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(Securities Code: 6269)  
March 5, 2018

**To Our Shareholders with Voting Rights:**

Toshiro Miyazaki  
President and Chief Executive Officer  
MODEC, INC.  
3-10, Nihonbashi 2-chome Chuo-ku, Tokyo

**NOTICE OF CONVOCAATION OF  
THE 32<sup>ND</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 32nd Annual General Meeting of Shareholders of MODEC, INC. (the “Company”) to be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing (by mail) or via the Internet, etc. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:40 p.m. on Thursday, March 22, 2018.

**1. Date and Time:** Friday, March 23, 2018, at 10:00 a.m. (The reception desk opens at 9:00 a.m.)

**2. Place:** BELLESALLE Tokyo Nihonbashi B2 Event Hall  
Tokyo Nihonbashi Tower, 7-1, Nihonbashi 2-chome Chuo-ku, Tokyo

**3. Meeting Agenda:**

- Matters to be reported:**
1. Operations Report, Consolidated Financial Statements, and Audit Report concerning Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors for the 32nd Term (from January 1, 2017 to December 31, 2017)
  2. Non-consolidated Financial Statements for the 32nd Term (from January 1, 2017 to December 31, 2017)

**Matters to be resolved:**

- Proposal 1:** Appropriation of Surplus  
**Proposal 2:** Election of Ten Directors  
**Proposal 3:** Decision on the Amount and Details of Stock-Based Remuneration for Directors  
**Proposal 4:** Payment of Bonuses to Directors

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1. When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
  2. In case of voting by proxy, you can exercise your voting rights by appointing one shareholder who has voting rights as your proxy.

## **Other Matters Concerning Procedures of Convocation of the Annual General Meeting of Shareholders**

### **1. Disclosures on the Website**

Consolidated Statement of Changes in Net Assets and Notes to Consolidated Financial Statements as well as Non-Consolidated Statement of Changes in Net Assets and Notes to Non-consolidated Financial Statements are posted on the Company's website (<http://www.modec.com/jp/>) (Japanese only) pursuant to applicable laws and regulations as well as Article 15 of the Company's Articles of Incorporation, and they are not included in the Appendix to this notice. Accordingly, the Appendix to this notice is a portion of the Consolidated Financial Statements or Non-consolidated Financial Statements audited by the Accounting Auditor for the preparation of the Accounting Audit Report.

### **2. Revisions on the Website**

In case of circumstances requiring revisions to the Reference Documents for the General Meeting of Shareholders, Operations Report, Consolidated Financial Statements or Non-consolidated Financial Statements, the revised items will be posted on the Company's website (<http://www.modec.com/>).

## **Information Concerning the Exercise of Voting Rights for Those Unable to Attend the Meeting**

You may exercise your voting rights through either of the following methods:

### **[Exercise of Voting Rights in Writing]**

Please indicate your approval or disapproval of each of the proposals on the enclosed Voting Rights Exercise Form and return it by mail so that it is received by 5:40 p.m. on Thursday, March 22, 2018. Please note that if there is no indication of your approval or disapproval of any of the proposals on the returned Voting Rights Exercise Form, you will be deemed to have approved each of the proposals.

### **[Exercise of Voting Rights via the Internet]**

Upon reading "Exercise of Voting Rights via the Internet" (Japanese only), please access the website designated by the Company for the purpose of exercising your voting rights (<https://www.web54.net>). Please enter the "vote exercising code" and "password" written on the enclosed Voting Rights Exercise Form and follow the instructions on the screen to enter your approval or disapproval of each of the proposals by 5:40 p.m. on Thursday, March 22, 2018.

If any voting right is exercised both in writing and via the Internet, the vote that reached the Company at a later timing will be recognized as valid. In the event that both votes arrive on the same day, the vote via the Internet will be recognized as valid.

If you exercise your voting rights more than once via the Internet, the most recent vote will be recognized as valid.

### **[Guide to a Platform to Exercise Electronic Voting Rights for Institutional Investors]**

Institutional investors, who have applied in advance to use the electronic voting platform operated by ICJ, Inc., may use such platform as a method to electronically exercise voting rights at the General Meeting of Shareholders of the Company, in addition to the exercise of voting rights via the Internet described above.

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal 1: Appropriation of Surplus

The distribution of stable and consecutive dividends to shareholders while retaining an appropriate amount of internal reserve required for future business development and reinforcement of management base is the Company's basic policy on distribution of profits.

Based on this policy, as well as in light of the Company's performance, management base reinforcement for this fiscal year and future business development, a year-end dividend for this fiscal year is proposed as stated below.

(1) Type of dividend property

Cash

(2) Allocation of dividend property and total amount thereof

¥30 per share of common stock of the Company (consisting of an ordinary dividend of ¥20 and a special dividend of ¥10)

Total amount of dividends: ¥1,692,216,750

As the Company has already paid an interim dividend of ¥20 per share, the annual dividend will be ¥50 per share.

(3) Effective date of dividends from surplus

March 26, 2018

## Proposal 2: Election of Ten Directors

The terms of office of all the current Directors will expire at the conclusion of this General Meeting of Shareholders.

Accordingly, the election of ten Directors is proposed, including four External Directors as well as an increase of one additional Director with a view to strengthening the Board of Directors' effectiveness and function of supervision over business execution for the further enhancement of corporate governance.

The candidates for Directors are as stated below.

No.	Name	Current positions and responsibilities at the Company	Attendance of the Board of Directors meetings in FY2017
1	<b>Toshiro Miyazaki</b> <u>Reappointment</u>	President and Chief Executive Officer	18 / 18 (100%)
2	<b>Takeshi Kanamori</b> <u>New Appointment</u>	–	–
3	<b>Teruhisa Konishi</b> <u>Reappointment</u>	Director Executive Managing Officer	18 / 18 (100%)
4	<b>Minoru Sawada</b> <u>Reappointment</u>	Director Executive Officer, General Manager of Corporate Planning & Strategies Dept.	18 / 18 (100%)
5	<b>Yuji Kozai</b> <u>New Appointment</u>	–	–
6	<b>Taketsune Matsumura</b> <u>New Appointment</u>	–	–
7	<b>Yoshio Kometani</b> <u>Reappointment</u> <u>External Director</u>	External Director	17 / 18 (94%)
8	<b>Katsuya Natori</b> <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	External Director	17 / 18 (94%)
9	<b>Shigenobu Aikyo</b> <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	External Director	18 / 18 (100%)
10	<b>Hiroshi Kanno</b> <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	External Director	14 / 18 (77%)

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
1	Toshiro Miyazaki (August 21, 1949)  <u>Reappointment</u>	<p>April 1972      Joined Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>October 2002    General Manager of Corporate Planning Dept., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>March 2005      Corporate Auditor (part-time) of the Company</p> <p>June 2005       Deputy Director, General Manager of Corporate Planning Dept. and General Manager of Asset Utilization Sect., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>June 2007       Director, in charge of Finance Dept., Accounting Dept. and IR &amp; Public Relations, Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>March 2008      Director of the Company</p> <p>March 2011      President and Chief Executive Officer of the Company (current position)</p>	25,200
<p>Reasons for selection as a Director candidate</p> <p>Mr. Toshiro Miyazaki has been successively selected as a candidate for Director, as he possesses great management ability obtained through his diverse business career including corporate planning, finance and accounting, also he has been successfully demonstrating his leadership as President and Chief Executive Officer of the Company in the overall management of the MODEC Group.</p>			
2	Takeshi Kanamori (September 7, 1956)  <u>New Appointment</u>	<p>April 1980        Joined Mitsui &amp; Co., Ltd.</p> <p>October 2005    General Manager of First Plant Projects Division, Infrastructure Projects Business Unit, Mitsui &amp; Co., Ltd.</p> <p>August 2007     General Manager of Second Projects Development Division, Infrastructure Projects Business Unit, Mitsui &amp; Co., Ltd.</p> <p>October 2009    Operating Officer of Infrastructure Projects Business Unit, Mitsui &amp; Co., Ltd.</p> <p>March 2010      Chairman &amp; Managing Director, Mitsui &amp; Co. (Shanghai) Ltd.</p> <p>April 2011       Managing Officer, Mitsui &amp; Co., Ltd. Deputy Chief Representative, Mitsui &amp; Co., Ltd. in China and Chairman &amp; Managing Director, Mitsui &amp; Co. (Shanghai) Ltd.</p> <p>April 2012       Executive Officer, Chief Operating Officer of Infrastructure Projects Business Unit, Mitsui &amp; Co., Ltd.</p> <p>March 2013      External Director of the Company</p> <p>April 2013       Executive Managing Officer, Chief Operating Officer of Infrastructure Projects Business Unit, Mitsui &amp; Co., Ltd.</p> <p>April 2016       Senior Executive Managing Officer, Mitsui &amp; Co., Ltd. Chief Representative, Mitsui &amp; Co., Ltd. in China and Chairman &amp; Managing Director, Mitsui &amp; Co., Ltd. In China (current position)</p> <p>March 2018      Expected to retire from Mitsui &amp; Co., Ltd.</p>	0
<p>Reasons for selection as a Director candidate</p> <p>Mr. Takeshi Kanamori has been newly selected as a candidate for Director, as he has acquired a wide range of experience and insight related to the Company's business as well as abundant experience as a member of the management of the general trading company, which is expected to be leveraged to strengthen the Board of Directors' function of decision making and supervision over business execution.</p>			

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
3	Teruhisa Konishi (November 19, 1957)  <b>Reappointment</b>	<p>April 1981      Joined Mitsui Bank (currently Sumitomo Mitsui Banking Corporation)</p> <p>June 2005      General Manager of Global Business Dept., Sumitomo Mitsui Banking Corporation</p> <p>April 2008      Head of Sydney Branch, Sumitomo Mitsui Banking Corporation</p> <p>September 2010      President, Banco Sumitomo Mitsui Brasileiro S.A.</p> <p>April 2011      Deputy Director, Sumitomo Mitsui Banking Corporation, President, Banco Sumitomo Mitsui Brasileiro S.A.</p> <p>April 2013      Executive Officer, General Manager of Human Resources Dept. of the Company</p> <p>March 2015      Director of the Company</p> <p>May 2016      Director, Executive Officer of the Company</p> <p>March 2017      Director, Executive Managing Officer of the Company (current position)</p> <p>Reasons for selection as a Director candidate Mr. Teruhisa Konishi has been successively selected as a candidate for Director, as he has acquired a wide range of knowledge and practical experience related to international finance and overseas investment through his duties at financial institutions, as well as he has been in charge of the Company's Human Resources, General Affairs, Environmental Safety and Health Management Departments, etc.</p>	6,600
4	Minoru Sawada (August 12, 1960)  <b>Reappointment</b>	<p>April 1983      Joined Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>April 2011      General Manager of Planning &amp; Administration Dept., Environment &amp; Plant Hq., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>June 2012      General Manager of Planning &amp; Administration Dept., Engineering Hq., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>April 2013      General Manager of Procurement Dept., Engineering Hq., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>October 2014      General Manager of Project Management Dept., Engineering Hq., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>April 2015      Deputy Director, Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>October 2015      Deputy Director of the Company</p> <p>March 2016      Director, Executive Officer, General Manager of Corporate Planning &amp; Strategies Dept. of the Company (current position)</p> <p>Reasons for selection as a Director candidate Mr. Minoru Sawada has been successively selected as a candidate for Director, as he has acquired a wide range of knowledge and practical experience related to corporate planning and coordination through his duties in the operating divisions of the Company's parent company, as well as having been in charge of the Company's Corporate Planning and Strategies, Best Practice Promotion, IT management divisions and supervising affiliated companies.</p>	4,000

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
5	Yuji Kozai (February 10, 1960) <u>New Appointment</u>	<p>April 1982      Joined Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>June 2005      General Manager of Diesel Design Dept., Machinery Factory, Machinery &amp; Systems Hq., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>July 2007      General Manager of Production Planning Dept., Machinery Factory, Machinery &amp; Systems Hq., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>January 2011    General Manager of Quality Assurance Dept., Machinery Factory, Machinery &amp; Systems Hq., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>June 2013      General Manager of Corporate Planning Dept., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>April 2015      Executive Officer, General Manager of Corporate Planning Dept., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>October 2016    Executive Officer, Deputy General Manager of Corporate Planning Hq., General Manager of Corporate Planning Dept., Corporate Planning Hq., Mitsui Engineering &amp; Shipbuilding Co., Ltd. (current position)</p>	0
		<p>Reasons for selection as a Director candidate</p> <p>Mr. Yuji Kozai has been newly selected as a candidate for Director, as he is judged to be capable of advising the overall management of the Company, based on his knowledge and experience related to the Company's business as well as a wide range of experience and deep insight in corporate management. Mr. Yuji Kozai concurrently serves as Executive Officer of the Company's parent, Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p>	
6	Taketsune Matsumura (May 25, 1967) <u>New Appointment</u>	<p>April 1991      Joined Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>April 1999      Part-time Lecturer, Tokai University (current position)</p> <p>April 2010      Part-time Lecturer, Yokohama National University</p> <p>April 2015      General Manager of Basic Design Dept., Ship &amp; Ocean Project Hq., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>April 2017      Thesis Screening Committee Member, The Japan Society of Naval Architects and Ocean Engineers (current position)</p> <p>February 2018    General Manager of Strategic Planning Sect., Corporate Planning Dept., Corporate Planning Hq. and Manager of IR Dept., Mitsui Engineering &amp; Shipbuilding Co., Ltd. (current position)</p>	0
		<p>Reasons for selection as a Director candidate</p> <p>Mr. Taketsune Matsumura has been newly selected as a candidate for Director, as he is judged to be capable of advising the overall management of the Company, based on his knowledge and experience related to the Company's business as well as a wide range of experience and deep insight in corporate management.</p>	

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
7	Yoshio Kometani (April 11, 1962)  <u>Reappointment</u> <u>External Director</u>	<p>April 1985      Joined Mitsui &amp; Co., Ltd.</p> <p>March 2010     General Manager of Planning and Administrative Division, Infrastructure Projects Business Unit, Mitsui &amp; Co., Ltd.</p> <p>April 2013      Operating Officer of Infrastructure Projects Business Unit, Mitsui &amp; Co., Ltd.</p> <p>May 2014       Deputy Chief Operating Officer of Asia Pacific Business Unit, Mitsui &amp; Co., Ltd. and Senior Vice President, Mitsui &amp; Co. (Asia Pacific) Pte. Ltd. (located at Singapore)</p> <p>April 2015      Managing Officer, Deputy Chief Operating Officer of Asia Pacific Business Unit, Mitsui &amp; Co., Ltd.</p> <p>March 2016     External Director of the Company (current position)</p> <p>April 2016      Managing Officer, Chief Operating Officer of Infrastructure Projects Business Unit, Mitsui &amp; Co., Ltd. (current position)</p> <p>Reasons for selection as an External Director candidate Mr. Yoshio Kometani has been successively selected as a candidate for External Director, as he is judged to be able to continue to provide advice on the overall management of the Company, based on a wide range of experience and knowledge related to the Company's business as well as abundant experience in corporate management as a member of the management of the general trading company.</p>	0
8	Katsuya Natori (May 15, 1959)  <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	<p>April 1986      Registered as an attorney, joined Masuda and Ejiri Law Office (currently Nishimura &amp; Asahi)</p> <p>June 1990       Joined Davis Wright Tremaine LLP (Seattle, U.S.)</p> <p>July 1992        Joined Wilmer, Cutler &amp; Pickering (Washington D.C., U.S.)</p> <p>July 1993        Joined Esso Sekiyu K.K.</p> <p>January 1995    Joined Apple Japan, Inc.</p> <p>January 1998    Director, Sun Microsystems K.K.</p> <p>March 2002     Executive Officer, FAST RETAILING CO., LTD.</p> <p>January 2004   Director, VP, IBM Japan, Ltd.</p> <p>April 2010      VP, IBM Japan, Ltd.</p> <p>February 2012   Founded Natori Law Office Chief, Natori Law Office (current position)</p> <p>April 2012      Outside Audit &amp; Supervisory Board Member, OLYMPUS CORPORATION (current position)</p> <p>March 2015     External Director of the Company (current position)</p> <p>April 2016      Supervisory Director, Global One Real Estate Investment Corporation (current position)</p> <p>Reasons for selection as an External Director candidate Mr. Katsuya Natori has been successively selected as a candidate for External Director, as he is judged to be able to continue to provide advice on the overall management of the Company, based on a wealth of experience and broad insight as a corporate manager and as an attorney gained through his domestic and overseas business experience over the years. If election of Mr. Katsuya Natori is approved, the Company intends to appoint him as Independent Director as prescribed by the Tokyo Stock Exchange.</p>	700



No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
9	Shigenobu Aikyo (October 1, 1949)  <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	April 1972      Joined Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation) June 1999      Executive Officer, Head of Human Resources Dept., Sumitomo Bank April 2001      Executive Officer, Head of Corporate Management Dept., Sumitomo Mitsui Banking Corporation June 2003      Managing Executive Officer, Head of Tokyo Corporate Banking Division I, Sumitomo Mitsui Banking Corporation June 2005      Managing Director and Managing Executive Officer, Sumitomo Mitsui Banking Corporation April 2006      Senior Managing Director, Sumitomo Mitsui Banking Corporation Senior Managing Director (Executive Officer), Sumitomo Mitsui Financial Group, Inc. April 2007      Deputy President, Head of Corporate Banking Unit, Sumitomo Mitsui Banking Corporation April 2010      Chairman and Representative Director, Nikko Cordial Securities Inc. April 2011      Chairman and Representative Director, SMBC Nikko Securities Inc. April 2015      Advisor, SMBC Nikko Securities Inc. June 2015      External Director, HASHIMOTO SOGYO HOLDINGS Ltd. (current position) March 2016      External Director of the Company (current position) June 2016      External Director, Sanyo Chemical Industries, Ltd. (current position) June 2016      External Director, DAIHEN Corporation (current position) June 2016      Outside Director, SCSK Corporation (current position) June 2016      External Director, NICHICON CORPORATION (current position)	600
		Reasons for selection as an External Director candidate Mr. Shigenobu Aikyo has been successively selected as a candidate for External Director, as he is judged to be capable of advising the overall management of the Company from a broad perspective, based on his extensive knowledge regarding finance and management gained through his longtime involvement in the management of financial institutions. If election of Mr. Shigenobu Aikyo is approved, the Company intends to appoint him as Independent Director as prescribed by the Tokyo Stock Exchange.	

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
10	Hiroshi Kanno (November 14, 1958)  Reappointment External Director Independent Director	<p>April 1983      Joined Nikken Sekkei Ltd</p> <p>August 1991    Joined The Boston Consulting Group Partner and Managing Director, the last position at The Boston Consulting Group</p> <p>July 2008      Professor, Hitotsubashi University Graduate School of International Corporate Strategy</p> <p>June 2011      External Director, Omron Healthcare, Co., Ltd. (current position)</p> <p>April 2012      Dean, Hitotsubashi University Graduate School of International Corporate Strategy</p> <p>October 2012   Outside Director, Japan Display Inc.</p> <p>June 2014      External Director, WOWOW INC. (current position)</p> <p>June 2015      Outside Audit and Supervisory Board Member, STANLEY ELECTRIC CO., LTD. (current position)</p> <p>March 2016    External Director of the Company (current position)</p> <p>September 2016 Professor, Waseda Business School (Graduate School of Business and Finance) (current position)</p> <p>August 2017    Outside Director of ERI HOLDINGS CO., LTD. (current position)</p> <p>Reasons for selection as an External Director candidate Mr. Hiroshi Kanno has been successively selected as a candidate for External Director, as he is judged to be able to continue to provide advice on the overall management of the Company, based on abundant experience as a business management consultant and professional insights as a researcher on business strategy planning. If election of Mr. Hiroshi Kanno is approved, the Company intends to appoint him as Independent Director as prescribed by the Tokyo Stock Exchange.</p>	0

(Notes) 1. Mitsui Engineering & Shipbuilding Co., Ltd. is the Company's parent company. The positions and responsibilities at the parent company of the candidates who currently serve or had served during the past five years as executives at Mitsui Engineering & Shipbuilding Co., Ltd. are stated in the above "Career summary, positions and responsibilities at the Company, and significant concurrent positions."

Other candidates for Directors have no special interest in the Company.

2. The terms of office of the current External Directors as the Company's External Director will be three years for Mr. Katsuya Natori and two years for Messrs. Yoshio Kometani, Shigenobu Aikyo and Hiroshi Kanno as of the conclusion of this General Meeting of Shareholders.

3. Liability limitation contract with the External Directors

The Company stipulates in its current Articles of Incorporation that the Company may enter into contracts with External Directors which limit their liabilities for compensation of damages to the Company within a certain range so that the Company can invite competent personnel as External Directors. If the reelection of Messrs. Yoshio Kometani, Katsuya Natori, Shigenobu Aikyo and Hiroshi Kanno, candidates for External Director, is approved, the Company intends to renew the liability limitation contracts with them with a content as stated below.

- In the event that External Directors cause damages to the Company by performing their duties, the maximum amount of liability shall be the minimum amount prescribed in Article 425, Paragraph 1 of the Japanese Companies Act, on the condition that they perform their duties in good faith and without gross negligence.

### Proposal 3: Decision on the Amount and Details of Stock-Based Remuneration for Directors

#### 1. Reasons for the proposal and its appropriateness

The remuneration for the Company's Directors currently comprises basic remuneration and bonus to directors. The Company, in this proposal, requests the approval of the adoption of a stock-based remuneration system (the "System") for the Company's Directors (excluding Outside Directors; the same applies throughout proposal 3). The Company also requests that the details of the System be left to the discretion of the Board of Directors, within the scope of the limit set forth in 2. below.

The adoption of the System is intended to further clarify the link between Directors' compensation and the Company's stock value as well as to ensure that Directors share the benefit and risk from stock price fluctuations with shareholders, which in turn raises awareness of their contribution to the enhancement of the Company's performance and corporate value in the medium and long term. The Company, therefore, believes that the adoption of this remuneration system is appropriate.

The Company, at the 27th Annual General Meeting of Shareholders held on March 28, 2013, has obtained approval for the amount of remuneration for Directors (300 million yen or less per annum; including remuneration for External Directors and excluding salaries as employees). Separately from this amount of remuneration, the Company asks for the approval to provide stock-based remuneration to Directors in office during five fiscal years from the year ending December 31, 2018 to the year ending December 31, 2022 (the "Target Period").

If the "Election of Ten Directors" in proposal 2 is approved as originally proposed, four Directors will fall under the System.

#### 2. Amount of remuneration, etc. and its details under the System

##### (1) Outline of the System

The System is a stock-based remuneration system under which the Company's shares are acquired by the trust established with funds contributed by the Company (the "Trust"). The shares acquired by the Trust are provided to Directors through the Trust according to the points granted by the Company to Directors.

Directors are granted the Company's shares upon their retirement in principle.

(i) Persons eligible for the System	Directors of the Company (excluding Outside Directors)
(ii) Initial trust period	Approximately five years
(iii) Upper limit of the amount of contribution by the Company for the acquisition of the Company's shares during the initial trust period stipulated in (ii)	¥135 million
(iv) Method of acquisition of the Company's shares	Through the stock market (including after hour trading) or by underwriting the disposition of the Company's treasury stock
(v) Upper limit of the total points granted to Directors stipulated in (i)	21,000 points in each fiscal year
(vi) Criteria for granting points	Grant points according to position, etc.
(vii) Timing of granting the Company's shares to Directors stipulated in (i)	Upon Director's retirement in principle

##### (2) Upper limit of the amount of contribution by the Company

The initial trust period of the Trust is approximately five years. The Company will establish the Trust by contributing an upper limit of ¥135 million over the initial trust period as remuneration for Directors in office during the Target Period, which shall be used as the funds required for the acquisition of the Company's shares to be granted to Directors under the System. The beneficiaries of the Trust shall be Directors of the Company who meet certain requirements. The Trust shall acquire the Company's shares through the stock market (including after hour trading) or by underwriting the disposition of the Company's treasury stock with funds entrusted by the Company.

Note: The monetary amount to be actually entrusted to the Trust by the Company shall include the estimated necessary expenses such as trust fees and compensation for the trust administrator, etc., in addition to the funds required to acquire shares of the Company.

At the time of expiration of trust period (at the time of expiration of extended trust period in the case that continuation of the Trust is decided as a result of the extension of trust period pursuant to the

following procedure), the Board of Directors of the Company may resolve to continue the System by extending trust period at intervals of a maximum period of five years (including an effective extension of trust period by transferring trust assets of the Trust to another trust established by the Company for the same purpose; the same applies throughout proposal 3). If the trust period is thus extended, the Company shall additionally contribute an upper limit of ¥27 million for each year of the extended trust period to the Trust as the funds required for the acquisition of the Company's shares for the purpose of granting to Directors under the System. At the same time, the Company shall extend the Target Period in accordance with the length of continuation of the System and the extended trust period, and shall continue to grant the points stipulated in (3) (i) below and grant the Company's shares stipulated in (3) (iii) below within the extended trust period.

Furthermore, even where the Company does not continue the System or extend the trust period as described above, if there are Directors who have not retired from office and who have accumulated points at the time of the expiration of trust period, the Company may decide to extend the trust period of the Trust until such Directors retire from office and the corresponding grant of the Company's shares is completed.

(3) Methods for calculating the number of the Company's shares to be granted to Directors and the upper limit

(i) Method for granting points

The Company confers to Directors a certain number of points as specified in accordance with their individual rank, etc., on a given date during the trust period, in accordance with the Share Grant Regulations.

However, the total number of points to be conferred to all Directors by the Company during a single fiscal year shall not exceed 21,000.

(ii) Grant of the Company's shares in proportion to granted points

Directors will receive grants of the Company's shares in proportion to their accumulated number of points granted pursuant to (i) above, following the procedures described in (iii) below.

One point shall correspond to one share of the Company to be granted. However, if a stock split, reverse stock split, or any other event where it would be considered reasonable to adjust the number of shares of the Company to be granted occurs, the Company will make reasonable adjustments depending on the ratio of such stock split or reverse stock split.

(iii) Grant of the Company's shares

Upon retirement from office, Directors will receive shares of the Company as described in (ii) above from the Trust. Such Payment will be made by the Trust to directors who have completed the required procedures to be designated as beneficiaries.

Nevertheless, a certain proportion of shares of the Company may be sold by the Trust and granted to Directors in the form of cash to withhold and payout individual tax of each Director.

Furthermore, in any case where a settlement is made for shares of the Company within the Trust by subscribing to a tender offer, the cash proceeds may be paid out in place of delivering shares of the Company.

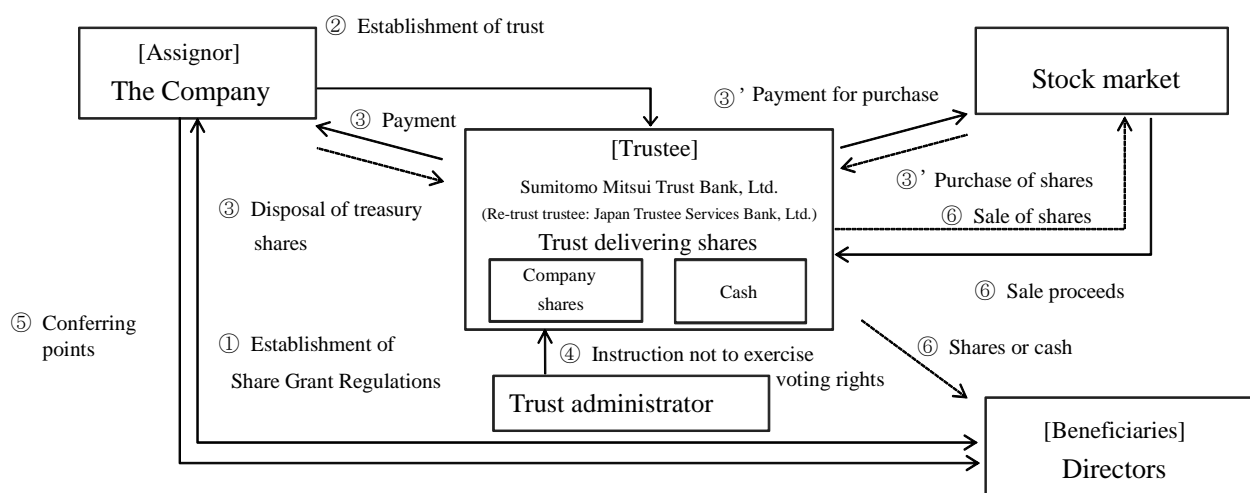
(4) Exercise of voting rights

In accordance with instructions from the trust administrator which is independent of the Company or any officer of the Company, voting rights associated with the shares of the Company held in the Trust shall not be exercised at all, in order to ensure neutrality towards the management of the Company with respect to the shares of the Company held in the Trust.

(5) Handling of dividends

Dividends of the shares of the Company held in the Trust shall be received by the Trust to be used to acquire shares of the Company and for trust fees to be paid to the trustee with respect to the Trust.

[Reference] Structure of the System



- ① The Company establishes Share Grant Regulations for Directors.
- ② The Company establishes the Trust (a third-party-benefit trust) for granting shares with Directors as beneficiaries. In doing so, the Company entrusts an amount of money to the trustee equivalent to that for funds to acquire shares (limited to the amount approved at the Shareholders Meeting).
- ③ The trustee acquires, in a single tranche, a number of shares of the Company sufficient for the expected future grant of shares (from the stock market, including in after-hours trading or from subscribing to the treasury shares to be disposed of by the Company).
- ④ The Company appoints a trust administrator (must be a party independent of the Company or any officer of the Company) to be responsible for protecting the interests of the beneficiaries subject to the Share Grant Regulations and for supervising the trustee throughout the trust period. The trust administrator will issue instructions to the trustee not to exercise any voting rights associated with the shares of the Company held in the Trust throughout the trust period, and the trustee will comply with these instructions.
- ⑤ The Company confers points to eligible Directors in accordance with the Share Grant Regulations.
- ⑥ Directors meeting the requirements set forth in the Share Grant Regulations and the trust agreement receive, as beneficiaries of the Trust, a grant of shares of the Company corresponding to the accumulated number of points from the trustee. In certain specific cases set forth in advance in the Share Grant Regulations and the trust agreement, the trustee sells in the stock market a portion of the shares to be granted and grants cash instead.

It should be noted that Sumitomo Mitsui Trust Bank, Limited, which will be the Trustee under this Plan for the Beneficiaries will entrust (retrust) the management of the trust assets to Japan Trustee Services Bank, Ltd.

In addition, for the outline of the System, please refer to the “Introduction of New Stock-based Incentive System for Directors of MODEC, Inc.” announced on February 6, 2018.

**Proposal 4: Payment of Bonuses to Directors**

In view of the Company's performance for this fiscal year, it is proposed that bonuses of up to ¥25 million in total be paid to three Directors (excluding External Directors.) who were in office as of December 31, 2017.

[Appendix]

Operations Report (from January 1, 2017 to December 31, 2017)

## Overview and Results of Operations

During for the consolidated fiscal year ended December 31, 2017, the Japanese economy continued a gradual recovery trend, reflecting the improvement in corporate earnings as well as conditions for employment and income. The global economy continued to expand, mainly in Europe and the United States. However, the situation is still uncertain mainly due to the uncertainty in the U.S. policy management and increasing geopolitical risks.

Looking at crude oil prices, WTI oil prices increased towards the end of the year and ended up at the level of 60 dollars per barrel due to easing oversupply concerns on the back of the continuation of joint reduction by major oil producing countries. Oil companies are likely to continue oil and gas exploration and development activities of offshore oilfields and gas fields, with a view to ensuring the sustainable supply of energy resources. Accordingly, business related to floating production systems is expected to grow in the medium and long term.

Under these circumstances, for the consolidated fiscal year ended December 31, 2017, orders resulted in ¥700,924 million (up 656.1% year on year) mainly due to new orders for two large charter projects as well as a change to the specification for existing projects and O&M services. Revenue was ¥191,182 million (down 16.9%) due to steady progress in construction of FPSOs.

In terms of profit, operating profit stood at ¥11,448 million (down 36.5%) due to steady progress in construction of FPSOs. Ordinary profit came to ¥24,322 million (down 17.3%), owing to the posting of stable equity in earnings of the affiliates accounted for by the equity method in the lease business. As a result, profit attributable to owners of parent was ¥19,454 million (down 7.4%).

# Financial Statements

## Consolidated Balance Sheet

(December 31, 2017)

(Millions of Japanese yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>198,035</b>	<b>Current liabilities</b>	<b>128,581</b>
Cash and time deposits	31,380	Accounts payable - trade	80,335
Accounts receivable - trade	98,188	Short-term loans payable	3,390
Inventories	1,096	Current portion of long-term loans payable	11,077
Short-term loans receivable	46,282	Lease obligations	6
Deferred tax assets	2,403	Accrued expenses	13,971
Other current assets	19,983	Income taxes payable	6,717
Less - allowance for bad debts	(1,297)	Advances received	6,425
		Accrued employees' bonuses	43
<b>Non-current assets</b>	<b>123,129</b>	Accrued directors' bonuses	13
<b>Property and equipment</b>	<b>6,863</b>	Provision for product warranty	5,495
Buildings and structures	79	Provision for repairs	49
Machinery and equipment	5,046	Other provisions	5
Other property and equipment	1,626	Other current liabilities	1,049
Construction in progress	110		
		<b>Non-current liabilities</b>	<b>44,197</b>
<b>Intangible assets</b>	<b>7,446</b>	Long-term loans payable	31,586
Goodwill	1,207	Lease obligations	2
Other	6,239	Net defined benefit liabilities	310
		Liabilities from application of equity method	6,875
<b>Investments and other assets</b>	<b>108,819</b>	Other non-current liabilities	5,422
Investment securities	63,225	<b>Total liabilities</b>	<b>172,778</b>
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies	34,762	<b>(Net assets)</b>	
Deferred tax assets	1,767	<b>Shareholders' equity</b>	<b>135,468</b>
Other investments	9,063	<b>Common stock</b>	<b>30,122</b>
		<b>Capital surplus</b>	<b>30,852</b>
		<b>Retained earnings</b>	<b>74,495</b>
		<b>Less - treasury stock at cost</b>	<b>(2)</b>
		<b>Accumulated gains (losses) from valuation</b>	<b>1,032</b>
		<b>Unrealized gains (losses) on available-for-sale securities, net of tax</b>	<b>(17)</b>
		<b>Unrealized gains (losses) on hedging derivative, net of tax</b>	<b>(9,109)</b>
		<b>Foreign currency translation adjustments</b>	<b>10,472</b>
		<b>Retirement liability adjustments for foreign consolidated subsidiaries, net of tax</b>	<b>(312)</b>
		<b>Non-controlling interests</b>	<b>11,885</b>
		<b>Total net assets</b>	<b>148,387</b>
<b>Total assets</b>	<b>321,165</b>	<b>Total liabilities and net assets</b>	<b>321,165</b>

(Note) The figures are rounded down to the nearest million yen.



## Consolidated Statement of Income

(For year ended December 31, 2017)

(Millions of Japanese yen)

Description	Amount	
Revenue		191,182
Cost of sales		166,377
<b>Gross profit</b>		<b>24,804</b>
Selling, general and administrative expenses		13,356
<b>Operating profit</b>		<b>11,448</b>
Non-operating income		
Interest and dividend income	5,143	
Equity in earnings of affiliates and unconsolidated subsidiaries	9,686	
Other	940	15,770
Non-operating expenses		
Interest expense	1,389	
Foreign exchange gains (losses), net	1,321	
Other	184	2,895
<b>Ordinary profit</b>		<b>24,322</b>
Extraordinary profit		
Gain on sales of affiliate's stock	491	
Gain on liquidation of affiliates	249	741
<b>Income before income taxes</b>		<b>25,064</b>
Income taxes - current		3,028
Income taxes - prior		(89)
Income taxes - deferred		1,976
<b>Net income</b>		<b>20,149</b>
Profit attributable to non-controlling interests		695
<b>Profit attributable to owners of parent</b>		<b>19,454</b>

# Non-Consolidated Balance Sheet

(December 31, 2017)

(Millions of Japanese yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>106,538</b>	<b>Current liabilities</b>	<b>92,983</b>
Cash and time deposits	8,823	Accounts payable - trade	56,965
Accounts receivable - trade	42,855	Short-term loans payable	3,390
Work in process	20	Current portion of long-term loans payable	10,897
Advance payments - trade	21	Lease obligations	6
Prepaid expenses	324	Accounts payable - other	701
Short-term loans receivable	50,924	Accrued expenses	357
Accrued income	269	Income taxes payable	1,307
Other current assets	5,061	Advances received	278
Less - allowance for bad debts	(1,762)	Deposits received	86
		CMS deposits received	18,626
<b>Non-current assets</b>	<b>97,990</b>	Accrued employees' bonuses	8
<b>Property and equipment</b>	<b>110</b>	Accrued directors' bonuses	13
Buildings	79	Other provisions	5
Tools, furniture and fixtures	22	Other current liabilities	338
Leased assets	8	<b>Non-current liabilities</b>	<b>30,243</b>
		Long-term loans payable	29,240
<b>Intangible assets</b>	<b>21</b>	Lease obligations	2
Software	19	Provision for retirement benefits	310
Other	1	Deferred tax liabilities	6
		Other non-current liabilities	682
<b>Investments and other assets</b>	<b>97,859</b>	<b>Total liabilities</b>	<b>123,226</b>
Investment securities	147	<b>(Net assets)</b>	
Investment in subsidiaries and affiliates	83,613	<b>Shareholders' equity</b>	<b>82,333</b>
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies	11,399	<b>Common stock</b>	<b>30,122</b>
Other investments	2,698	<b>Capital surplus</b>	<b>30,852</b>
		Legal capital surplus	30,852
		<b>Retained earnings</b>	<b>21,360</b>
		Legal retained earnings	68
		Other retained earnings	21,292
		Retained earnings brought forward	21,292
		<b>Less-treasury stock at cost</b>	<b>(2)</b>
		<b>Valuation and translation adjustments</b>	<b>(1,031)</b>
		<b>Unrealized gains (losses) on available-for-sale securities, net of tax</b>	<b>(17)</b>
		<b>Unrealized gains (losses) on hedging derivative, net of tax</b>	<b>(1,013)</b>
		<b>Total net assets</b>	<b>81,302</b>
<b>Total assets</b>	<b>204,529</b>	<b>Total liabilities and net assets</b>	<b>204,529</b>

## Non-Consolidated Statement of Income

(For year ended December 31, 2017)

(Millions of Japanese yen)

Description	Amount	
Revenue		79,384
Cost of sales		73,354
<b>Gross profit</b>		<b>6,030</b>
Selling, general and administrative expenses		6,705
<b>Operating loss</b>		<b>(675)</b>
Non-operating income		
Interest and dividend income	8,090	
Other	771	8,861
Non-operating expenses		
Interest expense	1,586	
Foreign exchange loss	1,336	
Other	179	3,102
<b>Ordinary profit</b>		<b>5,083</b>
Extraordinary profit		
Gain on sales of affiliate's stock	217	
Gain on liquidation of affiliates	0	218
Extraordinary losses		
Loss on valuation of shares of affiliates	1,072	1,072
<b>Income before income taxes</b>		<b>4,229</b>
Income taxes - current		986
<b>Net income</b>		<b>3,243</b>