V.	Collections of loans for capital expenditure	20,891
Carioca MV27 B.V.	Guarantees of bank loans	57,868
Tartaruga MV29 B.V.	Construction of FPSO (Sales)	5,667
Tartaruga MV29 B.V.	Disbursements of loans for capital expenditure	4,705
MODEC and TOYO Offshore Production Systems Pte. Ltd.	Construction of FPSO (Cost of sales)	10,827

2014:

Related parties	Consolidated balance sheets accounts	Millions of Japanese yen
Song Doc MV19 B.V.	Short-term loans receivable	¥3,761
Gas Opportunity MV20 B.V.	Long-term loans receivable from unconsolidated subsidiaries and affiliates	4,067
Tupi Pilot MV22 B.V.	Long-term loans receivable from unconsolidated subsidiaries and affiliates	5,883
Cernambi Sul MV24 B.V.	Short-term loans receivable	31,048
T.E.N. Ghana MV25 B.V.	Accounts receivable - trade	41,257
Cernambi Norte MV26 B.V.	Accounts receivable - trade	11,990
Carioca MV27 B.V.	Accounts receivable - trade	20,182
Tartaruga MV29 B.V.	Accounts receivable - trade	5,667
Tartaruga MV29 B.V.	Short-term loans receivable	4,786
MODEC and TOYO Offshore Production Systems Pte. Ltd.	Accounts payable - trade	964

Significant related party transactions and corresponding balances between the consolidated subsidiaries and the major shareholders (corporation only) for the year ended December 31, 2014 are as follows:

2014:

Related parties	Transactions	Millions of Japanese yen
Mitsui & Co., Ltd.	Repayments of long-term loans payable	¥642

2014:

Related party	Consolidated balance sheets accounts	Millions of Japanese yen
Mitsui & Co., Ltd.	Current portion of long-term loans payable	¥764
Mitsui & Co., Ltd.	Long-term loans payable	2,239

Significant related party transactions and corresponding balances between the consolidated subsidiaries and unconsolidated subsidiaries or affiliates for the year ended December 31, 2014 are as follows:

2014:

Related parties	Transactions	Millions of Japanese yen
Cernambi Norte MV26 B.V.	Construction of FPSO (Sales)	¥50,796
Carioca MV27 B.V.	Construction of FPSO (Sales)	85,928
MODEC and TOYO Offshore Production Systems Pte. Ltd.	Construction of FPSO (Cost of sales)	80,249

2014:

Related parties	Consolidated balance sheets accounts	Millions of Japanese yen
Guara MV23 B.V.	Long-term loans receivable from unconsolidated subsidiaries and affiliates	¥6,599
Cernambi Norte MV26 B.V.	Accounts receivable - trade	10,127
Carioca MV27 B.V.	Accounts receivable - trade	3,496
MODEC and TOYO Offshore Production Systems Pte. Ltd.	Accounts payable - trade	5,292