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To all related parties:

IHI Corporation

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Notice Regarding Allotment of Stock Options (Subscription Rights to Shares)

IHI Corporation (“IHI”) announces that, at a meeting of the Board of Directors held on July 22, 2014, it decided the subscription requirements for subscription rights to shares issued as stock compensation-type stock options, and resolved to solicit persons to subscribe to them, among other matters, as follows.

Details

1. Reason for issuing offered subscription rights to shares as stock options

By having directors (excluding outside directors) and executive officers (excluding part-time executive officers) of IHI share with shareholders, not just the advantage of rises in the stock price, but also the risk of falls in the stock price, IHI’s purpose is to heighten their motivation towards long-term growth in IHI’s corporate value, while also securing superior personnel.

2. Terms and conditions of issuance of offered subscription rights to shares

(1) Name of offered subscription rights to shares

Eighth Series Subscription Rights to Shares of IHI Corporation

(2) Total number of offered subscription rights to shares

325 units

The above number is the number scheduled to be allotted. If the total number of offered subscription rights to shares to be allotted is decreased, such as in the case where the total number has not been subscribed for, the total number of offered subscription rights to shares to be allotted shall be the total number of offered subscription rights to shares to be issued.

(3) Class and number of shares underlying offered subscription rights to shares

The class of shares underlying the offered subscription rights to shares shall be common stock of IHI, and the number of shares underlying each offered subscription right to shares shall be 1,000 shares (the “Number of Granted Shares”).

However, the Number of Granted Shares shall be adjusted by the following calculation formula if IHI splits (including allotment of shares of common stock of IHI without contribution; the same shall apply to any reference to a share split hereinafter) or consolidates shares of its common stock after the date for the allotment of offered subscription rights to shares set forth in (13) below (the “Allotment Date”).

$$\text{Number of Granted Shares after adjustment} = \frac{\text{Number of Granted Shares before adjustment}}{\text{Share split/consolidation ratio}} \times \text{Share split/consolidation ratio}$$

The Number of Granted Shares after adjustment shall be applied, in the case of a share split, on or after the day immediately following the record date for the share split (or if no record date is prescribed, the effective date of such share split) and, in the case of a share consolidation, on or after the effective date thereof. In the case where a share split is subject to the condition that a proposal to increase the stated capital or reserves by decreasing the amount of surplus is approved at IHI's general meeting of shareholders, and the record date for the share split is prescribed to be prior to the date of conclusion of such general meeting of shareholders, the Number of Granted Shares after adjustment shall be applied retrospectively to the date immediately following the record date, on or after the date immediately following the date of conclusion of the general meeting of shareholders.

In addition to the above, following the Allotment Date, if it becomes necessary due to an unavoidable reason for IHI to adjust the Number of Granted Shares, IHI shall adjust the Number of Granted Shares within a reasonable extent.

Any fraction less than one share resulting from the above adjustment shall be rounded down.

When adjusting the Number of Granted Shares, IHI shall notify or give public notice of necessary matters to each holder of offered subscription rights to shares described in the subscription rights to shares registry (the "Holder of Subscription Rights to Shares") by the date immediately preceding the application date of the Number of Granted Shares after adjustment; provided, however, that, if IHI is unable to notify or give public notice by the date immediately preceding the application date, it shall notify or give public notice promptly thereafter.

(4) Value of properties to be contributed upon exercising offered subscription rights to shares

The value of properties to be contributed upon exercising each offered subscription right to shares shall be the result of the amount to be paid in for one share that can be received by exercising such offered subscription right to shares, which shall be 1 yen, multiplied by the Number of Granted Shares.

(5) Exercisable period for offered subscription rights to shares

From August 12, 2014 to August 11, 2044

(6) Matters regarding stated capital and capital reserves to be increased when issuing shares by exercising offered subscription rights to shares

(i) The amount of the stated capital to be increased when issuing shares by exercising offered subscription rights to shares shall be one-half of the maximum amount of increase of stated capital, etc. calculated pursuant to Article 17, paragraph (1) of the Ordinance on Accounting of Companies. Any fraction less than one yen resulting from the calculation shall be rounded up to the next whole number.

(ii) The amount of the capital reserves to be increased when issuing shares by exercising offered subscription rights to shares shall be the result of the maximum amount of increase of stated capital, etc. set forth in (i) above less the amount of the stated capital to be increased set forth in the same.

(7) Restrictions on acquisition of offered subscription rights to shares by way of transfer
Any acquisition of offered subscription rights to shares by way of transfer shall require approval by resolution of the Board of Directors of IHI.

(8) Provisions of acquisition of offered subscription rights to shares

IHI may acquire the offered subscription rights to shares without compensation on a date separately prescribed by the Board of Directors of IHI if any proposal under (i), (ii), (iii), (iv) or (v) below is approved at a general meeting of shareholders of IHI (or if no resolution of a general meeting of shareholders is required, when a resolution of the Board of Directors of IHI or a decision of the representative executive officer has been passed or made):

- (i) a proposal for approval of a merger agreement under which IHI becomes an absorbed company;
- (ii) a proposal for approval of a company split agreement or a company split plan under which IHI becomes a split company;
- (iii) a proposal for approval of a share exchange agreement or a share transfer plan under which IHI becomes a wholly owned subsidiary;
- (iv) a proposal for approval of an amendment to the articles of incorporation of IHI, providing that the acquisition of any shares issued by IHI by way of transfer requires IHI's approval; or
- (v) a proposal for approval of an amendment to the articles of incorporation of IHI, providing that the acquisition of the class of shares underlying the offered subscription rights to shares by way of transfer requires IHI's approval, or that IHI may acquire all of such class of shares by the resolution of a general meeting of shareholders of IHI.

(9) Policies for determining delivery of subscription rights to shares of Reorganized Company in reorganization

In the event that IHI conducts a merger (limited to a merger by which IHI is absorbed), an absorption-type company split or incorporation-type company split (in each case limited to a company split by which IHI becomes a split company), or a share exchange or share transfer (limited to cases where IHI becomes a wholly owned subsidiary) (collectively, the "Reorganization"), the Holders of Subscription Rights to Shares holding outstanding offered subscription rights to shares immediately prior to the effective date of the Reorganization (meaning, in the case of an absorption-type merger, the date on which such absorption-type merger becomes effective; in the case of a consolidation-type merger, the date of incorporation of the company incorporated by such merger; in the case of an absorption-type company split, the date on which such absorption-type company split becomes effective; in the case of an incorporation-type company split, the date of incorporation of the company incorporated by such company split; in the case of a share exchange, the date on which such share exchange becomes effective; and in the case of a share transfer, the date of incorporation of a wholly owning parent company established by such share transfer) (such shares, the "Outstanding Subscription Rights to Shares"), in each case, shall be delivered subscription rights to shares of the company listed in Article 236, paragraph (1), item (viii) (a) through (e) of the Companies Act (the "Reorganized Company"); provided, however, that, the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan shall prescribe to the effect that the delivery of subscription rights to shares of the Reorganized Company will be conducted in

compliance with each of the following conditions:

- (i) Number of subscription rights to shares of the Reorganized Company to be delivered
The number equal to the number of the Outstanding Subscription Rights to Shares held by each Holder of Subscription Rights to Shares shall be delivered respectively.
 - (ii) Class of shares of the Reorganized Company underlying the subscription rights to shares
Common stock of the Reorganized Company
 - (iii) Number of shares of the Reorganized Company underlying the subscription rights to shares
The number shall be determined in accordance with (3) above, after taking into consideration the conditions, etc. of the Reorganization.
 - (iv) Value of properties to be contributed upon exercising subscription rights to shares
The value of properties to be contributed upon exercising each subscription right to shares to be delivered shall be the amount obtained by multiplying (a) the amount to be paid in after reorganization (as set forth below) by (b) the number of shares of the Reorganized Company underlying each subscription right to shares, which is determined pursuant to (iii) above. The amount to be paid in after reorganization shall be 1 yen for each share of the Reorganized Company that can be received by exercising each subscription right to shares to be delivered.
 - (v) Exercisable period for subscription rights to shares
The exercisable period shall commence on the commencement date of the exercisable period of the offered subscription rights to shares set forth in (5) above, or the effective date of the Reorganization, whichever is later, and end on the expiration date of the exercisable period of the offered subscription rights to shares set forth in (5) above.
 - (vi) Matters regarding stated capital and capital reserves to be increased when issuing shares by exercising subscription rights to shares
To be determined in accordance with (6) above.
 - (vii) Restrictions on acquisition of subscription rights to shares by way of transfer
Any acquisition of subscription rights to shares by way of transfer shall require approval by resolution of the board of directors of the Reorganized Company.
 - (viii) Provisions of acquisition of subscription rights to shares
To be determined in accordance with (8) above.
 - (ix) Other conditions for exercising subscription rights to shares
To be determined in accordance with (11) below.
- (10) Handling of fraction less than one share arising upon exercising offered subscription rights to shares
If the number of shares to be delivered to the Holder of Subscription Rights to Shares exercising offered subscription rights to shares includes any fraction less than one share, such fraction shall be rounded down.
- (11) Other conditions for exercising offered subscription rights to shares
- (i) Within the period set forth in (5) above, the Holder of Subscription Rights to Shares may exercise offered subscription rights to shares for up to five years from the date one year after the date on which such holder loses a position as either director or executive officer of IHI, or in the event that such individual assumes the position of corporate auditor within one year after their resignation from either position, the date on which such individual loses his/her position as corporate

auditor (the “Rights Exercise Start Date”).

- (ii) Notwithstanding the provisions in (i) above, Holders of Subscription Rights to Shares may, in the cases set forth in (a) or (b) below, exercise offered subscription rights to shares (with the exception that (b) does not apply to cases where subscription rights to shares of a Reorganized Company are delivered to Holders of Subscription Rights to Shares, in accordance with the conditions set forth in (9) above), during the time range set forth in (5) above, provided that it is carried out within the respective periods indicated in (a) and (b) below. Those who assume offered subscription rights to shares through inheritance may, in the case set forth in (b) below, exercise the offered subscription rights to shares (with the exception of cases where subscription rights to shares of a Reorganized Company are delivered to Holders of Subscription Rights to Shares, in accordance with the conditions set forth in (9) above), during the time range set forth in (5) above, provided that it is carried out within the period indicated in (b) below.
- (a) In the event that the Rights Exercise Start Date for a Holder of Subscription Rights to Shares does not come into effect by August 11, 2043:
From August 12, 2043 to August 11, 2044.
- (b) In the event that a proposal for approval of a merger agreement under which IHI becomes an absorbed company, or a proposal for approval of a share exchange agreement or share transfer plan under which IHI becomes a wholly owned subsidiary is approved at a general meeting of shareholders of IHI (or if no resolution of a general meeting of shareholders is required, when a resolution of the Board of Directors of IHI or a decision of the representative executive officer has been passed or made):
The period of 15 days commencing on the date immediately following the date of such approval.
- (iii) In the case that a Holder of Subscription Rights to Shares waives the offered subscription rights to shares, they may not exercise such offered subscription rights to shares.

(12) Method of calculating the amount to be paid in for offered subscription rights to shares

The amount to be paid in for each offered subscription right to shares shall be the amount obtained by multiplying the option price per share, which is calculated based on the following formula and the basic values given in (ii) to (vii) below, with the Number of Granted Shares.

Any fraction less than one yen shall be rounded up to the next whole number.

$$C = Se^{-qT} N(d) - Xe^{-rT} N(d - \sigma\sqrt{T})$$
$$\dots \text{ where } d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

- (i) Option price per share (C)
- (ii) Stock price (S): Closing price of regular trading of the shares of common stock of IHI on the Tokyo Stock Exchange on August 21, 2013 (if there is no closing price on the said date, the base price of the immediately preceding trading day)
- (iii) Exercise price (X): One yen

- (iv) Expected remaining period (T): 3.5 years
- (v) Volatility (σ): Stock price fluctuation rate calculated based on the closing price of regular trading of the shares of common stock of IHI on each trading day over 3.5 years (February 12, 2011 to August 11, 2014).
- (vi) Risk-free interest rate (r): Interest rate of Japanese Government Bonds with a maturity that corresponds to the expected remaining period.
- (vii) Dividend yield (q): Dividend per share (actual dividend for the fiscal year ended March 31, 2014) \div The stock price set forth in (ii) above.
- (viii) Cumulative distribution function for standard normal distribution ($N(\cdot)$).

- * The offered subscription rights to shares grant remuneration that is equal in amount to the amount to be paid in to directors (excluding outside directors) and executive officers (excluding part-time executive officers) who are allocated offered subscription rights to shares, and the offered subscription rights to shares are obtained by offsetting any rights of claim for remuneration against the amount to be paid in for offered subscription rights to shares.
- * The issuance of the offered subscription rights to shares shall not constitute a preferential issue, as it will be carried out by offsetting any rights of claim for remuneration owed by IHI to directors (excluding outside directors) and executive officers (excluding part-time executive officers) against the amount to be paid in, which is the fair value of the subscription rights to shares.

(13) Allotment date of offered subscription rights to shares
August 11, 2014

(14) Date of payment of cash in exchange for offered subscription rights to shares
The date of payment shall be August 11, 2014.

(15) Individuals to be allotted offered subscription rights to shares, the number of such individuals, and the number of offered subscription rights to shares to be allotted
179 units to 13 directors of IHI; 146 units to 17 executive officers of IHI.