

(Translation)

Securities Code: 7013
May 31, 2018

To: Shareholders

IHI Corporation
Tsugio Mitsuoka, President & CEO
1-1, Toyosu 3-chome, Koto-ku, Tokyo

**NOTICE OF CONVOCATION
OF THE 201ST ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 201st Ordinary General Meeting of Shareholders of IHI Corporation (the “Company”). The meeting shall be held as described below.

- 1. Date and Time:** June 22, 2018 (Friday), 10:00 a.m.
(The reception of the attendees to the meeting at the reception desk shall start at 8:45 a.m.)
- 2. Place:** The “Hiten” main banquet hall, Grand Prince Hotel New Takanawa
13-1, Takanawa 3-chome, Minato-ku, Tokyo
- 3. Purposes**

Matters to be reported:

- Report on the business report and the consolidated financial statements for the 201st fiscal year (from April 1, 2017 to March 31, 2018), and the results of the audit of the consolidated financial statements by the accounting auditor and the Audit & Supervisory Board.
- Report on the non-consolidated financial statements for the 201st fiscal year (from April 1, 2017 to March 31, 2018).

Matters to be resolved:

- Agenda Item No. 1:** Appropriation of surplus
Agenda Item No. 2: Election of twelve (12) directors

4. Exercise of Voting Rights by Shareholders Unable to Attend the Meeting

If you are unable to attend the meeting on the specified date, you can exercise your voting rights by voting form (i.e., “Form for Exercising Voting Right”) or via the Internet, etc. Please review the Reference Material for the General Meeting of Shareholders in this document and exercise your voting rights using either of the methods described on the following page.

Outline of Exercising Voting Rights

If you will attend the General Meeting of Shareholders

Please present the enclosed voting form to the receptionist when you attend the meeting. Also, please be sure to bring this Notice of Convocation of the 201st Ordinary General Meeting of Shareholders (this document) to the meeting.

If you will not attend the General Meeting of Shareholders

- If you exercise your voting rights by voting form
Please exercise your voting rights by stating whether you are for or against the agenda items on the voting form enclosed herein and send the form back to us so that it reaches us by the deadline below. If you do not state whether you are for or against an agenda item in exercising your voting rights by the voting form, you shall be considered to have stated that you are for the agenda item.

Deadline: To arrive no later than 5:30 p.m. on June 21, 2018 (Thursday) (JST)

- If you exercise your voting rights via the Internet, etc.
Please exercise your voting rights through the website designated by the Company (<https://www.web54.net>) by the deadline below. (For details, please refer to the “Exercise of Voting Rights by Electronic Measures” on page 110.)

Deadline: No later than 5:30 p.m. on June 21, 2018 (Thursday) (JST)

Treatment if you exercise your voting rights in duplicate

- (a) If any voting rights are exercised redundantly both by the voting form and via the Internet, etc., the votes which reach us last shall be considered to be valid. If both the votes by the voting form and the votes via the Internet, etc. reach us on the same day, the votes cast via the Internet, etc. shall be considered to be valid.
- (b) If any voting rights are exercised via the Internet, etc. more than once, the votes cast last shall be considered to be valid.

Matters regarding the Reference Material for the General Meeting of Shareholders and the Attachment to the Notice of Convocation

Please note that we will post any amendments to the Reference Material for the General Meeting of Shareholders, or the business report, the consolidated financial statements or the non-consolidated financial statements on our website, if any such amendment is made.

Our website: <http://www.ihl.co.jp>

- END -

Disclaimer:

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.

Reference Material for the General Meeting of Shareholders

Agenda Items and Reference Matters

Agenda Item No. 1: Appropriation of surplus

The Company sets as its basic policy for profit distribution that it is important to provide stable dividend and to increase retained earnings necessary for strengthening the business base for enabling stable dividend payment.

In consideration of the above policy, the results for the fiscal year under review and internal revenue fund requirement, the year-end dividends for the 201st fiscal year will be as follows:

- (i) Type of dividend assets
Cash

- (ii) Matters concerning the allotment of dividend assets and the total amount
30 yen per share of the Company's common stock
Total amount of dividends 4,633,395,570 yen

(Note) The Company conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) with an effective date of October 1, 2017.

When the interim dividend with the cutoff date of September 30, 2017 (three (3) yen per share) is converted into the amount after the consolidation of shares, the interim dividend is 30 yen per share, and thus the annual dividend for the fiscal year under review will be 60 yen per share.

- (iii) Effective date of dividends
June 25, 2018

Agenda Item No. 2: Election of twelve (12) directors

The terms of office of all fourteen (14) current directors will expire at the conclusion of this General Meeting of Shareholders. The Company is taking measures to transfer authority to the divisions that execute business while enhancing the reporting made to the Board of Directors for the purpose of further focusing the role of the Board of Directors on the supervision of company management and the scrutiny of important items. As part of these measures, the Company wishes to reduce the number of Directors by two (2) and approval is hereby requested for the election of twelve (12) directors, including four (4) outside directors.

The candidates for the offices of directors are as follows:

Candidate No.	Name		Position at the Company	Attendance of Board of Directors meetings	Period in office
1	Tamotsu Saito	Reappointment	Chairman of the Board	18 of 18 (100%)	10 years and 2 months
2	Tsugio Mitsuoka	Reappointment	President; Chief Executive Officer	18 of 18 (100%)	4 years
3	Hiroyuki Otani	Reappointment	Executive Vice President; Senior Executive Officer	18 of 18 (100%)	4 years
4	Tomoharu Shikina	Reappointment	Director; Managing Executive Officer	18 of 18 (100%)	2 years
5	Takeshi Yamada	Reappointment	Director; Managing Executive Officer	14 of 14 (Note) (100%)	1 year
6	Taketsugu Fujiwara	Reappointment Outside Independent	Director	18 of 18 (100%)	3 years
7	Hiroshi Kimura	Reappointment Outside Independent	Director	16 of 18 (89%)	2 years
8	Kazuhiko Ishimura	Reappointment Outside Independent	Director	14 of 14 (Note) (100%)	1 year
9	Yayoi Tanaka	Reappointment Outside Independent	Director	13 of 14 (Note) (93%)	1 year
10	Nobuko Mizumoto	New candidate	Managing Executive Officer	-	-
11	Masafumi Nagano	New candidate	Managing Executive Officer	-	-
12	Kouich Murakami	New candidate	Managing Executive Officer	-	-

(Note) The stated Attendance of Board of Directors meetings considers only the Board of Directors meetings held after their assumption as director.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
1	<div data-bbox="316 1003 499 1037" style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment</div> Tamotsu Saito (July 13, 1952)	<p>Apr. 1975: Joined the Company</p> <p>Jun. 2006: Executive Officer; Vice President of Aero-Engine & Space Operations, the Company</p> <p>Jan. 2008: Executive Officer; President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2008: Director; Executive Officer, President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2009: Director; Managing Executive Officer, President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2010: Director, the Company</p> <p>Apr. 2011: Executive Vice President, the Company</p> <p>Apr. 2012: President; Chief Executive Officer, the Company</p> <p>Apr. 2016: Chairman of the Board; Chief Executive Officer, General Manager of <i>Monozukuri</i> System Strategy Planning Headquarters, the Company</p> <p>Apr. 2017: Chairman of the Board (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Chairman of the Board</p> <p>(Significant Concurrent Positions) Representative Director; President, Manufacturing Science and Technology Center Representative Director; Chairman, THE JAPAN WORKVESSEL ASSOCIATION President, The Japan Society of Industrial Machinery Manufacturers Representative Director; Chairman, Japan Association of Defense Industry Representative Director; President, Society of Japanese Value Engineering (scheduled to assume the position in June 2018) Outside Director, JAPAN POST INSURANCE Co., Ltd. Outside Director, Oki Electric Industry Co., Ltd. (scheduled to assume the position in June 2018)</p>	12,400 shares

(Reasons for nomination)

Mr. Tamotsu Saito has led the IHI Group's management as President and Chief Executive Officer since April 2012, and since April 2016, as Chairman of the Board, he has worked to achieve further improvements in corporate governance. In the belief that his abundant experience and insight as corporate manager will be utilized in the management of the IHI Group, the Company has nominated him as a candidate for director.

(Attendance of Board of Directors meetings)

18 of 18 (100%)

(Period in office)

At the conclusion of this meeting, Mr. Tamotsu Saito will have served 10 years and 2 months as director of the Company.

(Note)

Mr. Tamotsu Saito is serving concurrently as representative of Manufacturing Science and Technology Center, THE JAPAN WORKVESSEL ASSOCIATION, The Japan Society of Industrial Machinery Manufacturers and Japan Association of Defense Industry, and will serve concurrently as representative of Society of Japanese Value Engineering. There are no special interests between the Company and him, Manufacturing Science and Technology Center, THE JAPAN WORKVESSEL ASSOCIATION, The Japan Society of Industrial Machinery Manufacturers, Japan Association of Defense Industry, and Society of Japanese Value Engineering.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
2	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">Reappointment</div> <p style="text-align: center;">Tsugio Mitsuoka (October 13, 1954)</p>	<p>Apr. 1980: Joined the Company</p> <p>Apr. 2008: Vice President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2010: Executive Officer; Vice President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2013: Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company</p> <p>Jun. 2014: Director; Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company</p> <p>Apr. 2016: President; Chief Operating Officer, the Company</p> <p>Apr. 2017: President; Chief Executive Officer, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) President; Chief Executive Officer</p>	6,800 shares

(Reasons for nomination)

Mr. Tsugio Mitsuoka was appointed President of Aero-Engine & Space Operations in April 2013, driving the growth of the globally developing business before becoming President and Chief Operating Officer in April 2016 and assuming the role of President and Chief Executive Officer in April 2017, in which capacity he has led the IHI Group's management. In the belief that his abundant experience and insight as corporate manager will be utilized in the management of the IHI Group, the Company has nominated him as a candidate for director.

(Attendance of Board of Directors meetings)

18 of 18 (100%)

(Period in office)

At the conclusion of this meeting, Mr. Tsugio Mitsuoka will have served 4 years as director of the Company.

(Note)

There are no special interests between the Company and Mr. Tsugio Mitsuoka.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
3	<div data-bbox="316 920 496 954" style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment</div> Hiroyuki Otani (October 8, 1955)	<p>Apr. 1978: Joined the Company</p> <p>Apr. 2010: Vice President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2011: Executive Officer; President of Power Systems Operations, the Company</p> <p>Apr. 2012: Executive Officer; Vice President of Energy Operations, the Company</p> <p>Apr. 2013: Executive Officer; Vice President of Machinery & Logistics Systems Operations, the Company</p> <p>Apr. 2014: Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company</p> <p>Jun. 2014: Director; Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company</p> <p>Apr. 2016: Director, the Company</p> <p>Apr. 2017: Director; Managing Executive Officer; President of Resources, Energy and Environment Business Area</p> <p>Apr. 2018: Executive Vice President; Senior Executive Officer; President of Resources, Energy and Environment Business Area, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Executive Vice President; Senior Executive Officer; Assistant to the President; in charge of Safety and Labor; in charge of Business Relating to Procurement; in charge of Production Base Strategy; President of Resources, Energy and Environment Business Area</p>	4,700 shares

(Reasons for nomination)

Mr. Hiroyuki Otani has accumulated a great deal of knowledge mainly in the aero-engine production and technology division. He has also been responsible for business divisions including power systems and machinery & logistics, and he currently is serving as President of Resources, Energy and Environment Business Area. In the belief that this wide range of business management experience and insight will be utilized in the management of the IHI Group, the Company has nominated him as a candidate for director.

(Attendance of Board of Directors meetings)

18 of 18 (100%)

(Period in office)

At the conclusion of this meeting, Mr. Hiroyuki Otani will have served 4 years as director of the Company.

(Note)

There are no special interests between the Company and Mr. Hiroyuki Otani.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
4	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Reappointment</div> Tomoharu Shikina (February 4, 1958)	<p>May 1980: Joined the Company</p> <p>Apr. 2011: Vice President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2013: Executive Officer; Vice President of Aero-Engine & Space Operations and Division Director of Civil Aero-Engine Division, the Company</p> <p>Apr. 2016: Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company</p> <p>Jun. 2016: Director; Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company</p> <p>Apr. 2017: Director; Managing Executive Officer; President of Aero-Engine, Space & Defense Business Area, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; in charge of Business Relating to Public Relations and Investor Relations; In charge of Group Business Process Platform; President of Aero Engine, Space & Defense Business Area</p>	3,200 shares
<p>(Reasons for nomination) Mr. Tomoharu Shikina has accumulated a great deal of knowledge mainly in the aero-engine technology development field, and then he was appointed President of Aero-Engine & Space Operations in April 2016. In the belief that his abundant results and experience will contribute to the growth of the IHI Group particularly in Aero Engine, Space & Defense Business Area, the Company has nominated him as a candidate for director.</p> <p>(Attendance of Board of Directors meetings) 18 of 18 (100%)</p> <p>(Period in office) At the conclusion of this meeting, Mr. Tomoharu Shikina will have served 2 years as director of the Company.</p> <p>(Note) There are no special interests between the Company and Mr. Tomoharu Shikina.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
5	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Reappointment</div> Takeshi Yamada (July 14, 1958)	Apr. 1981: Joined the Company Apr. 2006: Manager of Budgeting Group, Finance & Accounting Division, the Company Jul. 2011: Manager of Planning Group, Corporate Planning Division, the Company Apr. 2014: Executive Officer; Deputy General Manager of Finance & Accounting Division, the Company Apr. 2017: Executive Officer; General Manager of Finance & Accounting Division, the Company Jun. 2017: Director; Executive Officer; General Manager of Finance & Accounting Division, the Company Apr. 2018: Director; Managing Executive Officer; General Manager of Finance & Accounting Division, the Company (incumbent) (Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; In charge of Group Finance & Accounting; General Manager of Finance & Accounting Division	1,300 shares
<p>(Reasons for nomination) Mr. Takeshi Yamada has accumulated a great deal of knowledge mainly in the finance & accounting field and corporate planning division. He was appointed Deputy General Manager of Finance & Accounting Division in April 2014 and General Manager of Finance & Accounting Division in April 2017. He has shown a high level of insight into the Group's overall business management, achieving improvement in the financial condition, etc. Therefore the Company has nominated him as a candidate for director.</p> <p>(Attendance of Board of Directors meetings) 14 of 14 (100%)</p> <p>(Period in office) At the conclusion of this meeting, Mr. Takeshi Yamada will have served 1 year as director of the Company.</p> <p>(Note) There are no special interests between the Company and Mr. Takeshi Yamada.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
6	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 2px;">Reappointment</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 2px;">Candidate for Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 2px;">Candidate for Independent Director</div> <p>Taketsugu Fujiwara (February 19, 1947)</p>	<p>Apr. 1969: Joined Asahi Chemical Industry Co., Ltd. (now Asahi Kasei Corporation) Jun. 2000: Director, Asahi Kasei Corporation Jun. 2003: Senior Executive Officer, Asahi Kasei Corporation Oct. 2003: Presidential Executive Officer, Asahi Kasei Chemicals Corporation Apr. 2009: Vice-Presidential Executive Officer, Asahi Kasei Corporation Jun. 2009: Director, Vice-Presidential Executive Officer, Asahi Kasei Corporation Apr. 2010: President and Representative Director, Presidential Executive Officer, Asahi Kasei Corporation Apr. 2014: Vice Chairman and Director, Asahi Kasei Corporation Jun. 2014: Vice Chairman, Asahi Kasei Corporation Jun. 2015: Director, the Company (incumbent) Standing Counsellor, Asahi Kasei Corporation (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director</p> <p>(Significant Concurrent Positions) Representative Director; Chairman, Japan Society for Safety Engineering Outside Director, SHIMADZU CORPORATION Independent Director of the Board, KOKUYO Co., Ltd. Outside Director, KONICA MINOLTA, INC. (scheduled to assume the position in June 2018)</p>	0 shares
<p>(Reasons for nomination) Mr. Taketsugu Fujiwara gained extensive experience and broad insight at the helm of a general chemicals manufacturer, where he has implemented diversified management. Aiming for these qualities to be reflected in the management of the Company, and acknowledging his proven ability to perform management oversight and monitoring functions from an independent perspective, the Company has nominated him as a candidate for outside director.</p> <p>(Attendance of Board of Directors meetings) 18 of 18 (100%)</p> <p>(Period in office) At the conclusion of this meeting, Mr. Taketsugu Fujiwara will have served 3 years as outside director of the Company.</p>			

(Policy on independence)

The Group has a business relationship relating to the defense business with Asahi Kasei Corporation, where Mr. Taketsugu Fujiwara previously served as a business executive. However, the transaction amount that relationship generates is less than 0.01% of the Company's consolidated net sales and 0.02% of Asahi Kasei Corporation's consolidated net sales (for the fiscal year ended March 31, 2018), which is immaterial. Therefore, this has no impact on his independence.

The Company has registered Mr. Taketsugu Fujiwara with domestic financial instrument exchanges (where the Company is listed) as independent director.

(Overview of the Limited Liability Contract)

The Company has concluded a contract with Mr. Taketsugu Fujiwara to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of his liability for damages under the said contract shall be the amount stipulated by laws and regulations. If reappointment of the director is approved, the Company shall continue the aforementioned contract to limit liability with same.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
7	<div data-bbox="309 607 497 645" style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Reappointment</div> <div data-bbox="309 656 497 712" style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Candidate for Outside Director</div> <div data-bbox="309 723 497 813" style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Candidate for Independent Director</div> <div data-bbox="336 853 470 987">Hiroshi Kimura (April 23, 1953)</div>	<p>Apr. 1976: Joined Japan Tobacco and Salt Public Corporation (now Japan Tobacco Inc.)</p> <p>Jan. 1999: President of Corporate Planning Division, Japan Tobacco Inc.</p> <p>May 1999: Executive Vice President, JT International SA</p> <p>Jun. 1999: Director, Japan Tobacco Inc.</p> <p>Jun. 2001: Retired from Director, Japan Tobacco Inc.</p> <p>Jun. 2005: Director, Japan Tobacco Inc.</p> <p>May 2006: Retired from Executive Vice President, JT International SA</p> <p>Jun. 2006: President and CEO, Japan Tobacco Inc.</p> <p>Jun. 2012: Chairman of the Board, Japan Tobacco Inc.</p> <p>Jun. 2014: Executive Corporate Advisor, Japan Tobacco Inc.</p> <p>Jun. 2016: Director, the Company (incumbent)</p> <p>Jul. 2016: Advisor, Japan Tobacco Inc.</p> <p>Mar. 2018: Executive Alumnus, Japan Tobacco Inc. (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director</p> <p>(Significant Concurrent Positions) Independent Director, Asahi Glass Co., Ltd. Outside Director, Nomura Holdings, Inc. Outside Director, Mitsui Sumitomo Insurance Company, Limited (scheduled to assume the position in June 2018)</p>	1,200 shares
<p>(Reasons for nomination) Mr. Hiroshi Kimura gained extensive experience and broad insight as a business manager who has led aggressive globalization in response to changes in business environment. Aiming for these qualities to be reflected in the management of the Company, and acknowledging his proven ability to perform management oversight and monitoring functions from an independent perspective, the Company has nominated him as a candidate for outside director.</p> <p>(Attendance of Board of Directors meetings) 16 of 18 (89%)</p> <p>(Period in office) At the conclusion of this meeting, Mr. Hiroshi Kimura will have served 2 years as outside director of the Company.</p>			

(Policy on independence)

One of the Company's subsidiaries has a business relationship involving sales of products related to industrial machinery, etc. with Japan Tobacco Inc., where Mr. Hiroshi Kimura previously served as a business executive. However, the transaction amount that business relationship generates is less than 0.01% of the Company's consolidated net sales (for the fiscal year ended March 31, 2018), which is immaterial. Therefore, this has no impact on his independence.

The Company has registered Mr. Hiroshi Kimura with domestic financial instrument exchanges (where the Company is listed) as independent director.

(Overview of the Limited Liability Contract)

The Company has concluded a contract with Mr. Hiroshi Kimura to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of his liability for damages under the said contract shall be the amount stipulated by laws and regulations. If reappointment of the director is approved, the Company shall continue the aforementioned contract to limit liability with same.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
8	<div data-bbox="308 763 499 801" style="border: 1px solid black; padding: 2px;">Reappointment</div> <div data-bbox="308 813 499 875" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <div data-bbox="308 887 499 972" style="border: 1px solid black; padding: 2px;">Candidate for Independent Director</div> <p data-bbox="323 1010 483 1144">Kazuhiko Ishimura (September 18, 1954)</p>	<p data-bbox="515 405 1102 439">Apr. 1979: Joined Asahi Glass Co., Ltd.</p> <p data-bbox="515 443 1246 506">Jan. 2006: Executive Officer; GM of Kansai Plant, Asahi Glass Co., Ltd.</p> <p data-bbox="515 510 1254 611">Jan. 2007: Senior Executive Officer and GM of Electronics & Energy General Division, Asahi Glass Co., Ltd.</p> <p data-bbox="515 616 1273 678">Mar. 2008: Representative Director and President & COO, Asahi Glass Co., Ltd.</p> <p data-bbox="515 683 1273 745">Jan. 2010: Representative Director and President & CEO, Asahi Glass Co., Ltd.</p> <p data-bbox="515 750 1158 784">Jan. 2015: Chairman, Asahi Glass Co., Ltd.</p> <p data-bbox="515 788 1201 822">Jun. 2017: Director, the Company (incumbent)</p> <p data-bbox="515 826 1281 889">Jan. 2018: Director and Chairman, Asahi Glass Co., Ltd. (incumbent)</p> <p data-bbox="515 911 1286 974">(Position and Areas of Responsibility at the Company) Director</p> <p data-bbox="515 996 1257 1332">(Significant Concurrent Positions) Chairman, The Asahi Glass Foundation Chairman, Japan Construction Material & Housing Equipment Industries Federation Director and Chairman, Asahi Glass Co., Ltd. *He is not a business executive at Asahi Glass Co., Ltd. Outside Director, TDK Corporation Outside Director, Nomura Holdings, Inc. (scheduled to assume the position in June 2018)</p>	200 shares
<p data-bbox="209 1350 568 1384">(Reasons for nomination)</p> <p data-bbox="209 1388 1461 1552">Mr. Kazuhiko Ishimura gained extensive experience and broad insight at the helm of a comprehensive materials manufacturer. Aiming for these qualities to be reflected in the management of the Company, and acknowledging his proven ability to perform management oversight and monitoring functions from an independent perspective, the Company has nominated him as a candidate for outside director.</p> <p data-bbox="209 1563 834 1597">(Attendance of Board of Directors meetings)</p> <p data-bbox="209 1601 435 1635">14 of 14 (100%)</p> <p data-bbox="209 1646 435 1680">(Period in office)</p> <p data-bbox="209 1684 1417 1740">At the conclusion of this meeting, Mr. Kazuhiko Ishimura will have served 1 year as outside director of the Company.</p>			

(Policy on independence)

The Company has a business relationship involving the maintenance and sale of industrial machinery etc. with Asahi Glass Co., Ltd., where Mr. Kazuhiko Ishimura previously served as a business executive. However, the transaction amount that relationship generates is less than 0.01% of the Company's consolidated net sales and less than 0.01% of Asahi Glass Co., Ltd.'s consolidated net sales (for the fiscal year ended March 31, 2018), which is immaterial. Therefore, this has no impact on his independence.

The Company has registered Mr. Kazuhiko Ishimura with domestic financial instrument exchanges (where the Company is listed) as independent director.

(Overview of the Limited Liability Contract)

The Company has concluded a contract with Mr. Kazuhiko Ishimura to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of his liability for damages under the said contract shall be the amount stipulated by laws and regulations. If reappointment of the director is approved, the Company shall continue the aforementioned contract to limit liability with same.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
9	<div data-bbox="308 1178 499 1211" style="border: 1px solid black; padding: 2px;">Reappointment</div> <div data-bbox="308 1229 499 1285" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <div data-bbox="308 1303 499 1384" style="border: 1px solid black; padding: 2px;">Candidate for Independent Director</div> <p data-bbox="325 1458 481 1592" style="text-align: center;">Yayoi Tanaka (March 20, 1960)</p>	<p data-bbox="517 405 1278 465">Apr. 1982: Joined Nippon Kogaku K.K. (now NIKON CORPORATION)</p> <p data-bbox="517 472 1273 568">Sept. 2006: Associate Professor, National Institution for Academic Degrees and University Evaluation*</p> <p data-bbox="517 575 1182 636">Jan. 2007: Member of Fiscal System Council, Ministry of Finance</p> <p data-bbox="517 642 1257 882">Apr. 2007: Associate Professor of Research Department, National Institution for Academic Degrees and University Evaluation* Part-time Lecturer, Graduate School of Public Policy, the University of Tokyo (incumbent)</p> <p data-bbox="517 889 1297 985">Feb. 2013: Civilian Member of Administrative Reform Promotion Council, Cabinet Secretariat (incumbent)</p> <p data-bbox="517 992 1294 1088">Apr. 2013: Professor of Research Department, National Institution for Academic Degrees and University Education*</p> <p data-bbox="517 1095 1230 1191">Apr. 2015: Member of Policy Evaluation Council, Ministry of Internal Affairs and Communications (incumbent)</p> <p data-bbox="517 1198 1294 1778">Apr. 2017: Research Professor of Research Department, National Institution for Academic Degrees and Quality Enhancement of Higher Education (incumbent) Guest Professor of Osaka University (incumbent) Visiting Professor of Shibaura Institute of Technology Public Governance Advisor of Ministry of Internal Affairs and Communications (incumbent) Representative of Social Governance Research Institute (incumbent) Temporary Member of Fiscal System Council, Ministry of Finance, Japan (incumbent)</p> <p data-bbox="517 1785 1203 1818">Jun. 2017: Director, the Company (incumbent)</p> <p data-bbox="517 1825 1297 1886">Apr. 2018: Specially Appointed Professor of Shibaura Institute of Technology (incumbent)</p> <p data-bbox="517 1892 1273 1953">* Now National Institution for Academic Degrees and Quality Enhancement of Higher Education</p>	0 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
		(Position and Areas of Responsibility at the Company) Director (Significant Concurrent Positions) Representative of Social Governance Research Institute Outside Director, SUMITOMO CORPORATION Outside Audit & Supervisory Board Member, TDK Corporation (scheduled to assume the position in June 2018)	
<p>(Reasons for nomination) Ms. Yayoi Tanaka has developed a high degree of specialist knowledge and diverse experience through her evaluation and research of non-profit organizations and through her work on various governmental committees. Aiming for these qualities to be reflected in the management of the Company, and acknowledging her proven ability to perform management oversight and monitoring functions from an independent perspective, the Company has nominated her as a candidate for outside director. Although she has not been involved in company management, the Company has judged that she can execute her duties as an outside director appropriately for the above-mentioned reasons.</p> <p>(Attendance of Board of Directors meetings) 13 of 14 (93%)</p> <p>(Period in office) At the conclusion of this meeting, Ms. Yayoi Tanaka will have served 1 year as outside director of the Company.</p> <p>(Policy on independence) There are no special interests between Ms. Yayoi Tanaka and the Company. The Company has registered Ms. Yayoi Tanaka with domestic financial instrument exchanges (where the Company is listed) as independent director.</p> <p>(Overview of the Limited Liability Contract) The Company has concluded a contract with Ms. Yayoi Tanaka to limit her liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of her liability for damages under the said contract shall be the amount stipulated by laws and regulations. If reappointment of the director is approved, the Company shall continue the aforementioned contract to limit liability with same.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
10	<div data-bbox="308 936 504 994" style="border: 1px solid black; padding: 2px; width: fit-content;">Candidate for New Director</div> <p data-bbox="331 1032 480 1167">Nobuko Mizumoto (March 31, 1957)</p>	<p data-bbox="520 405 1294 1205"> Apr. 1982: Joined the Company Jul. 2004: General Manager of TX Preparation Division, the Company Apr. 2006: General Manager of New Business Creation Group, Corporate Planning Division, the Company Oct. 2008: General Manager of Recruit Group, Human Resources Division, the Company Apr. 2012: General Manager of Corporate Social Responsibility Division, the Company Apr. 2014: Executive Officer; General Manager of Group Business Process Platform Control Division, the Company Apr. 2016: Executive Officer; General Manager of Procurement Strategy Planning, the Company Apr. 2017: Managing Executive Officer; General Manager of Procurement Strategy Planning, the Company Apr. 2018: Managing Executive Officer; General Manager of Intelligent Information Management Headquarters, the Company (incumbent) </p> <p data-bbox="520 1223 1286 1384">(Position and Areas of Responsibility at the Company) Managing Executive Officer; In charge of Business Relating to Information Management; General Manager of Intelligent Information Management Headquarters</p>	2,200 shares
<p data-bbox="209 1402 568 1435">(Reasons for nomination)</p> <p data-bbox="209 1440 1398 1637">After accumulating achievements as a researcher at the IHI's technology research institute, Ms. Nobuko Mizumoto has served in important posts at headquarters divisions, beginning with the Headquarters relocation project. In the belief that the wide range of experience and achievements she has accumulated in her career are essential for the growth of the IHI Group, the Company has nominated her as a candidate for director.</p> <p data-bbox="209 1653 288 1686">(Note)</p> <p data-bbox="209 1691 1366 1720">There are no special interests between the Company and Ms. Nobuko Mizumoto.</p> <p data-bbox="209 1724 1286 1753">*The name of Ms. Nobuko Mizumoto in the family register is Nobuko Saita.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
11	<div data-bbox="308 741 499 801" style="border: 1px solid black; padding: 2px; width: fit-content;">Candidate for New Director</div> <p data-bbox="331 842 483 976">Masafumi Nagano (November 27, 1958)</p>	<p data-bbox="520 405 991 434">Apr. 1982: Joined the Company</p> <p data-bbox="520 441 1203 539">Mar. 2006: General Manager of Labor & Safety Planning Group, Human Resources Division, the Company</p> <p data-bbox="520 546 1214 607">Apr. 2009: General Manager of Kyusyu Branch, Sales Headquarters, the Company</p> <p data-bbox="520 613 1246 674">Apr. 2012: General Manager of Human Resources Division, the Company</p> <p data-bbox="520 680 1294 741">Apr. 2014: Executive Officer; General Manager of Human Resources Division, the Company</p> <p data-bbox="520 748 1238 846">Apr. 2016: Executive Officer; General Manager of Corporate Planning Division, the Company</p> <p data-bbox="520 853 1278 952">Apr. 2018: Managing Executive Officer; President of Industrial Systems & General-Purpose Machinery Business Area (incumbent)</p> <p data-bbox="520 981 1286 1106">(Position and Areas of Responsibility at the Company) Managing Executive Officer; President of Industrial Systems & General-Purpose Machinery Business Area</p>	3,100 shares
<p data-bbox="209 1126 568 1155">(Reasons for nomination)</p> <p data-bbox="209 1162 1461 1395">Mr. Masafumi Nagano has accumulated a great deal of knowledge mainly in the human resources division. He has also been responsible for the domestic sales headquarters and the human resources division, and subsequently responsible for the corporate planning division. In the belief that his abundant experience and results will contribute to the growth of the IHI Group particularly in Industrial Systems & General-Purpose Machinery Business Area, the Company has nominated him as a candidate for director.</p> <p data-bbox="209 1402 288 1431">(Note)</p> <p data-bbox="209 1438 1366 1467">There are no special interests between the Company and Mr. Masafumi Nagano.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
12	<div data-bbox="308 931 504 992" style="border: 1px solid black; padding: 2px; width: fit-content;">Candidate for New Director</div> <p data-bbox="308 1025 504 1167" style="text-align: center;">Kouichi Murakami (January 19, 1960)</p>	<p data-bbox="520 405 1297 1200"> Apr. 1985: Joined the Company Apr. 2009: General Manager of Administration Department, Corporate Research & Development, the Company Apr. 2012: General Manager of Products Development Center, Corporate Research & Development, the Company Apr. 2013: Deputy General Manager of Corporate Research & Development; General Manager of Research Laboratory, the Company Apr. 2015: Vice President of Rotating Machinery Operations; Assistant General Manager of Corporate Research & Development, the Company Apr. 2016: Executive Officer; President of Rotating Machinery Operations, the Company Apr. 2017: Executive Officer; General Manager of Corporate Research & Development, the Company Apr. 2018: Managing Executive Officer; General Manager of Corporate Research & Development, the Company (incumbent) </p> <p data-bbox="520 1218 1297 1384"> (Position and Areas of Responsibility at the Company) Managing Executive Officer; In charge of Group Engineering; In charge of Business Relating to Corporate Business Development; General Manager of Corporate Research & Development </p>	4,400 shares
<p data-bbox="205 1402 1453 1671"> (Reasons for nomination) Mr. Kouichi Murakami gained experience in the research & development of materials and overall technological management in corporate research & development division. Following this, he was in charge of the rotating machinery operations division. He was appointed General Manager of Corporate Research & Development in April 2017. Judging that this experience and high level of insight into the Group's overall technologies is essential for the growth of the IHI Group, the Company has nominated him as a candidate for director. </p> <p data-bbox="205 1682 1366 1744"> (Note) There are no special interests between the Company and Mr. Kouich Murakami. </p>			

<Reference>

Basic Views on Corporate Governance

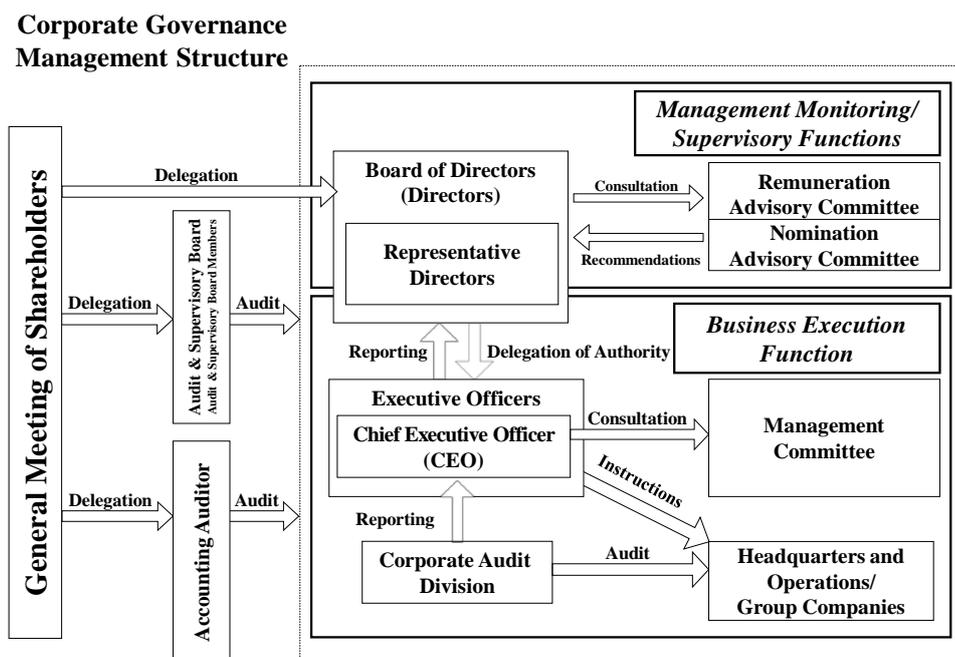
The Company defines corporate governance as a system that assures sustainable growth and maximization of corporate value by enhancing management efficiency so that the Company can leverage its innate capabilities to the fullest extent possible. To achieve this, the Company targets efficient and appropriate internal decision-making by clearly separating management monitoring and supervisory functions from functions related to their execution of duties. Furthermore, by establishing the relevant internal rules and building a system to administer them, the Company ensures appropriate operations across the entire Group.

The Company promotes constant improvement of its corporate governance, aiming to earn the trust and support of its shareholders and other stakeholders over the long term.

The Company will work to enhance its corporate governance in line with the following basic policies:

- (1) Respect shareholders' rights and ensure equal treatment
- (2) Strive to cooperate appropriately with shareholders and other stakeholders
- (3) Fulfill our responsibility to be accountable to stakeholders and ensure transparency by appropriately and proactively disclosing information relating to the Company
- (4) Clarify the roles and responsibilities of the Board of Directors, the audit & supervisory board members and the Audit & Supervisory Board to enable them to adequately fulfill their management monitoring and supervisory functions
- (5) Conduct constructive dialogue with shareholders who have investment policies according with the medium- to long-term interests of shareholders

Overview of Corporate Governance System



The Company has an Audit & Supervisory Board, which comprises audit & supervisory board members who audit the duties executed by directors.

The Board of Directors makes decisions related to all important matters concerning the management of the Company and the Group, in addition to supervising directors in their business execution. The outside directors, who are elected from among individuals with extensive experience and broad insight gained at the helm of business managers, or with a high degree of specialist knowledge and diverse experience, participate in the Board of Directors' decision-making process, offer advice and make recommendations independently of managers who have been delegated the authority to handle day-to-day operations.

Executive Officer System

The Company has an executive officer system to strengthen the decision-making and supervisory functions of the Board of Directors, as well as to improve the efficiency of business operations. Executive officers are appointed by resolution of the Board of Directors. The Chief Executive Officer (CEO) manages the duties of the executive officers, giving directions and supervision. The executive officers follow the CEO's directions to execute their assigned duties.

The Management Committee, which consists of members appointed by the CEO, supports the CEO's decision-making and business execution.

Remuneration Advisory Committee and Nomination Advisory Committee

The Company established the Remuneration Advisory Committee and the Nomination Advisory Committee as the optional committees. To ensure that director remuneration is appropriate, the Remuneration Advisory Committee comprises six (6) members: three (3) outside directors and one (1) outside audit & supervisory board member, the director in charge of human resources, and the director in charge of finance and accounting, with an outside director serving as the committee chairperson. To provide supervision and advice on nomination of directors and audit & supervisory board members by the representative director, the Nomination Advisory Committee comprises five (5) members: the president and CEO, and four (4) outside directors, with the president and CEO serving as the committee chairperson.

Executive Structure

The current executive structure consists of 14 directors (four (4) of whom are outside directors), five (5) audit & supervisory board members (three (3) of whom are outside audit & supervisory board members) and 25 executive officers (eight (8) of whom are executive officers who concurrently serve as director). If Agenda Item No. 2 is approved in its original form, the executive structure will consist of 12 directors (four (4) of whom will be outside directors), five (5) audit & supervisory board members (three (3) of whom will be outside audit & supervisory board members) and 24 executive officers (seven (7) of whom will be executive officers who concurrently serve as director).

Policies and Procedures relating to Appointment of Officers

The Company's Board of Directors decides on ideal attributes for officers and draws up independence standards for outside directors and outside audit & supervisory board members. These standards are based on the requirements for independent directors/audit & supervisory board members stipulated by the Tokyo Stock Exchange and their emphasis is to assure that outside directors and outside audit & supervisory board members are genuinely independent. The Company's Board of Directors sets the basic policy of appointing the most appropriate officers according to the ideal attributes and the independence standards for outside directors and outside audit & supervisory board members with the aim of ensuring sustainable growth and increased corporate value for the IHI Group over the medium to long term.

In appointing officers, the Company's Board of Directors has supplemented the legally required procedures by establishing a Nomination Advisory Committee comprised of all the independent outside directors and the President and representative director. The Committee acts as an optional advisory body to the Board of Directors in order to enhance the Board of Directors' independence, objectivity, and accountability, as well as to proactively obtain the involvement, advice, and supervision of the outside directors. It supervises appointment-related procedures to ensure that they are applied appropriately, and offers related advice.

Ideal Attributes for Officers

The Company appoints directors and audit & supervisory board members who are healthy in mind and body and have all the following attributes:

- Deep understanding of, and sympathy with, the IHI Group's management principles and vision
- The ability to contribute to sustainable growth and medium- to long-term increase in corporate value at the IHI Group by addressing societal issues in accordance with the IHI Group's vision
- Outstanding foresight, penetrating discernment and ability to make appropriate decisions with regard to the management of the IHI Group
- Good character with a strong sense of ethics
- Ample experience as a corporate manager, or a high degree of specialist knowledge, combined with a broad, global perspective and insight

Independence Criteria for Outside Directors

In addition to the requirements for independent directors/audit & supervisory board members stipulated by the Tokyo Stock Exchange, the Company uses the standards below to determine independence.

(1) Major shareholders

The director should not be a major shareholder with 10% or more of the voting rights in the Company, or serve as a director, audit & supervisory board member, executive officer at a company with committees, executive officer or employee, of a corporation that is a major shareholder.

(2) Major clients, suppliers, etc.

The director should not currently serve as a director, audit & supervisory board member, executive officer at a company with committees, executive

officer or employee, of any of the Company's major clients, suppliers, etc. detailed below, nor should he/she have served as an executive director, executive officer at a company with committees, or executive officer, of such major clients, suppliers, etc. in the past.

- Major clients of the IHI Group (with transactions valued at 2% or more of the Company's consolidated net sales in the most recent fiscal year)
 - Major suppliers to the IHI Group (with transactions valued at 2% or more of the supplier's consolidated net sales in the most recent fiscal year)
 - Major lenders to the Company (as listed in the business report for the most recent fiscal year)
- (3) Providers of specialist services (attorneys at law, certified public accountants, or consultants, etc.)
The director should not be an attorney at law, certified public accountant, or consultant, etc. who receives 10 million yen or more of monetary consideration or other property from the Company annually besides compensation as a director/audit & supervisory board member.
- (4) Accounting auditor
The director should not be a representative partner or partner of the Company's accounting auditor.
- (5) Mutual exchange of officers, etc. with the Company
The director should not be assigned to a corporation with which the Company has a relationship of mutually exchanging directors or audit & supervisory board members.
- (6) Close relatives
The director should not be the spouse or first- to second-degree relative of a director, audit & supervisory board member, executive officer or equivalent executive-level employee of the IHI Group. In addition, the director should not be the spouse or first- to second-degree relative of any person* referred to in (1) through (4) above.

* If a major shareholder or a major client, supplier, etc. is a corporation, this applies only to directors, audit & supervisory board members, executive officers at companies with committees, executive officers, or equivalent executive-level employees of the corporation in question.

Policy on Determination of Remuneration for Officers

1. Basic policy on determining remuneration of directors (excluding outside directors) and executive officers

- (1) Remuneration shall be aimed at fully encouraging directors and executive officers to perform their duties in line with management philosophy, Group vision, and Group management policy, and strongly motivating them toward the achievement of specific management goals to bring the Company's and the IHI Group's sustainable growth and improve the medium- and long-term corporate value.
- (2) Remuneration shall be structured with the appropriate allocation of an annual incentive (performance-based bonuses), which is linked to the operating performance of each fiscal year, and a medium- and long-term incentive (performance-based share remuneration), which is linked to

medium- and long-term operating performance and corporate value aimed at broadly sharing a sense of value with stakeholders, and thereby shall contribute to performing with a sound entrepreneurial spirit.

- (3) Under the management philosophy, “Human resources are our single most valuable asset,” appropriate treatment shall be provided to officers of the Company in consideration of the Company’s management environment, and social roles and accountabilities the Company undertakes.

2. Remuneration level and allocated ratios of remuneration

- (1) The Company shall regularly survey objective market data on remuneration researched by an external specialized institution, and set an appropriate remuneration level.
- (2) In consideration of the Company’s business characteristics, effectiveness of incentive remuneration, etc., total amount of remuneration shall be allocated at approximate proportions of 60%, 20%, and 20% to (i) a fixed base amount, (ii) an annual incentive (performance-based bonuses) to be provided upon the achievement of the targeted performance, and (iii) a medium- and long-term incentive (performance-based share remuneration) provided upon the achievement of the targeted performance respectively.

3. Framework of incentive remuneration

- (1) The monetary amount of an annual incentive to be provided every fiscal year shall vary, depending on the achievement level, within an approximate range of from 0 to 200 under the assumption of providing the amount of 100 upon the achievement of the targeted performance. Performance evaluation indicators shall be those such as consolidated profit attributable to owners of parent, which is aimed at sharing the interests of shareholders, profitability which is emphasized in Group Management Policies 2016 (consolidated operating profit margin and operating profit margin of responsible business areas), and individual evaluation indicators corresponding to tasks assigned to each executive, and be reviewed as necessary upon changes in management environment, executives’ duties, etc.
- (2) The number of shares to be delivered every fiscal year as a medium- and long-term incentive shall vary, depending on the achievement level, within an approximate range of from 0 to 150 under the assumption of providing 100 shares upon the achievement of the targeted performance. The Performance Evaluation Period shall be three fiscal coming years, and performance goals for the final fiscal year of the Performance Evaluation Period shall be established in the initial fiscal year of the Performance Evaluation Period. The performance evaluation indicator shall be consolidated ROIC (return on invested capital), as emphasized in Group Management Policies 2016, and changes in the indicator, if necessary, shall be taken into consideration when reviewing the Group management policies.

4. Procedures for determining remuneration

To ensure appropriateness and objectivity in determining the remuneration of directors and executive officers, the Company has an optional body, the

Remuneration Advisory Committee which is organized by six (6) members of three (3) outside directors, one (1) outside audit & supervisory board member, one (1) director in charge of human resources, and one (1) director in charge of finance and accounting under the chair of an outside director. The Committee shall examine and report remuneration related to directors and executive officers, and the Board of Directors shall make decisions.

5. Remuneration of outside directors and audit & supervisory board members

Remuneration of outside directors shall consist only of a base amount in the light of their duties.

Remuneration of audit & supervisory board members shall consist only of a base amount, as compensation for responsibilities for auditing the execution of business throughout the IHI Group. The amount shall be determined through discussions among the audit & supervisory board members.

(Attachment)

Business Report

(From April 1, 2017 to March 31, 2018)

1. Matters on Current Status of the IHI Group

(1) Progress of business operations and their results

● Business environment and initiatives taken by the IHI Group

During the fiscal year under review, exports picked up as a result of a modest recovery in global business conditions, while improvements in areas such as capital investment and private consumption were supported by domestic companies and by an upswing in household income, resulting in a continuation of the trend of gentle recovery in the Japanese economy. Although the expansionary trend of the global economy also continued as a result of such factors as the steady recovery in U.S. business conditions and the pickup in the Chinese economy, the outlook remained uncertain due to the effect of political trends such as the issue of the UK's decision to leave the EU, geopolitical risks in East Asia, and the turnabout in U.S. trade policies.

Faced with this economic environment, in the period under review, which was the second year of the "Group Management Policies 2016," a three-year medium-term management plan with fiscal year 2016 as the first year, the IHI Group used intensive risk management to prevent further deterioration in the profitability outlook during the period, as well as working to strengthen the earnings foundations.

● Operating results

In the fiscal year under review, orders received increased 8.3% from the previous fiscal year to ¥1,505.0 billion, while net sales increased 7.0% from the previous fiscal year to ¥1,590.3 billion.

In terms of profit, operating profit increased ¥24.8 billion to ¥72.2 billion, due to the resolution of the deterioration of profitability related to the F-LNG/Offshore Structure Business and Boiler Business in the previous fiscal year, higher profit due to the improved profitability in the Civil Aero Engines Business and other factors, despite the deterioration in profitability in the Process plants Business. Ordinary profit was generally flat year on year at ¥21.4 billion mainly due to a deterioration of share of loss of entities accounted for using equity method. However, as a result of a review of tax expenses, profit attributable to owners of parent was ¥8.2 billion, an increase of ¥3.0 billion from the previous fiscal year.

In regard to the deterioration of the share of loss of entities accounted for using equity method, on account of the process delays, relating to thermal insulation, and so on relating to LNG vessels that the Company's affiliate Japan Marine United Corporation is building, a review of the construction processes and costs was carried out at that company. In addition, the extent of deterioration has expanded, with fluctuations in foreign exchange rates causing a worsening in the profitability of foreign-currency denominated contracts and with the reversal of deferred tax assets, and the Company posted a loss on investment in the affiliate of ¥32.0 billion.

[Earnings Highlights (Consolidated)]

	200 th Fiscal Year		201 st Fiscal Year	
	Amount (Billions of yen)	%	Amount (Billions of yen)	%
Orders Received	1,389.8	44	1,505.0	54
Net Sales	1,486.3	51	1,590.3	51
Operating Profit	47.3	–	72.2	–
Ordinary Profit	22.0	–	21.4	–
Profit Attributable to Owners of Parent	5.2	–	8.2	–
Order Backlog	1,625.3	36	1,567.1	40

The % column shows the overseas ratio.

● **Interim Dividend**

The Company's interim dividend for the first half of the fiscal year under review was 3 yen per share, which was determined in consideration of a broad range of factors such as earnings outlook during the fiscal year under review. When this interim dividend is calculated using figures from after the consolidation of common shares that was conducted with an effective date of October 1, 2017, it is 30 yen per share.

○ **Resources, Energy and Environment**

Main businesses

Boiler, Power systems plants, Power systems for land and marine use, Large power systems for ships, Process plants (storage facilities and chemical plants), Nuclear power (components for nuclear power plants), Environmental response systems, Pharmaceutical plants

Performance in fiscal year under review

Net sales increased owing to the progress of large-scale projects in the Process plants Business, and increased sales in the Boiler Business.

The deficit expanded from the previous fiscal year, owing to the deterioration of profitability in the Process plants Business, partially offset by disappearance of the effect of deterioration of profitability in the previous fiscal year and sales increase in the Boiler Business in the fiscal year under review.

Orders received increased from the previous fiscal year mainly as a result of receiving an order for the Bangladesh project in the Boiler Business, while declined in the Nuclear power Business and the Process plants Business.

BUSINESS TOPICS

IHI Group concludes its first-ever long-term after sales agreement for boiler equipment, for Morocco project

The IHI Group has concluded a long-term after sales agreement in relation to the large-scale coal-fired thermal power generation boilers (350MW output × 2 units) at the Jorf Lasfar Power Plant in Morocco.

Based on this agreement, the Group will supply parts to the boiler facilities, engage in technical consulting, dispatch technical advisors and so on. In future, by using remote monitoring systems to detect signs of abnormalities to avoid unscheduled shutdowns and the like, the Group will work to expand the content of

the service so as to be able to provide solutions aimed at ensuring a stable supply of electric power for the client.

○ **Social Infrastructure and Offshore Facility**

Main businesses

Bridge/water gate, Shield systems, Transport system, Concrete construction materials, Urban development (real estate sales and rental), F-LNG (floating LNG storage facilities, offshore structures)

Performance in fiscal year under review

Net sales declined due to decreases in the F-LNG/Offshore structures Business and the Transport system Business, despite an increase in sales owing to effects of business integration and construction progress in the Shield systems Business.

Operating profit was in the black mainly as a result of eliminating the deficit in the F-LNG/Offshore structures Business recorded in the previous fiscal year.

Orders received increased from the previous fiscal year as a result of receiving orders for the suspended bridge over the Danube in Braila Area, Romania and the Mumbai Trans Harbour Link project in the Bridge/water gate Business, while declined in the Shield systems Business.

BUSINESS TOPICS

Received orders for Asian regional infrastructure construction work

In recent years, the IHI Group has received order after order for construction of infrastructure such as bridges and railways in Asian regions, and it won multiple such contracts this fiscal year as well.

In India, the Company's subsidiary IHI Infrastructure Systems Co., Ltd., which has formed a consortium with India's largest general contractor, Larsen & Toubro Limited, received orders for the construction of around 10 km of maritime road bridge for the Mumbai Trans-Harbour Link project, which will be the longest maritime road link in India. The completion of this maritime road link will enable the mitigation of congestion on existing roads and reductions in transfer times to the other side of the bay.

In Myanmar, Company's subsidiary Niigata Transys Co., Ltd. has been selected to design and manufacture etc. 24 diesel electric cars* for the 267 km-long railway that runs from Yangon, the largest commercial city in Myanmar, through the capital city of Nay Pyi Taw, to Taungoo. The use of these diesel electric cars will enable the roughly 7-hour transit time to be cut by more than half to 3 hours and 20 minutes.

* Diesel electric car: a vehicle that uses a system in which a diesel engine generates electricity that is then used to power a motor to generate motive force.

○ **Industrial System and General-Purpose Machinery**

Main businesses

Machinery for ships*, Logistics/industrial system (logistics system, industrial machinery), Transport machinery, Parking, Thermal and surface treatment, Vehicular turbocharger, Rotating machinery (compressor, separation system, turbocharger for ships), Agricultural machinery/small power systems, Steel manufacturing equipment, Papermaking machinery

*Machinery for ships Business was transferred to IKNOW MACHINERY CO., LTD. in May 2017.

Performance in fiscal year under review

Net sales increased owing to increases in the number of units sold in China for the Vehicular turbocharger Business, and so on.

Operating profit increased owing to the effect of the sales increase from the increased number of units sold in China for the Vehicular turbocharger Business, and so on.

Orders received increased in the Vehicular turbocharger Business and the Thermal and surface treatment Business.

BUSINESS TOPICS

Development and launch of world's first depalletizing system with AI

The IHI Group has developed and launched sales in Japan of the "IHI AI Auto Depalletizing System". This depalletizing system, which provides automated unloading of pallet cases (cardboard boxes) at logistic facilities, is the first of its kind in the world to be equipped with artificial intelligence (AI) to deliver greatly enhanced cognitive capabilities.

Within the logistics industry, the automation of unloading operations and the reduction of labor involved in this work are regarded as an urgent issue. Recently, the IHI Group has worked together with a start-up company in the U.S., which has engineered a robotic depalletizing system that utilizes AI and 3D vision, to successfully develop a system that uses AI object recognition technology to enable it to accurately recognize the shape of individual cardboard boxes without preregistration of image data etc. One robot equipped with this system can replace the work performed by a single human over the course of 24 hours.

○ **Aero Engine, Space and Defense**

Main businesses

Aero engines, Rocket systems/space utilization systems (space-related equipment), Defense system

Performance in fiscal year under review

Net sales decreased due to a decline in sales volume in the Civil Aero Engines Business.

Operating profit increased mainly due to an increase in spare parts and the positive turn in foreign exchange in the Civil Aero Engines Business, despite the effect of sales increase in the new PW1100G engine and an increase in selling, general and administrative expenses.

Orders received increased from the previous fiscal year in the Civil Aero Engines Business, while declined in the Defense systems Business and aero engines for Japan Ministry of Defense for which IHI received a lump order in the previous fiscal year.

BUSINESS TOPICS

Cumulative total shipments of modules for CF34 civil aero engine exceed 5,000 units

The Company's cumulative total shipments of modules for the CF34 civil aero engine, which is used in regional jets* with 70-110 seats, have now surpassed 5,000 units.

The CF34 is a best-selling engine that has been selected for use by more than 150 airlines worldwide by reason of its outstanding economy and reliability. The Company supplies key engine components such as the low-pressure turbine module, the aft part of the high pressure compressor, and the shaft. In addition to supplying engine parts, the Company's also provides engine maintenance services and in-flight engine performance monitoring services for assisting in the optimization of flight planning, ensuring full service support across the engine's entire lifecycle from delivery to operation and maintenance.

* Regional jets: light aircraft used primarily for short-haul trips between small and medium-sized cities.

(2) Financing

The Company carried out financing primarily through 64.7 billion yen from long-term loans, and this was allocated for agreed repayment of long-term loans, redemption of bonds, working capital, and others.

(3) Capital investment

With regard to capital investment activities, the total capital investment for the fiscal year under review was 59.2 billion yen as a result of the Company having made progress centering on the businesses stipulated as priority investment designation in Group Management Policies 2016, such as additional factory constructions to increase production of new models of civil aero engines in the Aero Engine, Space and Defense Business Area and a manufacturing facility for our vehicular turbocharger manufacturing subsidiary in the Industrial Systems and General-Purpose Machinery Business Area.

(4) Status of important business reorganizations, etc.

On October 1, 2017, the Company transferred its businesses of developing, designing, manufacturing, sales, servicing rotating machinery and peripheral businesses to wholly owned subsidiary IHI Compressor and Machinery Co., Ltd. via a company split. Effective the same date, the said company changed its name to IHI Rotating Machinery Engineering Co., Ltd.

(5) Issues to be addressed

In the “Group Management Policies 2016,” a three-year medium-term management plan, the Group set a theme of “strengthening earnings foundations.” The main initiatives within the plan are (1) concentration and selection through new portfolio management, (2) boost profitability by reinforcing project implementation structure, and (3) employ common Group functions (solutions, advanced information management, and global businesses) to transform business models.

In fiscal year 2018, which is the final year of this management plan, IHI Group will not only take all business areas across the Group into the black under the slogan “First Year for Change” but also move forward with initiatives to transform business structures and business models, aiming to bring them to fruition in order to build robust earnings foundations, while responding speedily to discontinuities and drastic changes in the management environment and business environment.

1) Boost profitability by reinforcing project implementation structure

The IHI Group has devoted its energies to eliminating project risks by bringing together and reinforcing the screening and monitoring functions for project orders and investment projects, which had previously been distributed throughout the corporate headquarters, in April 2017.

In the Social Infrastructure and Offshore Facility Business Area, while large-scale projects progressed according to plan and were taken into the black, the Group did not manage to eradicate the downturn, due to such factors as deteriorating profitability in such areas as construction projects by an affiliated company accounted for by the equity method, in addition to a process plant project underway in North America.

To eradicate the deterioration of profitability in large construction projects, the IHI Group has deployed experts including its former employees in appropriate positions, and it will address risks at the appropriate time in an anticipatory manner and rigorously reinforce governance by such means as rolling out these mechanisms to its subsidiaries and affiliates.

2) Concentration and selection through new portfolio management

Regarding concentration and selection within businesses, which is the core strategy in its efforts to boost profitability, the Company has decided to end the production function of Aichi Works, which up until now has been one of the Company’s main works for the F-LNG/Offshore structures Business. Furthermore, the Group has undertaken business restructuring, along with rehabilitation and reorganization, including the reorganization of the Agricultural machinery/small power systems Business and Rotating machinery Business. In April 2017, in a shift away from the previous SBU-based business management structure, the Group introduced a business area structure, resulting in swifter implementation of measures across departmental boundaries and the execution of business strategy at the business area level.

In fiscal 2018, the Group will pursue rigorous concentration and optimization in the allocation of management resources not only in the Resources, Energy and Environment Business Area, which is subject to major changes in the

external environment, but also in all business areas, thereby achieving the optimization of the entire operations and accelerating transformation into a leaner and more flexible business structure with reduced sales and administrative expenses and other costs.

In addition, the Group will further reinforce initiatives in after-market areas, which are expected to be highly profitable. In this field, the Group will shift its focus in the allocation of management resources to after-market areas in each business, including the Industrial Systems & General-Purpose Machinery Business Area, as well as the Aero engines Business and Boiler Business, in which the Group has an ample track record and experience, thereby promoting improved profitability throughout the IHI Group.

3) Employ common Group functions to transform business model

The Group has undertaken initiatives involving new business models to create customer value utilizing shared group functions, such as a smart community project in Soma City, Fukushima Prefecture and a biomass power generation business in Nanatsujima, Kagoshima City. By leveraging the latest IoT technology, the Group has provided sophisticated operational services including the early detection and predictive detection of defects in coal fuel unloading and conveying facilities, and also has sought to increase productivity in the Company's large structures and welding processes. Furthermore, the Group is devoting its energies to such areas as the development and sale of world-first systems for substantially increasing work capacity in logistics operations by equipping unloading facilities with AI.

The advance of IoT technologies and other changes in the business environment facing our customers are progressing at a speed that defies imagination, so it is essential for the Group to provide solutions not only in its business centered on the supply of conventional equipment, but also to issues throughout its life-cycle at customer sites. Leveraging evolving technologies, the Group will accelerate the provision of solutions and global deployment tailored to the diverse needs of customers.

Ultimately, the IHI Group aims to improve its corporate value through the measures described above. In the spirit of its corporate message, "Realize your dreams," IHI Group will continue to evolve as a corporate group helping customers and people around the world to realize their dreams, and fulfilling the expectations of our stakeholders.

We would like to ask for your continued understanding and support.

Forecasts of consolidated results for fiscal 2018 and dividend forecast

On May 9, 2018, the Company announced its forecasts of full-year consolidated results for fiscal 2018 and dividend forecast as follows.

Details have been made available on the “IR” section of the Company’s website; please refer to them as necessary.

	(Billions of yen)
	202 nd Fiscal Year (Fiscal 2018)
Net Sales	1,500.0
Operating Profit	85.0
Ordinary Profit	65.0
Profit Attributable to Owners of Parent	32.0
Annual Dividend	60 yen per share (Interim dividend: 30 yen, year-end dividend: 30 yen)

(6) Changes in assets and profit/loss

(Millions of yen)

Item	198 th Fiscal Year	199 th Fiscal Year	200 th Fiscal Year	201 st Fiscal Year
Orders Received	1,664,387	1,605,323	1,389,885	1,505,010
Net Sales	1,455,844	1,539,388	1,486,332	1,590,333
Ordinary Profit	56,529	9,716	22,011	21,425
Profit Attributable to Owners of Parent	9,082	1,529	5,247	8,291
Basic Earnings per Share (Note 1) (Yen)	58.84	9.90	33.98	53.71
Total Assets	1,690,882	1,715,056	1,692,831	1,633,662
Net Assets	359,595	333,359	337,630	350,217
ROE (Return on equity) (Note 2) (%)	2.6	0.5	1.6	2.6

(Notes)

1. The Company conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) with an effective date of October 1, 2017. Basic earnings per share have been calculated under the assumption that this consolidation of common shares was conducted on the beginning of the 198th fiscal year.
2. Profit attributable to owners of parent / Average of ending equity for the previous and current years

(7) Main lenders of Corporate Group (As of March 31, 2018)

(Millions of yen)

Lender	Amount
Mizuho Bank, Ltd.	40,534
Sumitomo Mitsui Banking Corporation	28,303
Sumitomo Mitsui Trust Bank, Limited	24,307
Development Bank of Japan Inc.	17,413
The Hachijuni Bank, Ltd.	12,291
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,188
Nippon Life Insurance Company	7,260
The Yamaguchi Bank, Ltd.	6,100
THE NISHI-NIPPON CITY BANK, LTD.	5,807
Mizuho Trust & Banking Co., Ltd.	5,762

(Note)

The Bank of Tokyo-Mitsubishi UFJ, Ltd. was renamed MUFG Bank, Ltd. on April 1, 2018.

(8) Main sales offices and works (As of March 31, 2018)

Head Office	1-1, Toyosu 3-chome, Koto-ku, Tokyo		
Sales Offices	Hokkaido Branch (Chuo-ku, Sapporo-city) Hokuriku Branch (Toyama-city, Toyama) Kansai Branch (Kita-ku, Osaka-city) Shikoku Branch (Takamatsu-city, Kagawa)	Tohoku Branch (Aoba-ku, Sendai-city) Chubu Branch (Nakamura-ku, Nagoya-city) Chugoku Branch (Naka-ku, Hiroshima-city) Kyushu Branch (Chuo-ku, Fukuoka-city)	
Oversea Offices	SINGAPORE ALGERIA JAKARTA BEIJING KUALA LUMPUR	PARIS HANOI BANGKOK TAIPEI ISTANBUL	MOSCOW DUBAI SEOUL NEW DELHI
Works	Mizuho Aero-Engine Works (Mizuho-machi, Nishitama-gun, Tokyo) Soma No.1 Aero-Engine Works/Soma No.2 Aero-Engine Works (Soma-city, Fukushima) Yokohama Works (Isogo-ku, Yokohama-city) Aichi Works (Chita-city, Aichi) Aioi Works (Aioi-city, Hyogo) Kure Aero-Engine & Turbo Machinery Works (Kure-city, Hiroshima)		

(Notes)

1. The Kansai Branch was relocated from Chuo-ku to Kita-ku within the City of Osaka on August 7, 2017.
2. The Algiers Office was relocated to Oran and was renamed the Algeria Office on February 1, 2018.
3. Locations of main subsidiaries are as provided in “(10) Main subsidiaries.”

(9) Employees (As of March 31, 2018)

Business Segment	Number of Employees
Resources, Energy and Environment	7,579
Social Infrastructure and Offshore Facilities	2,290
Industrial Systems and General-Purpose Machinery	9,946
Aero Engine, Space and Defense	6,463
Others	2,458
Corporate (company-wide)	970
Total	29,706

(47 increase compared with March 31, 2017)

(10) Main subsidiaries (As of March 31, 2018)

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI AEROSPACE CO., LTD.	Koto-ku, Tokyo	5,000 million yen	100.00 %	Manufacture, sale, and repair of space development equipment and rocket vehicles
Niigata Power Systems Co., Ltd.	Chiyoda-ku, Tokyo	3,000 million yen	100.00 %	Manufacture and sale of internal combustion engines, gas turbine engines and marine equipment
Meisei Electric Co., Ltd.	Isesaki-city, Gunma	2,996 million yen	51.01 %	Manufacture and sale of communication, electronic, electric measuring, information processing machines and other instruments and equipment, in addition to construction design, construction work and other incidental services

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI Transport Machinery Co., Ltd.	Chuo-ku, Tokyo	2,647 million yen	100.00 %	Design, manufacture, sale, installation, maintenance, and repair of parking systems, materials handling equipment, and transport and distribution plants
IHI Agri-Tech Corporation (Note 2)	Chitose-city, Hokkaido	1,111 million yen	100.00 %	Development, manufacture, and sale of agricultural machinery, turf-grass and lawn maintenance equipment, engines, disinfecting/deodorizing equipment, forged/cast materials, and electronic control units
IHI Rotating Machinery Engineering Co., Ltd. (Note 3)	Koto-ku, Tokyo	1,033 million yen	100.00 %	Design, manufacture, sale, installation, maintenance and repair of compressors, separators, superchargers, etc., for ships
IHI Infrastructure Systems Co., Ltd.	Sakai-ku, Sakai-city	1,000 million yen	100.00 %	Design, manufacture, sale, maintenance and repair of bridges, water gates, etc.
Niigata Transys Co., Ltd.	Chiyoda-ku, Tokyo	1,000 million yen	100.00 %	Manufacture and sale of rolling stock, industrial vehicles and machines for snow removal
IHI Turbo Co., Ltd.	Koto-ku, Tokyo	1,000 million yen	100.00 %	Manufacture of vehicular turbochargers

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI Logistics & Machinery Corporation	Koto-ku, Tokyo	1,000 million yen	100.00 %	Sales, design, manufacturing, procurement, construction, installation, conversion and repair related to logistics equipment, FA equipment and industrial equipment, in addition to repair and maintenance services for parts and equipment
IHI Plant Construction Co., Ltd.	Koto-ku, Tokyo	500 million yen	100.00 %	Design, manufacture, installation and repair of boiler facilities, nuclear power facilities, environmental and storage plant facilities, and industrial machinery facilities
JIM Technology Corporation (Note 4)	Kawasaki-ku, Kawasaki-city	450 million yen	30.60 %	Design, manufacture, sale, site work and after-sales support related to shield tunneling machines and other tunneling construction equipment
IHI Investment for Aero Engine Leasing LLC (Notes 5, 6)	U.S.A.	100,886 thousand US dollars	65.00 %	Investment in specialist engine leasing company
IHI INC.	U.S.A.	92,407 thousand US dollars	100.00 %	Sale and order procurement of various plant, machinery and maintenance of aircraft engine (regional headquarters)
IHI Power Generation Corporation	U.S.A.	38,250 thousand US dollars	100.00 %	Investment in biomass power generation business

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
JURONG ENGINEERING LIMITED	Singapore	51,788 thousand Singapore dollars	95.56 %	Installation of various types of plants and facilities/equipment, engineering and consulting of architectural work and civil engineering and plants
IHI INFRASTRUCTURE ASIA CO., LTD.	Vietnam	542,638 million Vietnamese dong	100.00 %	Engineering, manufacture, installation and maintenance of steel structures and concrete structures, in addition to manufacture and installation of construction and industrial machineries
IHI E&C International Corporation	U.S.A.	21,257 thousand US dollars	100.00 %	FS (feasibility study)/FEED (front end engineering design) and EPC (engineering, procurement and construction) business in oil and gas field
Changchun FAWER-IHI Turbo Co., Ltd.	China	158,300 thousand Chinese yuan	57.16 %	Manufacture and sale of vehicular turbochargers
IHI Charging Systems International GmbH	Germany	15,000 thousand euro	100.00 %	Design, development, manufacture and sale of vehicular turbochargers
IHI Turbo America Co.	U.S.A.	7,700 thousand US dollars	100.00 %	Manufacture and sale of vehicular turbochargers
IHI ASIA PACIFIC PTE. LTD.	Singapore	22,459 thousand Singapore dollars	100.00 %	Order procurement, business support, purchase and sale agent (regional headquarters)
Wuxi IHI Turbo Co., Ltd.	China	11,800 thousand US dollars	100.00 %	Manufacture and sale of vehicular turbochargers

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI Transport Machinery Taiwan Corporation	Taiwan	250,000 thousand Taiwan dollars	100.00 %	Manufacture, sale and maintenance of large transport machinery
IHI TURBO (THAILAND) CO., LTD.	Thailand	260,000 thousand Thai baht	90.00 %	Manufacture and sale of vehicular turbochargers
IHI-Sullair Compression Technology (Suzhou) Co., Ltd.	China	55,465 thousand Chinese yuan	51.00 %	Manufacture, sale and service of general-purpose turbo compressors
IHI Southwest Technologies, Inc.	U.S.A.	5,800 thousand US dollars	100.00 %	Nondestructive testing services for nuclear power plants, petrochemical plants, and thermal power plants
IHI Europe Ltd.	U.K.	2,500 thousand pound	100.00 %	Sale and mediation of various types of plant, machinery, ships/vessels and aircraft engines
Jiangsu IHI Fengdong Vacuum Technology Co., Ltd	China	30,000 thousand Chinese yuan	50.00 %	Design, manufacture, sale and after-sales support of vacuum heat treatment furnaces
IHI (Shanghai) Management Co., Ltd.	China	2,100 thousand US dollars	100.00 %	Sale, order procurement and purchase of various industrial equipment, technical support including maintenance and engineering, provision of shared services (regional headquarters)
IHI Aero Engines US Co., Ltd. (Notes 5, 7)	U.S.A.	0 thousand US dollars	89.50 %	Investment in civil aircraft engine program

(Notes)

1. The Voting Interests of the Company include indirectly owned portions.
2. IHI Shibaura Machinery Corporation absorbed IHI STAR Machinery Corporation through a merger and changed its trade name to IHI Agri-Tech Corporation and relocated its headquarters to Chitose-city, Hokkaido on October 1, 2017.

3. IHI Compressor and Machinery Co., Ltd. inherited the Company's Rotating machinery Business by means of a corporate split and changed its trade name to IHI Rotating Machinery Engineering Co., Ltd. on October 1, 2017.
4. Japan Tunnel Systems Corporation, a subsidiary in which the Company holds a 51% voting interest, has a 60% equity stake in JIM Technology Corporation.
5. The company has changed the amount of its capital.
6. This company is classified as a specified subsidiary.
7. IHI Aero Engines US Co., Ltd. has an equity stake in GE Passport, LLC, an equity method affiliate of the Company.
8. Capital is displayed rounded down to the nearest unit. In the figures for the Voting Interests of the Company, shares of less than one unit are rounded to the nearest unit.

2. Company Officers

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2018)

Title and position	Name	Responsibilities and significant concurrent position(s)
Chairman of the Board	Tamotsu Saito	Representative Director; President, Manufacturing Science and Technology Center Representative Director; Chairman, THE JAPAN WORKVESSEL ASSOCIATION Outside Director, JAPAN POST INSURANCE Co., Ltd.
President; Chief Executive Officer	Tsugio Mitsuoka	In charge of Business Relating to Internal Audit, Portfolio Management and Project Risk Management In charge of Corporate Planning and Risk Management
Executive Vice President	Toshinori Sekido	Assistant to the President In charge of Group Engineering and Priority New Business Areas In charge of Business Relating to Human Resources, Information Management and Corporate Business Development Representative Director, Japanese Aero Engines Corporation
Executive Vice President; Senior Executive Officer	Ichiro Terai	Assistant to the President In charge of Group Business Process Platform President of Social Infrastructure & Offshore Facilities Business Area
Director; Managing Executive Officer	Hiroyuki Otani	In charge of Business Relating to Procurement President of Resources, Energy and Environment Business Area
Director; Managing Executive Officer	Mikio Mochizuki	In charge of Business Relating to Public Relations and Investor Relations President of Industrial Systems & General-Purpose Machinery Business Area
Director; Managing Executive Officer	Tomoharu Shikina	President of Aero-Engine, Space & Defense Business Area
Director; Managing Executive Officer	Atsushi Kuwata	In charge of Group Operations General Manager of Sales Headquarters

Title and position	Name	Responsibilities and significant concurrent position(s)
Director; Executive Officer	Takeshi Yamada	In charge of Group Finance & Accounting General Manager of Finance & Accounting Division
Director; Executive Officer	Kazuki Awai	In charge of Business Relating to Legal, CSR and Administration In charge of Group Compliance General Manager of Administration Division
Director	Taketsugu Fujiwara	President and Representative Director, The Society of Chemical Engineers, Japan Outside Director, SHIMADZU CORPORATION Independent Director of the Board, KOKUYO Co., Ltd.
Director	Hiroshi Kimura	Independent Director, Asahi Glass Co., Ltd. Outside Director, Nomura Holdings, Inc.
Director	Kazuhiko Ishimura	Chairman, The Asahi Glass Foundation Chairman, Japan Construction Material & Housing Equipment Industries Federation Director and Chairman, Asahi Glass Co., Ltd. Outside Director, TDK Corporation
Director	Yayoi Tanaka	Representative, Social Governance Research Institute Outside Director, SUMITOMO CORPORATION
Standing Audit & Supervisory Board Member	Shigeru Uesugi	
Standing Audit & Supervisory Board Member	Taizo Suga	
Audit & Supervisory Board Member	Takayuki Hashimoto	Outside Director, KAGOME CO., LTD. Outside Director, Chubu Electric Power Co., Inc. Outside Director of the Board, Mitsubishi Chemical Holdings Corporation
Audit & Supervisory Board Member	Yoko Hatta	Outside Audit and Supervisory Board Member, Kobayashi Pharmaceutical Co., Ltd. Outside Corporate Auditor, Nippon Paper Industries Co., Ltd.

Title and position	Name	Responsibilities and significant concurrent position(s)
Audit & Supervisory Board Member	Tomomi Yatsu	Attorney at Law Outside Audit & Supervisory Board Member, Yamaha Motor Co., Ltd. Outside Executive Director, SMBC Nikko Securities Inc.

(Notes)

1. Director: Messrs. Taketsugu Fujiwara, Hiroshi Kimura and Kazuhiko Ishimura and Ms. Yayoi Tanaka are outside directors.
2. Audit & Supervisory Board Member: Mr. Takayuki Hashimoto and Meses. Yoko Hatta and Tomomi Yatsu are outside audit & supervisory board members.
3. Standing Audit & Supervisory Board Member: Mr. Taizo Suga possesses considerable knowledge of financial and accounting matters gained through his years of experience working in the Finance Division of the Company.
4. Audit & Supervisory Board Member: Ms. Yoko Hatta possesses considerable knowledge of financial and accounting matters gained through her experience working in a tax accountant corporation.
5. Audit & Supervisory Board Member: Ms. Tomomi Yatsu is a certified public accountant and possesses considerable knowledge of financial and accounting matters.
6. The Company has registered Directors Messrs. Taketsugu Fujiwara, Hiroshi Kimura and Kazuhiko Ishimura and Ms. Yayoi Tanaka, and Audit & Supervisory Board Members Mr. Takayuki Hashimoto and Meses. Yoko Hatta and Tomomi Yatsu with domestic financial instrument exchanges (where the Company is listed) as independent directors and independent audit & supervisory board members, respectively.

(2) Directors and Audit & Supervisory Board Members who resigned during the fiscal year under review

Directors and Audit & Supervisory Board Members who held office during the fiscal year under review and whose terms expired during the fiscal year under review are as follows:

Position (at time of resignation)	Name	Responsibilities and significant concurrent positions at time of resignation	Date of resignation
Director	Joji Sakamoto	In charge of Special Mission from the President In charge of Business Relating to Public Relations and Investor Relations, Legal, CSR and Administration In charge of Group Compliance	June 23, 2017
Director	Hiroshi Asakura	In charge of Special Mission from the President	June 23, 2017

Position (at time of resignation)	Name	Responsibilities and significant concurrent positions at time of resignation	Date of resignation
Director	Tomokazu Hamaguchi	Outside Director, East Japan Railway Company Outside Director, KURARAY CO., LTD. Director, FPT Corporation	June 23, 2017
Standing Audit & Supervisory Board Member	Makoto Serizawa		June 23, 2017
Audit & Supervisory Board Member	Toshiharu Watanabe	Outside Auditor, IKEGAMI TSUSHINKI CO., LTD.	June 23, 2017

(3) System for executing business operations as of April 1, 2018

Title and position	Name	Responsibilities
Chairman of the Board	Tamotsu Saito	
President Chief Executive Officer	Tsugio Mitsuoka	In charge of Business Relating to Internal Audit and Corporate Planning In charge of Risk Management and <i>Monozukuri</i> System Strategy
Executive Vice President Senior Executive Officer	Hiroyuki Otani	President of Resources, Energy and Environment Business Area Assistant to the President In charge of Business Relating to Procurement In charge of Safety and Labor and Production Base Strategy
Director	Toshinori Sekido	In charge of Special Mission from the President HR Development and Promotion of Diversity Promotion of I-Project Support of <i>Monozukuri</i> System Strategy and New Corporate Related Businesses
Director	Ichiro Terai	In charge of Special Mission from the President
Director	Mikio Mochizuki	In charge of Special Mission from the President
Director Managing Executive Officer	Tomoharu Shikina	President of Aero-Engine, Space & Defense Business Area In charge of Business Relating to Public Relations and Investor Relations In charge of Group Business Process Platform
Director Managing Executive Officer	Atsushi Kuwata	General Manager of Global Marketing & Sales Headquarters In charge of Group Operations

Title and position	Name	Responsibilities
Director Managing Executive Officer	Takeshi Yamada	General Manager of Finance & Accounting Division In charge of Group Finance & Accounting
Director Managing Executive Officer	Kazuki Awai	General Manager of Administration Division In charge of Business Relating to Legal and CSR In charge of Group Compliance and Headquarters Representative's Offices
Managing Executive Officer	Takanori Kunihiro	President of Social Infrastructure & Offshore Facilities Business Area
Managing Executive Officer	Nobuko Mizumoto	General Manager of Intelligent Information Management Headquarters In charge of Business Relating to Information Management
Managing Executive Officer	Masafumi Nagano	President of Industrial Systems & General-Purpose Machinery Business Area
Managing Executive Officer	Kouichi Murakami	General Manager of Corporate Research & Development In charge of Group Engineering In charge of Business Relating to New Corporate Businesses
Executive Officer	Masataka Ikeyama	Vice President of Aero-Engine, Space & Defense Business Area
Executive Officer	Yoshinori Kawasaki	Vice President of Industrial Systems & General-Purpose Machinery Business Area
Executive Officer	Takashi Niimura	Vice President of Industrial Systems & General-Purpose Machinery Business Area; Deputy General Manager of Global Marketing & Sales Headquarters
Executive Officer	Yoshio Yonezawa	Vice President of Resources, Energy and Environment Business Area
Executive Officer	Yutaka Kunisada	General Manager of Solution & Engineering and New Corporate Businesses Headquarters
Executive Officer	Shunichi Takayanagi	Vice President of Social Infrastructure & Offshore Facilities Business Area
Executive Officer	Masato Kawaguchi	President of IHI INC. (Regional Headquarters in the Americas)
Executive Officer	Naoshi Matsumoto	Vice President of Aero-Engine, Space & Defense Business Area
Executive Officer	Mitsutoyo Yoshida	General Manager of Project Risk Management Division
Executive Officer	Hiroshi Ide	Vice President of Resources, Energy and Environment Business Area
Executive Officer	Masato Shida	General Manager of Human Resources Division
Executive Officer	Hideo Morita	Vice President of Aero-Engine, Space & Defense Business Area
Executive Officer	Takeshi Kawakami	Vice President of Social Infrastructure & Offshore Facilities Business Area
Executive Officer	Yoshinori Komiya	Vice President of Resources, Energy and Environment Business Area

(Note)

Effective April 1, 2018, the Company had conducted the following organizational restructuring.

- (1) The Solution & Engineering Headquarters, the Corporate Business Development Division and other departments were integrated and renamed the Corporate Business Development & Solution Headquarters.
- (2) The Sales Headquarters and the Global Marketing Headquarters were integrated and a new Global Marketing & Sales Headquarters was established.

(4) Remuneration of directors and audit & supervisory board members

Number of recipients and amounts paid

(Millions of yen)

Position	Number of recipients	Breakdown			Total Amount Paid
		Base amount	Performance-based share remuneration	Performance-based bonus	
Director	17	523	270	124	919
Audit & Supervisory Board Member	7	108	-	-	108
Total (Of which, number of outside officers)	24 (9)	631 (81)	270 (-)	124 (-)	1,027 (81)

(Notes)

1. Remuneration of directors does not include salaries of those who are also company employees.
2. Directors' remuneration of the Company used to consist of a base amount, share-based compensation and performance-based bonuses. The abolishment of the share-based compensation plan and the introduction of the performance-based share remuneration plan [Board Benefit Trust (BBT)] were resolved at the 200th Ordinary General Meeting of Shareholders held on June 23, 2017.
3. Maximum total amount of directors' remuneration is set at 1,090 million yen or below (excluding employee salaries) per year as resolved at the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, and maximum total amount of audit & supervisory board members' remuneration is set at 120 million yen or below as resolved at the 197th Ordinary General Meeting of Shareholders held on June 27, 2014.
4. The total amount of performance-based share remuneration and performance based bonus is the amount of the provision that was recorded for the fiscal year under review, and it may be different from the total amount that is actually paid.
5. The numbers of directors and audit & supervisory board members as of March 31, 2018 are respectively 14 (including 4 outside directors) and 5 (including 3 outside audit & supervisory board members). The reason for the discrepancy from the above is that figures in the chart include 3 directors and 2 audit & supervisory board members who retired at the conclusion of the 200th Ordinary General Meeting of Shareholders held on June 23, 2017.

(5) Information regarding outside directors and outside audit & supervisory board members

- (i) Significant concurrent positions at other entities and the relationship between the Company and those entities

Significant concurrent positions at other entities are as follows. There is no special relationship between the Company and these entities.

Position	Name	Significant concurrent positions at other entities
Director	Taketsugu Fujiwara	President and Representative Director, The Society of Chemical Engineers, Japan Outside Director, SHIMADZU CORPORATION Independent Director of the Board, KOKUYO Co., Ltd.
Director	Hiroshi Kimura	Independent Director, Asahi Glass Co., Ltd. Outside Director, Nomura Holdings, Inc.
Director	Kazuhiko Ishimura	Chairman, The Asahi Glass Foundation Chairman, Japan Construction Material & Housing Equipment Industries Federation Director and Chairman, Asahi Glass Co., Ltd. Outside Director, TDK Corporation
Director	Yayoi Tanaka	Representative of Social Governance Research Institute Outside Director, SUMITOMO CORPORATION
Audit & Supervisory Board Member	Takayuki Hashimoto	Outside Director, KAGOME CO., LTD. Outside Director, Chubu Electric Power Co., Inc. Outside Director of the Board, Mitsubishi Chemical Holdings Corporation
Audit & Supervisory Board Member	Yoko Hatta	Outside Audit and Supervisory Board Member, Kobayashi Pharmaceutical Co., Ltd. Outside Corporate Auditor, Nippon Paper Industries Co., Ltd.
Audit & Supervisory Board Member	Tomomi Yatsu	Attorney at Law Outside Audit & Supervisory Board Member, Yamaha Motor Co., Ltd. Outside Executive Director, SMBC Nikko Securities Inc.

(ii) Attendance to directors/audit & supervisory board members' meetings and activities during the fiscal year under review:

Position	Name	Attendance of meetings		Activities
		Board of Directors meetings	Audit & Supervisory Board meetings	
Director	Taketsugu Fujiwara	18 of 18 (100%)	-	Offered advice and suggestions to ensure suitability and appropriateness of the decisions of the Board of Directors meetings based on his ample experience and broad insight gained as a corporate manager of a general chemicals manufacturer.
Director	Hiroshi Kimura	16 of 18 (89%)	-	Offered advice and suggestions to ensure suitability and appropriateness of the decisions of the Board of Directors meetings based on his extensive experience and broad insight gained at the helm of business manager who has led globalization.
Director	Kazuhiko Ishimura	14 of 14 (100%)	-	Offered advice and suggestions to ensure suitability and appropriateness of the decisions of the Board of Directors meetings based on his extensive experience and broad insight gained at the helm of a comprehensive materials manufacturer.

Position	Name	Attendance of meetings		Activities
		Board of Directors meetings	Audit & Supervisory Board meetings	
Director	Yayoi Tanaka	13 of 14 (93%)	-	Offered advice and suggestions to ensure suitability and appropriateness of the decisions of the Board of Directors meetings based on her high degree of specialist knowledge and diverse experience developed through her evaluation and research of non-profit organizations and through her work on various governmental committees.
Audit & Supervisory Board Member	Takayuki Hashimoto	17 of 18 (94%)	17 of 17 (100 %)	Addressed questions and expressed opinions accordingly based on his ample experience and knowledge gained as a corporate manager of a state-of-the-art IT company.
Audit & Supervisory Board Member	Yoko Hatta	18 of 18 (100 %)	17 of 17 (100 %)	Addressed questions and expressed opinions accordingly based on her extensive experience and insight in global business operations, notably international taxation.
Audit & Supervisory Board Member	Tomomi Yatsu	13 of 14 (93%)	13 of 13 (100%)	Addressed questions and expressed opinions accordingly based on her extensive experience and insight accumulated by responding to various corporate issues as an attorney at law and certified public accountant.

(Notes)

1. The stated attendance of meetings for director Mr. Kazuhiko Ishimura and Ms. Yayoi Tanaka considers only the Board of Directors meetings held after their assumption as director.
2. The stated attendance of meetings for audit & supervisory board member Ms. Tomomi Yatsu considers only the Board of Directors meetings and Audit & Supervisory Board meetings held after her assumption as audit & supervisory board member.

(iii) Limitation of liability

In accordance with Article 427, Paragraph 1 of the Companies Act, each outside director/audit & supervisory board member has entered into an agreement with the Company to limit his liability for damages stipulated in Article 423, Paragraph 1 of the same Act. Amount of maximum liability of each director/audit & supervisory board member under the agreement shall be subject to laws and regulations.

3. Corporate Share Information

(1) Corporate shares (as of March 31, 2018)

- (i) Total number of shares authorized to be issued: 300,000,000
- (ii) Total number of shares issued: 154,446,519
(excluding 233,435 treasury shares)
- (iii) Total number of shareholders: 78,991
- (iv) Major shareholders (top 10 shareholders)

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Holder in Trust)	8,425	5.45
Japan Trustee Services Bank, Ltd. (Holder in Trust)	6,938	4.49
Japan Trustee Services Bank, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	5,542	3.58
The Dai-ichi Life Insurance Company, Limited	5,406	3.50
State Street Bank And Trust Company 505001	4,756	3.07
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	4,597	2.97
State Street Bank And Trust Company 505223	2,993	1.93
Japan Trustee Services Bank, Ltd. (Holder in Trust 5)	2,936	1.90
Japan Trustee Services Bank, Ltd. (Holder in Trust 9)	2,930	1.89
State Street Bank West Client – Treaty 505234	2,642	1.71

(Notes)

1. Voting rights for 5,542,000 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 4,597,000 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 (233,435 shares). In addition, (111,000 shares) of the Company owned by Trust & Custody Services Bank, Ltd. (Holder in trust E) for a performance-based share remuneration plan “Board Benefit Trust” are not included in treasury shares.

(v) Other significant corporate share information

(a) Introduction of a performance-based share remuneration plan and related voting rights

Through a resolution passed at the 200th Ordinary General Meeting of Shareholders, held on June 23, 2017, the Company has introduced a performance-based share remuneration plan, “Board Benefit Trust,” for its directors (excluding outside directors). To assure neutrality towards the Company’s management, voting rights of the Company’s shares held in the Trust accounts will not be exercised. In addition, as of March 31, 2018, a trust account for the Board Benefit Trust owns 111,000 shares of the Company.

(b) Change in the number of shares constituting one unit and consolidation of common shares

With October 1, 2017 as the effective date, the Company changed the number of shares constituting one unit from 1,000 shares to 100 shares and conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares). As a result, the total number of shares authorized to be issued changed from 3,300,000,000 to 300,000,000 and the total number of issued shares changed from 1,546,799,542 to 154,679,954.

(2) Share acquisition rights

(i) Share acquisition rights at the end of the fiscal year under review

(a) Share acquisition rights granted to Company officers in remuneration for the performance of their duties:

Name (Date of decision)	Number of share acquisition rights	Class and number of shares underlying share acquisition rights	Amount to be paid in (per share acquisition right)	Value of property to be contributed upon exercise (per share acquisition right)	Exercise period
1 st Share Acquisition Rights (July 23, 2007)	16	Common stock 1,600 shares	462,000 yen	100 yen	From August 10, 2007 to August 9, 2037
2 nd Share Acquisition Rights (July 22, 2008)	34	Common stock 3,400 shares	185,000 yen	100 yen	From August 19, 2008 to August 18, 2038
3 rd Share Acquisition Rights (July 21, 2009)	67	Common stock 6,700 shares	165,000 yen	100 yen	From August 6, 2009 to August 5, 2039
4 th Share Acquisition Rights (July 23, 2010)	108	Common stock 10,800 shares	154,000 yen	100 yen	From August 10, 2010 to August 9, 2040
5 th Share Acquisition Rights (July 25, 2011)	106	Common stock 10,600 shares	178,000 yen	100 yen	From August 18, 2011 to August 17, 2041
6 th Share Acquisition Rights (July 23, 2012)	161	Common stock 16,100 shares	159,000 yen	100 yen	From August 17, 2012 to August 16, 2042
7 th Share Acquisition Rights (July 22, 2013)	92	Common stock 9,200 shares	376,000 yen	100 yen	From August 22, 2013 to August 21, 2043

Name (Date of decision)	Number of share acquisition rights	Class and number of shares underlying share acquisition rights	Amount to be paid in (per share acquisition right)	Value of property to be contributed upon exercise (per share acquisition right)	Exercise period
8 th Share Acquisition Rights (July 22, 2014)	105	Common stock 10,500 shares	440,000 yen	100 yen	From August 12, 2014 to August 11, 2044
9 th Share Acquisition Rights (July 21, 2015)	84	Common stock 8,400 shares	413,000 yen	100 yen	From August 11, 2015 to August 10, 2045
10 th Share Acquisition Rights (July 25, 2016)	224	Common stock 22,400 shares	278,000 yen	100 yen	From August 10, 2016 to August 9, 2046

(Notes) Terms and conditions for exercising share acquisition rights are as follows.

- Share acquisition rights shall be exercisable for five (5) years from the date one (1) year after a director or an executive officer lost its position (in the event that such individual assumes the position of audit & supervisory board member within one (1) year after he/she resigns a director or an executive officer, the date he/she lost its position as audit & supervisory board member) (“Exercise Start Date”).
- Notwithstanding the above 1, in the event of the following (1) or (2), share acquisition rights shall be exercisable for the period stipulated below. (However, (2) does not apply to share acquisition rights issued by a reorganized company.)

(1) In the event that the Exercise Start Date does not become effective by the dates indicated below for each of the share acquisition rights (the “due date”):

Name	Due date	Exercise period of share acquisition rights
1 st Share Acquisition Rights	August 9, 2036	From August 10, 2036 to August 9, 2037
2 nd Share Acquisition Rights	August 18, 2037	From August 19, 2037 to August 18, 2038
3 rd Share Acquisition Rights	August 5, 2038	From August 6, 2038 to August 5, 2039
4 th Share Acquisition Rights	August 9, 2039	From August 10, 2039 to August 9, 2040
5 th Share Acquisition Rights	August 17, 2040	From August 18, 2040 to August 17, 2041
6 th Share Acquisition Rights	August 16, 2041	From August 17, 2041 to August 16, 2042
7 th Share Acquisition Rights	August 21, 2042	From August 22, 2042 to August 21, 2043
8 th Share Acquisition Rights	August 11, 2043	From August 12, 2043 to August 11, 2044

Name	Due date	Exercise period of share acquisition rights
9 th Share Acquisition Rights	August 10, 2044	From August 11, 2044 to August 10, 2045
10 th Share Acquisition Rights	August 9, 2045	From August 10, 2045 to August 9, 2046

- (2) In the event that an agenda item of a merger agreement (under which the Company becomes an absorbed company) or an agenda item of an equity-swap agreement and/or an equity transfer plan (under which the Company becomes a wholly-owned subsidiary of another company) is approved at a General Meeting of Shareholders of the Company (or at a Board of Director meeting or by the Chief Executive Officer if a decision at a shareholders' meeting is not necessary)

Fifteen (15) days from the following day of such decision

3. A holder of share acquisition rights who relinquishes his/her share acquisition rights shall not be able to exercise such rights.
4. With October 1, 2017 as the effective date, the Company changed the number of shares constituting one unit from 1,000 shares to 100 shares and conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares). As a result, "class and number of shares underlying share acquisition rights" and "value of property to be contributed upon exercise" have been adjusted.

(b) Number of share acquisition rights

Name (Date of decision)	Director			Audit & Supervisory Board Member		
	Number of share acquisition rights	Number of shares underlying share acquisition rights	Number of holders	Number of share acquisition rights	Number of shares underlying share acquisition rights	Number of holders
1 st Share Acquisition Rights (July 23, 2007)	16	1,600 shares	2	-	-	-
2 nd Share Acquisition Rights (July 22, 2008)	34	3,400 shares	2	-	-	-
3 rd Share Acquisition Rights (July 21, 2009)	67	6,700 shares	3	-	-	-
4 th Share Acquisition Rights (July 23, 2010)	108	10,800 shares	4	-	-	-
5 th Share Acquisition Rights (July 25, 2011)	106	10,600 shares	5	-	-	-
6 th Share Acquisition Rights (July 23, 2012)	161	16,100 shares	5	-	-	-

Name (Date of decision)	Director			Audit & Supervisory Board Member		
	Number of share acquisition rights	Number of shares underlying share acquisition rights	Number of holders	Number of share acquisition rights	Number of shares underlying share acquisition rights	Number of holders
7 th Share Acquisition Rights (July 22, 2013)	83	8,300 shares	6	9	900 shares	1
8 th Share Acquisition Rights (July 22, 2014)	105	10,500 shares	9	-	-	-
9 th Share Acquisition Rights (July 21, 2015)	84	8,400 shares	9	-	-	-
10 th Share Acquisition Rights (July 25, 2016)	224	22,400 shares	10	-	-	-

(Notes) 1. These share acquisition rights are not granted to outside directors and audit & supervisory board members.

2. The share acquisition rights held by audit & supervisory board members were granted to them while they were serving as executive officers and not granted to them while serving as audit & supervisory board members.

(ii) Share acquisition rights granted to the Company's executive officers in remuneration for the performance of their duties during the fiscal year under review:

No items to report.

(iii) Other important matters regarding share acquisition rights

No items to report.

4. Status of Accounting Auditor

(1) Name

Ernst & Young ShinNihon LLC

(2) Remunerations, etc.

	Amount of payment (million yen)
Remunerations paid to the accounting auditor for the fiscal year under review	188
Total sum of cash and profits relating to other assets that the Company and its subsidiaries should pay to the accounting auditor	418

(Notes)

1. The audit agreement entered into by the accounting auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the remunerations paid to the accounting auditor for the fiscal year under review indicates the total of these two kinds of amounts.
2. The Audit & Supervisory Board sought confirmation that the audit plan that the accounting auditor submitted was suitable and appropriate, and carefully studied the grounds and contents of calculations, such as time required for audits and the remuneration unit price. As a result of the aforementioned, the Audit & Supervisory Board found that the remuneration was appropriate, and therefore approved the amount of remunerations paid to the accounting auditor.
3. Of the Company's main subsidiaries, IHI INC., JURONG ENGINEERING LIMITED and other 17 companies were audited by certified public accountants or accounting auditors (including persons overseas possessing the overseas country's equivalent qualification) other than the accounting auditor of the Company.

(3) Details of non-audit services

The Company entrusts the accounting auditor with the services regarding "Advice and support for issues arising from implementation of IFRS" and "Guidance on accounting for subsidiaries and associates" other than services defined in Article 2, Paragraph 1 of the Certified Public Accountants Act of Japan (non-audit services).

(4) Policy for decisions on dismissal or non-reappointment of accounting auditors

In the case where it is deemed that the accounting auditor has fallen under any of the reasons for dismissal prescribed in Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the accounting auditor based on the consent of all audit & supervisory board members. In addition, in cases where the accounting auditor is deemed to have difficulty in conducting audit operations appropriately, based on the resolution of the Audit & Supervisory Board Members, the dismissal or non-reappointment of the accounting auditor shall be decided.

5. Systems to ensure appropriateness of operations and operation status of the systems

(1) Systems to ensure appropriateness of operations

The Company, through resolution by the Board of Directors, decided on a basic policy relating to “systems to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation, and other systems necessary to ensure the appropriateness of operations of a stock company and of operations of a corporate group consisting of said stock company and its subsidiaries” as stipulated by the Companies Act, and it is working to improve the effectiveness of corporate governance of the IHI Group and thereby increase corporate value. The overview of the basic policy is as follows.

1) System for ensuring compliance of directors and employees with laws and regulations and articles of incorporation

Directors of the Company shall establish rules to ensure that the performance of their duties is compliant with laws and regulations and articles of incorporation, and directors and employees shall observe such rules. Directors of the Company shall establish systems to ensure the appropriateness of operation activities throughout the Company, at each division, and at each affiliate company, and to audit such activities are properly pursued.

(i) Preparation of rules and regulations

Directors shall prepare group-wide, company-wide and departmental rules and procedures such as the “Basic Code of Conduct for the IHI Group” that all directors and employees of the Company must follow to perform their duties. Divisions and sections in charge of each operation must be specified clearly in each rule and regulation. A mechanism to update such rules and regulations in the event of amendment of laws shall also be defined.

(ii) Compliance activities

With respect to compliance activities, the “Compliance Committee” chaired by an officer in charge of compliance for the entire Company shall establish a company-wide compliance policy. The company-wide policy shall be applied to the plan for each division, and each division shall create its own rules and activity plans. In addition to the company-wide training organized and administered by Corporate Social Responsibility Division, training for each level (such as managerial staff, mid-level staff, and new employees) and training for each competency (such as human resources, finance, and procurement) shall be conducted to ensure compliance by all employees.

(iii) A system to ensure and correct activities

An internal audit mechanism shall be created to monitor, inspect, and assess operation activities at each division to ensure the appropriateness of such activities. “Corporate Audit Division,” which is independent of all other divisions, shall be established. Corporate Audit Division shall report the results of audits to the Board of Directors as needed. To

prevent noncompliance, a “Compliance Hotline” shall be established as an internal reporting system and Corporate Social Responsibility Division shall provide the necessary consultations.

2) System for storing and managing information

Directors of the Company shall preserve information related to Directors’ exercise of their duties as a written document or in an electromagnetic form. Directors shall establish a basic policy for storing and managing documents and electromagnetic records, and shall manage information thereof.

Amendment of such basic policy shall be subject to approval of the Board of Directors.

3) System for managing risks

Directors of the Company shall continuously assess, identify, and monitor business risks at each division of IHI group companies. Directors shall recognize the importance of assessing, identifying, and monitoring any of the following risks as various risks relevant to the execution of duties of IHI group companies, and shall establish an appropriate system to manage such risks as well as a system to apply and evaluate it.

(i) Contracts/agreements

Operational risks relating to contracts/agreements such as competition, alliance/M&A with other companies, business integration, overseas operations, material procurement, and debt guarantee.

(ii) Design, manufacturing, and technologies

Risks that manufacturing sites, quality assurance, technology agreements, and research and development perform below expectations.

(iii) Laws and regulations

Risks of losses or loss of credibility due to violation of law.

(iv) Information systems

Risks of leakage, theft, and loss of information assets, and damage thereto.

(v) Safety, health, and environment

Risks of problems with health and safety assurance and environmental conservation at offices and construction sites.

(vi) Disaster and system failure

Risks of interruption of business activities due to disaster, accidents, and information system failures.

(vii) Financial activities

Risks regarding financial activities such as exchange rate and interest rate trends.

(viii) Financial reporting

Risks of fictitious financial reporting (whether due to fraud or negligence).

Directors of the Company shall continuously assess, identify, and monitor business risks at each division of IHI group companies and promptly appoint personnel to deal with risks in the event new risks arise, and shall report to the Board of Directors of the Company regarding such risks that may affect IHI group performance, financial condition, and share price.

4) System for assuring that Directors exercise their duties efficiently

Directors of the Company shall clearly separate the function of management supervision from that of performance to ensure efficient performance of duties, and shall delegate most rights to perform duties to executive officers for efficiency.

To make appropriate decisions through multi-dimensional considerations, the Chief Executive Officer shall organize a Management Committee as an advisory body to discuss important matters of IHI group companies.

Directors shall prepare profit plans including target profitability of each business area and SBU (Strategic Business Unit) at the beginning of every financial period and verify their results each month.

5) System for assuring operational legitimacy within the corporate group

Directors of the Company shall establish a system to ensure IHI group-wide governance by setting rules to manage group companies and appointing responsible divisions to manage, control, and direct such companies. As for group company matters with high levels of importance, directors shall submit/report to the Board of Directors and Management Committee.

Directors of the Company shall monitor the business conditions of group companies on a routine basis by deploying part-time audit & supervisory board members or other employees to group companies. If necessary, responsible division or related division shall provide support to secure the appropriateness of business operations.

Directors also establish a group business management section within the Corporate Planning Division to create a group-wide management mechanism and to supervise group company businesses.

6) Employees to assist audit & supervisory board members

Audit & supervisory board members of the Company shall establish an audit office to assist them in the performance of their duties.

The audit office shall consist of several employees, including managerial staff, of the Company, and personnel matters regarding such employees shall be decided based on mutual consultation between audit & supervisory board members and related directors.

The audit office employees shall follow the instructions of the audit & supervisory board members, and directors shall pay attention to maintaining independence of the audit office employees from the persons who execute business and to ensuring the effectiveness of instructions by the audit & supervisory board members to the audit office employees.

7) Audit by audit & supervisory board members

Audit & supervisory board members of the Company, in accordance with the audit policies defined at the Audit & Supervisory Board, shall attend important meetings including the Board of Directors meetings and management meetings, and audit the performance of directors through interviews with directors, reviews of documents related to important resolutions, and investigations of operations and financial situations of each division and main subsidiaries. The Company shall bear any expenses required for the performance of duties by audit & supervisory board members.

8) Reporting to audit & supervisory board members

Directors and employees of the Company shall, without delay, report to audit & supervisory board members and the Audit & Supervisory Board on matters provided for in laws and regulations, results of internal audits, results of hotline system, and other important matters that have an impact on the IHI Group.

No individual shall be treated unfavorably for making such a report.

(2) Overview of operation status of system to ensure the appropriateness of operations

1) System for ensuring compliance of directors and employees with laws and regulations and articles of incorporation

Group-wide, company-wide and departmental rules have been established, and in addition to regularly updating rules and regulations to reflect amendment of laws, reviews are periodically carried out based on the regulations for managing rules.

The Compliance Committee has been established, decisions on annual compliance policy are made and such policy is implemented internally as well as in group companies.

The internal control systems of the IHI Group are ensured through the performance of evaluation of internal audit and internal control. The outline of operating status of the internal reporting system is disclosed internally on a quarterly basis.

2) System for storing and managing information

The following activities are carried out pursuant to the policy established for storing and management of documents and digital records: document management, investigation of the status of the management on a company-wide basis, and guidance to ensure appropriate filing methods, etc.

3) System for managing risks

Risk management activities are implemented in accordance with regulations for risk management within the IHI Group. The status of implementation of these risk management activities is reported at Board of Directors meetings.

In April 2017, the Company established the Project Risk Management Division. This division works in concert with each of the risk management divisions of individual business areas to strengthen risk management related to large-scale projects.

4) System for assuring that Directors exercise their duties efficiently

An executive officer system has been introduced to make clear functional separation of management supervision and the performance of duties while a Remuneration Advisory Committee and a Nomination Advisory Committee have been established to strengthen monitoring and supervision function. In addition, Management Committee has been established as an advisory body for the Chief Executive Officer as a forum to discuss important matters.

5) System for assuring operational legitimacy within the corporate group

Rules have been established to serve as rules for management of IHI Group companies, and in accordance with these rules, the responsible divisions manage, control and direct group companies. Also with respect to group company matters with high levels of importance, discussions are held and reports are made at the Board of Directors meetings and the Management Committee meetings of the Company, and feedback is provided with regard to issues raised in evaluation processes. In addition, the current statuses of the management are confirmed by such measures as appointing part-time audit & supervisory board members who are dispatched from the Company to each company.

6) Employees to assist audit & supervisory board members

An audit office is established to assist audit & supervisory board members in the performance of their duties. Four employees are posted full-time to the audit office, and audit office's independence from the persons who execute business is maintained.

7) Audit by audit & supervisory board members

The audit & supervisory board members attend, in addition to the Board of Directors meetings of the Company, important meetings such as Management Committee meetings of the Company. In addition, the audit & supervisory board members review important documents related to the execution of business and conduct investigations at each division and main subsidiaries.

8) Reporting to audit & supervisory board members

Directors and employees of the IHI Group report to the audit & supervisory board members via the Company's Board of Directors, Management Committee and other means on not only matters prescribed by laws and regulations, but also important matters affecting the IHI Group.

Consolidated Balance Sheet
(As of March 31, 2018)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets	1,038,193	Current liabilities	811,658
Cash and deposits	109,028	Notes and accounts payable – trade	304,928
Notes and accounts receivable – trade	400,330	Short-term loans payable	81,515
Finished goods	25,647	Accrued expenses	88,252
Work in process	282,245	Income taxes payable	8,075
Raw materials and supplies	120,630	Advances received	177,819
Deferred tax assets	44,719	Provision for bonuses	26,119
Other	59,758	Provision for construction warranties	53,727
Allowance for doubtful accounts	(4,164)	Provision for loss on construction contracts	27,266
		Other provision	808
		Other	43,149
Non-current assets	595,469	Non-current liabilities	471,787
Property, plant and equipment	349,046	Bonds payable	50,000
Buildings and structures	131,035	Long-term loans payable	172,533
Machinery, equipment and vehicles	75,249	Lease obligations	13,214
Land	92,506	Deferred tax liabilities for land revaluation	4,941
Leased assets	14,736	Net defined benefit liability	154,125
Construction in progress	11,828	Provision for loss on business of subsidiaries and affiliates	1,188
Other	23,692	Other provision	1,150
Intangible assets	36,020	Other	74,636
Goodwill	12,231		
Software	15,483	Total liabilities	1,283,445
Other	8,306	Net Assets	
Investments and other assets	210,403	Shareholders' equity	313,256
Investment securities	99,284	Capital stock	107,165
Deferred tax assets	73,568	Capital surplus	53,406
Net defined benefit asset	24	Retained earnings	153,564
Other	39,251	Treasury shares	(879)
Allowance for doubtful accounts	(1,724)	Accumulated other comprehensive income	11,345
		Valuation difference on available-for-sale securities	2,034
		Deferred gains or losses on hedges	(286)
		Revaluation reserve for land	5,359
		Foreign currency translation adjustment	3,679
		Remeasurements of defined benefit plans	559
		Share acquisition rights	792
		Non-controlling interests	24,824
		Total net assets	350,217
Total assets	1,633,662	Total liabilities and net assets	1,633,662

Consolidated Statement of Income
(Year ended March 31, 2018)

(Millions of yen)

Account title	Amount
Net sales	1,590,333
Cost of sales	1,316,915
Gross profit	273,418
Selling, general and administrative expenses	201,151
Operating profit	72,267
Non-operating income	
Interest and dividend income	2,504
Reversal of accrued expenses for environmental conservation measures	1,072
Other	3,600
Non-operating expenses	
Interest expenses	3,007
Share of loss of entities accounted for using equity method	33,088
Foreign exchange losses	3,813
Payments for contract adjustments for civil aero engines	6,488
Expenses for delayed delivery	4,489
Other	7,133
Ordinary profit	21,425
Extraordinary income	
Gain on transfer of business	1,586
Extraordinary losses	
Settlement-related expenses related to boiler facilities in customer's commercial operation	2,932
Impairment loss	1,095
Profit before income taxes	18,984
Income taxes – current	12,924
Income taxes – deferred	(7,357)
Profit	13,417
Profit attributable to non-controlling interests	5,126
Profit attributable to owners of parent	8,291

(Reference)

Consolidated Statement of Cash Flows (Summary)
(Year ended March 31, 2018)

Account title	Amount
Net cash provided by (used in) operating activities	99,018
Net cash provided by (used in) investing activities	(47,977)
Net cash provided by (used in) financing activities	(57,326)
Effect of exchange rate change on cash and cash equivalents	(2,275)
Net increase (decrease) in cash and cash equivalents	(8,560)
Cash and cash equivalents at end of period	107,323

Consolidated Statement of Changes in Equity
(Year ended March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	107,165	53,510	149,832	(513)	309,994
Changes of items during period					
Dividends of surplus			(4,633)		(4,633)
Profit attributable to owners of parent			8,291		8,291
Purchase of treasury shares				(419)	(419)
Disposal of treasury shares		(1)		53	52
Change in ownership interest of parent due to transactions with non-controlling interests		(103)			(103)
Reversal of revaluation reserve for land			74		74
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(104)	3,732	(366)	3,262
Balance at end of current period	107,165	53,406	153,564	(879)	313,256

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,892	(277)	5,427	1,298	(1,171)	8,169	843	18,624	337,630
Changes of items during period									
Dividends of surplus									(4,633)
Profit attributable to owners of parent									8,291
Purchase of treasury shares									(419)
Disposal of treasury shares									52
Change in ownership interest of parent due to transactions with non-controlling interests									(103)
Reversal of revaluation reserve for land									74
Net changes of items other than shareholders' equity	(858)	(9)	(68)	2,381	1,730	3,176	(51)	6,200	9,325
Total changes of items during period	(858)	(9)	(68)	2,381	1,730	3,176	(51)	6,200	12,587
Balance at end of current period	2,034	(286)	5,359	3,679	559	11,345	792	24,824	350,217

Notes to the Consolidated Financial Statements

I. Basis of Preparation of the Consolidated Financial Statements

1. Scope of Consolidation

(1) Number and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 148

Names of major consolidated subsidiaries:

IHI AEROSPACE CO., LTD., Niigata Power Systems Co., Ltd.,
Meisei Electric Co., Ltd., IHI Transport Machinery Co., Ltd.,
IHI Agri-Tech Corporation, IHI Rotating Machinery Engineering Co., Ltd.,
IHI Infrastructure Systems Co., Ltd., Niigata Transys Co., Ltd.,
IHI Turbo Co., Ltd., IHI Logistics & Machinery Corporation,
IHI Plant Construction Co., Ltd., JIM Technology Corporation,
IHI Aero Engines US Co., Ltd., IHI Investment for Aero Engine Leasing LLC,
IHI INC., IHI Power Generation Corp., JURONG ENGINEERING LIMITED,
IHI INFRASTRUCTURE ASIA CO., LTD., IHI E&C International Corporation,
Changchun FAWER-IHI Turbo Co., Ltd.,
IHI Charging Systems International GmbH, IHI Turbo America Co.,
IHI ASIA PACIFIC PTE. LTD., Wuxi IHI Turbo Co., Ltd.,
IHI Transport Machinery Taiwan Corporation,
IHI TURBO (THAILAND) CO., LTD.,
IHI-Sullair Compression Technology (Suzhou) Co., Ltd.,
IHI Southwest Technologies, Inc., IHI Europe Ltd.,
Jiangsu IHI Fengdong Vacuum Technology Co., Ltd.,
IHI (Shanghai) Management Co., Ltd.

In the fiscal year under review, the number of consolidated subsidiaries decreased by 2 due to liquidation, 1 due to a merger and 1 due to decreased materiality.

(2) Names of major non-consolidated subsidiaries, etc.

Names of major non-consolidated subsidiaries:

I&H Engineering Co., Ltd.
IHI DALGAKIRAN MAKİNA SANAYİ VE TİCARET A.Ş.
ALPHA Automotive Technologies LLC

(Reason for excluding from the scope of consolidation)

The non-consolidated subsidiary is small in size and its total assets, net sales, the profit or loss for the Company's equity interest, and retained earnings for the Company's equity interest do not have a significant effect on the consolidated financial statements.

2. Application of the Equity Method

(1) Number and names of major non-consolidated subsidiaries and affiliated companies accounted for by the equity method

Number of non-consolidated subsidiaries and affiliated companies accounted for by the equity method: 30

Names of major equity method affiliates:

Non-consolidated subsidiary	ALPHA Automotive Technologies LLC
Affiliated companies	Japan Marine United Corporation, GE Passport, LLC

With regard to equity method affiliates during the fiscal year under review, due to changes in ownership interest, ALPHA Automotive Technologies LLC was reclassified from an affiliated company to a subsidiary. However, it has been made a non-consolidated subsidiary, and the equity method will continue to be applied.

(2) Names of non-consolidated subsidiaries and affiliated companies not accounted for by the equity method

Names of major companies:

Non-consolidated subsidiaries	I&H Engineering Co., Ltd., IHI DALGAKIRAN MAKİNA SANAYİ VE TİCARET A.Ş.
Affiliated companies	Kondo Iron Works Co., LTD., Perkins Shibaura Engines (Wuxi) Co., Ltd.

(Reason for excluding from the scope of equity method)

The companies' profit or loss for the Company's equity interest, and retained earnings for the Company's equity interest have immaterial effect on the consolidated financial statements and is less significant as a whole.

3. Fiscal Year, etc. for Consolidated Subsidiaries

Effective from the fiscal year under review, the closing date of the fiscal year for 42 companies including IHI INC. has been changed from December 31 to March 31, and 13 companies including Wuxi IHI Turbo Co., Ltd. have been consolidated using March 31 as a provisional closing date.

As a result, for the fiscal year ended March 31, 2018, 55 companies including IHI INC. have a fifteen-month accounting period.

In the period from January 1, 2017 through March 31, 2017 included in the fiscal year under review, net sales were 57,966 million yen, operating profit was 1,430 million yen, ordinary profit was 1,392 million yen and profit before income taxes was 1,387 million yen.

4. Significant Accounting Policies

(1) Valuation bases and methods of securities

Securities to be held until maturity are stated at amortized cost (by the straight-line method).

Other securities with market prices available are stated at fair market value as of the balance sheet date. The related valuation differences are directly included into net assets and the cost of sale price is determined by the moving-average method. Other securities without market prices available are stated at moving-average cost.

(2) Valuation bases and methods of derivatives

Derivatives are stated at fair market value.

(3) Valuation bases and methods of inventories

Finished goods and work in process are stated principally at identified cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

Raw materials and supplies are stated at moving-average cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

(4) Depreciation and amortization of non-current assets

Property, plant and equipment (except for leased assets)

These assets are depreciated principally by the straight-line method.

Intangible assets (except for leased assets)

Intangible assets are amortized by the straight-line method. Software used internally is amortized using the straight-line method over the useful life of the assets as estimated by the company (within five years).

Leased assets

Leased assets related to ownership transfer finance lease transactions are depreciated using the same method as that applied to property, plant and equipment.

Leased assets related to non-ownership transfer finance leases are depreciated over the lease period as useful period using the straight-line method with no residual value. The Company uses the method for ordinary rental transactions for non-ownership transfer finance leases for which lease agreements were concluded on or before March 31, 2008.

(5) Bases for significant allowances and provisions

Allowance for doubtful accounts

To prepare for losses on bad debts, the allowance for doubtful accounts is provided for based on historical default rates for general receivables, plus

individually estimated uncollectible amounts for specific receivables such as doubtful receivables.

Provision for bonuses

For payment of employee bonuses, the provision for bonuses is provided for in the amount that is expected to be paid.

Provision for directors' bonuses

To prepare for the transfer of money and shares to the directors, etc., an amount is recognized based on the estimated amount of the liability for transfer of money and shares at the end of the fiscal year under review.

Provision for construction warranties

To prepare for expenditures for construction warranties, the provision for construction warranties is provided for in the amount of estimated future expenditures based on historical experience.

Provision for loss on construction contracts

Provision for loss on construction contracts is provided for in the amount of estimated losses on undelivered construction contracts to occur at the end of the fiscal year under review.

Provision for directors' retirement benefits

The domestic consolidated subsidiaries provided the provision for directors' retirement benefits for the amount required to be paid at the end of the fiscal year under review in accordance with the internal policy.

Provision for loss on business of subsidiaries and affiliates

To prepare for losses on the businesses of subsidiaries and affiliates, estimated loss amount is provided for, taking into account the details of assets and other factors of the relevant subsidiaries.

(6) *Other significant matters concerning the preparation of consolidated financial statements*

Recognition of revenue and expenses

Basis of recognizing revenues and costs of construction contracts

Construction projects whose outcome of the progress by the end of the fiscal year deemed definite are recorded on the percentage-of-completion basis (rate of progress estimated by the cost-ratio method), while all other projects are accounted for on the completed construction basis.

Hedge accounting

(1) Hedge accounting

Deferred hedge accounting is applied. Transactions under forward foreign exchange contracts are booked in yen by translation at the foreign exchange rate stipulated in the contract if requirements for such treatment (*"furiate-shori"*) are satisfied.

- Interest rate swaps that satisfy requirements for exceptional treatments are accounted for by the exceptional treatment (“*tokurei-shori*”).
- (2) Hedging instruments and hedged items
Interest swaps are used to hedge interest rate risks associated with loans, and forward foreign exchange contracts, etc. are used to hedge foreign currency risks associated with monetary claims and liabilities denominated in foreign currencies.
 - (3) Hedging policy
Hedging instruments necessary for each risk category are selected.
 - (4) Method of assessing effectiveness of hedging
In the period from the beginning of hedging to the point of assessment, effectiveness is evaluated by comparing the cumulative total of the change in market value of or the change in cash flow of a hedged item, with the cumulative total of the change in market value of or the change in cash flow of hedging instruments.

Accounting for retirement benefits

To prepare for employees’ retirement benefits, net defined benefit asset/liability is recognized based on the estimated amounts of retirement benefit obligations and pension fund assets at the end of the fiscal year under review. Some consolidated subsidiaries adopt the conventional method to determine net defined benefit liability.

In the calculation of retirement benefit obligations, the method used to attribute projected benefit obligations in the period up to the fiscal year under review is benefit formula basis.

Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.

Actuarial gain or loss is amortized starting in the fiscal year following the fiscal year in which it occurs using the straight-line method over a certain number of years within the average remaining service period of employees.

Amortization method and period 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 to expenses as incurred.

Consumption taxes

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

Application of the consolidated taxation system

The consolidated taxation system has been applied.

II. Changes in Accounting Policies which are Difficult to Distinguish from Changes in Accounting Estimates and Changes in Accounting Estimates

(Changes in Method of Depreciation and Residual Value)

Up until now, the Company and some of its consolidated subsidiaries in Japan have been using the declining-balance method (however, the straight-line method has been used for lend-lease properties, buildings acquired on or after April 1, 1998 [not including facilities attached to buildings], and both facilities attached to buildings and structures acquired on or after April 1, 2016) as the depreciation method for property, plant and equipment. However, the Company and the consolidated subsidiaries have changed the depreciation method for property, plant and equipment to the straight-line method from the fiscal year under review.

The IHI Group, in line with the “Group Management Policies 2016,” a three-year medium-term management plan with fiscal 2016 as the first year, is working to secure sources of earnings by concentrating investment in growth fields in order to strengthen its earnings foundations and improve production efficiency through reform of quality systems and operational systems aimed at strengthening manufacturing capabilities and enhancement of shared Group functions.

As part of this, in addition to expansion of production capabilities targeting the launch of mass production of new aero-engine models, in all business areas there has been progress on the establishment of platforms that will enable more efficient production by utilizing ICT. Under these circumstances, based on the fact that long-term, stable operation of domestic production facilities, etc. is expected, in order to appropriately allocate costs the IHI Group has decided that it is more appropriate to use the straight-line method as the depreciation method. And, in conjunction with the change in the depreciation method, for certain property, plant and equipment, the residual value has been changed to the scrap value based on consideration of the value at the time the asset is retired.

As a result, operating profit for the fiscal year under review increased by 1,072 million yen, ordinary profit and profit before income taxes for the fiscal year under review increased by 1,036 million yen respectively.

III. Changes in Presentation

(Consolidated Statement of Income)

“Reversal of accrued expenses for environmental conservation measures,” which was included in “Other” under “Non-operating income” in the previous fiscal year, has been separately presented in the fiscal year under review due to its increased materiality of the amount.

“Payments for contract adjustments for civil aero engines,” which was included in “Other” under “Non-operating expenses” in the previous fiscal year, has been separately presented in the fiscal year under review due to its increased materiality of the amount.

IV. Notes to the Consolidated Balance Sheet

1. Assets Pledged as Collateral and Secured Liabilities

(1) Assets pledged as collateral

Cash and deposits	15 million yen
Buildings and structures	444 million yen
Land	960 million yen
Investment securities	646 million yen (Note 1)
Other investments and other assets	2,793 million yen (Note 2)

Of above, the following assets are pledged as collateral of factory foundation.

Land	960 million yen
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(2) Secured liabilities

Short-term loans payable	2,006 million yen
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Of above, the liabilities for which the collateral of factory foundation is pledged are as follows:

Short-term loans payable	2,000 million yen
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(Notes)

1. Kagoshima Mega Solar Power Corporation and seven shareholder companies of the said company entered into a revolving pledge agreement with financial institutions in order to secure all and any liabilities of the said company under the limited loan agreement concluded between Kagoshima Mega Solar Power Corporation and the financial institutions.
2. Nanatsujima Biomass Power Limited Liability Company, its nine shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee all and any liabilities incurred by affiliate Nanatsujima Biomass Power Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions.

2. Accumulated Depreciation of Property, Plant and Equipment

609,671 million yen

3. Contingent Liabilities

(1) Liabilities on guarantee (Note)

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
Japanese Aero Engines Corporation	6,573	Guarantee of loan obligations for purchase of fuselages, guarantee of lease obligations and guarantee for fuselage asset value
ALPHA Automotive Technologies LLC	1,400	Guarantee for lease obligations and loans from financial institutions

Guaranteed entity	Amount	Details of liability on guarantee
IHI Group Health Insurance Association	492	Loans from financial institutions
Japan Aeroforge, Ltd.	472	Loans from financial institutions
Employees	299	Guarantee on housing loans, etc.
Chubu Segment Co., Ltd.	25	Loans from financial institutions
Total	9,261	

(2) *Quasi-guarantee (Note)*

(Millions of yen)

Guaranteed entity	Amount	Description
Employees	5,602	Guarantee on housing loans, etc.
IHI Group Health Insurance Association	540	Loans from financial institutions
Total	6,142	

(Note)

The amounts shown above are the amounts the Group would pay to creditors in any of the following cases:

- (1) In the case of a perfected joint guarantee agreement, etc., if the amount guaranteed by the Group is clearly expressed and specified irrespective of other guarantors' capacities to guarantee.
- (2) In the case of a joint and several guarantee agreement with multiple guarantors, if the percentage or the amount guaranteed by the Group is clearly expressed in accordance with an arrangement among guarantors and other joint and several guarantors' capacities to guarantee are deemed adequate.

(3) *Notes receivable - trade discounted*

97 million yen

(4) *Notes receivable endorsed*

49 million yen

(5) *Other*

The Company is subject to investigations by the Tokyo Regional Taxation Bureau in relation to the transfer pricing taxation system concerning transactions between the Company and a consolidated subsidiary incorporated in Thailand. This investigation is currently ongoing. At this point in time, as it is difficult to rationally estimate the effect on the IHI Group's financial position or business results, the impact from the said matter is not reflected in the Company's consolidated financial statements for the fiscal year under review.

4. Notes Maturing on Balance Sheet Date

Accounting of notes maturing on the last day of fiscal year is settled on the clearing date. Because the last day of the fiscal year under review fell on a bank holiday, the following such notes that matured on the last day of the fiscal year are included in the balance on the last day of the fiscal year under review.

Notes receivable - trade	1,763 million yen
Notes payable - trade	1,300 million yen

V. Notes to the Consolidated Statement of Changes in Equity

1. Numbers of Shares Issued

(1) Class and number of shares issued

(Unit: shares)

Class	Number of Shares at April 1, 2017	Increase	Decrease	Number of Shares at March 31, 2018
Common stock	1,546,799,542	-	1,392,119,588	154,679,954

(Notes)

1. The Company conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) on October 1, 2017.
2. The decrease in the number of shares issued is the result of a consolidation of common shares.

(2) Class and number of treasury shares

(Unit: shares)

Class	Number of Shares at April 1, 2017	Increase	Decrease	Number of Shares at March 31, 2018
Common stock	2,562,679	1,118,646	3,336,890	344,435

(Notes)

1. The number of treasury shares at March 31, 2018 includes 111,000 shares of the Company owned by a trust account for the Board Benefit Trust (BBT).
2. The increase in shares resulted from the purchase of 8,646 shares of shares less than one unit (5,962 shares before the consolidation of common shares and 2,684 shares after the consolidation of common shares) and the acquisition of 1,110,000 shares of the Company (before the consolidation of common shares) by the Board Benefit Trust (BBT).
3. The decrease in shares resulted from the sale of 13 shares of fractional shares (after the consolidation of common shares) at the request of shareholders, decrease of 77,400 shares due to exercise of stock options (57,000 shares before the consolidation of common shares and 20,400 shares after the consolidation of common shares), and decrease of 3,259,477 shares through the consolidation of common shares.

2. Matters Concerning Dividends

(1) Cash dividends

Resolution	Class	Total dividends (Millions of yen)	Dividends per share (yen)	Cutoff date	Effective date
Meeting of the Board of Directors on November 1, 2017	Common stock	4,633	3	September 30, 2017	December 4, 2017

(Notes)

1. Total dividends resolved at the meeting of the Board of Directors on November 1, 2017 include 3 million yen which is dividends for shares of the Company owned by a trust account for the Board Benefit Trust (BBT).
2. The Company conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) on October 1, 2017. Consequently, dividends per share are calculated without factoring in the consolidation of shares.

(2) Of the dividends whose record date belongs to the fiscal year under review, the dividend whose effective date falls in the following fiscal year.

Resolution	Class	Total dividends (Millions of yen)	Dividends per share (yen)	Cutoff date	Effective date
Ordinary General Meeting of Shareholders on June 22, 2018	Common stock	4,633	30	March 30, 2018	June 25, 2018

(Note)

1. Total dividends to be resolved at the Ordinary General Meeting of Shareholders on June 22, 2018 include 3 million yen which is dividends for shares of the Company owned by a trust account for the Board Benefit Trust (BBT).

3. Class and Number of Shares underlying Share Acquisition Rights

Common stock 312,900 shares

VI. Financial Instruments

1. Status of Financial Instruments

As a Group policy, the Company and consolidated subsidiaries restrict the investments only in short-term and highly safe financial instruments and obtain funds through bank borrowings and bond issuance.

The customer credit risks in connection with notes and accounts receivable are managed by monitoring the balances and the collectability status by customer and by order in accordance with the Company's policies and procedures. At the same time, the financial status of each counterparty is periodically monitored in order to early capture and mitigate collectability concern arisen from deterioration in financial conditions.

Foreign currency risks associated with monetary assets and liabilities denominated in foreign currencies are, in principle, hedged by utilizing foreign exchange futures and currency option contracts.

As for securities and investment securities, their market prices and the financial status of issuers are regularly assessed, and the Company's holding status is continuously monitored.

Loans, commercial papers and bond payables are made for the purpose of obtaining working capital and funds for capital expenditures. Of which, loans, commercial papers or bond payables with floating rate are exposed to fluctuation risk of interest rate, therefore, such risk is hedged by employing derivative contracts.

Derivative contracts are utilized solely to avoid fluctuation risks of foreign exchange rate, interest rate and commodity prices, and the Company does not enter derivative contracts for speculative purpose.

2. Fair Values of Financial Instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet and their fair values as of March 31, 2018, as well as their differences.

(Millions of yen)

	Consolidated Balance Sheet Amount	Fair Value	Differences
(1) Cash and deposits	109,028	109,028	–
(2) Notes and accounts receivable - trade	400,330		
Allowance for doubtful accounts (*1)	(3,902)		
	396,428	396,113	(315)
(3) Securities and investment securities	17,061	17,069	8
Securities to be held until maturity	106	114	8
Available-for-sale securities	16,955	16,955	–
Total assets	522,517	522,210	(307)
(4) Notes and accounts payable - trade	304,928	304,928	–
(5) Short-term loans payable	81,515	81,515	–
(6) Commercial papers	–	–	–
(7) Bonds payable	50,000	49,958	(42)
(8) Long-term loans payable	172,533	174,445	1,912
Total liabilities	608,976	610,846	1,870
(9) Derivatives (*2)			
(a) Derivatives to which hedge accounting is not applied	410	410	–
(b) Derivatives to which hedge accounting is applied	200	200	–
Derivatives, total	610	610	–

(*1) The amount of allowance for doubtful accounts, which is recorded individually for notes and accounts receivable, is excluded.

(*2) Derivatives are stated in net of assets and liabilities. The figures in parenthesis indicate net liabilities.

(Notes)

1. Fair value measurement of financial instruments and notes on securities and derivatives

(1) Cash and deposits

The fair value of cash and deposits approximates their book value because of their short-term nature. Thus, the book value is used as fair value.

- (2) Notes and accounts receivable - trade
The fair values are measured based on the present values calculated by discounting receivable amounts classified by certain period at a rate with time to maturity and credit risk taken into account.
 - (3) Securities and investment securities
The fair values of equity securities are based on the market prices at the exchange.
 - (4) Notes and accounts payable - trade, (5) Short-term loans payable, and (6) Commercial papers
The fair value of these accounts approximates their book value because of their short-term nature. Thus, the book value is used as fair value.
 - (7) Bonds payable
The fair value of bonds issued by the Company is based on market price. If there is no market price, the price is computed by the present value method by which the total amount of principal and interest is discounted for the remaining period of the bond and taking into account credit risk.
 - (8) Long-term loans payable
The fair value of long-term loans payable is measured by discounting the total amount (*3) of principals and interests at an assumed interest rate for similar new borrowings.
(*3) Long-term loans payable which are subject to either designated hedge accounting of forward exchange contracts, etc. or exceptional treatment of interest rate swaps are measured depending on the conditions of cases where they are accounted for together with said derivatives.
 - (9) Derivatives
The fair value of forward foreign exchange contracts is based on the forward exchange rate. Forward foreign exchange contracts, etc., which qualify for the designated hedge accounting, are accounted for together with notes and accounts receivable - trade, notes and accounts payable - trade or long-term loans payable designated as a hedged item. Therefore, their fair values are included in the fair value of any of these items (please refer to the above (2), (4) and (8)).
Also, interest rate swaps, which qualify for the exceptional treatment, are accounted for together with long-term loans payable and short-term loans payable designated as a hedged item. Therefore, their fair values are included in the fair value of long-term loans payable and short-term loans payable (please refer to the above (8)).
2. Unlisted equity securities (consolidated balance sheet amount of 16,765 million yen) and shares of subsidiaries and affiliates (consolidated balance sheet amount of 65,458 million yen) are not included in the above “(3) Securities and investment securities, Available-for-sale securities,” since their market price is not available and the assessment of their fair values is deemed extremely difficult.

VII. Investment and Rental Properties

1. Status of 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. Income from rental properties is 5,107 million yen for the fiscal year under review.

Major income from rental properties is included in net sales, where major rental expenses are included in cost of sales.

2. Fair Values of Investment and Rental Properties

(Millions of yen)

Consolidated Balance Sheet Amount	Fair Value
97,083	269,075

(Notes)

1. Consolidated balance sheet amount is calculated by subtracting accumulated depreciation and accumulated impairment loss from acquisition cost.
2. The fair value as of March 31, 2018 was measured mainly based on the values in the appraisal report prepared by external real estate appraisers.

VIII. Per Share Information

1. Net Assets per Share

2,103.22 yen

2. Basic Earnings per Share

53.71 yen

(Notes)

1. The basis for calculating basic earnings per share is as follows.

Profit attributable to owners of parent	8,291 million yen
Amounts for non-common shareholders	–
Profit attributable to owners of parent regarding common stock	8,291 million yen
Average number of shares of common stock	154,362 thousand shares
2. The Company conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) on October 1, 2017. Net assets per share and basic earnings per share have been calculated under the assumption that this consolidation of common shares was conducted on April 1, 2017.
3. The number of shares issued at the end of the period, and the number of treasury shares excluded for the calculation of the average number of shares outstanding during the period, include shares owned by a trust account for the Board Benefit Trust (BBT). The number of treasury shares at the end of the period excluded for the calculation of net assets per share and the average number of treasury shares outstanding during the period excluded for the calculation of basic earnings per share are both 111,000 shares.

IX. Significant Subsequent Events

No applicable item.

X. Other Notes

(Performance-based share remuneration plan)

Through resolutions passed at the 200th Ordinary General Meeting of Shareholders, held on June 23, 2017, and at the Board of Directors meeting held on the same day, the Company has introduced a performance-based share remuneration plan (“Board Benefit Trust” or “BBT”) for directors (excluding outside directors). The purpose of the plan is to strengthen the linkage between a portion of directors’ remuneration and the Company’s medium- to long-term performance, and further incentivize directors to contribute to boosting IHI Group’s corporate value over the medium to long term. Also, based on a resolution passed at the same Board of Directors meeting, the Company has adopted a plan with the same purport of the aforementioned plan for the executive officers of the Company (hereinafter, the aforementioned plan for directors and this plan for the executive officers will be collectively referred to as the “Plan”).

Concerning the accounting treatment of the Board Benefit Trust, the gross method has been applied in accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015).

(1) Overview of the transaction

The Plan is a system by which directors and executive officers satisfying certain requirements will have the Company’s shares and money equivalent to the market value of the Company’s shares (hereinafter collectively with the Company’s shares, the “Company’s shares, etc.”) transferred to them in accordance with the rules for transfer of shares prescribed in advance by the Company. Each year, the Company will award points, which will be the basis for transferring the Company’s shares, etc., to directors and executive officers. After the end of three consecutive fiscal years of which the initial year is the fiscal year to which the date of the award belongs, awarded points will be adjusted based on the degree of achievement of designated performance indicators determined by the Company’s Board of Directors, and the Company’s shares, etc. equivalent to the number of adjusted points will be transferred to directors and executive officers. In order to transfer the Company’s shares, etc. to directors and executive officers, the Company has established a trust in advance with funds contributed by the Company, and this trust acquires the Company’s shares and manages them separately.

(2) Shares remaining in the trust

In conjunction with the adoption of the Plan, Trust & Custody Services Bank, Ltd. acquired 1,110,000 of the Company’s shares in August 2017. The Company has recorded the Company shares remaining in the trust as treasury shares in net assets at the book value (excluding the amount of associated expenses) of the trust. At the end of the fiscal year under review, there were 111,000 treasury shares with a book value of 406 million yen.

In addition, the Company conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) with an effective date of October 1, 2017.

(Note)

In preparing consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to the consolidated financial statements, figures less than one unit for monetary amounts are rounded to the nearest unit.

Non-Consolidated Balance Sheet
(As of March 31, 2018)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets		Current liabilities	
Cash and deposits	34,965	Notes payable – trade	3,346
Notes receivable – trade	1,582	Accounts payable – trade	147,903
Accounts receivable – trade	158,036	Short-term loans payable	100,171
Work in Process	197,470	Lease obligations	2,284
Raw materials and supplies	91,631	Accounts payable – other	23,725
Advance payments – other	13,219	Accrued expenses	55,421
Prepaid expenses	7,351	Income taxes payable	1,607
Deferred tax assets	30,587	Advances received	116,552
Accounts receivable – other	29,636	Deposits received	1,340
Short-term loans receivable	39,789	Provision for bonuses	9,625
Other	5,048	Provision for directors' bonuses	538
Allowance for doubtful accounts	(3,144)	Provision for construction warranties	42,637
Non-current assets		Provision for loss on construction contracts	9,636
Property, plant and equipment	197,460	Other	1,732
Buildings	85,330	Non-current liabilities	
Structures	4,810	Bonds payable	50,000
Docks and building berths	0	Long-term loans payable	141,826
Machinery and equipment	31,352	Lease obligations	5,717
Vessels	0	Long-term lease and guarantee deposited	9,195
Vehicles	98	Provision for retirement benefits	103,567
Tools, furniture and fixtures	14,103	Provision for loss on business of subsidiaries and affiliates	2,051
Land	46,605	Asset retirement obligations	58
Leased assets	6,198	Other	60,537
Construction in progress	8,960	Total liabilities	
Intangible assets	13,666	889,478	
Royalties and other intangible assets	2,853	Net Assets	
Leasehold right	9	Shareholders' equity	
Right of using facilities	28	Capital stock	107,165
Software	10,705	Capital surplus	54,525
Leased assets	2	Legal capital surplus	54,520
Other	67	Other capital surplus	5
Investments and other assets	300,032	Retained earnings	66,496
Investment securities	30,353	Legal retained earnings	6,083
Shares of subsidiaries and affiliates	156,706	Other retained earnings	60,412
Investments in capital	1,111	Reserve for advanced depreciation of non-current assets	8,690
Investments in capital of subsidiaries and affiliates	28,308	Reserve for investment loss on restructuring specified business	485
Long-term loans receivable	7,468	Retained earnings brought forward	51,236
Deferred tax assets	55,227	Treasury shares	(879)
Other	21,614	Valuation and translation adjustments	
Allowance for doubtful accounts	(757)	Valuation difference on available-for-sale securities	(255)
		Deferred gains or losses on hedges	11
		Share acquisition rights	
		791	
		Total net assets	
		227,855	
Total assets	1,117,334	Total liabilities and net assets	1,117,334

Non-Consolidated Statement of Income
(Year ended March 31, 2018)

(Millions of yen)

Account title	Amount
Net sales	721,739
Cost of sales	591,863
Gross profit	129,876
Selling, general and administrative expenses	82,017
Operating profit	47,858
Non-operating income	
Interest and dividend income	22,541
Other	3,946
Non-operating expenses	
Interest expenses	1,592
Foreign exchange losses	2,835
Payments for contract adjustments for civil aero engines	6,488
Expenses for delayed delivery	4,157
Other	9,196
Ordinary profit	50,076
Extraordinary losses	
Loss on valuation of shares of subsidiaries and affiliates	31,512
Settlement-related expenses related to boiler facilities in customer's commercial operation	2,015
Impairment loss	868
Profit before income taxes	15,679
Income taxes – current	(2,878)
Income taxes – deferred	(5,420)
Profit	23,978

Non-Consolidated Statement of Changes in Equity (Year ended March 31, 2018)

(Millions of yen)

	Shareholders' equity										
	Capital stock	Capital surplus			Retained earnings				Total retained earnings	Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings					
						Reserve for advanced depreciation of non-current assets	Reserve for investment loss on restructuring specified business	Retained earnings brought forward			
Balance at beginning of current period	107,165	54,520	6	54,526	6,083	9,208	485	31,373	47,150	(513)	208,329
Changes of items during period											
Dividends of surplus								(4,632)	(4,632)		(4,632)
Profit								23,978	23,978		23,978
Reversal of reserve for advanced depreciation of non-current assets						(517)		517	-		-
Purchase of treasury shares										(418)	(418)
Disposal of treasury shares			(1)	(1)						52	51
Net changes of items other than shareholders' equity											
Total changes of items during period	-	-	(1)	(1)	-	(517)	-	19,863	19,345	(366)	18,978
Balance at end of current period	107,165	54,520	5	54,525	6,083	8,690	485	51,236	66,496	(879)	227,307

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	643	47	691	843	209,864
Changes of items during period					
Dividends of surplus					(4,632)
Profit					23,978
Reversal of reserve for advanced depreciation of non-current assets					-
Purchase of treasury shares					(418)
Disposal of treasury shares					51
Net changes of items other than shareholders' equity	(898)	(36)	(935)	(51)	(986)
Total changes of items during period	(898)	(36)	(935)	(51)	17,991
Balance at end of current period	(255)	11	(243)	791	227,855

(Note)

In preparing the business report, consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, non-consolidated balance sheet, non-consolidated statement of income and non-consolidated statement of changes in equity, figures less than one unit for monetary amounts, numbers of shares and shareholding ratios are rounded down. However, in the business report, consolidated balance sheet, consolidated statement of income and consolidated statement of changes in equity, for monetary amounts (excluding borrowings and remuneration) for which units are in millions of yen, figures less than one unit are rounded to the nearest unit.

Notes to the Non-Consolidated Financial Statements

I. Significant Accounting Policies

1. Valuation Bases and Methods of Assets

(1) Securities

Shares of subsidiaries and affiliates are stated at moving-average cost. Other securities with market prices available are stated at fair market value as of the balance sheet date. The related valuation differences are directly included into net assets and the cost of sale price is determined by the moving-average method. Other securities without market prices available are stated at moving-average cost.

(2) Derivatives

Derivatives are stated at fair market value.

(3) Inventories

Work in process is stated at identified cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

Raw materials and supplies are stated at moving-average cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

2. Depreciation and Amortization of Non-current Assets

(1) Property, plant and equipment (except for leased assets)

These assets are depreciated by the straight-line method.

(2) Intangible assets (except for leased assets)

Intangible assets are amortized by the straight-line method. Software used internally is amortized using the straight-line method over the useful life of the assets as estimated by the company (within five years).

(3) Leased assets

Leased assets related to ownership transfer finance lease transactions are depreciated using the same method as that applied to property, plant and equipment.

Leased assets related to non-ownership transfer finance leases are depreciated over the lease period as useful period using the straight-line method with no residual value. The Company uses the method for ordinary rental transactions for non-ownership transfer finance leases for which lease agreements were concluded on or before March 31, 2008.

3. Bases for Allowances and Provisions

(1) Allowance for doubtful accounts

To prepare for losses on bad debts, the allowance for doubtful accounts is provided for based on historical default rates for general receivables, plus

individually estimated uncollectible amounts for specific receivables such as doubtful receivables.

(2) Provision for bonuses

For payment of employee bonuses, the provision for bonuses is provided for in the amount that is expected to be paid.

(3) Provision for directors' bonuses

To prepare for the transfer of money and shares to the directors, etc., an amount is recognized based on the estimated amount of the liability for transfer of money and shares at the end of the fiscal year under review.

(4) Provision for construction warranties

To prepare for expenditures for construction warranties, the provision for construction warranties is provided for in the amount of estimated future expenditures based on historical experience.

(5) Provision for loss on construction contracts

Provision for loss on construction contracts is provided for in the amount of estimated losses on undelivered construction contracts to occur at the end of the fiscal year under review.

(6) Provision for retirement benefits

Provision for retirement benefits is provided for based on estimated amounts of projected benefit obligations and pension fund assets as of the balance sheet date.

In the calculation of defined benefit liability, the method used to attribute projected benefit obligations in the period up to the fiscal year under review is benefit formula basis.

Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.

Actuarial gain or loss is amortized starting in the fiscal year following the fiscal year in which it occurs using the straight-line method over a certain number of years within the average remaining service period of employees.

(7) Provision for loss on business of subsidiaries and affiliates

To prepare for losses on the businesses of subsidiaries and affiliates, estimated loss amount is provided for, taking into account the details of assets and other factors of the relevant subsidiaries.

4. Basis of Recognizing Revenues and Expenses

Basis of recognizing revenues and costs of construction contracts

Construction projects whose outcome of the progress by the end of the fiscal year deemed definite are recorded on the percentage-of-completion basis (rate of progress estimated by the cost-ratio method), while all other projects are accounted for on the completed construction basis.

5. Other Significant Matters Concerning Preparation of the Non-Consolidated Financial Statements

(1) Hedge accounting

1) Hedge accounting

Deferred hedge accounting is applied. Transactions under forward foreign exchange contracts are booked in yen by translation at the foreign exchange rate stipulated in the contract if requirements for such treatment (*“furiate-shori”*) are satisfied.

Interest rate swaps that satisfy requirements for exceptional treatments are accounted for by the exceptional treatment (*“tokurei-shori”*).

2) Hedging instruments and hedged items

Interest swaps are used to hedge interest rate risks associated with loans, and forward foreign exchange contracts, etc. are used to hedge foreign currency risks associated with monetary claims and liabilities denominated in foreign currencies.

3) Hedging policy

Hedging instruments necessary for each risk category are selected.

4) Method of assessing effectiveness of hedging

In the period from the beginning of hedging to the point of assessment, effectiveness is evaluated by comparing the cumulative total of the change in market value of or the change in cash flow of a hedged item, with the cumulative total of the change in market value of or the change in cash flow of hedging instruments.

(2) Accounting method for retirement benefits

In the non-consolidated financial statements, the treatment for unrecognized actuarial gain or loss and unrecognized past service cost on the balance sheet is different to the treatment in the consolidated financial statements. On the non-consolidated balance sheet, unrecognized actuarial gain or loss and unrecognized past service cost are added or deleted from projected benefit obligations and the resulting amount is recorded in provision for retirement benefits.

(3) Consumption taxes

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

(4) Application of the consolidated taxation system

The consolidated taxation system has been applied.

II. Changes in Accounting Policies which are Difficult to Distinguish from Changes in Accounting Estimates and Changes in Accounting Estimates

(Changes in Method of Depreciation and Residual Value)

Up until now, the Company has been using the declining-balance method (however, the straight-line method has been used for lend-lease properties, buildings acquired on or after April 1, 1998 [not including facilities attached to buildings], and both facilities attached to buildings and structures acquired on or after April 1, 2016) as the depreciation method for property, plant and equipment. However, the Company and the consolidated subsidiaries have changed the depreciation method for property, plant and equipment to the straight-line method from the fiscal year under review.

The Company, in line with the “Group Management Policies 2016,” a three-year medium-term management plan with fiscal 2016 as the first year, is working to secure sources of earnings by concentrating investment in growth fields in order to strengthen its earnings foundations and improve production efficiency through reform of quality systems and operational systems aimed at strengthening manufacturing capabilities and enhancement of shared Group functions.

As part of this, in addition to expansion of production capabilities targeting the launch of mass production of new aero-engine models, in all business areas there has been progress on the establishment of platforms that will enable more efficient production by utilizing ICT. Under these circumstances, based on the fact that long-term, stable operation of domestic production facilities, etc. is expected, in order to appropriately allocate costs the IHI Group has decided that it is more appropriate to use the straight-line method as the depreciation method.

And, in conjunction with the change in the depreciation method, for certain property, plant and equipment, the residual value has been changed to the scrap value based on consideration of the value at the time the asset is retired.

As a result, operating profit for the fiscal year under review increased by 673 million yen, ordinary profit and profit before income taxes for the fiscal year under review increased respectively by 653 million yen.

III. Changes in Presentation

(Non-Consolidated Statement of Income)

“Payments for contract adjustments for civil aero engines,” which was included in “Other” under “Non-operating expenses” in the previous fiscal year, has been separately presented in the fiscal year under review due to its increased materiality of the amount.

IV. Notes to the Non-Consolidated Balance Sheet

1. Assets Pledged as Collateral and Secured Liabilities

Assets pledged as collateral

Investment securities	646 million yen (Note 1)
Investments in capital of subsidiaries and affiliates	2,793 million yen (Note 2)

(Notes)

1. Kagoshima Mega Solar Power Corporation and seven shareholder companies of the said company entered into a revolving pledge agreement with financial institutions in order to secure all and any liabilities of the said company under the limited loan agreement concluded between Kagoshima Mega Solar Power Corporation and the financial institutions.
2. Nanatsujima Biomass Power Limited Liability Company, its nine shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee all and any liabilities incurred by affiliate Nanatsujima Biomass Power Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions.

2. Accumulated Depreciation of Property, Plant and Equipment

345,926 million yen

3. Contingent Liabilities

(1) *Liabilities on guarantee (Note)*

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
IHI Investment for Aero Engine Leasing LLC	8,171	Loans from financial institutions
Japanese Aero Engines Corporation	6,572	Guarantee of loan obligations for purchase of fuselages, guarantee for lease obligations and guarantee of fuselage asset value
ALPHA Automotive Technologies LLC	1,400	Guarantee for lease obligations and loans from financial institutions
IHI Charging Systems International GmbH	739	Loans from financial institutions
IHI Southwest Technologies, Inc.	626	Loans from financial institutions
IHI Group Health Insurance Association	492	Loans from financial institutions
Japan Aeroforge, Ltd.	472	Loans from financial institutions
Toshiba IHI Power Systems Corporation	35	Loans from financial institutions
Total	18,510	

(2) Quasi-guarantee (Note)

(Millions of yen)

Guaranteed entity	Amount	Description
Employees of the Company	5,597	Housing loans and others
IHI Charging Systems International GmbH	2,357	Commitment to guarantees for the obligation to return VAT refund
IHI Group Health Insurance Association	540	Loans from financial institutions
Total	8,495	

(Note)

The amounts shown above are the amounts the Company would pay to creditors in any of the following cases:

- (1) In the case of a perfected joint guarantee agreement, etc., if the amount guaranteed by the Company is clearly expressed and specified irrespective of other guarantors' capacities to guarantee.
- (2) In the case of a joint and several guarantee agreement with multiple guarantors, if the percentage or the amount guaranteed by the Company is clearly expressed in accordance with an arrangement among guarantors and other joint and several guarantors' capacities to guarantee are deemed adequate.
- (3) *Other*

The Company is subject to investigations by the Tokyo Regional Taxation Bureau in relation to the transfer pricing taxation system concerning transactions between the Company and a consolidated subsidiary incorporated in Thailand. This investigation is currently ongoing. At this point in time, as it is difficult to rationally estimate the effect on the Company's financial position or business results, the impact from the said matter is not reflected in the Company's non-consolidated financial statements for the fiscal year under review.

4. Monetary Claims and Liabilities to Subsidiaries and Affiliates

Short-term monetary claims	69,480 million yen
Long-term monetary claims	8,549 million yen
Short-term monetary liabilities	134,093 million yen
Long-term monetary liabilities	728 million yen

5. Notes Maturing on Balance Sheet Date

Accounting of notes maturing on the last day of fiscal year is settled on the clearing date. Because the last day of the fiscal year under review fell on a bank holiday, the following such notes that matured on the last day of the fiscal year are included in the balance on the last day of the fiscal year under review.

Notes receivable - trade	20 million yen
Notes payable - trade	155 million yen

V. Notes to the Non-Consolidated Statement of Income

Amounts of Transactions with Subsidiaries and Affiliates

(1) Operating transactions

Sales to subsidiaries and affiliates	38,630 million yen
Purchases from subsidiaries and affiliates	179,713 million yen

(2) *Non-operating transactions*

21,912 million yen

VI. Notes to the Non-Consolidated Statement of Changes in Equity

Class and Number of Treasury Shares at the End of the Fiscal Year

Common stock	344,435 shares
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(Notes)

1. The Company conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) on October 1, 2017.
2. A trust account for the Board Benefit Trust (BBT) acquired 1,110,000 shares of the Company during the fiscal year under review. Due to the consolidation of shares, the said shares decreased by 999,000 shares, and 111,000 shares are included in the number of treasury shares (common shares) as of the end of the fiscal year under review.

VII. Tax Effect Accounting

(Primary causes for the occurrence of deferred tax assets and liabilities)

Deferred tax assets are mainly in association with provision for retirement benefits, and deferred tax liabilities are mainly in association with reserve for advanced depreciation of non-current assets.

VIII. Non-current Assets Used Through Leases

In addition to the non-current assets on the non-consolidated balance sheet, some buildings of Headquarters Representative's Offices are used through non-ownership transfer finance leases.

IX. Related Party Transactions

1. Subsidiaries, Affiliates and Other Related Parties

(Millions of yen)

Type	Name	Location	Capital or Contribution	Nature of Business	Voting Rights Holding or Held	Relation with the Party
Subsidiary	IHI Turbo Co., Ltd.	Koto-ku, Tokyo	1,000	Manufacture	Holding directly 100%	Production subsidiary
Subsidiary	IHI Plant Construction Co., Ltd.	Koto-ku, Tokyo	500	Construction	Holding directly 100%	Company sharing business function
Subsidiary	IHI INC.	New York, U.S.A.	92,407 thousand US dollars	Sales, solicitation of orders	Holding directly 100%	Regional Headquarter for the Americas
Subsidiary	IHI E&C International Corporation	Texas, U.S.A.	21,257 thousand US dollars	Design, procurement, construction	Holding indirectly 100%	Company sharing business function
Affiliate	IHI Finance Support Corporation	Chuo-ku, Tokyo	200	Lease, factoring, etc.	Holding directly 33.5%	Factoring

(Millions of yen)

Name	Transactions	Transaction Amount (Note 1)	Account Title	Balance as of March 31, 2018 (Note 1)
IHI Turbo Co., Ltd.	- Purchases of vehicular turbochargers, etc.	(Note 2) 42,084	Accounts payable - trade	12,270
IHI Plant Construction Co., Ltd.	- Ordering of field work, etc. for plant construction business	(Note 2) 28,738	Accounts payable - trade Accounts payable - other	12,862 1
IHI INC.	- Subscription to capital increase	(Note 3) 31,656	-	-
IHI E&C International Corporation	- Fund borrowing	(Note 4) 21,100	Short-term loans payable Accrued interest expenses	21,248 2
IHI Finance Support Corporation	- Factoring	(Note 5) 59,288	Accounts payable - trade Accounts payable - other	13,880 2,242

2. Directors/Audit & Supervisory Board Members and Major Individual Shareholders

(Millions of yen)

Type	Name	Location	Capital or Contribution	Nature of Business or Occupation	Voting Rights Holding or Held	Relation with the Party
Director/audit & supervisory board member	Toshinori Sekido	-	-	Japanese Aero Engines Corporation (Representative Director)	Held directly 0%	Executive Vice President of the Company

(Millions of yen)

Name	Transactions	Transaction Amount (Note 1)	Account Title	Balance as of March 31, 2018 (Note 1)
Toshinori Sekido	Operating transactions with Japanese Aero Engines Corporation (JAEC) (Note 6)			
	-Subcontract of work from JAEC related to R&D of jet engines	7,550	-	-
	-Payment of a portion of funding related to the above	2,926	-	- (Note 7)
	-Acceptance of subsidies related to the above	6,256	Accounts payable - other	6,086
			Long-term accounts payable - other	54,490
	-Manufacture of jet engine components and delivery thereof to JAEC	161,246	Accounts receivable - trade	17,980
		Advances received	10,070	
	-Payment of a portion of expenses related to the above	81,566	-	-

(Notes)

1. Amounts of transactions do not include consumption taxes and balances as of March 31, 2018 do. The transaction amount does not include foreign exchange gains or losses, and the ending balance includes foreign exchange gains or losses.
2. Amounts of transactions and trading prices were based on conditions for general transactions, and took into account market prices.
3. The Company subscribed to the capital increase through IHI INC.'s allotment of new shares to shareholders.
4. The interest rates on fund borrowing are decided taking market interest rates into consideration.
5. With regard to factorings, the Company, any customer and IHI Finance Support Corporation enter into a basic agreement concerning the Company's liabilities and settle the amount.
6. The Company conducted these transactions as a representative of third parties, and amounts of transactions and trading prices were based on conditions for general transactions.
7. Consumption tax, etc. are not included in Accounts payable - other or Long-term accounts payable - other for which Japanese Aero Engines Corporation is the counterparty.

X. Per Share Information

1. Net Assets per Share	1,471.23 yen
2. Basic Earnings per Share	155.33 yen

(Notes)

1. The basis for calculating basic earnings per share is as follows.

Profit	23,978 million yen
Amounts for non-common shareholders	–
Profit regarding common stock	23,978 million yen
Average number of shares of common stock	154,361 thousand shares

2. The Company conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) on October 1, 2017. Net assets per share and basic earnings per share have been calculated under the assumption that this consolidation of common shares was conducted on April 1, 2017.
3. The number of shares issued at the end of the period, and the number of treasury shares excluded for the calculation of the average number of shares outstanding during the period, include shares owned by a trust account for the Board Benefit Trust (BBT). The number of treasury shares at the end of the period excluded for the calculation of net assets per share and the average number of treasury shares outstanding during the period excluded for the calculation of basic earnings per share are both 111,000 shares.

XI. Significant Subsequent Events

No applicable item.

XII. Other Notes

(Performance-based share remuneration plan)

Through resolutions passed at the 200th Ordinary General Meeting of Shareholders, held on June 23, 2017, and at the Board of Directors meeting held on the same day, the Company has introduced a performance-based share remuneration plan (“Board Benefit Trust” or “BBT”) for directors (excluding outside directors). The purpose of the plan is to strengthen the linkage between a portion of directors’ remuneration and the Company’s medium- to long-term performance, and further incentivize directors to contribute to boosting IHI Group’s corporate value over the medium to long term. Also, based on a resolution passed at the same Board of Directors meeting, the Company has adopted a plan with the same purport of the aforementioned plan for the executive officers of the Company (hereinafter, the aforementioned plan for directors and this plan for the executive officers will be collectively referred to as the “Plan”).

Concerning the accounting treatment of the Board Benefit Trust, the gross method has been applied in accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015).

(1) Overview of the transaction

The Plan is a system by which directors and executive officers satisfying certain requirements will have the Company’s shares and money equivalent to the market value of the Company’s shares (hereinafter collectively with the Company’s shares, the “Company’s shares, etc.”) transferred to them in accordance with the rules for transfer of shares prescribed in advance by the Company. Each year, the Company will award points, which will be the basis for transferring the Company’s shares, etc., to directors and executive officers. After the end of three consecutive fiscal years of which the initial year is the fiscal year to which the date of the award belongs, awarded points will be adjusted based on the degree of achievement of designated performance indicators determined by the Company’s Board of Directors, and the Company’s shares, etc. equivalent to the number of adjusted points will be transferred to directors and executive officers. In order to transfer the Company’s shares, etc. to directors and executive officers, the Company has established a trust in advance with funds contributed by the Company, and this trust acquires the Company’s shares and manages them separately.

(2) Shares remaining in the trust

In conjunction with the adoption of the Plan, Trust & Custody Services Bank, Ltd. acquired 1,110,000 of the Company’s shares in August 2017. The Company has recorded the Company shares remaining in the trust as treasury shares in net assets at the book value (excluding the amount of associated expenses) of the trust. At the end of the fiscal year under review, there were 111,000 treasury shares with a book value of 406 million yen.

In addition, the Company conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) with an effective date of October 1, 2017.

(Loss on valuation of shares of subsidiaries and affiliates)

Because the fair value of IHI Inc.'s shares held by the Company has declined significantly below their book value, the Company has investigated the likelihood of a recovery in the value of the shares. Having concluded that such a recovery would be difficult for the time being, the Company has recorded 31,286 million yen as a loss on valuation of shares of subsidiaries and affiliates. Including other losses on valuation of shares of subsidiaries and affiliates, extraordinary losses of 31,512 million yen were recorded.

(Note)

In preparing the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to the non-consolidated financial statements, monetary amounts less than one unit are rounded down.

Audit Report of Accounting Auditor on Consolidated Financial Statements

(Translation)

Report of Independent Auditor

May 14, 2018

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Hideyuki Inoue (Seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroataka Oya (Seal)
Certified Public Accountant
Designated and Engagement Partner

Yoichi Takanashi (Seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of IHI Corporation (the “Company”) applicable to the fiscal year from April 1, 2017 through March 31, 2018.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit as independent auditor. 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 and applied depend on the auditors’ 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 is

not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessments, the auditors consider internal control 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, the method of their application, 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 financial position and results of operations of the IHI Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2018 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act of Japan.

Audit Report of Accounting Auditor on Non-Consolidated Financial Statements

(Translation)

Report of Independent Auditor

May 14, 2018

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Hideyuki Inoue (Seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroataka Oya (Seal)
Certified Public Accountant
Designated and Engagement Partner

Yoichi Takanashi (Seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to the non-consolidated financial statements and the related supplementary schedules of IHI Corporation (the “Company”) applicable to the 201st fiscal year from April 1, 2017 through March 31, 2018.

Management’s Responsibility for the Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit as independent auditor. 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 financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected and applied depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary

schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

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 financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of IHI Corporation applicable to the 201st fiscal year ended March 31, 2018 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act of Japan.

Audit Report of the Audit & Supervisory Board

<Translation>

Audit Report

We at the Audit & Supervisory Board, having discussed the Directors' performance of duties during the 201st fiscal year, from April 1, 2017 through March 31, 2018, based on audit reports from each Audit & Supervisory Board Member, prepared this Audit Report. Our audit opinion is as follows.

I. Methods and Contents of the Audit Implemented by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board established its audit policy, assigned responsibilities to each Audit & Supervisory Board Member in carrying out the policy, and received reports from each Audit & Supervisory Board Member on audit implementation and results. In addition, the Audit & Supervisory Board, when necessary, received reports and requested explanations from Directors, other executives and accounting auditors concerning the execution of their duties.

Each Audit & Supervisory Board Member, in accordance with the Audit & Supervisory Board Members standard of audit, established by the Audit & Supervisory Board, as well as the audit policy and assigned responsibilities, communicated with Directors, internal audit divisions, and other employees, in order to gather information and develop an optimal audit environment. At the same time, each Audit & Supervisory Board Member attended meetings of the Board of Directors and other important meetings, received reports on the execution of duties from Directors, employees and other personnel, received reports and requested explanations from them when necessary, perused important documents, including those subject to executive approval, and examined the conditions of assets and business at the head office and other major business office. With regard to the Company's subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with Directors, Audit & Supervisory Board Members, and other personnel of the subsidiaries, requested reports from them, and examined the conditions of assets and business when necessary.

In addition, each Audit & Supervisory Board Member has reviewed the contents of the Board of Directors' resolutions on a system which assures that the execution of Directors' duties described in the business report comply with laws and regulations and the Articles of Incorporation, and monitored improvements to the system for assuring the propriety of operations of a corporate group consisting of a corporation and its subsidiaries, as stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan. Each Audit & Supervisory Board Member also verified that improvements had been made to the internal control system, in accordance with the Board of Directors' resolutions.

Based on the methods described above, the Audit & Supervisory Board reviewed the business report and its supplementary schedules for the fiscal year.

Further, each Audit & Supervisory Board Member has monitored the accounting auditor to verify their independence and the propriety of their audit implementation, and has received reports and requested explanations from them when necessary. In addition, each Audit & Supervisory Board Member received a notice from the accounting auditor that “the system for securing appropriate execution of duties” (in each item listed in Article 131 of the Corporate Accounting Rules) has been developed in accordance with “the Standard on Quality Control Concerning Audit” (established by the Business Accounting Council on October 28, 2005), and requested explanations from them when necessary.

Based on the methods described above, the Audit & Supervisory Board reviewed non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements) and their supplementary schedules, as well as consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements) for the fiscal year.

II. Results of Audit

1. Results of the audit of the business report and other documents

(1) The business report and its supplementary schedules present fairly the condition of the Company in accordance with applicable laws and regulations, as well as the Articles of Incorporation.

(2) With regard to the execution of Directors’ duties, we have found no misconduct or material matters in violation of laws and regulations, or the Articles of Incorporation.

(3) We find the content of the Board of Directors’ resolution on the internal control system sufficient. Also, with regard to the description of the internal control system in the business report and execution of Director’s duties, nothing unusual is to be pointed out.

2. Results of the audit of non-consolidated financial statements and their supplementary schedules

The method and results of the audit conducted by Ernst & Young ShinNihon LLC, the Company’s accounting auditor, are recognized as fair and proper.

3. Results of the audit of consolidated financial statements

The method and results of the audit conducted by Ernst & Young ShinNihon LLC, the Company’s accounting auditor, are recognized as fair and proper.

May 16, 2018

**The Audit & Supervisory Board
IHI Corporation**

Shigeru Uesugi (Seal)
Standing Audit & Supervisory
Board Member

Taizo Suga (Seal)
Standing Audit & Supervisory
Board Member

Takayuki Hashimoto (Seal)
Outside Audit & Supervisory
Board Member

Yoko Hatta (Seal)
Outside Audit & Supervisory
Board Member

Tomomi Yatsu (Seal)
Outside Audit & Supervisory
Board Member

Exercise of Voting Rights by Electronic Measures

You can exercise your voting rights only through a designated special website specifically for such purpose (<https://www.web54.net>). Provider fees and communication fees (telephone charges) to access the Voting Right Exercising Website shall be borne by the shareholder. There is no site tailored for access by mobile phone. When you use it, please read and follow the following rules and instructions:

■ Electronic voting

1. Votes for which rights are exercised by 5:30 p.m. (JST) on the day prior to the General Meeting of Shareholders (Thursday, June 21, 2018) (JST) shall be effective. Please vote as early as possible to allow us sufficient time to tabulate votes.
2. If any voting rights are exercised via the Internet, etc. more than once, the votes cast last shall be considered to be valid.
3. If any voting rights are exercised redundantly both by the voting form and via the Internet, etc., the votes which reach us last shall be considered to be valid. If both the votes by the voting form and the votes via the Internet, etc. reach us on the same day, the votes cast via the Internet, etc. shall be considered to be valid.

■ Password

1. A password is required to verify a shareholder's identity. Please take appropriate measures to ensure the security of your password.
2. Passwords supplied by us and those created by you will only apply to matters related to this General Meeting of Shareholders.
3. Your password will become invalid if you enter the wrong password multiple times. Should you need a password to be reissued, please follow the directions on the screen.

■ If you are unclear about the operation

Please contact as below if you are unclear about the operation of Exercise of Voting Rights by Electronic Measures:

<p style="text-align: center;">Sumitomo Mitsui Trust Bank Securities Agency Web Support [Toll Free] 0120 (652) 031 (9:00 – 21:00) (JST)</p>

For other inquiries please refer to the following:

- 1) Shareholders with an account at a brokerage firm
Please contact the brokerage firm that you trade with
- 2) Shareholders without an account at a brokerage firm (shareholders with a special account)
Sumitomo Mitsui Trust Bank Securities Administration Center
Tel: 0120 (782) 031 [Toll Free]
Hours: Weekdays 9:00 – 17:00 (JST)

To Institutional investors

You can exercise your voting rights by electronic measures as above and also can use the electronic platform to exercise voting rights which is operated by ICJ Inc.