IHI
Realize your dreams

For further growth

ANNUAL REPORT 2014

For The Year Ended March 31, 2014

IHI Corporation

Realize your dreams

"Realize your dreams" expresses the mission of IHI to play a meaningful role in actualizing the aspirations of society. To fulfill this mission, the company works tirelessly to enhance the quality of its products and services, and raise the productivity of its operations. A unique feature of these efforts is IHI employees' intense focus on understanding customer needs by rigorously confirming the "Three Actuals"—"going to the actual place", "seeing the actual things" and "knowing the actual situation". Going forward, IHI will continue to evolve as a world-leading group that contributes to social development through advanced technology and value creation.

Four Business Areas of IHI Group

- Resources, Energy and Environment
- Social Infrastructure and Offshore Facilities
- Industrial Systems and General-Purpose Machinery
- Aero Engine, Space and Defense

Contents

To Our Shareholders

We are working with the Group to achieve sustainable growth and strengthened profitability.

Kazuaki Kama　　Tamotsu Saito

Continued Pursuit of Stable Growth

IHI achieved a highly successful fiscal year in 2013 (ended March 2014). In this first year of our new medium-term management policies, each of our reporting segments booked operating income for a fifth consecutive year, and our full-year operating income and operating margin both exceeded initial forecasts. In addition to paying a higher year-end dividend in fiscal 2013 compared to the previous year, we envision paying an interim dividend in fiscal 2014 as we work to sustain our strong momentum.

FY2013 Achievements

Fiscal 2013 saw the Japanese economy recover moderately, backed by optimism regarding the "Abenomics" policies of the current administration, as well as correction of the yen's previously high levels in line with the Bank of Japan's monetary easing. In many emerging countries there were concerns about slowdowns, but the U.S. economy staged a moderate recovery and the European economy bottomed out, so the global economy as a whole continued to grow moderately.

To respond effectively to current and anticipated market conditions, the IHI Group proactively realigned its business into Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense. In addition, aiming to deliver greater value to customers, we strengthened our shared group functions in three key areas—Solution & Engineering, Intelligent Information Management, and Global Business.

We also implemented new human resource development policies to strengthen our working environments and systems to enable employees to maximize their abilities. IHI was one of 26 companies on the first section of the Tokyo Stock Exchange (TSE) to be selected by the TSE and the Ministry of Economy, Trade and Industry as a brand that is actively utilizing its female employees. We are committed to maximizing opportunities for our diverse human resources, assuring they reach their full potential in accordance with our corporate philosophy that people are our primary asset.

FY2014 Opportunities

The current fiscal year—the midpoint of our three-year business plan—is a crucial period in which we intend to accelerate growth to achieve our medium-term goals. By taking strategic measures to further develop our core businesses and enhance collaboration in our shared group functions, we aim to reach our FY2015 targets of ¥1,530 billion in consolidated net sales and ¥90 billion in consolidated operating income (assuming ¥100 to US$1).

K. Kama

Kazuaki Kama
Chairman of the Board

Tamotsu Saito

Tamotsu Saito
President, Chief Executive Officer

Financial Highlights

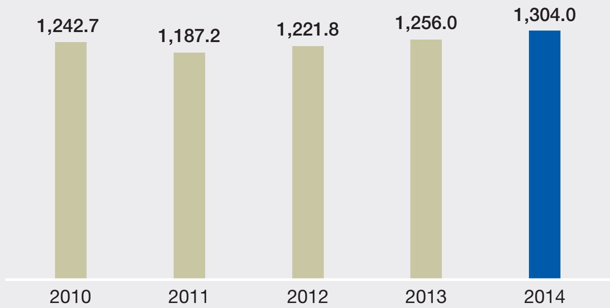
Fiscal years ended March 31
IHI Corporation and Consolidated Subsidiaries

	Millions of yen					Thousands of U.S. dollars
	2010	2011	2012	2013	2014	2014
Financial performance						
Net sales	¥1,242,700	¥1,187,292	¥1,221,869	¥1,256,049	¥1,304,038	$12,670,404
Operating income	47,145	61,390	43,333	42,141	53,271	517,596
Net income	17,378	29,764	23,823	33,386	33,133	321,930
Financial positions and indicators						
Total assets	1,412,421	1,361,441	1,338,131	1,364,239	1,496,361	14,539,069
Net assets	227,065	253,640	258,475	299,282	362,555	3,522,687
Debt/Equity ratio (Times)	1.90	1.47	1.34	1.18	0.99	0.99
Return indicators (%)						
Return on average equity (ROE)	8.6%	13.2%	9.8%	12.4%	10.5%	10.5%
Return on average assets (ROA)	1.2%	2.1%	1.8%	2.5%	2.3%	2.3%
Free cash flow						
Net cash provided by operating activities	76,708	95,565	24,743	74,347	39,220	381,073
Net cash used in investing activities	(62,754)	(77,798)	(37,722)	(61,033)	(62,282)	(605,150)
Free cash flow	13,954	17,767	(12,979)	13,314	(23,062)	(224,077)

	Yen					U.S. dollars
	2010	2011	2012	2013	2014	2014
Amounts per share						
Net income	¥11.85	¥20.29	¥16.26	¥22.81	¥22.51	$0.219
Cash dividends	¥ 2.00	¥ 3.00	¥ 4.00	¥ 5.00	¥ 6.00	$0.058

Note:
For convenience only, U.S. dollar amounts in this report have been converted from yen at the rate of ¥102.92=US$1, the approximate rate of exchange prevailing on March 31, 2014.

Net sales (Billions of yen)

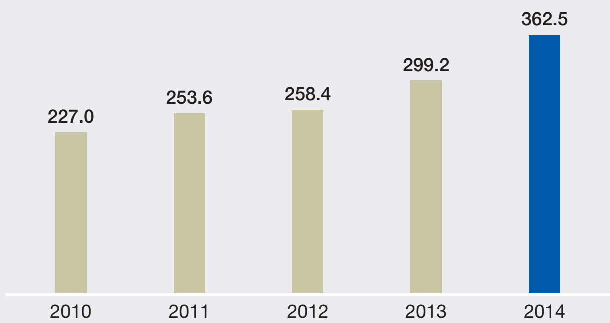


Operating income (Billions of yen)

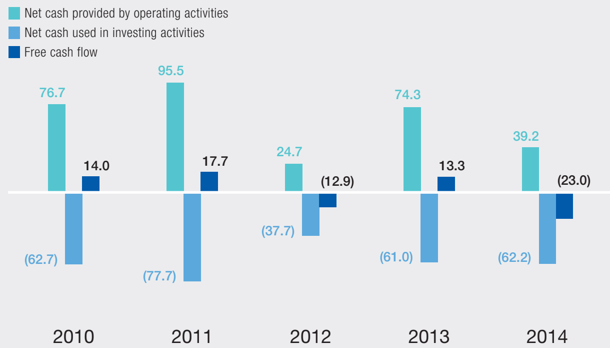
Net income (Billions of yen)

Total assets (Billions of yen)

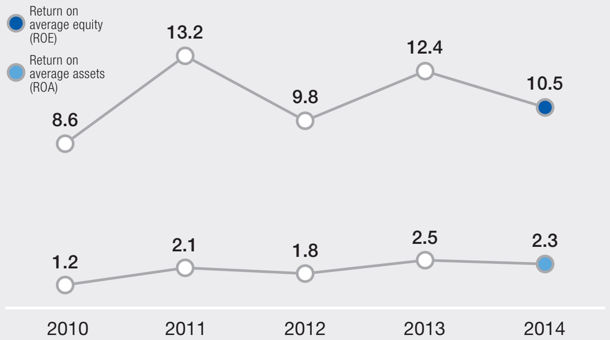
Net assets (Billions of yen)



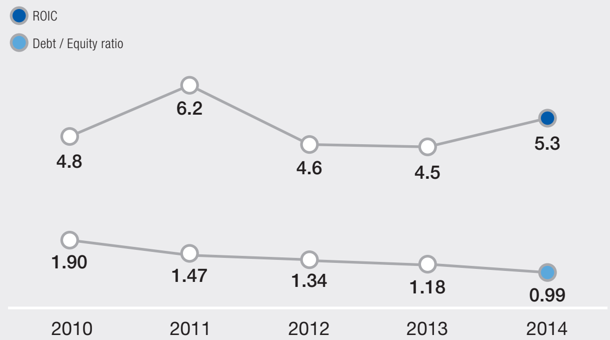
Free cash flow (Billions of yen)



ROE / ROA (%)



ROIC (%) / Debt / Equity ratio (Times)



Accelerated Growth on a Global Scale through Targeted Strategies

— Supported by "Monozukuri" Technology and "Three Actuals"

1 Fiscal 2013 in Review

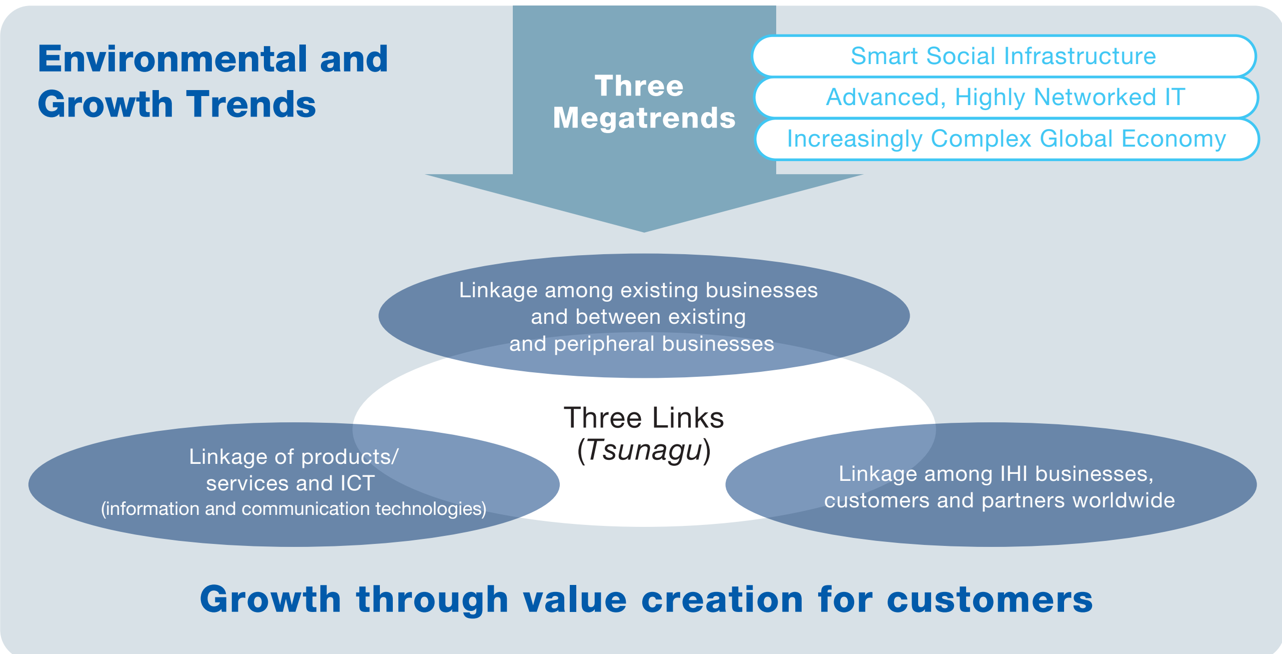
IHI had another strong year in fiscal 2013 (ended March 2014). Fiscal 2013 was the inaugural year of the IHI Group Management Policies 2013 business plan ending in fiscal 2015. Each of our reporting segments booked operating income for a fifth consecutive year, and our full-year overall operating income and operating margin both exceeded initial forecasts. In addition, we invested in growth and other priority businesses in accordance with our capital and R&D investment plans. As a result, we are better positioned for continued growth and development in the years ahead.

2 Links to Success

IHI Group Management Policies 2013 implemented during the year focuses sharply on megatrends and the business opportunities that they represent: smart social infrastructure, advanced, highly networked IT, and the increasingly complex global economy. To capitalize on these opportunities, we are facilitating strategic links within our Group, namely; 1) linkage among existing businesses and between existing and peripheral businesses; 2) linkage of products/services and ICT (information and communication technologies); and 3) linkage among IHI businesses, customers and partners worldwide.

For the first link, or *tsunagu,* as we say in Japanese, we are offering more solutions to a wider range of customers, which is extending our value chain and strengthening our operational effectiveness. For example, we

Positioning of "Group Management Policies 2013"



now link a wider range of products spanning multiple operational units in Strategic Business Units (SBUs).

For the second link, we are analyzing and sharing more diverse information to strengthen products and services. This has led, for example, to the development of systems that closely monitor IHI products at customer premises, which create opportunities to offer after-sales services that assure the peak performance of IHI products.

For the third link, we have identified priority countries and markets in which to strategically allocate corporate resources and enhance relationships with local customers and partners.

Strengthening these three links is the primary focus of IHI Group Management Policies 2013. Effective deployment has been underpinned by our new Solution & Engineering Headquarters, Intelligent Information Management Headquarters and Global Marketing Headquarters, all of which were established in April 2013.

In addition, we have reorganized our business segments to serve customers and respond to market-specific needs more effectively and efficiently. IHI Group business is now organized into the following four business areas:

- Resources, Energy and Environment
- Social Infrastructure and Offshore Facilities
- Industrial Systems and General-Purpose Machinery
- Aero Engine, Space and Defense

Strengthening of Shared Group Functions toward Growth: Three Links (*Tsunagu*)

Resources, Energy and Environment | Social Infrastructure and Offshore Facilities | Industrial Systems and General-Purpose Machinery | Aero Engine, Space and Defense

Solution & Engineering Headquarters

Develop solutions that best incorporate Group-wide expertise for maximized customer satisfaction.

Example: Used built, transfer and operate (BTO) system as an effective total solution for constructing and managing a multistory parking structure.

Intelligent Information Management Headquarters

Enhance *monozukuri* capabilities by incorporating more ICT in production operations.

Example: Accelerated the development of Control System of IHI Group: Global Series (CSIGS) and IHI Group Lifecycle Partner System (ILIPS).

Global Businesses Headquarters

Involve more business divisions in overseas markets and strengthen governance for expanded marketing in priority countries.

Example: Held forums in South America and Southeast Asia for public, private, and academic stakeholders.

FY2013 achievements and tasks connected to the three *tsunagu* "links" are set out below.

Link 1 Solution & Engineering

Linking Solution & Engineering is enabling IHI to develop solutions that best incorporate the full-scale of our Group-wide expertise, with a special focus on *monozukuri*, the Japanese concept of meticulously planned and executed manufacturing. For example, we supported the successful receipt of an order from Toyama University Hospital for the construction and management of a multistory parking structure. Using the Build, Transfer and Operate (BTO) system, the project has involved both building and managing the facility. More than just a construction project, the initiative demonstrated IHI's ability to fully grasp and respond to customer needs.

Link 2 Intelligent Information Management

We are using the Intelligent Information Management link to enhance our *monozukuri* production capabilities with ICT. As a result, we have accelerated development of two common control system platforms—the Control System of IHI Group: Global Series (CSIGS)—and a common remote maintenance platform—IHI Group Lifecycle Partner System (ILIPS).

CSIGS has been completed and is being applied in a model business for industrial machinery. A prototype system for small machinery is under development and technology verification is in progress. As for ILIPS, this platform is already being used in more than 100 separate applications, and it is being expanded to include enhanced fault diagnosis.

In addition, we are using Intelligent

Information Management to develop a system that will measure rainfall, water levels and seismic movements to predict landslides. By expanding the business scope for these common platforms, we expect to develop innovative new business in fields such as maintenance services.

Link 3 Global Business

We are also working to help more business divisions enter overseas markets and strengthening governance, particularly at our headquarters in three priority regions: the Americas, China, and Southeast Asia. For example, to maximize IHI's awareness in and contributions to these regions, as well as countries such as Indonesia, Thailand, Vietnam and Malaysia, we held forums in South America and Southeast Asia for local companies, governments and research organizations. We also established a new subsidiary to support our growing presence in Thailand in February 2014. Going forward, we will continue to expand marketing in priority countries and enhance the functions of our regional headquarters.

Shared Group Functions

Three Links (*Tsunagu*)	Results in Fiscal 2013	Strategies in Fiscal 2014
Solution & Engineering	• Implemented multiple proposals, resulting in many orders	• Enhance activities for business scope expansion
Intelligent Information Management	• Began delivering common control system platform and common remote maintenance platform	• Expand use of this specialized know-how in businesses with high growth prospects • Enhance sensing and ICT for strengthened use of intelligent information
Global Business	• Facilitated overseas market entries for more divisions and strengthened governance via regional headquarters • Held forums for priority regions • Established a new Thai subsidiary	• Enhance marketing functions • Enhance regional headquarters functions

3 Key Strategies for FY2014

In fiscal 2014, the year in which we must accelerate growth to assure achievement of Group Management Policies 2013, we will implement five key strategies:

1 | Strengthen Shared Group Functions

IHI will create new value for customers, and thereby accelerate its corporate growth, by strengthening and leveraging shared group functions. We also will deepen collaboration among core businesses and work beyond the frameworks of existing businesses to create distinctive products and services.

2 | Secure Orders Stably

Taking advantage of opportunities in the global market, we expect to secure orders on a more stable basis. Marketing activities will be stepped up, particularly in priority countries, customer/partner relationships will be leveraged more effectively and we fill focus on accurately identifying and satisfying the real needs of customers. The plan-do-check-action (PDCA) cycle will be utilized widely to help secure stable orders.

3 | Enhance Profit Structure

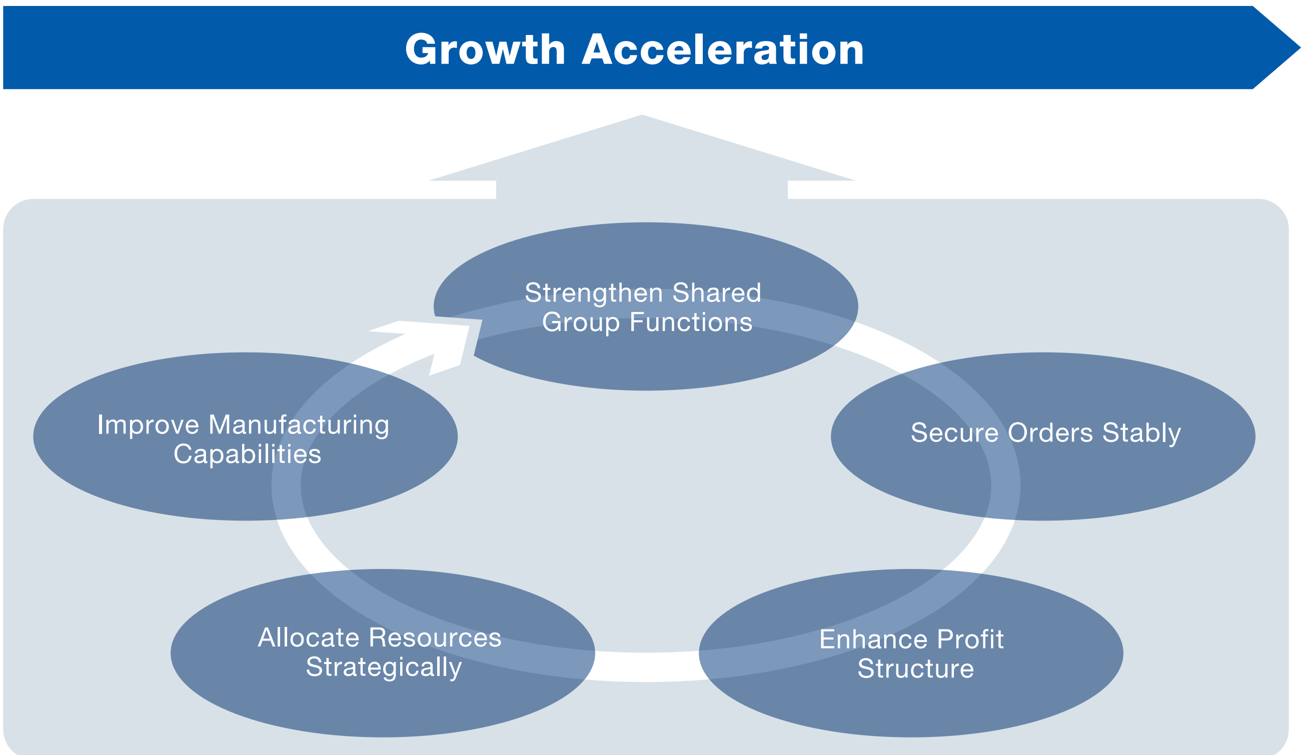
To ensure growth, it is essential to be highly competitive, which is why we are strengthening our profit structure with new business models, differentiating our products and services, and thoroughly managing ongoing cost-reduction initiatives and earnings from large projects overseas. Also, in the execution of orders for large projects, we conduct risk-management assessments using our own internal-control system.

4 | Allocate Resources Strategically

Corporate resources will be allocated strategically to grow core businesses, especially target businesses. For efficiency, many common operations have been concentrated in the new Group Business Process Platform Division. In addition, the education and allocation of human resources will be focused on supporting accelerated growth worldwide.

5 | Improve Manufacturing Capabilities

Employees will renew their commitment to our “Three Actuals”—“going to the actual place,” “seeing the actual things” and “knowing the actual situation.” In addition, IHI will strengthen not only business processes, but also technical capabilities for sales, design and other areas vital for *monozukuri*-based manufacturing. The result will be a more robust foundation for growth.



4 Conclusion

In fiscal 2015, the final year of our Management Policies 2013, we are targeting consolidated net sales of ¥1,530 billion and operating income of ¥90 billion (assuming ¥100 to US$1.00). To achieve these targets, a total of ¥400 billion will be invested between fiscal years 2013 and 2015. Funding will be internal, so the impact on interest-bearing debt is expected to be minimal, which should help to keep our debt equity ratio (D/E ratio) under 1.2. By pursuing investment and growth strategies with financial discipline, we anticipate increasing return on invested capital (ROIC) to 6.5% at an early stage.

The full-year dividend in fiscal 2013 was raised by ¥1 per share over the previous fiscal year to ¥6 per share. For the year ending in March 2015, we anticipate a dividend of ¥6 per share (interim and year-end dividends of ¥3 each). The IHI Group will cooperate across the board to achieve these targets.

Taking this opportunity, I express my sincere gratitude to all IHI Group stakeholders for their invaluable support.

June 2014

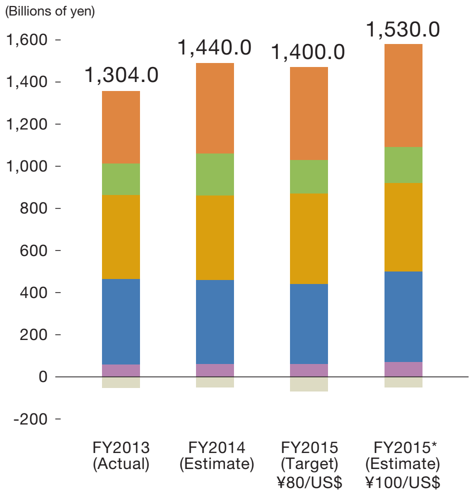
Tamotsu Saito

President and Chief Executive Officer

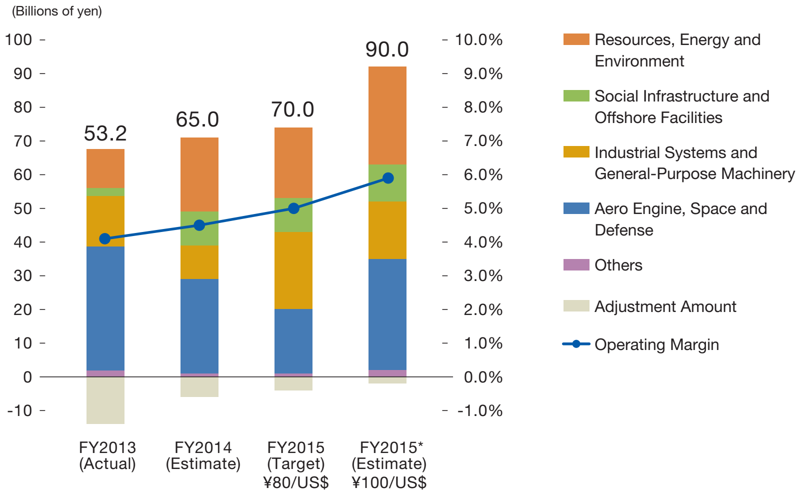
Group Management Policies 2013

Overview-1 Targets

Net Sales



Operating Income (left axis)
Operating Margin (right axis)



*Note: The assumed exchange rate for the figures in the FY2015 (Estimate) is ¥100=US$1.

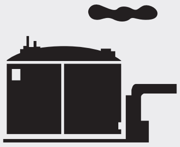
Overview-2 Targets | Outlook and Numerical Targets by Segment

(Billions of yen)

	Net Sales				Operating Income			
	FY2013 (Actual)	FY2014 (Estimate)	FY2015 (Target)	FY2015* (Estimate)	FY2013 (Actual)	FY2014 (Estimate)	FY2015 (Target)	FY2015* (Estimate)
Resources, Energy and Environment	344.0	430.0	440.0	490.0	11.6	22.0	21.0	29.0
Social Infrastructure and Offshore Facilities	150.3	200.0	160.0	170.0	2.3	10.0	10.0	11.0
Industrial Systems and General-Purpose Machinery	397.8	400.0	430.0	420.0	15.1	10.0	23.0	17.0
Aero Engine, Space and Defense	406.0	400.0	380.0	430.0	36.7	28.0	19.0	33.0
Others	58.9	60.0	60.0	70.0	1.9	1.0	1.0	2.0
Adjustment Amount	(53.2)	(50.0)	(70.0)	(50.0)	(14.4)	(6.0)	(4.0)	(2.0)
Total	1,304.0	1,440.0	1,400.0	1,530.0	53.2	65.0	70.0	90.0
Exchange Rate	¥99.05/US$	¥100/US$	¥80/US$	¥100/US$	¥99.05/US$	¥100/US$	¥80/US$	¥100/US$

*Note: The assumed exchange rate for the figures in the FY2015 (Estimate) is ¥100=US$1.

Review of Operations



Resources, Energy and Environment

Main products: Boilers, power systems, motors for land and marine use, large marine motors, gas processes (storage facilities and process plants), nuclear power (components for nuclear power plants), environmental systems, pharmaceuticals (pharmaceutical plants)

(Billions of yen)

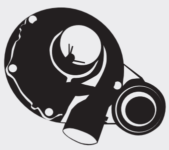
Orders received	Operating income
¥494.6	¥11.6
Net sales	**Backlogged orders**
¥344.0	¥535.2

Social Infrastructure and Offshore Facilities

Main products: Bridges, water gates, shield tunneling machines, transportation systems, urban development (real estate sales and rental), F-LNG (floating LNG storage facilities), offshore structures

(Billions of yen)

Orders received	Operating income
¥175.5	¥ 2.3
Net sales	**Backlogged orders**
¥150.3	¥235.2

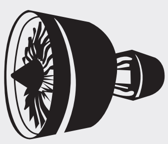


Industrial Systems and General-Purpose Machinery

Main products: Marine machinery, logistics systems, materials handling equipment, parking systems, steel manufacturing equipment, industrial machinery, heat/surface treatment machinery, papermaking machinery, vehicular turbochargers, compressors, separation equipment, marine turbochargers, construction machinery, agricultural machinery, small motors

(Billions of yen)

Orders received	Operating income
¥370.6	¥15.1
Net sales	**Backlogged orders**
¥397.8	¥108.7



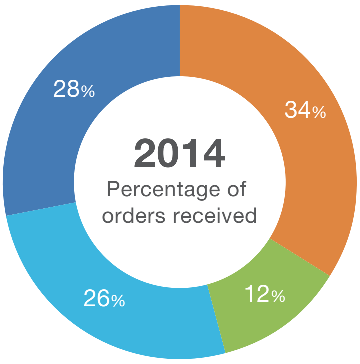
Aero Engine, Space and Defense

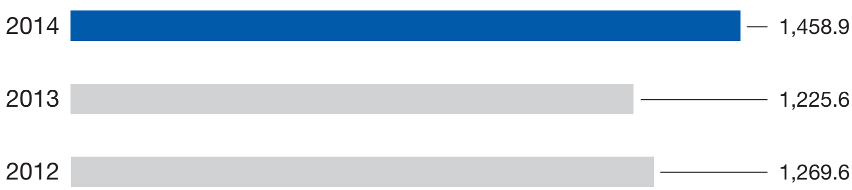
Main products: Aero engines, rocket systems/space utilization systems (space-related equipment), defense systems

(Billions of yen)

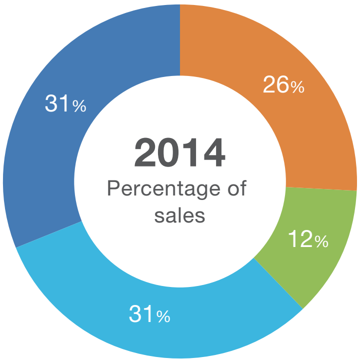
Orders received	Operating income
¥406.9	¥36.7
Net sales	**Backlogged orders**
¥406.0	¥440.3

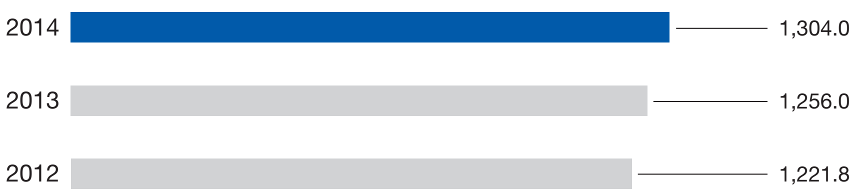
Orders received (Billions of yen, Consolidated)



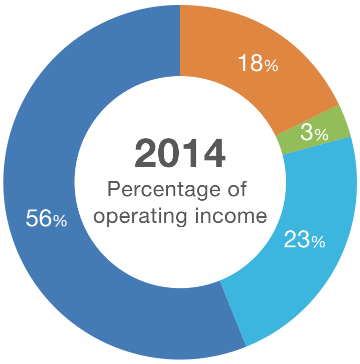


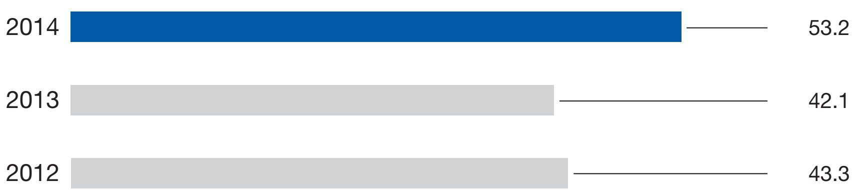
Net sales (Billions of yen, Consolidated)



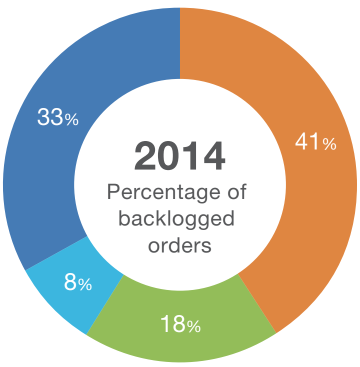


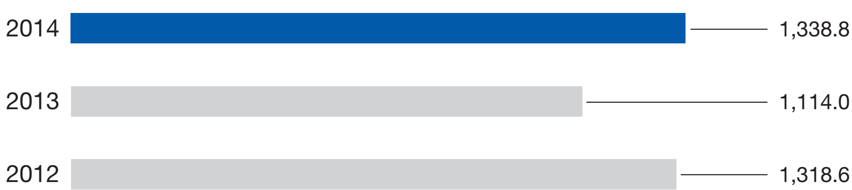
Operating income (Billions of yen, Consolidated)





Backlogged orders (Billions of yen, Consolidated)





Resources, Energy and Environment
Social Infrastructure and Offshore Facilities
Industrial Systems and General-Purpose Machinery
Aero Engine, Space and Defense

Resources, Energy and Environment

Steam generator for thermal power plant

Highlights

Orders received

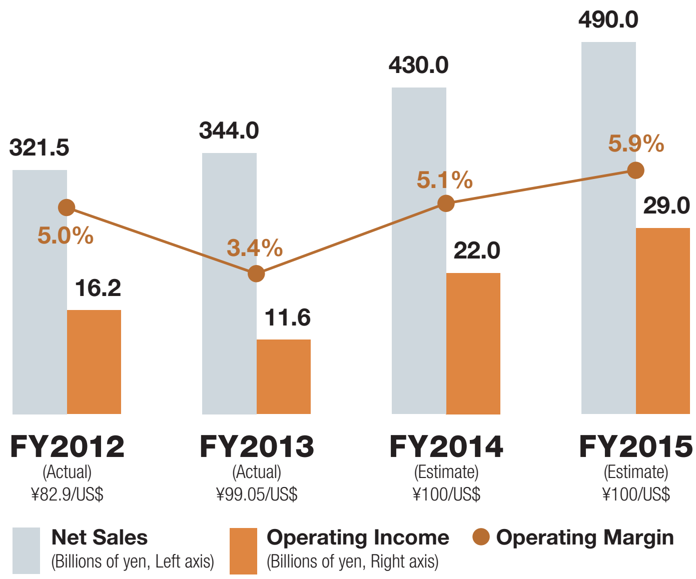
¥494.6 billion

Net sales

¥344.0 billion

Operating income

¥11.6 billion



Dreams for Energy

Minimizing Environmental Impact

We maintain stable supplies of energy that are essential to industrial progress and comfortable lifestyles while aiming to minimize global warming. We leverage our expertise and proprietary technologies in coal, natural gas, nuclear power, and in renewables to optimize product and service mixes while minimally affecting the environment.

IHI Group Companies

•IHI PACKAGED BOILER CO., LTD. •Kotobuki Iron Works Co., Ltd. •NIIGATA POWER SYSTEMS CO., LTD. •IHI Kankyo Engineering Co., Ltd. •NICO Precision Co., Inc. •PT. CILEGON FABRICATORS •TOSHIBA IHI Power Systems Corporation •IHI Plant Engineering Corporation •Aomori Plant Co., Ltd. •NIIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD. •IHI Plant Construction Co., Ltd. •ISHI POWER SDN. BHD. •IHI Power System Germany GmbH •JURONG ENGINEERING LIMITED •IHI E&C International Corporation •Kanamachi Purification Plant Energy Service Co., Ltd. •Toyosu Energy Service Co., Ltd. •IHI POWER SYSTEM MALAYSIA SDN. BHD. •Diesel United, Ltd. and 24 other companies

Market Analysis and Strategy

Economic growth is boosting the demand for energy and distributed power generation in emerging economies of Southeast Asia and other regions. In the United States, meanwhile, markets for shale gas facilities and natural gas value-chain facilities are expanding, while in Japan and other countries, efforts to cut CO_2 emissions are increasing the demand for more efficient facilities for coal-fired thermal power generation and biomass power generation. IHI is accelerating efforts to capitalize on opportunities to build and service such facilities. Additionally, the company is strengthening its involvement with new-energy fields, such as lignite gasification and biomass power generation.

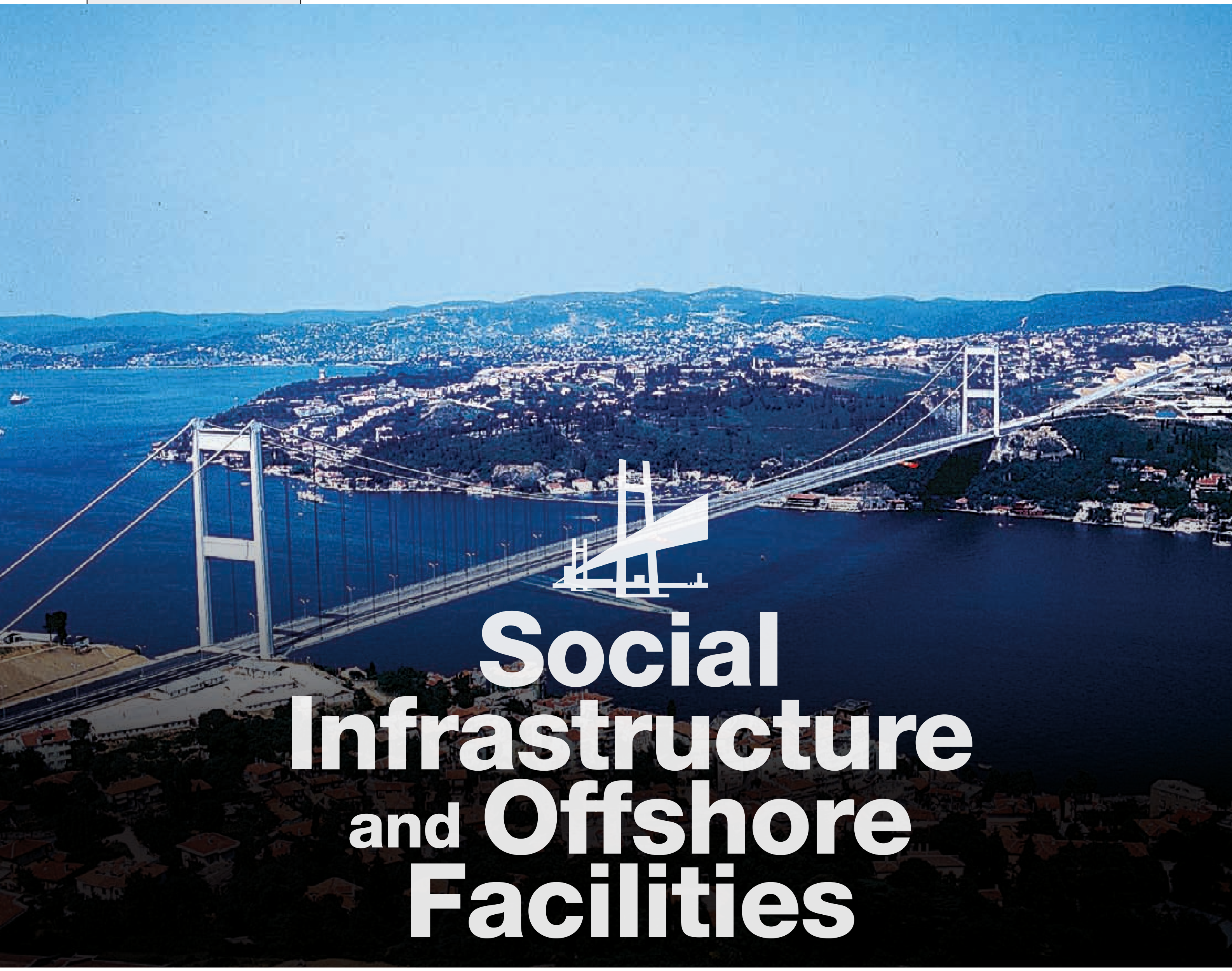
Cove Point LNG

Our joint venture between subsidiary IHI E&C International Corporation and Kiewit Energy Company, a major U.S. construction company, won an engineering, procurement and construction (EPC) contract to develop the Cove Point natural gas liquefaction facility for power and gas company Dominion in April 2013.

The facility, which will become a base for liquefying and exporting shale gas, is being constructed along the U.S. east coast in Lusby, Maryland. When completed in 2017, it will operate with an annual capacity of 5.25 million tons. IHI, drawing on its renowned experience in plant engineering, continues to look for opportunities to support the stable production of energy.

Rendition of completed Cove Point LNG facility

Social Infrastructure and Offshore Facilities



Second Bosphorus Bridge in Turkey

Highlights

Orders received

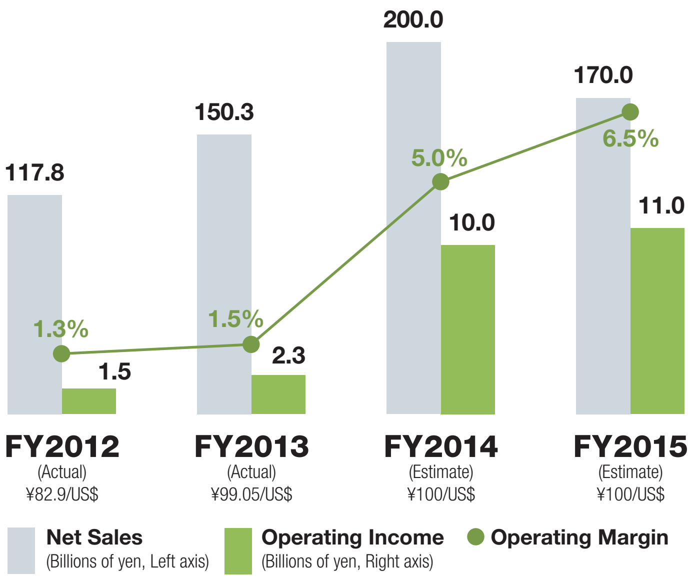
¥175.5billion

Net sales

¥150.3billion

Operating income

¥2.3billion



Dreams for Infrastructure

Underpinning the Essentials of Modern Living

In social infrastructure, security, offshore and urban development, as well as in other fields, we leverage our technological capabilities and experience to ensure that nations and societies are safer and more secure.

IHI Group Companies

•IHI Infrastructure Systems Co., Ltd. •IHI Construction Service Co., Ltd. •PC BRIDGE CO., LTD. •IHI INFRASTRUCTURE ASIA CO., LTD. •San-Etsu Co., Ltd. •NIIGATA TRANSYS CO., LTD. •Kanto Segment Co., Ltd. •Japan Tunnel Systems Corporation •ISHIKAWAJIMA CONSTRUCTION MATERIALS Co., Ltd. •Chiba Warehouse Co., Ltd. •IHI California Inc.

Market Analysis and Strategy

Economic growth in Southeast Asia created demand for new bridges and other urban infrastructure in FY2013, while continued demand for major repairs and renovation of infrastructure was seen in Europe and the United States. Japan strove to improve its national resilience, leading to sustained investment on significant levels in disaster mitigation and preparation. Tokyo's selection as the host city for the 2020 Olympic and Paralympic Games is expected to stimulate increased demand for urban infrastructure upgrades.

The IHI Group is focusing on winning infrastructure orders from overseas developers and expanding its marine-related business, including by enhancing production capabilities for prismatic-shape IMO Type-B (SPB) tanks for floating facilities used to store liquefied natural gas (F-LNG). The IHI Group also will continue to focus on domestic real estate business.

IHI Wins Contract of First and Second Bosphorus Bridge Rehabilitation Project

In December 2013, IHI Infrastructure Systems Co., Ltd. (IIS) and MAKYOL İnşaat Sanayi Turizm ve Ticaret A.Ş., a leading general contractor in Turkey, announced that they had jointly won a contract from the General Directorate of Highways, Ministry of Transport Maritime Affairs and Communications, the Turkish state agency in charge of construction and maintenance of public roadways.

Inspecting main cable on the First Bosphorus Bridge

Under the contract, worth 247 million Turkish lira (approximately 12.5 billion yen), IIS will replace the hanger cables of the First Bosphorus Bridge and install dehumidification systems for both bridges. Construction on both bridges is scheduled to be completed in 2015.

IHI is well known in Turkey, having performed construction on Steel girder bridges—the Golden Horn Bridge in 1974 and the New Golden Horn Bridge in 1998—and the Second Bosphorus Bridge in 1988. It also participated in the Seismic Reinforcement Project encompassing 15 major bridges, which included additional work on the First and Second Bosphorus Bridges in 2010.

IHI and IIS also are participating in the Izmit Bay Crossing Bridge Project, which was awarded in 2011. When completed, this will be the world's fourth-longest suspension bridge. The project, together with the First and Second Bosphorus bridge Rehabilitaiton Project, will strengthen IHI's track record and brand in Turkey, key reasons why top priority has been placed on timely and successful completion.

Industrial Systems and General-Purpose Machinery

Kashima Works No. 1 Blast Furnace (©: NIPPON STEEL & SUMITOMO METAL CORPORATION)

Highlights

Orders received

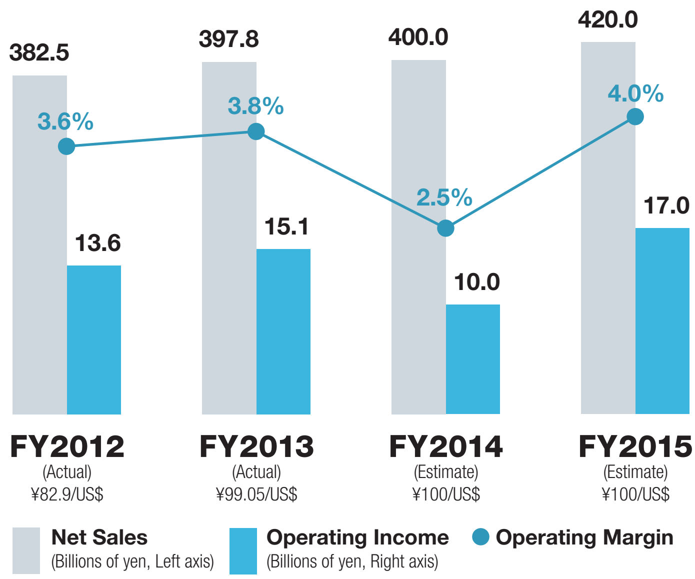
¥370.6 billion

Net sales

¥397.8 billion

Operating income

¥15.1 billion



Dreams for Industry

Transforming the World's Industrial Infrastructure

We offer innovative systems/technologies and optimal solutions to help transform industrial infrastructure around the world. We are helping companies enhance manufacturing processes and create more sophisticated products so they can continue to satisfy their customers in the years ahead.

IHI Group Companies

•IHI Transport Machinery Co., Ltd. •IHI Machinery and Furnace Co., Ltd. •IHI Hauzer Techno Coating B.V. •IHI Compressor and Machinery Co., Ltd. •IHI-Sullair Compression Technology (Suzhou) Co., Ltd. •Voith IHI Paper Technology Co., Ltd. •CENTRAL CONVEYOR COMPANY, LTD. •IHI Construction Machinery Limited •IHI Shibaura Machinery Corporation •IHI STAR Machinery Corporation •IHI TURBO AMERICA CO. •IHI Charging Systems International GmbH •IHI Turbo Co., Ltd. •Nishi-nihon Sekkei Engineering Co., Ltd. •IHI PRESS TECHNOLOGY AMERICA, INC. •Indigo TopCo Limited •New Metal Engineering, LLC •IUK (HK) LIMITED •IHI Technical Training Institution •IHI Shibaura Technical Service Corporation •ISM America Inc. •IHI Fuso Engineering Co., Ltd. •IHI TURBO (THAILAND) CO., LTD. •CHANGCHUN FAWER-IHI TURBO CO., LTD. •Wuxi IHI Turbo Co., Ltd. •IHI Logistic Technology Co., Ltd. and 33 other companies

Market Analysis and Strategy

The demand for petrochemical and industrial machinery is expected to grow in parallel with industrial development in Southeast Asia. Additionally, expanding automobile markets in emerging countries, as well as needs to downsize engines for environmental purposes, should stimulate demands for heat and surface-treatment furnaces and vehicular turbochargers.

In anticipation of such developments, we have strengthened our after-sales service systems for compressors. For heat- and surface-treatment furnaces, we are upgrading and expanding manufacturing and service facilities worldwide. Our vehicular turbocharger business established a joint venture in South Korea.

EvaCryo Vacuum Degreaser Wins Government Award

The EvaCryo vacuum degreaser for metal-parts heat treatment is a revolutionary degreasing machine that uses a safer, less-flammable solvent than conventional models. Developed by subsidiary IHI Machinery and Furnace Co., Ltd. (IMS), a manufacturer of general heat-treatment equipment, EvaCryo has enjoyed steadily increasing sales since its launch in 2012.

The machine degreases metal parts quickly and with a relatively small amount of solvent, cutting energy consumption by more than 50% compared to conventional models. For its many advantages, EvaCryo received the Minister of Economy, Trade and Industry Award, the highest honor presented at the Japan Machinery Federation's Excellent Energy-saving Machinery Awards in fiscal 2013.

IMS, which set up a maintenance and manufacturing base in Thailand in 2011, is now looking to establish similar offices in other locations, including China and Europe, in addition to launching new sales initiatives.

EvaCryo vacuum degreaser

Aero Engine, Space and Defense

GEnx turbofan engine

Highlights

Orders received

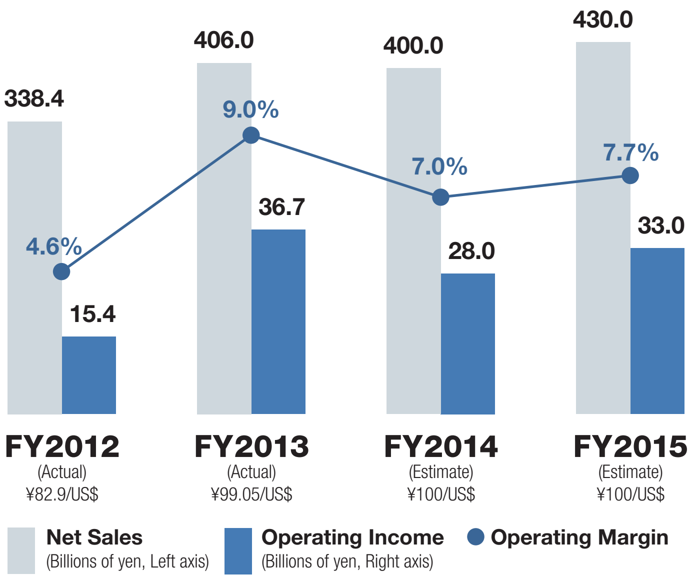
¥406.9 billion

Net sales

¥406.0 billion

Operating income

¥36.7 billion



Dreams for Aerospace

Opening New Horizons

We draw on world-class technologies and organizational strengths to help make air travel more comfortable and safer and better for the environment, while expanding space exploration to benefit humankind.

IHI Group Companies

•IHI CASTINGS CO., LTD. •IHI MASTER METAL Co., Ltd. •IHI Aero Manufacturing Co., Ltd. •IHI Jet Service Co., Ltd.
•INC Engineering Co., Ltd. •IHI AEROSPACE CO., LTD. •IHI AEROSPACE ENGINEERING CO., LTD. •IHI-ICR, LLC.
•IHI Aero Engines US Co., Ltd.

Market Analysis and Strategy

Global demand for air transportation is expected to increase over the medium to long term, which will drive the demand for replacing aircraft and engines with more fuel-efficient models, and developing all-new successor aircraft. In light of these trends, IHI's Aero Engine unit is steadily progressing in its development of two new engines—the PW1100G-JM and the Passport20—including related mass-production systems.

In addition, the company's expanding space operations is developing business for its next-generation Epsilon rocket and other engines and thrusters for spacecraft- and satellite-propulsion systems.

1,500th Overhaul of V2500 Aero Engine Performed

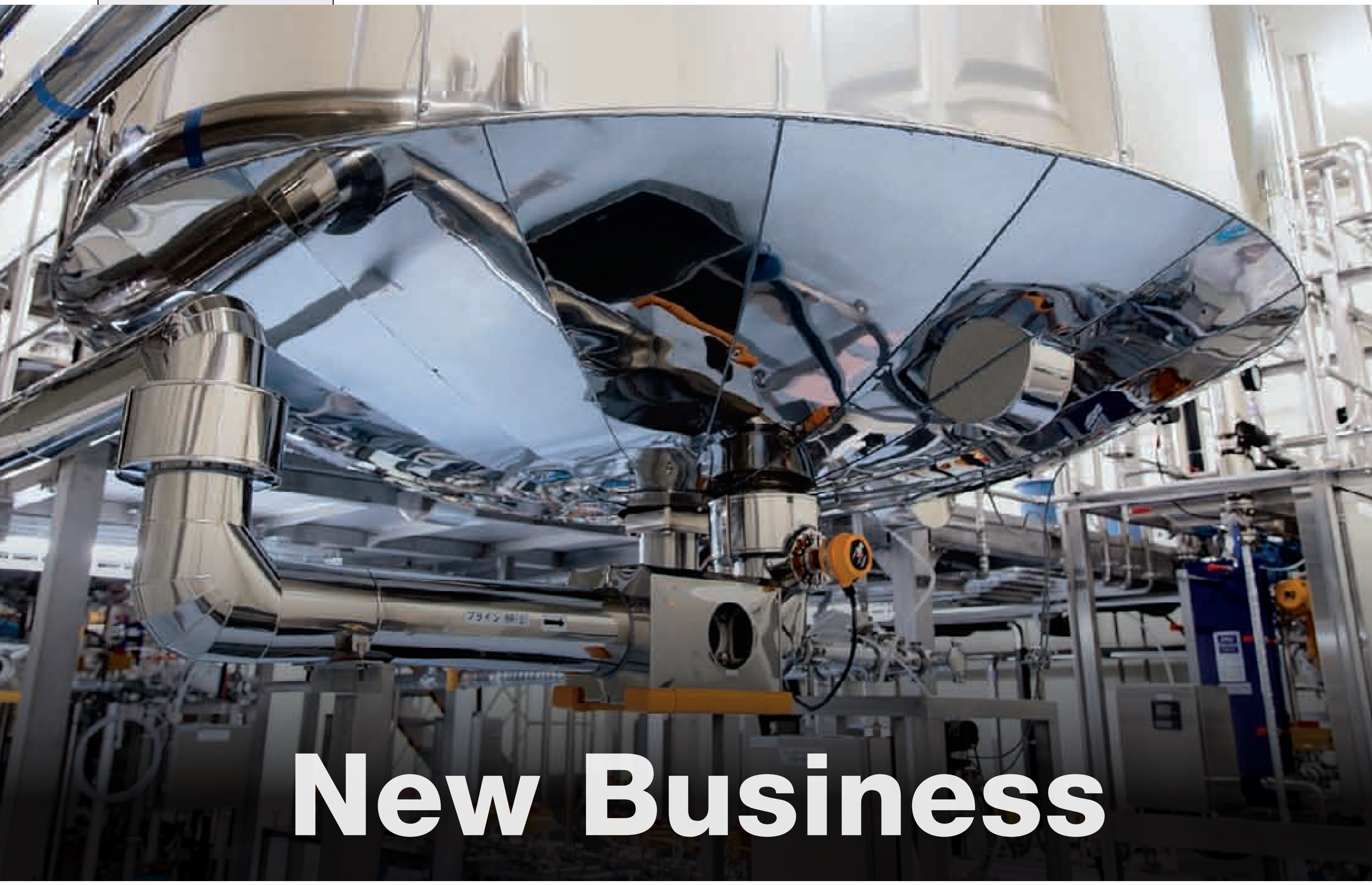
IHI overhauled its 1,500th V2500 aero engine, a unit powering an Airbus A320 aircraft, in March 2014.

The V2500, an aero engine jointly developed in Japan, the United States, the United Kingdom, Germany and Italy, is used for midsized passenger aircrafts. More than 190 airlines in over 70 countries have adopted the V2500, including for the Airbus A320 series.

The Mizuho Aero Engine Works in Tokyo handles all processes for V2500 overhauls, including disassembly, cleaning, inspection, component repair, re-assembly and test runs. Some 40% of total V2500 overhauls in Asia are handled by the Works. Going forward, IHI will continue to support global aircraft safety through its deep involvement with aero engine overhauls.

V2500 jet engine

New Business



Culture tank at Gifu Works

Influenza Vaccine

- Formed joint-venture company UNIGEN with pharmaceutical-venture company UMN Pharma to develop techniques for manufacturing an influenza vaccine using cell culture technology.
- Developed plans for new production facilities at UNIGEN and analyzed potential to increase production by leveraging basic technologies.
- UNIGEN constructed a plant in Gifu Prefecture for the commercial production of the influenza vaccine. Preparations for production and sales got underway.

Vaccine Value Chain

Development → **Bulk drug production** → Formulation → Sale

IHI

Industrial Development Capabilities

Plant engineering technologies

Scale-up technologies

Productivity improvement studies

UNIGEN

Bulk vaccine production

UMN Pharma

Pharmaceutical Development Capabilities

Cell culture technologies

Clinical development

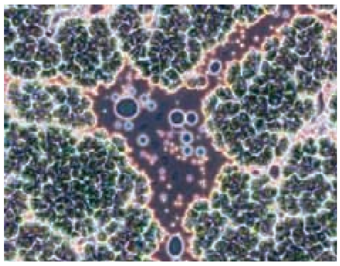
Quality control and assurance

Culture tank at Gifu Works

UNIGEN Inc. Gifu Works

Biofuel from Algae

- Established IHI NeoG Algae, a joint-venture limited-liability company, with other bioventure enterprises in August 2011. Made progress in R&D by cultivating Enomoto algae.
- Enomoto algae, which has a fuel-rich structure suitable for use as a biofuel, grows rapidly and is resilient to contamination by other bacteria.
- Biofuel from algae can be used as jet fuel and heavy fuel oil that help reduce CO_2 and are competitive with increasingly costly fuels and fuel-producing crops.


Microscope photograph of Enomoto algae


Outdoor cultivation test

IHI

Scaling up & Industrialization
- Proven capabilities to develop, design and construct large, world-class chemical and energy plants
- Strong track record of bioplant design and construction projects

Genes and Gene Technology

Enomoto Algae & Cultivation Media
- Discovering and improving Enomoto algae
- Developing cultivation media

Neo Morgan Laboratory

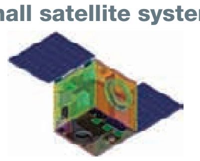
Industrial Application of Microorganisms
- Cutting-edge experience and knowhow in micro-algae research
- Extensive project experience with microorganisms in pharmaceuticals, chemicals and foods

IHI NeoG Algae

Agricultural Information Service

- Technologies developed for space exploration, meteorological observation and agricultural machinery were adapted for safe, sustainable and more productive agriculture and food supply systems.
- Land and crop data are gathered frequently using satellites, while meteorological and soil data are obtained in real time from a ground-based sensor network.
- Applications are being developed to integrate the above data as information for improving agricultural productivity and the quality, cost and delivery (QCD) of agricultural produce.

Small satellite system



Field sensors

The photo on the right was downloaded from AIST's Landsat-8 Data Immediate Release Site, Japan (http://landsat8.geogrid.org/). Landsat 8 data courtesy of the U.S. Geological Survey.

Farmers and agricultural machinery

Land characteristic observations	Crop growth monitoring	Meteorological and soil monitoring	Agricultural produce traceability

Agricultural information platform

Web apps | Web apps | Web apps

Agricultural corporations and farmers
Improvements in productivity
Improvements in yield and quality

Food manufacturers, distributors and retailers
Stable procurement of agricultural produce
Improvements in product QCD

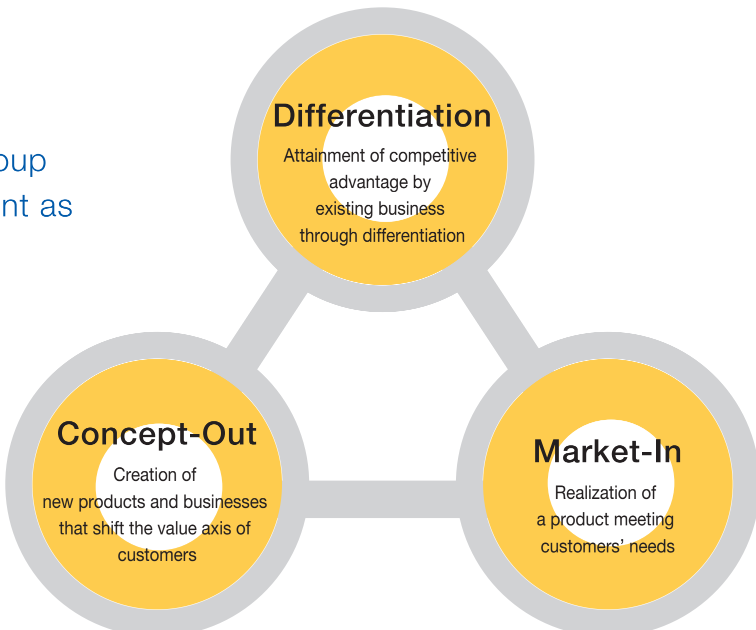
Agricultural machinery and materials manufacturers
Realization of precision agriculture
Development of highly value-added products

Research and Development Highlights

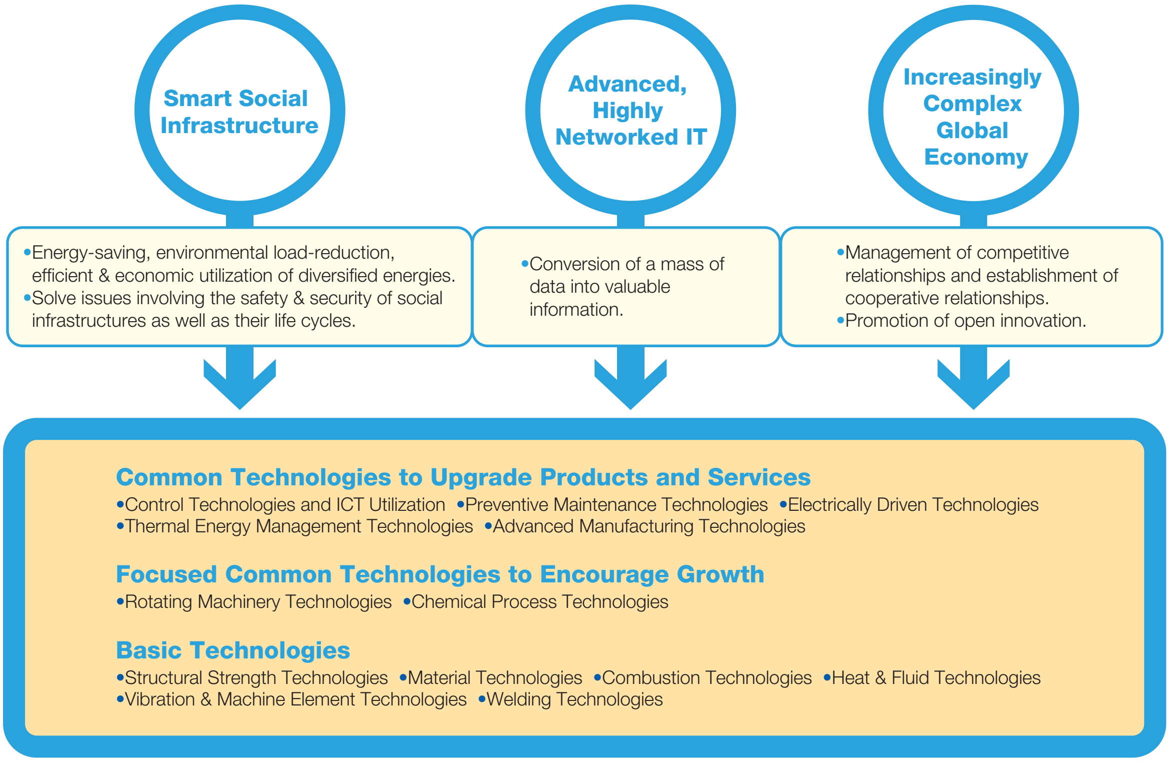
R&D Policy

As a technology leader, the IHI Group positions research and development as the foundation of its business.

The IHI Group bases its policies, technologies and business strategies on a trinity of basic principles: Differentiation, Market-In, and Concept-Out.



R&D Strategy



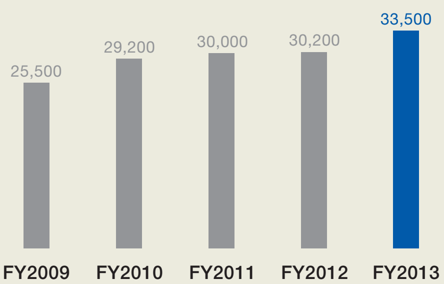
The IHI Group's technology strategy emphasizes R&D aligned with megatrends in society over the medium to long term.

The IHI Group has great experience in leveraging research to increase efficiency, reliability and durability, as well as to reduce environmental load. IHI Group aims to continue contributing to society by introducing innovative ideas.

Research and development is the foundation of the IHI Group's business.

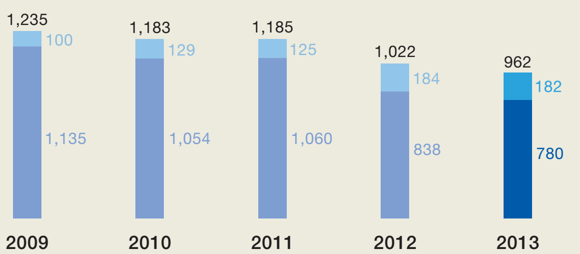
R&D expenses

Millions of yen



Number of patent applications Japan and other countries

Other countries Japan



Global

TOPIC 01 | Open innovation for technological development

IHI-UCL Technology Forum
UCL: University College London

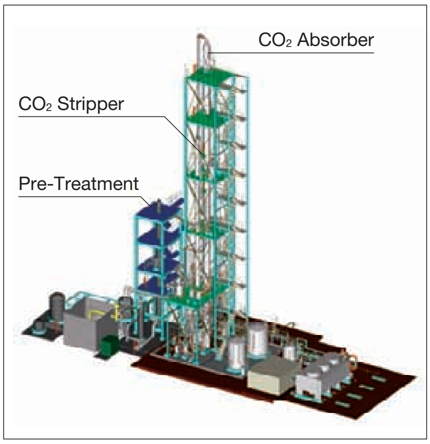
Our technical attachés at IHI INC. (New York), IHI Europe Ltd. (London) and IHI Asia Pacific Pte. Ltd. (Singapore) are constantly engaged in technology scouting to meet specific needs in their respective markets. By closely monitoring diverse fields, they facilitate IHI Group's participation in research and development projects with partners such as prominent universities and research institutes. To help us develop new business opportunities, they interface with the USA's dynamic social systems and networks responsible for creating diverse ventures, leverage European strengths to maintain and advance our essential basic technologies, and utilize fast-growing Asia Pacific as a base for experimentation.

Focused technologies

TOPIC 02 | CO_2 separation and capture

IHI Group develops chemical-process technologies for high-level energy and environmental applications, using these technologies to establish extra-efficient processes for converting materials into energy or chemicals. Notably, the company has optimized processes for power generation, water treatment, and conversion of coal and natural gas.

In recent years, we've been applying our chemical-process technologies to address global environmental concerns. For example, in FY2013, we developed an efficient amine solution-based CO_2 separation and capture process in verification testing at a pilot plant with a 20 tons/day capacity (see figure). In addition, we are developing a separate process for the same purpose using proprietary technologies, another way that we are differentiating IHI Group from the competition.



20t-CO_2/d scale pilot plant for CO_2 separation and capture

Employee interview

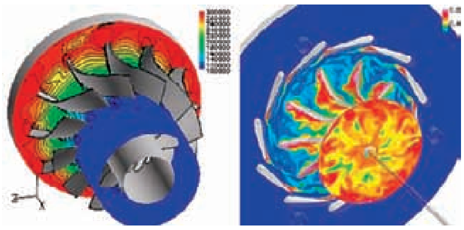
Goal | Establish a European base for R&D

My job is to visit European universities and research institutes to exchange opinions, ultimately to find R&D partners, particularly amongst major universities in the UK, such as University College London and Cambridge University. I believe personal exchanges allow us to realize future technologies, and to look for processes with potential for practical implementation. Our goal is to establish an R&D base in Europe to develop new business through greater recognition of IHI Group's technologies in this regional market.

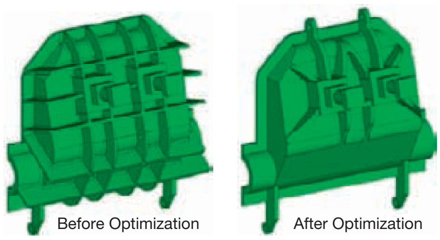
Hiroyuki Nose Technical Attaché of IHI EUROPE Ltd.

Common technologies

TOPIC 03 | Design optimization



Computational fluid analysis of turbine



Optimum technology design of structural part

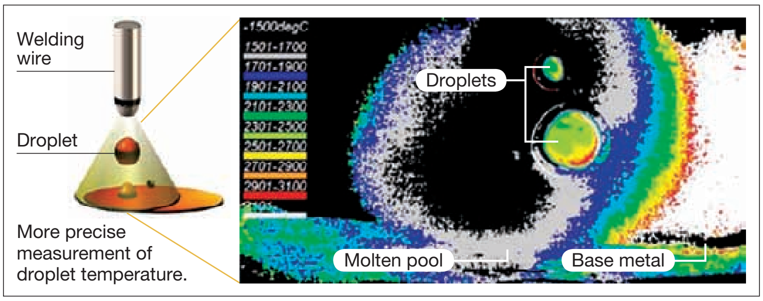
The IHI Group aims to survive today's fierce global competitive environment by designing superior products in shorter lead times. This requires the coordinated deployment of high-performance computing to maximize application of the company's vast design knowhow and numerical-analysis technologies. Design optimization technologies based on high-performance parallel computing are under development with a view to creating superior products that offer high quality, low cost and rapid development, aiming to reduce designing from several months to as short as several days. Efforts also are being focused on developing new technologies based on a topology optimization* concept, which would permit designs to be reviewed on an unconstrained basis and not bound to fixed ideas or presumptions, with the goal of manufacturing products of exceptionally high performance.

*Method for establishing an object's optimum form by automatically removing unnecessary parts

Basic technologies

TOPIC 04 | Advanced welding

Leading-edge image-processing and digital-power source control technologies are being used as new methods of monitoring processing and welding phenomena, and for advanced control during arc welding operations. For example, it is possible to closely monitor welding phenomena with a high-speed video camera and then correlate the video information with the given characteristics of the welding power source to reduce spatter and control penetration share. This technology has already been commercialized. Thanks to recent advancements in high-speed image processing, torch positioning can be corrected in realtime for the varying form of the molten pool. IHI Group is developing such technology for the manufacture of large welded structures on production lines. The same technologies will also be applicable to new types of welding technologies, such as linear friction welding, friction stir welding and laser welding.



Droplet temperature measurement by high-speed video

Employee interview

Goal | Create more innovative fluid machinery

We are developing world-class, leading-edge optimization technology for fluid machinery. The technology uses numerical analysis to find ways to modify the form of an object so as to optimize its fluid-dynamic performance, giving it a robust structure that can perform even under unexpectedly extreme conditions. We hope that this new technology, which is under development, will lead to innovative fluid machinery beyond the imagination of designers.

Seiji Kubo Numerical Engineering Department, R&D Technology Center, Corporate Research & Development

The IHI Group, which places a high priority on protecting the environments of its facilities, also embraces the critical mission of reducing environmental burdens and supporting sustainability by developing environmentally superior products and services. These efforts are reflected in the IHI Group Environmental Vision 2013, which lays out the environmental goals that the Group aims to achieve by 2018.

IHI Group Environmental Vision 2013

The IHI Group, as a responsible global group, aims to preserve the global environment on a continuous basis through cooperation with customers and business partners around the world.

Environmental Vision

The main aims and themes of the IHI Group Environmental Vision 2013 (FY2013–2018) are as follows.

01 Reduction of environmental burdens through products/services (examples)

- Hold CO_2 emissions from IHI Group operations to approximately 300,000 tons per year, while eliminating emissions through products/services worldwide to 10 million tons.
- Maintain sales ratio of eco-friendly products in entire IHI Group at over 70%.

02 Reduction of environmental burdens through business operations (examples)

- Publicize and achieve the CO_2 emissions-reduction target for the entire Group business operations.
- Conduct energy-savings activities throughout production sites and offices to ensure no waste of electricity or fuel. Promote green procurement to prioritize eco-conscious suppliers.

03 Promoting group environmental management (examples)

- Domestic and ex-Japan production sites share items on environmental burdens and reduction targets.
- Main domestic and ex-Japan production sites introduce environmental management system and improve environmental management continuously.

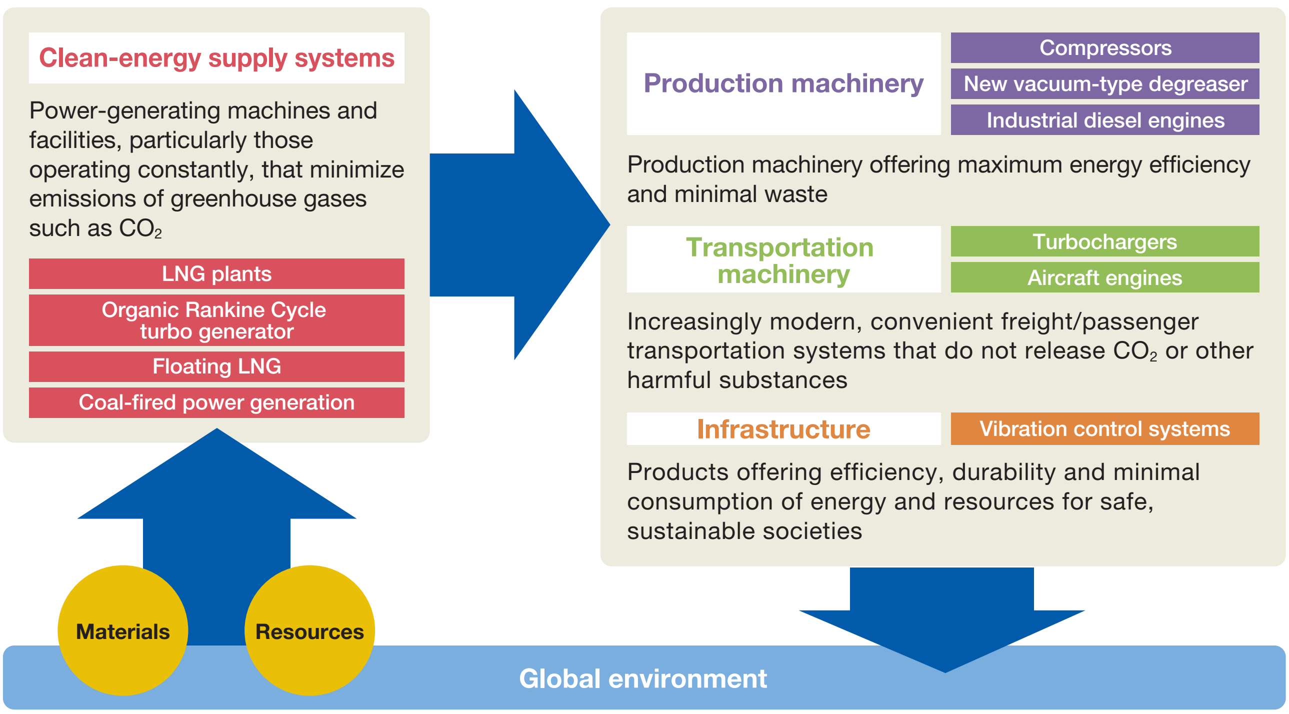
Major actions under each theme

01 | Reduction of environmental burdens through products and services

In 2013, the IHI Group determined how its products contribute to environmental preservation in the following six categories.

Energy efficiency	Efficient use of energy to conserve resources
Greenhouse gas reduction	Reducing emissions of CO_2 and other greenhouse gases (GHG) to minimize climate change
Recycling and water conservation	Reducing water consumption and promoting recycling for efficient use of natural resources
Harmful chemicals reduction	Reducing the chemical content of products and preventing chemicals from contaminating the environment
Environmental risk reduction	Reducing risks to human health and natural habitats
Biological diversity preservation	Protecting the diversity of ecosystems, species and genetic resources

IHI Group's Eco-friendly Products

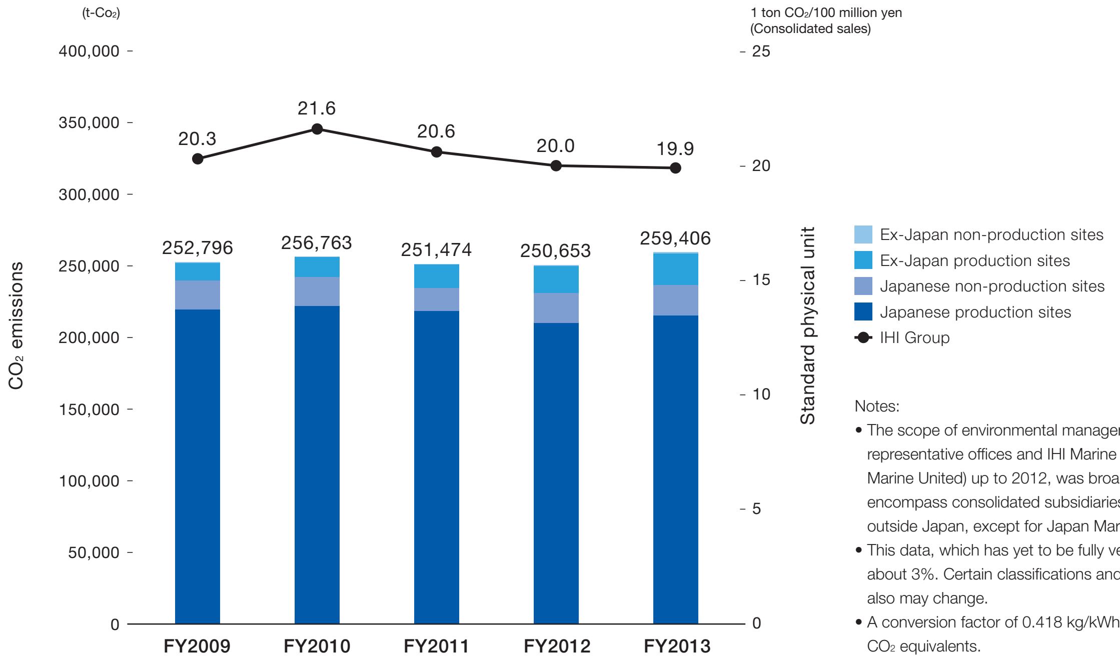


02 | Reduction of environmental burdens through business operations

Less CO_2 emissions from production

CO_2 emissions produced by the IHI Group averaged 250,000 to 260,000 tons per year between 2009 and 2013. The yearly average was slightly higher in 2013, following modest annual declines from 2010 to 2012. Yearly emissions as a ratio of sales, shown as a line in the figure below, fell by 8% in 2013 compared to 2010, when the ratio was the highest in the past five years. To meet 2014 targets for CO_2 emissions, following a broadening of the Group's scope of environmental management in 2013, production-related measures are being implemented to conserve energy and retrofit machinery and facilities.

CO_2 emissions by IHI Group



Notes:
- The scope of environmental management, which included representative offices and IHI Marine United (presently Japan Marine United) up to 2012, was broadened in 2013 also to encompass consolidated subsidiaries including those outside Japan, except for Japan Marine United.
- This data, which has yet to be fully verified, may vary by about 3%. Certain classifications and/or aggregation of data also may change.
- A conversion factor of 0.418 kg/kWh was used to calculate CO_2 equivalents.

Third-party Evaluation | **Higher Score Earned from Carbon Disclosure Project**

The Carbon Disclosure Project (CDP), a nonprofit organization established by major global investors, evaluates companies and governments by questionnaire with respect to their efforts to address climate change and then openly publicizes the survey replies and the project's evaluation reports. CDP rankings of private companies' environmental profiles are now highly valued by institutional investors worldwide. In 2013, the IHI Group decided to disclose its environmental activities more actively based on its expanding environmental vision and, as a result, received a score of B, which was higher than in the previous year.

Result

FY2012 Replied to survey on non-disclosure basis

FY2013 **Disclosure earned 91 points (max. 100) for a score of B**

03 Promoting group environmental management

Environmental activities of ex-Japan affiliates

Among the IHI Group's major ex-Japan affiliates, a total of eight companies based in Europe, Southeast Asia or China were visited by members of the CSR division in Japan in charge of environmental management. During the visits, views were exchanged with local personnel and local circumstances were assessed. In one case, a European mass producer of vehicular turbochargers was found to be using returnable containers for deliveries from part suppliers and to IHI customers, thereby minimizing the use of packaging materials for transportation. The plant, which produces several hundred thousand vehicular turbochargers annually, launched this effort to support recycling-oriented societies.

Returnable container for IHI Charging Systems International GmbH (ICSI)

PT. Chilegon Fabricators (PTCF) building equipped with panel welders

Among the IHI affiliates complying with environmental protection rules and standards in Southeast Asia and China, a manufacturer of power-generation boilers and steel frame works in Indonesia was certified by the Indonesian government for its exemplary environmental compliance efforts. The increased environmental awareness of IHI affiliates was also demonstrated by a Chinese affiliate that recently received ISO14001 certification for its environmental management system.

The IHI Group internally shares information about the environmental activities of its production facilities and those of ex-Japan affiliates, aiming to encourage the adoption of best practices worldwide.

Basic Policies

IHI defines corporate governance as a system designed to maximize corporate value by increasing management efficiency and leveraging the company's capabilities to the fullest extent possible. To attain this, IHI introduced the executive officer system to clearly separate management oversight functions from functions related to the day-to-day operations of the business, thus enabling effective and appropriate decision-making. By building a corporate governance system that administers and monitors all related rules and regulations, the Group is able to ensure that strategies, directions and instructions from management are carried out systematically and effectively across the entire Group.

Corporate Governance System

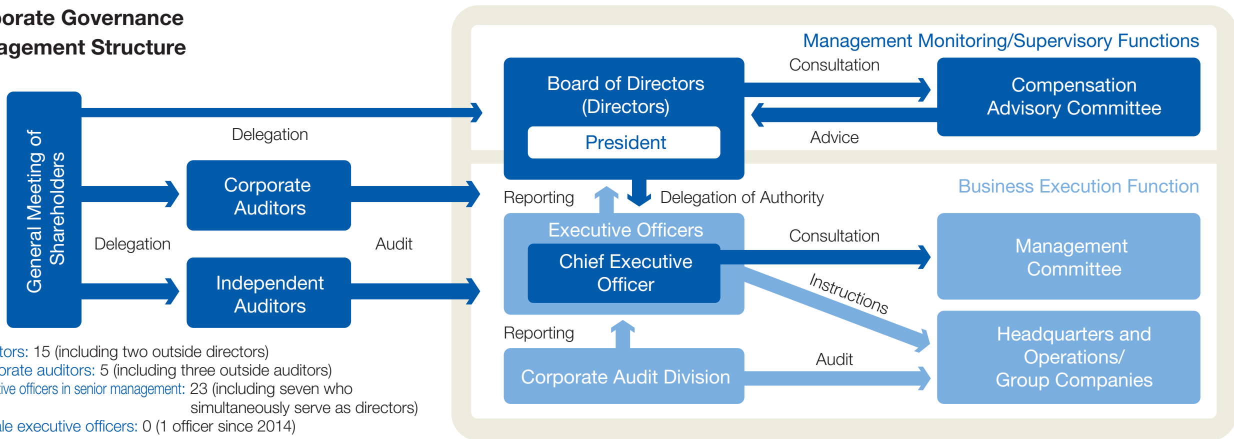
IHI, which is classified in Japan as a "company with Audit & Supervisory Board," elects five corporate auditors, three of whom are outside corporate auditors. The board of directors, which consists of fifteen directors, two of whom are outside directors, makes decisions related to all important matters concerning the management of the Group, in addition to overseeing directors in the execution of their duties.

Drawing on the wealth of experience and perspectives gained from their many years as senior managers, the outside directors participate in the board of directors' decision-making process. They offer advice and make recommendations independently of the managers whom are delegated the authority to handle day-to-day operations.

IHI introduced the executive officer system to facilitate and strengthen the decision-making and supervisory functions of the board of directors as well as to improve the efficiency of business operations. Appointed by board of directors resolution, executive officers execute the duties delegated to them under the CEO's guidance and supervision.

To ensure propriety in director remuneration, the IHI Group established the Compensation Advisory Committee, that consists of four members: an outside director who acts as committee chairman, an outside corporate auditor, a board member responsible for human resources, and a board member responsible for finance.

Corporate Governance Management Structure



- Directors: 15 (including two outside directors)
- Corporate auditors: 5 (including three outside auditors)
- Executive officers in senior management: 23 (including seven who simultaneously serve as directors)
- Female executive officers: 0 (1 officer since 2014)
- Average age of directors: 62.8

* As of March 31, 2014

Compensation for Directors and Corporate Auditors

Remuneration paid to directors and corporate auditors is indicated in the table below.

Conflict of interest

If a conflict of interest arises between a business transaction and a director or executive officer, we require the board of directors to pass a resolution or take other action as stipulated by law to avoid said conflict.

(Millions of yen)

Classification	People	Remuneration Breakdown			Total Remuneration
		Basic Remuneration	Stock Options	Performance-related Bonus	
Directors	16	594	79	167	842
Corporate Auditors	7	87	–	–	87
Total (Outside Officers)	23 (6)	682 (45)	79 (–)	167 (–)	929 (45)

Note: As of March 31, 2014, IHI has 15 directors, two of whom are outside directors, and five corporate auditors, three of whom are outside corporate auditors. The number of directors and corporate auditors does not match the number given in the above table because one director and two corporate auditors resigned at the end of the 196th ordinary general meeting of shareholders held on June 27, 2013, but they are included above.

Internal Control System

Basic policy for Establishment of Internal Control System is designed to raise the effectiveness of corporate governance and increase the corporate value of the Group. These policies provide a framework for achieving a sound compliance structure and enhanced risk-management systems. IHI believes that establishing a robust internal control system is key to expanding business globally, as well as maintaining and operating management systems that are shared throughout the Group.

In response to cases of accounting improprieties, Japan instituted an internal control reporting system (J-SOX) based on the Financial Instruments and Exchange Act. J-SOX mandates the implementation and operation of internal controls in the preparation and disclosure of financial statements, as well as the submission of a report evaluating the effectiveness of such controls. An evaluation of the Group's internal controls for FY2013 found no material weaknesses.

The Corporate Audit Division is responsible for strengthening and optimizing the internal management systems of executive divisions. From a monitoring perspective, the Corporate Audit Division raises the competitiveness of Group companies and establishes a foundation for improving corporate value.

Project Control System

We established a Project Audit Division to ensure that large projects, such as construction projects subject to the percentage of completion method*, are properly evaluated during implementation. Specific subjects include project-management status and risk-assessment criteria, and the proper and transparent calculation of a project's estimated profitability.

During FY2013 (ended March 31, 2014), 66 group construction projects were audited. Sales of audited projects accounted for about 13% of consolidated sales. Large projects undertaken either in Japan or overseas are audited with consideration for the following:

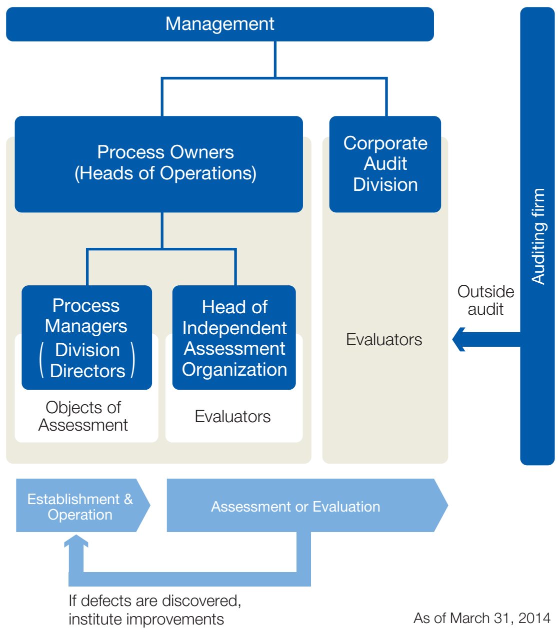
- Adequacy of the project's execution system and execution plan after the order is received
- Appropriateness of total construction cost (estimated final cost at completion of the project) relative to the project's progress
- Transparency, appropriateness and timeliness of the project's estimated profitability

When generating estimates for large projects, IHI implements a screening process related to project execution risk to verify project execution systems, the validity of the execution plan and the profitability of the project.

To ensure both adequacy and timely rectification, we will continue to conduct audits and risk assessments of construction projects, including local assessments, as well as strive to further enhance our auditing quality. Each department's activities will be independently audited and evaluated, and the results will be communicated. The department will be notified prior to the audit regarding the items to be reviewed, and upon completion of the audit the results will be communicated throughout the Group. The results may be used as case studies for training purposes.

Note: For large construction projects that span more than one accounting period, revenue is recognized not after construction is completed but instead is recorded as a per-year amount in line with the progress of work.

IHI Group Internal Control System



As of March 31, 2014

TOPIC

In the previous fiscal year, the Project Audit Division began auditing projects according to their levels, e.g., characteristics or execution conditions. In FY2013, the contents and highlights of audits, which are published within the IHI Group, were further subdivided according to their levels and were enhanced with more detailed descriptions.

Case studies written and developed from audit results, which were communicated horizontally across the IHI Group, were updated to reflect survey responses from relevant divisions and to make the objectives of the case studies easier to grasp.

When generating estimates for large projects, evaluation items and criteria that improved the comprehensiveness and objectivity of screening were adopted.

Through these efforts, we are maintaining audit quality while working to streamline the project audit process and ensure that an understanding of project management is shared within the Group.

Such efforts will ensure that audit quality is maintained as the audit process is streamlined and that project management methodology is shared throughout the Group.

Basic Policies

Compliance provides a company with the foundation for operating within society. In the IHI Group, compliance policies are based on the following:

- •Adherence to rules, including civil laws and internal regulations
- •Taking fair and responsible action as a corporate entity

In addition to compliance with laws and regulations, the policies also require meeting the demands of society.

In FY2013, IHI focused on reviewing its corporate business mechanisms and rules as set forth in the Group Management Policy 2013 to ensure that they meet global business standards. We also reviewed any deviations from our rules or inadequacies in our business models.

Compliance System

Compliance Committee

In accordance with the Basic Code of Conduct of the IHI Group, IHI established a compliance committee to review, plan and promote important policies. The committee, which consists of divisional officers responsible for compliance, meets four times a year.

Each division appoints a compliance manager and, in accordance with its particular divisional structure and the committee's current action plan, undertakes compliance activities based on the reiterative PDCA model. Activities are applied to Group companies for which each division is responsible. The Compliance Committee has made steady progress in sharing information on these activities and related challenges.

Compliance Hotline

The IHI Group established a Compliance Hotline to facilitate reporting of possible illegal, unethical or improper conduct and to prompt corporate responses to remedy such actions. IHI Group employees are welcome to seek advice from the Hotline, which is run by the Corporate Ethics Hotline, an independent, third-party organization. Hotline Cards explaining the Hotline mechanism and method of use are distributed to all employees, from senior managers and temporary staffers. The Hotline reported 158 incidents in FY2013, about the same level as in the previous year. Many calls were related to interpersonal relations in the workplace, prompting initiatives to manage and resolve these incidents quickly.

Compliance Organizational Chart

As of March 31, 2014

Compliance Initiatives

In today's increasingly global and borderless business environment, it is essential for businesses to compete fairly in terms of price and quality to capture and maintain business opportunities. Eradicating bribery and corruption is a fundamental principle of the international code of conduct. Against a backdrop of regional conflicts and terrorist attacks around the globe, security trade controls have never been more important. In response to this environment, IHI has focused on compliance with the Fair Trade Law, the Anti-Corruption Law and the Group's own compliance measures for Security Trade Control.

Fair Trade Law Compliance

In addition to training employees on Japan's Antimonopoly Act, the U.S. Sherman Antitrust Act and EU competition law, the IHI Group is working to make its bidding process for public works projects more transparent. No fair trade law violation occurred during FY2013.

Anti-Corruption Law Compliance

Activities are conducted to raise employee awareness of the U.S. Foreign Corrupt Practices Act (FCPA), the U.K. 2010 Bribery Act and Japan's Unfair Competition Prevention Act. Additionally, the Group carries out monitoring activities to detect potential non-compliance both at home and abroad. Currently, the IHI Group has two internal regulations in place, namely the Basic Policy, which reflects the Group's commitment to anti-bribery implementation of preventive measures, and the Operation Guidelines, which set forth the specific procedures to be taken to prevent bribery. No anti-corruption law violation occurred during FY2013.

Risk Management

Basic Policies

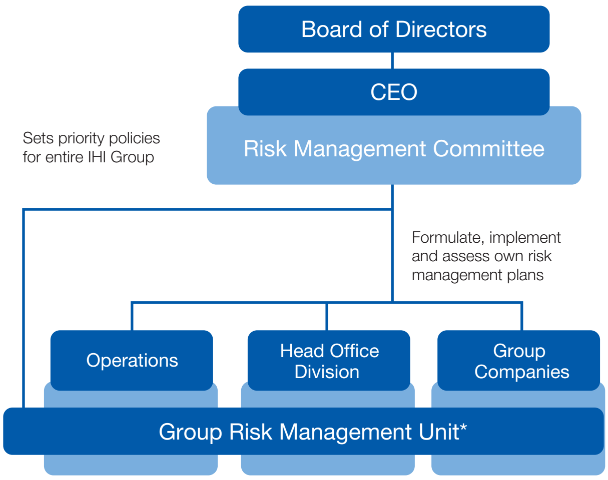
The IHI Group manages risk in accordance with its Basic Code of Conduct. The CEO is responsible for implementing and operating risk management systems, and holds a Risk Management Conference annually. The committee identifies and analyzes risks integral to the entire IHI Group and identifies those risks that should be managed as priorities in the Risk Management Activity Priority Policies for the next fiscal year. In line with these policies, business division and affiliated companies, including those located overseas, determine their risk management plans in conjunction with their respective annual business plans.

The FY2013 Risk Management Activity Priority Policies expanded the scope and diversity of risks due to globalization and risks due to heightened competition within the industry or events such as natural disasters.

Risk Management System

The Group Risk Management Unit, which consists mainly of IHI head office divisions, leverages its expertise to provide information and training for risks affecting the entire group. This unit also assists in risk management activities of divisions and affiliated companies, monitors the status of activities and advances the risk management activities of the entire Group in a uniform and effective manner. Moreover, the Internal Audit Division performs internal audits of every division and affiliated company concerning their respective management plans. Risk management is improved each year by reviewing the above policies and plans.

Risk Management System



* The Group Risk Management Unit consists of head office divisions, such as Human Resources, Finance, Legal Affairs and Procurement. For risks common to the IHI Group, the unit helps each division develop and maintain regulations, provides information and training, and monitors risk management.

Business Continuity Plans (BCP)

Internal regulations set forth basic measures for crisis management, accident prevention and catastrophic disasters. Each business office and division has its own BCP.

Each year, May is designated as BCP Review Month. Each division reviews its own BCP to ensure that all employees are registered in the safety confirmation system, distribute pocket-sized disaster-prevention information cards, update the telephone-contact chain and verify the number of emergency kits. The Group also reviews BCP on a continuous basis through regular training to raise employee awareness.

Training during a disaster prevention seminar

Information Security Policy

IHI, under its information security policies, strives to effectively manage information while maintaining and improving information security to protect the confidentiality of its customers and business partners, as well as Company information and technical data.

Information Security Measures

IHI addresses information security risks from three perspectives: rules, tools and education. Internal rules include the Information Security Policy, Information Security Standards and Information System User Regulations. A variety of security tools are deployed, such as frequently updated antivirus software.

E-learning sessions designed to maintain and raise security awareness are held annually. In FY2013, 94% of all employees participated in an e-learning program offered by the Group. Computer virus infections caused by targeted e-mail attacks made headlines in 2011. Even before that period, the IHI Group had cooperated with government agencies and specialists to institute numerous countermeasures against similar attacks. As of March 2014, no report had been received regarding any leaked information or related damage.

Organized and Planned Security Measures and Improvements

An Information Security Committee consisting of representatives from IHI's major divisions and Group companies meets quarterly to coordinate planning, operations and inspections on a yearly basis. Every year since FY2005, the IHI Group has conducted an internal audit of its information security measures and provided guidance for improvements. The first written survey of all 53 Group companies was conducted in FY2013, followed by interviews of six selected companies. The audit found no major flaw in security measures.

International Certification (ISO27001)

Divisions and Group companies of the IHI Group engaged in sensitive projects for the national government are subject to annual certification reviews under the international standard for information security management systems (ISO27001), conducted by an external organization, to maintain a high level of information security.

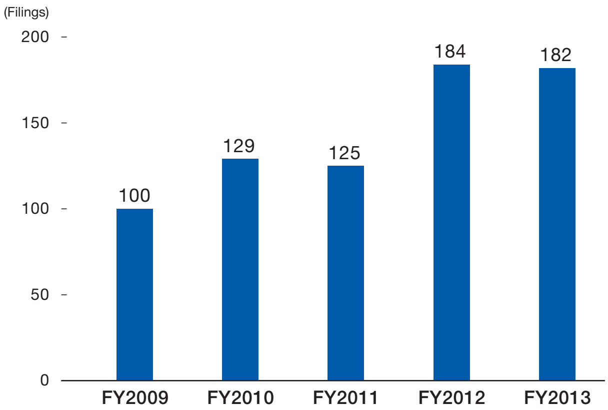
Basic Policies

The IHI Group is enhancing its intellectual property (IP) activities to support business and R&D. It also manages a Group-wide IP management system. The basic principle is to rigorously protect Group IP while respecting the rights of third parties. An internal IP registration scheme is being put into practice on a pilot basis for core-technology rights acquisition and confidential internal IP information, helping to ensure that strategic knowledge and expertise are not divulged.

IP Protection and IP Rights of Third Parties

The IHI Group views both foreign and domestic patent applications as equally important. In FY2013, patent applications filed by the IHI Group outside Japan increased to approximately 180. To reduce business risk, a patent search specialist team in the Intellectual Property Department searches patents owned by other companies to ensure respect for third-party IP rights.

Foreign Patent Applications Filed



Note: Patent applications field in multiple countries for a particular invention are counted as one patent application.

IP Education

A five-step IP e-learning program is conducted for employees who have been with IHI between one to five years. The program offers training on IP and a range of educational programs covering patents, copyrights, brands and trade secrets. During FY2013, 1,267 employees participated in e-learning. In December 2013, Mr. Takeshi Sasaki, former IP General Manager of Toyota, gave a lecture on IP for 172 employees, providing them with insight into IP through case studies of other companies.

Topic

The IHI Group introduced a global business research tool in March 2014 to enable employees to search for patent information of other companies worldwide and gain ready access to the latest information.

Corporate Officers

As of June 27, 2014

Chairman

Kazuaki Kama

President

Tamotsu Saito
Chief Executive Officer

Executive Vice Presidents

Fusayoshi Nakamura

Sadao Degawa

Toshinori Sekido

Board of Directors

Joji Sakamoto

Ichiro Terai

Hiroshi Iwamoto

Hiromitsu Hamamura

Eiichi Yoshida
Managing Executive Officer

Tsugio Mitsuoka
Managing Executive Officer

Hiroyuki Otani
Managing Executive Officer

Akinori Abe
Managing Executive Officer

Tomokazu Hamaguchi
Outside Director

Tadashi Okamura
Outside Director

Corporate Auditors

Hideo Otaka

Makoto Serizawa

Takeo Inokuchi
Outside Auditor

Nobuo Gohara
Outside Auditor

Toshiharu Watanabe
Outside Auditor

Executive Officers

Managing Executive Officers

Naruto Takata
Hiroshi Asakura
Hajime Kuwata
Mikio Mochizuki
Naoya Domoto

Executive Officers

Junichi Sakaki
Akira Tateno
Hiromu Furukawa
Taizo Suga
Tsutomu Yoshida
Takanori Kunihiro
Tomoharu Shikina
Atsushi Kuwata
Takeshi Yamada
Hideya Hata
Nobuko Mizumoto
Masafumi Nagano
Koji Yahagi
Yukiya Murano

Organization

As of July 1, 2014

- Board of Directors
  - Chairman of the Board
    - President and Chief Executive Officer

Corporate Auditors

Headquarters

- Corporate Audit Div.
- Secretariat Div.
- Corporate Planning Div.
- Public Relations
- Legal Div.
- Corporate Social Responsibility Div.
- Administration Div.
- Human Resources Div.
- Finance & Accounting Div.
- Information Systems Div.
- Project Audit Div.
- Corporate Business Development Div.
- Group Business Process Platform Div.
- Procurement Strategy Planning
- Corporate Research & Development
- Sales Headquarters
- Solution & Engineering Headquarters
- Intelligent Information Management Headquarters
- Global Marketing Headquarters
- Headquarters Representative's Offices

Operations

- Aero-Engine & Space Operations
- Machinery & Logistics Systems Operations
- Infrastructure Operations
- Offshore Project & Steel Structures Operations
- Rotating Machinery Operations
- Vehicular Turbocharger Operations
- Energy & Plant Operations
- Nuclear Power Operations
- Urban Development Operations

Directory

Head Office ···

Toyosu IHI Bldg., 1-1, Toyosu 3-chome, Koto-ku, Tokyo
135-8710 Japan

Branch

1 SINGAPORE

Offices

1 PARIS
2 ALGIERS
3 MOSCOW
4 ISTANBUL
5 BAHRAIN
6 NEW DELHI
7 BANGKOK
8 HANOI
9 KUALA LUMPUR
10 JAKARTA
11 BEIJING
12 SHANGHAI
13 TAIPEI
14 SEOUL

Main Overseas Subsidiaries

EUROPE

1 IHI EUROPE LTD.

Perkins Shibaura Engines Limited
FELGUERA-IHI S.A.
IHI Hauzer Techno Coating B.V.
NIIGATA POWER SYSTEMS (EUROPE) B.V.
IHI Charging Systems International GmbH
IHI Charging Systems International Germany GmbH
IHI Power System Germany GmbH
IHI Ionbond AG
IHIMER S.P.A
IHI Charging Systems International S.p.A.

AMERICAS

2 IHI INC.

IHI Southwest Technologies, Inc.
IHI E&C International Corporation
IHI-ICR, LLC.
PERKINS SHIBAURA ENGINES LLC
IHI TURBO AMERICA CO.
IHI PRESS TECHNOLOGY AMERICA, INC
New Metal Engineering, LLC
COMPACT EXCAVATOR SALES, LLC
ICOMAC, INC.
Algae Systems, LLC.
IHI California Inc.
IHI New Energy Inc.
IHI Power Generation Corp.

IHI Canada Projects Inc.

Contratistas IHI E&C México, S.A.de C.V.

IHI do Brasil Representações Ltda.

ISHIKAWAJIMA-HARIMA SUL-AMERICA LTDA

PRIMUS PROCESSAMENTO DE TUBOS

PACIFIC

❸ IHI ENGINEERING AUSTRALIA PTY. LTD.

IHI Oxyfuel Australia Pty. Ltd.

ASIA

❹ IHI ASIA PACIFIC PTE.LTD.

JURONG ENGINEERING LIMITED

NIIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD.

IHI TURBO (THAILAND) CO., LTD.

IHI Power System (Thailand) Co., Ltd.

IHI Machine Tech Asia Co., Ltd.

IHI ASIA PACIFIC (Thailand) CO., LTD.

IHI INFRASTRUCTURE ASIA CO., LTD.

IHI POWER SYSTEM MALAYSIA SDN BHD

ISHI POWER SDN BHD

IHI Transport Engineering Malaysia Sdn. Bhd.

PT. IHI TRANSPORT MACHINERY INDONESIA

PT. CILEGON FABRICATORS

IHI PHILIPPINES, INC.

NIIGATA POWER SYSTEMS PHILIPPINES, INC.

IHI TECHNICAL CONSULTING CO., LTD.

IHI System Technology Taiwan Co., Ltd

IHI Turbo Korea Co., Ltd.

CHINA

❺ IHI (Shanghai) Management Co., Ltd

IHI-SULLAIR COMPRESSION TECHNOLOGY (SUZHOU) CO., LTD.

CHANGCHUN FAWER-IHI TURBO CO., LTD.

Wuxi IHI Turbo Co., Ltd.

JIANG SU ISHI TURBO COMPANY L.T.D.

ISHIKAWAJIMA SCE (XIAMEN) CONSTRUCTION MACHINERY CO., LTD.

HANGZHOU XIZI-IUK PARKING SYSTEM CO., LTD.

SHANGHAI STAR MODERN AGRICULTURE EQUIPMENT CO., LTD.

Ishikawajima Shibaura Machinery (Changsyu) Co., Ltd

Perkins Shibaura Engines (Wuxi) Co., Ltd

IHI (HK) LTD.

Financial Section

Contents

Years ended March 31
IHI Corporation and Consolidated Subsidiaries

Consolidated Six-Year Summary

Millions of yen

	2014	2013	2012	2011	2010	2009
For the year:						
Net sales	¥1,304,038	¥1,256,049	¥1,221,869	¥1,187,292	¥1,242,700	¥1,388,042
Cost of sales	1,081,630	1,059,279	1,025,884	976,846	1,048,875	1,221,612
Gross profit	222,408	196,770	195,985	210,446	193,825	166,430
Operating income	53,271	42,141	43,333	61,390	47,145	25,679
Income before income taxes and minority interests	60,490	57,245	54,315	47,463	22,816	8,533
Net income (loss)	33,133	33,386	23,823	29,764	17,378	(7,407)
At year-end:						
Total assets	¥1,496,361	¥1,364,239	¥1,338,131	¥1,361,441	¥1,412,421	¥1,489,342
Current assets	901,201	814,786	844,364	853,405	941,742	1,036,428
Net property, plant and equipment	336,448	321,057	334,745	328,739	290,909	273,964
Current liabilities	726,249	665,452	689,693	691,131	758,164	898,181
Long-term liabilities	407,557	399,505	389,963	416,670	427,192	385,211
Total net assets	362,555	299,282	258,475	253,640	227,065	205,950
Amounts per share (yen):						
Net income (loss)	¥22.51	¥22.81	¥16.26	¥20.29	¥11.85	¥(5.05)
Cash dividends	6.00	5.00	4.00	3.00	2.00	—
Shareholders' equity	223.68	197.08	170.84	162.33	144.66	130.96
Other data:						
Number of employees	27,562	26,618	26,915	26,035	24,890	24,348
Number of shares issued (millions)	1,547	1,467	1,467	1,467	1,467	1,467
Ratios:						
Return on average assets (%)	2.3	2.5	1.8	2.1	1.2	(0.5)
Return on average equity (%)	10.5	12.4	9.8	13.2	8.6	(3.6)
Total shareholders' equity ratio (%)	23.1	21.1	18.7	17.5	15.0	12.9

Financial Review

Operating Results

In the fiscal year ended March 31, 2014, orders received increased 19.0% year on year to ¥1,458.9 billion while net sales rose 3.8% to ¥1,304.0 billion. Although IHI Marine United Inc. and its three subsidiaries, which made up the Ships & Offshore Facilities Operations until the previous fiscal year, becoming equity method associates, caused decreases in both orders received and sales, all other reportable segments posted increases in orders received and sales. Domestic sales declined 11.0% year on year to ¥685.4 billion, while overseas sales increased 27.2% year on year to ¥618.5 billion, representing 47% of total sales, up from 39% in the previous fiscal year.

Despite the impact from the exclusion of the Ships & Offshore Facilities Operations and a decline in the Resources, Energy and Environment Operations, profits were higher in the Aero Engine, Space and Defense Operations. As a result, operating income increased 26.4% year on year to ¥53.2 billion and ordinary income rose 47.0% to a record high of ¥53.2 billion. Net income declined despite the recording of gain on transfer from business divestitures resulting from the absorption-type company split in which the business related to the rolling mills of IHI Metaltech Co., Ltd., of the IHI Group, was succeeded to by Mitsubishi-Hitachi Metals Machinery, Inc. Specifically, net income was down 0.8% year on year to ¥33.1 billion, partly reflecting recognition of extraordinary income including gain on sales of non-current assets recorded in the previous fiscal year and the impact of an increase in tax expenses.

Business Operation by Segment

The IHI Group has reconfigured its business fields under Group Management Policies 2013. As a result, effective from the fiscal year under review, the seven reportable segments of Energy & Resources Operations; Ships & Offshore Facilities Operations; Social Infrastructure Operations; Logistics Systems & Industrial Machinery Operations; Rotating Equipment & Mass-Production Machinery Operations; Aero Engine & Space Operations; and Others, have been changed to four segments. The four current segments are Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense. In line with this change, the figures for the previous fiscal year have been restated in the following year-on-year comparisons by segment.

In Resources, Energy and Environment Operations segment, orders received increased 64.7% year on year to ¥494.6 billion owing to order increases in gas processes and boilers. Sales increased 7.0% year on year to ¥344.0 billion because of sales increases in power systems, boilers, motors for land and marine use and gas processes, in addition to a sales boost from the correction in the yen's strength, despite a decrease in nuclear power. Operating income declined 28.3% year on year to ¥11.6 billion due to increases in costs for some boiler projects and in selling, general and administrative expenses such as inquiry expenses, despite the effects of the above-mentioned increase in sales.

In Social Infrastructure and Offshore Facilities Operations segment, orders received increased 55.9% year on year to ¥175.5 billion owing to order increases in offshore structures and floating LNG storage facilities. Sales increased 27.5% year on year to ¥150.3 billion because of a sales increase in bridges despite a decrease in offshore structures. Operating income increased 52.0% year on year to ¥2.3 billion, mainly reflecting a steady performance in overseas bridge projects and a profit increase in urban development, despite a deterioration in profitability in domestic bridge projects.

In Industrial Systems and General-Purpose Machinery Operations segment, orders received increased 3.5% year on year to ¥370.6 billion owing to order increases in vehicular turbochargers and heat/surface treatment machinery, despite a decrease in materials handling equipment. Sales increased 4.0% year on year to ¥397.8 billion because of sales increases in vehicular turbochargers and heat/surface treatment machinery, despite a decrease in steel manufacturing equipment. Operating income increased 10.8% year on year to ¥15.1 billion despite an increase in selling, general and administrative expenses, mainly reflecting a profit increase due to the sales increase in vehicular turbochargers and improved profitability in construction machinery.

In Aero Engine, Space and Defense Operations segment, orders received increased 18.0% year on year to ¥406.9 billion because of an order increase in aero engines. Sales increased 20.0% year on year to ¥406.0 billion owing to a sales increase in civil aero engines mainly on the back of the correction in the yen's strength. Operating income increased 138.1% year on year to ¥36.7 billion, owing to a sales increase in aero engines reflecting cost improvements and a significant sales boost from the correction in the yen's strength.

Consolidated Profit / Loss Situation

Net sales increased 3.8% year on year to ¥1,304.0 billion. Although IHI Marine United Inc. and its three subsidiaries becoming equity method associates caused decreases in sales and sales of steel manufacturing machinery declined, this was outweighed by higher sales of civil aero engines, bridges and vehicular turbochargers. Despite the negative impact on profits of a change in consolidated subsidiaries as described above, operating income increased 26.4% year on year to ¥53.2 billion. This is mainly due to higher profits from aero engines reflecting cost improvements and a significant sales boost from the correction in yen's strength and other factors.

Net non-operating expense improved from ¥5.9 billion in the previous fiscal year to ¥36 million in the year under review. This reflected increases in dividend income and equity income from affiliates and a decline in expenses for delayed delivery. As a result, ordinary income increased 47.0% year on year to ¥53.2 billion.

Net extraordinary income or loss stood at ¥7.2 billion of net income, a decline of ¥13.7 billion from net income of ¥21.0 billion in the previous fiscal year. In the previous fiscal year, the Company recorded a gain of ¥13.5 billion from the sale of a co-ownership interest in land at Toyosu 3-chome (in Tokyo, Japan) and a gain of ¥11.8 billion on change in equity associated with the management integration through merger of subsidiaries, IHI Marine United Inc. and Universal Shipbuilding Corporation. In the fiscal year under review, the Company recorded a gain of ¥7.5 billion on transfer from business divestitures in relation to an absorption-type company split, in which rolling mills and related business operations of IHI Metaltech Co., Ltd., of the IHI Group, were taken over by Mitsubishi-Hitachi Metals Machinery, Inc.

As a result of the above, net income decreased by ¥0.2 billion to ¥33.1 billion from ¥33.3 billion in the previous fiscal year. This resulted in net income per share of ¥22.51, versus net income per share of ¥22.81 in the previous fiscal year.

Financial Position

As of March 31, 2014, total assets stood at ¥1,496.3 billion, an increase of ¥132.1 billion from the end of the previous fiscal year.

Current assets increased ¥86.4 billion compared with the end of the previous fiscal year to ¥901.2 billion, primarily reflecting increases of ¥46.6 billion in notes and accounts receivable–trade and ¥31.6 billion in work in process, offset by a decrease of ¥9.7 billion in cash and time deposits.

Total noncurrent assets increased ¥45.7 billion year on year to ¥595.1 billion, mainly reflecting increases of ¥15.3 billion for property, plant and equipment and ¥33.2 billion for investment securities.

Total liabilities as of March 31, 2014 were at ¥1,133.8 billion, up ¥68.8 billion compared with the end of the previous fiscal year. This mainly reflected increases of ¥16.4 billion in accrued expenses, ¥14.6 billion in notes and accounts payable–trade, ¥14.4 billion from the recording of unrecognized liability for retirement benefit, ¥14.0 billion in other long-term liabilities and ¥13.6 billion in long-term loans, versus a decrease of ¥13.3 billion in long-term debentures.

Interest-bearing debt totaled ¥357.8 billion, up ¥3.9 billion compared with the end of the previous fiscal year.

As of March 31, 2014, net assets totaled ¥362.5 billion, an increase of ¥63.2 billion compared with the end of the previous fiscal year. This mainly reflected increases of ¥11.4 billion in capital stock and ¥11.3 billion in capital surplus due to conversion of convertible bonds and net income for the period of ¥33.1 billion, versus decreases of ¥7.3 billion from distribution of dividends from surplus and ¥5.0 billion from the recording of unrecognized liability for retirement benefit.

As a result, net assets per share increased by ¥26.60 compared with the end of the previous fiscal year to ¥223.68, and the shareholders' equity to total assets improved from 21.1% at the end of the previous fiscal year to 23.1%.

Cash Flows

In the fiscal year under review, the Company recorded negative free cash flow of ¥23.0 billion, comprising net cash provided by operating activities of ¥39.2 billion and net cash used in investing activities of ¥62.2 billion. Net cash provided by financing activities was ¥11.3 billion. As a result, cash and cash equivalents at the end of the fiscal year under review totaled ¥62.6 billion, down ¥9.4 billion compared with the end of the previous fiscal year. The main factors affecting cash flows during the fiscal year under review were as follows:

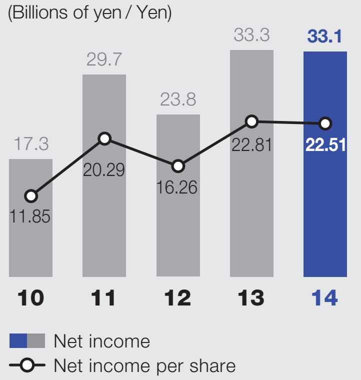
Net cash provided by operating activities amounted to ¥39.2 billion, down ¥35.1 billion compared with the previous fiscal year. Cash increased mainly by income before income taxes and minority interests of ¥60.4 billion, depreciation and amortization of ¥49.4 billion and increase in accrued expenses of ¥14.3 billion, while cash decreased mainly by increase in notes and accounts receivable–trade of ¥40.0 billion, increase in inventories of ¥33.3 billion and income taxes paid of ¥16.8 billion.

Net cash used in investing activities amounted to ¥62.2 billion, an increase of ¥1.2 billion compared with the previous fiscal year. Cash was mainly used in purchases of property, plant and equipment and intangible assets of ¥49.3 billion, purchases of marketable and investment securities of ¥16.1 billion and purchase of trust beneficiary right of ¥5.1 billion.

Net cash provided by financing activities amounted to ¥11.3 billion, an increase of ¥14.5 billion compared with the previous fiscal year. The main elements were proceeds from issuance of long-term loans of ¥53.1 billion, proceeds from issuance of debentures of ¥10.0 billion, repayment of long-term loans of ¥49.1 billion and ¥7.2 billion for cash dividends paid.

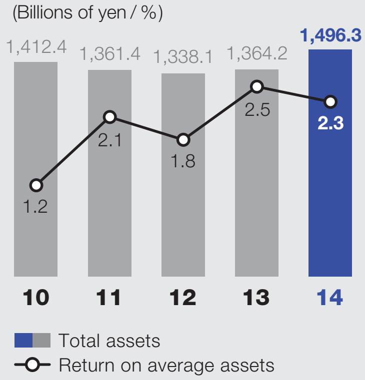
Net Income and Net Income per Share

(Billions of yen / Yen)



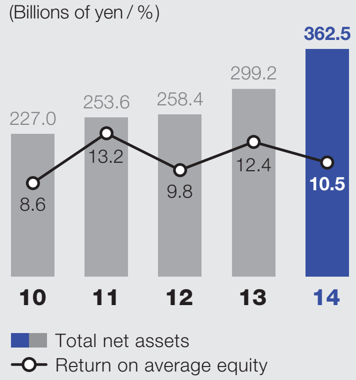
Total Assets and Return on Average Assets

(Billions of yen / %)



Total Net Assets and Return on Average Equity

(Billions of yen / %)



Consolidated Balance Sheet

March 31, 2014 and 2013
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
ASSETS			
Current assets:			
Cash and time deposits (Notes 3 and 13)	¥ 63,236	¥ 73,032	$ 614,419
Notes and accounts receivable—trade (Notes 3 and 13)	395,037	348,350	3,838,292
Marketable securities (Notes 13 and 14)	1,528	395	14,846
Finished goods (Note 8)	20,665	19,741	200,787
Work in process (Note 8)	222,237	190,594	2,159,318
Raw materials and supplies (Note 3)	112,983	105,968	1,097,775
Deferred tax assets (Note 18)	34,632	31,358	336,494
Other (Note 3)	57,010	52,083	553,926
Less allowance for doubtful receivables (Note 13)	(6,127)	(6,735)	(59,532)
Total current assets	901,201	814,786	8,756,325
Property, plant and equipment (Notes 3, 6, 7, 11, 12 and 19)**:**			
Buildings and structures, net	133,148	132,416	1,293,704
Machinery, equipment and vehicles, net	67,124	58,191	652,196
Land	90,175	88,370	876,166
Lease assets, net	16,929	16,537	164,487
Construction in progress	13,425	11,323	130,441
Other, net	15,647	14,220	152,031
Total property, plant and equipment, net	336,448	321,057	3,269,025
Intangible assets:			
Goodwill	22,958	22,608	223,066
Software	12,647	12,184	122,882
Other	6,535	4,351	63,496
Total intangible assets	42,140	39,143	409,444
Investments and other assets:			
Investment securities (Notes 4, 13 ,14 and 22)	162,165	128,879	1,575,641
Deferred tax assets (Note 18)	32,489	36,383	315,672
Other (Notes 3 and 4)	24,751	26,248	240,488
Less allowance for doubtful receivables	(2,833)	(2,257)	(27,526)
Total investments and other assets	216,572	189,253	2,104,275
Total fixed assets	595,160	549,453	5,782,744
Total assets	¥1,496,361	¥1,364,239	$14,539,069

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable—trade (Note 13)	¥ 280,900	¥ 266,299	$ 2,729,304
Short-term loans and current portion of long-term loans (Notes 3, 13 and 26)	110,340	114,927	1,072,095
Commercial papers (Notes 13 and 26)	14,000	6,000	136,028
Current portion of long-term debentures (Notes 13 and 26)	20,000	—	194,326
Accrued expenses	73,339	56,851	712,583
Accrued income taxes	16,692	11,984	162,184
Advances from customers	103,237	106,377	1,003,080
Allowance for employees' bonuses	24,590	22,443	238,923
Reserve for guaranteed contracts	25,485	18,948	247,620
Reserve for losses on sales contracts (Note 8)	18,389	21,510	178,673
Other provision	566	740	5,499
Other (Notes 3 and 26)	38,711	39,373	376,127
Total current liabilities	726,249	665,452	7,056,442
Long-term liabilities:			
Long-term debentures (Notes 13 and 26)	30,000	63,335	291,489
Long-term loans (Notes 3, 13 and 26)	165,143	151,449	1,604,576
Lease obligations (Notes 12 and 26)	14,697	14,431	142,800
Deferred tax liabilities from revaluation of land (Note 7)	6,312	6,312	61,329
Allowance for employees' retirement benefits (Note 16)	—	115,408	—
Net defined benefit liability (Note 16)	129,893	—	1,262,078
Other provision	3,112	4,217	30,237
Other (Note 3)	58,400	44,353	567,431
Total long-term liabilities	407,557	399,505	3,959,940
Total liabilities	1,133,806	1,064,957	11,016,382
Net assets (Note 23)**:**			
Shareholders' equity:			
Common stock Authorized: 3,300,000,000 shares			
Issued: 1,546,799,542 shares	107,165	95,762	1,041,245
Capital surplus	54,439	43,047	528,945
Retained earnings	171,318	144,675	1,664,574
Less treasury stock, at cost	(665)	(736)	(6,461)
Total shareholders' equity	332,257	282,748	3,228,303
Accumulated other comprehensive income:			
Unrealized holding gains or losses on other securities	8,424	6,158	81,850
Deferred gains or losses on hedges	36	(810)	350
Revaluation reserve for land (Note 7)	4,665	4,665	45,327
Foreign exchange translation adjustments	4,912	(4,377)	47,726
Remeasurements of defined benefit plans	(5,058)	—	(49,145)
Total accumulated other comprehensive income	12,979	5,636	126,108
Subscription rights to shares (Note 17)	621	563	6,033
Minority interests in consolidated subsidiaries	16,698	10,335	162,243
Total net assets	362,555	299,282	3,522,687
Total liabilities and net assets	¥1,496,361	¥1,364,239	$14,539,069

Consolidated Statement of Income

Years ended March 31, 2014 and 2013
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net sales	¥1,304,038	¥1,256,049	$ 12,670,404
Cost of sales (Notes 8 and 9)	1,081,630	1,059,279	10,509,425
Gross profit	222,408	196,770	2,160,979
Selling, general and administrative expenses (Note 9)	169,137	154,629	1,643,383
Operating income	53,271	42,141	517,596
Other income (expenses):			
Interest and dividend income	4,029	2,871	39,147
Interest expense	(4,020)	(4,438)	(39,059)
Other, net (Note 10)	7,210	16,671	70,054
Income before income taxes and minority interests	60,490	57,245	587,738
Income taxes:			
Current	(22,385)	(19,166)	(217,499)
Deferred	(2,608)	(3,280)	(25,340)
Income before minority interests	35,497	34,799	344,899
Minority interests	(2,364)	(1,413)	(22,969)
Net income	¥ 33,133	¥ 33,386	$ 321,930

	Yen		U.S. dollars (Note 1)
Amounts per share (Note 24)**:**			
Net income	¥ 22.51	¥ 22.81	$ 0.219
Cash dividends	6.00	5.00	0.058

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

Consolidated Statement of Comprehensive Income

Years ended March 31, 2014 and 2013
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income before minority interests	¥35,497	¥34,799	$344,899
Other comprehensive income:			
Unrealized holding gains or losses on other securities	2,549	5,876	24,767
Deferred gains or losses on hedges	550	(924)	5,344
Foreign exchange translation adjustments	10,080	4,260	97,940
Share of other comprehensive income of associates accounted for using equity method	895	953	8,696
Total other comprehensive income	14,074	10,165	136,747
Comprehensive income	¥49,571	¥44,964	$481,646
Comprehensive income attributable to:			
Equity holders of the parent	¥46,099	¥43,028	$447,911
Minority interests	3,472	1,936	33,735

Note: Reclassification adjustments and tax effects relating to other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Unrealized holding gains or losses on other securities:			
Amount arising during the year	¥ 2,680	¥ 7,899	$ 26,039
Reclassification adjustments:	(9)	(201)	(87)
Before tax effects	2,671	7,698	25,952
Tax effects relating to other comprehensive income	(122)	(1,822)	(1,185)
Unrealized holding gains or losses on other securities	¥ 2,549	¥ 5,876	$ 24,767
Deferred gains or losses on hedges:			
Amount arising during the year	892	(1,333)	8,667
Tax effects relating to other comprehensive income	(342)	409	(3,323)
Deferred gains or losses on hedges	¥ 550	¥ (924)	$ 5,344
Foreign exchange translation adjustments:			
Amount arising during the year	¥10,080	¥ 4,260	$ 97,940
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	895	950	8,696
Reclassification adjustments	—	3	—
Share of other comprehensive income of associates accounted for using equity method	¥ 895	¥ 953	$ 8,696
Total other comprehensive income	¥14,074	¥10,165	$136,747

Consolidated Statement of Changes in Net Assets

Years ended March 31, 2014 and 2013
IHI Corporation and Consolidated Subsidiaries

	Thousands	Millions of yen										
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains or losses on other securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign exchange translation adjustments	Remeasurement of defined benefit plans	Subscription rights to shares	Minority interests in consolidated subsidiaries
Balance as of April 1, 2012	1,467,058	¥ 95,762	¥43,044	¥116,083	¥(547)	¥ (361)	¥ (55)	¥4,665	¥(8,452)	¥ –	¥462	¥ 7,874
Net income for the year	–	–	–	33,386	–	–	–	–	–	–	–	–
Increase resulting from inclusion of subsidiaries in consolidation	–	–	–	1,063	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	(5,857)	–	–	–	–	–	–	–	–
Change for the year	–	–	–	–	–	6,519	(755)	–	4,075	–	101	2,461
Conversion of convertible bonds	–	–	–	–	–	–	–	–	–	–	–	–
Purchase of treasury stock	–	–	–	–	(212)	–	–	–	–	–	–	–
Sales of treasury stock	–	–	3	–	23	–	–	–	–	–	–	–
Balance as of March 31, 2013	1,467,058	95,762	43,047	144,675	(736)	6,158	(810)	4,665	(4,377)	–	563	10,335
Balance as of April 1, 2013	1,467,058	95,762	43,047	144,675	(736)	6,158	(810)	4,665	(4,377)	–	563	10,335
Net income for the year	–	–	–	33,133	–	–	–	–	–	–	–	–
Increase resulting from inclusion of subsidiaries in consolidation	–	–	–	827	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	(7,317)	–	–	–	–	–	–	–	–
Change for the year	–	–	–	–	–	2,266	846	–	9,289	(5,058)	58	6,363
Conversion of convertible bonds	79,741	11,403	11,390	–	7	–	–	–	–	–	–	–
Purchase of treasury stock	–	–	–	–	(8)	–	–	–	–	–	–	–
Sales of treasury stock	–	–	2	–	72	–	–	–	–	–	–	–
Balance as of March 31, 2014	1,546,799	¥107,165	¥54,439	¥171,318	¥(665)	¥8,424	¥ 36	¥4,665	¥4,912	¥(5,058)	¥621	¥16,698
		Thousands of U.S. dollars (Note 1)										
Balance as of April 1, 2013		$ 930,451	$418,257	$1,405,703	$(7,151)	$59,833	$(7,870)	$45,327	$(42,528)	$ –	$5,470	$100,418
Net income for the year		–	–	321,930	–	–	–	–	–	–	–	–
Increase resulting from inclusion of subsidiaries in consolidation		–	–	8,035	–	–	–	–	–	–	–	–
Cash dividends		–	–	(71,094)	–	–	–	–	–	–	–	–
Change for the year		–	–	–	–	22,017	8,220	–	90,254	(49,145)	563	61,825
Conversion of convertible bonds		110,794	110,669	–	68	–	–	–	–	–	–	–
Purchase of treasury stock		–	–	–	(78)	–	–	–	–	–	–	–
Sales of treasury stock		–	19	–	700	–	–	–	–	–	–	–
Balance as of March 31, 2014		$1,041,245	$528,945	$1,664,574	$(6,461)	$81,850	$ 350	$45,327	$ 47,726	$(49,145)	$6,033	$162,243

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

Consolidated Statement of Cash Flows

Years ended March 31, 2014 and 2013
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Operating Activities:			
Income before income taxes and minority interests	¥ 60,490	¥ 57,245	$ 587,738
Depreciation and amortization	49,479	48,315	480,752
Amortization of long-term prepaid expenses	3,620	3,641	35,173
Gain on transfer from business divestitures	(7,500)	—	(72,872)
Gain on change in equity	—	(11,848)	—
Losses on impairment of fixed assets	245	1,260	2,381
Cost of environment conservation measures	—	1,280	—
Decrease in allowance for doubtful receivables	(294)	(408)	(2,857)
Decrease in allowance for employees' bonuses	1,859	(307)	18,063
Increase (decrease) in reserve for guaranteed contracts	6,441	4,170	62,583
Decrease in reserve for losses on sales contracts	(3,182)	(1,990)	(30,917)
Decrease in allowance for employees' retirement benefits	(115,484)	(1,179)	(1,122,075)
Increase in net defined benefit liability	123,345	—	1,198,455
Interest and dividend income	(4,029)	(2,871)	(39,147)
Interest expense	4,020	4,438	39,059
Gains on foreign exchange	146	(596)	1,419
Losses (gains) on sale of marketable and investment securities	134	188	1,302
Losses on valuation of marketable and investment securities	211	2,447	2,050
Equity income from affiliates	(5,397)	(4,333)	(52,439)
Gains on disposal of property, plant and equipment	1,453	(10,414)	14,118
Changes in operating assets and liabilities:			
Notes and accounts receivable—trade	(40,020)	(38,011)	(388,846)
Advances from customers	(3,389)	4,684	(32,928)
Advance payments	(3,135)	1,427	(30,461)
Inventories	(33,319)	29,192	(323,737)
Notes and accounts payable—trade	8,266	(8,821)	80,315
Accrued expenses	14,386	15,698	139,778
Other current assets	(2,679)	(1,843)	(26,030)
Other current liabilities	(1,415)	3,119	(13,749)
Accrued consumption taxes	1,192	1,704	11,582
Others	200	(267)	1,943
Subtotal	55,644	95,920	540,653
Interests and dividends received	4,522	3,028	43,937
Interest paid	(4,142)	(4,531)	(40,245)
Income taxes paid	(16,804)	(20,070)	(163,272)
Net cash provided by operating activities	39,220	74,347	381,073

Consolidated Statement of Cash Flows

Years ended March 31, 2014 and 2013
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Investing Activities:			
Net decrease in time deposits due in more than three months	¥ 266	¥ 23	$ 2,585
Purchases of marketable and investment securities	(16,117)	(5,862)	(156,597)
Purchases of investments in subsidiaries	—	(868)	—
Purchase of investment in capital of a subsidiary	—	(3,538)	—
Proceeds from sale and redemption of marketable and investment securities	1,191	3,722	11,572
Purchases of property, plant and equipment and intangible assets	(49,382)	(53,231)	(479,809)
Proceeds from sale (payments for retirement) of property, plant and equipment and intangible assets	1,444	16,145	14,030
Purchase of trust beneficiary right	(5,140)	—	(49,942)
Purchases of investments in subsidiaries resulting in change in scope of consolidation	—	(15,263)	—
Payments for transfer of business	—	(735)	—
Net decrease (increase) in short-term loan receivables	(2,497)	(758)	(24,262)
Increase in long-term loan receivables	(366)	(381)	(3,556)
Decrease in long-term loan receivables	436	85	4,236
Increase in investments and other assets	(1,939)	(4,185)	(18,840)
Increase (decrease) in other long-term liabilities	9,346	4,007	90,808
Others	476	(194)	4,625
Net cash used in investing activities	(62,282)	(61,033)	(605,150)
Financing Activities:			
Net increase (decrease) in short-term loans	¥ (1,968)	¥ 10,254	$ (19,122)
Net increase in commercial papers	8,000	6,000	77,730
Proceeds from issuance of long-term loans	53,181	60,805	516,722
Repayment of long-term loans	(49,184)	(69,449)	(477,886)
Proceeds from issuance of debentures	10,000	10,000	97,163
Expenditures for redemption of debentures	(200)	(10,000)	(1,943)
Repayments of lease obligations	(3,994)	(3,773)	(38,807)
Increase in treasury stock	(8)	(212)	(78)
Cash dividends paid	(7,288)	(5,829)	(70,812)
Proceeds from stock issuance to minority interests	4,252	52	41,314
Dividends paid to minority interests	(1,396)	(998)	(13,564)
Net cash used in financing activities	11,395	(3,150)	110,717
Effect of foreign exchange rate changes on cash and cash equivalents	2,979	4,083	28,945
Net increase (decrease) in cash and cash equivalents	(8,688)	14,247	(84,415)
Cash and cash equivalents, beginning of year	72,070	63,498	700,253
Increase in cash and cash equivalents from newly consolidated subsidiaries	855	598	8,307
Increase in cash and cash equivalents resulting from merger with a nonconsolidated subsidiary	91	67	884
Decrease in cash and cash equivalents due to business divestitures of consolidated subsidiaries	(1,724)	—	(16,751)
Decrease in cash and cash equivalents due to exclusion of subsidiaries from consolidation resulting from merger	—	(6,340)	—
Cash and cash equivalents, end of year	¥ 62,604	¥ 72,070	$ 608,278

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

Notes to consolidated statement of cash flows:

1. A reconciliation of cash and cash equivalents to the amounts shown in the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash and cash equivalents, end of year			
Cash and time deposits	¥63,236	¥73,032	$614,418
Time deposits due in more than three months	(496)	(259)	(4,819)
Collateral deposits	(141)	(708)	(1,370)
Investment trusts included in marketable securities	5	5	49
Cash and cash equivalents	¥62,604	¥72,070	$608,278

2. Details of significant non-cash transactions:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Increase in common stock by exercise of subscription rights to shares (Note)	¥11,403	¥—	$110,794
Increase in capital surplus by exercise of subscription right to shares (Note)	11,390	—	110,669
Decrease in treasury stock by exercise of subscription right to shares (Note)	7	—	68
Decrease in debentures with subscription rights to shares by exercise of subscription rights to shares (Note)	22,800	—	221,531

Note: This is due to exercise of subscription rights to shares attaching to euro-yen convertible bonds due in 2016 with subscription rights to shares.

1. Basis of consolidated financial statements

The accompanying consolidated financial statements of IHI Corporation (the "Company") and consolidated subsidiaries (together the "Companies") have been prepared from the financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Act in Japan in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. Certain reclassifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. The U.S. dollar amounts are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of U.S. $1=¥102.92, the rate of exchange prevailing on March 31, 2014. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate.

2. Significant accounting policies

(1) Scope of consolidation

The consolidated financial statements for the years ended March 31, 2014 and 2013 include the accounts of the Company and 148 and 143 subsidiaries, respectively. For the years ended March 31, 2014 and 2013, 34 and 39 subsidiaries, respectively, were excluded from the scope of the consolidation. The exclusion of these subsidiaries has not had a material effect on the consolidated financial statements.

(2) Special purpose companies ("SPCs") subject to disclosure

The outline of SPCs subject to disclosure and summary of transactions using such companies and the amounts of transaction with such companies are disclosed in the Note 22. "Special purpose companies subject to disclosure."

(3) Application of the equity method of accounting

The consolidated financial statements for the years ended March 31, 2014 and 2013, included 35 and 32 affiliates, respectively, in the scope of the application of the equity method of accounting. For the years ended March 31, 2014 and 2013, investments in 34 and 39 nonconsolidated subsidiaries, respectively, and 42 and 38 affiliates, respectively, for the two years were stated at cost because they did not have a material effect on the consolidated financial statements.

(4) Consolidated subsidiaries having different fiscal year-ends

Several overseas subsidiaries close their books of account on December 31. The total number of those subsidiaries included in the consolidated financial statements for the years ended March 31, 2014 and 2013 were 101 and 96, respectively.

No particular financial reports are prepared for consolidation to match the parent company's fiscal year. However, certain adjustments are made for the significant transactions that occurred from their fiscal year ends to March 31.

(5) Securities

Held-to-maturity securities are either amortized or accumulated to face value by the straight-line method.

Other securities with market prices available are carried at market value as of the balance sheet date, with the cost of sales computed by the moving-average method. The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, is recognized as a component of the net assets under "Unrealized holding gains or losses on other securities."

Other securities without market prices available are stated at cost as determined by the moving-average method.

(6) Derivatives and hedge accounting

The Companies do not hold derivative financial instruments for trading purposes. Derivative financial instruments held by the Companies are composed principally of foreign exchange contracts to hedge currency risk, interest rate swaps to hedge interest rate risk and commodity swaps to hedge risk of material price fluctuation.

Japanese GAAP provides for two general accounting methods for hedging financial instruments. One method is to recognize the changes in fair value of a hedging instrument in earnings in the period of the change as a gain or loss together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The other method is to defer the gain or loss over the period of the hedging contract together with the offsetting loss or gain deferral of the hedged items. The Companies have adopted the latter accounting method, if applicable.

With respect to forward foreign exchange contracts, however, the Companies recognize changes in fair value of a hedging instrument in earnings in the period of the change as a gain or loss together with the offsetting loss or gain on the hedged item attributable to the risk being hedged.

The amounts of interest income or expense under the swap agreements are accrued and recognized as interest related to the assets and liabilities over the contract period.

The Companies use the above-defined method consistently throughout the hedge period, to assess at inception of the hedge and on an ongoing basis whether the ineffective part of the hedge is expected.

(7) Inventories

Finished goods and work in process are stated principally at identified cost, and raw materials and supplies are stated at cost being determined by the moving-average method. (For amounts shown on balance sheet, the book value write-down method based on decreased profitability is used.)

(8) Property, plant and equipment and intangible assets

Depreciation of plant and equipment is principally computed by the declining-balance method.

However, depreciation of lend-lease property, certain assets of consolidated subsidiaries and buildings (excluding building fixtures) acquired on or after April 1, 1998, are computed by the straight-line method.

Amortization of intangible assets is computed by the straight-line method. Software for internal use is amortized using the straight-line method over a useful life of five years.

(9) Leases

Lease assets related to finance lease transactions that do not transfer ownership are depreciated over the lease period using the straight-line method with no residual value. The Companies use the operating lease accounting method for finance lease transactions that do not transfer ownership contracted on or before March 31, 2008.

Lease assets related to finance lease transactions that transfer ownership are depreciated using the declining-balance method, which is the same method as owned property, plant and equipment and intangible assets are depreciated.

(10) Allowance for doubtful receivables

The allowance for doubtful receivables is provided based on historical default rates for general receivables, plus individually estimated uncollectible amounts for specific receivables such as highly doubtful receivables.

(11) Allowance for employees' bonuses

For payment of employees' bonuses, the allowance for employees' bonuses is provided for in the amount that is expected to be paid.

(12) Allowance for directors' bonuses

For payment of directors' bonuses and bonuses to directors of consolidated subsidiaries in Japan, an allowance is provided for in the amount that is expected to be paid.

(13) Reserve for guaranteed contracts

To provide for guaranteed project expenses, the reserve for guaranteed contract is recorded as an estimate of future expenditures based on historical experience.

(14) Reserve for losses on sales contracts

Among sales orders on hand at the balance sheet date, for projects in which the estimated cost is expected to exceed the amount of the sales order by a wide margin, the reserve for losses on sales contracts is recognized at the estimated aggregate amount of such losses.

(15) Reserve for directors' retirement allowance

Consolidated subsidiaries in Japan provide for the retirement allowance for directors and auditors in an amount determined by those companies' internal guidelines.

(16) Provision for losses on businesses of subsidiaries and affiliates

To provide for losses related to the businesses of subsidiaries and affiliates, the reserve for losses on businesses of subsidiaries and affiliates is recorded in the amount of estimated losses to be borne by the Company by taking into consideration the contents of assets of subsidiaries and affiliates.

(17) Retirement benefits

To provide for payment of employees' retirement benefits, the amount of retirement benefit obligation less plan assets is recorded as net defined benefit liability, based on the estimated amount at the end of the current fiscal year. Certain consolidated subsidiaries adopt the simplified method.

In the calculation of retirement benefit obligations, the method for attributing estimated retirement benefits to the period up to the current fiscal year is based on the straight-line attribution method.

Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service years of employee.

Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized using the straight-line method over a certain number of years within the average remaining service years of employees.

(18) Foreign exchange translations

The assets and liabilities of overseas subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date while the income and expenses of the same are translated at the average exchange rates during the period. Translation differences are included in components of foreign exchange translation adjustments and minority interests in consolidated subsidiaries under net assets.

(19) Revenue recognition

Basis of recording revenues and costs of construction contracts:

(i) Construction projects whose outcome of the progress by the end of the fiscal year deemed definite are recorded on the percentage-of-completion method (the percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost).

(ii) All other projects are accounted for on the completed construction method.

(20) Amortization of goodwill

Goodwill is amortized through the estimated effective period of the investment, with the exception that when the amount of goodwill is immaterial, it is charged or credited to income as incurred.

(21) Scope of cash on the consolidated statement of cash flows

Cash (cash and cash equivalents) in the consolidated statement of cash flows consists of cash on hands, at-call deposits with banks, and short-term investments having maturities within three months from acquisition which are readily convertible to cash and involve only an insignificant risk in their value.

(22) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(23) Accounting change

The Company adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26; May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25; May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the Standard in the main clause of Section 67 of the guideline) as of the end of the fiscal year ended March 31, 2014. These accounting standards require entities to apply revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits. Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments through accumulated other comprehensive income. As a result of this change, net defined benefit liability was recognized in the amount of ¥129,893 million ($1,262,078 thousand) and accumulated other comprehensive income decreased by ¥5,058 million ($49,145 thousand) and minority interests increased by ¥11 million ($107 thousand) as of March 31, 2014.

Net assets per share decreased by ¥3.27 ($0.032).

(24) Standards issued but not effective

"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26; May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25; May 17, 2012)

(i) Overview

The accounting method of unrecognized actuarial gains and losses and unrecognized past service cost and the calculation method of retirement benefit obligations and service cost were amended and enhancement of disclosures were required.

(ii) Application schedule

The amendment of the calculation method for retirement benefit obligations and service cost will be applied from the beginning of the fiscal year ending March 31, 2015. In accordance with the transitional treatment in the accounting standard and related guidance, the amendment will not be retrospectively applied to consolidated financial statements in prior periods.

(iii) Effect of application

The Companies estimate that application of the amendment of calculation method for retirement benefit obligations and service cost will result in an increase of approximately ¥22 billion ($214 million) in net defined benefit liability and a decrease of approximately ¥15 billion ($146 million) in retained earnings reflected in the beginning balance of the consolidated balance sheet for the fiscal year ending March 31, 2015. This will not have a material effect on the consolidated statement of income for the period.

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21; September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22; September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7; September 13, 2013), "Accounting Standard for Earning Per Share" (ASBJ Statement No. 2; September 13, 2013), "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10; September 13, 2013), and "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4; September 13, 2013)

(i) Overview

a. Under the amended accounting standards, the difference arising from changes in equity interest in a subsidiary is charged to capital surplus when the subsidiary remains under the control of the parent company. Furthermore, "Minority interests" is changed to "Non-controlling interests" under the amended accounting standards.

b. Acquisition-related costs in under a business combination are expensed for a fiscal year in which such costs are incurred.
c. Where a provisional accounting treatment is finalized in a fiscal year following the year in which a business combination occurs, a re-measurement of the allocation of acquisition cost must be reflected retrospectively on the consolidated financial statements for the fiscal year the business combination occurs, if the Company is required to present comparative financial statements.
d. "Income before income taxes and minority interests" is changed to "Net income" under the amended accounting standards. In line with this amendment, "Net income" is changed to "Net income attributable to equity holders of the parent."

(ii) Application schedule
The amended accounting standards will be applied from the beginning of the year that begins on or after April 1, 2015. The provisional accounting treatments will be applied to a business combination that occurs on or after April 1, 2015.

(iii) Effect of application
The effect of applying the standards on the consolidated financial statements is to be determined at the time of preparing accompanying consolidated financial statements.

(25) Reclassifications

Consolidated Statement of Income

"Selling, general and administrative expenses" previously presented by account items on the consolidated statement of income is presented as a single item and major accounting items and corresponding amounts are presented as notes to the consolidated statement of income in order to simplify the presentation. Accordingly reclassifications have been made in the accompanying consolidated financial statements.

Major accounting items and corresponding amounts for the years ended March 31, 2014 and 2013 are as stated under "Note 9. Cost of sales and selling, general and administrative expenses" of the "Notes to the Consolidated Financial Statements."

Consolidated Statements of Cash Flows

"Proceeds from sale of property, plant and equipment and intangible assets" and "Payments for disposal of property, plant and equipment" under cash flows from investing activities, which were presented as separate line items in the previous fiscal year, are presented as "Proceeds from sale (payments for retirement) of property plant and equipment and intangible assets" from the fiscal year under review due to decreased significance. Certain amounts in the consolidated financial statements for the previous fiscal year were reclassified to reflect this change in the presentation.

Consequently, in the consolidated statements of cash flows for the previous fiscal year, ¥17,850 million ($173,436 thousand) presented in "Proceeds from sale of property, plant and equipment and intangible assets" and ¥-1,705 million ($-16,566 thousand) presented in "Payments for disposal of property, plant and equipment" under cash flows from investing activities were reclassified as ¥16,145 million ($156,869 thousand) of "Proceeds from sale (payments for retirement) of property, plant and equipment and intangible assets."

3. Assets pledged as collateral

The following assets were pledged as collateral at March 31, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and time deposits	¥ 141	¥ 709	$ 1,370
Notes and accounts receivables—trade	106	103	1,030
Raw materials and supplies	5	5	48
Other current assets	—	2,510	—
Buildings and structures	1,485	2,714	14,429
Machinery, equipment and vehicles	195	256	1,895
Land	6,513	11,187	63,282
Other property, plant and equipment	20	9	194
Investment securities (Note)	646	646	6,277
Total	¥9,111	¥18,139	$88,525
Property, plant and equipment pledged as factory foundation mortgage included in the above assets:			
Buildings and structures	¥ 244	¥ 263	$ 2,371
Machinery, equipment and vehicles	70	88	680
Land	2,613	2,613	25,389
Other property, plant and equipment	20	9	194
Total	¥2,947	¥ 2,973	$28,634

Note: The common stocks of Kagoshima Mega Solar Power Corporation ("Kagoshima Mega Solar Power") were pledged as collateral for all obligations to be incurred accompanying line-of-credit agreements entered into between by Kagoshima Mega Solar Power and the financial institutions.

The obligations collateralized by the above assets at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Short-term loans	¥5,554	¥ 5,765	$53,964
Other current liabilities	—	840	—
Long-term loans	1,267	1,958	12,311
Other long-term liabilities	—	3,360	—
Total	¥6,821	¥11,923	$66,275
Factory foundation mortgage included in the above liabilities:			
Short-term loans	¥2,484	¥ 2,475	$24,135
Total	¥2,484	¥ 2,475	$24,135

4. Investments in nonconsolidated subsidiaries and affiliates

Investments securities and investments in capital in nonconsolidated subsidiaries and affiliates at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investment securities (Common stocks)	¥86,648	¥63,126	$841,897
Other investments and other assets (Investments in capital)	2,455	3,323	23,853
Total	¥89,103	¥66,449	$865,750

5. Contingent liabilities

(a) Contingent liabilities for guarantees for debts of subsidiaries and others at March 31, 2014 and 2013 are as follows,

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Estaleiro Atlântico Sul S.A.	¥12,569	¥ —	$122,124
UNIGEN Inc.	6,300	5,000	61,213
Japanese Aero Engines Corporation ("JAEC")	6,180	5,675	60,047
JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA	3,428	—	33,307
ALPHA Automotive Technologies LLC	1,835	1,600	17,829
IHI Logistics System Technology Shanghai Co., Ltd.	908	416	8,822
IHI group health insurance society	885	983	8,599
Japan Aeroforge, Ltd.	590	944	5,733
Rio Bravo Fresno (Note: ii)	361	—	3,508
Rio Bravo Rocklin (Note: ii)	350	—	3,400
IHI Southwest Technologies, Inc.	215	—	2,089
Contingent liabilities for lease contracts with customers of construction machineries	101	120	981
Contingent liabilities for employee housing loans	82	88	797
Chubu Segment Co., Ltd.	50	50	486
Kinki Ishiko Co., Ltd.	—	17	—
Total	¥33,854	¥14,893	$328,935

Notes to the Consolidated Financial Statements

(b) Contingent liabilities arising from guarantees in kind for debts at March 31, 2014 and 2013 are as follows,

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Contingent liabilities for employee housing loans	¥8,998	¥ 9,721	$87,427
IHI group health insurance society	932	1,025	9,056
Turbo Systems United Co., Ltd.	—	40	—
Total	¥9,930	¥10,786	$96,483

Notes:
i. In any of the following cases, the amount represents the amounts for which the Companies are liable:
(1) In the case of joint guarantees and guarantees in kind for debts with protection requirements against creditors, where the Companies' liabilities are specifically stated and clarified regardless of the debt capacity of other guarantors in the contract.
(2) In the case of joint and several guarantees in which there are two or more guarantors, where the percentage or amount of the Companies' liabilities is specifically stated and clarified such as in agreement among the guarantors and other joint and several guarantors are considered to have sufficient debt capacity.
ii. The contracts are revolving guarantees in which guarantees are provided within certain limits set to guarantee debts on continuous transactions, and the amount represents guarantee facilities.

(c) Notes receivable—trade discounted in the ordinary course of business and notes receivable—trade endorsed in the ordinary course of business for the year ended March 31, 2014 and 2013 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Notes receivable—trade discounted in the ordinary course of business	¥540	¥450	$5,247
Notes receivable—trade endorsed in the ordinary course of business	16	—	155

6. Property, plant and equipment

Amounts of subsidies received principally from government and directly deducted from property, plant and equipment are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Machinery, equipment and vehicles	¥—	¥114	$—
Other property, plant and equipment	—	36	—
Total	¥—	¥150	$—

Accumulated depreciation of property, plant and equipment amounted to ¥502,680 million ($4,884,182 thousand) and ¥477,912 million on March 31, 2014 and 2013, respectively.

7. Revaluation reserve for land

In accordance with the "Act on Revaluation of Land" promulgated on March 31, 1998, 2 consolidated subsidiaries have revalued their land used for business. These companies recorded the effect of the revaluation, after deducting deferred tax liabilities on land which were recorded as long-term liabilities, and minority interests which were included in minority interests in consolidated subsidiaries.

The difference between the fair value of land at the end of the year that was revalued in the previous year and book value after revaluation was ¥-5,437 million ($-52,827 thousand) and ¥-5,270 million at March 31, 2014 and 2013, respectively.

8. Reserve for losses on sales contracts

Provision of reserve for losses on sales contracts, amounting to ¥18,389 million ($178,673 thousand) and ¥21,510 million, are included in cost of sales for the years ended March 31, 2014 and 2013, respectively.

Inventories related to sales contracts for construction for which losses are expected and relevant reserve for losses on sales contracts are presented separately without netting. Of inventories related to sales contracts for construction for which losses are expected, the amounts corresponding to the reserve for losses on sales contracts are as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Finished goods	¥ 363	¥ 525	$ 3,527
Work in process	3,858	6,110	37,485
Total	¥4,221	¥6,635	$41,012

9. Cost of sales and selling, general and administrative expenses

Cost of sales and selling, general and administrative expenses consist of the following:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2014	2013	2014
Cost of sales (Note: i)	¥1,081,630	¥1,059,279	$10,509,425
Selling, general and administrative expenses:			
Expenses in taking orders received	13,277	12,861	129,003
Provision of allowance for doubtful accounts	309	0	3,002
Salaries for directors and employees (Note: ii)	64,670	60,325	628,352
Travelling and transportation expense	6,225	5,752	60,484
Research and development expenses (Note: iii)	29,510	26,364	286,728
Business consignment expenses	7,148	7,424	69,452
Contribution for expenses common to all business segments	4,203	4,235	40,838
Depreciation	6,354	4,642	61,737
Other	37,441	33,026	363,787
Total of selling, general and administrative expenses	¥ 169,137	¥ 154,629	$ 1,643,383

Notes:

i. The amount of inventories as of March 31, 2014 and 2013 are the value after a write-down based on decreased profitability of assets. Since net reversal of losses of inventories in the year ended March 31, 2013 and net losses on valuation of inventories in the year ended March 31, 2014 were offset, net losses of valuation of inventories at the amount of ¥90 million ($874 thousand) and net reversal of losses of inventories at the amount of ¥1,376 million are included in cost of sales for the years ended March 31, 2014 and 2013, respectively.

ii. Salaries for directors and employees, included in provision for bonuses are ¥8,335 million ($80,985 thousand) and ¥9,140 million and retirement benefit expense, are ¥5,022 million ($48,795 thousand) and ¥5,550 million for the years ended March 31, 2014 and 2013, respectively.

iii. Research and development expenses, included in product cost, and selling, general and administrative expenses, are ¥33,528 million ($325,768 thousand) and ¥30,280 million for the years ended March 31, 2014 and 2013, respectively.

10. Other income (expenses)—other, net

Other income (expenses)—other, net, consists of the following:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2014	2013	2014
Equity income from affiliates	¥ 5,397	¥ 4,333	$ 52,439
Gains on foreign exchange	4,244	4,571	41,236
Gains on sales of property, plant, land and equipment	—	14,137	—
Gain on transfer from business divestitures (Note: i)	7,500	—	72,872
Gain on change in equity	—	11,848	—
Provision for losses on business of subsidiaries and affiliates	—	(987)	—
Losses on impairment of fixed assets (Note: ii)	(245)	(1,260)	(2,381)
Losses on valuation of investment securities	—	(1,432)	—
Cost of environment conservation measures	—	(1,280)	—
Compensation for delayed delivery	(4,019)	(6,062)	(39,050)
Other, net	(5,667)	(7,197)	(55,062)
Total	¥ 7,210	¥16,671	$ 70,054

Notes:

i. Gain on business divestitures for the year ended March 31, 2014
This gain resulted from the absorption-type company split in which the business related to the rolling mills of IHI Metaltech Co., Ltd., the Company's consolidated subsidiary, was succeeded to by Mitsubishi-Hitachi Metals Machinery, Inc. The amount represents the difference between the book value of the common shares of Mitsubishi-Hitachi Metals Machinery, Inc. in consideration for the company split and the book value of the transferred assets and assumed liabilities pertaining to the business at IHI Metaltech Co., Ltd.

ii. Refer to Note 11.

11. Losses on impairment of fixed assets

(a) Groups of assets for which the Companies recognized impairment losses for the years ended March 31, 2014 and 2013 are as follows:

2014

Use	Location	Type of assets	Value of assets	Impairment loss (Millions of yen)	Impairment loss (Thousands of U.S. dollars)
Business assets	Matsumoto City, Nagano, Japan etc.	Building etc.	Value in use	¥183	$1,778
Idle assets	Kamiina-gun, Nagano, Japan	Land	Net sales value	42	408
Idle assets	Kure City, Hiroshima, Japan	Land and Building etc.	Net sales value	20	194

2013

Use	Location	Type of assets	Value of assets	Impairment loss (Millions of yen)
Assets held to sale or pending disposal	Koto-ku, Tokyo, Japan	Building etc.	Memorandum value	¥650
Idle assets	Matsumoto City, Nagano, Japan	Building etc.	Net sales value	244
Assets held to sale or pending disposal	Chuo-ku, Tokyo, Japan	Building etc.	Memorandum value	176
Assets held to sale or pending disposal	Kamiina-gun, Nagano, Japan	Land	Net sales value	118
Assets held to sale or pending disposal	Takasago City, Hyogo, Japan	Land and Building etc.	Net sales value	62
Idle assets	Hiroshima City, Hiroshima, Japan etc.	Land and Building etc.	Net sales value	10

(b) Method for grouping assets
Assets are grouped principally by each business or each place of business, and idle assets, assets held to sale and assets pending disposal are treated, in principle, as one group on an individual basis.

(c) Reasons why impairment losses were recognized
Fiscal year ended March 31, 2014
Due to deterioration in profitability, the book value of business assets has been reduced to recoverable amount. Due to significant decrease in market prices, the book value of idle assets has been reduced to recoverable amount.

Fiscal year ended March 31, 2013
Due to significant decrease in market prices, the book value of idle assets has been reduced to recoverable amount. The book value of assets held to sale or pending disposal has been reduced to recoverable amount.

(d) Method for measuring recoverable amounts
The recoverable amounts are the higher of its net sales value and its value in use (discount rate is mainly 5.0%). For goodwill, the recoverable amount is measured by revalued enterprise value. Assets pending disposal is measured by memorandum value.

(e) Impairment losses
The amounts of impairment losses for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Land	¥ 57	¥ 143	$ 554
Buildings etc.	188	1,117	1,826
Total	¥245	¥1,260	$2,380

12. Leases

(a) Finance leases (Lessee)

Finance leases which transfer ownership

These leases are mainly plants and equipments of nuclear power plants' components (machinery, equipment and vehicles) for Resources, Energy & Environment.

Leases are depreciated using the declining-balance method which is the same method as owned property, plant and equipment and intangible assets are depreciated.

(b) Finance leases (Lessee)

Finance leases which do not transfer ownership

These leases are mainly plants and equipments of vehicular turbochargers (machinery, equipment and vehicles) for Industrial Systems & General-Purpose Machinery Leases are depreciated over the lease period using the straight-line method with no residual value.

The Companies use the operating lease accounting method for the finance leases which do not transfer ownership contracted on or before March 31, 2008.

The following proforma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of the leased property as of March 31, 2014 and 2013, which would have been reflected in the balance sheet, if the finance lease accounting method had been applied to the finance leases currently accounted for by the operating lease accounting method.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Acquisition costs:			
Buildings and structures	¥1,979	¥ 1,979	$19,228
Machinery, equipment and vehicles	4,901	7,418	47,620
Software	246	361	2,390
Other (Tools, furniture, fixture and other)	—	398	—
Total	¥7,126	¥10,156	$69,238
Accumulated depreciation:			
Buildings and structures	¥ 817	¥ 722	$ 7,938
Machinery, equipment and vehicles	4,051	5,835	39,361
Software	208	323	2,021
Other (Tools, furniture, fixture and other)	—	335	—
Total	¥5,076	¥ 7,215	$49,320
Accumulated impairment loss:			
Buildings and structures	¥ —	¥ —	$ —
Machinery, equipment and vehicles	—	—	—
Software	—	—	—
Other (Tools, furniture, fixture and other)	—	—	—
Total	¥ —	¥ —	$ —
Net book value:			
Buildings and structures	¥1,162	¥ 1,256	$11,290
Machinery, equipment and vehicles	850	1,584	8,259
Software	38	38	369
Other (Tools, furniture, fixture and other)	—	63	—
Total	¥2,050	¥ 2,941	$ —

Future minimum lease payments subsequent to March 31, 2014 and 2013, for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Within one year	¥1,027	¥ 1,112	$ 9,979
Over one year	2,012	3,480	19,549
Total	¥3,039	¥ 4,592	$29,528
Balance of impairment losses on lease assets	¥ —	¥ —	$ —

Concerning the above finance lease transactions, the lease payments, reversal of allowance for impairment losses on leased property, estimated depreciation cost, estimated interest expenses and losses on impairment of leased property for the years ended March 31, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Lease payments	¥1,276	¥1,597	$12,398
Reversal of allowance for impairment losses on leased property	—	—	—
Estimated depreciation cost	525	852	5,101
Estimated interest expense	341	393	3,313
Losses on impairment	—	—	—

Estimated depreciation cost is mainly calculated as ten-ninths of the amount computed by the declining-balance method over the respective lease terms and assuming a 10% scrap value.

Estimated interest expense is calculated as the amount of total lease payments less estimated acquisition costs. Allocation of the estimated interest expense to each accounting period is based on the interest method.

(c) Operating leases (Lessee)

Future minimum lease payments subsequent to March 31, 2014 and 2013, for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Within one year	¥ 4,063	¥ 4,266	$ 39,477
Over one year	11,052	14,320	107,385
Total	¥15,115	¥18,586	$146,862

(d) Finance leases (Lessor)

Finance leases which do not transfer ownership (Lessor)

The Companies use the operating lease accounting method for the finance leases which do not transfer ownership contracted on or before March 31, 2008.

The following proforma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2014 and 2013, which would have been reflected in the balance sheet, if the finance lease accounting method had been applied to those finance leases currently accounted for by the operating lease accounting method.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Acquisition costs:			
Buildings and structures	¥2,065	¥2,109	$20,064
Machinery, equipment and vehicles	1,048	1,048	10,183
Other (Tools, furniture, fixture and other)	6	6	58
Total	¥3,119	¥3,163	$30,305
Accumulated depreciation:			
Buildings and structures	¥1,068	¥1,033	$10,377
Machinery, equipment and vehicles	832	789	8,084
Other (Tools, furniture, fixture and other)	6	6	58
Total	¥1,906	¥1,828	$18,519
Net book value:			
Buildings and structures	¥ 997	¥1,076	$ 9,687
Machinery, equipment and vehicles	216	259	2,099
Other (Tools, furniture, fixture and other)	0	0	0
Total	¥1,213	¥1,335	$11,786

Future minimum lease income subsequent to March 31, 2014 and 2013, for finance lease transactions accounted for by the operating lease accounting method are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Within one year	¥ 204	¥ 188	$ 1,982
Over one year	1,591	1,795	15,459
Total	¥1,795	¥1,983	$17,441

Lease income, depreciation and estimated interest income for the years ended March 31, 2014 and 2013, for finance lease transactions accounted for by the operating lease accounting method are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Lease income	¥378	¥385	$3,673
Depreciation	122	127	1,185
Estimated interest income, assuming that the finance lease accounting had been adopted	190	209	1,846

The total estimated interest income is calculated as the gross amount of total lease payments and estimated residual value less purchase prices. Allocation of the estimated interest income to each accounting period is based on the interest method.

No impairment loss is booked at the assets which are leased for the years ended March 31, 2014 and 2013, respectively.

(e) Operating leases (Lessor)

Future minimum lease income subsequent to March 31, 2014 and 2013, for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Within one year	¥ 542	¥ 564	$ 5,266
Over one year	3,000	3,543	29,149
Total	¥3,542	¥4,107	$34,415

(f) Sublease transactions

The disclosure is omitted because of its insignificance.

13. Financial instruments

(a) Status of financial instruments

i. Policy on financial instruments

As a Group policy, the Companies manage funds only in short-term and highly safe financial assets such as bank deposits and finance mainly through bank borrowings and debenture issuance. Derivatives are utilized to hedge the fluctuation risks of foreign exchanges, interests and commodity prices, and the Companies do not enter into derivative contracts for speculative or trading purposes.

ii. Details of financial instruments and risks thereof

Notes and accounts receivable—trade, which are operating receivables, are exposed to the customer credit risks. Operating receivables denominated in foreign currencies related to construction in abroad or the like are exposed to the fluctuation risks of foreign exchanges, which is, in principle, hedged by derivatives using forward foreign exchange contracts and foreign currency options for the position after netting operating payables denominated in foreign currencies. Marketable securities and investment securities mainly consist of held-to-maturity securities and equity securities associated with business-ties or capital-ties with companies to maintain business relationships and are exposed to the fluctuation risks of market price.

Notes and accounts payable—trade, which are operating payables, are mostly settled within one year. Some of them are related to goods procured from overseas and denominated in foreign currencies, therefore they are exposed to the fluctuation risks of foreign exchanges. However, the amount is constantly, in general, less than the balance of notes and accounts receivable—trade denominated in the same foreign currency. Loans, commercial papers and debentures are made for the purpose of obtaining operating capital and funds for capital expenditures, and the redemption dates arrive within ten years after the balance sheet date. Although some of loans are exposed to the fluctuation risks of interest rate and foreign exchanges, they are hedged by derivatives using interest rate swaps and foreign currency swaps.

Derivatives the Companies use are forward foreign exchange contracts and foreign currency options to hedge the fluctuation risks of foreign exchanges pertaining to operating receivables and payables denominated in foreign currencies, and interest rate swaps to hedge the fluctuation risks of interest rate regarding loans payable. For details of hedge accounting, refer to “Derivatives to which hedge accounting is applied” in Note 15. “Derivatives” and Note 2. “Significant accounting policies (6) Derivatives and hedge accounting.”

iii. Risk management structure regarding financial instruments

a. Management of the credit risks (risks pertaining to customer’s non-performing of contracts)

To manage the credit risks for operating receivables, pursuant to the internal regulations related to receivable management, the department of the Companies in charge of collections in each business department periodically monitors the condition of major customers, manages the collectability and balances by customer or by project ordered, and thus seeks for an early identification and mitigation of collectability concern caused by deterioration in financial status.

The credit risk for held-to-maturity securities is minor because the Companies hold only securities with high ratings.

In derivative transactions, the Companies enter into contracts only with financial institutions with high ratings to reduce the counterparty risks.

The maximum credit risk amount as of the consolidated balance sheet date equals to the consolidated balance sheet amount of financial assets exposed to the credit risks.

b. Management of the market risks (the fluctuation risks of foreign exchanges or interest rate)

To manage the fluctuation risks of foreign exchanges for operating receivables and payables denominated in foreign currencies, the Companies hedge the fluctuation risks monthly identified by currency by utilizing forward foreign exchange contracts and foreign currency options. Hedge results are reported monthly to the executive in charge of the Finance & Accounting Division, and quarterly to the Management Meeting.

To reduce the fluctuation risks of interest rate and foreign exchanges regarding long-term loans payable, the Company and certain consolidated subsidiaries use interest rate swaps and foreign currency swaps.

As for marketable securities and investment securities, their market prices and the financial condition of issuers (companies with which the Companies do business) are periodically monitored. Also, the Companies’ holding status of those other than held-to-maturity securities are continuously reviewed by taking into account the relationships with the companies with which the Companies do business.

As for derivatives, transactions are recorded and the balance is checked up between the Companies and the contract partner. Moreover, derivative balances and valuation gains or losses as of the month-end are reported to the executive in charge of the Finance & Accounting Division on a monthly basis.

c. Management of the liquidity risks pertaining to fund procurement (risks of non-performing of payments on due dates)

The Companies manage the liquidity risks by measures of timely forming and updating the cash flow plan.

iv. Supplementary explanation to fair value of financial instruments

While the fair value of financial instruments is based on the market price, such value may be estimated reasonably if the market price is not available. Because variable factors are counted in the estimation, the estimated value may differ if a different assumption is employed. Please note that notional amounts of derivatives in the Note 15. “Derivatives” do not, in themselves, indicate the market risks pertaining to derivatives.

(b) Fair value of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet and their fair value as of March 31, 2014 and 2013, respectively.

Financial instruments whose fair value is deemed to be extremely difficult to figure out are not included.

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Amount recorded in the balance sheet	Fair value	Difference	Amount recorded in the balance sheet	Fair value	Difference	Amount recorded in the balance sheet	Fair value	Difference
Cash and time deposits	¥ 63,236	¥ 63,236	¥ —	¥ 73,032	¥ 73,032	¥ —	$ 614,419	$ 614,419	$ —
Notes and accounts receivable—trade	395,037			348,350			3,838,292		
Less allowance for doubtful receivables (Note: i)	(4,060)			(3,974)			(39,448)		
	¥390,977	¥390,648	¥(329)	¥344,376	¥344,189	¥ (187)	$3,798,844	$3,795,647	$(3,197)
Marketable securities and investment securities	¥ 41,551	¥ 41,556	¥ 5	¥ 40,893	¥ 40,897	¥ 4	$ 403,721	$ 403,770	$ 49
Held-to-maturity securities	1,878	1,883	5	1,999	2,003	4	18,247	18,296	49
Other securities	39,673	39,673	—	38,894	38,894	—	385,474	385,474	—
Total assets	¥495,764	¥495,440	¥(324)	¥458,301	¥458,118	¥ (183)	$4,816,984	$4,813,836	$(3,148)
Notes and accounts payable—trade	¥280,900	¥280,900	¥ —	¥266,299	¥266,299	¥ —	$2,729,304	$2,729,304	$ —
Short-term loans	110,340	110,340	—	114,927	114,927	—	1,072,095	1,072,095	—
Commercial papers	14,000	14,000	—	6,000	6,000	—	136,028	136,028	—
Debentures	50,000	50,606	606	63,335	68,113	4,778	485,814	491,702	5,888
Long-term loans	165,143	165,082	(61)	151,449	152,742	1,293	1,604,576	1,603,984	(592)
Total liabilities	¥620,383	¥620,928	¥ 545	¥602,010	¥608,081	¥6,071	$6,027,817	$6,033,113	$ 5,296
Derivatives (Note: ii)									
Derivatives to which hedge accounting is not applied	¥ 697	¥ 697	¥ —	¥ (1,105)	¥ (1,105)	¥ —	$ 6,772	$ 6,772	$ —
Derivatives to which hedge accounting is applied	(114)	(114)	—	(631)	(631)	—	(1,108)	(1,108)	—
Total derivatives	¥ 583	¥ 583	¥ —	¥ (1,736)	¥ (1,736)	¥ —	$ 5,664	$ 5,664	$ —

Notes:

i. The amount of allowance for doubtful receivables that is recorded individually for notes and accounts receivable—trade, is excluded.

ii. Assets and liabilities arising out from derivative transactions are stated on the net basis. The figures in parentheses indicate net liabilities.

iii. Methods of measuring fair value are as follows:

(1) Cash and time deposits

The fair value of cash and time deposits are assumed to be approximate to their book value due to the short-term maturity.

(2) Notes and accounts receivable—trade

The fair value is measured based on the present values calculated by discounting receivable amounts at a rate determined based on time to maturity and credit risk. The fair value of receivables with special concern is measured by the present values of estimated cash flows discounted at the similar discount rates.

(3) Marketable securities and investment securities

The fair value of equity securities are based on the market prices at the exchange. The fair value of debt securities are based on the market prices at the exchange or the prices provided by the financial institutions with which the Companies do business. For information on securities classified by holding purpose, please refer to the Note 14. "Marketable securities and investment securities."

(4) Notes and accounts payable—trade, Short-term loans and Commercial papers

The fair value of these accounts is assumed to be approximate to their book value due to the short-term maturity.

(5) Debentures

As for the fair value of debentures issued by the Company, marketable debentures are measured based on the market price and non-marketable debentures are measured based on the present value calculated by discounting the total amount of principles and interests at a rate determined based on time to maturity and the credit risk.

(6) Long-term loans

The fair value of long-term loans is measured by discounting the total amount of principles and interests (*1) at an assumed interest rate for similar new borrowings.

(*1) Long-term loans associated with either designated hedge accounting of forward exchange contracts, etc., or interest rate swaps that qualify for the exceptional treatment are measured depending on the conditions of cases where they are accounted for together with its derivatives.

(7) Derivatives

Refer to the Note 15. "Derivatives."

(c) Amounts recorded in the balance sheet of financial instruments whose fair value is deemed to be extremely difficult to figure out

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unlisted stocks	¥ 35,494	¥ 25,255	$ 344,870
Stocks of subsidiaries and affiliates	86,648	63,126	841,897
Total	¥122,142	¥ 88,381	$1,186,767

Note: The above financial instruments are not included in "Marketable securities and investment securities" in "(b) Fair value of financial instruments" because determining their fair value was deemed to be extremely difficult, due to the fact that they do not have market prices and their future cash flow cannot be estimated.

(d) Redemption schedules after consolidated balance sheet dates for monetary receivables and held-to-maturity securities

	Millions of yen								Thousands of U.S. dollars			
	2014				2013				2014			
Classification	Within 1 year	After 1 year and within 5 years	After 5 years and within 10 years	After 10 years	Within 1 year	After 1 year and within 5 years	After 5 years and within 10 years	After 10 years	Within 1 year	After 1 year and within 5 years	After 5 years and within 10 years	After 10 years
Cash and time deposits	¥ 63,236	¥ –	¥ –	¥ –	¥ 73,032	¥ –	¥ –	¥ –	$ 614,419	$ –	$ –	$ –
Notes and accounts receivable—trade	383,409	11,606	22	–	342,024	6,266	60	–	3,725,311	112,767	214	–
Marketable securities and investment securities												
Held-to-maturity securities												
National and local government bonds	1,500	200	–	–	300	1,500	–	–	14,574	1,944	–	–
Company debentures	20	50	–	108	90	–	–	109	194	486	–	1,049
Total	¥448,165	¥11,856	¥22	¥108	¥415,446	¥7,766	¥60	¥109	$4,354,498	$115,197	$214	$1,049

(e) The redemption schedule for long-term loans and debentures are disclosed in Note 26.

14. Marketable securities and investment securities

(a) A summary of trading securities at March 31, 2014 and 2013 is as follows:

No trading securities were held at March 31, 2014 and 2013.

(b) A summary of held-to-maturity securities with fair value at March 31, 2014 and 2013 is as follows:

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Fair value	Amount recorded in the balance sheet	Difference	Fair value	Amount recorded in the balance sheet	Difference	Fair value	Amount recorded in the balance sheet	Difference
Held-to-maturity securities whose fair value exceed their amounts recorded in the balance sheet									
National and local government bonds	¥ 200	¥ 200	¥ 0	¥1,501	¥ 1500	¥ 1	$ 1,943	$ 1,943	$ 0
Company debentures	113	108	5	112	109	3	1,098	1,049	49
Subtotal	¥ 313	¥ 308	¥ 5	¥1,613	¥1,609	¥ 4	$ 3,041	$ 2,992	$49
Held-to-maturity securities whose fair value does not exceed their amounts recorded in the balance sheet									
National and local government bonds	1,500	1,500	—	300	300	(0)	14,575	14,575	—
Company debentures	70	70	—	90	90	—	680	680	—
Subtotal	¥1,570	¥1,570	¥—	¥ 390	¥ 390	¥(0)	$15,255	$15,255	$ —
Total	¥1,883	¥1,878	¥ 5	¥2,003	¥1,999	¥ 4	$18,296	$18,247	$49

(c) A summary of other securities with stated market prices at March 31, 2014 and 2013 is as follows:

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Acquisition cost	Amount recorded in the balance sheet	Difference	Acquisition cost	Amount recorded in the balance sheet	Difference	Acquisition cost	Amount recorded in the balance sheet	Difference
Other securities whose amounts recorded in the balance sheet exceed their acquisition cost									
Equity securities	¥14,782	¥29,938	¥15,156	¥13,495	¥28,400	¥14,905	$143,626	$290,886	$147,260
Subtotal	¥14,782	¥29,938	¥15,156	¥13,495	¥28,400	¥14,905	$143,626	$290,886	$147,260
Other securities whose amounts recorded in the balance sheet do not exceed their acquisition cost									
Equity securities	¥11,441	¥ 9,735	¥ (1,706)	¥13,507	¥10,494	¥ (3,013)	$111,164	$ 94,588	$ (16,576)
Subtotal	¥11,441	¥ 9,735	¥ (1,706)	¥13,507	¥10,494	¥ (3,013)	$111,164	$ 94,588	$ (16,576)
Total	¥26,223	¥39,673	¥13,450	¥27,002	¥38,894	¥11,892	$254,790	$385,474	$130,684

Note: Unlisted stocks are not included in the above table because there were no quoted market prices available and their fair value is deemed to be extremely difficult to figure out. The amounts of unlisted stocks and stocks of subsidiaries and affiliates recorded in the balance sheet are disclosed in Note 13.

(d) A summary of held-to-maturity securities which were sold in the years ended March 31, 2014 and 2013 is as follows:

No proceeds from the sale of held-to-maturity securities were recognized in the years ended March 31, 2014 and 2013.

(e) A summary of other securities which were sold in the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Selling prices	Amount of gain on sales	Amount of loss on sales	Selling prices	Amount of gain on sales	Amount of loss on sales	Selling prices	Amount of gain on sales	Amount of loss on sales
Other securities	¥29	¥10	¥(1)	¥67	¥11	¥(1)	$282	$97	$(10)

(f) Impairment losses of other securities

For the year ended March 31, 2014, the disclosure is omitted since it is not material.

Impairment loss of ¥743 million on other securities was recorded at March 31, 2013. If market value at the end of the fiscal year has dropped by 50% or more compared to its acquisition value, all of the impairment loss is recognized and if it has dropped around 30-50% compared to its acquisition value, impairment loss is recognized in the amount deemed necessary taking into account recoverability of those securities.

15. Derivatives

In the normal course of business, the Companies employ derivative financial instruments, including forward foreign exchange contracts, foreign currency options, interest rate swaps, foreign currency swaps and commodity swaps to manage their exposures to fluctuation risks of foreign currency exchange rates, interest rates and material prices.

The Companies do not use derivatives for speculative or trading purposes.

The fair value information of derivatives as of March 31, 2014 and 2013 are as follows:

(a) Derivatives to which hedge accounting is not applied

(i) Foreign currency (transactions other than market transactions)

	Millions of yen								Thousands of U.S. dollars			
	2014				2013				2014			
	Notional amount	Over 1 year	Fair value	Valuation gain (loss)	Notional amount	Over 1 year	Fair value	Valuation gain (loss)	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Forward foreign exchange contracts												
Sell:												
U.S. dollar	¥2,093	¥ —	¥ (7)	¥ (7)	¥1,782	¥ —	¥ 53	¥ 53	$20,336	$ —	$ (68)	$ (68)
Thai baht	140	—	1	1	—	—	—	—	1,360	—	9	9
Buy:												
U.S. dollar	2,627	—	458	458	—	—	—	—	25,525	—	4,450	4,450
Euro	4,575	2,842	237	237	—	—	—	—	44,452	27,614	2,303	2,303
Singapore dollar	418	—	(2)	(2)	—	—	—	—	4,061	—	(19)	(19)
Japanese yen	1,881	—	(57)	(57)	3,360	—	(198)	(198)	18,276	—	(554)	(554)
Korean Won	—	—	—	—	12	—	2	2	—	—	—	—
Foreign currency options												
Sell:												
Call U.S. dollar	1,874	—			15,643	—			18,208			
	(—)	(—)	(4)	(4)	(—)	(—)	(1,035)	(1,035)	(—)	(—)	(39)	(39)
Euro	48	—			192	192			466	—		
	(—)	(—)	(4)	(4)	(—)	(—)	2	2	(—)	(—)	(39)	(39)
Put U.S. dollar	—	—			2,545	—			—	—		
	(—)	(—)	—	—	(—)	(—)	46	46	(—)	(—)	—	—
Euro	—	—			711	—			—	—		
	(—)	(—)	—	—	(—)	(—)	11	11	(—)	(—)	—	—
Buy:												
Call U.S. dollar	—	—			2,640	—			—	—		
	(—)	(—)	—	—	(—)	(—)	143	143	(—)	(—)	—	—
Put U.S. dollar	—	—			7,255	—			—	—		
	(—)	(—)	—	—	(—)	(—)	(123)	(123)	(—)	(—)	—	—
Euro	45	—			182	182			437	—		
	(—)	(—)	(3)	(3)	(—)	(—)	1	1	—	(—)	(29)	(29)
Total	¥ —	¥ —	¥619	¥619	¥ —	¥ —	¥(1,098)	¥(1,098)	$ —	$ —	$6,014	$6,014

Notes:

i. Method of measuring fair value

(1) The fair value of forward foreign exchange contracts are measured using the forward foreign exchange rates.

(2) The fair value of foreign currency options are measured based on the prices provided by financial institutions with which the Companies do business.

ii. The option premiums are stated for in parentheses in the rows of "Notional amount" and "Over 1 year," but the foreign currency option is a so-called zero-cost option and no premium is received or paid.

(ii) Interest rate (transactions other than market transactions)

	Millions of yen								Thousands of U.S. dollars			
	2014				2013				2014			
	Notional amount	Over 1 year	Fair value	Valuation gain (loss)	Notional amount	Over 1 year	Fair value	Valuation gain (loss)	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Interest rate swaps Payments fixed receipts floating	¥274	¥174	¥(3)	¥(3)	¥385	¥385	¥(7)	¥(7)	$2,662	$1,691	$(29)	$(29)
Total	¥ —	¥ —	¥(3)	¥(3)	¥ —	¥ —	¥(7)	¥(7)	$ —	$ —	$(29)	$(29)

Note: The fair value is measured based on the prices provided by financial institutions with which the Companies do business.

(iii) Commodity (transactions other than market transactions)

	Millions of yen								Thousands of U.S. dollars			
	2014				2013				2014			
	Notional amount	Over 1 year	Fair value	Valuation gain (loss)	Notional amount	Over 1 year	Fair value	Valuation gain (loss)	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Nickel swaps Payments fixed receipts floating	¥960	¥ —	¥81	¥81	¥—	¥—	¥—	¥—	$9,328	$—	$787	$787
Total	¥ —	¥ —	¥81	¥81	¥—	¥—	¥—	¥—	$ —	$—	$787	$787

Note: The fair value is measured based on the prices provided by financial institutions with which the Companies do business.

(b) Derivatives to which hedge accounting is applied

(i) Foreign currency

			Millions of yen						Thousands of U.S. dollars		
			2014			2013			2014		
Hedge accounting	Hedging instrument	Hedged item	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts										
	Sell:	Accounts receivable—trade									
	U.S. dollar		¥27,734	¥1,301	¥(384)	¥13,900	¥ 709	¥ (853)	$269,471	$12,641	$(3,731)
	Euro		77	—	(1)	667	—	(61)	748	—	(10)
	Buy:	Accounts payable—trade									
	U.S. dollar		2,726	105	170	2,396	152	192	26,487	1,020	1,651
	Euro		2,586	—	99	1,976	40	104	25,126	—	962
	Singapore dollar		450	—	7	13	—	0	4,372	—	68
	Thai Baht		162	—	1	42	—	0	1,574	—	10
	Swiss franc		54	—	0	—	—	—	525	—	0
	Canadian dollar		—	—	—	16	—	0	—	—	—
Allocation treatment (*1)	Foreign currency swaps contracts:										
	U.S. dollar-Japanese yen	Long-term Loans	10,337	9,287	—	15,597	14,547	—	100,437	90,235	—
	U.S. dollar- Euro	Long-term Loans	4,939	4,939	—	—	—	—	47,989	47,989	—
	Forward foreign exchange contracts										
	Sell:	Accounts receivable—trade									
	U.S. dollar		7,202	1,261	—	13,132	707	—	69,977	12,252	—
	Euro		1,687	—	—	331	—	—	16,391	—	—
	Hong Kong dollar		1,645	543	—	2,310	1,863	—	15,983	5,276	—
	Buy:	Accounts payable—trade									
	U.S. dollar		627	—	—	1,210	—	—	6,092	—	—
	Euro		55	—	—	1	—	—	534	—	—
	Thai Baht		86	—	—	18	—	—	836	—	—
Total			¥ —	¥ —	¥(108)	¥ —	¥ —	¥ (618)	$ —	$ —	$(1,050)

(*1) The difference between the amount translated at contracted rate and that translated at the current rate of exchange on the date of the forward contract shall be allocated over the life of the forward contract.

Notes:

i. Method of measuring fair value

The fair value of forward foreign exchange contracts is calculated using the forward foreign exchange rates.

ii. Fair value of transactions using the method such as forward foreign exchange contracts where transactions are recorded by translation at the contracted rate is included in the fair value of hedged items, either of long-term loans, accounts receivable—trade or accounts payable—trade, as these derivatives are accounted for together with the long-term loans, accounts receivable—trade or accounts payable—trade.

(ii) Interest rate

			Millions of yen						Thousands of U.S. dollars		
			2014			2013			2014		
Hedge accounting	Hedging instrument	Hedged item	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value
Deferral hedge accounting of interest rate swaps	Interest rate swaps Payments fixed receipts floating	Long-term loans	¥ 3,000	¥ 3,000	¥ (6)	¥ 3,000	¥ 3,000	¥ (13)	$ 29,149	$ 29,149	$ (58)
Exceptional treatment of interest rate swaps (Note: ii)	Interest rate swaps Payments fixed receipts floating	Long-term loans	¥79,806	¥68,984	¥ —	¥78,609	¥68,587	¥ —	$775,418	$670,268	$ —
Total			¥ —	¥ —	¥ (6)	¥ —	¥ —	¥ (13)	$ —	$ —	$ (58)

Notes:

i. Method of measuring fair value

The fair value are measured based on the prices provided by financial institutions with which the Companies do business.

ii. Fair value of transactions by the exceptional treatment of interest rate swaps is included in the fair value of long-term loans, as these derivatives are accounted for together with the long-term loans.

16. Retirement benefits

The Companies have defined benefit pension plans, lump-sum retirement payment plans and defined contribution plans.

In addition, an employee, if eligible, may receive additional payments upon retirement under certain situation.

For the year ended March 31, 2014 certain consolidated subsidiaries in Japan adopt the simplified methods to calculate net defined benefit liabilities and retirement benefit expenses for their lump-sum retirement payment plans and defined benefit pension plans.

Furthermore, certain overseas consolidated subsidiaries adopt the International Financial Reporting Standards (IFRS) and have applied IAS 19 Employee Benefits (Revised 2011) effective from the year ended March 31, 2014. The following information is a summary of the plans:

(a) Retirement benefit at March 31, 2014 is as follows,

1. Reconciliation of the opening and closing balances of retirement benefit obligation:

	Millions of yen	Thousands of U.S. dollars
Year ended March 31	2014	2014
Retirement benefit obligation at April 1st, 2013	¥130,350	$1,266,518
Service cost	7,889	76,652
Interest cost	2,390	23,222
Actuarial gains or losses incurred	347	3,371
Payments of retirement benefits	(7,158)	(69,549)
Past service cost incurred	(5,099)	(49,543)
Foreign exchange translation adjustments	622	6,043
Increase resulting from inclusion of subsidiaries in consolidation	2,032	19,744
Increase due to change in measurement of retirement benefit obligation from the simplified method to the standard method	1,367	13,282
Other	274	2,662
Retirement benefit obligation at March 31st, 2014	¥133,014	$1,292,402

2. Reconciliation of the opening and closing balances of plan assets:

	Millions of yen	Thousands of U.S. dollars
Year ended March 31	2014	2014
Plan assets at April 1st, 2013	¥ 475	$ 4,615
Expected return on assets	—	—
Interest income on plan assets at overseas consolidated subsidiaries	39	379
Actual return on plan assets under the simplified method	13	126
Actuarial gains or losses incurred	46	447
Contributions by the company	225	2,186
Payments of retirement benefits	(197)	(1,914)
Foreign exchange translation adjustments	499	4,848
Increase resulting from inclusion of subsidiaries in consolidation	2,016	19,588
Other	5	49
Plan assets at March 31st, 2014	¥3,121	$30,324

3. Reconciliation of the closing balances of retirement benefit obligation and plan assets, and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets.

	Millions of yen	Thousands of U.S. dollars
Year ended March 31	2014	2014
Retirement benefit obligation for funded plans	¥ 5,188	$ 50,408
Plan assets	(3,121)	(30,324)
	2,067	20,084
Retirement benefit obligation for unfunded plans	127,826	1,241,994
Net amount of liabilities and assets recorded in the consolidated balance sheets	129,893	1,262,078
Net defined benefit liability	129,893	1,262,078
Net amount of liabilities and assets recorded in the consolidated balance sheets	¥129,893	$1,262,078

4. Amounts of net periodic pension cost and its components

	Millions of yen	Thousands of U.S. dollars
Year ended March 31	2014	2014
Service cost (Note: i)	¥ 7,876	$ 76,525
Interest cost	2,345	22,785
Actual return on plan assets under the simplified method	6	58
Amortization of actuarial gains and losses	3,306	32,122
Amortization of past service cost	(218)	(2,118)
Amortization of cost incurred due to the change from simplified method to the standard method	1,367	13,282
Net gain or loss on transfer of retirement benefit plans (Note: ii)	213	2,070
Other	138	1,341
Total	¥15,033	$146,065

Notes:

i. In computing the projected benefit obligation, small companies are permitted to adopt certain simplified method and certain consolidated subsidiaries have done so. The periodic pension cost for the consolidated subsidiaries to adopt such simplified method have been included in "Service cost."

ii. "Net gain or loss on transfer of retirement benefit plans" in the above table represents a net gain or loss recognized at certain consolidated subsidiaries that have transferred their retirement benefit plans.

5. Remeasurements of defined benefit plans

Components of items (before related tax effects) recorded in remeasurements of defined benefit plans are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ended March 31	2014	2014
Unrecognized past service cost	¥ 3,817	$ 37,087
Unrecognized actuarial gains and losses	(10,352)	(100,583)
Total	¥ (6,535)	$ (63,496)

6. Plan assets

(i) Major components of plan assets: The proportion of major categories to total plan assets is as follows:

Year ended March 31	2014
Bond	45%
Stock	10
Cash and time deposits	9
General account	10
Real estate	26
Other	0
Total	100%

(ii) Method of setting the expected long-term rate of return

In determining the expected long-term rate of return on plan assets, the current and projected allocations of plan assets and the current and projected long-term investment returns on various assets constituting plan assets are taken into consideration.

7. Bases for actuarial calculations
Major bases for actuarial calculations as of March 31, 2014

Discount rate	Mainly 2.0%
Long-term expected rate of return	–%

8. Defined contribution plan
The required contribution amount to the defined contribution plan of the Company and its consolidated subsidiaries was ¥590 million ($5,733 thousand).

(b) Retirement benefit at March 31, 2013 is as follows,

1. Retirement benefit obligation:

	Millions of yen
Year ended March 31	2013
Retirement benefit obligation	¥ (130,350)
Plan assets	475
Unfunded retirement benefit obligation	(129,875)
Unrecognized actuarial losses	13,362
Unrecognized past service cost	1,105
Provision for retirement benefits	¥ (115,408)

2. Component of net periodic pension cost:

	Millions of yen
Year ended March 31	2013
Service cost (Note: i)	¥ 8,302
Interest cost	2,737
Expected return on assets	–
Amortization of actuarial gains and losses	3,767
Amortization of past service cost	866
Additional payments	610
Net periodic pension cost	16,282
Other (Note: ii)	153
Total	¥16,435

Notes:
i. In computing the projected benefit obligation, small companies are permitted to adopt certain simplified method and certain consolidated subsidiaries have done so. The periodic pension cost for the consolidated subsidiaries to adopt such simplified method has been included in "Service cost."
ii. "Other" in the above table is payment of contribution for defined contribution plan.

	Millions of yen
Year ended March 31	2013
Assumptions used in the actuarial calculation were:	
Actuarial cost method:	Projected unit credit method
Discount rate:	2.0%
Expected rate of return:	—%
Amortization period for past service cost (within the employees' average remaining years of service):	13 years
Amortization period for actuarial losses (within the employees' average remaining years of service):	13 years

17. Stock options

(a) Expenses for stock options and account titles at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2014	2013	2014
Selling, general and administrative expenses	¥132	¥127	$1,283

(b) The stock options outstanding at March 31, 2014 are as follows:

	2014 Stock option	2013 Stock option	2012 Stock option
Persons granted	Directors of the Company: 13 Executive officers of the Company: 14	Directors of the Company: 13 Executive officers of the Company: 15	Directors of the Company: 13 Executive officers of the Company: 14
Class and number of shares	Common stock 350,000 shares	Common stock 798,000 shares	Common stock 593,000 shares
Grant date	August 21, 2013	August 16, 2012	August 17, 2011
Vesting conditions	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.
Service period	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.
Exercise period	From August 22, 2013 to August 21, 2043	From August 17, 2012 to August 16, 2042	From August 18, 2011 to August 17, 2041

	2011 Stock option	2010 Stock option	2009 Stock option
Persons granted	Directors of the Company: 13 Executive officers of the Company: 13	Directors of the Company: 13 Executive officers of the Company: 14	Directors of the Company: 13 Executive officers of the Company: 11
Class and number of shares	Common stock 759,000 shares	Common stock 647,000 shares	Common stock 511,000 shares
Grant date	August 9, 2010	August 5, 2009	August 18, 2008
Vesting conditions	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.
Service period	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.
Exercise period	From August 10, 2010 to August 9, 2040	From August 6, 2009 to August 5, 2039	From August 19, 2008 to August 18, 2038

	2008 Stock option
Persons granted	Directors of the Company: 13 Executive officers of the Company: 13
Class and number of shares	Common stock 274,000 shares
Grant date	August 9, 2007
Vesting conditions	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.
Service period	No provisions since vesting day is not readily determinable.
Exercise period	From August 10, 2007 to August 9, 2037

(c) The numbers of and changes in stock options during the years ended March 31, 2014 are as follows:

	2014 Stock option	2013 Stock option	2012 Stock option	2011 Stock option	2010 Stock option	2009 Stock option	2008 Stock option
Non-vested:							
Outstanding at March 31, 2013	—	798,000	593,000	717,000	513,000	320,000	95,000
Granted	350,000	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	100,000	159,000	107,000	83,000	25,000
Outstanding of non-vested at March 31, 2014	350,000	798,000	493,000	558,000	406,000	237,000	70,000
Vested:							
Outstanding at March 31, 2013	—	—	—	42,000	36,000	54,000	22,000
Vested	—	—	100,000	159,000	107,000	83,000	25,000
Exercised	—	—	52,000	113,000	61,000	98,000	41,000
Forfeited	—	—	—	—	—	—	—
Outstanding of non-exercised at March 31, 2014	—	—	48,000	88,000	82,000	39,000	6,000
Exercise price - yen (U.S. dollars)	¥ 1 ($0.011)	¥ 1 ($0.011)	¥ 1 ($0.011)	¥ 1 ($0.011)	¥ 1 ($0.011)	¥ 1 ($0.011)	¥ 1 ($0.011)
Average share price at exercise - yen (U.S. dollars)	—	—	¥ 410 ($3.984)	¥ 434 ($4.217)	¥ 410 ($3.984)	¥ 424 ($4.120)	¥ 424 ($4.120)
Fair value price at grant date - yen (U.S. dollars)	¥ 376 ($3.653)	¥ 159 ($1.691)	¥ 178 ($1.893)	¥ 154 ($1.637)	¥ 165 ($1.754)	¥ 185 ($1.967)	¥ 462 ($4.912)

Because it is difficult to reasonably estimate the number of options that will forfeit in the future, the number of forfeited options are based on the actual data.

(d) Estimation method for stock options issued during the year ended March 31, 2014 is as follows:

The fair value of stock options granted is estimated by using Black-Scholes option pricing model with the following assumptions:

	2014 Stock option
Volatility of stock price (Note: i)	38%
Estimated remaining outstanding period (Note: ii)	3.5 years
Estimated dividend (Note: iii)	¥5 per share
Interest rate with risk free (Note: iv)	0.19%

Notes:

i. Annual volatility rate estimated based on daily stock prices in the past 3.5 years (closing prices on each day from February 22, 2010 to August 21, 2013).

ii. Expected average period from grant date to exercise date.

iii. Based on actual year-end dividend for the preceding year (March 31, 2013 year-end dividend).

iv. Annual rate, the yield on national government bonds with remaining life of 3.5 years (the yield on August 21, 2013).

18. Deferred tax assets and liabilities

(a) Significant components of the Companies' deferred tax assets and liabilities at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Losses on valuation of inventories	¥ 3,434	¥ 4,161	$ 33,366
Losses on impairment of fixed assets	5,716	5,735	55,538
Allowance for employees' bonuses	7,597	7,610	73,815
Reserve for guaranteed contracts	8,757	6,980	85,085
Reserve for losses on sales contracts	6,414	7,931	62,320
Denial of accrued expense	7,109	6,044	69,073
Valuation losses on investment securities	1,473	1,558	14,312
Allowance for employees' retirement benefits	—	40,730	—
Net defined benefit liability	45,173	—	438,914
Net loss carried forward	14,195	19,991	137,923
Unrealized gain	3,405	3,205	33,084
Other	16,802	12,316	163,253
Valuation allowance	(38,737)	(37,425)	(376,380)
Total	¥ 81,338	¥ 78,836	$ 790,303
Deferred tax liabilities:			
Gain on transfer from business divestures	¥ (2,923)	—	$ (28,401)
Unrealized holding gain on other securities	(4,456)	¥ (4,334)	(43,296)
Deferred gains on sales of property, plant and equipment	(5,803)	(6,259)	(56,383)
Other	(4,529)	(3,358)	(44,005)
Total	(17,711)	(13,951)	(172,085)
Net deferred tax assets (Note)	¥ 63,627	¥ 64,885	$ 618,218

Note: Net deferred tax assets and liabilities as of March 31, 2014 and 2013 are included in the following accounts in the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets—Deferred tax assets	¥ 34,632	¥ 31,358	$ 336,494
Investment and other assets—Deferred tax assets	32,489	36,383	315,672
Current liabilities—Other	(142)	(108)	(1,379)
Long-term liabilities—Other	(3,352)	(2,748)	(32,569)
Total (Net deferred tax assets)	¥ 63,627	¥ 64,885	$ 618,218

(b) The reconciliation between the statutory tax rate and the effective income tax rate after applying deferred tax accounting for the year ended March 31, 2014 is as follows:

	2014
Statutory tax rate in Japan	38.0%
Adjustments:	
Change in valuation allowance	4.2
Reduction of deferred tax asset due to change in corporate tax rate of Japan	3.2
Expenses not deductible permanently (e.g. entertainment expenses)	1.1
Different tax rates on overseas earnings	(3.0)
Tax exemption of research and development expenses	(2.9)
Other	0.7
Effective income tax rate after applying deferred tax accounting	41.3%

Note: For the year ended March 31, 2013, the disclosure is omitted because the difference between the statutory tax rate and the effective income tax rate after applying deferred tax accounting is 5% or less of the statutory tax rate.

(c) Adjustment of amounts of deferred tax assets and deferred tax liabilities due to the change in the special reconstruction corporation tax:

The Act for Partial Revision of the Income Tax Act, etc. (Act No. 10 of 2014) was promulgated on March 31, 2014 and the special corporate tax for reconstruction will not be imposed from the fiscal period beginning on and after April 1, 2014.

As a result, the amount of deferred tax assets (less the amount of deferred tax liabilities) decreased by ¥1,752 million ($17,023 thousand) and income taxes–deferred increased by ¥1,750 million ($17,003 thousand).

19. Investment and rental properties

The Company and certain consolidated subsidiaries own rental office buildings (including land), parking lots and commercial facilities in Tokyo and other areas.

(a) The amounts recorded in the consolidated balance sheet and the fair value of these investment and rental properties at March 31, 2014 and 2013 are as follows:

	Millions of yen								Thousands of U.S. dollars			
	2014				2013				2014			
	Amount recorded in the balance sheet				Amount recorded in the balance sheet				Amount recorded in the balance sheet			
Category of use	Balance as of April 1, 2013	Net change	Balance as of March 31, 2014	Fair value as of March 31, 2014	Balance as of April 1, 2012	Net change	Balance as of March 31, 2013	Fair value as of March 31, 2013	Balance as of April 1, 2013	Net change	Balance as of March 31, 2014	Fair value as of March 31, 2014
Office buildings	¥68,367	¥(2,618)	¥65,749	¥135,399	¥70,641	¥(2,274)	¥68,367	¥132,488	$664,273	$(25,437)	$638,836	$1,315,575
Parking lots	575	(27)	548	9,672	1,970	(1,395)	575	9,698	5,587	(262)	5,325	93,976
Commercial facilities	3,676	(23)	3,653	46,094	1,499	2,177	3,676	43,385	35,717	(224)	35,493	447,863
Other	25,477	2,894	28,371	68,705	22,329	3,148	25,477	66,445	247,542	28,119	275,661	667,557
Total	¥98,095	¥ 226	¥98,321	¥259,870	¥96,439	¥1,656	¥98,095	¥252,016	$953,119	$ 2,196	$955,315	$2,524,971

Notes:

i. The amount recorded in consolidated balance sheet is calculated by subtracting accumulated depreciation and impairment losses from acquisition cost.

ii. The fair value at fiscal year-end is based on the values mainly in the appraisal report prepared by external real estate appraisers.

(b) Income and expenses concerning investment and rental properties during the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen								Thousands of U.S. dollars			
	2014				2013				2014			
Category of use	Rental income	Rental expenses	Net rental income	Other	Rental income	Rental expenses	Net rental income	Other	Rental income	Rental expenses	Net rental income	Other
Office buildings	¥ 8,325	¥5,277	¥3,048	¥ –	¥ 8,351	¥5,333	¥3,018	¥13,443	$ 80,888	$51,273	$29,615	$ –
Parking lots	465	146	319	11	677	162	515	(2)	4,518	1,418	3,100	107
Commercial facilities	1,095	381	714	–	1,041	340	701	–	10,639	3,702	6,937	–
Other	3,324	1,573	1,751	5	2,796	1,277	1,519	(192)	32,297	15,284	17,013	48
Total	¥13,209	¥7,377	¥5,832	¥16	¥12,865	¥7,112	¥5,753	¥13,249	$128,342	$71,677	$56,665	$155

Notes:

i. Major rental income is included in “Net sales,” while major rental expenses are included in “Cost of sales.”

ii. For the year ended March 31, 2014 and 2013, “Other” in the above table is composed of gains on sales of property, plant, land and equipment, and losses of disposal of property, plant and equipment, and included in both other income (expenses) on the consolidated statement of income.

20. Segment information

(a) Segment information

1. Overview of reportable segments

The reportable segments are constituent units of the IHI Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and evaluating operating performance.

The company organizes operation divisions by products and services and the operation divisions deploy business activities formulating both domestic and overseas strategies for each product and service comprehensively.

Effective from the first quarter ended June 30, 2013, the IHI Group has carried out an entity conversion in line with a review of its four business fields based on Group Management Policies 2013. In accordance with this change, the IHI Group's reportable segments have been changed on the basis of their business fields, from the seven segments of Energy & Resources Operations; Ships & Offshore Facilities Operations; Social Infrastructure Operations; Logistics Systems & Industrial Machinery Operations; Rotating Equipment & Mass-Production Machinery Operations; Aero Engine & Space Operations; and Others, to four segments. The four new segments are Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense.

Segment information for the fiscal year ended March 31, 2013 has been presented based on the reportable segments after the entity conversion.

Main businesses, products and services belonging to each segment

(i) Resources, Energy & Environment

Boilers, power systems, motors for land and marine use, large marine motors, gas processes (storage facilities and process plants), nuclear power (components for nuclear power plants), environmental systems, pharmaceuticals (pharmaceutical plants)

(ii) Social Infrastructure & Offshore Facilities

Bridges, water gates, shield tunneling machines, transportation systems, urban development (real estate sales and rental), F-LNG (floating LNG storage facilities), offshore structures

(iii) Industrial Systems & General-Purpose Machinery

Marine machinery, logistics systems, materials handling equipment, parking systems, steel manufacturing equipment, industrial machinery, heat/surface treatment machinery, papermaking machinery, vehicular turbochargers, compressors, separation equipment, marine turbochargers, construction machinery, agricultural machinery, small motors

(iv) Aero Engine, Space and Defense

Aero engines, rocket systems/space utilization systems (space-related equipment), defense systems

2. Calculation method used for sales, profit or loss, assets and liabilities, and other items by reportable segment

The accounting method used for reportable business segments is roughly the same as the method stated in Note 2. "Significant accounting policies." Profits from reportable segments are figures based on operating income. Intersegment income and transfers are based on actual market pricing.

3. The information about sales, profit or loss, assets and liabilities, and other items by reportable segment

Fiscal year ended March 31, 2014

	Millions of yen								
	Reportable Segment					Others (Note: i)	Total	Adjustments (Note: ii)	Consolidated
	Resources, Energy & Environment	Social Infrastructure & Offshore Facilities	Industrial Systems & General-Purpose Machinery	Aero Engine, Space & Defense	Total				
Sales and operating income:									
Sales to outside customers	¥333,392	¥144,560	¥386,110	¥401,607	¥1,265,669	¥38,369	¥1,304,038	¥ –	¥1,304,038
Intersegment sales and transfers	10,701	5,753	11,710	4,491	32,655	20,584	53,239	(53,239)	–
Total	344,093	150,313	397,820	406,098	1,298,324	58,953	1,357,277	(53,239)	1,304,038
Segment profit (Operating income)	¥ 11,617	¥ 2,369	¥ 15,130	¥ 36,723	¥ 65,839	¥ 1,930	¥ 67,769	¥ (14,498)	¥ 53,271
Other:									
Depreciation (Note: iv)	¥ 5,776	¥ 6,086	¥ 10,616	¥ 14,174	¥ 36,652	¥ 795	¥ 37,447	¥ 2,982	¥ 40,429
Equity income from affiliates	325	–	552	(72)	805	4,612	5,417	(20)	5,397
Increase in property, plant and equipment (Note: v)	8,137	9,177	14,615	17,277	49,206	984	50,190	4,379	54,569
Loss on impairment of fixed assets	–	20	225	–	245	–	245	–	245
Amortization amount of goodwill (Note: vi)	193	1	2,449	–	2,643	421	3,064	14	3,078
Balance of goodwill (Note: vii)	1,106	–	18,509	–	19,615	3,302	22,917	41	22,958

	Thousands of U.S. dollars								
	Reportable Segment					Others (Note: i)	Total	Adjustments (Note: ii)	Consolidated
	Resources, Energy & Environment	Social Infrastructure & Offshore Facilities	Industrial Systems & General-Purpose Machinery	Aero Engine, Space & Defense	Total				
Sales and operating income:									
Sales to outside customers	$ 3,239,331	$ 1,404,586	$ 3,751,555	$ 3,902,128	$ 12,297,600	$372,804	$12,670,404	$ –	$12,670,404
Intersegment sales and transfers	103,974	55,898	113,777	43,636	317,285	200,000	517,285	(517,285)	–
Total	3,343,305	1,460,484	3,865,332	3,945,764	12,614,885	572,804	13,187,689	(517,285)	12,670,404
Segment profit (Operating income)	$ 112,874	$ 23,018	$ 147,008	$ 356,811	$ 639,711	$ 18,752	$ 658,463	$ (140,867)	$ 517,596
Other:									
Depreciation (Note: iv)	$ 56,121	$ 59,133	$ 103,148	$ 137,719	$ 356,121	$ 7,724	$ 363,845	$ 28,974	$ 392,819
Equity income from affiliates	3,158	–	5,363	(699)	7,822	44,811	52,633	(194)	52,439
Increase in property, plant and equipment (Note: v)	79,061	89,166	142,003	167,869	478,099	9,562	487,661	42,547	530,208
Loss on impairment of fixed assets	–	194	2,186	–	2,380	–	2,380	–	2,380
Amortization amount of goodwill (Note: vi)	1,875	10	23,795	–	25,680	4,091	29,771	136	29,907
Balance of goodwill (Note: vii)	10,746	–	179,839	–	190,585	32,083	222,668	398	223,066

Notes:

i. The “Others” consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment related to such business, and other service operations.

ii. Adjustment of segment profit represents intersegment transactions of ¥88 million ($855 thousand) and unallocated corporate expenses of ¥-14,586 million ($-141,722 thousand). Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

iii. Reportable segment assets and liabilities have not been shown, as they are not used as the basis for deciding the allocation of management resources or evaluating operating performance.

iv. Depreciation represents depreciation of property, plant and equipment. Adjustment of depreciation represents unallocated depreciation in property, plant and equipment.
v. Adjustment of increase in property, plant and equipment represents unallocated increase in property, plant and equipment.
vi. Adjustment of amortization amount of goodwill represents unallocated goodwill amortization.
vii. Adjustment of balance of goodwill represents unallocated goodwill balance.

Fiscal year ended March 31, 2013

	Millions of yen								
	Reportable Segment								
	Resources, Energy & Environment	Social Infrastructure & Offshore Facilities	Industrial Systems & General-Purpose Machinery	Aero Engine, Space & Defense	Total	Others (Note: i)	Total	Adjustments (Note: ii)	Consolidated
Sales and operating income:									
Sales to outside customers	¥299,124	¥109,195	¥369,617	¥328,447	¥1,106,383	¥149,666	¥1,256,049	¥ –	¥1,256,049
Intersegment sales and transfers	22,405	8,664	12,951	10,034	54,054	28,540	82,594	(82,594)	–
Total	321,529	117,859	382,568	338,481	1,160,437	178,206	1,338,643	(82,594)	1,256,049
Segment profit (Operating income)	¥ 16,206	¥ 1,559	¥ 13,651	¥ 15,423	¥ 46,839	¥ 8,085	¥ 54,924	¥ (12,783)	¥ 42,141
Other:									
Depreciation (Note: iv)	¥ 6,197	¥ 6,017	¥ 7,988	¥ 14,643	¥ 34,845	¥ 3,527	¥ 38,372	¥ 3,404	¥ 41,776
Equity income from affiliates	301	–	653	–	954	3,356	4,310	23	4,333
Increase in property, plant and equipment (Note: v)	5,930	6,070	16,393	16,241	44,634	3,801	48,435	6,611	55,046
Loss on impairment of fixed assets	–	710	424	–	1,134	126	1,260	–	1,260
Amortization amount of goodwill (Note: vi)	100	–	678	–	778	290	1,068	14	1,082
Balance of goodwill (Note: vii)	1,066	1	17,832	–	18,899	3,654	22,553	55	22,608

Notes:
i. The “Others” consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment related to such business, and other service operations. It should be noted that this classification includes ¥117,358 million of sales, ¥6,535 million of segment profit (operating income), ¥2,752 million of depreciation, ¥3,577 million of equity income from affiliates and ¥2,639 million of increase in property, plant and equipment, which were attributable to the Ships & Offshore Facilities Operations segment before the change in reportable segments.
ii. Adjustment of segment profit represents intersegment transactions of ¥62 million and unallocated corporate expenses of ¥-12,845 million.
iii. Reportable segment assets and liabilities have not been shown, as they are not used as the basis for deciding the allocation of management resources or evaluating operating performance.
iv. Depreciation represents depreciation of property, plant and equipment. Adjustment of depreciation represents unallocated depreciation in property, plant and equipment.
v. Adjustment of increase in property, plant and equipment represents unallocated increase in property, plant and equipment.
vi. Adjustment of amortization amount of goodwill represents unallocated goodwill amortization.
vii. Adjustment of balance of goodwill represents unallocated goodwill balance.

(b) Related information

1. Product and service information
Product and service information is omitted, as classification is the same as for reportable segments.

2. Information by geographical area
(1) Net sales

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net sales:			
Japan	¥ 685,439	¥ 769,746	$ 6,659,920
U.S.A.	212,710	147,153	2,066,751
Asia	221,468	173,598	2,151,846
Central and South America	18,521	52,895	179,955
Europe	152,220	93,004	1,479,013
Other	13,680	19,653	132,919
Total	¥1,304,038	¥1,256,049	$12,670,404

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Property, plant and equipment:			
Japan	¥295,945	¥292,640	$2,875,486
North America	2,804	1,522	27,244
Asia	13,037	9,612	126,671
Central and South America	106	91	1,030
Europe	24,506	17,053	238,107
Other	50	139	486
Total	¥336,448	¥321,057	$3,269,025

3. Information by major customer

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Major customer:			
Japan Ministry of Defense	¥130,427	¥149,914	$1,267,266

Note: The sales to the customer are included in industry segments of “Aero Engine, Space & Defense Operation” for the year ended March 31, 2014 and “Aero Engine, Space & Defense Operation” and “Other” for the year ended March 31, 2013.

(c) Information about gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2014
Information about gain on negative goodwill by reportable segment is not applicable.

Fiscal year ended March 31, 2013
Information about gain on negative goodwill by reportable segment is omitted since it was not material for the year ended March 31, 2013.

21. Information about related parties

(a) Related party transactions

1. Information about related parties for the year ended March 31, 2014 is as follows:

(1) Transactions between the Company and related parties

(i) Nonconsolidated subsidiaries, affiliates and other related parties of the Company

2014

Type	Name	Location	Capital or contributions: Millions of yen	Capital or contributions: Thousands of U.S. dollars	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note: i): Millions of yen	Transaction amount (Note: i): Thousands of U.S. dollars	Account title	Balance at March 31 (Note: i): Millions of yen	Balance at March 31 (Note: i): Thousands of U.S. dollars
Affiliate	IHI Finance Support Corporation ("IFS")	Chuo-ku, Tokyo, Japan	¥200	$1,943	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note: ii)	¥78,986	$767,450	Notes and accounts payable—trade	¥25,645	$249,174
											Other current liabilities	1,513	14,701

(ii) Directors/auditors, major shareholders and other related parties of the Company

2014

Type	Name	Location	Capital or contributions: Millions of yen	Capital or contributions: Thousands of U.S. dollars	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note: i): Millions of yen	Transaction amount (Note: i): Thousands of U.S. dollars	Account title	Balance at March 31 (Note: i): Millions of yen	Balance at March 31 (Note: i): Thousands of U.S. dollars
Director	Kazuaki Kama	–	¥–	$–	JAEC (Chairman)	Held directly 0.0%	Representative director and president of the Company	Operating transactions with JAEC (Notes: iii)					
								-Subcontract of work from JAEC related to R&D of jet engines	¥21,318	$ 207,132	–	¥ –	$ –
								-Payment of a portion of funding related to the above	8,237	80,033	–	–	–
								-Reception of subsidies related to the above	19,543	189,885	Other current liabilities	3,142	30,529
											Other long-term liabilities	34,756	337,699
								-Manufacture of jet engine components and delivery thereof to JAEC	126,724	1,231,286	Notes and accounts receivable—trade	30,430	295,667
											Advances from customers	6,360	61,796
								-Payment of a portion of expenses related to the above	84,417	820,220	–	–	–

Notes:

i. In the tables (i) and (ii) above, the transaction amount does not include consumption taxes and the balance as of March 31 includes them.

ii. With regard to factorings, the Company, any customer and IFS entered into a basic agreement concerning the Company's liabilities and settled the amount.

iii. The person conducted these transactions as a representative of a third party, and the transaction amounts and prices are subject to terms and conditions of general transactions.

(2) Transactions between consolidated subsidiaries and related parties of the Company
Nonconsolidated subsidiaries, affiliates and other related parties of the Company

2014

Type	Name	Location	Capital or contributions: Millions of yen	Capital or contributions: Thousands of U.S. dollars	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note: i): Millions of yen	Transaction amount (Note: i): Thousands of U.S. dollars	Account title	Balance at March 31 (Note: i): Millions of yen	Balance at March 31 (Note: i): Thousands of U.S. dollars
Affiliate	IFS	Chuo-ku, Tokyo, Japan	¥200	$1,943	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note: ii)	¥143,620	$1,395,453	Notes and accounts payable—trade	¥51,605	$501,409
											Other current liabilities	9	87

Notes:
i. The transaction amount does not include consumption taxes and the balance as of March 31 includes them.
ii. With regard to factorings, a consolidated subsidiary, any customer and IFS entered into a basic agreement concerning the consolidated subsidiary's liabilities and settled the amount.

2. Information about related parties for the year ended March 31, 2013 is as follows:
(1) Transactions between the Company and related parties
(i) Nonconsolidated subsidiaries, affiliates and other related parties of the Company

2013

Type	Name	Location	Capital or contributions: Millions of yen	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note: i): Millions of yen	Account title	Balance at March 31 (Note: i): Millions of yen
Affiliate	IFS	Chuo-ku, Tokyo, Japan	¥200	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note: ii)	¥75,997	Notes and accounts payable—trade	¥28,091
									Other current liabilities	943

(ii) Directors/auditors, major shareholders and other related parties of the Company

2013

Type	Name	Location	Capital or contributions: Millions of yen	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note: i): Millions of yen	Account title	Balance at March 31 (Note: i): Millions of yen
Director	Kazuaki Kama	—	¥—	JAEC (Chairman)	Held directly 0.0%	Representative director and president of the Company	Operating transactions with JAEC (Notes: iii)			
							-Subcontract of work from JAEC related to R&D of jet engines	¥ 8,100	—	¥ —
							-Payment of a portion of funding related to the above	7,382	—	—
							-Reception of subsidies related to the above	6,011	Other current liabilities	2,834
									Other long-term liabilities	23,196
							-Manufacture of jet engine components and delivery thereof to JAEC	96,324	Notes and accounts receivable—trade	18,120
									Advances from customers	4,370
							-Payment of a portion of expenses related to the above	50,427	—	—

Notes:
i. In the tables (i) and (ii) above, the transaction amount does not include consumption taxes and the balance as of March 31 includes them.
ii. With regard to factorings, the Company, any customer and IFS entered into a basic agreement concerning the Company's liabilities and settled the amount.
iii. The person conducted these transactions as a representative of a third party, and the transaction amounts and prices are subject to terms and conditions of general transactions.

(2) Transactions between consolidated subsidiaries and related parties of the Company
Nonconsolidated subsidiaries, affiliates and other related parties of the Company

2013										
Type	Name	Location	Capital or contributions	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note: i)	Account title	Balance at March 31 (Note: i)
			Millions of yen					Millions of yen		Millions of yen
Affiliate	IFS	Chuo-ku, Tokyo, Japan	¥200	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note: ii)	¥154,743	Notes and accounts payable—trade	¥50,228

Notes:
i. The transaction amount does not include consumption taxes and the balance as of March 31 includes them.
ii. With regard to factorings, a consolidated subsidiary, any customer and IFS entered into a basic agreement concerning the consolidated subsidiary's liabilities and settled the amount.

(b) Notes on parent company or significant affiliates

1. Information about parent company
   Not applicable

2. Condensed financial information of significant affiliates
   Japan Marine United Corporation (JMU) is a significant affiliate for the year ended March 31, 2014. The condensed financial information of JMU, a significant affiliate of the Company, for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2014	2013	2014
Current assets	¥204,432	¥176,989	$1,986,319
Fixed assets	157,529	160,998	1,530,597
Current liabilities	156,994	134,465	1,525,398
Long-term liabilities	61,403	66,587	596,609
Net assets	143,564	136,935	1,394,909
Net sales (Note: i)	270,897	71,843	2,632,112
Income before income taxes and minority interests (Note: i)	5,235	2,323	50,865
Net income (Note: i)	6,574	3,885	63,875

Note:
i. The figures for the year ended March 31, 2013 are those for the period from January 1, 2013, when JMU was established and became a significant affiliate accounted for by the equity method, through March 31, 2013.

22. Special purpose companies subject to disclosure

(a) Outline of special purpose companies subject to disclosure and summary of transactions using such companies

(1) Information about special purpose companies for the year ended March 31, 2013:
The Company executed the securitization of real estate properties in March 2005 in order to obtain stable funding, and used one special purpose company (SPC) which was classified as a special limited liability company in connection with this securitization. The SPC is engaged in the business of the acquisition, the possession, the management and the sale of beneficiary rights of real estate in trust. In addition, the Company provides the SPC with property management contract services.

For this securitization, the Company enters into an anonymous association contract with the SPC and holds investments in capital in accordance with the contract. The Company plans to collect all the investments in the anonymous association, and as of the end of the year ended March 31, 2013, considers that no future loss will be assumed.

Total assets and total liabilities of this SPC, at its most recent closing date at March 31, 2013 are ¥5,182 million and ¥4,733 million. The Company has neither investments in capital with voting rights nor dispatching of executives and employees to this SPC.

(2) Information about special purpose companies for the year ended March 31, 2014:
The Company executed the securitization of real estate properties in March 2005 in order to obtain stable funding, and used one special purpose company (SPC). However, the Company bought back the beneficiary rights of real estate in trust from said SPC as of April 24, 2013. As a result, the Company recognized gain on sale of the beneficiary rights of real estate in trust recorded at said SPC, as distribution from anonymous association. In addition, said SPC was dissolved in August 2013 and the Company received reimbursements with regard to investments in capital under the anonymous association contract.

(b) Amounts of transaction with SPC during the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2014		2013		2014	
	Balance as of March 31, 2014	Amount of major income or loss	Balance as of March 31, 2013	Amount of major income or loss	Balance as of March 31, 2014	Amount of major income or loss
Investments in capital (Notes: i, ii)	¥ —	¥ —	¥308	¥142	$ —	$ —
Property management contract services	—	—	—	3	—	—
Acquisition of beneficiary rights of real estate in trust (Note: iii, iv)	5,140	1,200	—	—	49,941	11,660
Reimbursement of investment in capital (Note: v, vi)	308	81	—	—	2,993	787
Total	¥5,448	¥1,281	¥308	¥145	$52,934	$12,447

Notes:
i. Investments in capital is treated as deemed securities, and the amount is included in other securities.
ii. Distribution from anonymous association is included in other income.
iii. Acquired beneficiary rights of real estate in trust are principally included in buildings and land in trust on the consolidated balance sheets.
iv. Distribution based on a gain on sale of the beneficiary rights of real estate in trust recorded by said SPC is included in other income.
v. Reimbursement of investments in capital represents investments in capital under the anonymous association contract, which were recorded as other securities.
vi. Dividends received with the termination of the anonymous association contract are included in other income.

23. Net assets

Under the Companies Act of Japan, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of capital surplus reserve and legal earnings reserve must be set aside as capital surplus reserve or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheet.

24. Amounts per share

	Yen		U.S. dollars
Year ended March 31	2014	2013	2014
Net income per share	¥ 22.51	¥ 22.81	$0.219
Net income per share fully diluted	21.31	21.58	0.207
Cash dividends	6.00	5.00	0.058
Shareholders' equity	223.68	197.08	2.173

Note: Fundamentals for calculating net income per share and net income per share fully diluted are as follows:

Net income per share of common stock is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding during each period. Amounts per share of shareholders' equity are computed based on the number of shares of common stock outstanding at each balance sheet date. Cash dividends per share shown for each period in the consolidated statement of income represent the dividends applicable to the respective year.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net income per share			
Net income	¥33,133	¥33,386	$321,930
Amounts for non-common stock holders	—	—	—
Net income regarding common stock	33,133	33,386	321,930
Average number of shares of common stock	1,471,758 thousand shares	1,463,401 thousand shares	1,471,758 thousand shares
Net income per share fully diluted			
Adjustment amount of net income	(208)	(71)	(2,021)
(Interest income of the above)	(208)	(71)	(2,021)
Increase number of shares of common stock	73,548 thousand shares	80,574 thousand shares	73,548 thousand shares
(Convertible bonds of the above)	71,749 thousand shares	80,139 thousand shares	71,749 thousand shares
(Stock options of the above)	1,799 thousand shares	434 thousand shares	1,799 thousand shares

25. Significant subsequent events

1. Issue of the 39th and the 40th bonds

The Company determined to issue the 39th and the 40th bonds at the Board of Directors meeting held on May 30, 2014. The terms of the issues are as follows:

The 39th unsecured bonds (5-years bonds)

(1) Total amount of issue: ¥10 billion ($97 million)
(2) Issue price: ¥100 ($0.97) per face value of ¥100 ($0.97)
(3) Interest rate: 0.389% per annum
(4) Payment date: June 17, 2014
(5) Maturity date: June 17, 2019
(6) Use of fund: Redemption of unsecured bonds
(7) Method of offering: Public offering

The 40th unsecured bonds (7-years bonds)

(1) Total amount of issue: ¥10 billion ($97 million)
(2) Issue price: ¥100 ($0.97) per face value of ¥100 ($0.97)
(3) Interest rate: 0.592% per annum
(4) Payment date: June 17, 2014
(5) Maturity date: June 17, 2021
(6) Use of fund: Redemption of unsecured bonds
(7) Method of offering: Public offering

26. Short-term loans, long-term loans, debentures and lease obligations

(a) Short-term loans, current portion of long-term loans, and lease obligations at beginning and end of the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars	
	2014		2014	
	Balance as of March 31, 2014	Balance as of April 1, 2013	Balance as of March 31, 2014	Balance as of April 1, 2013
Short-term loans with the weighted-average interest rate of 0.77% as of March 31, 2014	¥ 68,481	¥ 67,441	$ 665,381	$ 655,276
Current portion of long-term loans with the weighted-average interest rate of 1.24% as of March 31, 2014	41,859	47,486	406,714	461,387
Current portion of debentures	20,000	—	194,326	—
Current portion of lease obligations	3,622	3,700	35,192	35,950
Current portion of commercial papers with the weighted-average interest rate of 0.16% as of March 31, 2014	14,000	6,000	136,028	58,298
Total	¥147,962	¥124,627	$1,437,641	$1,210,911

(b) Long-term loans, debentures and lease obligations at beginning and end of the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars	
	2014		2014	
	Balance as of March 31, 2014	Balance as of April 1, 2013	Balance as of March 31, 2014	Balance as of April 1, 2013
Long-term loan (excluding current portion) with the weighted-average interest rate of 1.14% as of March 31, 2014	¥165,143	¥151,449	$1,604,576	$1,471,521
Debentures (excluding current portion), bearing interest rates from 0.74% to 1.11%	30,000	63,335	291,489	615,381
Lease obligations (excluding current portion)	14,697	14,431	142,800	140,216
Total	¥209,840	¥229,215	$2,038,865	$2,227,118

(c) Aggregate amounts of long-term loans, debentures and lease obligations outstanding at March 31, 2014 by annual maturity

	Millions of yen					
Year ending March 31	2016	2017	2018	2019	Thereafter	Total
Long-term loans	¥23,867	¥49,157	¥41,593	¥31,331	¥19,195	¥165,143
Debentures	—	10,000	10,000	—	10,000	30,000
Lease obligations	3,204	2,604	2,373	1,801	4,715	14,697
Total	¥27,071	¥61,761	¥53,966	¥33,132	¥33,910	¥209,840

	Thousands of U.S. dollars					
Year ending March 31	2016	2017	2018	2019	Thereafter	Total
Long-term loans	$231,899	$477,623	$404,129	$304,421	$186,504	$1,604,576
Debentures	—	97,163	97,163	—	97,163	291,489
Lease obligations	31,131	25,301	23,057	17,499	45,812	142,800
Total	$263,030	$600,087	$524,349	$321,920	$329,479	$2,038,865

27. Asset retirement obligations

The amounts of asset retirement obligations at April 1, 2013 and March 31, 2014 were less than 1% of total liabilities and net assets at April 1, 2013 and March 31, 2014, respectively. As a result, the schedule of asset retirement obligations is not required to be disclosed in accordance with accounting principles generally accepted in Japan.

28. Quarterly results

A summary of cumulative quarterly results for the fiscal years 2013-2014 is as follows:

	Millions of yen (Yen per share amounts)			
	2013-2014			
Quarters ended	Jun. 30	Sep. 30	Dec. 31	Mar. 31
Net sales	¥252,959	¥546,305	¥871,533	¥1,304,038
Income before income taxes and minority interests	15,196	23,344	52,751	60,490
Net income	9,163	12,753	31,317	33,133
Net income per share	6.26	8.72	21.40	22.51

	Thousands of U.S. dollars (U.S. dollars per share amounts)			
	2013-2014			
Quarters ended	Jun. 30	Sep. 30	Dec. 31	Mar. 31
Net sales	$2,457,822	$5,308,055	$8,468,063	$12,670,404
Income before income taxes and minority interests	147,649	226,817	512,544	587,738
Net income	89,030	123,912	304,285	321,930
Net income per share	0.061	0.085	0.208	0.219

Report of Independent Auditors

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Building a better working world

Independent Auditor's Report

The Board of Directors
IHI Corporation

We have audited the accompanying consolidated financial statements of IHI Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IHI Corporation and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 27, 2014
Tokyo, Japan

Corporate Data

as of March 31, 2014

Head Office	IHI Corporation Toyosu IHI Building, 1-1, Toyosu 3-chome, Koto-ku, Tokyo 135-8710, JAPAN Tel: +81-3-6204-7800 Fax: +81-3-6204-8800 URL: www.ihi.co.jp/en/index.html
Founded	1853
Incorporated	1889
Employees	8,331 (consolidated: 27,562)
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited
Consolidated Subsidiaries	148
Non-Consolidated Subsidiaries	34
Affiliates	77 (Includes 35 affiliates applying the equity method of accounting)
Stock Exchange Listings	Tokyo, Nagoya, Fukuoka, Sapporo
Shares Outstanding	1,546,799,542
Shareholders	87,463
Independent Auditors	Ernst & Young ShinNihon LLC

Major Shareholders

	Name	Number of shares held (Thousand)	Shareholding ratio (%)
1	State Street Bank And Trust Company	59,412	3.84
2	Japan Trustee Services Bank, Ltd. (Holder in Trust)	57,608	3.73
3	Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	55,422	3.59
4	The Dai-ichi Life Insurance Company, Limited	54,060	3.50
5	The Master Trust Bank of Japan, Ltd. (Holder in Trust)	48,903	3.16
6	Credit Suisse Securities (USA) LLC Spcl. for Excl. Ben.	48,529	3.14
7	Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	45,979	2.97
8	GOLDMAN, SACHS & CO. REG	26,759	1.73
9	IHI Customer Stock Ownership Association	25,562	1.65
10	Nippon Life Insurance Company	23,867	1.54

(Notes) 1. Voting rights for 55,422,000 shares held by "Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)" are exercised in accordance with the instructions of TOSHIBA Corporation because TOSHIBA Corporation is a consigner of the shares.

2. Voting rights for 45,979,000 shares held by "Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd." are exercised in accordance with the instructions of Mizuho Bank because Mizuho Bank is a consigner of the shares.

3. Shareholding ratios are calculated without including total number of treasury shares (3,369,103 shares).

Investor Relations

If you have any questions or would like copies of any of our reports, please contact:
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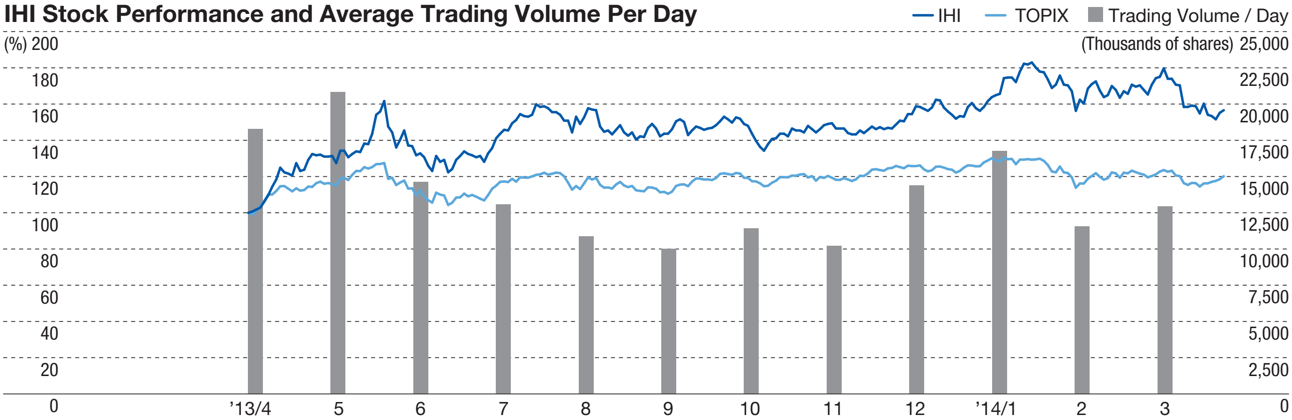
IHI Stock Performance and Average Trading Volume Per Day



	'13/4	5	6	7	8	9	10	11	12	'14/1	2	3
Opening Price	284	360	370	387	415	400	413	414	432	449	467	457
High	373	453	383	458	445	430	422	431	456	516	482	499
Low	261	350	330	386	387	390	369	391	418	449	425	410
Closing Price	363	379	376	413	398	413	414	428	454	472	465	434
Trading Volume / Day (Thousands of shares)	18,264	20,835	14,611	13,066	10,858	9,982	11,398	10,207	14,382	16,751	11,545	12,939

Share price on the first trading day of April 2013 (April 1, 2013): ¥277 = 100%

IHI Corporation

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