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(Securities Code: 6269)
March 3, 2017

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 CONVOCATION OF
THE 31ST ANNUAL GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 31st 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. 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 23, 2017.

1. Date and Time: Friday, March 24, 2017, 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 31st Term (from January 1, 2016 to December 31, 2016)
 2. Non-consolidated Financial Statements for the 31st Term (from January 1, 2016 to December 31, 2016)

Matters to be resolved:

- Proposal 1:** Appropriation of Surplus
Proposal 2: Election of Nine Directors
Proposal 3: Election of Four Corporate Auditors
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 23, 2017. 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 (<http://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 23, 2017.

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.

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
¥18.75 per share of common stock of the Company
Total amount of dividends: ¥1,057,637,569
- (3) Effective date of dividends from surplus
March 27, 2017

Proposal 2: Election of Nine 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 nine Directors is proposed, including four External Directors.

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 FY2016
1	Toshiro Miyazaki <u>Reappointment</u>	President and Chief Executive Officer	20 / 20 (100%)
2	Teruhisa Konishi <u>Reappointment</u>	Director Executive Officer, General Manager of General Affairs Dept.	20 / 20 (100%)
3	Minoru Sawada <u>Reappointment</u>	Director Executive Officer, General Manager of Corporate Planning & Strategies Dept.	15 / 15 (100%)
4	Shinsuke Minoda <u>New Appointment</u>	–	–
5	Shinsuke Nippo <u>Reappointment</u>	Director	19 / 20 (95%)
6	Yoshio Kometani <u>Reappointment</u> <u>External Director</u>	External Director	15 / 15 (100%)
7	Katsuya Natori <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	External Director	20 / 20 (100%)
8	Shigenobu Aikyo <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	External Director	14 / 15 (93%)
9	Hiroshi Kanno <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	External Director	13 / 15 (86%)

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 & Shipbuilding Co., Ltd.</p> <p>October 2002 General Manager of Corporate Planning Dept., Mitsui Engineering & 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 & Shipbuilding Co., Ltd.</p> <p>June 2007 Director, in charge of Finance Dept., Accounting Dept. and IR & Public Relations, Mitsui Engineering & 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>	22,700
<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	Teruhisa Konishi (November 19, 1957) <u>Reappointment</u>	<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, General Manager of General Affairs Dept. of the Company (current position)</p>	5,600
<p>Reasons for selection as a Director candidate</p> <p>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 Departments, etc.</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	Minoru Sawada (August 12, 1960) <u>Reappointment</u>	<p>April 1983 Joined Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>April 2011 General Manager of Planning & Administration Dept., Environment & Plant Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>June 2012 General Manager of Planning & Administration Dept., Engineering Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>April 2013 General Manager of Procurement Dept., Engineering Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>October 2014 General Manager of Project Management Dept., Engineering Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>April 2015 Deputy Director, Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>October 2015 Deputy Director of the Company</p> <p>March 2016 Director, Executive Officer, General Manager of Corporate Planning & Strategies Dept. of the Company (current position)</p>	4,000
<p>Reasons for selection as a Director candidate</p> <p>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, IT management divisions and supervising affiliated companies.</p>			
4	Shinsuke Minoda (January 15, 1954) <u>New Appointment</u>	<p>April 1977 Joined Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>February 2004 General Manager of Business Co-ordination Dept., Machinery Factory, Machinery & Systems Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>April 2008 Assistant to General Manger of Machinery Factory, Machinery & Systems Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>January 2009 General Manager of Business Co-ordination Dept., Machinery Factory, Machinery & Systems Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>June 2009 General Manager of Planning & Administration Dept., Machinery & Systems Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>June 2011 Director, General Manager of Machinery & Systems Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>April 2014 Managing Director, General Manager of Machinery & Systems Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>April 2015 Director, Managing Executive Officer, General Manager of Machinery & Systems Hq., Mitsui Engineering & Shipbuilding Co., Ltd. (current position)</p>	0
<p>Reasons for selection as a Director candidate</p> <p>Mr. Shinsuke Minoda 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. Shinsuke Minoda concurrently serves as Director of the Company's parent, Mitsui Engineering & Shipbuilding Co., Ltd.</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
5	Shinsuke Nippo (October 17, 1956) <u>Reappointment</u>	<p>April 1981 Joined Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>June 2007 General Manager of Plant Sales Dept., Environment & Plant Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>April 2013 General Manager of Energy Solutions & Infrastructure Sales Dept. and General Manager of Plant Sales Dept., Engineering Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>June 2013 Deputy Director, General Manager of Energy Solutions & Infrastructure Sales Dept. and General Manager of Plant Sales Dept., Engineering Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>March 2014 Director of the Company (current position)</p> <p>April 2014 Deputy General Manager of Engineering Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>June 2014 Director, Deputy General Manager of Engineering Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>June 2015 Executive Officer, Deputy General Manager of Engineering Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>April 2016 Managing Executive Officer, General Manager of Engineering Hq., Mitsui Engineering & Shipbuilding Co., Ltd.</p> <p>June 2016 Director, Managing Executive Officer, General Manager of Engineering Hq., Mitsui Engineering & Shipbuilding Co., Ltd. (current position)</p>	0
<p>Reasons for selection as a Director candidate</p> <p>Mr. Shinsuke Nippo has been successively selected as a candidate for Director, as he is judged to be capable of advising the overall management of the Company, based on his wide range of knowledge and experience related to the Company's business as well as a wide range of experience and deep insight in corporate management. Mr. Shinsuke Nippo concurrently serves as Director of the Company's parent, Mitsui Engineering & Shipbuilding Co., Ltd.</p>			
6	Yoshio Kometani (April 11, 1962) <u>Reappointment</u> <u>External Director</u>	<p>April 1985 Joined Mitsui & Co., Ltd.</p> <p>March 2010 General Manager of Planning and Administrative Division, Infrastructure Projects Business Unit, Mitsui & Co., Ltd.</p> <p>April 2013 Operating Officer of Infrastructure Projects Business Unit, Mitsui & Co., Ltd.</p> <p>May 2014 Deputy Chief Operating Officer of Asia Pacific Business Unit, Mitsui & Co., Ltd. and Senior Vice President, Mitsui & Co. (Asia Pacific) Pte. Ltd. (located at Singapore)</p> <p>April 2015 Managing Officer, Deputy Chief Operating Officer of Asia Pacific Business Unit, Mitsui & 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 & Co., Ltd. (current position)</p>	0
<p>Reasons for selection as an External Director candidate</p> <p>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>			

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	Katsuya Natori (May 15, 1959) <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	April 1986 Registered as an attorney, joined Masuda and Ejiri Law Office (currently Nishimura & Asahi) June 1990 Joined Davis Wright Tremaine LLP (Seattle, U.S.) July 1992 Joined Wilmer, Cutler & Pickering (Washington D.C., U.S.) July 1993 Joined Esso Sekiyu K.K. January 1995 Joined Apple Japan, Inc. January 1998 Director, Sun Microsystems K.K. March 2002 Executive Officer, FAST RETAILING CO., LTD. January 2004 Director, VP, IBM Japan, Ltd. April 2010 VP, IBM Japan, Ltd. February 2012 Founded Natori Law Office Chief, Natori Law Office (current position) April 2012 Outside Audit & Supervisory Board Member, OLYMPUS CORPORATION (current position) March 2015 External Director of the Company (current position) April 2016 Supervisory Director, Global One Real Estate Investment Corporation (current position) 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.	500

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
8	Shigenobu Aikyo (October 1, 1949) <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	<p>April 1972 Joined Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation)</p> <p>June 1999 Executive Officer, Head of Human Resources Dept., Sumitomo Bank</p> <p>April 2001 Executive Officer, Head of Corporate Management Dept., Sumitomo Mitsui Banking Corporation</p> <p>June 2003 Managing Executive Officer, Head of Tokyo Corporate Banking Division I, Sumitomo Mitsui Banking Corporation</p> <p>June 2005 Managing Director and Managing Executive Officer, Sumitomo Mitsui Banking Corporation</p> <p>April 2006 Senior Managing Director, Sumitomo Mitsui Banking Corporation Senior Managing Director (Executive Officer), Sumitomo Mitsui Financial Group, Inc.</p> <p>April 2007 Deputy President, Head of Corporate Banking Unit, Sumitomo Mitsui Banking Corporation</p> <p>April 2010 Chairman and Representative Director, Nikko Cordial Securities Inc.</p> <p>April 2011 Chairman and Representative Director, SMBC Nikko Securities Inc.</p> <p>April 2015 Advisor, SMBC Nikko Securities Inc.</p> <p>June 2015 External Director, HASHIMOTO SOGYO HOLDINGS Ltd. (current position)</p> <p>March 2016 External Director of the Company (current position)</p> <p>June 2016 External Director, Sanyo Chemical Industries, Ltd. (current position)</p> <p>June 2016 External Director, DAIHEN Corporation (current position)</p> <p>June 2016 Outside Director, SCSK Corporation (current position)</p> <p>June 2016 External Director, NICHICON CORPORATION (current position)</p> <p>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.</p>	100

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	Hiroshi Kanno (November 14, 1958) <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	<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. (current position)</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>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 two years for Mr. Katsuya Natori and one year 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: Election of Four Corporate Auditors

The term of office for all the current Corporate Auditors will expire at the conclusion of this General Meeting of Shareholders.

Therefore, the election of four Corporate Auditors is proposed, including three External Corporate Auditors.

The candidates for Corporate Auditors are as follows, and the Board of Corporate Auditors has given its approval to this proposal.

No.	Name (Date of birth)	Career summary, positions at the Company and significant concurrent positions	Number of shares of the Company held	
1	Katsunori Aikyo (October 1, 1955) <u>New Appointment</u>	April 1978 March 2005 December 2006 April 2008 April 2011 April 2013 April 2014 March 2017	Joined Mitsui & Co., Ltd. General Manager of Non-Ferrous Metal Products Dept., Iron & Steel Raw Materials and Non-Ferrous Metals Business Unit, Mitsui & Co., Ltd. General Manager of Non-Ferrous Metal Materials Dept., Mineral & Metal Resources Business Unit, Mitsui & Co., Ltd. Senior Vice President, Chief Operating Officer of Americas Energy & Mineral Resources Division, Mitsui & Co. (U.S.A.), Inc Managing Officer, Chief Operating Officer of Transportation Logistics Business Unit, Mitsui & Co., Ltd. Managing Officer, Senior Deputy General Manager of Osaka Office, Mitsui & Co., Ltd. Executive Managing Officer, General Manager of Nagoya Office, Mitsui & Co., Ltd. (current position) Expected to retire from Mitsui & Co., Ltd.	0
		Reasons for selection as a Corporate Auditor candidate Mr. Katsunori Aikyo has been newly selected as a candidate for Corporate Auditor, as he is judged to be able to audit from an objective perspective by utilizing his insight in business activities and the overall management based on his experience as a member of the management of the general trading company.		
2	Kenji Seto (July 4, 1953) <u>Reappointment</u> External Corporate Auditor Independent Corporate Auditor	April 1976 October 2000 April 2001 October 2005 June 2006 April 2013 March 2016	Joined Mitsui Bank (currently Sumitomo Mitsui Banking Corporation) Head of Financial Products Dept., Mitsui Bank Head of Business Dept. I, Europe, Middle East and Africa Division, Sumitomo Mitsui Banking Corporation Joined JCB Co., Ltd. Board Member, Executive Officer, General Manager of International Headquarters, JCB Co., Ltd. and President and Director, JCB International Co., Ltd. Board Member, Senior Executive Officer, Head of Processing Business Group, JCB Co., Ltd. External Corporate Auditor of the Company (current position)	0
		Reasons for selection as an External Corporate Auditor candidate Mr. Kenji Seto has been successively selected as a candidate for External Corporate Auditor, as he is judged to be able to audit from an objective perspective by utilizing his abundant experience as a corporate manager over the years and a wide range of knowledge related to finance. If election of Mr. Kenji Seto is approved, the Company intends to appoint him as Independent Corporate Auditor as prescribed by the Tokyo Stock Exchange.		

No.	Name (Date of birth)	Career summary, positions at the Company and significant concurrent positions	Number of shares of the Company held	
3	Yoshihiro Kato (November 20, 1954) <u>Reappointment</u> External Corporate Auditor Independent Corporate Auditor	April 1977 April 1986 July 1997 April 2005	Joined Bridgestone Tire Co., Ltd. Joined Pricewaterhouse Aoyama Audit Corporation Director, PricewaterhouseCoopers Tax Corporation Founded Yoshihiro Kato International Accounting Office Head, Yoshihiro Kato International Accounting Office (current position)	0
		April 2005 April 2012	Professor, Kanazawa Seiryō University and Graduate School of Kanazawa Seiryō University Part-time Lecturer, Faculty of Law, Toin University of Yokohama	
		April 2014	Part-time Lecturer, Faculty of Human Life, Jumonji University Professor, Faculty of Human Life, Jumonji University (current position)	
		March 2016	External Corporate Auditor of the Company (current position)	
		Reasons for selection as an External Corporate Auditor candidate Mr. Yoshihiro Kato has a wealth of knowledge and experience as a tax accountant and researcher on tax accounting. Although Mr. Yoshihiro Kato has never been directly engaged in corporate management, he has been successively selected as a candidate for External Corporate Auditor, as he is judged to be capable of appropriately performing the duties of an External Corporate Auditor for the reasons mentioned above. If election of Mr. Yoshihiro Kato is approved, the Company intends to appoint him as Independent Corporate Auditor as prescribed by the Tokyo Stock Exchange.		
4	Kazumi Inoue (September 30, 1950) <u>New Appointment</u> External Corporate Auditor Independent Corporate Auditor	April 1974 April 1980	Joined Export-Import Bank of Japan Deputy Director, Office of Permanent Delegation of Japan, International Bank for Reconstruction and Development (The World Bank) (Washington, D.C., U.S.A.)	0
		May 2000	Special Advisor (in charge of Act on Access to Information Held by Administrative Organs), Japan Bank for International Cooperation	
		April 2001 January 2002	Director General, Legal Affairs Office, Japan Bank for International Cooperation Senior Advisor, Deposit Insurance Corporation of Japan (secondment)	
		March 2004	Advisor to Human Resources Management Office, Japan Bank for International Cooperation (returned)	
		Reasons for selection as an External Corporate Auditor candidate Mr. Kazumi Inoue has been newly selected as a candidate for External Corporate Auditor, as he is judged to be able to audit from an objective perspective by utilizing his abundant experience and achievements as well as wide range of knowledge and insight related to corporate management. If election of Mr. Kazumi Inoue is approved, the Company intends to appoint him as Independent Corporate Auditor as prescribed by the Tokyo Stock Exchange.		
		April 2004 May 2004 April 2010	Left Japan Bank for International Cooperation Managing Director, JAL Capital Co., Ltd. Advisor to Managing Director (Head of the Internal Control Office) (in charge of internal control promotion), Mitsubishi Chemical Holdings Corporation	
		September 2015	Advisor to General Manager, Internal Control Promotion Dept., MITSUBISHI RAYON CO., LTD. (current position)	
		March 2017	Expected to retire from MITSUBISHI RAYON CO., LTD.	

- (Notes)
1. The above candidates for Corporate Auditors have no special interest in the Company.
 2. The terms of office of the current External Corporate Auditors as the Company's Corporate Auditor will be one year for Messrs. Kenji Seto and Yoshihiro Kato as of the conclusion of this General Meeting of Shareholders.
 3. Liability limitation contract with the External Corporate Auditors
The Company stipulates in its current Articles of Incorporation that the Company may enter into contracts with External Corporate Auditors 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 Corporate Auditors. If the election of Messrs. Kenji Seto and Yoshihiro Kato, candidates for External Corporate Auditors, is approved, the Company intends to renew the liability limitation contract with them with a content as stated below. Furthermore, if the election of Mr. Kazumi Inoue is approved, the Company intends to enter into a similar liability limitation contract with him.
 - In the event that External Corporate Auditors 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 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 ¥20 million in total be paid to three Directors (excluding External Directors) who were in office as of December 31, 2016.

[Appendix]

Operations Report (from January 1, 2016 to December 31, 2016)

Overview and Results of Operations

During the fiscal year under review, the Japanese economy continued a gradual recovery trend in spite of a slow improvement in corporate earnings, on the back of the economic and monetary policies introduced by the government and the Bank of Japan. The global economy recovered gradually, mainly in Europe and the United States. However, the situation is still uncertain mainly due to the slowing economic growth of emerging countries and the impact of U.S. policy trends.

Looking at crude oil prices, WTI oil prices recovered to the level of 50 dollars per barrel from the level at the beginning of the year due to expectations to reduce oversupply on the back of oil reduction agreements among oil producing countries. In the medium and long term, oil companies are likely to continue oil and gas exploration and development activities mainly in deepwater, with a view to ensuring the sustainable supply of energy resources. Business related to floating production systems, the MODEC Group's mainstay business, is expected to experience long range stable growth.

Under these circumstances, for the consolidated fiscal year ended December 31, 2016, orders resulted in ¥92,704 million (down 50.9% year on year) mainly due to a change to the specification for existing projects and O&M services. Revenue was ¥229,987 million (down 22.2%) due to steady progress in construction of FPSOs.

In terms of profit, operating profit stood at ¥18,018 million (up 255.0%), reflecting the improvement in earnings from FPSO construction work and the realization of deferred profits. Ordinary profit came to ¥29,409 million (up 129.4%), owing to an increase in operating profit coupled with 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 ¥21,012 million (up 260.7%).

Financial Statements

Consolidated Balance Sheet

(December 31, 2016)

(Millions of Japanese yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	218,042	Current liabilities	142,536
Cash and time deposits	42,807	Accounts payable - trade	96,738
Accounts receivable - trade	95,544	Current portion of long-term loans payable	7,812
Inventories	2,360	Lease obligations	20
Short-term loans receivable	55,012	Accrued expenses	14,377
Deferred tax assets	3,263	Income taxes payable	9,713
Other current assets	21,026	Advances received	5,252
Less - allowance for bad debts	(1,971)	Accrued employees' bonuses	7
		Accrued directors' bonuses	13
Non-current assets	115,206	Provision for product warranty	6,860
Property and equipment	14,161	Provision for repairs	43
Buildings and structures	88	Other provisions	5
Machinery and equipment	12,101	Deferred tax liabilities	1
Other property and equipment	1,784	Other current liabilities	1,688
Construction in progress	186		
		Non-current liabilities	56,102
Intangible assets	7,420	Long-term loans payable	42,478
Goodwill	1,414	Lease obligations	9
Other	6,005	Net defined benefit liabilities	265
		Liabilities from application of equity method	7,350
Investments and other assets	93,624	Other non-current liabilities	5,998
Investment securities	55,162	Total liabilities	198,639
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies	28,165	(Net assets)	
Long-term time deposits	3,781	Shareholders' equity	118,200
Deferred tax assets	2,666	Common stock	30,122
Other investments	3,848	Capital surplus	30,852
		Retained earnings	57,227
		Less - treasury stock at cost	(1)
		Accumulated gains (losses) from valuation	4,849
		Unrealized gains (losses) on available-for-sale securities, net of tax	(11)
		Unrealized gains (losses) on hedging derivative, net of tax	(10,453)
		Foreign currency translation adjustments	15,490
		Retirement liability adjustments for foreign consolidated subsidiaries, net of tax	(176)
		Non-controlling interests	11,560
		Total net assets	134,609
Total assets	333,249	Total liabilities and net assets	333,249

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

Consolidated Statement of Income

(For year ended December 31, 2016)

(Millions of Japanese yen)

Description	Amount	
Revenue		229,987
Cost of sales		198,443
Gross profit		31,544
Selling, general and administrative expenses		13,526
Operating profit		18,018
Non-operating income		
Interest and dividend income	4,055	
Equity in earnings of affiliates and unconsolidated subsidiaries	9,618	
Gain on revaluation of derivatives	397	
Other	665	14,736
Non-operating expenses		
Interest expense	1,421	
Foreign exchange gains (losses), net	1,807	
Other	116	3,346
Ordinary profit		29,409
Extraordinary losses		
Loss on disposal of property and equipment	107	
Impairment loss	1,524	1,632
Income before income taxes		27,776
Income taxes - current		6,284
Income taxes - prior		6
Income taxes - deferred		1,873
Net income		19,612
Loss attributable to non-controlling interests		(1,400)
Profit attributable to owners of parent		21,012

Non-Consolidated Balance Sheet

(December 31, 2016)

(Millions of Japanese yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	146,856	Current liabilities	104,366
Cash and time deposits	13,128	Accounts payable - trade	61,780
Accounts receivable - trade	52,753	Current portion of long-term loans payable	6,087
Work in process	1,478	Lease obligations	20
Advance payments - trade	6	Accounts payable - other	542
Prepaid expenses	726	Accrued expenses	380
Short-term loans receivable	72,789	Income taxes payable	112
Accrued income	212	Advances received	1,938
Other current assets	7,867	Deposits received	54
Less - allowance for bad debts	(2,105)	CMS deposits received	33,019
		Accrued employees' bonuses	7
Non-current assets	79,392	Accrued directors' bonuses	13
Property and equipment	146	Other provisions	5
Buildings	88	Other current liabilities	403
Tools, furniture and fixtures	31	Non-current liabilities	42,154
Leased assets	26	Long-term loans payable	40,729
		Lease obligations	9
Intangible assets	32	Provision for retirement benefits	265
Software	31	Deferred tax liabilities	6
Other	1	Other non-current liabilities	1,144
		Total liabilities	146,520
Investments and other assets	79,212	(Net assets)	
Investment securities	153	Shareholders' equity	81,276
Investment in subsidiaries and affiliates	63,071	Common stock	30,122
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies	13,060	Capital surplus	30,852
Insurance funds	338	Legal capital surplus	30,852
Other investments	2,588	Retained earnings	20,303
		Legal retained earnings	68
		Other retained earnings	20,234
		Retained earnings brought forward	20,234
		Less-treasury stock at cost	(1)
		Valuation and translation adjustments	(1,549)
		Unrealized gains (losses) on available-for-sale securities, net of tax	(11)
		Unrealized gains (losses) on hedging derivative, net of tax	(1,537)
		Total net assets	79,727
Total assets	226,248	Total liabilities and net assets	226,248

Non-Consolidated Statement of Income

(For year ended December 31, 2016)

(Millions of Japanese yen)

Description	Amount	
Revenue		113,847
Cost of sales		114,302
Gross loss		(455)
Selling, general and administrative expenses		5,973
Operating loss		(6,429)
Non-operating income		
Interest and dividend income	11,014	
Other	957	11,971
Non-operating expenses		
Interest expense	1,359	
Foreign exchange loss	2,996	
Other	95	4,450
Ordinary profit		1,091
Extraordinary losses		
Loss on disposal of property and equipment	35	35
Income before income taxes		1,056
Income taxes - current		25
Income taxes - deferred		1,003
Net income		27