

(English Translation)

February 2, 2016

To all related parties:

**IHI Corporation**  
Toyosu IHI Bldg.  
1-1, Toyosu 3-chome, Koto-ku  
Tokyo 135-8710, Japan  
Securities code: 7013  
Representative: Tamotsu Saito, President and  
Chief Executive Officer  
Contact: Mikio Mochizuki Managing  
Executive Officer, Finance & Accounting  
Division Phone: +81-3-6204-7065

## Notice of Revisions to the Full-Year Consolidated Financial Forecasts and Dividends Forecast for the Fiscal Year Ending March 31, 2016

IHI Corporation announces the following revisions to the consolidated results and dividends forecasts that it announced on November 4, 2015, for the fiscal year ending March 31, 2016.

1. Revisions to Full-Year Forecasts of Consolidated Results for the Fiscal Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Profit (Loss) Attributable to Owners of Parent	Basic Earnings per Share
Previous forecasts (A) (Announced on November 4, 2015)	1,580,000	50,000	38,000	18,000	11.66 yen
Revised forecasts (B)	1,550,000	25,000	15,000	(30,000)	(19.43) yen
Change (B – A)	(30,000)	(25,000)	(23,000)	(48,000)	—
Change (%)	(1.9)	(50.0)	(60.5)	(266.7)	—
Reference: Results for previous corresponding period (FY2014)	1,455,844	63,253	56,529	9,082	5.88 yen

2. Reasons for Revisions

- (1) Results revision factors

IHI has revised downward its consolidated results forecasts for the year ending March 31, 2016. This is in view of order delays, including for overseas gas process projects, because of lower oil prices, and construction delays on some projects. The Resources, Energy, and Environment Business will thus likely post lower sales than initially projected.

Operating income is also likely to be lower than previously forecast. One reason is that management expects the profitability of the F-LNG/Offshore Structure Business to deteriorate even further. Another factor is that IHI expects to incur repair costs for noncompliant welding on some boilers currently under production.

As shown the Notice of Costs from Contracted Delivery Delays (Extraordinary Loss), issued

separately on February 2, IHI expects to book extraordinary losses in the third quarter of the current fiscal year to cover contract delivery delay expenses that could be charged owing to the noncompliant welding and as a result of the collapse of a catwalk on the Izmit Bay Crossing Bridge in the previous term. IHI thus now expects to post a loss attributable to owners of parent.

(2) Costs of repairing noncompliant welding (a factor in lower operating income)

It was learned prior to the delivery of boilers that on some parts Indonesian subsidiary PT Cilegon Fabricators used welding materials that differed from those designated in design instructions. An investigation of all welding revealed four such instances on boilers under production. Following talks with the customer, IHI confirmed the repair scope and techniques in January this year. Management's revised forecasts reflect estimated repair costs at this juncture in total project costs and the risk that such costs could increase. We will separately explain the results of an investigation into the causes of this issue.

(3) Deteriorating profitability of F-LNG and Offshore Structure Business (a factor in lower operating income)

Despite efforts to maintain and reinforce the F-LNG and Offshore Structure Business, including Group companies, IHI has been unable to completely rectify production issues at the Aichi Works.

IHI progressed to the hull flotation stage in drill ship construction for Singapore, was able to start commissioning large machinery, and has generally resolved design delays that caused production confusion. It was unable, however, to completely resolve some outfitting issues, mainly for piping. Management thus factored into total project costs the additional expenses that would stem from project delays incurred in deploying measures.

The Aichi Works and yards in Japan and overseas are pushing ahead with block construction for a Floating Production and Offloading Unit (FPSO) for Norway. IHI has encountered quality issues and progress delays in engineering outsourcing for outfitting. IHI's revised forecasts therefore reflect the risks of additional costs from bolstering personnel and rearranging procurement to accommodate designs.

An SPB tank construction for LNG ships has progressed well with block construction for the first ship. Work on the second ship is expected to start in February. That said, because of the impact of the two offshore structure projects mentioned above and temporary design and procurement plan confusion at the Aichi Works, IHI's revised forecasts reflect the risks of higher materials and transportation costs from shortening delivery periods for procured items and the risks of greater process costs because of delays in boosting the number of aluminum welding technicians.

3. Countermeasures

(1) Addressing welding noncompliance

(a) Causes of noncompliance at PT Cilegon Fabricators

PT Cilegon Fabricators based its quality management system on the proven setup at the Aioi Works. That said, the system assumed that welders and welding materials managers (who oversee materials issuance), and managers had certain knowledge and experience.

From around July 2013, the PT Cilegon Fabricators increased the number of welders and welding materials managers to accommodate a production capacity expansion. But it was unable to provide sufficient training for the additional people, and some of them lacked knowledge and experience, so the quality management system failed to function fully. This resulted in the use of noncompliant welding materials.

(b) Measures to prevent a recurrence

#### *Quality management measures for PT Cilegon Fabricators*

After assessing the issues, IHI promptly conducted a component analysis of all welds (to identify any mixups in welding material use) in inspections of final shipments from PT Cilegon Fabricators' works, and has confirmed that the correct welding materials are being used. IHI Head Office and the Aioi Works dispatched a special team to review the following quality management processes, deploying preventive measures.

- Halting all work at the Cilegon Fabricators and rigorously assessing all prospective causes of noncompliance
- Verifying and reconstructing quality management processes
- Tightening welder and welding materials manager qualification requirements
- Retraining welders and welding materials managers

IHI has already posted a monitoring team from Japan at the PT Cilegon Fabricators to check that quality management systems are functioning correctly. The Aioi Works Quality Management Department and the Head Office Quality Assurance Div. will continue to regularly audit the facility.

#### *Reinforcing governance at PT Cilegon Fabricators*

As well as deploying quality management measures, IHI has taken the following steps to reinforce governance at the PT Cilegon Fabricators.

- Posting additional managers to the PT Cilegon Fabricators
- Having the Aioi Works formulate PT Cilegon Fabricators' production plans
- Training PT Cilegon Fabricators' managers at the Aioi Works

#### *Groupwide responses*

To prevent noncompliant welding from recurring, IHI established the Company-wide Council to Prevent Quality Noncompliance in December 2015 to conduct special emergency inspections of quality management processes for welding and other work through the entire Group.

## (2) F-LNG and Offshore Structure Business Efforts

### (a) Placing personnel properly

On December 18, the Aichi Works completed the shipment of SPB tanks constructed for China. For FPSO unit construction for Norway, IHI decided to have an overseas yard undertake final construction processes and outfitting at an overseas yard, allocating the resulting resources to SPB tank construction for LNG ships and thereby rectify capacity issues at the Aichi Works.

### (b) Company-wide corporate support

From July 2015, IHI has undertaken wide-ranging support, including for Group companies, expanding the deployment of personnel, particularly designer, procurers, commissioning planners, site managers, and technicians. IHI aims to maintain and reinforce such efforts.

### (3) Company-Wide Measures

In view of incidents in the current fiscal year, management has deployed the following company-wide measures to return the IHI Group to its manufacturing roots, rigorously implement a business philosophy based on personally seeing and understanding things, and reinforce quality and other aspects of production.

(a) Complete construction safely and swiftly

The IHI Group will strive concertedly to swiftly and safely complete construction work in the areas that caused the results revisions.

(b) Implement rigorous measures to prevent issue recurrences

Ensure that the problems experienced never happen again.

(c) Roll out measures to prevent recurrences

Corporate is spearheading efforts to roll out preventive measures at other businesses as well to prevent similar problems from occurring.

(d) Implement special company-wide inspections to prevent nonconformities from recurring

Thus, in light of the boiler welding noncompliance issues, management launched a committee to prevent recurrences by addressing quality nonconformity on important company-wide products for the entire IHI Group, and has undertaken emergency inspections of quality management processes in welding and other important and complex tasks.

### 4. Revision of Dividends Forecast

#### (1) Revision details

	Dividends per Share		
	Interim	Year-end	Annual
Previous forecast	¥3	¥3	¥6
Revised forecast	—	¥0	¥3
Fiscal year ending March 31, 2016	¥3		
Fiscal year ended March 31, 2015	¥3	¥3	¥6

#### (2) Reason for Revision

IHI maintains a basic policy of allocating sufficient internal reserves to reinforce its operational foundations so it can fulfill its commitment to delivering stable dividends. This is in keeping with a commitment to maintaining sustainable returns to shareholders.

In view of results for the current fiscal year because of the circumstances described above, management has regretfully cut its planned year-end dividends per share to zero.

### 5. Management to Voluntarily Forgo Remuneration

Management plans to voluntarily forgo receiving executive compensation in view of the gravity of cutting year-end dividends to zero.

Note: The above forecasts are based on information currently available to IHI and certain assumptions determined as rational. Actual performance may significantly differ from these forecasts due to various factors in the future.