

(Translation)

Securities Code: 7013

June 5, 2014

To: Shareholders

IHI Corporation

Tamotsu Saito, President & CEO

1-1, Toyosu 3-chome, Koto-ku, Tokyo

**NOTICE OF CONVOCATION
OF THE 197TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 197th Ordinary General Meeting of Shareholders of IHI Corporation (the "Company"). The meeting shall be held as described below.

If you are unable to attend the meeting on the date specified below, you can exercise your voting rights by voting form (i.e., "Form for Exercising Voting Right") or via the Internet, etc. as described in "4. Outline of Exercising Voting Rights by Voting Form or via the Internet, etc." on the following page. Please exercise your voting rights after reviewing the Reference Material for the General Meeting of Shareholders on pages 6 through 22.

- 1. Date and Time:** June 27, 2014 (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:

1. Report on the business report and the consolidated financial statements for the 197th fiscal year (from April 1, 2013 to March 31, 2014), and the results of the audit of the consolidated financial statements by the accounting auditor and the Board of Corporate Auditors.
2. Report on the non-consolidated financial statements for the 197th fiscal year (from April 1, 2013 to March 31, 2014).

Matters to be resolved:

- Agenda Item No. 1:** Appropriation of surplus
Agenda Item No. 2: Election of fifteen (15) directors
Agenda Item No. 3: Revision of corporate auditors' remuneration

4. Outline of Exercising Voting Rights by Voting Form or via the Internet, etc.

- (1) 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 5:30 p.m. on June 26, 2014 (Thursday) (JST). If you do not state whether you are for or against each of the agenda items in exercising your voting rights by the voting form, you shall be considered to have stated that you are for the agenda item.
- (2) If you exercise your voting rights via the Internet, etc.
Please exercise your voting rights after examining “Exercise of Voting Rights by Electronic Measures” on page 4 by using the Internet etc. through the website designated by the Company (<http://www.web54.net>) by 5:30 p.m. on June 26, 2014 (Thursday) (JST).
- (3) Treatment if you exercise your voting rights in duplicate on one agenda item
 - (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.

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

- (1) The Reference Material for the General Meeting of Shareholders, and the business report, the consolidated financial statements, the non-consolidated financial statements and the audit reports to be attached to this Notice of Convocation are presented on pages 6 through 94.
- (2) 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>

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1. You are kindly requested to present the enclosed voting form to the receptionist when you attend the meeting. Also, please be sure to bring this Notice of Convocation to the meeting.
 2. The air conditioning in the meeting hall will be set slightly conservatively. We appreciate your understanding.

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.

[Exercise of Voting Rights by Electronic Measures]

You can exercise your voting rights only through a designated special website specifically for such purpose (<http://www.web54.net>). 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 26, 2014) (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.
4. Provider fees and communication fees (telephone charges) to access the Voting Right Exercising Website shall be borne by the shareholder.

■ 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.

■ System requirement

1. Display with screen resolution of 800 x 600 pixels (SVGA) or higher
2. The following applications must be installed:
 - (1) Web browser Microsoft® Internet Explorer Ver. 5.01 Service Pack 2 or later
 - (2) PDF reader Adobe® Acrobat® Reader® Ver. 4.0 or later or Adobe® Reader® Ver. 6.0 or later

*Internet Explorer is a registered trademark, trademark and product name of Microsoft Corporation, used in the United States and/or other countries, and Adobe® Acrobat® Reader® and Adobe® Reader® are those of Adobe Systems Incorporated, respectively. These softwares are distributed through their websites at no charge.
- (3) If you use a web browser, add-in tool, or other software with a pop-up blocking function, please disable said function when accessing the website and adjust your browser privacy settings to allow cookies from this website.
- (4) If you have trouble accessing the website, Internet communications may be being limited due to the settings of your firewall, proxy server, security software, etc. Please check their respective settings.

■ **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>Sumitomo Mitsui Trust Bank Securities Agency Web Support [Toll Free] 0120 (652) 031 (9:00 – 21:00) (JST)</p>
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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.

Reference Material for the General Meeting of Shareholders

Agenda Items and Reference Matters

Agenda Item No. 1: Appropriation of surplus

IHI 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 this fiscal year and internal revenue fund requirement, the 197th year-end dividends will be increased by 1 yen from the previous fiscal year, and will be as follows:

- (i) Type of dividend assets
Cash
- (ii) Matters concerning the allotment of dividend assets and the total amount
6 yen per share of the Company's common stock
Total amount of dividends 9,260,582,634 yen
- (iii) Effective date of dividends
June 30, 2014

Agenda Item No. 2: Election of fifteen (15) directors

Approval is hereby requested for the election of fifteen (15) directors in total, as follows, since the term of office of all fifteen (15) current directors will expire at the conclusion of this General Meeting of Shareholders.

The candidates for the offices of directors are as follows:

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
1	Kazuaki Kama (December 26, 1948)	<p>Jul. 1971: Joined the Company</p> <p>Jun. 2004: Executive Officer; General Manager of Finance & Accounting Division, the Company</p> <p>Apr. 2005: Managing Executive Officer; General Manager of Finance & Accounting Division, the Company</p> <p>Jun. 2005: Director; Managing Executive Officer, General Manager of Finance & Accounting Division, the Company</p> <p>Apr. 2006: Director; Managing Executive Officer, the Company</p> <p>Apr. 2007: President; Chief Executive Officer, the Company</p> <p>Apr. 2012: Chairman of the Board, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company)</p> <p>Chairman of the Board</p> <p>(Significant Concurrent Positions)</p> <p>Representative Director, Japanese Aero Engines Corporation</p> <p>President, Japan Ship Exporters' Association</p> <p>President, Financial Accounting Standards Foundation</p> <p>Chairman, Japan Vocational Ability Development Association</p> <p>Chairman, The Society of Japanese Aerospace Companies</p> <p>Outside Director, KYOKUTO BOEKI KAISHA, LTD.</p>	163,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
2	Tamotsu Saito (July 13, 1952)	<p>Apr. 1975: Joined the Company</p> <p>Apr. 2006: Vice President of Aero-Engine & Space Operations, 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 (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) President; Chief Executive Officer (Significant Concurrent Positions) Representative Director; President, Manufacturing Science and Technology Center</p>	88,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
3	Fusayoshi Nakamura (March 11, 1952)	<p>Apr. 1974: Joined the Company</p> <p>Apr. 2003: Division Director, Vehicular Turbocharger Division, Industrial Machinery Operations, the Company</p> <p>Apr. 2007: Executive Officer; Vice President of Vehicular Turbocharger Operations, the Company</p> <p>Apr. 2008: Director; Executive Officer, President of Vehicular Turbocharger Operations, the Company</p> <p>Apr. 2010: Director; Managing Executive Officer, President of Vehicular Turbocharger Operations, the Company</p> <p>Apr. 2011: Executive Vice President; Senior Executive Officer, President of Vehicular Turbocharger Operations, the Company</p> <p>Apr. 2012: Executive Vice President, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company)</p> <p>Executive Vice President; Assistant to the President; in charge of Industrial Systems & General-Purpose Machinery Business Areas</p>	38,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
4	Sadao Degawa (July 20, 1951)	<p>Apr. 1977: Joined the Company</p> <p>Jul. 2004: Deputy General Manager of Corporate Research & Development, the Company</p> <p>Apr. 2008: Executive Officer; General Manager of Corporate Research & Development, the Company</p> <p>Jun. 2009: Director; Executive Officer, General Manager of Corporate Research & Development, the Company</p> <p>Apr. 2011: Director; Managing Executive Officer; General Manager of Corporate Research & Development, the Company</p> <p>Apr. 2012: Executive Vice President, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company)</p> <p>Executive Vice President; Assistant to the President; in charge of Social Infrastructure & Offshore Facilities Business Areas; in charge of Group Engineering and Business Relating to Information Systems</p>	60,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
5	Toshinori Sekido (July 6, 1953)	<p>Apr. 1978: Joined the Company</p> <p>Jul. 2004: Division Director of Civil Aero-Engine Division, Aero-Engine & Space Operations, the Company</p> <p>Apr. 2007: Executive Officer; Vice President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2010: Managing Executive Officer; President of Aero-Engine & Space Operations, the Company</p> <p>Jun. 2011: Director; Managing Executive Officer; President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2013: Director, the Company</p> <p>Apr. 2014: Executive Vice President, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company)</p> <p>Executive Vice President; Assistant to the President; in charge of Aero Engine, Space and Defense Business Areas; in charge of Priority New Business Areas; in charge of Business Relating to Corporate Business Development and Defense</p>	38,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
6	Joji Sakamoto (November 23, 1952)	<p>Apr. 1976: Joined the Company</p> <p>Jul. 2002: Manager of Administration Division, the Company</p> <p>Jul. 2005: General Manager of Public Relations & Advertising Division, the Company</p> <p>Apr. 2007: General Manager of Compliance Control Division and General Manager of Contracts & Legal Division, the Company</p> <p>Apr. 2008: Executive Officer; General Manager of Compliance Control Division, General Manager of Contracts & Legal Division, General Manager of Reform the Internal Control System Project Division, the Company</p> <p>Jun. 2009: Director, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company)</p> <p>Director; in charge of Business Relating to Internal Audit, Legal, CSR and Administration; in charge of Group Compliance and Risk Management; in charge of Group Business Process Platform</p>	53,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
7	Ichiro Terai (January 12, 1954)	<p>Apr. 1976: Joined the Company</p> <p>Jul. 2002: Manager of Tax Accounting Group, Finance & Accounting Division, the Company</p> <p>Apr. 2009: Executive Officer; Deputy General Manager of Finance & Accounting Division, Manager of Tax Accounting Group, Finance & Accounting Division, the Company</p> <p>Jun. 2009: Director; Executive Officer, General Manager of Finance & Accounting Division, the Company</p> <p>Apr. 2012: Director; Managing Executive Officer; General Manager of Finance & Accounting Division, the Company</p> <p>Apr. 2014: Director, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; in charge of Corporate Planning and Group Finance & Accounting</p>	15,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
8	Hiroshi Iwamoto (September 11, 1952)	<p>Apr. 1976: Joined the Company</p> <p>Apr. 2005: General Manager of Human Resources Division, the Company</p> <p>Apr. 2008: Executive Officer, the Company</p> <p>Jul. 2008: Executive Officer, the Company; President and Chief Executive Officer, IHI INC. (Regional Headquarter for the Americas)</p> <p>Apr. 2010: Executive Officer, the Company; President and Chief Executive Officer, IHI INC. (Regional Headquarter for the Americas); Vice President of Global Marketing Headquarters, the Company</p> <p>Apr. 2011: Managing Executive Officer; Vice President of Global Marketing Headquarters; Chief Regional Officer in China Region, the Company</p> <p>Apr. 2012: Managing Executive Officer; President of Global Marketing Headquarters, the Company</p> <p>Jun. 2012: Director; Managing Executive Officer; President of Global Marketing Headquarters, the Company</p> <p>Apr. 2013: Director; Managing Executive Officer; President of Global Marketing Headquarters, the Company</p> <p>Apr. 2014: Director, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company)</p> <p>Director; in charge of Business Relating to Human Resources, Public Relations and Investors Relations and Project Audit</p>	48,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
9	Hiromitsu Hamamura (August 10, 1953)	<p>Apr. 1976: Joined the Company</p> <p>Apr. 2002: Manager of Strategic Department, Procurement Strategics, the Company</p> <p>Apr. 2005: General Manager of Strategic Department, Procurement Strategics, the Company</p> <p>Apr. 2007: General Manager of Planning & Control Department, Energy Plants Operations; General Manager of Business Development Department, the Company</p> <p>Apr. 2009: Vice President of Energy Plants Operations, the Company</p> <p>Apr. 2010: Executive Officer; President of Energy Systems Operations, the Company</p> <p>Apr. 2012: Executive Officer; President of Energy Operations, the Company</p> <p>Jun. 2012: Director; Executive Officer; President of Energy Operations, the Company</p> <p>Apr. 2013: Director; Managing Executive Officer; President of Energy & Plant Operations and General Manager of Solution & Engineering Headquarters, the Company</p> <p>Apr. 2014: Director, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; in charge of Resources, Energy and Environment Business Areas; in charge of Business Relating to Procurement</p>	25,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
10	Eiichi Yoshida (September 9, 1952)	<p>Apr. 1977: Joined the Company</p> <p>Apr. 2006: Vice President of Logistics Systems & Structures Operations, the Company</p> <p>Apr. 2008: Executive Officer; Vice President of Logistics Systems & Structures Operations, the Company</p> <p>Apr. 2009: Executive Officer; President of Logistics Systems Operations, the Company</p> <p>Apr. 2011: Executive Officer; Vice President of Machinery, Environmental & Logistics Systems Operations, the Company</p> <p>Apr. 2012: Managing Executive Officer; Vice President of Global Marketing Headquarters and Chief Regional Officer in China, the Company</p> <p>Apr. 2013: Managing Executive Officer; General Manager of Sales Headquarters and Deputy General Manager of Solution & Engineering Headquarters, the Company</p> <p>Jun. 2013: Director; Managing Executive Officer; General Manager of Sales Headquarters and Deputy General Manager of Solution & Engineering Headquarters, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; General Manager of Sales Headquarters and Deputy General Manager of Solution & Engineering Headquarters</p>	41,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
11	Candidate for Outside Director Tomokazu Hamaguchi (April 20, 1944)	<p>Apr. 1967: Joined Nippon Telegraph and Telephone Public Corporation</p> <p>Apr. 1985: Senior Manager, Administration Division, Public Administrations System Division, Data Communication Sector, NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>Jul. 1988: Senior Manager, Corporate Strategy Planning Department, NTT DATA CORPORATION</p> <p>Jun. 1995: Senior Vice President, NTT DATA CORPORATION</p> <p>Jun. 1997: Executive Vice President, NTT DATA CORPORATION</p> <p>Jun. 2001: Senior Executive Vice President, NTT DATA CORPORATION</p> <p>Jun. 2003: President and Chief Executive Officer, NTT DATA CORPORATION</p> <p>Jun. 2007: Counselor and Director, NTT DATA CORPORATION</p> <p>Apr. 2008: Director, the Company (incumbent)</p> <p>Jun. 2009: Senior Corporate Adviser, NTT DATA CORPORATION</p> <p>Jun. 2013: Senior Advisor, NTT DATA CORPORATION (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director (Significant Concurrent Positions) Outside Director, East Japan Railway Company Outside Director, KURARAY CO., LTD.</p>	27,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
13	Candidate for New Director Tsugio Mitsuoka (October 13, 1954)	Apr. 1980: Joined the Company Apr. 2008: Vice President of Aero-Engine & Space Operations, the Company Apr. 2010: Executive Officer; Vice President of Aero-Engine & Space Operations, the Company Apr. 2013: Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company (incumbent) (Position and Areas of Responsibility at the Company) Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters	41,000 shares
14	Candidate for New Director Hiroyuki Otani (October 8, 1955)	Apr. 1978: Joined the Company Apr. 2010: Vice President of Aero-Engine & Space Operations, the Company Apr. 2011: Executive Officer; President of Power Systems Operations, the Company Apr. 2012: Executive Officer; Vice President of Energy Operations, the Company Apr. 2013: Executive Officer; Vice President of Machinery & Logistics Systems Operations, the Company Apr. 2014: Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company (incumbent) (Position and Areas of Responsibility at the Company) Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters	35,000 shares

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	No. of the Company's shares owned
15	Candidate for New Director Akinori Abe (November 4, 1954)	Apr. 1977: Joined the Company Jul. 2004: General Manager of Basic Engineering Division, IHI Marine United Inc. (now Japan Marine United Corporation) Apr. 2010: General Superintendent of Yokohama Shipyard, IHI Marine United Inc. Jun. 2010: Director; General Superintendent of Yokohama Shipyard, IHI Marine United Inc. Apr. 2012: Executive Officer; President of Offshore Project & Steel Structures Operations, the Company Apr. 2014 Managing Executive Officer; President of Offshore Project & Steel Structures Operations and General Manager of Solution & Engineering Headquarters, the Company (incumbent) (Position and Areas of Responsibility at the Company) Managing Executive Officer; President of Offshore Project & Steel Structures Operations and General Manager of Solution & Engineering Headquarters	6,000 shares

(Notes)

1. Mr. Kazuaki Kama is serving concurrently as Representative Director of the Japanese Aero Engines Corporation (JAEC), which is involved in the following transactions with the Company.
 - (1) The Company is entrusted with development and research of civil aircraft jet engines and pays the private sector portion of its funding.
 - (2) The Company guarantees a portion of JAEC's loan obligations, etc.
 - (3) The Company receives subsidies from JAEC for developing civil aircraft jet engines.
 - (4) The Company manufactures and delivers civil aircraft jet engine components, etc. to JAEC.
 - (5) The Company pays a portion of expenses required for the profit-making activities of JAEC.

There are no special interests between the Company and any of the other enterprises at which Mr. Kazuaki Kama serves as representative.

2. Mr. Tamotsu Saito serves as Representative Director of the Manufacturing Science and Technology Center. There are no special interests between the Company and the Manufacturing Science and Technology Center.
3. The matters to be noted in relation to the candidates for outside directors are as follows:
 - (1) Mr. Tomokazu Hamaguchi was selected as a candidate for an outside director with the aim of reflecting in the management of the Company his broad insight from his track record in transforming his own organization and supporting transformations at customers while at the helm of a state-of-the-art IT and telecommunications company. In addition, through his appointment as a highly independent outside director, the Company aims to improve management oversight and monitoring functions while also enhancing corporate governance. Mr. Tadashi Okamura was selected as a candidate for an outside director with the aim of enhancing management oversight and monitoring functions. For this purpose, the Company aims to secure his advice on the appropriateness and fairness of decision making by the Board of Directors from his perspective as a business manager with abundant experience and broad insight, which he cultivated over many years at a general electric goods manufacturer.
 - (2) At the conclusion of this meeting, Mr. Tomokazu Hamaguchi will have served 6 years as outside director of the Company. At the conclusion of this meeting, Mr. Tadashi Okamura will have served 4 years as outside director of the Company.
 - (3) The Company has concluded contracts with Mr. Tomokazu Hamaguchi and Mr. Tadashi Okamura to limit their liability for damages prescribed in Article 423, Paragraph 1 of the Corporation Law, pursuant to the provisions of Article 427, Paragraph 1 of the Law. The amount of the limitation of their liability for damages under the said contracts shall be the amount stipulated by laws and regulations. If reappointment of these directors is approved, the Company shall continue the aforementioned contract to limit liability with same, respectively.
 - (4) One of the Company's subsidiaries has a business relationship involving equipment maintenance with NTT DATA CORPORATION, where Mr. Tomokazu Hamaguchi previously served as a business executive, which generates less than 0.01% of the Company's consolidated net sales (for the fiscal year ended March 31, 2014). In addition, the Company has a business relationship involving the sale and purchase of nuclear power-related products with TOSHIBA Corporation, where Mr. Tadashi Okamura previously served as a business executive, which generates 2.38% of the Company's consolidated net sales (average for the three most recent fiscal years). Even so, neither of the candidates has served at the Company's parent company, its fellow subsidiaries or a major shareholder of the Company holding at least 10% of the votes of all shareholders, and neither of them is in a position that compromises their independence from the management of the Company. For these reasons, the Company judges that both candidates are unlikely to have a conflict of interests with general shareholders. If appointment of these directors is approved, the Company plans to continue to register both candidates with domestic financial instrument exchanges (where the Company is listed) as independent directors.
4. Mr. Kazuaki Kama is scheduled to be appointed as Outside Director of KONICA MINOLTA, INC. on June 19, 2014. He is also scheduled to be appointed as Independent Director of NSK Ltd. on June 25, 2014.

Agenda Item No. 3: Revision of corporate auditors' remuneration

The total amount of remuneration for the Company's corporate auditors is set at 90 million yen or below per year, as approved at the 190th Ordinary General Meeting of Shareholders held on June 27, 2007.

Corporate auditors play an important role in the corporate governance system of the Company, but their responsibilities are getting greater due to changing business environments. In consideration of this fact and various other factors including changes in the economic conditions and trends, approval is hereby requested for revising the total amount of corporate auditors' remuneration to 120 million yen or below per year.

In light of their duties, corporate auditors' remuneration is paid on a fixed monthly basis only.

The current number of corporate auditors is five.

(Attachment)

Business Report

(From April 1, 2013 to March 31, 2014)

1. Matters on Current Status of Company Group

(1) Progress of business operations and their results

In Japan during the fiscal year under review, the economy was on a moderate recovery trend, partly reflecting expectations regarding “Abenomics” and stability in foreign exchange rates. The yen generally stayed in the range of ¥95 to ¥104 against the dollar as the currency entered a period of correction from its previous strong levels in line with the Bank of Japan’s monetary easing policy.

Outside of Japan, despite concerns about slowdown in most emerging countries, the U.S. economy staged a moderate recovery and the European economy bottomed out. Consequently, overseas economies as a whole continued to show moderate growth.

Amid this economic environment, the IHI Group carried out business activities in four business areas, which have been reconfigured in accordance with market characteristics, under Group Management Policies 2013, a management plan started in April 2013. Also under this plan, the Group accelerated the creation of value for customers by strengthening its approach to the three group common functions of “Solutions/Engineering,” “Intelligent Information Management” and “Global Business,” thus taking a first step toward realizing growth for the Group.

As a result, in the fiscal year under review, orders received increased by ¥233.3 billion from the previous fiscal year to ¥1,458.9 billion while net sales rose by ¥47.9 billion to ¥1,304.0 billion. Although IHI Marine United Inc. and its three subsidiaries, which made up the Ships & Offshore Facilities Operations until the previous fiscal year, becoming equity method associates, caused decreases in both orders received and sales, all business segments posted increases in orders received and sales.

Profits also increased in the fiscal year under review. Despite the impact from the exclusion of the Ships & Offshore Facilities Operations and a decline in the Resources, Energy and Environment Operations, profits were higher in the Aero Engine, Space and Defense Operations. As a result, operating income increased by ¥11.1 billion from the previous fiscal year to ¥53.2 billion and ordinary income rose by ¥17.0 billion to a record high of ¥53.2 billion. Net income declined despite the recording of gain on transfer from business divestitures in relation to an absorption-type company split in which rolling mills and related business operations of IHI Metaltech Co., Ltd., of the IHI subsidiary, were taken over by Mitsubishi-Hitachi Metals Machinery, Inc. Specifically, net income was down by ¥0.2 billion from the previous fiscal year to ¥33.1 billion, partly reflecting recognition of extraordinary income including gain on sales of non-current assets recorded in the previous fiscal year and the impact of an increase in tax expenses.

The Company sincerely regrets to inform you that it has decided to withhold payment of interim dividends at the end of the first half of the fiscal year under review, giving comprehensive consideration to earnings outlook and

other factors during the period.

Business operations by business segment are summarized as follows.

The IHI Group has reconfigured its business areas under Group Management Policies 2013. As a result, effective from the fiscal year under review, the seven reportable segments of Energy & Resources Operations; Ships & Offshore Facilities Operations; Social Infrastructure Operations; Logistics Systems & Industrial Machinery Operations; Rotating Equipment & Mass-Production Machinery Operations; Aero Engine & Space Operations; and Others, have been changed to four segments. The four current segments are Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense. In line with this change, the figures for the previous fiscal year have been restated in the following year-on-year comparisons by segment.

○ Resources, Energy and Environment

Orders received increased by ¥194.2 billion from the previous fiscal year to ¥494.6 billion owing to order increases in gas processes and boilers.

Sales increased by ¥22.5 billion from the previous fiscal year to ¥344.0 billion because of sales increases in power systems, boilers, motors for land and marine use and gas processes, in addition to a sales boost from the correction in the yen's strength, despite a decrease in nuclear power.

Operating income decreased by ¥4.5 billion from the previous fiscal year to ¥11.6 billion owing to increases in costs for some boiler projects and in selling, general and administrative expenses such as inquiry expenses, despite the effects of the increase in sales.

○ Social Infrastructure and Offshore Facilities

Orders received increased by ¥62.9 billion from the previous fiscal year to ¥175.5 billion owing to order increases in offshore structures and floating LNG storage facilities.

Sales increased by ¥32.4 billion from the previous fiscal year to ¥150.3 billion because of a sales increase in bridges despite a decrease in offshore structures.

Operating income increased by ¥0.8 billion from the previous fiscal year to ¥2.3 billion, mainly reflecting a steady performance in overseas bridge projects, as well as an increase in urban development, despite a deterioration in profitability in domestic bridge projects.

○ Industrial Systems and General-Purpose Machinery

Orders received increased by ¥12.5 billion from the previous fiscal year to ¥370.6 billion owing to order increases in vehicular turbochargers and heat / surface treatment machinery, despite a decrease in materials handling equipment.

Sales increased by ¥15.2 billion from the previous fiscal year to ¥397.8 billion because of sales increases in vehicular turbochargers and heat / surface treatment machinery, despite a decrease in steel manufacturing equipment.

Operating income increased by ¥1.4 billion from the previous fiscal year to ¥15.1 billion despite an increase in selling, general and administrative expenses, mainly reflecting a sales increase in vehicular turbochargers and improved profitability in construction machinery.

○ **Aero Engine, Space and Defense**

Orders received increased by ¥62.1 billion from the previous fiscal year to ¥406.9 billion because of an order increase in aero engines.

Sales increased by ¥67.6 billion from the previous fiscal year to ¥406.0 billion owing to a sales increase in civil aero engines mainly on the back of the correction in the yen's strength.

Operating income increased by ¥21.3 billion from the previous fiscal year to ¥36.7 billion, owing to a sales increase in civil aero engines reflecting cost improvements and a significant sales boost from the correction in the yen's strength.

[Sales, Orders Received and Order Backlog by Business Segment]

(Millions of yen)

Business Segment	Sales		Orders Received		Order Backlog	
	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	344,093	26	494,635	34	535,230	40
Social Infrastructure and Offshore Facilities	150,313	12	175,573	12	235,241	18
Industrial Systems and General-Purpose Machinery	397,820	30	370,691	26	108,773	8
Aero Engine, Space and Defense	406,098	31	406,968	28	440,324	33
Total of business segment	1,298,324	—	1,447,867	—	1,319,568	—
Others	58,953	5	62,332	4	19,305	1
Adjustment	(53,239)	(4)	(51,215)	(4)	—	—
Total	1,304,038	100	1,458,984	100	1,338,873	100
Of which, overseas	618,599	47	676,146	46	628,173	47

(2) Financing

The Company carried out financing primarily through 53.1 billion yen from long-term loans and 10.0 billion yen from the 38th unsecured bonds, and this was allocated for agreed repayment of long-term loans, working capital, capital for business acquisitions, and others.

(3) Capital investment

With regard to capital investment activities, the total capital investment for the fiscal year under review was 54.5 billion yen as a result of the Company having made progress centering on growth and focus businesses as well as core businesses stipulated by Group Management Policies 2013, such as additional factory constructions for aircraft engines in the Aero Engine, Space and Defense Operations, and a manufacturing facility for our vehicular turbocharger manufacturing subsidiary in the Industrial Systems and General-Purpose Machinery Operations.

(4) Status of important business reorganizations etc.

- 1) In June 2013, the Company, in partnership with JGC Corporation and Japan Marine United Corporation, an equity method associate of the Company, established the SPC (Special Purpose Company) JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA to invest in Estaleiro Atlântico Sul S.A., a Brazilian shipbuilder.
- 2) On October 1, 2013, the Company's wholly owned subsidiary IHI Metaltech Co., Ltd. underwent a company split whereby the rights and obligations for its steel manufacturing business excluding the strip caster business, and its non-ferrous rolling mill business were succeeded by Mitsubishi-Hitachi Metals Machinery, Inc. And on January 1, 2014, the Company merged with IHI Metaltech Co., Ltd. by absorption-type merger.

(5) Issues to be addressed

Looking ahead, the Japanese economy is forecast to mount a moderate recovery mainly on the back of a pickup in capital investment based on improved corporate earnings and the continued impact of “Abenomics.” The global economy, on the other hand, faces concerns including the impact of winding down of monetary easing in the U.S., the prospect of the European debt crisis returning, further uncertainties over such matters as the prospects for China and other emerging economies, and geopolitical risks in Ukraine and other countries. Chiefly for these reasons, it is imperative to closely watch future developments in the global economy, including their impact on the economy of Japan.

In this way, the operating environment surrounding the Group is becoming increasingly complex in line with the globalization of its businesses. The Group is responding to the increasingly diverse risks associated with this environment by placing thorough control and speedy risk response at the heart of its management operations.

As stated previously in this report, the fiscal year under review got off to a good start as the first year of the Group Management Policies 2013 because orders received exceeded the initial forecast and operating income ended in the black for five consecutive periods in all business segments.

Under the Group Management Policies 2013, the numerical targets for the plan’s final year, fiscal year 2015, are consolidated net sales of 1,400 billion yen and consolidated operating income of 70.0 billion yen on the assumption of an exchange rate of 80 yen to the dollar. If the assumed exchange rate is changed to 100 yen to the dollar, these targets will be consolidated net sales of 1,530 billion yen and consolidated operating income of 90.0 billion yen.

For fiscal year 2014, which is the middle year of the plan, the Group will work to attain its previously announced targets of consolidated orders received of 1,550 billion yen, consolidated net sales of 1,440 billion yen and consolidated operating income of 65.0 billion yen. Having positioned fiscal year 2014 as an important year for speeding up growth in this way, the Group will implement the various measures stated below:

- (i) **Strengthen and utilize group common functions**
Amid intensifying global competition, to create new values for customers and accelerate the Group’s growth, three group common functions will be reinforced and cooperation among four business areas will be strengthened further; in this way, the Group will strive to differentiate products and services that go beyond conventional business boundaries.

- (ii) **Secure stable orders**
To accelerate the Group’s growth, more efforts will be made to secure stable orders in the global market. Especially in the priority countries (Indonesia, Thailand, Vietnam and Malaysia), marketing activities will be strengthened to improve the presence of the Group, and relationships with customers and partners will be deepened further to satisfy the real needs of customers in the respective markets. In addition, the Group’s activity foundation will be bolstered to secure stable receipt of orders by ensuring that the PDCA (Plan, Do, Check, Act) cycle will function properly in sales activities seeking orders.

(iii) Reform the earnings structure

Under the Group Management Policies 2013, the Group's "growth" refers to increasing profits through expanding its business scale, and it is considered imperative to secure a competitive advantage in markets in order to realize such growth. The Group will reform its earnings structure by transforming its business model in ways such as enhancing cost competitiveness through continuous cost-cutting activities, implementing thorough profit management for large projects overseas, and differentiating its products and services. When receiving and executing orders for large projects, the Group will ensure that risk management is implemented under the established internal control system.

(iv) Allocate management resources to accelerate growth

The Group will accelerate its growth by creating management resources through selection and concentration of businesses and allocating created resources intensively to growth and focus businesses and flagship businesses. In April 2014, the Group Business Process Platform Division was newly established to integrate common functions within the Group, improve operational efficiency and make effective use of the management resources created as a result. Furthermore, the Group will step up efforts in the personnel development and assignment so that the Group will be able to continue growing in the global market.

(v) Enhancement of Monozukuri Technology

As we show in our Management Philosophy, "Contributing to the development of society through technology," the Group will satisfy customer needs, taking advantage of its world-class "Monozukuri Technology." Each one of our employees will act in accordance with the "principle of three actuals" which places importance on actual place, actual thing and actual situation. And the Group's foundation for growth will be solidified further by improving the quality of the respective operational processes and enhancing the Monozukuri Technology including sales capabilities and design technology.

The Company celebrated the 160th anniversary of its establishment on December 5, 2013. Founded in 1853 at the dawn of modern Japan, the Company has operated in a wide range of areas including shipbuilding, land-based machinery, plants and aerospace, drawing on its advanced engineering capabilities to support industrial developments in Japan and abroad and help people lead a good life.

Going forward, IHI will evolve into a corporate group which brings to life the dreams of customers and people around the world, as shown in our corporate message, "Realize your dreams."

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

(6) Changes in assets and profit/loss

(Millions of yen)

Item	194 th Fiscal Year	195 th Fiscal Year	196 th Fiscal Year	197 th Fiscal Year
Orders Received	1,200,999	1,269,676	1,225,649	1,458,984
Net Sales	1,187,292	1,221,869	1,256,049	1,304,038
Ordinary Income	51,482	41,715	36,219	53,235
Net Income	29,764	23,823	33,386	33,133
Net Income per Share (Yen)	20.29	16.26	22.81	22.51
Total Assets	1,361,441	1,338,131	1,364,239	1,496,361
Net Assets	253,640	258,475	299,282	362,555

(7) Main business (As of March 31, 2014)

The IHI Group's business activities are primarily composed of the manufacture and sale of products and the provision of services as listed below.

Business Segment	Main Business
Resources, Energy and Environment	Boilers, power systems, motors for land and marine use, large marine motors, gas processes (storage facilities and chemical plants), nuclear power (components for nuclear power plants), environmental systems, pharmaceuticals (pharmaceutical plants)
Social Infrastructure and Offshore Facilities	Bridges, water gates, shield tunneling machines, transportation systems, urban development (real estate sales and rental), F-LNG (floating-LNG storage facilities), offshore structures
Industrial Systems and General-Purpose Machinery	Marine machinery, logistics systems, materials handling equipment, parking systems, steel manufacturing equipment, industrial machinery, heat / surface treatment machinery, papermaking machinery, vehicular turbochargers, compressors, separation equipment, marine turbochargers, construction machinery, agricultural machinery, small motors
Aero Engine, Space and Defense	Aero engines, rocket systems/space utilization systems (space-related equipment), defense equipment and systems

(8) Main sales offices and works (As of March 31, 2014)

Head Office	1-1, Toyosu 3-chome, Koto-ku, Tokyo		
Sales Offices	Hokkaido Branch (Chuo-ku, Sapporo-city) Metropolitan Branch (Naka-ku, Yokohama-city) Chubu Branch (Nakamura-ku, Nagoya-city) Chugoku Branch (Naka-ku, Hiroshima-city) Kyushu Branch (Chuo-ku, Fukuoka-city)	Tohoku Branch (Aoba-ku, Sendai-city) Hokuriku Branch (Toyama-city, Toyama) Kansai Branch (Chuo-ku, Osaka-city) Shikoku Branch (Takamatsu-city, Kagawa)	
Oversea Offices	SINGAPORE ALGER JAKARTA BEIJING NEW DELHI	PARIS HANOI BANGKOK SHANGHAI KUALA LUMPUR	MOSCOW BAHRAIN SEOUL TAIPEI
Works	Sunamachi Works (Koto-ku, Tokyo) 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 Nuclear & Chemical Components Works Yokohama Machinery Works (Isogo-ku, Yokohama-city) Aichi Works (Chita-city, Aichi) Aioi Works, Aioi Casting Workshop (Aioi-city, Hyogo) Kure Aero-Engine & Turbo Machinery Works (Kure-city, Hiroshima)		

(Notes)

1. On April 1, 2014, the following changes were made to main sales offices and works:
 - (i) The Sunamachi Works was discontinued.
 - (ii) The Yokohama Nuclear & Chemical Components Works and Yokohama Machinery Works were integrated, creating the Yokohama Works.
2. Locations of main subsidiaries are as provided in “(10) Main Subsidiaries.”

(9) Employees of Corporate Group (As of March 31, 2014)

Business Segment	Number of Employees
Resources, Energy and Environment	7,224
Social Infrastructure and Offshore Facilities	2,220
Industrial Systems and General-Purpose Machinery	9,145
Aero Engine, Space and Defense	5,958
Others	2,188
Corporate (company-wide)	827
Total	27,562

(944 increase compared with March 31, 2013)

(10) Main subsidiaries (As of March 31, 2014)

Company Name	Location	Capital	Voting Interest of the Company	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
IHI Infrastructure Systems Co., Ltd.	Sakai-ku, Sakai-city	4,903 million yen	100.00 %	Design, manufacture, installation, maintenance and repair of bridges and water gates
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

Company Name	Location	Capital	Voting Interest of the Company	Main Business
Meisei Electric Co., Ltd.	Isesaki-city, Gunma	2,996 million yen	51.00%	Manufacture and sale of communication, electronic, electric measuring, information processing machines and other instruments and equipment, in addition to construction design and contracting and other incidental services
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 Construction Machinery Ltd.	Kanazawa-ku, Yokohama-city	1,750 million yen	100.00 %	Manufacture, sale and repair of construction machinery and materials handling equipment
IHI Shibaura Machinery Corporation	Matsumoto-city, Nagano	1,111 million yen	90.95%	Design, manufacture, sale, installation, maintenance and repair of internal combustion engines, agricultural machinery, fire pumps and turf-grass management equipment
IHI Compressor and Machinery Co., Ltd.	Koto-ku, Tokyo	1,033 million yen	100.00 %	Design, manufacture, sale, installation, maintenance and repair of compressors, separators and superchargers for ships

Company Name	Location	Capital	Voting Interest of the Company	Main Business
IHI Turbo Co., Ltd.	Koto-ku, Tokyo	1,000 million yen	100.00 %	Manufacture and sale of vehicular turbochargers
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 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
IHI STAR Machinery Corporation	Chitose-city, Hokkaido	500 million yen	100.00 %	Design, manufacture, sale, maintenance and repair of agricultural machinery
JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA	Brazil	207,000 thousand real	60.45%	Investment in and financing of Estaleiro Atlântico Sul S.A. and operations related to participating in the management of that company as its shareholder
IHI INC. (Note 2)	U.S.A.	90,382 thousand US dollars	100.00 %	Sale and order procurement of various plant, machinery and maintenance of aircraft engine, etc.
IHI Aero Engines US Co., Ltd.	U.S.A.	52,400 thousand US dollars	89.50%	Investment in civil aircraft engine program

Company Name	Location	Capital	Voting Interest of the Company	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. (Note 3)	Vietnam	542,638 million Vietnamese dong	100.00 %	Engineering, construction and installation of steel structures and concrete structures
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, 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
Wuxi IHI Turbo Co., Ltd.	China	62,527 thousand Chinese yuan	100.00 %	Manufacture and sale of vehicular turbochargers
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 Europe Ltd.	U.K.	2,500 thousand pound	100.00 %	Sale and mediation of various types of plant, machinery, ships/vessels and aircraft engines

(Notes)

1. The Voting Interests of the Company include indirectly owned portions.
2. IHI INC. is a regional headquarter in the Americas. The company increased its capital to maintain a capital level required to operate as such a company.
3. IHI INFRASTRUCTURE ASIA CO., LTD. increased its capital due to improvement of production bases.

4. In the figures for the Voting Interests of the Company, shares of less than one unit are rounded to the nearest unit.

(11) Main lenders of Corporate Group (As of March 31, 2014)

(Millions of yen)	
Lender	Amount
Mizuho Bank, Ltd.	57,774
Sumitomo Mitsui Banking Corporation	44,020
Sumitomo Mitsui Trust Bank, Limited	35,892
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	17,205
THE HACHIJUNI BANK, LTD	12,823
Development Bank of Japan Inc	9,055
Nippon Life Insurance Company	8,630
The Dai-ichi Life Insurance Company, Limited	8,500
The Yamaguchi Bank, Ltd.	6,915
The 77 Bank, Ltd.	4,445

2. Company Officers

(1) Directors and Corporate Auditors (as of March 31, 2014)

Title	Name	Responsibilities and significant concurrent position(s)
Chairman of the Board	Kazuaki Kama	Representative Director, Japanese Aero Engines Corporation President, Japan Ship Exporters' Association President, Financial Accounting Standards Foundation Chairman, Japan Vocational Ability Development Association Outside Director, KYOKUTO BOEKI KAISHA, LTD.
President	Tamotsu Saito	Representative Director, Manufacturing Science and Technology Center
Executive Vice President	Fusayoshi Nakamura	Assistant to the President
Executive Vice President	Kazuo Tsukahara	Assistant to the President In charge of Business Relating to Procurement In charge of Business Relating to Internal Audit In charge of Business Relating to Project Audit Director, Japan Marine United Corporation
Executive Vice President	Sadao Degawa	Assistant to the President In charge of Group Engineering and Business and Information Systems
Director	Joji Sakamoto	In charge of Business Relating to Public Relations and Investor Relations, Legal, CSR and Administration In charge of Group Compliance and Risk Management
Director	Ichiro Terai	General Manager of Finance & Accounting Division
Director	Tatsumi Kawaratani	In charge of Industrial Systems & General-Purpose Machinery Business Areas President of Machinery & Logistics Systems Operations; Deputy General Manager of Intelligent Information Management Headquarters
Director	Izumi Imoto	In charge of Social Infrastructure & Offshore Facilities Business Areas President of Infrastructure Operations; Deputy General Manager of Solution & Engineering Headquarters

Title	Name	Responsibilities and significant concurrent position(s)
Director	Toshinori Sekido	In charge of Aero Engine, Space and Defense Business In charge of Priority New Business Areas In charge of Business Relating to Corporate Business Development and Defense
Director	Hiroshi Iwamoto	President of Global Marketing Headquarters In charge of Business Relating to Human Resources
Director	Hikomitsu Hamamura	In charge of Resources, Energy and Environment Business Areas President of Energy & Plant Operations; General Manager of Solution & Engineering Headquarters
Director	Eiichi Yoshida	General Manager of Sales Headquarters; Deputy General Manager of Solution & Engineering Headquarters
Director	Tomokazu Hamaguchi	Outside Director, East Japan Railway Company Outside Director, KURARAY CO., LTD.
Director	Tadashi Okamura	External Director, The Shoko Chukin Bank, Ltd. Chairman, The Japan Machinery Federation
Standing Corporate Auditor	Hideo Otaka	
Standing Corporate Auditor	Makoto Serizawa	
Corporate Auditor	Takeo Inokuchi	Outside Corporate Auditor, Sanki Engineering Co., Ltd. Outside Corporate Auditor, Kikkoman Corporation Independent Member of the Board, Kaneka Corporation
Corporate Auditor	Nobuo Gohara	Attorney at Law
Corporate Auditor	Toshiharu Watanabe	

- (Notes)
1. Director: Messrs. Tomokazu Hamaguchi and Tadashi Okamura are outside directors.
 2. Corporate Auditor: Messrs. Takeo Inokuchi, Nobuo Gohara, and Toshiharu Watanabe are outside corporate auditors.
 3. Standing Corporate Auditor: Mr. Makoto Serizawa possesses considerable knowledge of financial and accounting matters gained through his years of experience working in the Finance and Accounting Division of the Company.

4. The Company has registered Directors Messrs. Tomokazu Hamaguchi and Tadashi Okamura, and Corporate Auditors Messrs. Takeo Inokuchi, Nobuo Gohara and Toshiharu Watanabe with domestic financial instrument exchanges (where the Company is listed) as independent directors and independent auditors, respectively.

(2) Directors and Corporate Auditors who resigned during this fiscal year

Director and Corporate Auditor who held office during this fiscal year and whose terms expired during this fiscal year are as follows:

Position (at time of resignation)	Name	Responsibilities and significant concurrent positions at time of resignation	Date of resignation
Director	Makoto Serizawa	Assistant to the President	June 27, 2013
Standing Corporate Auditor	Masakazu Maruyama		June 27, 2013
Corporate Auditor	Hisatsugu Nonaka	Outside Director, Miraca Holdings Inc.	June 27, 2013

(3) Directors' and Executive Officers' responsibilities as of April 1, 2014

Directors' and Executive Officers' responsibilities as of April 1, 2014 are as follows:

Position	Name	Responsibilities
Chairman of the Board	Kazuaki Kama	
President Chief Executive Officer	Tamotsu Saito	
Executive Vice President	Fusayoshi Nakamura	Assistant to the President In charge of Industrial Systems & General-Purpose Machinery Business Areas
Executive Vice President	Sadao Degawa	Assistant to the President In charge of Social Infrastructure & Offshore Facilities Business Areas In charge of Group Engineering and Business Relating to Information Systems
Executive Vice President	Toshinori Sekido	Assistant to the President In charge of Aero Engine, Space and Defense Business Areas In charge of Priority New Business Areas In charge of Business Relating to Corporate Business Development and Defense
Director	Kazuo Tsukahara	Assistant to the President
Director	Joji Sakamoto	In charge of Business Relating to Internal Audit, Legal, CSR and Administration In charge of Group Compliance and Risk Management In charge of Group Business Process Platform
Director	Ichiro Terai	In charge of Corporate Planning and Group Finance and Accounting
Director	Tatsumi Kawaratani	Assistant to the President
Director	Izumi Imoto	Assistant to the President

Position	Name	Responsibilities
Director	Hiroshi Iwamoto	In charge of Business Relating to Human Resources, Public Relations and Investor Relations and Project Audit
Director	Hikomitsu Hamamura	In charge of Resources, Energy and Environment Business Areas In charge of Business Relating to Procurement
Director Managing Executive Officer	Eiichi Yoshida	General Manager of Sales Headquarters; Deputy General Manager of Solution & Engineering Headquarters
Managing Executive Officer	Naruto Takata	General Manager of Procurement Strategy Planning
Managing Executive Officer	Hiroshi Asakura	General Manager of Corporate Planning Division
Managing Executive Officer	Tsugio Mitsuoka	President of Aero-Engine & Space Operations; Deputy General Manager of Intelligent Information Management Headquarters
Managing Executive Officer	Hajime Kuwata	President of Global Marketing Headquarters
Managing Executive Officer	Hiroyuki Otani	President of Machinery & Logistics Systems Operations; Deputy General Manager of Intelligent Information Management Headquarters
Managing Executive Officer	Mikio Mochizuki	General Manager of Finance & Accounting Division
Managing Executive Officer	Naoya Domoto	President of Energy & Plant Operations
Managing Executive Officer	Akinori Abe	President of Offshore Project & Steel Structures Operations; General Manager of Solution & Engineering Headquarters
Executive Officer	Junichi Sakaki	President of Rotating Machinery Operations
Executive Officer	Akira Tateno	General Manager of Corporate Research & Development
Executive Officer	Hiromu Furukawa	President of Vehicular Turbocharger Operations
Executive Officer	Taizo Suga	President of Regional Headquarters for Asia Pacific
Executive Officer	Tsutomu Yoshida	President of IHI INC. (Regional Headquarters in the Americas)
Executive Officer	Takanori Kunihiro	President of Nuclear Power Operations
Executive Officer	Tomoharu Shikina	Vice President of Aero-Engine & Space Operations
Executive Officer	Atsushi Kuwata	Vice President of Machinery & Logistics Systems Operations; Deputy General Manager of Sales Headquarters
Executive Officer	Takeshi Yamada	Deputy General Manager of Finance & Accounting Division
Executive Officer	Hideya Hata	President of Infrastructure Operations; Deputy General Manager of Solution & Engineering Headquarters; Deputy General Manager of Intelligent Information Management Headquarters

Position	Name	Responsibilities
Executive Officer	Nobuko Mizumoto	General Manager of Group Business Process Platform Division
Executive Officer	Masafumi Nagano	General Manager of Human Resources Division
Executive Officer	Koji Yahagi	Vice President of Energy & Plant Operations
Executive Officer	Yukiya Murano	General Manager of Intelligent Information Management Headquarters

- (Notes)
1. Executive Vice President, Mr. Fusayoshi Nakamura supervises the Global Marketing Headquarters.
 2. Executive Vice President, Mr. Sadao Degawa supervises Intelligent Information Management Headquarters.
 3. Executive Vice President, Mr. Toshinori Sekido supervises the Solution & Engineering Headquarters.
 4. Director, Hiroshi Iwamoto supervises Urban Development Operations and Headquarters Representative's Offices.

(4) Remuneration of directors and corporate auditors

(i) Number of amount and recipients

(Millions of yen)

Position	Number of recipients	Breakdown			Total Amount Paid
		Base amount	Share-based compensation	Performance-based bonus	
Director	16	594	79	167	842
Corporate Auditor	7	87	—	—	87
Total	23	682	79	167	929
(Of which, number of outside officers)	(6)	(45)	(—)	(—)	(45)

- (Notes)
1. Remuneration of directors does not include salaries of those who are also company employees.
 2. Maximum total amount of directors' remuneration is set at 1,090 million yen or below (excluding employee salaries) per year and maximum total amount of corporate auditors' remuneration is set at 90 million yen or below as determined at the 190th Ordinary General Meeting of Shareholders held on June 27, 2007.
 3. During the fiscal year under review, 13 directors (excluding outside directors) were paid 101 million yen in performance-based bonuses for the fiscal year ended March 31, 2013. (The difference between the amount disclosed as remuneration (94 million yen) in the previous fiscal year and the amount paid in the fiscal year under review is included and provided in the amount of performance-based bonus.)
 4. The numbers of directors and corporate auditors as of March 31, 2014 are respectively 15 (including 2 outside directors) and 5 (including 3 outside corporate auditors). The reason for the discrepancy from the above is that figures in the chart include 1 director and 2 corporate auditors who resigned at the conclusion of the 196th Ordinary General Meeting of Shareholders held on June 27, 2013.

(ii) Policy on determination of remuneration

Maximum total remuneration of directors and corporate auditors is determined at an Ordinary General Meeting of Shareholders as described Note 2 above.

Directors' remuneration is a reward system that considers the standard necessary to secure superior human resources, more strongly aspires towards improvements of the Group's business results and corporate value, and emphasizes sharing the risk and return of stock price fluctuations with shareholders. Directors' remuneration consists of a base amount, stock compensation-type stock options and performance-based bonuses. The amounts are determined at a meeting of the Board of Directors based upon recommendation reports from the Remuneration Advisory Committee (the "Committee"). Outside directors receive only a base amount.

Remuneration for corporate auditors is paid under a fixed-rate system as corporate auditors have responsibility for auditing operations throughout the Group. The amount is determined through discussions among corporate auditors.

The Committee was established to ensure the adequacy of remuneration and the transparency of payment procedures. The Committee consists of 4 members, which are an outside director, an outside corporate auditor, the director in charge of human resource, and the director in charge of finance and accounting. The outside director takes the chair and finalizes the Committee's recommendations.

(5) Information regarding outside directors and outside corporate auditors

- (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	Tomokazu Hamaguchi	Outside Director, East Japan Railway Company Outside Director, KURARAY CO., LTD.
Director	Tadashi Okamura	External Director, The Shoko Chukin Bank, Ltd. Chairman, The Japan Machinery Federation
Corporate Auditor	Takeo Inokuchi	Outside Corporate Auditor, Sanki Engineering Co., Ltd. Outside Corporate Auditor, Kikkoman Corporation Independent member of the board, Kaneka Corporation
Corporate Auditor	Nobuo Gohara	Attorney at Law

(ii) Attendance to directors/corporate auditors' meetings and activities during this fiscal year:

Position	Name	Attendance of meetings		Activities
		Directors' meetings	Auditors' meetings	
Director	Tomokazu Hamaguchi	17 of 17 (100%)	-	Provided advice and suggestions accordingly, from the viewpoint of an experienced business manager of a leading-edge IT/telecommunication business, in order to ensure appropriate and correct decisions were taken at the meetings.
Director	Tadashi Okamura	13 of 17 (76%)	-	Provided advice and suggestions accordingly, from the viewpoint of an experienced business manager of a manufacturing business, in order to ensure that appropriate and correct decisions were taken at the meetings.
Corporate Auditor	Takeo Inokuchi	14 of 17 (82%)	9 of 12 (75%)	Addressed questions and expressed opinions accordingly from the viewpoint of an experienced business manager of financial institutions.
Corporate Auditor	Nobuo Gohara	17 of 17 (100%)	12 of 12 (100%)	Addressed questions and expressed opinions accordingly from the viewpoint of a leading expert on corporate compliance.
Corporate Auditor	Toshiharu Watanabe	12 of 13 (92%)	10 of 10 (100%)	Addressed questions and expressed opinions accordingly from the viewpoint of a business manager with global experience of manufacturing industries.

(Note) Attendance of meetings by Corporate Auditor Toshiharu Watanabe consists of the Directors' meetings and Auditors' meetings held after his assumption of office as Corporate Auditor.

(iii) Limitation of liability

In accordance with Article 427, Paragraph 1 of the Corporation Law, each outside director/corporate auditor has entered into an agreement with the Company to limit his liability for damages stipulated in Article 423, Paragraph 1 of the same law. Amount of maximum liability of each director/corporate auditor under the agreement shall be subject to laws and regulations.

3. Corporate Share Information

(1) Corporate shares (as of March 31, 2014)

- (i) Total number of shares authorized to be issued: 3,300,000,000
- (ii) Total number of shares issued (excluding 3,369,103 treasury shares):
1,543,430,439

Note: The total number of shares issued increased by 79,741,060 shares year on year as a result of the exercise of subscription rights during the fiscal year under review, which were attached to Euro-Yen convertible bonds due 2016.

- (iii) Total number of shareholders: 87,463
- (iv) Major shareholders (top 10 shareholders)

Name	Number of shares held (Thousand)	Shareholding ratio (%)
State Street Bank And Trust Company	59,412	3.84
Japan Trustee Services Bank, Ltd. (Holder in Trust)	57,608	3.73
Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	55,422	3.59
The Dai-ichi Life Insurance Company, Limited	54,060	3.50
The Master Trust Bank of Japan, Ltd. (Holder in Trust)	48,903	3.16
Credit Suisse Securities (USA) LLC Spcl. for Excl. Ben	48,529	3.14
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	45,979	2.97
GOLDMAN, SACHS & CO. REG	26,759	1.73
IHI Customer Stock Ownership Association	25,562	1.65
Nippon Life Insurance Company	23,867	1.54

- (Notes)
- Voting rights for 55,422,000 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.
 - Voting rights for 45,979,000 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.
 - Shareholding ratios are calculated without including total number of treasury shares (3,369,103 shares).

(2) Subscription rights to shares

(i) Subscription rights to shares at the end of the fiscal year

- Subscription rights to shares granted to Company officers in remuneration for the performance of their duties:

Name (Date of decision)	Number of subscription rights to shares	Class and number of shares underlying subscription rights to shares	Amount to be paid in (per subscription right to shares)	Value of property to be contributed upon exercise (per subscription right to shares)	Exercise period
1 st Subscription Rights to Shares (July 23, 2007)	70	Common stock 70,000 shares	462,000 yen	1,000 yen	From August 10, 2007 to August 9, 2037
2 nd Subscription Rights to Shares (July 22, 2008)	221	Common stock 221,000 shares	185,000 yen	1,000 yen	From August 19, 2008 to August 18, 2038
3 rd Subscription Rights to Shares (July 21, 2009)	292	Common stock 292,000 shares	165,000 yen	1,000 yen	From August 6, 2009 to August 5, 2039
4 th Subscription Rights to Shares (July 23, 2010)	397	Common stock 397,000 shares	154,000 yen	1,000 yen	From August 10, 2010 to August 9, 2040
5 th Subscription Rights to Shares (July 25, 2011)	340	Common stock 340,000 shares	178,000 yen	1,000 yen	From August 18, 2011 to August 17, 2041
6 th Subscription Rights to Shares (July 23, 2012)	492	Common stock 492,000 shares	159,000 yen	1,000 yen	From August 17, 2012 to August 16, 2042
7 th Subscription Rights to Shares (July 22, 2013)	212	Common stock 212,000 shares	376,000 yen	1,000 yen	From August 22, 2013 to August 21, 2043

(Notes) Terms and conditions for exercising subscription rights to shares are as

follows.

1. Subscription rights to shares 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 corporate auditor within one (1) year after he/she resigns a director or an executive officer, the date he/she lost its position as corporate auditor) (“Exercise Start Date”).
2. Notwithstanding the above 1, in the event of the following, subscription rights to shares shall be exercisable for the period stipulated below. (However, (2) does not apply to subscription rights to shares 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 subscription rights to shares (the “due date”):

Name	Due date	Exercise period of subscription rights to shares
1 st Subscription Rights to Shares	August 9, 2036	From August 10, 2036 to August 9, 2037
2 nd Subscription Rights to Shares	August 18, 2037	From August 19, 2037 to August 18, 2038
3 rd Subscription Rights to Shares	August 5, 2038	From August 6, 2038 to August 5, 2039
4 th Subscription Rights to Shares	August 9, 2039	From August 10, 2039 to August 9, 2040
5 th Subscription Rights to Shares	August 17, 2040	From August 18, 2040 to August 17, 2041
6 th Subscription Rights to Shares	August 16, 2041	From August 17, 2041 to August 16, 2042
7 th Subscription Rights to Shares	August 21, 2042	From August 22, 2042 to August 21, 2043

- (2) In the event that 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 subscription rights to shares who relinquishes his/her subscription rights to shares shall not be able to exercise such rights.

o Number of subscription rights to shares

	Director			Corporate Auditor		
	Number of subscription rights to shares	Number of underlying shares	Number of holders	Number of subscription rights to shares	Number of underlying shares	Number of holders
1 st Subscription Rights to Shares (July 23, 2007)	62	62,000 shares	6	8	8,000 shares	1
2 nd Subscription Rights to Shares (July 22, 2008)	203	203,000 shares	10	18	18,000 shares	1
3 rd Subscription Rights to Shares (July 21, 2009)	271	271,000 shares	11	21	21,000 shares	1
4 th Subscription Rights to Shares (July 23, 2010)	366	366,000 shares	12	31	31,000 shares	1
5 th Subscription Rights to Shares (July 25, 2011)	317	317,000 shares	13	23	23,000 shares	1
6 th Subscription Rights to Shares (July 23, 2012)	463	463,000 shares	13	29	29,000 shares	1
7 th Subscription Rights to Shares (July 22, 2013)	212	212,000 shares	13	-	-	-

- (Notes) 1. These subscription rights to shares are not granted to outside directors and corporate auditors.
2. The subscription rights to shares held by corporate auditors were granted to them while they were serving as directors or executive officers and not granted to them while serving as corporate auditors.

- (ii) Subscription rights to shares granted to the Company's executive officers in remuneration for the performance of their duties during this fiscal year:

Date of decision	July 22, 2013
Number of subscription rights to shares	138
Class and number of underlying shares	Common stock: 138,000 shares (1,000 shares per subscription right to shares)
Amount to be paid in	376,000 yen per subscription right to shares
Value of property to be contributed upon exercising	1,000 yen per subscription right to shares (1 yen per share)
Exercise period	From August 22, 2013 to August 21, 2043
Status of granting	Number of subscription rights to shares: 138 Number of underlying shares: 138,000 Number of individuals to whom subscription rights to shares have been granted: 14

- (Notes) Terms and conditions for exercising subscription rights to shares are as follows.
1. Subscription rights to shares 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 corporate auditor within one (1) year after he/she resigns a director or an executive officer, the date he/she lost its position as corporate auditor) ("Exercise Start Date").
 2. Notwithstanding the above 1, in the event of the following, subscription rights to shares shall be exercisable for the period stipulated below. (However, (2) does not apply to subscription rights to shares issued by a reorganized company.)
 - (1) In the event that Exercise Start Date does not become effective by August 21, 2042
From August 22, 2042 to August 21, 2043
 - (2) In the event that a merger agreement (under which the Company becomes an absorbed company) or 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 subscription rights to shares who relinquishes her/his subscription rights to shares shall not be able to exercise such rights.

- (iii) Other important matters regarding subscription rights to shares

The full exercise of subscription rights attached to Euro-Yen convertible bonds due 2016 based on a resolution at the Board of Directors meeting held March 10, 2011, has been completed except for advanced redemption of 200 million yen on March 28, 2014.

4. Status of Accounting Auditor

(1) Name

Ernst & Young ShinNihon LLC

(2) Remunerations, etc.

	Amount of payment	
Remunerations paid to the accounting auditor for the fiscal year under review	186	million yen
Total sum of cash and profits relating to other assets that the Company and its subsidiaries should pay to the accounting auditor	388	million yen

- (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 Corporation Law 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. Of the Company's material subsidiaries, IHI INC., JURONG ENGINEERING LIMITED and other nine companies are 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 Law 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 Corporation Law, the Board of Corporate Auditors shall dismiss the accounting auditor based on the consent of all corporate auditors.

In addition, in cases where the accounting auditor is deemed to have difficulty in conducting audit operations appropriately, the Board of Directors, based on the consent or at the request of the Board of Corporate Auditors, shall propose the dismissal or non-reappointment of the accounting auditor as an agenda item at a general meeting of shareholders.

5. Systems to ensure compliance of directors with laws and regulations and articles of incorporation, and systems to ensure appropriateness of other operations.

Chapter 1 Purpose

(1) Purpose

The purpose of this policy is to define the requirements of directors in accordance with the Corporation Law (Act No. 86 of 2005) regarding the establishment of “systems for ensuring that directors’ execution of duties conform to laws and regulations and articles of incorporation and systems to ensure the appropriateness of operation activities of other corporation” to improve the corporate governance of the IHI group companies and increase corporate value.

Chapter 2 Internal Control System to Supervise Directors and Employees

(2) 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 company-wide and departmental rules and regulations such as “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 CSR Promotion Division shall provide the necessary consultations.

(3) System for storing and managing information

Information related to Directors’ exercise of their duties shall be saved 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 safekeeping policy for documents and digital records shall be subject to approval of the Board of Directors.

(4) 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 and 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 through 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.

(5) 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 division at the beginning of every financial period and verify their results each month.

Chapter 3 Internal Audit System for Corporate Group

(6) Ensuring 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 corporate auditors 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.

Chapter 4 Internal Audit System to Ensure Corporate Auditors' Performance of Duties

(7) Employees to assist corporate auditors

Corporate auditors 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 of IHI with core competencies, and such employees shall be appointed based on discussions between corporate auditors and related directors.

Directors shall ensure the independence of the employees of the audit office from executive officers.

(8) Audit by corporate auditors

Corporate auditors of the Company, in accordance with the audit policies defined at the Board of Corporate Auditors, 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 major subsidiaries.

(9) Reporting to corporate auditors

Directors and employees of the Company shall, without delay, report to corporate auditors and the Board of Corporate Auditors regarding related laws and regulations, results of internal audits, results of hotline system, and other important matters that have a company-wide impact.

Consolidated Balance Sheet

(As of March 31, 2014)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets		Current liabilities	
901,201	726,249		
Cash and deposits	63,236	Notes and accounts payable – trade	280,900
Notes and accounts receivable – trade	395,037	Short-term loans payable	110,340
Securities	1,528	Commercial papers	14,000
Finished goods	20,665	Current portion of bonds	20,000
Work in process	222,237	Accrued expenses	73,339
Raw materials and supplies	112,983	Income taxes payable	16,692
Deferred tax assets	34,632	Advances received	103,237
Other	57,010	Provision for bonuses	24,590
Allowance for doubtful accounts	(6,127)	Provision for construction warranties	25,485
		Provision for loss on construction contracts	18,389
		Other provision	566
		Other	38,711
Non-current assets		Non-current liabilities	
595,160	407,557		
Property, plant and equipment	336,448	Bonds payable	30,000
Buildings and structures	133,148	Long-term loans payable	165,143
Machinery, equipment and vehicles	67,124	Lease obligations	14,697
Land	90,175	Deferred tax liabilities for land revaluation	6,312
Leased assets	16,929	Net defined benefit liability	129,893
Construction in progress	13,425	Other provision	3,112
Other	15,647	Other	58,400
Intangible assets	42,140	Total liabilities	
Goodwill	22,958	1,133,806	
Software	12,647	Net Assets	
Other	6,535	Shareholders' equity	
Investments and other assets	216,572	332,257	
Investment securities	162,165	Capital stock	107,165
Deferred tax assets	32,489	Capital surplus	54,439
Other	24,751	Retained earnings	171,318
Allowance for doubtful accounts	(2,833)	Treasury shares	(665)
		Accumulated other comprehensive income	
		12,979	
		Valuation difference on available-for-sale securities	8,424
		Deferred gains or losses on hedges	36
		Revaluation reserve for land	4,665
		Foreign currency translation adjustment	4,912
		Remeasurements of defined benefit plans	(5,058)
		Subscription rights to shares	
		621	
		Minority interests	
		16,698	
		Total net assets	
		362,555	
Total assets		Total liabilities and net assets	
1,496,361		1,496,361	

Consolidated Statement of Income
(Year ended March 31, 2014)

(Millions of yen)

Account title	Amount
Net sales	1,304,038
Cost of sales	1,081,630
Gross profit	222,408
Selling, general and administrative expenses	169,137
Operating income	53,271
Non-operating income	
Interest and dividend income	4,029
Share of profit of entities accounted for using equity method	5,397
Foreign exchange gains	4,244
Other	6,653
Non-operating expenses	
Interest expenses	4,020
Expenses for delayed delivery	4,019
Other	12,320
Ordinary income	53,235
Extraordinary income	
Gain on transfer from business divestitures	7,500
Extraordinary losses	
Impairment loss	245
Income before income taxes and minority interests	60,490
Income taxes – current	22,385
Income taxes – deferred	2,608
Income before minority interests	35,497
Minority interests in income	2,364
Net income	33,133

Consolidated Statement of Changes in Equity
(Year ended March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	95,762	43,047	144,675	(736)	282,748
Changes of items during period					
Conversion of convertible bonds	11,403	11,390		7	22,800
Dividends of surplus			(7,317)		(7,317)
Net income			33,133		33,133
Purchase of treasury shares				(8)	(8)
Disposal of treasury shares		2		72	74
Net increase from newly consolidated subsidiaries			827		827
Net changes of items other than shareholders' equity					-
Total changes of items during period	11,403	11,392	26,643	71	49,509
Balance at end of current period	107,165	54,439	171,318	(665)	332,257

	Accumulated other comprehensive income						Subscription rights to shares	Minority 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	6,158	(810)	4,665	(4,377)	-	5,636	563	10,335	299,282
Changes of items during period									
Conversion of convertible bonds						-			22,800
Dividends of surplus						-			(7,317)
Net income						-			33,133
Purchase of treasury shares						-			(8)
Disposal of treasury shares						-			74
Net increase from newly consolidated subsidiaries						-			827
Net changes of items other than shareholders' equity	2,266	846	-	9,289	(5,058)	7,343	58	6,363	13,764
Total changes of items during period	2,266	846	-	9,289	(5,058)	7,343	58	6,363	63,273
Balance at end of current period	8,424	36	4,665	4,912	(5,058)	12,979	621	16,698	362,555

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., IHI Infrastructure Systems Co., Ltd.,
Niigata Power Systems Co., Ltd., Meisei Electric Co., Ltd.,
IHI Transport Machinery Co., Ltd., IHI Construction Machinery Ltd.,
IHI Shibaura Machinery Corporation,
IHI Compressor and Machinery Co., Ltd., IHI Turbo Co., Ltd.,
Niigata Transys Co., Ltd., IHI Plant Construction Co., Ltd.,
IHI STAR Machinery Corporation,
JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA, IHI INC.,
IHI Aero Engines US Co., Ltd., JURONG ENGINEERING LIMITED,
IHI INFRASTRUCTURE ASIA CO., LTD.,
Changchun FAWER-IHI Turbo Co., Ltd.,
IHI Charging Systems International GmbH, IHI Turbo America Co.,
Wuxi IHI Turbo Co., Ltd., IHI TURBO (THAILAND) CO., LTD.,
IHI-Sullair Compression Technology (Suzhou) Co., Ltd., IHI Europe Ltd.

In the fiscal year under review, the number of consolidated subsidiaries increased by 4 due to new establishment of the companies and 3 due to inclusion in the scope of consolidation because of increase in materiality, and decreased by 2 due to a merger.

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

Names of major non-consolidated subsidiaries:

Takashima Giken Co., Ltd., IHI (Shanghai) Management Co., Ltd.,
IHI ASIA PACIFIC PTE.LTD.,
Shanghai Star Modern Agriculture Equipment Co., Ltd.,
IHI Southwest Technologies, Inc., NitroCision, LLC

(Reason for excluding from the scope of consolidation)

Those non-consolidated subsidiaries are small in size and their total assets, net sales, the net income 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 statement.

(3) Special purpose company ("SPC") subject to disclosure

Outline of SPC subject to disclosure, details of transactions through SPC subject to disclosure and the amount of transactions with SPC subject to disclosure are disclosed in "Special Purpose Company ("SPC") Subject to Disclosure".

2. Application of the Equity Method

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

Number of affiliated companies accounted for by the equity method: 35

Names of major equity method affiliates:

Japan Marine United Corporation, Turbo Systems United Co., Ltd.

In the fiscal year under review, the number of affiliated companies accounted for by the equity method increased by 3 due to additional acquisition of shares, 1 due to increase in materiality, and decreased by 1 due to liquidation.

(2) Names of affiliated companies not accounted for by the equity method

Name of major company: UNIGEN Inc., Perkins Shibaura Engines (Wuxi) Co., Ltd.

(Reason for excluding from the scope of equity method)

The company's net income or loss for the Company's equity interest, and retained earnings for the Company's equity interest have immaterial effect on the consolidated financial statement and is less significant as a whole.

3. 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

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).

Finished goods and Work in process are stated at identified 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 by the declining-balance method. However, lend-lease properties and buildings (excluding building fixtures) acquired on or after April 1, 1998, are depreciated by the straight-line method. In addition, some of the Company's consolidated subsidiaries employ 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, 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 life 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 payment of bonuses for directors, the provision for bonuses is provided for in the amount that is expected to be paid for 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 subsidiaries and associates

To prepare for losses on the businesses of subsidiaries and associates, estimated loss amount to be borne by the Company 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 recording 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*") is 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.

Recognition of net defined benefit liability

To prepare for employees' retirement benefits, net defined benefit liability is recognized as the difference between projected benefit obligations and pension fund assets based on estimated amounts 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 defined benefit liability, the method used to attribute projected benefit obligations in the period up to the fiscal year under review is straight-line attribution.

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 income as incurred.

Consumption taxes

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

II. Change in Accounting Policy

(Application of Accounting Standard for Retirement Benefits)

In the fiscal year under review, the Company has applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) (except for the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits). Accordingly, the Company has changed its accounting policy to one that recognizes the difference between projected benefit obligations and pension fund assets as net defined benefit liability and has recorded unrecognized actuarial gain or loss and unrecognized past service cost under net defined benefit liability.

Application of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. In accordance with such measures, the effect of the change has been added to or deducted from remeasurements of defined benefit plans under accumulated other comprehensive income at the end of the fiscal year under review.

As a result of the change, at the end of the fiscal year under review, net defined benefit liability of 129,893 million yen was recorded, while accumulated other comprehensive income decreased by 5,058 million yen and minority interests increased by 11 million yen.

Net assets per share decreased by 3.27 yen.

III. Notes to the Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment

502,680 million yen

2. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Cash and deposits	141 million yen
Notes and accounts receivable - trade	106 million yen
Raw materials and supplies	5 million yen
Buildings and structures	1,485 million yen
Machinery, equipment and vehicles	195 million yen
Land	6,513 million yen
Other property, plant, and equipment	20 million yen
Investment securities	646 million yen
	(Note)

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

Buildings and structures	244 million yen
Machinery, equipment and vehicles	70 million yen
Land	2,613 million yen
Other property, plant, and equipment	20 million yen

(2) Secured liabilities

Short-term loans payable	5,554 million yen
Long-term loans payable	1,267 million yen

Of above, the liabilities for which the collateral of factory foundation are pledged are as follows:

Short-term loans payable	2,484 million yen
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(Note) 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.

3. Contingent liabilities

(1) Liabilities on guarantee (Note 1)

(Millions of yen)

Guarantee Given to	Amount	Description
Estaleiro Atlântico Sul S.A.	12,569	Loans from financial institutions
UNIGEN Inc.	6,300	Loans from financial institutions
Japanese Aero Engines Corporation	6,180	Guarantee of loan obligations for purchase of fuselages, guarantee of lease obligations and guarantee of fuselage asset value
JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA	3,428	Loans from financial institutions
ALPHA Automotive Technologies LLC	1,835	Guarantee for lease obligations and loans from financial institutions
IHI Logistics System Technology Shanghai Co., Ltd.	908	Loans from financial institutions
IHI Group Health Insurance Association	885	Loans from financial institutions
Japan Aeroforge, Ltd.	590	Loans from financial institutions
Rio Bravo Frenso	(Note 2) 361	Guarantee of repayment of advances received
Rio Bravo Rocklin	(Note 2) 350	Guarantee of repayment of advances received
IHI Southwest Technologies, Inc.	215	Loans from financial institutions
Construction machinery customers	101	Guarantee for lease obligations
Employees	82	Guarantee on mortgage and education loans, etc.
Chubu Segment Co., Ltd.	50	Loans from financial institutions
Total	33,854	

(Note)

1. 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.
2. These are maximum guarantee limits under revolving guarantee agreements, which guarantee liabilities relating to ongoing transactions within a maximum guarantee amount.

(2) Quasi-guarantee

(Millions of yen)

Guarantee Given to	Amount	Description
Employees	8,998	Guarantee on mortgage and guarantee on bank loans, etc.
IHI Group Health Insurance Association	932	Loans from financial institutions
Total	9,930	

4. Notes receivable - trade discounted

540 million yen

5. Notes receivable endorsed

16 million yen

IV. 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, 2013	Increase	Decrease	Number of Shares at March 31, 2014
Common stock	1,467,058,482	79,741,060	-	1,546,799,542

(Note) The increase in shares is the result of the conversion of convertible bonds.

(2) Class and numbers of treasury shares

(unit: shares)

Class	Number of Shares at April 1, 2013	Increase	Decrease	Number of Shares at March 31, 2014
Common stock	3,748,665	20,930	400,492	3,369,103

(Notes)

1. The increase in shares is the result of the purchase of shares less than one unit.
2. Of the decrease in shares, 503 shares are due to the sale of fractional shares at the request of shareholders, 365,000 shares are due to the exercise of stock options, and 34,989 shares are due to the conversion of convertible bonds.

2. Matters Concerning Dividends

(1) Cash dividends

Resolution	Class of Shares	Total Amount of Dividend (million yen)	Dividend per Share (yen)	Record Date	Effective Date
June 27, 2013 Ordinary General Meeting of Shareholders	Common stock	7,317	5	March 31, 2013	June 28, 2013

(2) Of the dividends whose record date belongs to the current fiscal year, the dividend whose effective date falls in the following fiscal year is as follows:

Resolution	Class of Shares	Total Amount of Dividend (million yen)	Source of Dividend	Dividend per Share (yen)	Record Date	Effective Date
June 27, 2014 Ordinary General Meeting of Shareholders	Common stock	9,261	Retained earnings	6	March 31, 2014	June 30, 2014

3. Class and Number of Shares underlying Subscription Rights to Shares

Common stock 3,175,000 shares

V. 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, 2014, as well as their differences.

(Millions of yen)

	Consolidated Balance Sheet Amount	Fair Value	Differences
(1) Cash and deposits	63,236	63,236	-
(2) Notes and accounts receivable - trade	395,037		
Allowance for doubtful accounts(*1)	(4,060)		
	390,977	390,648	(329)
(3) Securities and investment securities	41,551	41,556	5
Securities to be held until maturity	1,878	1,883	5
Available-for-sale securities	39,673	39,673	-
Total assets	495,764	495,440	(324)
(4) Notes and accounts payable - trade	280,900	280,900	-
(5) Short-term loans payable	110,340	110,340	-
(6) Commercial papers	14,000	14,000	-
(7) Bonds payable	50,000	50,606	606
(8) Long-term loans payable	165,143	165,082	(61)
Total liabilities	620,383	620,928	545
(9) Derivatives (*2)			
(a) Derivatives to which hedge accounting is not applied	697	697	-
(b) Derivatives to which hedge accounting is applied	(114)	(114)	-
Derivatives, total	583	583	-

(*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 principles 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 35,494 million yen) and shares of subsidiaries and associates (consolidated balance sheet amount of 86,648 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.

VI. 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 5,832 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
98,321	259,870

(Notes)

1. Consolidated balance sheet amount is calculated by subtracting accumulated depreciation and accumulated impairment loss from acquisition cost.
2. Fair values as of March 31, 2014 are measured mainly based on the values in the appraisal report prepared by external real estate appraisers.

VII. Special Purpose Company (“SPC”) Subject to Disclosure

1. Outline of SPC Subject to Disclosure and Details of Transactions Through SPC Subject to Disclosure

The Company executed the securitization of real estate properties in March 2005 in order to obtain stable funding, and the Company used one SPC which is a special limited liability company. However, the Company bought back beneficiary rights of real estate in trust from the SPC on April 24, 2013. As a result, the Company received gains on the beneficiary rights of real estate in trust, which were recorded by the SPC, as dividends from an anonymous association. The SPC was dissolved in August 2013 and investments in capital under an anonymous association contract were paid back to the Company.

2. Amounts of Transactions with SPC

(Millions of yen)

Description of transaction	Amounts of major transactions or balance as at March 31, 2014	Major income or loss	
		Account name	Amount
Acquisition of beneficiary rights of real estate in trust (Note 1)	5,140	Non-operating income (Note 2)	1,200
Paid-back investments in capital (Note 3)	308	Non-operating income (Note 4)	81

(Notes)

1. The acquired beneficiary rights of real estate in trust are recorded mainly as buildings and land, which are property in trust, in the consolidated balance sheet.
2. Income distributions based on the gains on beneficiary rights of real estate in trust, which was recorded by the SPC, are included in non-operating income.
3. The paid-back investments in capital are investments in the anonymous association which were included in available-for-sale securities.
4. The dividends paid upon the termination of the anonymous association contract are recorded as non-operating income.

XIII. Per Share Information

1. Net assets per share	223.68 yen
2. Net income per share	22.51 yen

(Note)

The basis for calculating net income per share is as follows.

Net income	33,133 million yen
Amounts for non-common shareholders	–
Net income regarding common stock	33,133 million yen
Average number of shares of common stock	1,471,758 thousand shares

IX. Significant Subsequent Events

No applicable item.

X. Other Notes

(Revision to amounts of deferred tax assets and liabilities due to change in effective statutory tax rates)

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 10 of 2014) was promulgated on March 31, 2014. In line with this, the special corporation tax for reconstruction will not be collected in the fiscal years starting on or after April 1, 2014.

As a result, the amount of deferred tax assets (less the amount of deferred tax liabilities) decreased by 1,752 million yen and deferred income taxes increased by 1,750 million yen.

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

Non-Consolidated Balance Sheet
(As of March 31, 2014)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets		Current liabilities	
	529,434		462,972
Cash and deposits	16,987	Notes payable – trade	2,492
Notes receivable – trade	1,431	Accounts payable – trade	123,926
Accounts receivable – trade	179,701	Short-term loans payable	112,929
Finished goods	23	Commercial papers	14,000
Work in Process	139,199	Current portion of bonds	20,000
Raw materials and supplies	83,009	Lease obligations	1,892
Advance payments – other	10,334	Accounts payable – other	17,949
Prepaid expenses	3,499	Accrued expenses	50,198
Deferred tax assets	19,737	Income taxes payable	7,642
Accounts receivable – other	18,798	Advances received	71,497
Short-term loans receivable	56,064	Deposits received	825
Other	5,391	Provision for bonuses	9,826
Allowance for doubtful accounts	(4,741)	Provision for directors' bonuses	243
		Provision for construction warranties	17,740
Non-current assets		Provision for loss on construction contracts	9,780
	467,217	Other	2,027
Property, plant and equipment	195,510	Non-current liabilities	
Buildings	93,759		307,767
Structures	5,608	Bonds payable	30,000
Docks and building berths	1,000	Long-term loans payable	135,255
Machinery and equipment	27,108	Lease obligations	6,919
Vessels	0	Long-term lease and guarantee deposited	8,562
Vehicles	120	Provision for retirement benefits	84,412
Tools, furniture and fixtures	7,195	Provision for loss on subsidiaries and associates	6,350
Land	45,635	Asset retirement obligations	141
Leased assets	8,273	Other	36,125
Construction in progress	6,809	Total liabilities	
Intangible assets	12,177		770,740
Goodwill	40	Net Assets	
Royalties and other intangible assets	3,523	Shareholders' equity	
Leasehold right	7		219,535
Right of using facilities	21	Capital stock	107,165
Software	8,428	Capital surplus	54,536
Leased assets	50	Legal capital surplus	54,520
Other	104	Other capital surplus	16
Investments and other assets	259,529	Retained earnings	58,498
Investment securities	71,094	Legal retained earnings	6,083
Shares of subsidiaries and associates	136,114	Other retained earnings	52,414
Investments in capital	1,120	Reserve for advanced depreciation of non-current assets	10,106
Investments in capital of subsidiaries and associates	14,220	Retained earnings brought forward	42,308
Long-term loans receivable	13,222	Treasury shares	(665)
Deferred tax assets	17,400	Valuation and translation adjustments	
Other	7,022		5,755
Allowance for doubtful accounts	(665)	Valuation difference on available-for-sale securities	5,655
		Deferred gains or losses on hedges	100
		Subscription rights to shares	
			620
		Total net assets	
			225,912
Total assets		Total liabilities and net assets	
	996,652		996,652

Non-Consolidated Statement of Income
(Year ended March 31, 2014)

(Millions of yen)

Account title	Amount
Net sales	608,678
Cost of sales	521,148
Gross profit	87,530
Selling, general and administrative expenses	76,139
Operating income	11,390
Non-operating income	
Interest and dividend income	21,106
Foreign exchange gains	2,823
Other	5,636
Non-operating expenses	
Interest expenses	2,935
Expenses for delayed delivery	3,989
Other	8,444
Ordinary income	25,586
Extraordinary income	
Gain on share exchanges	7,952
Gain on extinguishment of tie-in shares	1,440
Extraordinary losses	
Loss on valuation of investments in capital of subsidiaries and associates	10,413
Impairment loss	19
Income before income taxes	24,547
Income taxes – current	7,186
Income taxes – deferred	2,122
Net income	15,238

Non-Consolidated Statement of Changes in Equity (Year ended March 31, 2014)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		Total retained earnings		
					Reserve for advanced depreciation of non-current assets	Retained earnings brought forward				
Balance at beginning of current period	95,762	43,133	10	43,144	6,083	10,648	33,844	50,576	(735)	188,747
Changes of items during period										
Conversion of convertible bonds	11,402	11,387	3	11,390					6	22,800
Dividends of surplus							(7,316)	(7,316)		(7,316)
Net income							15,238	15,238		15,238
Reversal of reserve for advanced depreciation of non-current assets						(542)	542	-		-
Purchase of treasury shares									(8)	(8)
Disposal of treasury shares			2	2					72	74
Net changes of items other than shareholders' equity										
Total changes of items during period	11,402	11,387	5	11,392	-	(542)	8,464	7,922	70	30,787
Balance at end of current period	107,165	54,520	16	54,536	6,083	10,106	42,308	58,498	(665)	219,535

	Valuation and translation adjustments			Subscription rights to shares	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	3,473	115	3,589	563	192,899
Changes of items during period					
Conversion of convertible bonds					22,800
Dividends of surplus					(7,316)
Net income					15,238
Reversal of reserve for advanced depreciation of non-current assets					-
Purchase of treasury shares					(8)
Disposal of treasury shares					74
Net changes of items other than shareholders' equity	2,181	(14)	2,166	57	2,224
Total changes of items during period	2,181	(14)	2,166	57	33,012
Balance at end of current period	5,655	100	5,755	620	225,912

(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 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 associates 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

Inventories held for the purpose of sales in the normal course of business

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

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 declining-balance method. However, lend-lease properties and buildings (excluding building fixtures) acquired on or after April 1, 1998, 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. 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 payment of bonuses for directors, the provision for bonuses is provided for in the amount that is expected to be paid.

(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 projected benefit obligations 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 straight-line attribution.

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 subsidiaries and associates

To prepare for losses on the businesses of subsidiaries and associates, estimated loss amount to be borne by the Company 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.

II. Changes in Presentation

(Non-consolidated statement of income)

“Cost of demolition of noncurrent assets,” which was separately presented under “Non-operating expenses” in the previous fiscal year, decreased in materiality, and has therefore been included in “Other” under “Non-operating expenses” in the fiscal year under review. “Cost of demolition of noncurrent assets” included in “Other” under “Non-operating expenses,” totaled 636 million yen in the fiscal year under review.

III. Notes to the Non-Consolidated Balance Sheet

1. Assets Pledged as Collateral and Secured Liabilities

Assets pledged as collateral

Shares of subsidiaries and associates	144 million yen (Note 1)
Investment securities	646 million yen (Note 2)

(Notes)

1. Collateral for loans of subsidiaries and associates (44 million yen of short-term loans payable and 65 million yen of long-term loans payable).
2. 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. Accumulated Depreciation of Property, Plant and Equipment

291,730 million yen

3. Contingent Liabilities

(1) Liabilities on guarantee (Note 1)

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
IHI Charging Systems International GmbH	13,296	Loans from financial institutions
Estaleiro Atlântico Sul S.A.	12,569	Loans from financial institutions
UNIGEN Inc.	6,300	Loans from financial institutions
Japanese Aero Engines Corporation	6,179	Guarantee of loan obligations for purchase of fuselages, guarantee for lease obligations and guarantee of fuselage asset value
IHI Ionbond AG	4,916	Loans from financial institutions
JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA	3,428	Loans from financial institutions
Niigata Power Systems Co., Ltd.	3,360	Loans from financial institutions
ALPHA Automotive Technologies LLC	1,834	Guarantee for lease obligations and loans from financial institutions
IHI Machinery and Furnace Co., Ltd.	1,000	Loans from financial institutions
IHI Logistics System Technology Shanghai Co., Ltd.	908	Loans from financial institutions
IHI Group Health Insurance Association	884	Loans from financial institutions
IHI Charging Systems International S.p.A	708	Loans from financial institutions
Japan Aeroforge, Ltd.	590	Loans from financial institutions
Toshiba IHI Power Systems Corporation	455	Loans from financial institutions
Rio Bravo Frenso	(Note 2) 360	Guarantee for repayment of advances received
Rio Bravo Rocklin	(Note 2) 349	Guarantee for repayment of advances received
IHI Southwest Technologies, Inc.	215	Loans from financial institutions
Total	57,356	

(Note)

1. 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.
2. These are maximum guarantee limits under revolving guarantee agreements, which guarantee liabilities relating to ongoing transactions within a maximum guarantee amount.

(2) *Quasi-guarantee*

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
Employees of the Company	8,657	Housing loans and others
IHI Group Health Insurance Association	932	Loans from financial institutions
Total	9,589	

4. Monetary Claims and Liabilities to Subsidiaries and Associates

Short-term monetary claims	81,894 million yen
Long-term monetary claims	10,088 million yen
Short-term monetary liabilities	108,387 million yen
Long-term monetary liabilities	689 million yen

IV. Notes to the Non-Consolidated Statement of Income

Amounts of Transactions with Subsidiaries and Associates

(1) *Operating transactions*

Sales to subsidiaries and associates	39,439 million yen
Purchases from subsidiaries and associates	152,213 million yen

(2) *Non-operating transactions*

27,452 million yen

V. 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	3,369,103 shares
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VI. 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.

(Revision to amounts of deferred tax assets and liabilities due to change in effective statutory tax rates)

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 10 of 2014) was promulgated on March 31, 2014. In line with this, the special corporation tax for reconstruction will not be collected in the fiscal years starting on or after April 1, 2014.

As a result, the amount of deferred tax assets (less the amount of deferred tax liabilities) decreased by 978 million yen and income taxes - deferred increased by 982 million yen.

VII. Non-current Assets Used Through Leases

In addition to the non-current assets on the non-consolidated balance sheet, machinery, devices and other equipment for manufacturing jet engines are used through leases.

VIII. 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	JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA	Rio de Janeiro, Brazil	207 million BRL	Investment company	Holding directly 60.4% Indirectly 6.9%	Company sharing business function
Subsidiary	IHI Charging Systems International GmbH	Heidelberg, Germany	15 million EUR	Manufacture	Holding directly 100%	Company sharing business function
Subsidiary	IHI Metaltech Co. Ltd. (Note 4)	Koto-ku, Tokyo	288	Manufacture	Holding directly 100%	Company sharing business function
Subsidiary	IHI Construction Machinery Ltd.	Yokohama-city, Kanagawa	1,750	Manufacture	Holding directly 100%	Company sharing business function
Subsidiary	IHI Infrastructure Systems Co., Ltd.	Sakai-city, Osaka	4,904	Manufacture	Holding directly 100%	Company sharing business function
Associate	IHI Finance Support Corporation	Chuo-ku, Tokyo	200	Lease, factoring, etc.	Holding directly 33.5%	Factoring

(Millions of yen)

Name	Transactions	Transaction Amount	Account Title	Balance as of March 31, 2014 (Note 1)
JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA	- Re-guarantee	(Note 2) 12,569	-	-
	- Debt guarantee	(Note 3) 3,428	-	-
IHI Charging Systems International GmbH	- Debt guarantee	(Note 3) 13,296	-	-
IHI Metaltech Co. Ltd. (Note 4)	- Receipt of dividends	(Note 5) 8,500	-	-
IHI Construction Machinery Ltd.	- Increase of loans through in-group financing, etc.	(Note 6) 554	Short-term loans receivable	10,836
IHI Infrastructure Systems Co., Ltd.	- Increase of loans through in-group financing, etc.	(Note 6) 2,763	Short-term loans receivable	10,503
IHI Finance Support Corporation	- Factoring	(Note 7) 78,985	Accounts payable - trade	25,645
			Accounts payable - other	1,513

2. Directors/Corporate Auditors 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/corporate auditor	Kazuaki Kama	-	-	Japanese Aero Engines Corporation (Representative Director)	Held directly 0%	Chairman of the Board of the Company

(Millions of yen)

Name	Transactions	Transaction Amount	Account Title	Balance as of March 31, 2014 (Note 1)
Kazuaki Kama	Operating transactions with Japanese Aero Engines Corporation (JAEC) (Note 8)			
	-Subcontract of work from JAEC related to R&D of jet engines	21,318	-	-
	-Payment of a portion of funding related to the above	8,237	-	-
	-Acceptance of subsidies related to the above	19,543	Accounts payable – other	3,142
			Long-term accounts payable – other	34,755
	-Manufacture of jet engine components and delivery thereof to JAEC	126,724	Accounts receivable – trade	30,430
		Advances received	6,360	
	-Payment of a portion of expenses related to the above	84,416	-	-

(Notes)

1. Amounts of transactions do not include consumption taxes and balances as of March 31, 2014 do.
2. The re-guarantee applies to a debt guarantee implemented by JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA toward borrowings from a financial institution by Estaleiro Atlântico Sul S.A.
3. The debt guarantee applies to borrowings from a financial institution.
4. IHI Metaltech Co., Ltd. was absorbed by the Company in an absorption-type merger with the Company implemented in January 2014.
5. The receipt of dividends reflects the Company's receipt of common stock of Mitsubishi-Hitachi Metals Machinery, Inc. as dividends from surplus as consideration for an absorption-type company split, conducted in October 2013, in which rolling mills and related business operations of IHI Metaltech Co., Ltd. were taken over by Mitsubishi-Hitachi Metals Machinery, Inc.
6. Fund transactions are transactions within the Company Group and transaction amounts shown above are net increases and decreases.
Interest is based on market interest rate.
7. With regard to factorings, the Company, any customer and IHI Finance Support Corp. enter into a basic agreement concerning the Company's liabilities and settle the amount.

8. 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.

IX. Per Share Information

(1) Net assets per share	145.97 yen
(2) Net income per share	10.35 yen

(Note)

The basis for calculating net income per share is as follows.

Net income	15,238 million yen
Amounts for non-common shareholders	-
Net income regarding common stock	15,238 million yen
Average number of shares of common stock	1,471,758 thousand shares

X. Significant Subsequent Events

No applicable item.

(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 Auditors

May 19, 2014

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Jun Uemura (Seal)
Certified Public Accountant
Designated and Engagement Partner

Yoshiyuki Sakuma (Seal)
Certified Public Accountant
Designated and Engagement Partner

Ichiro Tajima (Seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Corporation Law, 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, 2013 through March 31, 2014.

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. 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, 2014 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 Law of Japan.

Audit Report of Accounting Auditor on Financial Statements

(Translation)

Report of Independent Auditors

May 19, 2014

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Jun Uemura (Seal)
Certified Public Accountant
Designated and Engagement Partner

Yoshiyuki Sakuma (Seal)
Certified Public Accountant
Designated and Engagement Partner

Ichiro Tajima (Seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Corporation Law, we have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the related supplementary schedules of IHI Corporation (the "Company") applicable to the 197th fiscal year from April 1, 2013 through March 31, 2014.

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. 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 197th fiscal year ended March 31, 2014 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 Law of Japan.

Audit Report of the Board of Corporate Auditors

<Translation>

Audit Report

We at the Board of Corporate Auditors, having discussed the Directors' performance of duties during the 197th fiscal year, from April 1, 2013 through March 31, 2014, based on audit reports from each Corporate Auditor, prepared this Audit Report. Our audit opinion is as follows.

I. Methods and Contents of the Audit Implemented by Corporate Auditors and the Board of Corporate Auditors

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

Each Corporate Auditor, in accordance with the Corporate Auditors standard of audit, established by the Board of Corporate Auditors, 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 Corporate Auditor 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. In addition, each Corporate Auditor 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 corporation, as stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Corporation Law of Japan. Each Corporate Auditor also verified that improvements had been made to the internal control system, in accordance with the Board of Directors' resolutions.

With regard to the Company's subsidiaries, each Corporate Auditor communicated and exchanged information with Directors, Corporate Auditors, and other personnel of the subsidiaries, requested reports from them, and examined the conditions of assets and business when necessary. Based on the methods described above, the Board of Corporate Auditors reviewed the business report and its supplementary schedules for the fiscal year.

Further, each Corporate Auditor 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 Corporate Auditor 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 Board of Corporate Auditors 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 22, 2014

The Board of Corporate Auditors IHI Corporation

Hideo Otaka (Seal)

Standing Corporate Auditor

Makoto Serizawa (Seal)

Standing Corporate Auditor

Takeo Inokuchi (Seal)

Outside Corporate Auditor

Nobuo Gohara (Seal)

Outside Corporate Auditor

Toshiharu Watanabe (Seal)

Outside Corporate Auditor

(Reference)

Consolidated Statement of Cash Flows (Summary)
(Year ended March 31, 2014)

(Millions of yen)

Account title	Amount
Net cash provided by (used in) operating activities	39,220
Net cash provided by (used in) investing activities	(62,282)
Net cash provided by (used in) financing activities	11,395
Effect of exchange rate change on cash and cash equivalents	2,979
Net increase (decrease) in cash and cash equivalents	(8,688)
Cash and cash equivalents at end of period	62,604