

Explanation Regarding Revisions to the Financial Forecasts for the Fiscal Year ending March 31, 2016

October 21, 2015

IHI Corporation

1. Revision to the first half and the full year consolidated financial results forecast (from April 1, 2015 to March 31, 2016)

(In billion yen)

	FY2015 Forecast(In October)					FY2015 Forecast(In August)				
	Orders received	Net Sales	Operating Income	Ordinary Income	Profit (loss) attributable to owners of parent	Orders received	Net Sales	Operating Income	Ordinary Income	Profit (loss) attributable to owners of parent
First Half of FY2015 Forecast (change(%))	-	680.0 -2.9%	0.0 -100.0%	▲ 4.0 -128.6%	▲ 4.0 -166.7%	-	700.0	20.0	14.0	6.0
FY2015 Forecast (change(%))	1,600.0 0.0%	1,580.0 0.0%	50.0 -33.3%	38.0 -39.7%	18.0 -53.8%	1,600.0	1,580.0	75.0	63.0	39.0

<assumed exchange rate> US\$ 1.00 = ¥115, Euro 1.00 = ¥130

2. Revision to the first half consolidated financial results forecast (from April 1, 2015 to September 30, 2015)

(In billion yen)

	First Half of FY2015 Forecast		
	In August	In October	Change
Net Sales	700.0	680.0	▲ 20.0
Operating Income	20.0	0.0	▲ 20.0
Ordinary Income	14.0	▲ 4.0	▲ 18.0
Profit (loss) attributable to owners of parent	6.0	▲ 4.0	▲ 10.0

Analysis of change
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<p>【Operating Income】 ①Change in Net Sales ▲5 (Power systems for land and marine use▲1, Bridges▲2.5, Logistic system▲0.5) ②Change in profitability ▲24 (Boilers▲2, Gas process▲1, F-LNG/Offshore structure ▲20, Bridge▲2) ③Exchange fluctuation +5 ④Improvement of SG&A +4</p>
<p>【Ordinary Income】 ①Change in Operating Income ▲20 ②Net interest rate +1 ③Share of profit of entities accounted for using equity method +1</p>
<p>【Profit (loss) attributable to owners of parent】 ①Change in Ordinary Income ▲18 ②Income taxes +8</p>

3. Revision to the full year consolidated financial results forecast (from April 1, 2015 to March 31, 2016)

(In billion yen)

	FY2015 Forecast		
	In August	In October	Change
Orders received	1,600.0	1,600.0	0.0
Net Sales	1,580.0	1,580.0	0.0
Operating Income	75.0	50.0	▲ 25.0
Ordinary Income	63.0	38.0	▲ 25.0
Profit (loss) attributable to owners of parent	39.0	18.0	▲ 21.0

Analysis of change	
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	<p>【Operating Income】 ①Change in Net Sales ▲6 (Power systems for land and marine use▲2, Boilers▲1, Logistic system▲1, Turbo Chargers for vehicles▲1) ②Change in profitability ▲25 (Boilers▲4, Gas process▲1, F-LNG/Offshore structure▲23, Adjustment+3) ③Exchange fluctuation +4 ④Improvement of SG&A +2</p>
	<p>【Ordinary Income】 ①Change in Operating Income ▲25</p>
	<p>【Profit (loss) attributable to owners of parent】 ①Change in Ordinary Income ▲25 ②Income taxes +4</p>

Exchange rates		In August	In October	Change
	US\$		115	115
Euro		130	130	0

4. Revision to the first half consolidated financial results forecast (Financial Results by Segment)

(In billion yen)

	FY2015 Forecast(In August)		FY2015 Forecast(In October)		Change	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Resources,Energy and Environment	210.0	6.0	210.0	5.0	0.0	▲ 1.0
Social Infrastructure and Offshore Facility	80.0	▲ 11.0	65.0	▲ 35.0	▲ 15.0	▲ 24.0
Industrial System and General-Purpose	190.0	4.0	190.0	4.0	0.0	0.0
Aero Engine,Space and Defense	210.0	27.0	215.0	31.0	5.0	4.0
Total Reportable Segment	690.0	26.0	680.0	5.0	▲ 10.0	▲ 21.0
Others	30.0	▲ 1.0	25.0	0.0	▲ 5.0	1.0
Adjustment	▲ 20.0	▲ 5.0	▲ 25.0	▲ 5.0	▲ 5.0	0.0
Total	700.0	20.0	680.0	0.0	▲ 20.0	▲ 20.0

	Analysis of change in operating income				
	Change in net sales	Change in construction profitability	Change in foreign exchange rate	Change in SG&A	Total
Resources,Energy and Environment	▲ 1.0	▲ 3.0	2.0	1.0	▲ 1.0
Social Infrastructure and Offshore Facility	▲ 2.5	▲ 22.0	0.0	0.5	▲ 24.0
Industrial System and General-Purpose	▲ 1.5	0.0	0.0	1.5	0.0
Aero Engine,Space and Defense	0.0	1.0	3.0	0.0	4.0
Total Reportable Segment	▲ 5.0	▲ 24.0	5.0	3.0	▲ 21.0
Others	0.0	0.0	0.0	1.0	1.0
Adjustment	0.0	0.0	0.0	0.0	0.0
Total	▲ 5.0	▲ 24.0	5.0	4.0	▲ 20.0

Analysis of change in operating income

【Resources, Energy and Environment】

Change in net sales ▲1: Declined net sales of power systems for land and marine use due to the lowered oil price

Change in profitability ▲3:

Additional costs incurred by some projects of Boilers.

【Social Infrastructure and Offshore Facilities】

Change in net sales▲2.5: The delay of completion of some construction projects of Bridges

Change in profitability ▲22: The profitability of F-LNG/Offshore structure Business deteriorated significantly. Additional costs incurred by some projects of Bridges.

【Industrial Systems and General-Purpose Machinery】

Change in net sales▲1.5: Slowdown of Chinese economy, and weakness of European economy. Also the delay of completion of some construction projects occurred.

5. Revision to the full year consolidated financial results forecast (Financial Results by Segment)

(In billion yen)

	FY2015 Forecast(In August)			FY2015 Forecast(In October)			Change		
	Orders received	Net Sales	Operating Income	Orders received	Net Sales	Operating Income	Orders received	Net Sales	Operating Income
Resources,Energy and Environment	530.0	480.0	31.0	530.0	480.0	24.0	0.0	0.0	▲ 7.0
Social Infrastructure and Offshore Facility	140.0	180.0	▲ 8.0	140.0	180.0	▲ 31.0	0.0	0.0	▲ 23.0
Industrial System and General-Purpose	430.0	430.0	14.0	420.0	410.0	12.0	▲ 10.0	▲ 20.0	▲ 2.0
Aero Engine,Space and Defense	480.0	470.0	43.0	490.0	490.0	47.0	10.0	20.0	4.0
Total Reportable Segment	1,580.0	1,560.0	80.0	1,580.0	1,560.0	52.0	0.0	0.0	▲ 28.0
Others	70.0	70.0	2.0	70.0	70.0	2.0	0.0	0.0	0.0
Adjustment	▲ 50.0	▲ 50.0	▲ 7.0	▲ 50.0	▲ 50.0	▲ 4.0	0.0	0.0	3.0
Total	1,600.0	1,580.0	75.0	1,600.0	1,580.0	50.0	0.0	0.0	▲ 25.0

	Analysis of change in operating income				
	Change in net sales	Change in construction profitability	Change in foreign exchange rate	Change in SG&A	Total
Resources,Energy and Environment	▲ 3.0	▲ 5.0	1.0	0.0	▲ 7.0
Social Infrastructure and Offshore Facility	0.0	▲ 23.0	0.0	0.0	▲ 23.0
Industrial System and General-Purpose	▲ 3.0	0.0	0.0	1.0	▲ 2.0
Aero Engine,Space and Defense	0.0	0.0	3.0	1.0	4.0
Total Reportable Segment	▲ 6.0	▲ 28.0	4.0	2.0	▲ 28.0
Others	0.0	0.0	0.0	0.0	0.0
Adjustment	0.0	3.0	0.0	0.0	3.0
Total	▲ 6.0	▲ 25.0	4.0	2.0	▲ 25.0

Analysis of change in operating income
【Resources, Energy and Environment】
 Change in net sales ▲3: Declined net sales of power systems for land and marine use due to the lowered oil price
 Change in profitability ▲5:
 Additional costs incurred by some projects of Boilers
【Social Infrastructure and Offshore Facilities】
 Change in profitability ▲23: The profitability of F-LNG/Offshore structure Business deteriorated significantly.
【Industrial Systems and General-Purpose Machinery】
 Change in net sales ▲3: Slowdown of Chinese economy, and weakness of European economy. Also the delay of completion of some construction projects occurred.

6. Update on F-LNG/Offshore Structure Business (1/2)

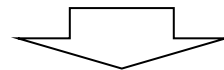
(1) Deteriorating profitability in F-LNG/Offshore Structure Business

- Contributing factors in 2Q FY2015

- Additional designing and processing charges due to additional resources to address ongoing issues of design changes and disruption of production for hull of Singapore drill ships at the site level

- With a detailed designing now underway, confirmed the work plan in detail, which resulted in recording additional project expenses due to significant increases in procurement costs from increased amount of materials and the consequent construction delay

- Additional processing costs of LNG hull SPB tank, which was incurred in order to avoid the shortages of resources available to this projects, caused by above issues.



- Deterioration since 3Q FY2014 was attributed to disruption of production at Aichi Works
- On the other hand, construction of drill ship hull for Singapore is in the final stage. Additional cost for further construction delay risk has been included in relation to FPSO hull construction for Norway

6. Update on F-LNG/Offshore Structure Business (2/2)

(2) Countermeasures

- Since July 2015, deploying corporate-driven initiatives (allocation of engineers and experts across various divisions of the IHI Group, more staff to strengthen monitoring, etc.), with a view to adding more human resources and strengthening the project management monitoring function for the F-LNG / Offshore Structure Business, furthermore, execute measures to secure the resources for LNG hull SPB tank including the support from IHI Group companies
- Minimize the risk of further downward earnings revisions at the F-LNG / Offshore Structure Business by effectively accepting no new orders during the current fiscal year
- Make the following management change as of October 21 in order to execute the actions described above and strengthen the execution capability of the F-LNG / Offshore Structure Business

Name		Position	Responsibilities
Sadao Degawa	(New)	Executive Vice President Senior Executive Officer	Assistant to the President In charge of Group Engineering and Business Relating to Information Systems In charge of Social Infrastructure & Offshore Facilities Business Areas President of Offshore Project & Steel Structures Operations
	(Previous)	Executive Vice President	Assistant to the President In charge of Group Engineering and Business Relating to Information Systems
Akinori Abe	(New)	Director	Special Missions assigned by President
	(Previous)	Director Managing Executive Officer	In charge of Social Infrastructure & Offshore Facilities Business Areas President of Offshore Project & Steel Structures Operations; General Manager of Solution & Engineering Headquarters

IHI

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