

(English Translation)

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To all related parties:

**IHI Corporation**

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**Notice of Recognizing of Loss on Valuation of Shares of Subsidiaries and Affiliates  
(non-consolidated) and Provision for Loss on Guarantees**

IHI Corporation (hereinafter “IHI”) has decided to record a loss on valuation of shares of subsidiaries and affiliates of ¥15.5 billion (non-consolidated) related to an overseas consolidated subsidiary and a provision for loss on guarantees of ¥11.0 billion related to a domestic affiliate as extraordinary losses in its financial results for the third quarter of the fiscal year ending March 31, 2017 as follows.

1. Details of loss on valuation of shares of subsidiaries and affiliates (non-consolidated) related to an overseas consolidated subsidiary

In its consolidated financial results for the third quarter of the fiscal year ending March 31, 2017, IHI discovered a deterioration in the profitability of a large-scale project being undertaken by the IHI Group in North America as the projected construction cost has increased beyond the initial estimate.

As a result, IHI’s subsidiary (regional headquarters for the Americas) IHI INC. experienced an impairment of its net assets, and the fair value of its shares declined significantly below the book value. IHI therefore has investigated the recoverability of the share value and has found that it is questionable for the time being. Accordingly, IHI has decided to record a loss on valuation of shares of subsidiaries and affiliates of ¥15.5 billion as extraordinary losses in its non-consolidated financial results.

Furthermore, this loss on valuation of shares of subsidiaries and affiliates will be eliminated in the consolidated financial statements as the subsidiary concerned is a consolidated subsidiary.

2. Details of provision for loss on guarantees related to a domestic affiliate

As notified in the “Notice Regarding Influenza Vaccine Drug Substance Manufacturing Business” disclosed on January 11, 2017, IHI guarantees a part of the debt related to cash for manufacturing facilities and working capital of UNIGEN Inc., a consolidated subsidiary of UMN Pharma Inc. (hereinafter “UMN Pharma”), established jointly with UMN Pharma, and the guarantee obligation amount as of the end of December 2016 was ¥11.0 billion.

Following an announcement on January 10, 2017 by Astellas Pharma Inc. and UMN Pharma of the withdrawal of their application for manufacturing and marketing approval of recombinant influenza HA vaccine, IHI has assessed the possibility of fulfillment and recoverability of the guarantee obligation and judged that the potential for a loss occurring has increased. Accordingly, IHI has decided to record a provision for loss on guarantees of ¥11.0 billion, the entire amount of the guarantee obligation, and recognize it as extraordinary losses.

3. Impact on consolidated business results

As for the full-year consolidated forecasts of results for the fiscal year ending March 31, 2017, IHI will incorporate the above-mentioned 1. deterioration in the profitability of a large-scale project being undertaken in North America and 2. provision for loss on guarantees in the consolidated financial results for the third quarter of the fiscal year ending March 31, 2017; however, due to expectations for an improvement in Aero engines Business and other Businesses and the sale of assets, the consolidated forecasts will be left unchanged from that announced on October 24, 2016.