

Briefing Materials on Amendments to Results and Dividend Forecasts for Year Ending March 31, 2017

October 24, 2016

IHI Corporation

1. Consolidated Results Forecasts for Year Ending March 31, 2017

		July announcement	New announcement
Exchange rate assumption (October 2016 to March 2017)	U.S. dollar	¥105	¥100
	Euro	¥115	¥110

(Billions of yen)

	Reference: Forecasts announced on July 29					New announcement for full-year forecasts				
	Orders	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Orders	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
First half of fiscal year	-	700	23	16	9	-	690	12	5	-5
(% change)							-1.4%	-47.8%	-68.8%	-155.6%
Full year	1,450	1,520	58	44	22	1,400	1,500	38	18	0
(% change)						-3.4%	-1.3%	-34.5%	-59.1%	-100.0%

2. Consolidated Results Forecasts for Six Months Ended September 30, 2016

(Billions of yen)

	First half of fiscal year			Reasons for changes
	July announcement	New announcement	Change	
Net sales	700	690	-10	Net sales ① Resources, Energy, and Environment: -10 (Environmental system timing delays, reduction in power systems for land and marine use, forex, and others)
Operating income	23	12	-11	Operating income ① Sales change : -3 ② Profitability change: -12 (deteriorating earnings of social infrastructure and offshore facility/resources, energy and environment and improvements in aero engine, space and defense segments) ③ Forex: -2 ④ SG&A: +6 (timing delays for posting R&D and other expenses)
Ordinary income	16	5	-11	
Profit (loss) attributable to owners of parent	9	-5	-14	

3. Full-Term Consolidated Results Forecasts for Year Ending March 31, 2017

(Billions of yen)

	Full year			Reasons for changes
	July announcement	New announcement	Change	
Orders	1,450	1,400	-50	Orders ① Decrease from process plant timing delays ② Forex
Net sales	1,520	1,500	-20	Net sales ① Resources, Energy, and Environment: -10 (reduction in power systems for land and marine use, forex, and others) ② Aero Engine, Space and Defense: -10 (Forex)
Operating income	58	38	-20	Operating income ① Profitability change: -16 (deteriorating earnings of social infrastructure, offshore facility/resources, energy and environment segments and others) ② Forex -4
Ordinary income	44	18	-26	Ordinary income ① Operating income: -20 ② Forex: -2.5 (change in forex rate assumption from US1 = ¥105 to US\$1 = ¥100)
Profit (loss) attributable to owners of parent	22	0	-22	

4. Full-Year Segment Orders, Sales, and Operating Income

(Billions of yen)

	July announcement			New announcement			Change		
	Orders	Sales	Operating income	Orders	Sales	Operating income	Orders	Sales	Operating income
Resources, Energy and Environment	470	480	14	430	470	9	-40	-10	-5
Social Infrastructure and Offshore Facility	120	160	-1	120	160	-15	0	0	-14
Industrial System and General-Purpose Machinery	430	410	12	430	410	12	0	0	0
Aero Engine, Space and Defense	420	460	36	410	450	36	-10	-10	0
Reporting segment total	1,440	1,510	61	1,390	1,490	42	-50	-20	-19
Other	70	70	3	70	70	2	0	0	-1
Adjustments	-60	-60	-6	-60	-60	-6	0	0	0
Total	1,450	1,520	58	1,400	1,500	38	-50	-20	-20

	Factors in operating income changes				
	Sales	Profitability	Forex	SG&A	Total
Resources, Energy, and Environment	-2	-3	-1	1	-5
Social Infrastructure and Offshore Facility	0	-14	0	0	-14
Industrial System and General-Purpose Machinery	0	0	-1	1	0
Aero Engine, Space and Defense	0	2	-2	0	0
Reporting segment total	-2	-15	-4	2	-19
Other	0	-1	0	0	-1
Adjustments	0	0	0	0	0
Total	-2	-16	-4	2	-20

Main differences from previous announcement

- Resources, Energy and Environment
- Earnings changes: -3 for boiler and other businesses
- Social Infrastructure and Offshore Facilities
- Earnings changes: -14 for offshore facilities and other businesses, earnings upturn for bridges and other businesses
- Aero Engine, Space and Defense
- Earnings upturn: +2 from gains in Civil Aero-Engine Div.

5. Dividend Forecast Revision

	Previous forecast	Revised forecast	Dividends in previous fiscal year
Interim dividend per share	¥3.00	—	¥3.00
Year-end dividend per share	¥3.00	—	—
Annual dividend per share	¥6.00	—	¥3.00

Note: Previous forecast figures are those announced on July 29, 2016.

6. F-LNG and Offshore Business Project Situations

(1) Drill ship construction for Singapore

- Finished hull assembly, transferring vessels from the Aichi Works dock in April this year to quay to install electricals and equipment in the final phase of complete construction
- Electrical cable installation work entered customer inspection phase after progressing from July, and customer issues with the quality of electrical engineering work increased. The Company therefore reviewed engineering
 - Significant delays from need to re-lay cables and add or reinstall cable trays
 - Delays in electrical work likely to delay painting, commissioning, and other later stages, necessitating the deployment of resources to get back on track
- Delivery rescheduled from December 2016 to March 2017, leading to massive additional costs
- Jointly assessed concerns with customer, confirmed there should be no further expenses or issues affecting project

(2) FPSO shipbuilding project for Norway

- Transported hull blocks manufactured at the Aichi Works and other facilities in Japan and abroad to Singapore subcontractor shipyard that completed hull assembly in August this year. Outfitting and electrical work proceeding on vessel in shipyard quay
- Revisions to yard plan drawings finished in September this year. In final confirmation phase, reviewed engineering to prevent interference between piping
 - Significantly more materials for fitting and electrical work
 - More backtracking work needed for installed portions
- Accordingly recalibrated future work volumes with shipyard and pushed back projected delivery by two months to July 2017, resulting in significantly higher costs
- Incurred expenses to post more engineers and extend their stays to manage engineering, construction, and quality control and better manage project shipyard progress

(3) Construction of 16 SPB tanks for four Japanese LNG carriers

- Of 16 tanks for four ships, two fitted* for first vessel in August and October this year. To complete delivery for that vessel by fitting remaining two tanks for it in December
 - Despite intensive deployment of skilled workers, process more difficult than envisaged; frequent backtracking made planned work efficiency levels impossible. It became clear that no proficiencies had resulted from continuous tank production. With work falling significantly behind, measures to regain lost ground became necessary
 - One move to overcome delays was expand area for assembling final blocks. With proficiency gains unlikely to materialize, reviewed work volumes to construct subsequent tanks based on results with first two
 - Projected completion pushed back one or two months, now expecting to hand over all four ships in December 2017, causing estimated costs to soar
 - Will optimize welder deployment plans as part of improvement efforts

* Fitting tanks entails assembling giant upper and lower blocks and then joining them on board vessels. Later construction stages very challenging in terms of precision control and welding quality required

7. F-LNG and Offshore Structure Business

Project	Overview		
	Scheduled delivery	Completion rate on cost basis (see note)	Completion rate on process basis
Drill ship construction for Singapore	March 2017	86%	92%
FPSO shipbuilding project for Norway	July 2017	66%	64% (including outsourcing)
Construction of 16 SPB tanks for four Japanese LNG carriers	December 2016 (1 st ship) December 2017 (4 th ship)	89% (1 st ship) 61% (2 nd ship) 31% (3 rd ship) 0% (4 th ship)	86% (1 st ship) 55% (2 nd ship) 6% (3 rd ship) 0% (4 th ship)

Note: Completion rate as of end-September 2016 based on percentage of completion accounting method

Outlook for F-LNG and offshore structures business

- IHI Group doing its utmost to complete these three projects
- Company has stopped accepting new orders for F-LNG and offshore structures. Management looked into transforming business structure to focus on aluminum SPB tanks, also exploring need for drastic countermeasures in light of prospects for the offshore market, and set to reach decision by end of fiscal year

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