

(English Translation)

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For immediate release:

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Concerning Administrative Sanctions from Ministry of Land, Infrastructure, Transport and Tourism for Inadequate Practices Occurring in IHI's Civil Aero Engine Maintenance Business

As announced in the "Interim Report on Inadequate Practices Occurring in IHI's Civil Aero Engine Maintenance Business" on March 8, 2019, it has become clear that multiple inadequate practices had been occurred in IHI Corporation ("IHI") concerning IHI's Civil Aero Engine Maintenance Business. While an investigation was conducted in response to these findings, today, IHI received a business improvement order from the Ministry of Land, Infrastructure, Transport and Tourism ("MLIT").

The sanctions from MLIT cover inadequate practices in 34 civil aero engines maintained and 125 individual parts repaired at the Mizuho Aero-Engine Works (Tonogaya, Mizuho-machi, Nishitama-gun, Tokyo), based on MLIT's standards.

The interim report released on March 8 presented the results of an investigation performed over the past two years (January 1, 2017 to January 31, 2019) covering engine construction overseen by MLIT. However, the current investigation went further back in time, expanded to investigate all engines currently in operation that were constructed under the jurisdiction of MLIT (January 2009 to December 31, 2016).

IHI recognizes that it is extremely regrettable that it received these sanctions from the MLIT. We offer our most sincere apologies for the immense trouble and concern caused to all related parties, including the airline companies and organizations involved, and our stakeholders.

Given this situation, IHI will work to ensure thorough compliance, soundly implement the measures we have formulated for preventing recurrence, and make a company-wide effort to recover trust.

1. Overview of the Inadequate Practices Covered by the Sanctions (January 2009 to January 2019)

The current investigation went back ten years to cover all 45 engines in operation under the jurisdiction of MLIT and maintained or repaired by IHI, as well as 605 individual parts repaired by IHI. Of these, inadequate practices were performed on 34 engines and 125 parts. Of a total of approximately 190,000 jobs, inadequate practices were discovered in 1,251 jobs. Furthermore, of those 1,251 jobs in which inadequate practices were found, noncompliance of inspection stamp procedures was found in 974 jobs, changes to the process sequence not following the correct procedures and mismatches of between the date of inspection work implementation and the date of the corresponding inspection records were found in 277 jobs, and the contents of those inadequate practices are same as the contents described in the interim report.

We have reported the issues to all the related engine manufacturers and received opinions to the effect that airworthiness has not been compromised. Moreover, in addition to implementing inspections in the post-processes of the inadequate inspections in question and implementing test operations following engine assembly, we have confirmed that there were no issues in the monitoring or inspections of the subsequent operating conditions. Going forward, while consulting with our customers, from the standpoint of the long-term continued use of certain parts, we are taking all possible measures to implement a voluntary recall.

2. Concerning the Causes of Occurrence of this Matter

As reported in the Interim Report on March 8, we recognize that the causes of occurrence of this matter can be summarized as follows.

- Insufficient adjustments to added work load in the inspection process leading to prioritization of delivery deadlines
- Lack of awareness concerning the public importance of the inspection log in aero engine maintenance, which should place safety first
- Insufficient involvement of the management level in inspection workplaces considered vital workplaces in terms of quality assurance
- Unclear system for on-the-job training (OJT) in the inspection workplace, which involves jobs that require qualifications

3. Measures to Prevent Recurrence

Following the guidances from MLIT, we will work to prevent recurrence through the following measures.

I. Re-emphasizing safety awareness and compliance education

II. Sweeping revisions to the safety management system

III. Revisions to the work implementation system

Furthermore, at the Mizuho Aero-Engine Works, we have already begun to roll out the following measures.

- (1) Revisions to the inspection work regulations and implementation system
 - (i) Stricter OJT rules for inspector trainees (separated from the actual maintenance work line)
 - (ii) Revisions to the inspector qualification system
 - (iii) Revisions to management methods including seals
 - (iv) Spin-off of the inspection workplaces, which were part of the manufacturing division, into the quality assurance division
- (2) Qualification re-certification education for all inspectors associated with aero engine maintenance (four-week course)
(includes seven hours of compliance education by external experts)
- (3) New establishment of a compliance help desk and a works hotline
- (4) Optimization of the inspection workload
- (5) Optimization of the maintenance manuals

Furthermore, Nishimura & Asahi and Mr. Mitsuhiro Umezu, the Chairman (of the board of directors) of the JAPAN SOCIETY FOR BUSINESS ETHICS STUDY (Associate Professor at the Keio University, Faculty of Business and Commerce) are proceeding with an analysis of the causes and an evaluation of measures for preventing recurrence.

4. Going Forward

Going forward, having received sanctions from MLIT, we will submit an improvement report by May 10.

Furthermore, in addition to rolling out measures for preventing recurrence at the Mizuho Aero-Engine Works, we will evaluate measures to enhance quality assurance and compliance both company-wide and in the Aero-Engine, Space & Defense Business Area.

IHI is soundly implementing measures for preventing recurrence and working to resume the civil aero engine maintenance business that we have voluntarily suspended as soon as possible as we work to fulfill the expectations of our stakeholders.