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(Securities Code: 6269)  
March 2, 2020

**To Our Shareholders with Voting Rights:**

Toshiro Miyazaki  
Director, Chairman of the Board  
MODEC, INC.  
3-10, Nihonbashi 2-chome Chuo-ku, Tokyo

**NOTICE OF CONVOCATION OF  
THE 34<sup>TH</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 34th 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 Wednesday, March 18, 2020.

- 1. Date and Time:** Thursday, March 19, 2020, at 10:00 a.m.  
(The reception desk opens at 9:00 a.m.)
- 2. Place:** Congres Square Nihonbashi 2F Convention Hall AB  
Tokyo Tatemono Nihonbashi Building, 3-13, Nihonbashi 1-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 34th Term (from January 1, 2019 to December 31, 2019)
  2. Non-consolidated Financial Statements for the 34th Term (from January 1, 2019 to December 31, 2019)

**Matters to be resolved:**

- |                    |                                 |
|--------------------|---------------------------------|
| <b>Proposal 1:</b> | Appropriation of Surplus        |
| <b>Proposal 2:</b> | Election of Ten Directors       |
| <b>Proposal 3:</b> | 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.

\* Please note that no commemorative gift will be provided to shareholders attending the meeting. We would appreciate your kind understanding.

## **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 (<https://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 which the Accounting Auditor audited in preparing 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 (<https://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 Wednesday, March 18, 2020. 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 Wednesday, March 18, 2020.

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

¥22.50 per share of common stock of the Company

Total amount of dividends: ¥1,269,159,548

As the Company has already paid an interim dividend of ¥22.50 per share, the annual dividend will be ¥45 per share.

(3) Effective date of dividends from surplus

March 23, 2020

## Proposal 2: Election of Ten Directors

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

Accordingly, the election of ten Directors is proposed, including six 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 FY2019
1	<b>Yuji Kozai</b> <u>Reappointment</u>	President and Chief Executive Officer	18 / 18 (100%)
2	<b>Takeshi Kanamori</b> <u>Reappointment</u>	Director Executive Vice President	18 / 18 (100%)
3	<b>Minoru Sawada</b> <u>Reappointment</u>	Director Executive Managing Officer	18 / 18 (100%)
4	<b>Shoichi Taguchi</b> <u>New appointment</u>	–	–
5	<b>Kazumasa Nakai</b> <u>Reappointment</u> <u>External Director</u>	External Director	14 / 14 (100%)
6	<b>Katsuya Natori</b> <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	External Director	16 / 18 (88.8%)
7	<b>Shigenobu Aikyo</b> <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	External Director	18 / 18 (100%)
8	<b>Hiroko Noda</b> <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	External Director	14 / 14 (100%)
9	<b>Kazuko Shiraishi</b> <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	External Director	14 / 14 (100%)
10	<b>Kazuhisa Nishigai</b> <u>New appointment</u> <u>External Director</u> <u>Independent Director</u>	–	–

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	Yuji Kozai (February 10, 1960)  <u>Reappointment</u>	April 1982      Joined Mitsui Engineering & Shipbuilding Co., Ltd. June 2005      General Manager of Diesel Design Dept., Machinery Factory, Machinery & Systems Hq., Mitsui Engineering & Shipbuilding Co., Ltd. July 2007      General Manager of Production Planning Dept., Machinery Factory, Machinery & Systems Hq., Mitsui Engineering & Shipbuilding Co., Ltd. January 2011    General Manager of Quality Assurance Dept., Machinery Factory, Machinery & Systems Hq., Mitsui Engineering & Shipbuilding Co., Ltd. June 2013      General Manager of Corporate Planning Dept., Mitsui Engineering & Shipbuilding Co., Ltd. April 2015      Executive Officer, General Manager of Corporate Planning Dept., Mitsui Engineering & Shipbuilding Co., Ltd. October 2016    Executive Officer, Deputy General Manager of Corporate Planning Hq., General Manager of Corporate Planning Dept., Corporate Planning Hq., Mitsui Engineering & Shipbuilding Co., Ltd. March 2018      Director of the Company April 2018      General Manager of Corporate Planning Dept., Mitsui E&S Holdings Co., Ltd. June 2018      Director, Mitsui E&S Holdings Co., Ltd. March 2019      Retired from Mitsui E&S Holdings Co., Ltd. March 2019      Representative Director, President and Chief Executive Officer of the Company (current position) June 2019      Director, Mitsui E&S Holdings Co., Ltd. (current position)	2,900
		Reasons for selection as a Director candidate Mr. Yuji Kozai has been successively selected as a candidate for Director, as he has acquired knowledge and experience related to the Company's business as well as a wide range of experience and deep insight in corporate management, which are expected to be leveraged in the overall management of the Company. Mr. Yuji Kozai concurrently serves as Director of the Company's parent, Mitsui E&S Holdings Co., Ltd.	

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
2	Takeshi Kanamori (September 7, 1956)  <u>Reappointment</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</p> <p>March 2018      Director, Executive Vice President of the Company (current position)</p>	2,700
<p>Reasons for selection as a Director candidate</p> <p>Mr. Takeshi Kanamori has been successively selected as a candidate for Director, as he has acquired abundant experience as a member of the management of the general trading company, supervised the overall business execution of the Company, and has been in charge of Compliance Departments, etc.</p>			
3	Minoru Sawada (August 12, 1960)  <u>Reappointment</u>	<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</p> <p>March 2019      Director, Executive Managing Officer of the Company (current position)</p>	5,000
<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, Legal, Best Practice Promotion, IT management divisions and supervising affiliated companies.</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
4	Shoichi Taguchi (April 9, 1958)  <u>New appointment</u>	<p>April 1985      Joined Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>May 2012      General Manager of Planning &amp; Administration Dept., Machinery &amp; Systems Hq., and Manager of IR Dept., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>June 2013      General Manager of Machinery Factory, Machinery &amp; Systems Hq., Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>April 2014      Deputy Director, Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>April 2015      Executive Officer, Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>April 2016      Executive Managing Officer, General Manager of Tamano Office, Mitsui Engineering &amp; Shipbuilding Co., Ltd.</p> <p>March 2018     President, Mitsui E&amp;S Business Service Co., Ltd.</p> <p>June 2019      Director, Mitsui E&amp;S Holdings Co., Ltd. (current position)</p> <p>Reasons for selection as a Director candidate Mr. Shoichi Taguchi 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 wide range of knowledge, experience and managerial capability acquired through his duties in the operating divisions and major offices of the Company's parent company, as well as his insight on the Company's business as an officer in charge of Corporate Planning Dept. of the parent company.</p>	0
5	Kazumasa Nakai (August 29, 1963)  <u>Reappointment</u> <u>External Director</u>	<p>April 1987      Joined Mitsui &amp; Co., Ltd.</p> <p>December 2005    General Manager of Project Sect., New York Office, MITSUI &amp; CO. (U.S.A.), INC.</p> <p>July 2009      Deputy Manager of Third Projects Development Division, Infrastructure Projects Business Unit, Mitsui &amp; Co., Ltd.</p> <p>April 2012      General Manager of Third Projects Development Division, Infrastructure Projects Business Unit, Mitsui &amp; Co., Ltd.</p> <p>April 2015      General Manager of First Projects Development Division, Infrastructure Projects Business Unit, Mitsui &amp; Co., Ltd.</p> <p>October 2017     Operating Officer of Nutrition &amp; Agriculture Business Unit, Mitsui &amp; Co., Ltd.</p> <p>March 2019      External Director of the Company (current position)</p> <p>April 2019      Managing Officer, Mitsui &amp; Co., Ltd. (current position)</p> <p>Reasons for selection as an External Director candidate Mr. Kazumasa Nakai 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, based on his wide range of business experience at the general trading company as well as practical knowledge related to the Company's business.</p>	0

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
6	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 Director, 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)	1,200
		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.	

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	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 June 2016      Outside Director, SCSK Corporation June 2016      External Director, NICHICON CORPORATION (current position) June 2019      External Statutory Auditor, Starts Corporation Inc. (current position)  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.	1,400

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	Hiroko Noda (July 3, 1960)  <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	April 1987    Joined Minato Audit Corporation (currently KPMG AZSA LLC) August 1987    Joined Prudential Securities Incorporated March 1990    Founded Noda Certified Public Accountant Office Representative, Noda Certified Public Accountant Office (current position) August 1992    Joined Banque Indosuez S.A. (currently Crédit Agricole Corporate and Investment Bank and Crédit Agricole Securities Asia BV) June 2000    Joined Canadian Bank of Commerce Accounting Manager of Tokyo Branch, Canadian Bank of Commerce and Tokyo Branch, CIBC Securities Inc. July 2006    Joined BUSICOM Co., Ltd. September 2007    Representative Director, Prominent Consulting Co., Ltd. May 2010    Founded Probity Consulting Co., Ltd. Representative Director, Probity Consulting Co., Ltd. (current position) April 2014    Part-time Lecturer, Graduate School of Asian and International Business Strategy, Asia University (current position) March 2019    External Director (Audit & Supervisory Committee Member), Okabe Co., Ltd. (current position) March 2019    External Director of the Company (current position)  Reasons for selection as an External Director candidate Ms. Hiroko Noda has been successively selected as a candidate for External Director, as she is judged to be able to continue to supervise and provide advice on the overall management of the Company from an objective standpoint, based on her years of experience in the field of international finance as well as broad insights as a business management consultant. If election of Ms. Hiroko Noda is approved, the Company intends to appoint her as Independent Director as prescribed by the Tokyo Stock Exchange.	0
9	Kazuko Shiraishi (August 18, 1951)  <u>Reappointment</u> <u>External Director</u> <u>Independent Director</u>	April 1974    Joined Ministry of Foreign Affairs of Japan February 2001    Consul General, Consulate-General of Japan in Atlanta June 2003    General Manager, International Economic Treaty Office, Treaty Bureau, Ministry of Foreign Affairs September 2004    Policy Coordinator, Foreign Policy Bureau, Ministry of Foreign Affairs October 2005    General Manager, WTO Dispute Settlement Division, Economic Affairs Bureau, Ministry of Foreign Affairs April 2007    Councilor, Embassy of Japan in Poland January 2012    Ambassador Extraordinary and Plenipotentiary to Lithuania June 2015    Ambassador (for Women, Human Rights and Humanitarian Affairs and in charge of Arctic Affairs) June 2016    Ambassador (in charge of Arctic Affairs), Ministry of Foreign Affairs October 2016    Conciliation Commissioner, Tokyo Family Court (current position) June 2017    Term of office of Ambassador, Ministry of Foreign Affairs expired December 2017    Special Envoy for EXPO 2025 OSAKA, KANSAI, JAPAN June 2018    External Director (Audit and Supervisory Committee Member), SCSK Corporation (current position) March 2019    External Director of the Company (current position)  Reasons for selection as an External Director candidate Ms. Kazuko Shiraishi has been successively selected as a candidate for External Director, as she is judged to be able to continue to supervise and provide advice on the overall management of the Company from an objective standpoint, based on her wealth of experience related to diplomacy and broad insight she gained through her career to date. If election of Ms. Kazuko Shiraishi is approved, the Company intends to appoint her as Independent Director as prescribed by the Tokyo Stock Exchange.	0

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	Kazuhisa Nishigai (July 29, 1950)  New appointment External Director Independent Director	<p>April 1975      Joined Bridgestone Tire Co., Ltd. (currently Bridgestone Corporation)</p> <p>April 2004      Director, Process Engineering Development Division, Bridgestone Corporation</p> <p>January 2005    Vice President and Officer, Bridgestone Corporation</p> <p>October 2007    Vice President and Senior Officer, Bridgestone Corporation</p> <p>March 2008      Member of the Board, Vice President and Senior Officer, Bridgestone Corporation</p> <p>March 2010      Representative Board Member, Senior Vice President, Bridgestone Corporation</p> <p>March 2012      Representative Board Member and COO, Bridgestone Corporation</p> <p>March 2016      Member of the Board, COO and Representative Executive Officer, Bridgestone Corporation</p> <p>January 2019    Member of the Board, Bridgestone Corporation</p> <p>March 2019      External Advisor, Bridgestone Corporation (current position)</p> <p>Reasons for selection as an External Director candidate Mr. Kazuhisa Nishigai has been newly selected as a candidate for External Director, as he is judged to be capable of advising the overall management of the Company, based on his extensive knowledge and management ability gained through his longtime involvement in the management of a listed company, as well as wide range of business experience related to production engineering, plant management and sales, etc. If election of Mr. Kazuhisa Nishigai is approved, the Company intends to appoint him as Independent Director as prescribed by the Tokyo Stock Exchange.</p>	0

- (Notes) 1. Mitsui E&S Holdings 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 E&S Holdings 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 five years for Mr. Katsuya Natori, four years for Mr. Shigenobu Aikyo and one year for Mr. Kazumasa Nakai and Ms. Hiroko Noda and Kazuko Shiraishi as of the conclusion of this General Meeting of Shareholders.
3. Liability limitation contract with the Directors (excluding those serving as Executive Directors, etc.)  
The Company has entered into contracts with Messrs. Kazumasa Nakai, Katsuya Natori and Shigenobu Aikyo and Ms. Hiroko Noda and Kazuko Shiraishi to limit their liabilities for compensation of damages prescribed in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability under the contracts shall be the minimum amount prescribed in Article 425, Paragraph 1 of the said Act. If this Proposal is approved, the Company intends to renew the liability limitation contracts with them and newly enter into contracts of the same content with Messrs. Shoichi Taguchi and Kazuhisa Nishigai.

### **Proposal 3: Payment of Bonuses to Directors**

It is proposed that bonuses of up to ¥23 million in total be paid to four Directors (excluding External Directors) who were in office as of December 31, 2019. The amount of bonuses to Directors is calculated by considering the degree of achievement with respect to profit and the amount of new orders received, and the detail of achievement of annual targets.

[Appendix]

Operations Report (from January 1, 2019 to December 31, 2019)

## Overview and Results of Operations

During the consolidated fiscal year ended December 31, 2019, the Japanese economy recovered gradually as conditions for employment and income continued to improve on account of growth in corporate earnings, despite weak export and production activities. As to the global economy, the outlook grew increasingly uncertain owing to concerns about politics and economy stemming from trade issues between the United States and China as well as the Brexit issue.

WTI oil prices soared towards the end of the year and closed at the level of 60 dollars per barrel, as fears about supply disruptions due to increased geopolitical risks in the Middle East and concerns for the friction between the United States and China had eased, while decline in demand due to economic slowdown became more likely. From the aspect of sustainable supply of energy resources, petroleum companies are forecast to continue development mainly in deep-sea areas. Accordingly, the business related to floating production systems, the Group's mainstay business, is expected to grow steadily.

Under these circumstances, for the consolidated fiscal year ended December 31, 2019, orders resulted in ¥635,832 million (up 150.7% year on year) mainly due to new orders for large charter projects as well as a change to the specification for existing projects and O&M services. Revenue was ¥332,644 million (up 49.9%) due to steady progress in construction of FPSOs.

In terms of profit, operating loss of ¥4,841 million was posted (operating profit of ¥14,928 million was posted in the previous consolidated fiscal year) due to the recording of provision for expenses that surpassed the initial estimate of an EPCI project for Mexico. Ordinary profit came to ¥294 million (down 99.0%) including interest income and equity in earnings of affiliates and unconsolidated subsidiaries. In addition, under extraordinary losses, estimated expenses required for the repair of FPSOs which were offering charter service off the coast of Brazil were recorded. Due to these and other factors, loss attributable to owners of parent was ¥18,227 million (profit attributable to owners of parent of ¥21,891 million was posted in the previous consolidated fiscal year).

# Financial Statements

## Consolidated Balance Sheet

(December 31, 2019)

(Millions of Japanese yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>247,512</b>	<b>Current liabilities</b>	<b>231,860</b>
Cash and time deposits	52,381	Accounts payable - trade	150,847
Accounts receivable - trade	163,364	Current portion of long-term loans payable	13,931
Inventories	4,630	Lease obligations	1,544
Short-term loans receivable	8,387	Accrued expenses	18,110
Other current assets	19,198	Income taxes payable	5,129
Less - allowance for bad debts	(450)	Advances received	13,411
		Accrued employees' bonuses	85
<b>Non-current assets</b>	<b>135,677</b>	Accrued directors' bonuses	25
<b>Property and equipment</b>	<b>5,048</b>	Provision for loss on construction contracts	7,146
Buildings and structures	71	Provision for product warranty	6,930
Machinery and equipment	5	Provision for repairs	10,573
Other property and equipment	4,960	Other current liabilities	4,124
Construction in progress	10		
		<b>Non-current liabilities</b>	<b>25,962</b>
<b>Intangible assets</b>	<b>9,652</b>	Long-term loans payable	10,827
Goodwill	850	Lease obligations	2,238
Other	8,801	Net defined benefit liabilities	366
		Deferred tax liabilities	196
<b>Investments and other assets</b>	<b>120,976</b>	Liabilities from application of equity method	5,451
Investment securities	72,202	Other provisions	285
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies	37,886	Other non-current liabilities	6,596
Deferred tax assets	3,922		
Other investments	6,965	<b>Total liabilities</b>	<b>257,823</b>
		<b>(Net assets)</b>	
		<b>Shareholders' equity</b>	<b>131,185</b>
		<b>Common stock</b>	<b>30,122</b>
		<b>Capital surplus</b>	<b>29,301</b>
		<b>Retained earnings</b>	<b>71,950</b>
		<b>Less - treasury stock at cost</b>	<b>(188)</b>
		<b>Accumulated gains (losses) from valuation</b>	<b>(9,394)</b>
		<b>Unrealized gains (losses) on hedging derivative, net of tax</b>	<b>(11,282)</b>
		<b>Foreign currency translation adjustments</b>	<b>2,983</b>
		<b>Retirement liability adjustments for foreign consolidated subsidiaries, net of tax</b>	<b>(1,095)</b>
		<b>Non-controlling interests</b>	<b>3,575</b>
		<b>Total net assets</b>	<b>125,366</b>
<b>Total assets</b>	<b>383,189</b>	<b>Total liabilities and net assets</b>	<b>383,189</b>

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

## Consolidated Statement of Income

(For year ended December 31, 2019)

(Millions of Japanese yen)

Description	Amount	
Revenue		332,644
Cost of sales		325,148
<b>Gross profit</b>		<b>7,495</b>
Selling, general and administrative expenses		12,336
<b>Operating loss</b>		<b>(4,841)</b>
Non-operating income		
Interest income	5,943	
Equity in earnings of affiliates and unconsolidated subsidiaries	2,382	
Other	67	8,393
Non-operating expenses		
Interest expense	964	
Foreign exchange losses	1,375	
Loss on valuation of derivatives	590	
Other	327	3,257
<b>Ordinary profit</b>		<b>294</b>
Extraordinary profit		
Gain on sales of non-current assets	327	
Gain on liquidation of subsidiaries and affiliates	509	837
Extraordinary losses		
Special repair expenses	16,690	16,690
<b>Loss before income taxes</b>		<b>(15,558)</b>
Income taxes - current		2,780
Income taxes - prior		0
Income taxes - deferred		(660)
<b>Loss</b>		<b>(17,680)</b>
Profit attributable to non-controlling interests		547
<b>Loss attributable to owners of parent</b>		<b>(18,227)</b>

## Non-Consolidated Balance Sheet

(December 31, 2019)

(Millions of Japanese yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>143,304</b>	<b>Current liabilities</b>	<b>141,007</b>
Cash and time deposits	11,916	Accounts payable - trade	122,180
Accounts receivable - trade	121,546	Current portion of long-term loans payable	13,396
Work in process	73	Lease obligations	16
Advance payments - trade	47	Accounts payable - other	1,973
Prepaid expenses	1,566	Accrued expenses	247
Short-term loans receivable	564	Income taxes payable	132
Accrued income	56	Advances received	2,693
Other current assets	7,802	Deposits received	173
Less - allowance for bad debts	(268)	Accrued employees' bonuses	13
		Accrued directors' bonuses	25
		Other current liabilities	152
<b>Non-current assets</b>	<b>100,590</b>		
<b>Property and equipment</b>	<b>134</b>	<b>Non-current liabilities</b>	<b>10,651</b>
Buildings, net	71	Long-term loans payable	10,095
Tools, furniture and fixtures, net	12	Lease obligations	38
Leased assets, net	50	Provision for retirement benefits	365
		Other provisions	51
<b>Intangible assets</b>	<b>635</b>	Other non-current liabilities	100
Software	19		
Other	616	<b>Total liabilities</b>	<b>151,659</b>
		<b>(Net assets)</b>	
<b>Investments and other assets</b>	<b>99,819</b>	<b>Shareholders' equity</b>	<b>92,482</b>
Investment securities	0	<b>Common stock</b>	<b>30,122</b>
Investment in subsidiaries and affiliates	89,948	<b>Capital surplus</b>	<b>30,852</b>
Long-term loans receivable from unconsolidated subsidiaries and affiliated companies	7,397	Legal capital surplus	30,852
Deferred tax assets	427	<b>Retained earnings</b>	<b>31,696</b>
Other investments	2,045	Legal retained earnings	68
		Other retained earnings	31,628
		<b>Less-treasury stock at cost</b>	<b>(188)</b>
		<b>Valuation and translation adjustments</b>	<b>(247)</b>
		<b>Unrealized gains (losses) on hedging derivative, net of tax</b>	<b>(247)</b>
		<b>Total net assets</b>	<b>92,235</b>
<b>Total assets</b>	<b>243,895</b>	<b>Total liabilities and net assets</b>	<b>243,895</b>

## Non-Consolidated Statement of Income

(For year ended December 31, 2019)

(Millions of Japanese yen)

Description	Amount	
Revenue		222,396
Cost of sales		211,398
<b>Gross profit</b>		<b>10,998</b>
Selling, general and administrative expenses		7,729
<b>Operating profit</b>		<b>3,268</b>
Non-operating income		
Interest and dividend income	3,261	
Foreign exchange gains	8	
Other	78	3,348
Non-operating expenses		
Interest expense	1,679	
Loss on valuation of derivatives	627	
Other	138	2,446
<b>Ordinary profit</b>		<b>4,170</b>
Extraordinary losses		
Loss on liquidation of subsidiaries and affiliates	273	273
<b>Income before income taxes</b>		<b>3,897</b>
Income taxes - current		3
Income taxes - deferred		(434)
<b>Net income</b>		<b>4,327</b>