

199th term (from April 1, 2015 to March 31, 2016)

Annual Securities Report

1. This is an English translation of the Annual Securities Report (“Yukashoken Hokokusho”) pursuant to Article 24, paragraph 1 of the Financial Instruments and Exchange Act of Japan filed on June 24, 2016, via the Electronic Disclosure for Investors’ Network (“EDINET”) system as set forth in Article 27-30-2 of the same Act. The translation includes a table of contents and pagination that are not included in the electronic filing.
2. This report does not contain the attachments to the Annual Securities Report (“Yukashoken Hokokusho”) submitted via the above method, however English translations of the Independent Auditors’ Report, Confirmation Letter and Internal Control Report have been appended to the back of this report.

IHI Corporation

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(Translation purposes only)

Cover page

Document title	Annual Securities Report
Clause of stipulation	Article 24, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	June 24, 2016
Fiscal year	199th term (from April 1, 2015 to March 31, 2016)
Company name	株式会社 I H I (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
Title and name of representative	Tsugio Mitsuoka, President and Chief Operating Officer
Address of registered head office	1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan
Telephone number	+81-3-6204-7065
Name of contact person	Yasuaki Fukumoto, Manager, Accounting Group, Finance & Accounting Div.
Nearest place of contact	1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan
Telephone number	+81-3-6204-7065
Name of contact person	Yasuaki Fukumoto, Manager, Accounting Group, Finance & Accounting Div.
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya-city) Securities Membership Corporation Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka-city) Securities Membership Corporation Sapporo Securities Exchange (14-1, Minamiichijo-nishi 5-chome, Chuo-ku, Sapporo-city)

(Translation purposes only)

Part 1. Company information

I. Overview of company

1. Summary of business results

(1) Business results of group (Consolidated)

Term	195th term	196th term	197th term	198th term	199th term
Fiscal year ended	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Net sales (Millions of yen)	1,221,869	1,256,049	1,304,038	1,455,844	1,539,388
Ordinary income (Millions of yen)	41,715	36,219	53,235	56,529	9,716
Profit attributable to owners of parent (Millions of yen)	23,823	33,386	33,133	9,082	1,529
Comprehensive income (Millions of yen)	17,565	44,964	49,571	26,829	(15,228)
Net assets (Millions of yen)	258,475	299,282	362,555	359,595	333,359
Total assets (Millions of yen)	1,338,131	1,364,239	1,496,361	1,690,882	1,715,056
Net assets per share (Yen)	170.84	197.08	223.68	224.03	206.16
Basic earnings per share (Yen)	16.26	22.81	22.51	5.88	0.99
Diluted net income per share (Yen)	15.37	21.58	21.31	5.88	0.99
Shareholders' equity ratio (%)	18.69	21.14	23.07	20.45	18.56
Return on equity (ROE) (%)	9.76	12.40	10.46	2.63	0.46
Price earnings ratio (PER) (Times)	12.85	12.54	19.28	95.75	240.40
Cash flows from operating activities (Millions of yen)	24,743	74,347	39,220	63,589	95,338
Cash flows from investing activities (Millions of yen)	(37,722)	(61,033)	(62,282)	(74,611)	(35,513)
Cash flows from financing activities (Millions of yen)	(38,542)	(3,150)	11,395	33,443	(47,530)
Cash and cash equivalents at end of period (Millions of yen)	63,498	72,070	62,604	92,527	103,611
Number of employees (Persons)	26,915	26,618	27,562	28,533	29,494

Notes: 1. Net sales do not include consumption taxes.

2. Effective from the fiscal year ended March 31, 2016, IHI has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), etc. and the previous account item "net income" is now presented as "profit attributable to owners of parent."

3. Due to the fact that the number of temporary employees is less than 10/100 the total number of employees, the average number of temporary employees are not shown.

4. Monetary amounts and ratios less than one unit are rounded off.

(Translation purposes only)

(2) Business results of reporting company

Term	195th term	196th term	197th Term	198th term	199th term
Fiscal year ended	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Net sales (Millions of yen)	559,275	589,444	608,678	689,269	734,807
Ordinary income (Millions of yen)	18,900	16,665	25,586	36,392	9,987
Profit (Millions of yen)	16,137	19,903	15,238	232	31,698
Capital stock (Millions of yen)	95,762	95,762	107,165	107,165	107,165
Total number of issued shares (Thousands of shares)	1,467,058	1,467,058	1,546,799	1,546,799	1,546,799
Net assets (Millions of yen)	172,335	192,899	225,912	206,340	214,783
Total assets (Millions of yen)	884,008	936,093	996,652	1,132,586	1,179,799
Net assets per share (Yen)	117.38	131.44	145.97	133.19	138.62
Dividends per share [Interim dividends per share] (Yen)	4.00 [-]	5.00 [-]	6.00 [-]	6.00 [3.00]	3.00 [3.00]
Basic earnings per share (Yen)	11.01	13.60	10.35	0.15	20.53
Diluted net income per share (Yen)	10.40	12.85	9.73	0.15	20.51
Shareholders' equity ratio (%)	19.44	20.55	22.60	18.15	18.14
Return on equity (ROE) (%)	9.53	10.93	7.30	0.11	15.11
Price earnings ratio (PER) (Times)	18.98	21.03	41.93	3,753.33	11.59
Payout ratio (%)	36.30	36.76	57.95	3,991.83	14.61
Number of employees (Persons)	7,944	7,982	8,331	8,458	8,571

- Notes:
1. Net sales do not include consumption taxes.
 2. Due to the fact that the number of temporary employees is less than 10/100 the total number of employees, the average number of temporary employees are not shown.
 3. Monetary amounts and number of shares less than one unit are rounded down.
 4. Ratios less than one unit are rounded off.

(Translation purposes only)

2. Company history

Year / Month	Major Event
January 1889	IHI was founded in Ishikawajima at the mouth of the Sumida River by order of the government in 1853 in response to the arrival of Commodore Perry. In 1876, the shipyard came under the private management of Tomiji Hirano, was renamed the Ishikawajima Hirano Shipyard and embarked as a civil shipyard. In 1889 the Shipyard was reorganized to incorporate Ishikawajima Shipbuilding & Engineering Co., Ltd.
September 1893	Changed IHI name to Tokyo Ishikawa Shipbuilding Co., Ltd. with the enforcement of Commercial Code.
February 1939	Established Tokyo No. 1 Works to expand the Shipbuilding Division, and started operations related to shipbuilding and boiler manufacturing.
September 1943	Established Tokyo No. 2 Works to meet growing demand for marine and land-based machinery, and started marine machinery and casting operations.
June 1945	Changed IHI name to Ishikawajima Heavy Industries Co., Ltd.
May 1949	Listed IHI's stock on Tokyo Stock Exchange and Nagoya Stock Exchange.
June 1949	Listed IHI's stock on Osaka Securities Exchange (Osaka Securities Exchange integrated its cash-equity market with Tokyo Stock Exchange in July 2013).
July 1949	Listed IHI's stock on Kyoto Stock Exchange (absorbed by Osaka Securities Exchange in March 2001), Fukuoka Stock Exchange and Niigata Stock Exchange (absorbed by Tokyo Stock Exchange in March 2000).
September 1952	Listed IHI's stock on Sapporo Securities Exchange.
March 1957	Established Tanashi Aero-Engine Plant to manufacture jet engines for aircraft.
March 1958	Listed IHI's stock on Hiroshima Stock Exchange (absorbed by Tokyo Stock Exchange in March 2000).
January 1959	Jointly established Ishikawajima do Brasil Estaleiros in Rio de Janeiro with Brazilian government to manufacture ships and machinery.
December 1960	Merged with Harima Shipbuilding & Engineering Co., Ltd. and changed IHI name to Ishikawajima-Harima Heavy Industries Co., Ltd.
November 1962	Merged with Ishikawajima-Shibaura Seiki Co., Ltd. and Shibaura Sewing Machine Co., Ltd.
April 1963	Jointly established Jurong Shipyard Ltd. with Singapore Economic Development Board in Jurong to build and repair ships.
February 1964	Established Yokohama No. 2 Works as a heavy machinery plant.
May 1964	Merged with Nagoya Shipbuilding Co., Ltd. and Nagoya Heavy Industries Co., Ltd.
July 1964	Established Yokohama Repair Works to cope with increasing size of ships.
October 1967	Merged with Shibaura United Engineering Co., Ltd.
March 1968	Merged with Kure Shipbuilding & Engineering Co., Ltd.
April 1969	Established Yokohama No. 1 Works as a heavy container plant.
October 1970	Established Mizuho Aero-Engine Works as a plant for jet engines for aircraft.
May 1973	Established Aichi Works to manufacture large-scale ships.
April 1975	Changed the financial close to once per year (March 31) and adopted the interim dividend system.
March 1988	Listed the shares of ISHIKAWAJIMA CONSTRUCTION MATERIALS Co., Ltd. on the Second Section of Tokyo Stock Exchange.
October 1992	Completed construction of Toyosu Center Building (a rental office building).
April 1994	Established Yokohama Engineering Center within Yokohama Office.
November 1995	Registered shares of Ishikawajima Hanyoki Service Co., Ltd. (currently IHI Compressor and Machinery Co., Ltd.) as an over-the-counter issue registered with the Japan Securities Dealers Association.
November 1996	Listed shares of Ishikawajima Transport Machinery Co., Ltd. (currently IHI Transport Machinery Co., Ltd.) on the Second Section of Tokyo Stock Exchange.
November 1998	Established Soma Aero-Engine Plant as a plant for jet engines for aircraft.
July 2000	Acquired Nissan Motor's Aerospace and Defense Divisions and commenced operations as IHI Aerospace Co., Ltd. (currently IHI AEROSPACE CO., LTD.)
October 2002	Spun off Shipbuilding & Offshore Operations as a separate company and commenced operations as IHI Marine United Inc. (currently Japan Marine United Corporation).
February 2003	Took over the engines and turbines business and transportation system and vehicle business of Niigata Engineering Co., Ltd. and commenced operations as Niigata Power Systems Co., Ltd. (engines and turbines business) and Niigata Transys Co., Ltd. (transportation system and vehicle business).
June 2003	Conducted management structure reforms, primarily to reform the Board of Directors and introduce the executive officer system.
February 2006	Completed construction of the new head office building, Toyosu IHI Building, in Toyosu 3-chome, Koto-ku, Tokyo. Registered the relocation of head office.
April 2006	Transferred the pump facilities related operations to Ebara Corporation.
September 2006	Completed construction of Toyosu Center Building Annex (a rental office building).

(Translation purposes only)

Year / Month	Major Event
October 2006	Made Ishikawajima Hanyoki Service Co., Ltd. (currently IHI Compressor and Machinery Co., Ltd.) a wholly owned subsidiary through a share exchange.
July 2007	Changed IHI name from Ishikawajima-Harima Heavy Industries Co., Ltd. to IHI Corporation.
March 2008	Acquired the shares of Hauzer Techno Coating B.V. (currently IHI Hauzer Techno Coating B.V.) in the Netherlands to expand and develop the industrial furnace-related business.
July 2008	Transferred cement plants business to Kawasaki Plant Systems Ltd.
August 2009	Acquired the shares of Kurimoto Bridge, Ltd. (currently IHI Infrastructure Systems Co., Ltd.) and made it a wholly owned subsidiary.
October 2009	Acquired the shares of Matsuo Bridge Co., Ltd. (currently IHI Infrastructure Systems Co., Ltd.) and made it a wholly owned subsidiary.
November 2009	Transferred the bridge, water gate, and other steel structures business to Matsuo Bridge Co., Ltd. and merged Kurimoto Bridge Co., Ltd. with Matsuo Bridge Co., Ltd. by an absorption-type merger. At the same time, changed the name of Matsuo Bridge Co., Ltd. to IHI Infrastructure Systems Co., Ltd.
January 2010	IHI Infrastructure Systems Co., Ltd. took over the water gate business from Kurimoto, Ltd.
January 2010	Transferred the shield machine and other tunneling machine businesses to Japan Tunnel Systems Corporation (established jointly as a subsidiary with JFE Engineering Corporation in November 2009) by an absorption-type company split.
July 2010	Sold a portion of the shares of IHI Finance Support Corporation to Century Tokyo Leasing Corporation and converted it from a wholly owned subsidiary to an affiliate.
August 2010	Completed construction of TOYOSU FRONT (a rental office building).
January 2011	Jointly established TOSHIBA IHI Power Systems Corporation with TOSHIBA Corporation for manufacturing turbine equipment of nuclear power plants.
January 2012	Acquired the shares of Fuso Engineering Co., Ltd. (currently IHI Fuso Engineering Co., Ltd.) and made it a wholly owned subsidiary.
June 2012	Conducted a tender offer for the shares of MEISEI ELECTRIC CO., LTD., which has a business base in fields including environmental measurement, disaster prevention systems, space-related and control systems, and made it a subsidiary.
July 2012	Established IHI E&C International Corporation and acquired the on-shore EPC operation of Kvaerner Americas in order to participate in the North American oil and gas related plant business.
August 2012	Made IHI Transport Machinery Co., Ltd. and ISHIKAWAJIMA CONSTRUCTION MATERIALS Co., Ltd. wholly owned subsidiaries (conducted a tender offer in March 2012).
November 2012	Established a joint corporation for steel making machines, Paul Wurth IHI Co., Ltd., with Paul Wurth S.A. of Luxembourg.
December 2012	Acquired entire shares of the Ionbond Group (Switzerland), which conducts the wear protection coating business for metallic and non-metallic materials, and made Indigo TopCo Ltd. and its subsidiaries group companies.
January 2013	Conducted management integration by merging IHI Marine United Inc., a specified subsidiary, with Universal Shipbuilding Corporation and established Japan Marine United Corporation to enhance competitiveness and earning capabilities in the shipbuilding business.
June 2013	Jointly established JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA (hereafter JEI) with JGC Corporation and Japan Marine United Corporation, and made an equity investment in Brazilian shipbuilder Estaleiro Atlântico Sul S.A. through JEI in August 2013.
August 2013	Established IHI Aero Engines US Co., Ltd. to expand the aero engines business and made an equity investment in GE Passport, LLC.
October 2013	Transferred rolling mill business and related operations of IHI Metaltech Co., Ltd. to Mitsubishi-Hitachi Metals Machinery, Inc.
June 2014	Acquired Steinmüller Engineering GmbH (German) and made it a wholly owned subsidiary in order to enter the lignite-fired boilers market at an early date.
August 2014	Completed construction of TOYOSU FORESIA (a rental office building).
December 2015	Acquired VTN Beteiligungsgesellschaft GmbH (currently IHI VTN GmbH), a Germany general heat treatment job service company, and made it a wholly owned subsidiary.
February 2016	JEI agreed to transfer its whole equity interest in EAS to the Camargo Corrêa Group and the Queiroz Galvão Group, which are shareholders of EAS. (Transferred in April 2016)

(Translation purposes only)

3. Description of business

IHI and its affiliated entities (151 consolidated subsidiaries and 30 affiliates accounted for using equity method as of March 31, 2016) operate four main businesses, providing a diverse range of products. The four businesses are: Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense. Descriptions of the main activities within each business and the roles assigned to individual group companies are as follows.

The four businesses below are the same as the segment categories described in “Notes to Consolidated Financial Statements” in the “Financial information” section of this Annual Securities Report.

(Resources, Energy and Environment)

Activities within this business include manufacturing, sales, and provision of services relating to boilers, power systems plant, 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, and pharmaceuticals (pharmaceutical plants).

[Major Subsidiaries and Associates]

TOSHIBA IHI Power Systems Corporation, IHI PACKAGED BOILER CO., LTD., IHI Plant Engineering Corporation, IHI Plant Construction Co., Ltd., Kanamachi Purification Plant Energy Service Co., Ltd., Kotobuki Iron Works Co., Ltd., Niigata Power Systems Co., Ltd., NICO Precision Co., Inc., Aomori Plant Co., Ltd., Toyosu Energy Service Co., Ltd., IHI Enviro Corporation, Diesel United, Ltd., JURONG ENGINEERING LIMITED and its 21 subsidiaries (Note (i)), IHI Power System Germany GmbH, ISHI POWER SDN. BHD., PT Cilegon Fabricators, NIIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD., IHI E&C International Corporation and its two subsidiaries , IHI POWER SYSTEM MALAYSIA SDN.BHD., Steinmüller Engineering GmbH , IHI Southwest Technologies, Inc. and its one subsidiary and other one company (Note (ii)).

(Social Infrastructure and Offshore Facilities)

Activities within this business include manufacturing, sales, and provision of services relating to bridges, water gates, shield tunneling machines, transportation systems, urban development (real estate sales and rental), F-LNG (floating-LNG storage facilities), and offshore structures.

[Major Subsidiaries and Associates]

IHI Infrastructure Systems Co., Ltd., IHI Construction Service Co., Ltd., IHI CONSTRUCTION Materials Co., Ltd. (Note (iii)), Japan Tunnel Systems Corporation, Chiba Warehouse Co., Ltd., San-Etsu Co., Ltd., Niigata Transys Co., Ltd., Livecon Engineering Co.,Ltd (Note (iv)),IHI INFRASTRUCTURE ASIA CO., LTD., and IHI California Inc.

(Industrial Systems and General-Purpose Machinery)

Activities within this business include manufacturing, sales, and provision of services relating to marine machinery, logistics systems, transport machinery, parking systems, steel manufacturing equipment, industrial machinery, heat/surface treatment machinery, papermaking machinery, vehicular turbochargers, compressors, separation equipment, marine turbochargers, construction machinery, agricultural machinery, and small motors.

[Major Subsidiaries and Associates]

IHI Transport Machinery Co., Ltd., IHI Fuso Engineering Co., Ltd., Nishi-nihon Sekkei Engineering Co., Ltd., IHI Machinery and Furnace Co., Ltd., Voith IHI Paper Technology Co., Ltd., IHI Logistics & Machinery Corporation (Note (v)), CENTRAL CONVEYOR COMPANY, LTD., IHI Compressor and Machinery Co., Ltd., IHI Turbo Co., Ltd., IHI Technical Training Institution, IHI Construction Machinery Limited, IHI Shibaura Machinery Corporation, IHI STAR Machinery Corporation, Clover Turbo Co., Ltd., IHI Hauzer Techno Coating B.V. and its four subsidiaries, IHI Press Technology America, Inc., New Metal Engineering, LLC, IUK (HK) LIMITED, Indigo TopCo Ltd. and its 24 subsidiaries , IHI Charging Systems International GmbH and its two subsidiaries, IHI-Sullair Compression Technology (Suzhou) Co., Ltd., Changchun FAWER-IHI Turbo Co., Ltd., IHI Turbo America Co., IHI TURBO (THAILAND) CO., LTD., ISM America Inc., Wuxi IHI Turbo Co., Ltd., Shanghai Star Modern Agriculture Equipment Co., Ltd. and IHI VTN GmbH and its three subsidiaries (Note (vi)).

(Translation purposes only)

(Aero Engine, Space and Defense)

Activities within this business include manufacturing, sales, and provision of services relating to aero engines, rocket systems/space utilization systems (space-related equipment), and defense equipment and systems.

[Major Subsidiaries and Associates]

IHI AEROSPACE CO., LTD., IHI AEROSPACE ENGINEERING CO., LTD., IHI Aero Manufacturing Co., Ltd., IHI CASTINGS CO., LTD., IHI Jet Service Co., Ltd., IHI MASTER METAL Co., Ltd., INC Engineering Co., Ltd., IHI-ICR, LLC., and IHI Aero Engines US Co., Ltd.

(Others)

Activities within these businesses include manufacturing, sales, and provision of services relating to communication, electronic, electric measuring, information processing machines and other instruments and equipment, in addition to offering other services.

[Major Subsidiaries and Associates]

IHI Scube Co., Ltd., IHI Trading, Inc., IHI Business Support Corporation, IHI Shibaura Technical Service Corporation, MEISEI ELECTRIC CO., LTD. and its one subsidiary(Note (vii)), IHI Inspection & Instrumentation Co., Ltd., Takashima Giken Co., LTD., IHI NeoG Algae Limited Liability Company(Note (vii)), IHI do Brasil Representações Ltda., IHI ENGINEERING AUSTRALIA PTY. LTD., IHI Europe Ltd., IHI INC., IHI New Energy Inc., Algae Systems, LLC., IHI Power Generation Corporation and its 6 subsidiaries(Note (viii)), IHI (Shanghai) Management Co., Ltd. ,IHI ASIA PACIFIC PTE. LTD. and IHI ASIA PACIFIC(Thailand)CO.,LTD (Note (iv, ix)).

- Notes: (i) Of the subsidiaries of JURONG ENGINEERING LIMITED (Resources, Energy and Environment), two subsidiaries were newly established and are newly included in the scope of consolidation.
- (ii) CAMERON J.V., Gulf J.V., and ASO/IHIC Gulf (Resources, Energy and Environment) were excluded from the scope of consolidation because their liquidation were completed.
- (iii) Kanto Segment Co., Ltd. (Social Infrastructure and Offshore Facility) was merged into ISHIKAWAJIMA CONSTRUCTION MATERIALS Co., Ltd. (Social Infrastructure and Offshore Facility) and ceased to exist; ISHIKAWAJIMA CONSTRUCTION MATERIALS Co., Ltd. changed its company name to IHI CONSTRUCTION MATERIALS Co., Ltd.
- (iv) Newly included in the scope of consolidation to reflect increasing importance within the IHI Group.
- (v) IHI Logistic Technology Co., Ltd. (Industrial System and General-Purpose Machinery) changed its company name to IHI Logistics & Machinery Corporation.
- (vi) Newly included in the scope of consolidation due to acquisition.
- (vii) One subsidiary of MEISEI ELECTRIC CO., LTD. (Others) is newly included in the scope of consolidation to reflect increasing importance within the IHI Group.
- (viii) Twelve subsidiaries of IHI Power Generation Corporation (Others) were reorganized into six subsidiaries by absorption-type mergers.
- (ix) JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA (hereinafter “JEI”) (Others) agreed to transfer its whole equity interest in Brazilian shipbuilding company Estaleiro Atlântico Sul S.A (Atlântico Sul Shipyard; EAS) to the Camargo Corrêa Group and the Queiroz Galvão Group, which are shareholders of EAS. As a result, JEI is expected to be liquidated in the future, and as its importance has diminished, it was excluded from the scope of consolidation.

(Translation purposes only)

[Overview of the corporate group]

The roles of IHI and its main affiliated companies within each business are as follows.

	○Production	□Sale	●Engineering	▲Installation	■Service
	IHI Corporation				
Resources, Energy and Environment	IHI PACKAGED BOILER CO., LTD./ Kotobuki Iron Works Co., Ltd./ Nigata Power Systems Co., Ltd./ IHI Enviro Corporation				
	NICO Precision Co., Inc./ PT Olegon Fabricators/ TOSHIBA IHI Power Systems Corporation		IHI Plant Engineering Corporation/ Aomori Plant Co., Ltd.(○) and other 1 company		
	NIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD. (■)		IHI Plant Construction Co.,Ltd./ ISHI POWER SDN.BHD./ IHI Power System Germany GmbH/ Steinmüller Engineering GmbH/ JURONG ENGINEERING LIMITED and its 21 subsidiaries/ IHI E&C International Corporation and its 2 subsidiaries		Kanamachi Purification Plant Energy Service Co., Ltd./ Toyosu Energy Service Co., Ltd./ IHI POWER SYSTEM MALAYSIA SDN.BHD./ IHI Southwest Technologies, Inc. and its 1 subsidiary
	Diesel United, Ltd.(■)				
Social Infrastructure and Offshore Facility	IHI Infrastructure Systems Co., Ltd./ IHI Construction Service Co., Ltd./ IHI INFRASTRUCTURE ASIA CO., LTD.				
	Nigata Transys Co., Ltd.(■)		Japan Tunnel Systems Corporation		
	IHI CONSTRUCTION MATERIALS Co., Ltd.				Chiba Warehouse Co., Ltd./ San-Etsu Co., Ltd.
	Livecon Engineering Co., Ltd.(■)		IHI California Inc.		
Industrial System and General-Purpose Machinery	IHI Transport Machinery Co., Ltd./ IHI Machinery and Furnace Co., Ltd./ IHI Hauer Techno Coating B.V. and its 4 subsidiaries/ IHI Compressor and Machinery Co., Ltd./ IHI-Sullair Compression Technology (Suzhou) Co., Ltd./ CENTRAL CONVEYOR COMPANY, LTD./ Voith IHI Paper Technology Co., Ltd.				
	IHI Turbo Co., Ltd.				IHI Logistics & Machinery Corporation(○)
	IHI Fuso Engineering Co., Ltd.				
	IHI Construction Machinery Limited(■)/ IHI Shibaura Machinery Corporation(■)/ IHI STAR Machinery Corporation(■)/ Clover Turbo Co., Ltd.(■)/ IHI Turbo America Co./ IHI Charging Systems International GmbH and its 2 subsidiaries/ SHANGHAI STAR MODERN AGRICULTURE EQUIPMENT CO., LTD.(■)		Nishi-nihon Sekkei Engineering Co., Ltd.		IHI Press Technology America, Inc. / Indigo TopCo Ltd. and its 24 subsidiaries / New Metal Engineering, LLC / IUK (HK) LIMITED / IHI Technical Training Institution / ISM America Inc. / IHI VTN GmbH and its 3 subsidiaries
Aero Engine, Space and Defense	IHI CASTINGS CO., LTD./ IHI MASTER METAL Co., Ltd./ IHI Aero Manufacturing Co., Ltd.		IHI Jet Service Co., Ltd./ INC Engineering Co., Ltd.		
			IHI AEROSPACE ENGINEERING CO., LTD.	IHI - ICR, LLC./ IHI Aero Engines US Co., Ltd.	
	IHI AEROSPACE CO., LTD.				
Others	Algae Systems, LLC.	IHI Neog Algae LLC.			
	IHI Trading, Inc./ IHI Europe Ltd./ IHI do Brasil Representações Ltda.				
	IHI INC.(■)/ IHI (Shanghai) Management Co., Ltd.(■)/ IHI ASIA PACIFIC PTE. LTD.(■)/ IHI ASIA PACIFIC (Thailand) CO., LTD.(■)				
	IHI ENGINEERING AUSTRALIA PTY. LTD.				
Meisei Electric Co., Ltd.(★) and its 1 subsidiary / Takashima Giken Co., Ltd.					
IHI Inspection & Instrumentation Co., Ltd.					

*The consolidated subsidiaries comprising the segments are shown in the above table. The functions fulfilled by each consolidated subsidiary in the segments are divided into the five categories of Production, Sale, Engineering, Installation, and Service and shown above.

*For subsidiaries that fulfill multiple functions, the following marks are shown to the right of IHI name for those companies for which the functions cannot be listed: ○, □, ●, ▲, and ■.

*The consolidated subsidiaries in the above table are current as of March 31, 2016, and subsidiaries listed on the Tokyo Stock Exchange Second Section are noted with the “★” mark.

(Translation purposes only)

4. Overview of affiliated entities

Name	Address	Capital (Millions of yen)	Main business	Voting rights holding [or held] (%)	Nature of relationship
(Consolidated subsidiaries)					
IHI Infrastructure Systems Co., Ltd.	Sakai-city, Osaka	9,753 (Note 3)	Social Infrastructure and Offshore Facility	100.0	Conducts design, manufacture, installation, maintenance and repair of bridges and water gates. Interlocking officers, etc.: Yes
IHI AEROSPACE CO., LTD.	Koto-ku, Tokyo	5,000	Aero Engine, Space and Defense	100.0	Conducts manufacture, sale, and repair of space development equipment and rocket vehicles. Interlocking officers, etc.: Yes
Niigata Power Systems Co., Ltd.	Chiyoda-ku, Tokyo	3,000	Resources, Energy and Environment	100.0	Conducts manufacture and sale of internal combustion engines, gas turbine engines and marine equipment. Interlocking officers, etc.: Yes
MEISEI ELECTRIC CO., LTD. (Note 4)	Isesaki-city, Gunma	2,996	Others	51.0	Conducts 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. Interlocking officers, etc.: Yes
IHI Transport Machinery Co., Ltd.	Chuo-ku, Tokyo	2,647	Industrial System and General-Purpose Machinery	100.0	Conducts design, manufacture, sale, installation, maintenance, and repair of parking systems, materials handling equipment, and transport and distribution plants. Interlocking officers, etc.: Yes
IHI Construction Machinery Limited	Yokohama-city, Kanagawa	1,750	Industrial System and General-Purpose Machinery	100.0	Conducts manufacture, sale and repair of construction machinery and materials handling equipment. IHI leases land, buildings, etc. to that company. Interlocking officers, etc.: Yes
IHI Shibaura Machinery Corporation	Matsumoto- city, Nagano	1,111	Industrial System and General-Purpose Machinery	91.0	Conducts design, manufacture, sale, installation, maintenance and repair of internal combustion engines, agricultural machinery, fire pumps and turf-grass management equipment. Interlocking officers, etc.: Yes
IHI Compressor and Machinery Co., Ltd.	Koto-ku, Tokyo	1,033	Industrial System and General-Purpose Machinery	100.0	Conducts design, manufacture, sale, installation, maintenance and repair of compressors, separators and superchargers for ships. Interlocking officers, etc.: Yes
IHI Turbo Co., Ltd.	Koto-ku, Tokyo	1,000	Industrial System and General-Purpose Machinery	100.0	Manufacture and sale of vehicular turbochargers Interlocking officers, etc.: Yes
Niigata Transys Co., Ltd.	Chiyoda-ku, Tokyo	1,000	Social Infrastructure and Offshore Facility	100.0	Conducts manufacture and sale of rolling stock, industrial vehicles and machines for snow removal. Interlocking officers, etc.: Yes
IHI NeoG Algae LLC (Note 5)	Miyamae-ku, Kawasaki-city	825	Others	99.9	Research and development, Feasibility study for the bio-fuel produced by Algae Interlocking officers, etc.: Yes
IHI Plant Construction Co., Ltd.	Koto-ku, Tokyo	500	Resources, Energy and Environment	100.0	Conducts design, manufacture, installation and repair of boiler facilities, nuclear power facilities, environmental and storage plant facilities, and industrial machinery facilities. Interlocking officers, etc.: Yes
IHI STAR Machinery Corporation	Chitose-city, Hokkaido	500	Industrial System and General-Purpose Machinery	100.0 (20.0)	Conducts design, manufacture, sale, maintenance and repair of agricultural machinery. The indirectly owned portion is held by IHI Shibaura Machinery Corporation. Interlocking officers, etc.: Yes
IHI INC.	New York, U.S.A.	Thousands of US\$ 92,257	Others	100.0	Conducts sale and order procurement of various plant, machinery and maintenance of aircraft engine, etc. Interlocking officers, etc.: Yes
IHI Aero Engines US Co., Ltd.	New York, U.S.A.	Thousands of US\$ 73,400 (Note 3)	Aero Engine, Space and Defense	100.0	Conducts investment in civil aircraft engine program. Interlocking officers, etc.: Yes
IHI Power Generation Corporation	New York, U.S.A.	Thousands of US\$ 38,250	Others	100.0 (100.0)	Investment in biomass power generation business, etc. The indirectly owned portion is held by IHI INC. Interlocking officers, etc.: Yes

(Translation purposes only)

Name	Address	Capital (Millions of yen)	Main business	Voting rights holding [or held] (%)	Nature of relationship
JURONG ENGINEERING LIMITED	Singapore	Thousands of Singapore dollars 51,788	Resources, Energy and Environment	95.6 (15.0)	Conducts installation of various types of plants and facilities/equipment, engineering and consulting of architectural work and civil engineering and plants. The indirectly owned portion is held by IHI Plant Construction Co., Ltd. Interlocking officers, etc.: Yes
Changchun FAWER-IHI Turbo Co., Ltd.	Jilin, China	Thousands of RMB 158,300	Industrial System and General-Purpose Machinery	57.2 (7.8)	Conducts manufacture and sale of vehicular turbochargers. The indirectly owned portion is held by IHI Turbo Co., Ltd. Interlocking officers, etc.: Yes
IHI INFRASTRUCTURE ASIA CO., LTD.	Haiphong, Vietnam	Millions of VND 542,638	Social Infrastructure and Offshore Facility	100.0	Conducts engineering, construction and installation of steel structures and concrete structures. Interlocking officers, etc.: Yes
IHI E&C International Corporation	Texas, U.S.A.	Thousands of US\$ 21,257	Resources, Energy and Environment	100.0 (100.0)	Conducts FS (feasibility study)/FEED (front end engineering design) and EPC (engineering, procurement and construction) business in oil and gas field. The indirectly owned portion is held by IHI INC. Interlocking officers, etc.: Yes
IHI Charging Systems International GmbH	Heidelberg, Germany	Thousands of EUR 15,000	Industrial System and General-Purpose Machinery	100.0	Conducts design, manufacture, and sale of vehicular turbochargers. Interlocking officers, etc.: Yes
IHI ASIA PACIFIC PTE. LTD.	Singapore	Thousands of Singapore dollars 22,459	Others	100.0	Order procurement, business support, purchase and sale agent (regional headquarters). Interlocking officers, etc.: Yes
Wuxi IHI Turbo Co., Ltd.	Jiangsu, China	Thousands of US\$ 11,800 (Note 3)	Industrial System and General-Purpose Machinery	100.0	Conducts manufacture and sale of vehicular turbochargers. Interlocking officers, etc.: Yes
IHI-Sullair Compression Technology (Suzhou) Co., Ltd.	Jiangsu, China	Thousands of RMB 55,465	Industrial System and General-Purpose Machinery	51.0 (12.5)	Conducts manufacture, sale and service of general-purpose turbo compressors. The indirectly owned portion is held by IHI Compressor and Machinery Co., Ltd. Interlocking officers, etc.: Yes
IHI Turbo America Co.	Illinois, U.S.A.	Thousands of US\$ 7,700	Industrial System and General-Purpose Machinery	100.0	Conducts manufacture and sale of vehicular turbochargers. Interlocking officers, etc.: Yes
IHI TURBO (THAILAND) CO., LTD.	Chonburi, Thailand	Thousands of TBA 260,000	Industrial System and General-Purpose Machinery	90.0 (10.0)	Conducts manufacture and sale of vehicular turbochargers. The indirectly owned portion is held by IHI Turbo Co., Ltd. Interlocking officers, etc.: Yes
IHI Southwest Technologies, Inc.	Texas, U.S.A.	Thousands of US\$ 5,800	Resources, Energy and Environment	100.0 (6.7)	Nondestructive testing services for nuclear power plants, petrochemical plants, and thermal power plants, etc. The indirectly owned portion is held by IHI Inspection & Instrumentation Co., Ltd. Interlocking officers, etc.: Yes
IHI Europe Ltd.	London, U.K.	Thousands of STG 2,500	Others	100.0	Conducts sale and mediation of various types of plant, machinery, ships/vessels and aircraft engines. Interlocking officers, etc.: Yes
IHI (Shanghai) Management Co., Ltd.	Shanghai, China	Thousands of US\$ 2,100	Others	100.0	Sale, order procurement and purchase of various industrial equipment, technical support including maintenance and engineering, provision of shared services (regional headquarters). Interlocking officers, etc.: Yes
Other 122 companies					
Total of 151 companies					

(Translation purposes only)

Name	Address	Capital (Millions of yen)	Main business	Voting rights holding [or held] (%)	Nature of relationship
(Entities accounted for using equity method) Japan Marine United Corporation	 Mintao-ku, Tokyo	 25,000	 Others	 45.9	 Conducts design, manufacture, and sale of ships/vessels, warships, offshore and floating structures, etc. Interlocking officers, etc.: Yes
 GE Passport, LLC	 Ohio, U.S.A.	 Thousands of US\$ 251,762 (Note 3)	 Aero Engine, Space and Defense	 30.0 (30.0)	 Conducts the manufacture and sale of the GE Passport20 engine, and provides maintenance, parts supply and other services. The indirectly owned portion is held by IHI Aero Engines US Co., Ltd. Interlocking officers, etc.: Yes
Other 28 companies					
Total of 30 companies					

- Notes:
1. The segment names are shown in the main business column.
 2. The figures in parentheses in the voting rights holding column indicate indirectly owned portions included in the figures outside the parentheses.
 3. This company has changed the amount of its capital.
 4. This company files Annual Securities Report.
 5. This company was newly included in the scope of consolidation because of an increase in its significance within the Group.

(Translation purposes only)

5. Information about employees

(1) Information about the IHI Group

As of March 31, 2016

Segment name	Number of employees (Persons)
Resources, Energy and Environment	7,654
Social Infrastructure and Offshore Facility	2,515
Industrial System and General-Purpose Machinery	9,830
Aero Engine, Space and Defense	6,237
Reportable segment total	26,236
Others	2,336
Corporate (Common)	922
Total	29,494

Note: The number of employees is the number of persons actually at work (excludes persons seconded from the IHI Group to companies outside the IHI Group, and includes persons seconded from outside the IHI Group to companies within the IHI Group). The average number of temporary employees is not shown due to the fact that the number of temporary employees is less than 10/100 the number of employees.

(2) Information about reporting company

As of March 31, 2016

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
8,571	40.0	14.4	7,492,112

Segment name	Number of employees (Persons)
Resources, Energy and Environment	2,459
Social Infrastructure and Offshore Facility	520
Industrial System and General-Purpose Machinery	793
Aero Engine, Space and Defense	3,877
Reportable segment total	7,649
Others	-
Corporate (Common)	922
Total	8,571

- Notes:
1. The number of employees is the number of persons actually at work (excludes persons seconded from IHI to companies outside IHI, and includes persons seconded from companies outside IHI to IHI). The average number of temporary employees is not shown due to the fact that the number of temporary employees is less than 10/100 the number of employees.
 2. Average annual salary includes bonuses and extra wages.

(Translation purposes only)

(3) Relationship with labor unions

IHI's labor union is called the IHI Labor Union, which forms the IHI Labor Union Federation with the labor unions of seven consolidated subsidiaries. The labor unions have their branches in nine regions in Japan. The IHI Labor Union Federation is a member of the Japanese Trade Union Confederation through its umbrella organization, the Japan Federation of Basic Industry Worker's Unions.

As of March 31, 2016, there were 7,758 members (including employees seconded to other companies) in the IHI Labor Union. There were a total of 10,240 members in the IHI Labor Union Federation.

IHI has a stable relationship with the labor unions. IHI has concluded a labor agreement with the labor unions based on a relationship of trust rooted in mutual understanding. In addition to this labor agreement, there is a Health and Safety Committee, a Management Council, and a Production Council, where both sides engage in frank discussions, thereby improving the workplace environment and establishing stable labor-management relations.

There is a labor union at 13 of the 51 domestic consolidated subsidiaries (not including the seven consolidated subsidiaries which belong to the IHI Labor Union Federation discussed above) with a total of 4,979 members, and its umbrella organization is the Japan Federation of Basic Industry Worker's Unions.

In addition, the IHI Group Labor Union Federation (21 labor unions, 15,732 members) is made up of 21 labor unions centered on labor unions organized by the IHI Labor Union and each of the consolidated subsidiaries' labor unions.

(Translation purposes only)

II. Overview of business

1. Overview of business results

(1) Summary of consolidated performance

During the current fiscal year, the Japanese economy continued to recover at a moderate pace overall, despite some weakness in exports and a lackluster recovery in private consumption and private-sector capital investment, partly due to a slowdown in China and other emerging economies in the first half of the fiscal year. Despite signs of weakness in, among other countries, such as emerging countries in Asia, the global economy was also on a track of moderate recovery, centered on advanced countries. Within this business environment and as the final year of its three-year midterm business policies, “Group Management Policies 2013” that was launched in April 2013, the IHI Group implemented initiatives to accelerate business development under this policy.

In the current fiscal year, orders received decreased 3.5% from the previous fiscal year to ¥1,605.3 billion, while net sales rose 5.7% to ¥1,539.3 billion.

Operating income declined 65.1% from the previous fiscal year to ¥22.0 billion. This reflected the recording in some boiler projects IHI received of the cost for pre-delivery repair, which was required for welded portions made using welding materials different from those specified in the design drawings (hereinafter “noncompliant welding”), increased costs in F-LNG/Offshore structure Business, which has continued to have deterioration of construction profitability since last year, and the recording of construction schedule catch-up expenses for the Izmit Bay Crossing Bridge construction project in Turkey, despite a sharp increase in the Aero Engine, Space and Defense segment. Ordinary income declined 82.8% from the previous fiscal year to ¥9.7 billion, partly reflecting a deterioration of foreign exchange losses. Profit attributable to owners of parent declined 83.2% from the previous fiscal year to ¥1.5 billion. Although gain on sales of non-current assets due to the sale of land and others in Toyosu, Koto-ku, Tokyo, and gain on contribution of securities to retirement benefit trust were recorded under extraordinary income, the IHI Group also recorded extraordinary losses in light of the possibility that the IHI Group companies are to be claimed for expenses for delayed delivery that are stipulated in the contracts in some projects received due to the above-mentioned process delays that have occurred in association with the repair of boiler welded portions and process delays that occurred in association with an accident of a catwalk falling at the Izmit Bay Crossing Bridge in Turkey.

Results by reportable segment for the current fiscal year are as follows:

(Billions of yen)

Reportable segment	Orders received			Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016		Changes from the previous fiscal year (%)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Changes from the previous fiscal year (%)	Sales	Operating income (loss)	Sales	Operating income (loss)	Sales	Operating income (loss)
Resources, Energy and Environment	582.7	532.7	(8.6)	415.3	24.0	452.4	(2.2)	8.9	–
Social Infrastructure and Offshore Facility	178.7	128.5	(28.1)	188.6	(3.2)	168.1	(48.9)	(10.9)	–
Industrial System and General-Purpose Machinery	415.0	421.8	1.6	411.7	10.2	404.7	12.6	(1.7)	23.8
Aero Engine, Space and Defense	468.0	515.6	10.2	434.8	39.5	500.2	58.4	15.0	47.7
Total Reportable Segment	1,644.6	1,598.7	(2.8)	1,450.5	70.6	1,525.5	19.8	5.2	(71.9)
Others	75.2	65.7	(12.6)	62.8	1.2	69.8	2.1	11.1	67.7
Adjustment	(55.5)	(59.1)	–	(57.5)	(8.6)	(56.0)	0.0	–	–
Total	1,664.3	1,605.3	(3.5)	1,455.8	63.2	1,539.3	22.0	5.7	(65.1)

(Translation purposes only)

<Resources, Energy and Environment>

Orders received declined from the previous fiscal year, despite an order for a natural gas liquefaction facility for Elba Island in the U.S., reflecting a pullback from the Cove Point natural gas liquefaction facility in the U.S. secured in the previous fiscal year for Gas processes Business.

Sales increased from the previous fiscal year mainly reflecting increases in Gas processes Business due to progress at Cove Point natural gas liquefaction facility construction project in the U.S.

The segment reported an operating loss due to a significant deterioration in profitability in Boiler Business related to repairs required for noncompliant welding in boiler projects, and a projected increase in costs in Gas process Business.

<Social Infrastructure and Offshore Facility>

Orders received declined from the previous fiscal year, reflecting a pullback from large orders secured in the previous fiscal year for F-LNG/Offshore structure Business, for which order procurement activities have currently been effectively suspended, partially offset by orders for new rail freight bridge construction work in India and new bridge construction and existing bridge repair work in Bangladesh.

Sales decreased from the previous fiscal year owing mainly to the impact of decreased sales from the Izmit Bay Crossing Bridge construction project in Turkey.

In terms of operating income/loss, the recording of additional costs in relation to production turmoil and a review of construction processes and methods at Aichi Works for F-LNG/Offshore structure Business as well as the recording of construction schedule catch-up expenses related to the Izmit Bay Crossing Bridge construction project in Turkey resulted in a significant operating deficit.

<Industrial System and General-Purpose Machinery>

Orders received increased from the previous fiscal year owing to increases in Transport machinery Business, Compressor Business and Small power systems Business.

Sales declined from the previous fiscal year. Although sales increased in Thermal and surface treatment Business and Compressor Business, that was offset by decreases in Paper-making machinery Business and Vehicular turbocharger Business.

Operating income increased compared with the previous fiscal year, despite an increase in selling, general and administrative expenses such as expenses in taking orders received, mainly reflecting an improvement in profitability in the Thermal and surface treatment Business, Compressor Business and Vehicular turbocharger Business.

<Aero Engine, Space and Defense>

Orders received increased from the previous fiscal year owing to increases in projects for Japan Ministry of Defense in Aero engines Business.

Sales increased from the previous fiscal year, owing mainly to increases in civil aero engines as a result of the effect of yen depreciation in foreign exchange, and a delivery of gas turbines for naval vessels in Defense systems Business.

Operating income increased significantly from the previous fiscal year owing to the above effect from sales increases and improved profitability for civil aero engines, partially offset by increases in expenses such as R&D expenses for the "GE9X" aero engine for the next-generation wide-body jet.

(2) Cash flows

At the end of the current fiscal year, the outstanding balance of cash and cash equivalents (hereinafter, "cash") was ¥103.6 billion, an increase of ¥11.0 billion from the end of the previous fiscal year.

Key factors influencing each cash flow during the current fiscal year are summarized below.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥95.3 billion (The previous fiscal year: gain of ¥63.5 billion). The main factors of increase were recognition of depreciation of ¥58.2 billion, an increase in advances received of ¥56.5 billion, an increase in accrued expenses of ¥37.3 billion, while the main factors of decrease were an increase in advance payments of ¥12.9 billion and an increase in inventories of ¥12.1 billion.

(Cash flows from investing activities)

Net cash used in investing activities was ¥35.5 billion (The previous fiscal year: use of ¥74.6 billion). This was due mainly to purchase of property, plant and equipment and intangible assets of ¥52.8 billion and proceeds from sales or disposal of property, plant and equipment and intangible assets ¥33.5 billion.

(Cash flows from financing activities)

Net cash used in financing activities was ¥47.5 billion (The previous fiscal year: gain of ¥33.4 billion). This was due mainly to proceeds from long-term loans payable of ¥50.8 billion, decrease in short-term loans payable of ¥38.9 billion, repayments of long-term loans payable of ¥33.5 billion and decrease in commercial papers of ¥12.0 billion.

Note: In this section, monetary amounts less than one unit are rounded down, and ratios less than one unit are rounded off.

(Translation purposes only)

2. Overview of production, orders received and sales

(1) Production

Production volume by segment for the current fiscal year is as follows:

Segment name	Amount (Millions of yen)	Year-on-year change (%)
Resources, Energy and Environment	455,373	11.0
Social Infrastructure and Offshore Facility	183,653	(4.8)
Industrial System and General-Purpose Machinery	413,682	2.6
Aero Engine, Space and Defense	451,549	5.9
Reportable segment total	1,504,257	5.0
Others	65,148	18.9
Total	1,569,405	5.5

- Notes:
1. The amounts are represented by selling prices and inter-segment transactions have been eliminated.
 2. The amounts stated above do not include consumption taxes.
 3. Monetary amounts and ratios less than one unit are rounded off.

(2) Orders received

Orders received by segment for the current fiscal year are as follows:

Segment name	Orders received (Millions of yen)	Year-on-year change (%)	Order backlog at the end of the period (Millions of yen)	Change from the end of the previous fiscal year
Resources, Energy and Environment	532,733	(8.6)	843,469	10.9
Social Infrastructure and Offshore Facility	128,571	(28.1)	194,306	(16.2)
Industrial System and General-Purpose Machinery	421,836	1.6	138,036	14.1
Aero Engine, Space and Defense	515,611	10.2	541,067	5.9
Reportable segment total	1,598,751	(2.8)	1,716,878	5.7
Others	65,748	(12.6)	24,774	(20.6)
Adjustments	(59,176)	—	—	—
Total	1,605,323	(3.5)	1,741,652	5.2

- Notes:
1. Orders received in each segment includes intersegment transactions, and the total amount of intersegment transactions has been eliminated with adjustment amount.
 2. Intersegment transactions have been eliminated in calculating order backlogs for each segment.
 3. The amounts stated above do not include consumption taxes.
 4. Monetary amounts and ratios less than one unit are rounded off.

(Translation purposes only)

(3) Sales

Sales revenue by segment for the current fiscal year is as follows:

Segment name	Amount (Millions of yen)	Year-on-year change (%)
Resources, Energy and Environment	452,476	8.9
Social Infrastructure and Offshore Facility	168,139	(10.9)
Industrial System and General-Purpose Machinery	404,767	(1.7)
Aero Engine, Space and Defense	500,208	15.0
Reportable segment total	1,525,590	5.2
Others	69,853	11.1
Adjustments	(56,055)	—
Total	1,539,388	5.7

- Notes:
1. Segment sales include intersegment transactions, and the total amount of intersegment transactions has been eliminated with the adjustment amount.
 2. Sales revenue to key customers and the corresponding percentage of overall sales are shown below.

Counterparty	The previous fiscal year		The current fiscal year	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Japanese Aero Engines Corporation (JAEC)	154,261	10.6	175,853	11.4

3. Sales revenue amounts shown represent net sales, and do not include consumption taxes, etc.
4. Monetary amounts and ratios less than one unit are rounded off.

3. Issues to be addressed

In the fiscal year ended March 31, 2016, the final year of the “Group Management Policies 2013,” there was a significant shortfall in profits versus the start-of-year target due to an impact from factors such as an increase in costs to address the noncompliant welding issue on some boiler projects, deterioration in profitability in F-LNG/Offshore structure Business, and construction schedule catch-up expenses for the Izmit Bay Crossing Bridge construction project in Turkey.

To address the noncompliant welding issue in Boiler Business, the IHI Group established “the company-wide committee on measures for severe quality nonconformity,” which conducted company-wide special inspections and discussed and implemented measures to prevent any reoccurrence, such as upgrades to quality control systems. With respect to F-LNG/Offshore structure Business and the Izmit Bay Crossing Bridge construction project in Turkey, the IHI Group is implementing company-wide measures as a matter of priority in order to complete projects as safely and quickly as possible and to strengthen project management systems. Also, the IHI Group will secure business operating resources by accelerating selection and concentration and work to rebuild its risk management system.

With respect to IHI Group’s investment in Brazilian shipbuilding company EAS, whose financial position has weakened significantly due to the downturn in the Brazilian economy, IHI has agreed to transfer whole equity interest in EAS owned by IHI consolidated subsidiary JEI to the Camargo Corrêa Group and the Queiroz Galvão Group, which are shareholders of EAS. The transfer was completed in April 2016.

On May 19, 2016, an accident involving a temporary support structure (bent) falling down during bridge construction occurred at the Shin-Meishin Expressway Yonogawa Bridge and Other One Bridge Construction (Steel Upper-Portion Works) Project, which IHI Infrastructure Systems Co., Ltd., a consolidated subsidiary of IHI, was carrying out. Currently, in cooperation with the parties involved, an investigation into the cause of the accident is being carried out, and all efforts are being made to prevent recurrence of such an accident.

Based on lessons learnt from issues that emerged in the fiscal year ended March 31, 2016, in the fiscal year ending March 31, 2017, the first year of the “Group Management Policies 2016,” which are focused on strengthening the Group’s earnings foundations, the IHI Group will implement the following measures based on the theme of building trust with stakeholder groups.

a. Reform quality control and business systems to reinforce monozukuri capabilities

Led by the Monozukuri System Strategy Planning Headquarters, which was established in April 2016, the IHI Group will work to rebuild its quality assurance system, reform engineering processes, including design and production systems, and make business operations more efficient by improving onsite business processes in order to strengthen monozukuri, including quality, and ensure quality issues do not occur again.

b. Strengthen the project implementation structure to secure profits from projects

To secure profits from projects, the IHI Group will carefully identify not only risks related to new business fields but also specific factors related to first-type equipment and conduct thorough assessments. In addition, the IHI Group will continually improve the accuracy of cost estimates, and reinforce the monitoring system, while also using project progress visualization and having experts carrying out reviews at each stage to ensure project profitability does not fall below expected levels.

c. Secure profits through effective business strategy implementation

In accordance with the “Group Management Policies 2016,” each strategic business unit (SBU) will secure profits by introducing a new portfolio management and reliably implementing a range of initiatives to achieve their missions, which combine strategic directions and quantitative targets. Also, the IHI Group will thoroughly implement ROIC-based management for each SBU to bolster cash flow generating capabilities, while also actively drawing on external resources through M&A and cooperation with other companies to reliably drive structural reform.

d. Reform the business model by implementing initiatives that create value for customers

The IHI Group will secure orders by thoroughly implementing measures to create value for customers. Also, the IHI Group will actively use shared group functions (“solutions,” “advanced information management,” and “global businesses”) to create competitive business models and apply these models across the Group at the earliest opportunity.

In terms of specific numerical targets, the IHI Group is aiming for a consolidated operating margin of 7%, ROIC (return on invested capital) of 10% and a D/E ratio (stability index) of 0.7 times or less in fiscal 2018, the final year of the “Group Management Policies 2016”.

The IHI Group will aim to become a trusted corporate group by increasing profitability through the provision of more advanced products and services that contribute to the development of society, realizing a level of capital efficiency and shareholder returns expected by the capital markets and creating sustainable corporate value.

4. Business risks

With regard to matters included in the “Overview of business,” “Information about facilities,” and “Financial information” sections of this Annual Securities Report, the items below are some of the main risks that could potentially impact on the operating results, share price, or financial position of the IHI Group. Note that forward-looking statements are based on the Group’s judgments as of the end of the current fiscal year (March 31, 2016). In light of the risks described below, the Group has put in place the necessary risk management system, making every possible effort to avoid the occurrence of risks and to minimize the impact when risks do occur.

(1) Competitive environment and business strategy

Japan’s economy is expected to continue its moderate recovery, primarily reflecting the global economy’s gradually increasing growth rate and the positive effects of economic measures by the Japanese government contributing to firm domestic demand. However, declining competitive strength in exports and the relocation of manufacturing bases overseas mean that for the time being an intensely competitive environment can be expected to continue with regard to domestic private-sector capital expenditure, which has a significant impact on the IHI Group’s operating results.

Meanwhile, the global economy is continuing its recovery trend led by the United States, and overall growth can be expected to accelerate gradually. Nonetheless, there are causes for concern such as the rising policy interest rates in the U.S., uncertain economic trends in the E.U., China and other emerging countries, falling oil prices, as well as geopolitical risks, and as a result the outlook remains extremely uncertain.

The IHI Group is taking steps to select and concentrate its businesses and to focus its investment of management resources, as well as to expedite the establishment of global business operations. However, risks include continuation of the domestic market’s intensely competitive environment, a slowdown in the global economy’s growth, or sudden changes in the competitive environment as a result of industry consolidation. If such risks materialize, and the IHI Group’s products and services prove unable to adequately compete with competitors in terms of performance, quality, or price, the IHI Group’s operating results and financial position could be adversely affected.

(2) Partnerships, M&A, and business integration

The IHI Group conducts joint business activities with numerous other companies in the form of joint ventures and cooperation in marketing, technology, and production. The Group also makes effective use of M&A in order to expedite business expansion into growth markets, supplement its underlying technologies, and generate synergies, among other purposes. However, such activities may not deliver the benefits originally expected due to changes in the economic environment, legal regulations, unforeseen cost increases, or other factors. Moreover, if the Group judges that the benefits originally expected cannot be obtained, it may decide to suspend or terminate business integration based on a partnership with another company. The IHI Group’s operating results and financial position could be adversely affected as a result.

(3) Country risk

The IHI Group conducts its activities including procurement, production, export, sales, and construction on a global basis, including in the Americas, Europe, and the Asia Pacific region. Each country and region presents country risks that include political or economic turmoil and a resulting freeze on currency exchange transactions, or debt defaults, or seizure of investment assets, and also the occurrence of unforeseen acts of terrorism or labor disputes. Moreover, the continuation of business activities or the operation of business sites could become difficult as a result of political instability, defaults, or other factors. The Group endeavors to ensure that it is fully covered by trade insurance, and strives to gather information regarding country risks and to raise awareness among Group employees. However, if such risks materialize, the IHI Group’s operating results and financial position could be adversely affected.

IHI invested into the Brazilian shipbuilding company EAS, whose management situation had been deteriorating due to weakness in the Brazilian economy despite capital participation by IHI to promote the offshore energy exploration-related business. With regard to this investment, IHI has agreed to transfer the whole equity interest in EAS held by its consolidated subsidiary JEI to the Camargo Corrêa Group and the Queiroz Galvão Group, which are shareholders of EAS. The transfer took place in April, 2016.

(4) Procurement of materials

Whilst the IHI Group endeavors to manufacture key components within the Group, it also takes delivery of raw materials, components, and services from multiple external suppliers. The Group strives to ensure reliable procurement by working to constantly gather information on market trends for its key raw materials and components. In addition, the Group takes steps to reduce risk, such as rigorously monitoring suppliers’ product quality and delivery dates, and diversifying procurement sources to avoid excessive concentration or dependency on particular suppliers. However, if supply shortages or other problems occur as a

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result of factors such as sudden changes in the prices for crude oil or steel, or in the international situation, they may cause problems including increased costs, quality control issues, or delayed deliveries. These problems could lead to deterioration in the Group's operating results.

(5) Loan guarantees

The IHI Group issues guarantees and takes other appropriate measures with regard to loans it has confirmed as necessary and legitimate in order to conduct its business activities. However, if the debtor's financial position deteriorates as a result of a prolonged downturn in the economic environment or a business failure, the creditors may demand that the Group fulfill these guarantees. Information regarding loan guarantees and related measures is included in Notes "consolidated balance sheets" under "Financial information" in this Annual Securities Report.

(6) Order contracts

The IHI Group often manufactures its products after executing individual order contracts with its customers, and for construction work involving large contract amounts, the Group conducts internal reviews from multiple perspectives before executing contracts. However, such factors as unanticipated changes in the economic environment, inadequate prior investigation, unexpected complications, or a business downturn at a joint venture partner or other partner may cause construction work that exceeds the original estimate, payment of penalties if the Group is unable to achieve the level of performance or delivery date required by the customer, or additional costs or other financial liabilities, leading to deterioration in the Group's operating results. In addition, the Group makes every possible effort to avoid risks associated with cancellation of an order contract at the request of a customer, including insertion of a penalty clause in the terms of its order contracts, but it may not always be possible to fully recover costs disbursed.

In March 2015, at the Izmit Bay Crossing Bridge construction site in Turkey, a project being carried out by IHI's consolidated subsidiary IHI Infrastructure Systems Co., Ltd., part of the scaffolding erected between the main towers for the building of the main cables (catwalk) broke and fell into the sea. This incident resulted in construction delays, and in the current fiscal year, IHI recorded construction schedule catch-up expenses and expected losses for potential damages that IHI could incur as a result of failing the contractual deadline. The project is now in the final phase and is progressing towards opening for traffic in June-July 2016.

In the F-LNG and Offshore Structure Business, which recorded a significant loss in the current fiscal year, the drill ship construction for Singapore has now reached the final stage in the construction process, and is commissioning large machinery in series. In the FPSO unit construction for Norway, IHI has gained the customers' agreement on a change in the delivery deadline. From early June 2016, IHI has started to transfer the large-scale blocks constructed in Aichi works to the Singapore Yard and from July, under a dispatched supervisor to ensure thorough management, IHI will commence to work for integrating the hull and outfitting and electrical equipment installation. In the SPB tank construction for LNG ships, of the four ships, the first ship is scheduled to begin the process of installing the tanks into the hull from late June 2016. Afterward, the installation work for the second through fourth ships is scheduled to progress every four to five months.

(7) Technology license contracts

The IHI Group handles a broad range of equipment types and technological fields both in Japan and overseas, and it therefore often executes contracts relating to technology licensing out to or in from other companies. Before executing such contracts, the Group conducts full internal reviews to check whether any of the contract terms are disadvantageous, or impossible to perform, as well as to ensure that no necessary terms have been omitted, among other matters. However, inadequate prior investigation, inadequate understanding of the contract terms, or other omissions may result in the Group incurring excessive liability for guarantees, compensation, or penalties, or becoming subject to operational or other restrictions. Such eventualities could lead to deterioration in the Group's operating results.

(8) Production and manufacturing

As described in "Major facilities" under "III. Information about facilities" in this Annual Securities Report, the IHI Group owns production sites in a variety of locations. A natural disaster affecting the Group's production facilities, a power outage, an inability to obtain materials or equipment resulting in an unavoidable slowdown in production activities, or a power restriction could occur on a greater scale than anticipated in their business continuity plans. Moreover, adjustment of production capacity may not be able to keep pace if production volume were to fluctuate more suddenly than anticipated. Such eventualities could lead to deterioration in the Group's operating results.

(9) Quality assurance

The IHI Group endeavors to ensure the quality of its products, and in order that customers can use them safely, the Group is taking steps to ensure the safety of both products and machinery by conducting rigorous risk assessment at the design stage and increasing its provision of warnings and information to customers. Moreover, as the IHI Group's products are subject to restrictions under a variety of legal regulations relating to quality and safety, the Group endeavors to comply with these regulations, and also takes out product liability insurance, among other measures. However, the occurrence of a major incident or complaint, or a product defect that could require payment of product liability compensation might be expected to lead to sizable costs, as well as seriously affecting the IHI Group's reputation within society. Such eventualities may adversely affect the IHI Group's operating results and financial position.

During the current fiscal year, it was discovered that in some boiler projects, some of the welded portions made by IHI's local Indonesian subsidiary PT Cilegon Fabricators (hereinafter "Cilegon Fabricators") were noncompliant welding. IHI recorded the repair costs, and the risk of a delivery delay increased. Repair work is steadily proceeding with repairs already completed on two of the four projects that had been carried in on site and repairs on the remaining two projects expected to be completed in the second half of the fiscal year ending March 31, 2018. IHI is making ongoing efforts to strengthen the quality assurance system and governance, including improvement of the qualification management system and training system for welders and welding material managers at Cilegon Fabricators, and establishment of an independent quality assurance division.

(10) Intellectual property

The IHI Group endeavors to appropriately safeguard its intellectual property (by obtaining patents, utility models, or rights of prior use). However, the equipment types and technological fields handled by the Group are broad-ranging, and it can sometimes prove difficult to completely prevent attempts by third parties to surpass the Group technologically by means such as imitating or analyzing the Group's products or technologies.

Moreover, the products and technologies the IHI Group is developing for the future could potentially infringe on the intellectual property rights of other companies and organizations, or the Group could fail to handle an employee's invention appropriately, resulting in a claim for compensation or other redress being made against the Group. Such eventualities could adversely affect the IHI Group's operating results.

(11) Research and development

Information relating to the IHI Group's research and development activities is included in "Research and development activities" under "II. Overview of business" and in this Annual Securities Report. Due to the nature of the Group's business, these research and development activities are characterized by the fact that they require large financial investments and long development periods. Research and development could therefore fail to lead to satisfactory outcomes because opportunities for practical application are lost, timings are inconsistent with the Group's business strategies or market trends, or for other reasons. Such eventualities could adversely affect the IHI Group's operating results.

(12) Laws and regulations

In the course of conducting its businesses on a global basis, the IHI Group is subject to restrictions it endeavors to comply with under a variety of laws and regulations, governmental permits and licenses, and regulatory restrictions, not only in Japan, but in each country and region of operation. However, the Group could be judged to have violated such laws or regulations if, for instance, it fails to understand them adequately or is unable to respond appropriately to unforeseen legislative changes. This could result in financial losses due to fines or surcharges, or administrative sanctions such as mandatory business suspension that could lead to the Group suffering loss of opportunities or consequent deterioration of its reputation within society. Such eventualities could adversely affect the IHI Group's operating results and financial position.

Of the key legal proceedings under way, there are none that have the potential to exert a significant adverse effect on the operation of the IHI Group. However, unanticipated legal proceedings of which the Group is currently unaware could arise. If this risk materializes, the IHI Group's operating results and financial position could be adversely affected.

(13) Computer systems

The IHI Group makes large financial investments in the processing of technological and administrative data. When operating, installing, or updating the relevant computer systems, the Group takes every possible measure to avoid system malfunctions or leakage of data outside the Group. However, circumstances such as system failure and suspension of business, or leakage of data outside the Group, could occur as a result of a variety of causes, including infection by a computer virus or hacking originating externally; failure, loss, or theft of host computers, servers, or network devices; or software defects. Such eventualities could adversely affect the IHI Group's operating results.

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(14) Health and safety

The IHI Group takes all possible measures to manage health and safety at its business offices and construction sites. However, in the unlikely event of an unexpected accident, disaster, or other incident, production activities could be impeded, leading to an adverse effect on the IHI Group's operating results and financial position. The IHI Group takes out a range of property and casualty insurance policies, among other measures, but if a major accident or disaster were to occur, the Group may not be able to make insurance claims to cover all its losses.

(15) Environmental conservation

Within its manufacturing process, the IHI Group has business offices, subsidiaries, and other entities using substances that could cause adverse effects including pollution of the atmosphere, water, or soil. The Group takes the utmost care in managing these substances, and even in the unlikely event of substances leaking outside the Group's facilities, the Group has measures in place to minimize their spread. However, an unanticipated situation could arise, leading to deterioration in the Group's reputation within society, as well as liability for damages. If this risk materializes, the IHI Group's operating results and financial position could be adversely affected.

(16) Disasters and computer system failures

Situations that could prevent the execution of business operations include the worldwide spread of an infectious disease or epidemic (a pandemic), a major disaster such as an earthquake or flood, a criminal act such as terrorism, or a computer system failure. The IHI Group has taken measures to minimize any impact even if such an event should occur by putting in place business continuity plans (BCPs) and conducting drills and other training to prepare for any emergency situation. However, a disaster or system failure on an unanticipated scale could make it impossible to execute business operations appropriately. Such eventualities could adversely affect the IHI Group's operating results and financial position.

(17) Currency movements

Currency movements have a significant impact on the Group's operating results. For example, when the yen appreciates against foreign currencies, the Group's income from construction work for export denominated in foreign currencies decreases in value after conversion into yen, and when the yen depreciates it leads to increases in the yen values of expenditures for overseas procurement denominated in local currencies. The Group therefore endeavors to hedge against the risk of imbalance in its position with regard to assets and liabilities denominated in foreign currencies by ensuring full use of forward exchange contracts, and marry and netting, based on a set policy. However, exchange rates may fluctuate more than anticipated, and if this risk materializes, the IHI Group's operating results and financial position could be adversely affected.

(18) Interest rate movements

If interest rates rise, the IHI Group's interest expenses increase and its financial balance deteriorates. Moreover, the Group may be subject to less favorable financing terms when taking out loans or issuing bonds, adversely affecting its fund procurement. As a consequence, therefore, the IHI Group's operating results and financial position could also be adversely affected.

(19) Fund procurement and credit ratings

The IHI Group's loans include syndicated loans with associated financial covenants relating to shareholders' equity and profits. If the Group were to violate these covenants as a result of deterioration in business performance or any other cause, the terms of the loan in question could be revised, or an obligation to repay the loan before the due date could arise, leading to an adverse effect on the IHI Group's operating results and financial position.

Moreover, if a credit rating agency downgrades the IHI Group's credit rating, the Group could be forced to execute its financing transactions under disadvantageous terms, or it could become unable to execute certain transactions, adversely affecting its fund procurement. As a consequence, therefore, the IHI Group's operating results and financial position could also be adversely affected.

(20) Taxation

To calculate its deferred tax assets, the IHI Group books or reverses individual assets, including forecasts and assumptions regarding future taxable income. However, if forecasts and assumptions regarding future taxable income change and the Group judges that part or all of the deferred tax assets cannot be recovered, the Group's deferred tax assets could be decreased. The IHI Group's operating results and financial position could be adversely affected as a result.

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(21) Management of credit exposure

The IHI Group supplies products and services to customers worldwide, and most of its sales transactions employ credit or promissory notes. With regard to these transactions, the Group as a whole endeavors to bolster its system for management of credit exposure and to ensure rigorous protection of receivables. Despite such measures, however, a key customer could fall into bankruptcy, making it impossible to recover receivables from that customer. If this risk materializes, the IHI Group's operating results and financial position could be adversely affected.

(22) Human resource training

The IHI Group's growth prospects and internal transmission of skills are largely dependent on the availability of capable employees, and one of the business challenges facing the Group is how to secure employees with strong technical capabilities and skills and transmit their skills to others. However, it could prove impossible to secure or train personnel capable of playing such key roles. If this risk materializes, the IHI Group's growth prospects, operating results, and financial position could be adversely affected.

(Translation purposes only)

5. Material contracts for operation

(1) Licensing-in contracts

Name of Contracting Company	Name of Counterparty	Country	Licensed Products	Details	Contract Period
IHI	ABB TURBO SYSTEMS LTD.	Switzerland	Turbocharger	Exclusive manufacturing rights in Japan	From September 24, 1998 until date that JV ends
IHI	GEAE TECHNOLOGY, INC.	U.S.A.	T700-401C, T700-701C turboshaft engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From September 26, 1989 to April 30, 2018
IHI	GEAE TECHNOLOGY, INC.	U.S.A.	F110-129 turbofan engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From September 27, 1996 to April 30, 2019
IHI	GEAE TECHNOLOGY, INC.	U.S.A.	J79 turbo jet engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From March 18, 2002 to April 30, 2018
IHI	ROLLS-ROYCE CORPORATION	U.S.A.	T56-A turboprop engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From November 7, 2008 to October 31, 2018
IHI	UNITED TECHNOLOGIES CORPORATION	U.S.A.	F100 turbofan engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From June 27, 1978 to September 30, 2019
IHI	UNITED TECHNOLOGIES CORPORATION	U.S.A.	F135 turbofan engine	Non-exclusive manufacturing rights in Japan	From October 17, 2013 to September 30, 2024
Diesel United, Ltd. (Consolidated subsidiary)	MAN Diesel & Turbo France SAS	France	General-purpose medium-speed diesel engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From January 1, 2011 to December 31, 2016
Diesel United, Ltd. (Consolidated subsidiary)	Winterthur Gas & Diesel Ltd.	Switzerland	General-purpose low-speed diesel engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From January 1, 2009 to December 31, 2024
IHI AEROSPACE CO., LTD. (Consolidated subsidiary)	LOCKHEED MARTIN CORP.	U.S.A.	Multiple launch rocket system	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From January 20, 1993 to August 31, 2016

(2) Licensing-out contracts

Name of Contracting Company	Name of Counterparty	Country	Licensed Products	Details	Contract Period
IHI Construction Machinery Limited (Consolidated subsidiary)	IHIMER S.p.A	Italy	Mini excavator	Licensing of exclusive rights for manufacture and sale of licensed products	August 31, 2002 to March 31, 2017
IHI Shibaura Machinery Corporation (Consolidated subsidiary)	Perkins Shibaura Engines (Wuxi) Co., Ltd.	China	Diesel engine	Licensing of exclusive implementation rights for technologies related to licensed product	January 1, 2009 to August 1, 2020

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6. Research and development activities

The IHI Group tirelessly pursues basic and commercialization research aimed at bolstering product competitiveness, future growth and innovation in each business segment. The Operations and relevant units of consolidated subsidiaries work closely with Corporate Research & Development. In addition, the IHI Group pursues joint research through industry-academia partnerships with Japanese and overseas universities and research institutions.

In the current fiscal year, the IHI Group spent ¥41.6 billion on R&D.

The research and development achievements of each segment, and R&D expenses, are discussed below.

(1) Resources, Energy and Environment

Energy & Plant Operations, Nuclear Power Operations, Corporate Research & Development and consolidated subsidiaries are engaged in research and development related to boilers, power systems, gas processes, nuclear power and other fields. The subsidiaries primarily include Niigata Power Systems Co., Ltd., IHI Enviro Corporation and Diesel United, Ltd.

Key achievements in the current fiscal year included demonstration of a co-firing ratio of 25% (ratio in calorie) as Japan's largest biomass co-firing test at a coal-fired power plant, and implementation of operation tests for the W6X72DF full-scale demonstration engine, which is a low-speed two-stroke engine that employs a mixed fuel, lean-combustion system. R&D expenses in this segment totaled ¥6.9 billion.

(2) Infrastructure and Offshore Facility

Infrastructure Operations, Offshore Project & Steel Structures Operations as well as Corporate Research & Development and consolidated subsidiaries are engaged in research and development related to bridges, F-LNG/offshore structures, transport systems and other fields. The subsidiaries include Niigata Transys Co., Ltd and IHI Infrastructure Systems Co., Ltd.

Key achievements in the current fiscal year included development of a changed model of tsunami lifeboat, which is being developed from the viewpoints of strengthening safety and improving passenger conditions during marine evacuation and development of technology, such as automated welding technology and friction stir welding (FSW) that improves the manufacturing efficiency for the IHI-SPB tanks, which entered full-scale production. R&D expenses in this segment totaled ¥700 million.

(3) Industrial System and General-Purpose Machinery

Machinery & Logistics Systems Operations, Vehicular Turbocharger Operations, Rotating Machinery Operations, Corporate Research & Development and consolidated subsidiaries are engaged in research and development related to vehicular turbochargers, transport machinery, thermal and surface treatment, compressors, machinery for ships, parking and other fields.

The main consolidated subsidiaries conducting the research and development are IHI Charging Systems International GmbH, IHI Shibaura Machinery Corporation, IHI Transport Machinery Co., Ltd., IHI STAR Machinery Corporation, Voith IHI Paper Technology Co., Ltd., IHI Hauzer Techno Coating BV, and IHI Construction Machinery Limited.

Key achievements in the current fiscal year included the development of new models of turbochargers including electric turbochargers that are targeted for hybrid vehicles and fuel cell vehicles, development of a new oil purification system for deck cranes that reduces maintenance costs and prevents equipment faults, and starting cloud-based equipment maintenance support services for logistics equipment that makes use of the IoT and big data. R&D expenses in this segment totaled ¥7.8 billion.

(4) Aero Engine, Space and Defense

Aero-Engine & Space Operations, Corporate Research & Development and consolidated subsidiaries are engaged in research and development of aero engines, rocket and space-utilization systems, defense systems and other fields. The subsidiaries primarily include IHI AEROSPACE CO., LTD. and IHI CASTINGS CO., LTD.

Key achievements in the current fiscal year included the establishment of mass production technology for and the start of production and delivery of mass-produced parts of the PW1100G-JM civil aero engine, whose development IHI has been involved with for some time. In addition, development proceeded on the GE9X civil aero engine which will be installed in the Boeing 777X next-generation wide-body jet. R&D expenses in this segment totaled ¥12.9 billion.

(5) Other

Head office divisions including the Solution & Engineering Headquarters, the Intelligent Information Management Headquarters, Corporate Business Development Division, Corporate Research & Development and the Information Systems Division, as well as consolidated subsidiaries, are engaged in research and development of a new technology platform, as well as new technologies business fields. The subsidiaries primarily include IHI Inspection & Instrumentation Co., Ltd., MEISEI ELECTRIC CO., LTD., and IHI NeoG Algae LLC.

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Key achievements in the current fiscal year included the first acquisition of SIL4 accreditation by a Japanese company in 3D Laser Radar for level crossing obstruction detection system, successful stable propagation of alga body in outdoor large-scale experimental algae cultivation in microalgae derived bio-fuel production technology development commissioned by the New Energy and Industrial Technology Development Organization (NEDO), development of data analysis technology to utilize ICT for preventive maintenance of products, and a trial for a contactless charging system for an EV at a standalone house. R&D expenses in this segment totaled ¥13.0 billion.

(Note: In this section, monetary amounts are rounded down.)

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7. Analysis of financial position, business results, and cash flows

(1) Significant accounting policies and estimates

The IHI Group's consolidated financial statements are prepared according to the accounting principles generally accepted in Japan (Japanese GAAP). When preparing its consolidated financial statements, the Group is required to make judgments and estimates that affect the amounts recorded for assets and liabilities on the consolidated balance sheet and for income and expenses on the consolidated statement of income. Among the IHI Group's significant accounting policies, those that frequently require judgments or estimates include the recording of allowances and provisions such as the allowance for doubtful accounts and the provision for loss on construction contracts, estimate of the net defined benefit liability, as well as judgments relating to the probability of recovering the deferred tax assets. The IHI Group uses rational methods to make its judgments and estimates, but estimates are inherently subject to uncertainties, and those uncertainties may influence the Group's operating results and financial position as recognized in future. Significant uncertainties affecting the Group are detailed under "4. Business risks" in the "II. Overview of business" section of this Annual Securities Report.

(2) Analysis of business results

(i) Overview

In the current fiscal year, the IHI Group's consolidated net sales increased by 5.7% from the previous fiscal year to ¥1,539.3 billion. In terms of income, operating income amounted to ¥22.0 billion, ordinary income came to ¥9.7 billion, and profit attributable to owners of parent was ¥1.5 billion.

(ii) Net sales

Consolidated net sales rose by ¥83.5 billion versus the previous fiscal year, to ¥1,539.3 billion.

Increased sales in civil aero engines and gas processes outweighed decreased sales in bridges, resulting in higher sales overall. Overseas sales increased 5.1% compared with the previous fiscal year, to ¥796.9 billion, accounting for 52% of consolidated net sales (compared with 52% in the previous fiscal year).

(iii) Operating income

Consolidated operating income decreased by ¥41.2 billion versus the previous fiscal year, to ¥22.0 billion.

Consolidated operating income declined overall, mainly due to the recording of additional expenses in the F-LNG/offshore structures, the impact of the accident in the Izmit Bay Crossing Bridge construction project in Turkey, and a deterioration in profitability in conjunction with noncompliant welding in the boilers. These factors outweighed an income-boosting effect and profitability improvement due to an increase in sales for civil aero engines.

(iv) Non-operating income/loss and ordinary income

Consolidated non-operating income/loss changed from a loss of ¥6.7 billion (net) in the previous fiscal year to a loss of ¥12.3 billion (net) in the current fiscal year. This mainly reflected the impact of a deterioration in foreign exchange losses.

As a result, consolidated ordinary income deteriorated by ¥46.8 billion compared with the previous fiscal year to ¥9.7 billion.

(v) Extraordinary income/losses

Consolidated extraordinary income/losses changed from a loss of ¥29.2 billion (net) in the previous fiscal year to a loss of ¥11.3 billion (net) in the current fiscal year. This reflected the recording of a loss on business of subsidiaries and affiliates of ¥29.0 billion in relation to Brazilian shipbuilding company EAS, in the previous fiscal year, after its financial position was weakened by disarray in the Brazilian economy, among other factors, while gain on sales of non-current assets due to the sale of land and others in Toyosu, Koto-ku, Tokyo, and gain on contribution of securities to retirement benefit trust were recorded in the current fiscal year. On the other hand, the IHI Group also recorded extraordinary losses in light of the possibility that the IHI Group companies are to be claimed for expenses for delayed delivery that are stipulated in the contracts in some projects received due to the process delays that have occurred in association with the repair of boiler welded portions and process delays that occurred in association with an accident of a catwalk falling at the Izmit Bay Crossing Bridge in Turkey.

(vi) Profit attributable to owners of parent

As a result of the factors described above, profit attributable to owners of parent declined by ¥7.5 billion from ¥9.0 billion in the previous fiscal year to ¥1.5 billion in the current fiscal year. Consequently, basic earnings per share decreased from ¥5.88 in the previous fiscal year to ¥0.99 in the current fiscal year.

(3) Analysis of financial position at the end of the current fiscal year

Assets and liabilities, and net assets

Total assets at the end of the current fiscal year were ¥1,715.0 billion, up ¥24.1 billion from the end of the previous fiscal year.

The items with the most significant increases were deferred tax assets, up ¥30.5 billion, cash and deposits, up ¥11.9 billion, raw materials and supplies, up ¥6.8 billion, and notes and accounts receivable - trade, up ¥6.5 billion. The item with the most significant decrease was investment securities, down ¥27.6 billion.

Total liabilities were ¥1,381.6 billion, an increase of ¥50.4 billion compared with the end of the previous fiscal year. The items with the most significant increases were advances received, up ¥55.1 billion, accrued expenses, up ¥36.3 billion and provision for

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loss on construction contracts, up ¥24.6 billion. The items with the most significant decreases were provision for loss on business of subsidiaries and affiliates, down ¥19.7 billion, short-term loans payable, down ¥19.5 billion and income taxes payable, down ¥14.9 billion.

Net assets were ¥333.3 billion, down ¥26.2 billion compared with the end of the previous fiscal year.

This includes profit attributable to owners of parent of ¥1.5 billion, a decrease in dividends of surplus of ¥9.2 billion, and a decrease in valuation difference on available-for-sale securities of ¥15.0 billion.

As a result of the above, net assets per share were ¥206.16, down ¥17.87 compared with the end of the previous fiscal year, and the ratio of equity to total assets dropped from 20.5% at the end of the previous fiscal year to 18.6%.

(4) Analysis of capital resources and funding liquidity

The IHI Group obtains working capital and funds for capital expenditures by means of loans, bonds, and commercial papers, as well as by using internal funding. At the end of the current fiscal year the balance of interest bearing liabilities, including lease obligations, was ¥374.5 billion, down ¥36.1 billion from the end of the previous fiscal year. This was primarily due to the decrease in short-term loans payable used in financing activities.

At the end of the current fiscal year, the outstanding balance of cash and cash equivalents was ¥103.6 billion. This balance, in combination with a diverse range of fund procurement methods, including credit line commitments and overdraft facilities with major banks, as well as commercial papers, means that the Group has secured sufficient liquidity.

Note: In this section, monetary amounts less than one unit are rounded down.

(Translation purposes only)

III. Information about facilities

1. Overview of capital expenditures, etc.

The IHI Group (IHI and its consolidated subsidiaries) invested a total of ¥50.8 billion during the current fiscal year. These investments were focused on production capacity increases, improvements to production systems, as well as the streamlining of production and other measures to enhance competitiveness. Investment by segment was as follows:

In Resources, Energy and Environment, ¥7.5 billion was invested to increase production capacity and improve production systems.

In Social Infrastructure and Offshore Facility, ¥5.9 billion was invested to increase production capacity, improve production systems, as well to maintain and upgrade existing facilities.

In Industrial System and General-Purpose Machinery, ¥13.8 billion was invested to increase production capacity and improve production systems.

In Aero Engine, Space and Defense, ¥18.5 billion was invested to increase production capacity, improve production systems, as well to maintain and upgrade existing facilities.

In Others, ¥4.9 billion was invested to improve production systems.

IHI's own capital was the primary source of funds for the investments.

Note: In this section, monetary amounts less than one unit are rounded down.

2. Major facilities

The IHI Group's (IHI and its consolidated subsidiaries) major facilities as of the end of the current fiscal year are shown below:

Note: In the below table, monetary amounts less than one unit have been rounded off.

(1) Reporting company

Office/works (Location)	Segment name	Facilities	Book value (Millions of yen)					Total	Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area; Thousands of m ²)	Leased assets	Others (Note 1)		
Aioi Works (Aioi-city, Hyogo)	Resources, Energy and Environment	Production facilities for boilers	994	1,603	212 (184)	17	228	3,054	403
Yokohama Works (Yokohama-city, Kanagawa)	Resources, Energy and Environment	Production facilities for components for nuclear power plants	3,247	3,258	1,106 (227)	134	678	8,423	395
Aichi Works (Chita-city, Aichi)	Social Infrastructure and Offshore Facility	Production facilities for F-LNG/Offshore structures	3,489	1,569	3,433 (734)	2,641	457	11,589	503
Mizuho Aero-Engine Works (Nishitama-gun, Tokyo)	Aero Engine, Space and Defense	Production facilities for aero engines and space-related equipment	3,791	4,438	1,979 (168)	387	758	11,353	1,614
Soma Aero-Engine Works (Soma-city, Fukushima)	Aero Engine, Space and Defense	Production facilities for aero engines and space-related equipment	6,645	6,917	3,391 (374)	885	9,224	27,062	927
Kure Aero-Engine & Turbo Machinery Works (Kure-city, Hiroshima)	Aero Engine, Space and Defense	Production facilities for aero engines	1,381	2,809	57 (48)	322	501	5,070	466
Head Office (Koto-ku, Tokyo, etc.) (Notes 2 and 3)	Others	Other facilities	82,777	6,158	41,245 (133,005)	3,252	2,740	136,172	3,670

- Notes:
1. The "Book value - Others" column represents the total amount of tools, furniture and fixtures, as well as construction in progress.
 2. The book value of the Head Office land includes land located in Kagoshima-city, land owned in Brazil, and other land.
 3. The book value includes book value of ¥90,954 million of assets (mainly assets for lease) belonging to the Social Infrastructure and Offshore Facility segment.

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(2) Domestic subsidiaries

Company name	Office or works (Location)	Segment name	Facilities	Book value (Millions of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (Area; Thousands of m ²)	Leased assets	Others (Note)	Total	
Niigata Power Systems Co., Ltd.	Ota Works (Ota-city, Gunma)	Resources, Energy and Environment	Production facilities	830	925	2,152 (152)	24	129	4,060	348
	Niigata engine Works (Niigata-city, Niigata)	Resources, Energy and Environment	Production facilities	900	1,169	1,050 (55)	5	27	3,151	187
IHI Infrastructure Systems Co., Ltd.	Sakai Works (Sakai-city, Osaka)	Social Infrastructure and Offshore Facility	Production facilities	2,524	1,248	5,686 (82)	—	108	9,566	495
IHI Compressor and Machinery Co., Ltd.	Tatsuno Works (Kamiina-gun, Nagano)	Industrial System and General-Purpose Machinery	Production facilities	969	569	352 (93)	240	179	2,309	349
IHI Turbo Co., Ltd.	Kiso Works (Kiso-gun, Nagano)	Industrial System and General-Purpose Machinery	Production facilities	1,088	935	94 (65)	929	268	3,314	373
	Shinmachi Works (Kamiina-gun, Nagano)	Industrial System and General-Purpose Machinery	Production facilities	1,773	494	194 (25)	1,096	75	3,632	99
IHI Shibaura Machinery Corporation	Matsumoto Works (Matsumoto-city, Nagano)	Industrial System and General-Purpose Machinery	Production facilities	1,207	966	5,490 (117)	292	615	8,570	499
IHI AEROSPACE CO., LTD.	Tomioka Works (Tomioka-city, Gunma)	Aero Engine, Space and Defense	Production facilities	4,171	2,092	2,388 (490)	442	1,357	10,450	940

Note: The “Book value - Others” column represents the total amount of tools, furniture and fixtures, as well as construction in progress.

(3) Foreign subsidiaries

Company name	Office or works (Location)	Segment name	Facilities	Book value (Millions of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (Area; Thousands of m ²)	Leased assets	Others (Note 1)	Total	
Indigo TopCo Ltd. (Note 2)	Switzerland, etc.	Industrial System and General-Purpose Machinery	Production facilities	1,297	5,856	443 (35)	97	801	8,494	953
IHI Charging Systems International GmbH (Note 2)	Germany and Italy	Industrial System and General-Purpose Machinery	Production facilities	721	10,579	163 (8)	2,360	1,587	15,410	1,048
IHI TURBO (THAILAND) CO., LTD.	Thailand	Industrial System and General-Purpose Machinery	Production facilities	1,330	2,364	343 (54)	—	394	4,431	698
Changchun FAWER-IHI Turbo Co., Ltd.	China	Industrial System and General-Purpose Machinery	Production facilities	1,536	1,871	—	—	232	3,639	316

- Notes: 1. The “Book value - Others” column represents the total amount of tools, furniture and fixtures, as well as construction in progress.
2. For Indigo TopCo Ltd. and IHI Charging Systems International GmbH, figures shown represent the values upon the consolidation of each company’s subsidiaries.

(Translation purposes only)

3. Planned additions, retirements, etc. of facilities

The IHI Group (IHI and its consolidated subsidiaries) plans to invest ¥70.0 billion in initiatives aimed at increasing production capacity, improving production systems, making production more streamlined and less labor intensive, and to maintain and upgrade existing facilities during the one-year period following the end of the current fiscal year. The breakdown of capital expenditure by segment is shown below.

(1) Additions and repairs

Segment name	Expected amount for FY 2016 (Millions of yen)	Facilities
Resources, Energy and Environment	8,000	Production facilities for boilers, motors for land and marine use, components for nuclear power plants, construction facilities for process plant installations , etc.
Social Infrastructure and Offshore Facility	9,000	Production facilities for bridges and water gates, concrete construction materials, upgrades to real estate lease properties, etc.
Industrial System and General-Purpose Machinery	18,000	Thermal- and surface-treatment facilities, production facilities for vehicular turbochargers, rotating machinery, agricultural machinery and small power systems, etc.
Aero Engine, Space and Defense	27,000	Production facilities for aero engines such as PW1100G, space-related equipment, etc.
Reportable segment total	62,000	
Others (Note 3)	8,000	
Total	70,000	

- Notes:
1. The amounts stated above do not include consumption taxes.
 2. The IHI Group plans to primarily allot its own capital, borrowings, and other sources of funds to pay for the investment plans.
 3. Others include the amount of company-wide capital expenditure not belonging to any of the reportable segments.

(2) Sale and scrap

As of March 31, 2016, there is no plan to sell or scrap any of the IHI Group's important facilities.

(Translation purposes only)

IV. Information about reporting company

1. Information about shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of authorized shares (Shares)
Common shares	3,300,000,000
Total	3,300,000,000

(ii) Issued shares

Class	Number of issued shares as of the end of the fiscal year (Shares) (March 31, 2016)	Number of issued shares as of the filing date (Shares) (June 24, 2016)	Name of stock exchange on which IHI is listed or names of authorized financial instruments firms associations where IHI is registered	Description
Common shares	1,546,799,542	1,546,799,542	First Section of Tokyo Stock Exchange and Nagoya Stock Exchange, Fukuoka Stock Exchange, Sapporo Stock Exchange	Shares with full voting rights, in which shareholders have unlimited standard rights. The number of shares constituting one unit is 1,000 shares.
Total	1,546,799,542	1,546,799,542	—	—

Note: The “Number of issued shares as of the filing date” column does not include the number of shares issued upon exercise of subscription rights to shares between June 1, 2016 and the filing date of this Annual Securities Report.

(2) Subscription rights to shares, etc.

IHI issues subscription rights to shares in accordance with the Companies Act.

(i) Resolution made at the Board of Directors’ meeting held on July 23, 2007 (1st Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2016)	As of the end of the month previous to the filing month (May 31, 2016)
Number of subscription rights to shares (Units)	54	54
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	—	—
Class of shares underlying subscription rights to shares	Common shares Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	54,000	54,000
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 10, 2007 to August 9, 2037	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 463 Additional paid-in capital per share: 232	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI’s Board of Directors.	Same as left
Matters relating to substitute payment	—	—
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(Translation purposes only)

(ii) Resolution made at the Board of Directors' meeting held on July 22, 2008
(2nd Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2016)	As of the end of the month previous to the filing month (May 31, 2016)
Number of subscription rights to shares (Units)	198	198
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common shares Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	198,000	198,000
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 19, 2008 to August 18, 2038	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 186 Additional paid-in capital per share: 93	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to substitute payment	–	–
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(iii) Resolution made at the Board of Directors' meeting held on July 21, 2009
(3rd Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2016)	As of the end of the month previous to the filing month (May 31, 2016)
Number of subscription rights to shares (Units)	340	292
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common shares Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	340,000	292,000
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 6, 2009 to August 5, 2039	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 166 Additional paid-in capital per share: 83	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to substitute payment	–	–
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(Translation purposes only)

(iv) Resolution made at the Board of Directors' meeting held on July 23, 2010
(4th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2016)	As of the end of the month previous to the filing month (May 31, 2016)
Number of subscription rights to shares (Units)	504	456
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common shares Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	504,000	456,000
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 10, 2010 to August 9, 2040	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 155 Additional paid-in capital per share: 78	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to substitute payment	–	–
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(v) Resolution made at the Board of Directors' meeting held on July 25, 2011
(5th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2016)	As of the end of the month previous to the filing month (May 31, 2016)
Number of subscription rights to shares (Units)	459	436
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common shares Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	459,000	436,000
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 18, 2011 to August 17, 2041	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 179 Additional paid-in capital per share: 90	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to substitute payment	–	–
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(Translation purposes only)

(vi) Resolution made at the Board of Directors' meeting held on July 23, 2012
(6th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2016)	As of the end of the month previous to the filing month (May 31, 2016)
Number of subscription rights to shares (Units)	721	692
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common shares Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	721,000	692,000
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 17, 2012 to August 16, 2042	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 160 Additional paid-in capital per share: 80	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to substitute payment	–	–
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(vii) Resolution made at the Board of Directors' meeting held on July 22, 2013
(7th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2016)	As of the end of the month previous to the filing month (May 31, 2016)
Number of subscription rights to shares (Units)	328	315
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common shares Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	328,000	315,000
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 22, 2013 to August 21, 2043	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 377 Additional paid-in capital per share: 189	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to substitute payment	–	–
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(Translation purposes only)

(viii) Resolution made at the Board of Directors' meeting held on July 22, 2014
(8th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2016)	As of the end of the month previous to the filing month (May 31, 2016)
Number of subscription rights to shares (Units)	325	325
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common shares Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	325,000	325,000
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 12, 2014 to August 11, 2044	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 441 Additional paid-in capital per share: 221	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to substitute payment	–	–
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(ix) Resolution made at the Board of Directors' meeting held on July 21, 2015
(9th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2016)	As of the end of the month previous to the filing month (May 31, 2016)
Number of subscription rights to shares (Units)	242	242
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common shares Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	242,000	242,000
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 11, 2015 to August 10, 2045	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 414 Additional paid-in capital per share: 207	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to substitute payment	–	–
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

Notes: 1. Conditions for exercising subscription rights to shares

(Translation purposes only)

- (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 audit & supervisory board members within one (1) year after he/she resigns as director or executive officer, the date he/she lost its position of audit & supervisory board members) (“Exercise Start Date”).
- (2) Notwithstanding the above (1), in the event of the following (a) or (b), subscription rights to shares shall be exercisable for the period stipulated below. (However, (b) does not apply to subscription rights to shares issued by a reorganized company.)
 - (a) 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”):

Round	Due Date	Exercise period of subscription rights to shares
1st Subscription Rights to Shares	August 9, 2036	From August 10, 2036 to August 9, 2037
2nd Subscription Rights to Shares	August 18, 2037	From August 19, 2037 to August 18, 2038
3rd Subscription Rights to Shares	August 5, 2038	From August 6, 2038 to August 5, 2039
4th Subscription Rights to Shares	August 9, 2039	From August 10, 2039 to August 9, 2040
5th Subscription Rights to Shares	August 17, 2040	From August 18, 2040 to August 17, 2041
6th Subscription Rights to Shares	August 16, 2041	From August 17, 2041 to August 16, 2042
7th Subscription Rights to Shares	August 21, 2042	From August 22, 2042 to August 21, 2043
8th Subscription Rights to Shares	August 11, 2043	From August 12, 2043 to August 11, 2044
9th Subscription Rights to Shares	August 10, 2044	From August 11, 2044 to August 10, 2045

- (b) In the event that a merger agreement (under which IHI becomes an absorbed company) or an equity-swap agreement and/or an equity transfer plan (under which IHI becomes a wholly-owned subsidiary of another company) is approved at a General Meeting of Shareholders of IHI (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.
2. Matters relating to granting subscription rights to shares in association with acts of organizational restructuring
 In cases where IHI merges (limited to cases where IHI is to be extinguished as a result of the merger), splits and absorbs or splits and incorporates (limited to cases where IHI becomes the split company in either case), or equity swaps or transfers (limited to cases where IHI becomes a wholly-owned subsidiary in either case) (collectively, hereinafter, “Reorganization”), IHI shall, in each case, grant subscription rights to shares of the companies as listed in Article 236, paragraph 1, item (viii), sub-items (a) to (e) of the Companies Act (hereinafter, the “Company Subject to Reorganization”) to holders of subscription rights to shares that have subscription rights to shares existing immediately before the effective date of the Reorganization, which is either the effective date of absorption-type merger when it is an absorption-type merger, the consolidation date of a company as a result of the consolidated-type merger when it is a consolidated-type merger, the effective date of absorption-type company split when it is an absorption-type company split, the incorporation date of a company as a result of the incorporation-type company split when it is an incorporation-type company split, the effective date of equity swap when it is an equity swap, or the incorporation date of a wholly-owning parent company as a result of the equity transfer when it is an equity transfer (hereinafter, “Remaining Subscription Rights to Shares”). In this event, the Remaining Subscription Rights to Shares shall be become null and void, and IHI Subject to Reorganization shall newly issue subscription rights to shares. However, it is subject to a condition that the provision that the subscription rights to shares of IHI Subject to Reorganization shall be delivered pursuant to the provisions of the items below is specified in the absorption-type merger contract, consolidated-type merger contract, absorption-type company split contract, incorporation-type company split plan, equity swap contract or equity transfer plan.
 - (1) Number of subscription rights to shares of IHI Subject to Reorganization to be granted
 The same number of subscription rights to shares as that of Remaining Subscription Rights to Shares held by a holder of subscription rights to shares
 - (2) Class of shares of IHI Subject to Reorganization underlying subscription rights to shares
 Common shares of IHI Subject to Reorganization
 - (3) Number of shares of IHI Subject to Reorganization underlying subscription rights to shares
 To be determined in the same manner as the matters set forth in the number of Remaining Subscription Rights to Shares, taking into consideration the terms and conditions of Reorganization.

(Translation purposes only)

- (4) Value of property to be contributed when subscription rights to shares are exercised
 The value of the property to be contributed when each subscription right to shares to be granted is exercised shall be the amount obtained by multiplying the paid-in amount after Reorganization as specified below by the number of shares of IHI Subject to Reorganization underlying each subscription right to shares, which is decided pursuant to (3) above. The paid-in amount after Reorganization shall be ¥1 per share of the shares of IHI Subject to Reorganization that would be granted by exercising the granted subscription rights to shares.
- (5) Period during which subscription rights to shares can be exercised
 From the latter of the start date of the period during which subscription rights to shares can be exercised as specified in the above table and the effective date of Reorganization, until the expiry date of the period during which such subscription rights to shares can be exercised as specified in the above table.
- (6) Matters relating to capital stock and legal capital surplus that will be increased in the event of issuance of shares upon exercise of subscription rights to shares
 To be determined in accordance with the matters set forth for the Remaining Subscription Rights to Shares.
- (7) Restrictions on transferring of subscription rights to shares
 Transfer and acquisition of subscription rights to shares shall require the approval by resolution of the Board of Directors of IHI Subject to Reorganization.
- (8) Provisions for acquiring subscription rights to shares
 To be determined in accordance with the matters set forth for the Remaining Subscription Rights to Shares.
- (9) Other conditions for exercising subscription rights to shares
 To be determined in the same manner as Note 1. above.

(3) Exercises, etc. of moving strike convertible bonds, etc.

Not applicable

(4) Description of rights plan

Not applicable

(5) Changes in number of issued shares, capital stock, etc.

Date	Changes in number of issued shares (Thousand shares)	Balance of number of issued shares (Thousand shares)	Changes in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
January 14, 2014 to March 25, 2014 (Note 1)	79,741	1,546,799	11,402	107,165	11,387	54,520

- Notes: 1. The total number of shares issued increased as a result of the exercise of subscription rights to shares during the current fiscal year.
2. There were no changes in capital stock between April 1, 2016, and the filing date of this Annual Securities Report (June 24, 2016).

(Translation purposes only)

(6) Shareholding by shareholder category

(As of March 31, 2016)

Category	Status of shares (one unit = 1,000shares)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders		Individuals and other	Total	
					Foreign shareholders other than individuals	Individuals			
Number of shareholders (Persons)	–	76	73	1,038	467	71	95,955	97,680	–
Number of shares held (Units)	–	588,059	25,147	64,730	442,557	924	422,851	1,544,268	2,531,542
Ratio (%)	–	38.08	1.63	4.19	28.66	0.06	27.38	100	–

- Notes:
1. 2,825,606 shares of treasury stock held by IHI are included in “Individuals and other” and “Share less than one unit” in the above table. These amounts are 2,825 units and 606 shares, respectively.
 2. The shares registered in the name of the Japan Securities Depository Center are included in “Other corporations” in the above table. The amount is seven units.

(Translation purposes only)

(7) Major shareholders

(As of March 31, 2016)

Name	Address	Number of shares held (Thousand shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Holder in Trust)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	62,356	4.03
Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	55,422	3.58
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	54,060	3.49
The Master Trust Bank of Japan, Ltd. (Holder in Trust)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	47,974	3.10
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	8-12, Harumi 1-chome, Chuo-ku, Tokyo	45,979	2.97
State Street Bank And Trust Company 505223 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo)	35,252	2.27
Japan Trustee Services Bank, Ltd. (Holder in Trust 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	29,262	1.89
State Street Bank And Trust Company 505001 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo)	27,328	1.76
IHI Customer Stock Ownership Association	1-1, Toyosu 3-chome, Koto-ku, Tokyo	25,285	1.63
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	24,897	1.60
Total	—	407,817	26.36

- Notes:
- The figures of “Number of shares held” and “Shareholding ratio (%)” in the above table are rounded down to one unit.
 - Shares held by Japan Trustee Services Bank, Ltd. (Holder in Trust), Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited), The Master Trust Bank of Japan, Ltd. (Holder in Trust), Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd. and Japan Trustee Services Bank, Ltd. (Holder in Trust 9) are held through trusts.
 - In the Change Report pertaining to Report of Possession of Large Volume provided for public viewing on December 4, 2015, the following shareholding is attributed to Artisan Investments GP LLC as of November 30, 2015. However, since IHI is unable to confirm the actual number of shares held as of March 31, 2016, it is not included in major shareholders above.

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
Artisan Investments GP LLC	49,409	3.19

- In the Report of Possession of Large Volume provided for public viewing on February 22, 2016, the following shareholdings are respectively attributed to Capital Research and Management Company and its five joint holders as of February 15, 2016. However, since IHI is unable to confirm the actual number of shares held as of March 31, 2016, they are not included in major shareholders above.

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
Capital Research and Management Company	11,143	0.72
Capital Guardian Trust Company	14,690	0.95
Capital International Limited	14,086	0.91
Capital International Inc.	5,879	0.38
Capital International Sarl	1,766	0.11

(Translation purposes only)

The Capital Group Companies, Inc.	34,297	2.22
計	81,861	5.29

5. In the Change Report pertaining to Report of Possession of Large Volume provided for public viewing on March 4, 2016, the following shareholdings are respectively attributed to BlackRock Japan Co., Ltd. and its five joint holders as of February 29, 2016. However, since IHI is unable to confirm the actual number of shares held as of March 31, 2016, they are not included in major shareholders above.

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
BlackRock Japan Co., Ltd.	21,532	1.39
BlackRock Life Limited	3,728	0.24
BlackRock Asset Management Ireland Limited	5,981	0.39
BlackRock Fund Advisors	16,887	1.09
BlackRock Institutional Trust Company, N.A.	21,722	1.40
BlackRock Investment Management (UK) Limited	2,915	0.19
計	72,767	4.70

(8) Voting rights

(i) Issued shares

(As of March 31, 2016)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (others)	–	–	–
Shares with full voting rights (treasury shares, etc.)	(Shares in treasury) Common shares 2,825,000	–	This is IHI's standard shares whose holders have unlimited rights.
	(reciprocally held shares) Common shares 157,000	–	Same as above
Shares with full voting rights (others)	Common shares 1,541,286,000	1,541,286	Same as above
Shares less than one unit	Common shares 2,531,542	–	Shares less than one unit (1,000 shares)
Number of issued shares	1,546,799,542	–	–
Total number of voting rights	–	1,541,286	–

- Notes: 1. Common shares in “Shares less than one unit” include 606 shares of treasury shares held by IHI.
2. Common shares in “Shares with full voting right (others)” include 7,000 shares whose ownership has yet not been transferred and which have been registered in the name of Japan Securities Depository Center. These shares constitute seven units of voting rights and included in the figure in “Number of voting rights.”

(Translation purposes only)

(ii) Treasury shares, etc.

(As of March 31, 2016)

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
(Shares in treasury)					
IHI Corporation	1-1, Toyosu 3-chome, Koto-ku, Tokyo	2,825,000	–	2,825,000	0.18
(Reciprocally held shares)					
Kondo Tekko Co., Ltd.	10-5, Yaesu 2-chome, Chuo-ku, Tokyo	142,000	–	142,000	0.01
MINAGAWA NOUKI SEIZOU Co., Ltd.	20-13, Tajima 2-chome, Sanjyo-shi, Niigata	15,000	–	15,000	0.00
Total	–	2,982,000	–	2,982,000	0.19

(9) Details of stock option plans

	1st Subscription Rights to Shares
Date of resolution	July 23, 2007
Category and number of grantees	13 directors and 13 executive officers of IHI
Class of shares underlying subscription rights to shares	As described in “(2) Subscription rights to shares, etc.”
Number of shares (Shares)	Same as above
Amount to be paid in to exercise subscription rights to shares (Yen)	Same as above
Period for exercising subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Matters relating to transfer of subscription rights to shares	Same as above
Matters relating to substitute payment	Same as above
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	Same as above

	2nd Subscription Rights to Shares
Date of resolution	July 22, 2008
Category and number of grantees	13 directors and 11 executive officers of IHI
Class of shares underlying subscription rights to shares	As described in “(2) Subscription rights to shares, etc.”
Number of shares (Shares)	Same as above
Amount to be paid in to exercise subscription rights to shares (Yen)	Same as above
Period for exercising subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Matters relating to transfer of subscription rights to shares	Same as above
Matters relating to substitute payment	Same as above
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	Same as above

(Translation purposes only)

	3rd Subscription Rights to Shares
Date of resolution	July 21, 2009
Category and number of grantees	13 directors and 14 executive officers of IHI
Class of shares underlying subscription rights to shares	As described in “(2) Subscription rights to shares, etc.”
Number of shares (Shares)	Same as above
Amount to be paid in to exercise subscription rights to shares (Yen)	Same as above
Period for exercising subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Matters relating to transfer of subscription rights to shares	Same as above
Matters relating to substitute payment	Same as above
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	Same as above

	4th Subscription Rights to Shares
Date of resolution	July 23, 2010
Category and number of grantees	13 directors and 13 executive officers of IHI
Class of shares underlying subscription rights to shares	As described in “(2) Subscription rights to shares, etc.”
Number of shares (Shares)	Same as above
Amount to be paid in to exercise subscription rights to shares (Yen)	Same as above
Period for exercising subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Matters relating to transfer of subscription rights to shares	Same as above
Matters relating to substitute payment	Same as above
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	Same as above

	5th Subscription Rights to Shares
Date of resolution	July 25, 2011
Category and number of grantees	13 directors and 14 executive officers of IHI
Class of shares underlying subscription rights to shares	As described in “(2) Subscription rights to shares, etc.”
Number of shares (Shares)	Same as above
Amount to be paid in to exercise subscription rights to shares (Yen)	Same as above
Period for exercising subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Matters relating to transfer of subscription rights to shares	Same as above
Matters relating to substitute payment	Same as above
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	Same as above

(Translation purposes only)

	6th Subscription Rights to Shares
Date of resolution	July 23, 2012
Category and number of grantees	13 directors and 15 executive officers of IHI
Class of shares underlying subscription rights to shares	As described in “(2) Subscription rights to shares, etc.”
Number of shares (Shares)	Same as above
Amount to be paid in to exercise subscription rights to shares (Yen)	Same as above
Period for exercising subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Matters relating to transfer of subscription rights to shares	Same as above
Matters relating to substitute payment	Same as above
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	Same as above

	7th Subscription Rights to Shares
Date of resolution	July 22, 2013
Category and number of grantees	13 directors and 14 executive officers of IHI
Class of shares underlying subscription rights to shares	As described in “(2) Subscription rights to shares, etc.”
Number of shares (Shares)	Same as above
Amount to be paid in to exercise subscription rights to shares (Yen)	Same as above
Period for exercising subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Matters relating to transfer of subscription rights to shares	Same as above
Matters relating to substitute payment	Same as above
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	Same as above

	8th Subscription Rights to Shares
Date of resolution	July 22, 2014
Category and number of grantees	13 directors and 17 executive officers of IHI
Class of shares underlying subscription rights to shares	As described in “(2) Subscription rights to shares, etc.”
Number of shares (Shares)	Same as above
Amount to be paid in to exercise subscription rights to shares (Yen)	Same as above
Period for exercising subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Matters relating to transfer of subscription rights to shares	Same as above
Matters relating to substitute payment	Same as above
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	Same as above

(Translation purposes only)

	9th Subscription Rights to Shares
Date of resolution	July 21, 2015
Category and number of grantees	12 directors and 18 executive officers of IHI
Class of shares underlying subscription rights to shares	As described in “(2) Subscription rights to shares, etc.”
Number of shares (Shares)	Same as above
Amount to be paid in to exercise subscription rights to shares (Yen)	Same as above
Period for exercising subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Matters relating to transfer of subscription rights to shares	Same as above
Matters relating to substitute payment	Same as above
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	Same as above

(Translation purposes only)

2. Acquisitions, etc. of treasury shares

Classes of shares, etc.

Acquisition of common shares by demand for purchase of shares less than one unit, which falls under Article 155, item (vii) of the Companies Act of Japan

(1) Acquisitions by a resolution of the General Meeting of Shareholders

Not applicable

(2) Acquisitions by a resolution of the Board of Directors

Not applicable

(3) Acquisitions not based on a resolution of the General Meeting of Shareholders or the Board of Directors

Acquisition of common shares by demand for purchase of shares less than one unit, which falls under Article 155, item (vii) of the Companies Act of Japan

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the current fiscal year	14,186	5,875,930
Treasury shares acquired during the current period	500	118,500

Note: Treasury shares acquired during the current period does not include shares acquired by purchase of shares less than one unit during the period from June 1, 2016 to the filing date of this Annual Securities Report.

(4) Disposals or holding of acquired treasury stock

Category	During the current fiscal year		During the current period	
	Number of shares (Shares)	Total disposal amount (Yen)	Number of shares (Shares)	Total disposal amount (Yen)
Acquired treasury shares that was offered to subscribers for subscription	–	–	–	–
Acquired treasury shares that was canceled	–	–	–	–
Acquired treasury shares that was transferred due to merger, equity swap, or corporate split	–	–	–	–
Acquired treasury shares that was disposed of in other ways (Note 1)	479,012	95,653,879	161,000	32,178,550
Number of treasury shares held	2,825,606	–	2,665,106	–

- Notes:
1. During the current fiscal year, some were disposed of due to the exercise of subscription rights to shares (479,000 shares, total disposal amount of ¥95,651,130) and some were disposed of due to the request for sale of shares less than one unit (12 shares, total disposal amount of ¥2,749).
 2. The line of Acquired treasury shares that was disposed of in other ways in the current period does not include shares due to the exercise of subscription rights to shares or the request for sale of shares less than one unit during the period from June 1, 2016 to the filing date of this Annual Securities Report.

(Translation purposes only)

3. Dividend policy

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

It is a fundamental policy of IHI to pay an interim dividend and year-end dividend annually, with the former determined by the Board of Directors and the latter by the Ordinary General Meeting of Shareholders. IHI's Articles of Incorporation stipulate that "IHI may, upon resolution of the Board of Directors, pay interim dividends on the basis of September 30 each year as the record date."

IHI paid an interim dividend for the current fiscal year of ¥3 per share. However, after comprehensively considering factors such as operating performance for the current fiscal year and retained earnings, IHI has decided to forgo paying a year-end dividend, making the annual dividend of ¥3 per share as a result.

IHI strives to effectively use retained earnings to further bolster and enhance the business base and for future business development, as part of an overall effort to increase shareholder profits over the long term.

Dividends for the current fiscal year are as follows:

Date of resolution	Total dividend amount (Millions of yen)	Dividend amount per share (Yen)
November 4, 2015 Resolution of the Meeting of the Board of Directors	4,631	3

Note: Monetary amounts are rounded to the nearest unit.

4. Historical records of share price

(1) Highest and lowest share price of each fiscal year in the last five years

Fiscal year	195th	196th	197th	198th	199th
Year ended	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Highest (Yen)	222	310	516	637	610
Lowest (Yen)	160	150	261	377	154

Note: Share prices in the above table are quoted from the First Section of the Tokyo Stock Exchange.

(2) Highest and lowest share price of each month in the last six months

Month	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016
Highest (Yen)	372	364	352	341	267	245
Lowest (Yen)	302	320	320	242	154	200

Note: Share prices in the above table are quoted from the First Section of the Tokyo Stock Exchange.

(Translation purposes only)

5. Information about directors and audit & supervisory board members

Men: 17 Women: 1 (Percentage of women among directors and audit & supervisory board members: 5.6%)

Position	Responsibilities	Name	Date of Birth	Brief Personal History		Term of Office	No. of IHI's shares owned (Thousands of shares)
Chairman of the Board	Chief Executive Officer	Tamotsu Saito	July 13, 1952	Apr. 1975	Joined IHI	(Note 6)	104
				Apr. 2006	Vice President of Aero-Engine & Space Operations, IHI		
				Jun. 2006	Executive Officer; Vice President of Aero-Engine & Space Operations, IHI		
				Jan. 2008	Executive Officer; President of Aero-Engine & Space Operations, IHI		
				Apr. 2008	Director; Executive Officer, President of Aero-Engine & Space Operations, IHI		
				Apr. 2009	Director; Managing Executive Officer, President of Aero-Engine & Space Operations, IHI		
				Apr. 2010	Director, IHI		
				Apr. 2011	Executive Vice President, IHI		
				Apr. 2012	President; Chief Executive Officer, IHI (incumbent)		
President	Chief Operating Officer	Tsugio Mitsuoka	October 13, 1954	Apr. 1980	Joined IHI	(Note 6)	48
				Apr. 2008	Vice President of Aero-Engine & Space Operations, IHI		
				Apr. 2010	Executive Officer; Vice President of Aero-Engine & Space Operations, IHI		
				Apr. 2013	Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, IHI		
				Jun. 2014	Director; Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, IHI		
				Apr. 2016	President; Chief Operating Officer, IHI (incumbent)		
Executive Vice President	-	Toshinori Sekido	July 6, 1953	Apr. 1978	Joined IHI	(Note 6)	45
				Jul. 2004	Division Director of Civil Aero-Engine Division, Aero-Engine & Space Operations, IHI		
				Apr. 2007	Executive Officer; Vice President of Aero-Engine & Space Operations, IHI		
				Apr. 2010	Managing Executive Officer; President of Aero-Engine & Space Operations, IHI		
				Jun. 2011	Director; Managing Executive Officer; President of Aero-Engine & Space Operations, IHI		
				Apr. 2013	Director, IHI		
Apr. 2014	Executive Vice President, IHI (incumbent)						

(Translation purposes only)

Position	Responsibilities	Name	Date of Birth	Brief Personal History		Term of Office	No. of IHI's shares owned (Thousands of shares)
Executive Vice President	-	Ichiro Terai	January 12, 1954	Apr. 1976	Joined IHI	(Note 6)	20
				Apr. 2002	Manager of Tax Accounting Group, Finance & Accounting Division, IHI		
				Apr. 2009	Executive Officer; Deputy General Manager of Finance & Accounting Division, Manager of Tax Accounting Group, Finance & Accounting Division, IHI		
				Jun. 2009	Director; Executive Officer, General Manager of Finance & Accounting Division, IHI		
				Apr. 2012	Director; Managing Executive Officer; General Manager of Finance & Accounting Division, IHI		
				Apr. 2014	Director, IHI		
				Apr. 2015	Executive Vice President, IHI (incumbent)		
Executive Vice President	-	Joji Sakamoto	November 23, 1952	Apr. 1976	Joined IHI	(Note 6)	59
				Jul. 2002	Manager of Administration Division, IHI		
				Jul. 2005	General Manager of Public Relations & Advertising Division, IHI		
				Apr. 2007	General Manager of Compliance Control Division and General Manager of Contracts & Legal Division, IHI		
				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, IHI		
				Jun. 2009	Director, IHI		
				Apr. 2016	Executive Vice President, IHI (incumbent)		
Director	-	Hiroyuki Otani	October 8, 1955	Apr. 1978	Joined IHI	(Note 6)	40
				Apr. 2010	Vice President of Aero-Engine & Space Operations, IHI		
				Apr. 2011	Executive Officer; President of Power Systems Operations, IHI		
				Apr. 2012	Executive Officer; Vice President of Energy Operations, IHI		
				Apr. 2013	Executive Officer; Vice President of Machinery & Logistics Systems Operations, IHI		
				Apr. 2014	Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters, IHI		
				Jun. 2014	Director; Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters, IHI		
				Apr. 2016	Director, IHI (incumbent)		

(Translation purposes only)

Position	Responsibilities	Name	Date of Birth	Brief Personal History		Term of Office	No. of IHI's shares owned (Thousands of shares)
Director	-	Hiroshi Asakura	June 20, 1954	Apr. 1980	Joined IHI	(Note 6)	27
				Apr. 2008	Division Director, Rotating Machinery Division, Industrial Machinery Operations, IHI		
				Apr. 2009	Executive Officer; President of Rotating Machinery Operations, IHI		
				Apr. 2012	Executive Officer; General Manager of Corporate Research & Development, IHI		
				Apr. 2013	Managing Executive Officer; General Manager of Corporate Planning Division, IHI		
				Jun. 2015	Director, IHI (incumbent)		
Director	Managing Executive Officer; General Manager of Finance & Accounting Division	Mikio Motizuki	July 8, 1954	Apr. 1978	Joined IHI	(Note 6)	26
				Jul. 2002	Manager of Planning & Budgeting Group, Finance & Accounting Division, IHI		
				Apr. 2007	Manager of Planning Group, Corporate Planning Division, IHI		
				Jan. 2008	General Manager of Project Audit Division		
				Apr. 2011	Executive Officer, IHI; President and Chief Executive Officer, IHI INC. (Regional Headquarter for the Americas)		
				Apr. 2014	Managing Executive Officer; General Manager of Finance & Accounting Division, IHI		
				Jun. 2016	Director; Managing Executive Officer; General Manager of Finance & Accounting Division, IHI (incumbent)		

(Translation purposes only)

Position	Responsibilities	Name	Date of Birth	Brief Personal History		Term of Office	No. of IHI's shares owned (Thousands of shares)
Director	Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters	Tomoharu Shikina	February 4, 1958	May 1980	Joined IHI	(Note 6)	25
				Apr. 2006	General Manager of Aero-Engine Engineering, Defense Systems Division, Aero-Engine & Space Operations, IHI		
				Apr. 2010	Division Director of Defense Systems Division, Aero-Engine & Space Operations, IHI		
				Apr. 2011	Vice President of Aero-Engine & Space Operations, IHI		
				Apr. 2013	Executive Officer; Vice President of Aero-Engine & Space Operations and Division Director of Civil Aero-Engine Division, IHI		
				Apr. 2016	Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, IHI		
				Jun. 2016	Director; Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, IHI (incumbent)		
Director	Executive Officer; General Manager of Sales Headquarters and Deputy General Manager of Solution & Engineering Headquarters	Atsushi Kuwata	May 30, 1957	Apr. 1981	Joined IHI	(Note 6)	7
				Apr. 2005	General Manager of Logistics Systems Sales Department, Logistics Systems & Structures Operations, IHI		
				Apr. 2007	General Manager of Sales, Power Systems Plant Division, Power Systems Operations, IHI		
				Apr. 2009	General Manager of Chubu Branch, Sales Headquarters, IHI		
				Apr. 2013	Vice President of Machinery & Logistics Systems Operations, IHI		
				Apr. 2014	Executive Officer; Vice President of Machinery & Logistics Systems Operations and Deputy General Manager of Sales Headquarters, IHI		
				Apr. 2015	Executive Officer; General Manager of Sales Headquarters and Deputy General Manager of Solution & Engineering Headquarters, IHI		
				Jun. 2016	Director; Executive Officer; General Manager of Sales Headquarters and Deputy General Manager of Solution & Engineering Headquarters, IHI (incumbent)		

(Translation purposes only)

Position	Responsibilities	Name	Date of Birth	Brief Personal History		Term of Office	No. of IHI's shares owned (Thousands of shares)
Director	–	Tomokazu Hamaguchi	April 20, 1944	Apr. 1967	Joined Nippon Telegraph and Telephone Public Corporation	(Note 6)	30
				Apr. 1985	Senior Manager, Administration Division, Public Administrations System Division, Data Communication Sector, NIPPON TELEGRAPH AND TELEPHONE CORPORATION		
				Jul. 1988	Senior Manager, Corporate Strategy Planning Department, NTT DATA Corporation		
				Jun. 1995	Senior Vice President, NTT DATA Corporation		
				Jun. 1997	Executive Vice President, NTT DATA Corporation		
				Jun. 2001	Senior Executive Vice President, NTT DATA Corporation		
				Jun. 2003	President and Chief Executive Officer, NTT DATA Corporation		
				Jun. 2007	Counselor and Director, NTT DATA Corporation		
				Apr. 2008	Director, IHI (incumbent)		
				Jun. 2009	Senior Corporate Adviser, NTT DATA Corporation		
				Jun. 2013	Senior Advisor, NTT DATA Corporation		
				Jul. 2015	Fellow, Meiji Institute for Global Affairs (incumbent) Advisor, Ubiquitous Corporation (incumbent)		
Director	–	Taketsugu Fujiwara	February 19, 1947	Apr. 1969	Joined Asahi Chemical Industry Co., Ltd. (now Asahi Kasei Corporation)	(Note 6)	–
				Jun. 2000	Director, Asahi Kasei Corporation		
				Jun. 2003	Senior Executive Officer, Asahi Kasei Corporation		
				Oct. 2003	Presidential Executive Officer, Asahi Kasei Chemicals Corporation		
				Apr. 2009	Vice-Presidential Executive Officer, Asahi Kasei Corporation		
				Jun. 2009	Director, Vice-Presidential Executive Officer, Asahi Kasei Corporation		
				Apr. 2010	President and Representative Director, Presidential Executive Officer, Asahi Kasei Corporation		
				Apr. 2014	Vice Chairman and Director, Asahi Kasei Corporation		
				Jun. 2014	Vice Chairman, Asahi Kasei Corporation		
				Jun. 2015	Director, IHI (incumbent) Standing Counsellor, Asahi Kasei Corporation (incumbent)		

(Translation purposes only)

Position	Responsibilities	Name	Date of Birth	Brief Personal History		Term of Office	No. of IHI's shares owned (Thousands of shares)
Director	–	Hiroshi Kimura	April 23, 1953	Apr. 1976	Joined Japan Tobacco and Salt Public Corporation (now Japan Tobacco Inc.)	(Note 6)	–
				Jan. 1999	Vice President of Corporate Planning Division, Japan Tobacco Inc.		
				May 1999	Senior Executive Vice President, Assistant to the CEO, JT International SA, Geneva		
				Jun. 1999	Director, Japan Tobacco Inc.		
				Jun. 2001	Retired from Director, Japan Tobacco Inc.		
				Jun. 2005	Director, Japan Tobacco Inc.		
				May 2006	Retired from Senior Executive Vice President, Assistant to the CEO, JT International SA, Geneva		
				Jun. 2006	President and CEO, Japan Tobacco Inc.		
				Jun. 2012	Chairman of the Board, Japan Tobacco Inc.		
				Jun. 2014	Executive Corporate Advisor, Japan Tobacco Inc. (incumbent)		
				Jun. 2016	Director, IHI (incumbent)		
Standing audit & supervisory board member	–	Makoto Serizawa	March 17, 1954	Apr. 1976	Joined IHI	(Note 7)	60
				Apr. 2005	Deputy General Manager of Finance & Accounting Division, IHI		
				Apr. 2006	Executive Officer; General Manager of Finance & Accounting Division, IHI		
				Apr. 2007	Executive Officer; General Manager of Finance & Accounting Division, General Manager of Internal Control Planning & Promotion Division, IHI		
				Jun. 2007	Director, Executive Officer; General Manager of Finance & Accounting Division, General Manager of Internal Control Planning & Promotion Division, IHI		
				Apr. 2008	Director, Executive Officer; General Manager of Finance & Accounting Division, General Manager of Internal Control Assessment Division, IHI		
				Dec. 2008	Director, Executive Officer; General Manager of Finance & Accounting Division, IHI		
				Jun. 2009	Director, IHI		
				Jun. 2013	Standing audit & supervisory board member, IHI (incumbent)		
Standing audit & supervisory board member	–	Shigeru Uesugi	July 12, 1958	Apr. 1981	Joined IHI	(Note 9)	8
				Apr. 2005	Deputy General Manager of Planning & Control Department, Aero-Engine & Space Operations, IHI		
				Apr. 2006	General Manager of Planning & Control Department, Aero-Engine & Space Operations, IHI		
				Apr. 2010	General Manager, Group Business Management Section, Corporate Planning Division, IHI		
				Apr. 2013	Vice President of Aero-Engine & Space Operations, IHI		
				Jun. 2016	Standing audit & supervisory board member, IHI (incumbent)		

(Translation purposes only)

Position	Responsibilities	Name	Date of Birth	Brief Personal History		Term of Office	No. of IHI's shares owned (Thousands of shares)
Audit & supervisory board member	-	Toshiharu Watanabe	July 28, 1950	Apr. 1974	Joined TOSHIBA CORPORATION. (former Tokyo Shibaura Electric Co., Ltd.)	(Note 7)	-
				Apr. 2002	Vice President, Social & Industrial Systems Division, Social Infrastructure Systems Company, TOSHIBA CORPORATION		
				Apr. 2003	Vice President, Social Systems Division, Social Systems Company, TOSHIBA Corporation		
				Apr. 2006	Executive Vice President, Industrial Systems Company, TOSHIBA CORPORATION		
				Jun. 2007	Executive Officer, Corporate Vice President and Executive President, Industrial Systems Company, TOSHIBA CORPORATION		
				Apr. 2008	Executive Officer, Corporate Vice President and Executive President, Social Systems Company, TOSHIBA CORPORATION		
				Jun. 2008	Executive Officer, Corporate Senior Vice President and Executive President, Social Systems Company, TOSHIBA Corporation		
				Apr. 2010	Executive Officer, Corporate Senior Vice President, Managing Director, Smart Facilities Division and Executive President, Social Systems Company, TOSHIBA Corporation		
				Jun. 2010	Executive Officer, Corporate Executive Vice President and Managing Director, Smart Facilities, TOSHIBA Corporation		
				Oct. 2010	Executive Officer, Corporate Executive Vice President and Managing Director, Smart Community, TOSHIBA Corporation		
				Jun. 2011	Director, Executive Officer, and Corporate Executive Vice President, TOSHIBA Corporation		
				Jun. 2013	Advisor, TOSHIBA CORPORATION Audit & supervisory board member, IHI (incumbent)		
Audit & supervisory board member	-	Takayuki Hashimoto	July 9, 1954	Apr. 1978	Joined IBM Japan, Ltd.	(Note 8)	3
				Apr. 2000	Director; General Manager of General Business, IBM Japan, Ltd.		
				Apr. 2003	Managing Executive Officer, IBM Japan, Ltd.		
				Jan. 2007	Senior Managing Executive Officer, IBM Japan, Ltd.		
				Apr. 2008	Director; Senior Managing Executive Officer, IBM Japan, Ltd.		
				Jan. 2009	General Manager, IBM Japan, Ltd.		
				May 2012	Director, Chairman, IBM Japan, Ltd.		
				Apr. 2014	Chairman, IBM Japan, Ltd.		
				Jan. 2015	Vice Chairman, IBM Japan, Ltd. (incumbent)		
				Jun. 2015	Audit & supervisory board member, IHI (incumbent)		

(Translation purposes only)

Position	Responsibilities	Name	Date of Birth	Brief Personal History		Term of Office	No. of IHI's shares owned (Thousands of shares)
Audit & supervisory board member	—	Yoko Hatta	June 8, 1952	Aug. 1988	Joined Peat Marwick Main & CO. (now KPMG LLP New York)	(Note 9)	—
				Aug. 1997	Partner, KPMG Peat Marwick LLP (now KPMG LLP New York)		
				Sep. 2002	Partner, KPMG Peat Marwick LLP (now KPMG LLP)		
				Jun. 2008	Auditor, International Christian University (incumbent)		
				Jun. 2016	Audit & supervisory board member, IHI (incumbent)		
Total							502

- Notes:
1. Chief executive officer, Chief operating officer and Managing executive officer are executive officer ranks.
 2. Directors: Messrs. Tomokazu Hamaguchi, Taketsugu Fujiwara and Hiroshi Kimura are outside directors. IHI has registered directors Messrs. Tomokazu Hamaguchi, Taketsugu Fujiwara and Hiroshi Kimura with domestic financial instrument exchanges (where IHI is listed) as independent directors respectively.
 3. Audit & supervisory board members: Messrs. Toshiharu Watanabe and Takayuki Hashimoto, and Ms. Yoko Hatta are outside audit & supervisory board members. IHI has registered audit & supervisory board members Messrs. Toshiharu Watanabe and Takayuki Hashimoto, and Ms. Yoko Hatta with domestic financial instrument exchanges (where IHI is listed) as independent audit & supervisory board members, respectively.
 4. Number of IHI's shares owned less than one unit are rounded down.
 5. IHI has instituted an executive officer system for the purpose of establishing a clear delineation between the management monitoring and oversight system and the business execution system, and to enhance both the governance and management functions in the management system. The executive officers in office as of the filing date of this Annual Securities Report are shown in the table below.
 6. The term of office shall expire at the end of the ordinary general meeting of shareholders for the last business term ending within one year after the election in the ordinary general meeting of shareholders held on June 24, 2016.
 7. The term of office shall expire at the end of the ordinary general meeting of shareholders for the last business term ending within four years after the election in the ordinary general meeting of shareholders held on June 27, 2013.
 8. The term of office shall expire at the end of the ordinary general meeting of shareholders for the last business term ending within four years after the election in the ordinary general meeting of shareholders held on June 25, 2015.
 9. The term of office shall expire at the end of the ordinary general meeting of shareholders for the last business term ending within four years after the election in the ordinary general meeting of shareholders held on June 24, 2016.

(Translation purposes only)

Executive Officers as of the filing date of this Annual Securities Report

Men: 24 Women:1 (Percentage of women among Executive Officers : 4%)

	Position	Name	Main Areas of Responsibility
*	Chief Executive Officer	Tamotsu Saito	General Manager of Monozukuri System Strategy Planning Headquarters
*	Chief Operating Officer	Tsugio Mitsuoka	
	Managing Executive Officer	Hajime Kuwata	President of Global Marketing Headquarters
*	Managing Executive Officer	Mikio Mochizuki	General Manager of Finance & Accounting Division
	Managing Executive Officer	Junichi Sakaki	President of Vehicular Turbocharger Operations
	Managing Executive Officer	Akira Tateno	General Manager of Corporate Research & Development
	Managing Executive Officer	Takanori Kunihiro	President of Offshore Project & Steel Structures Operations
*	Managing Executive Officer	Tomoharu Shikina	President of Aero-Engine & Space Operations; Deputy General Manager of Intelligent Information Management Headquarters
	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	Atsushi Kuwata	General Manager of Sales Headquarters; Deputy General Manager of Solution & Engineering 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
	Executive Officer	Nobuko Mizumoto	General Manager of Procurement Strategy Planning
	Executive Officer	Masafumi Nagano	General Manager of Corporate Planning Division
	Executive Officer	Koji Yahagi	President of Energy & Plant Operations
	Executive Officer	Yukiya Murano	General Manager of Intelligent Information Management Headquarters
	Executive Officer	Masahiko Sugitani	Vice President of Energy & Plant Operations; Deputy General Manager of Solution & Engineering Headquarters
	Executive Officer	Takashi Makino	Vice president of Aero-Engine & Space Operations
	Executive Officer	Masataka Ikeyama	Vice president of Aero-Engine & Space Operations
	Executive Officer	Yoshinori Kawasaki	President of Machinery & Logistics Systems Operations; Deputy General Manager of Intelligent Information Management Headquarters
	Executive Officer	Kouichi Murakami	President of Rotating Machinery Operations
	Executive Officer	Takashi Niimura	Deputy General Manager of Sales Headquarters
	Executive Officer	Yoshio Yonezawa	Vice President of Energy & Plant Operations
	Executive Officer	Kazuki Awai	Manager of Administration Division

Note: * means director.

(Translation purposes only)

6. Corporate governance, etc.

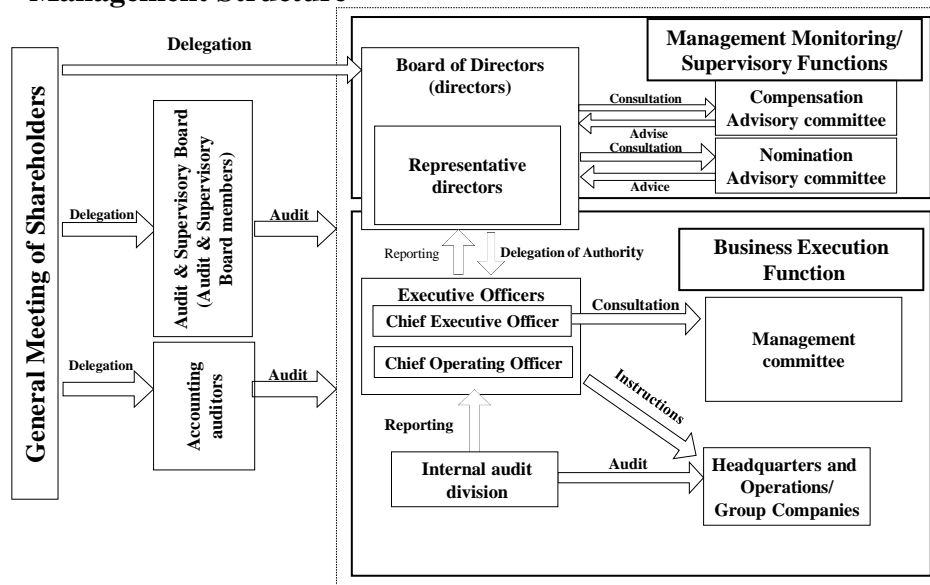
(1) Explanation about corporate governance

(i) Corporate governance system

(a) Overview

- IHI's audit & supervisory board comprises five audit & supervisory board members (three from outside) who audit the duties executed by directors.
- The Board of Directors, which consists of 13 directors (three outside), makes decisions related to all important matters concerning the management of IHI, in addition to overseeing directors in the operation of business. The outside directors, drawing on their wealth of experience and perspectives gained from many years as senior managers, participate in the Board of Directors' decision-making process, offer advice and make recommendations independently of managers who have been delegated the authority to handle day-to-day operations.
- IHI has an executive officer system to facilitate and strengthen the decision-making and supervisory functions of the Board of Directors, as well as to improve the efficiency of business operations. The executive officers are appointed by resolution of the Board of Directors. (There are 25 executive officers, five of which concurrently serve as directors.) The Chief Operating Officer (COO) manages the duties of the executive officers under the Chief Executive Officer (CEO), giving directions and supervision. The executive officers follow the COO's directions to execute their assigned duties.
- The Management Committee, which consists of members appointed by the CEO, supports the CEO's decision-making and operation of IHI business.
- To ensure that director remuneration is appropriate, IHI has established a Compensation Advisory Committee comprising six members: three outside directors and one outside audit & supervisory board member, the director in charge of human resources, and the director in charge of finance and accounting, with an outside director serving as the committee chairperson.
- To provide supervision and advice on nomination of directors and audit & supervisory board members by the representative director, IHI has established a Nomination Advisory Committee, comprising five members: the chairman of the board and CEO, the president and COO and three outside directors, with the president and COO serving as the committee chairperson.
- The corporate governance management structure shown below is a visual representation of IHI's corporate governance system.

Corporate Governance Management Structure



(b) Reason for adoption of corporate governance system

- IHI adopted the corporate governance management structure shown above to optimize the auditing and overseeing of every aspect of corporate management while also ensuring management efficiency.

(c) Internal controls and risk management

- The Corporate Social Responsibility Division is tasked with advancing compliance activities and the Compliance Committee sets and carries out Group-wide action plans for each fiscal year. In addition, the IHI compliance system promotes internal reporting and training aimed at deepening the understanding of and compliance with all relevant laws and regulations.
- The Financial Instruments and Exchange Act require companies to have an internal control system that includes a body that has complete independence to evaluate organizational units within IHI. IHI's Corporate Audit Division, which reports directly to the President, is an independent body tasked with overall planning, organizing and studying of evaluations, and determining the effectiveness of internal controls for the entire Group. In addition, internal-control evaluation units are in the Finance & Accounting Division and the nine Operations units, the primary subjects of evaluations. Intelligent Information Management Headquarters has an IT-controls evaluation unit.
- The IHI Group is constantly working to improve its risk management system, including mechanisms for managing and evaluating this system. The Risk Management Conference chaired by the CEO meets regularly to ascertain risks and consider key initiatives, as well as prevent risks and minimize the impact of any risk that occurs.
- The Basic Regulations for Crisis Management stipulate how to handle any crisis that has the potential to significantly impact the IHI Group. The crisis management system includes placing an executive officer in charge of crisis management, establishing a crisis management secretariat and formulating measures to handle any crisis. In addition, each division prepares a business continuity plan to prepare for possible emergencies.
- The IHI Group has established the Important Project Review Meeting and the Review Subcommittee to examine the required technology, resources and contractual conditions at the project examination stage, thereby enhancing our system for reviewing various risks that must be reflected in the cost estimations, such as technical risks including contracts and prototype elements before receiving orders. To maintain the profitability of projects, each Operations unit strives to enhance project management in terms of work processes, costs and quality, and then accurately assess profitability by implementing reviews by experts at each stage, including design, procurement and construction, etc. The Project Audit Division (13members) is dedicated to auditing intermediate cost management and risk management for large projects.
- The Investment Review Meeting and the Investment Review Subcommittee review studies of large investments that could have a significant impact on Group performance, focusing on the significance of the investment, the soundness of related plans, investment efficiency, maximum potential loss and the establishment of tollgates.
- For each business, order volume is stringently controlled and risks and profitability are rigorously evaluated through regular meetings of the Finance & Accounting Division and Operations managers. In addition, cost operations are consolidated in the Finance & Accounting Division for enhanced control, and intermediate cost procedures are stipulated and standardized.

(d) Limitation of liability

- In accordance with Article 427, paragraph 1 of the Companies Act, outside directors and audit & supervisory board members enter into agreements with IHI to limit their liability for damages stipulated in Article 423, paragraph 1 of the same act. Maximum liability under such agreements is based on laws and regulations.

(ii) Internal and audit & supervisory board members audits

- The Internal Audit Division (27members) is an internal division that report directly to the President. It carries out audits of the business execution at all business divisions of IHI and its affiliates on an ongoing basis and while providing inspection and guidance at IHI's headquarters' divisions, it works to enhance internal control functions in conjunction with the internal audits of affiliates carried out by the affiliates' internal audit divisions.
- The internal audit divisions work closely with audit & supervisory board members and the accounting auditor to report on the implementation and results of audits and to hold regular meetings.
- Audit & supervisory board members, in accordance with policies defined at the audit & supervisory board, attend the Board of Directors meetings and other important meetings. They also audit the execution of duties by directors through reviews of reports received from the directors and employees, and they investigate IHI operations and finances. Four full-time staffers assist the audit & supervisory board members in the performance of their duties.
- Audit & supervisory board members receive reports on the implementation and results of audits from the accounting auditor and the internal audit divisions. Also, the two sides hold regular meetings.
- Mr. Makoto Serizawa, the standing audit & supervisory board member, possesses considerable knowledge of financial and accounting matters based on his years of experience working in the Finance & Accounting Division.
- Ms. Yoko Hatta, the outside audit & supervisory board member, possesses considerable knowledge of financial and accounting matters based on her years of experience working in an auditing firm and a tax accounting firm.

(Translation purposes only)

(iii) Outside directors and audit & supervisory board members

- Three outside directors and three outside audit & supervisory board members provide IHI with objective advice about its business and help to ensure effective auditing and oversight.
- IHI sets up independence standards for outside directors and outside audit & supervisory board members. These standards are based on the requirements for independent directors/ audit & supervisory board members stipulated by the Tokyo Stock Exchange and their emphasis is to assure that outside directors and outside audit & supervisory board members are genuinely independent.
- The outside directors and audit & supervisory board members are required to adhere to these same standards, including having no conflict of interest with any general shareholder. They are reported as independent directors and audit & supervisory board members to any stock exchange where IHI is listed.
- The number of IHI shares held by outside directors and audit & supervisory board members are noted in “5. Information about directors and audit & supervisory board members.”
- Positions held by outside directors and audit & supervisory board members, as well as the reasons for their election to the IHI Board of Directors, are noted below.

Name	Facts Related to the Standards for Independence	Reason for Election
Tomokazu Hamaguchi	<p>Mr. Tomokazu Hamaguchi served as President and Chief Executive Officer of NTT DATA CORPORATION, and then as its Counselor and Director until June 2009.</p> <p>One of IHI’s subsidiaries has a business relationship involving equipment maintenance with NTT DATA Corporation, where Mr. Tomokazu Hamaguchi previously served as a business executive. However, the relationship mentioned above generates less than 0.01% of IHI’s consolidated net sales (for the fiscal year ended March 31, 2016), and at least six years have passed since Mr. Tomokazu Hamaguchi was a business executive at the company mentioned above. Therefore, this has no impact on his independence.</p>	<p>Mr. Tomokazu Hamaguchi reflects in the management of IHI 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, he carries out management oversight and monitoring functions from an independent perspective. Therefore, IHI believes that he is well-qualified to be an outside director.</p> <p>Mr. Tomokazu Hamaguchi does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. IHI has therefore elected him as an independent director.</p>
Taketsugu Fujiwara	<p>Mr. Taketsugu Fujiwara served as President and Representative Director, and Presidential Executive Officer of Asahi Kasei Corporation until March 2014. He serves currently as Standing Counsellor of IHI.</p> <p>One of IHI’s subsidiaries has a business relationship involving the sale and purchase of industrial machinery with Asahi Kasei Corporation, where Mr. Taketsugu Fujiwara previously served as a business executive. However, the relationship mentioned above generates less than 0.01% of IHI’s consolidated net sales (for the fiscal year ended March 31, 2016). Therefore, this has no impact on his independence.</p>	<p>Mr. Taketsugu Fujiwara reflects in the management of IHI his extensive experience and broad insight gained at the helm of a general chemicals manufacturer, where he has implemented diversified management. In addition, he carries out management oversight and monitoring functions from an independent perspective. Therefore, IHI believes that he is well-qualified to be an outside director.</p> <p>Mr. Taketsugu Fujiwara does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. IHI has therefore elected him as an independent director.</p>
Hiroshi Kimura	<p>Mr. Hiroshi Kimura served as President and CEO, and Chairman of the Board of Japan Tobacco Inc. until June 2014. He serves currently as Executive Corporate Advisor of IHI.</p> <p>The IHI’s subsidiaries has a business relationship involving sales of products related to industrial machinery, etc. with Japan Tobacco Inc., where Mr. Hiroshi Kimura previously served as a business executive. However, the relationship mentioned above generates less than 0.01% of IHI’s consolidated net sales (for the fiscal year ended March 31, 2016). Therefore, this has no impact on his independence.</p>	<p>Mr. Hiroshi Kimura is expected to reflect in the management of IHI his extensive experience and broad insight gained at the helm of business manager who has led aggressive globalization in response to changes in business environment. In addition, he is expected to carry out management oversight and monitoring functions from an independent perspective. Therefore, IHI believes that he is well-qualified to be an outside director.</p> <p>Mr. Hiroshi Kimura does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. IHI has therefore elected him as an independent director.</p>

(Translation purposes only)

Name	Facts Related to the Standards for Independence	Reason for Election
Toshiharu Watanabe	<p>Mr. Toshiharu Watanabe served as Director, Executive Officer, and Corporate Executive Vice President of TOSHIBA CORPORATION until June 2013.</p> <p>The IHI Group has a business relationship involving the sale and purchase of nuclear power-related products with TOSHIBA Corporation, where Mr. Toshiharu Watanabe previously served as a business executive. However, the relationship mentioned above generates 1.51% of IHI's consolidated net sales (for the fiscal year ended March 31, 2016). Therefore, this has no impact on his independence.</p>	<p>Mr. Toshiharu Watanabe reflects in the auditing of the management of IHI his experience and insight, which he cultivated as a business executive in the field of social infrastructure at a general electric goods manufacturer from an independent perspective. Therefore, IHI believes that he is well-qualified to be an outside audit & supervisory board member.</p> <p>Mr. Toshiharu Watanabe does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. IHI has therefore elected him as an independent audit & supervisory board member.</p>
Takayuki Hashimoto	<p>Mr. Takayuki Hashimoto served as General Manager of IBM Japan, Ltd., and then as its Chairman until March 2014. He serves currently as Vice Chairman of the company mentioned above.</p> <p>The IHI Group has a business relationship involving leasing IT-related equipment with IBM Japan, Ltd., where Mr. Takayuki Hashimoto previously served as a business executive. However, the relationship generates less than 0.01% of IBM Japan's net sales (for the fiscal year ended December 31, 2015). Therefore, this has no impact on his independence.</p>	<p>Mr. Takayuki Hashimoto reflects his extensive experience and knowledge of global companies gained at the helm of a state-of-the-art IT company in the auditing of IHI's management from an independent perspective. Therefore, IHI believes that he is well-qualified to be an outside audit & supervisory board member.</p> <p>Mr. Takayuki Hashimoto does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. IHI has therefore elected him as an independent audit & supervisory board member.</p>
Yoko Hatta	Not applicable	<p>Ms. Yoko Hatta is expected to reflect in the management auditing operations of IHI her extensive experience and insight in global business operations, notably international taxation from an independent perspective. Therefore, IHI believes that she is well-qualified to be an outside audit & supervisory board member.</p> <p>Ms. Yoko Hatta does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. IHI has therefore elected her as an independent audit & supervisory board member.</p>

- IHI provides outside directors and outside audit & supervisory board members with as-needed reports on internal audit implementation from the internal audit divisions as reported to the Board of Directors and audit & supervisory board, and also gives them briefings in advance and shares information on a continual basis.
- Outside audit & supervisory board members work closely with the accounting auditor, including regularly sharing information and opinions and receiving reports on audit results.

(Translation purposes only)

(iv) Remuneration, etc. of directors and audit & supervisory board members

(a) Total amount paid to each position of directors and audit & supervisory board members, breakdown and number of recipients

Position of directors and audit & supervisory board members	Total Amount Paid (Millions of yen)	Breakdown (Millions of yen)			Number of recipients
		Base amount	Share-based compensation	Performance-based bonus	
Directors (excluding outside directors)	601	548	52	–	15
Audit & supervisory board members(excluding outside audit & supervisory board members)	72	72	–	–	2
Outside directors and outside audit & supervisory board members	69	69	–	–	7

- Notes:
1. Remuneration of directors does not include salaries as employees of directors who are also employees.
 2. Maximum total amount of directors' remuneration is set at 1,090 million yen or below (excluding employee salaries) per year as resolved at the 190th Ordinary General Meeting of Shareholders held on June 27, 2007, and maximum total amount of audit & supervisory board members' remuneration is set at 120 million yen or below as resolved at the 197th Ordinary General Meeting of Shareholders held on June 27, 2014.
 3. During the current fiscal year, 13 directors (excluding outside directors) were paid 140 million yen in performance-based bonuses for the fiscal year ended March 31, 2015.
 4. The numbers of directors and audit & supervisory board members as of March 31, 2016 are respectively 15 (including three outside directors) and five (including three outside audit & supervisory board members). The reason for the discrepancy from the above is that figures in the chart include three directors and one audit & supervisory board member who retired at the conclusion of the 198th Ordinary General Meeting of Shareholders held on June 25, 2015.

(b) Details and decision process of the policy on deciding the amounts of remuneration or calculation method thereof

Maximum total remuneration of directors and audit & supervisory board members is resolved at an Ordinary General Meeting of Shareholders.

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. Remuneration details are finalized at a meeting of the Board of Directors, following consultation and recommendations to the Remuneration Advisory Committee (the "Committee") which was created to ensure that remuneration is appropriate and that the process is transparent.

Directors' remuneration consists of a base amount, stock compensation-type stock options and performance-based bonuses. For performance-based bonuses, the amount paid is determined so as to provide an incentive for achieving the operating income targets in the medium-term management plan. The amount paid is calculated based on the degree to which operating income target values in the medium-term management plan and for each term are achieved, and finalized after consultation and recommendations to the Committee.

In addition, outside directors receive only a base amount.

Remuneration for audit & supervisory board members comprises basic remuneration only as compensation for their responsibilities for auditing the execution of business throughout the Group. The amount is determined through discussions among audit & supervisory board members.

The Committee consists of six members: three outside directors, one outside audit & supervisory board member, the director in charge of human resources, and the director in charge of finance and accounting. An outside director is appointed the committee chairperson, and the chairperson makes final decisions on the Committee's recommendations.

(v) Shareholdings

(a) Investment shares held for purposes other than pure investment

Number of stock names: 164

Total amount on the balance sheet: ¥54,817 million.

(Translation purposes only)

(b) Holding classification, stock name, number of shares, amount on the balance sheet and holding purpose of investment shares held for purposes other than pure investment

(The previous fiscal year)

Specified investment shares

Stock name	Number of shares (Shares)	Amount on the balance sheet (Millions of yen)	Holding purpose
Mizuho Financial Group, Inc.	33,937,177	7,164	To maintain relationship with lender
TOSHIBA CORPORATION	8,751,000	4,412	To maintain relationship with customer
Sumitomo Mitsui Trust Holdings, Inc.	6,318,746	3,130	To maintain relationship with lender
The Shizuoka Bank, Ltd.	2,364,500	2,837	To maintain relationship with lender
MITSUI & CO., LTD.	1,709,255	2,755	To maintain relationship with customer
THE HUB POWER COMPANY LIMITED	20,432,459	2,055	To maintain relationship with customer
NIPPON STEEL & SUMITOMO METAL CORPORATION	5,408,867	1,636	To maintain relationship with customer
The Chugoku Bank, LTD.	800,000	1,436	To maintain relationship with lender
Mitsui Fudosan Co., Ltd.	402,000	1,418	To maintain relationship with customer
UMN Pharma Inc.	453,250	1,357	To maintain relationship with customer
IBJ Leasing Company, Limited	480,000	1,192	To maintain relationship with customer
China Steel Corporation	11,061,690	1,142	To maintain relationship with customer
Mitsubishi UFJ Financial Group, Inc.	1,374,780	1,022	To maintain relationship with lender
Electric Power Development Co., Ltd.	217,500	880	To maintain relationship with customer
The Iyo Bank, Ltd.	539,782	770	To maintain relationship with lender
Yamaguchi Financial Group, Inc.	537,000	742	To maintain relationship with lender
TOSOH CORPORATION	1,156,000	700	To maintain relationship with customer
Sumitomo Mitsui Financial Group, Inc.	146,300	673	To maintain relationship with lender
Toho Gas Co., Ltd.	885,250	620	To maintain relationship with customer
Tokyo Gas Co., Ltd.	798,750	604	To maintain relationship with customer
The Gunma Bank, Ltd.	742,000	602	To maintain relationship with lender
The Kansai Electric Power Company, Incorporated	520,300	596	To maintain relationship with customer
The Dai-ichi Life Insurance Company, Limited	324,400	566	To maintain relationship with lender
NISHISHIBA ELECTRIC CO., LTD.	2,741,860	542	To maintain relationship with customer
TOSHIBA MACHINE CO., LTD.	968,000	489	To maintain relationship with customer
The Chugoku Electric Power Co., Inc.	309,000	483	To maintain relationship with customer
JGC CORPORATION	194,000	463	To maintain relationship with customer
KYOKUTO BOEKI KAISHA, LTD.	1,927,904	431	To maintain relationship with customer
NACHI-FUJIKOSHI CORP.	437,000	287	To maintain relationship with customer
Kajima Corporation	514,265	286	To maintain relationship with customer

(Translation purposes only)

(The current fiscal year)

Specified investment shares

Stock name	Number of shares (Shares)	Amount on the balance sheet (Millions of yen)	Holding purpose
Mizuho Financial Group, Inc.	28,632,777	4,813	To facilitate smooth financial transactions such as financing and to collect domestic and overseas information
THE HUB POWER COMPANY LIMITED	20,432,459	2,294	To maintain and strengthen trading relationships in the boiler business, etc.
TOSHIBA CORPORATION	8,751,000	1,916	To maintain and strengthen trading relationships in the nuclear power business, etc.
NIPPON STEEL & SUMITOMO METAL CORPORATION	540,886	1,169	To maintain and strengthen trading relationships in the procurement of steel materials and the boiler business, etc.
Mitsui Fudosan Co., Ltd.	402,000	1,128	To maintain and strengthen trading relationships in the urban development business, etc.
UMN Pharma Inc.	453,250	1,047	To maintain and strengthen trading relationships in the new business field.
China Steel Corporation	11,061,690	861	To maintain and strengthen trading relationships in the rotating machinery business, etc.
Electric Power Development Co., Ltd.	217,500	764	To maintain and strengthen trading relationships in the boiler business, etc.
TOSOH CORPORATION	1,156,000	546	To maintain and strengthen trading relationships in the boiler business, etc.
The Kansai Electric Power Company, Incorporated	520,300	518	To maintain and strengthen trading relationships in the boiler business, etc.
Sumitomo Mitsui Financial Group, Inc.	146,300	499	To facilitate smooth financial transactions such as financing and to collect domestic and overseas information
The Chugoku Electric Power Co., Inc.	309,000	469	To maintain and strengthen trading relationships in the boiler business, etc.
The Dai-ichi Life Insurance Company, Limited	324,400	441	To facilitate smooth financial transactions such as financing and to collect local information
KYOKUTO BOEKI KAISHA, LTD.	1,927,904	435	To maintain and strengthen trading relationship as a dealer of IHI Group products
NISHISHIBA ELECTRIC CO., LTD.	2,741,860	370	To maintain and strengthen trading relationships in the power systems for land and marine use business, etc.
Kajima Corporation	514,265	363	To maintain and strengthen trading relationships in the concrete construction materials business, etc.
The Gunma Bank, Ltd.	742,000	345	To facilitate smooth financial transactions such as financing and to collect local information
TOSHIBA MACHINE CO., LTD.	968,000	334	To maintain and strengthen trading relationships in the nuclear power business, etc.

(Translation purposes only)

Stock name	Number of shares (Shares)	Amount on the balance sheet (Millions of yen)	Holding purpose
JGC CORPORATION	194,000	326	To maintain and strengthen trading relationships in the process plant business, etc.
OBAYASHI CORPORATION	220,000	244	To maintain and strengthen trading relationships in the parking business, etc.

Note: Holding purposes have been described in more detail since the current fiscal year.

Deemed share holdings

Stock name	Number of shares (Shares)	Amount on the balance sheet (Millions of yen)	Holding purpose
MITSUI & CO., LTD.	1,709,255	2,213	Has authority to direct the exercise of voting rights
The Shizuoka Bank, Ltd.	2,364,500	1,919	Has authority to direct the exercise of voting rights
Sumitomo Mitsui Trust Holdings, Inc.	4,044,746	1,333	Has authority to direct the exercise of voting rights
The Chugoku Bank, LTD.	800,000	937	Has authority to direct the exercise of voting rights
Mitsubishi UFJ Financial Group, Inc.	1,374,780	716	Has authority to direct the exercise of voting rights
Toho Gas Co., Ltd.	885,250	707	Has authority to direct the exercise of voting rights
Yamaguchi Financial Group, Inc.	537,000	549	Has authority to direct the exercise of voting rights
IBJ Leasing Company, Limited	240,000	479	Has authority to direct the exercise of voting rights
Tokyo Gas Co., Ltd.	798,750	419	Has authority to direct the exercise of voting rights
The Iyo Bank, Ltd.	539,782	397	Has authority to direct the exercise of voting rights

Notes: 1. In the current fiscal year, a retirement benefit trust was set up by contributing the above shares for the purpose of securing resources for employees' retirement benefits.

2. When determining share holdings with the highest values in the amounts recorded on the balance sheet, specified investment shares and deemed share holdings are not combined.

(c) Investment shares held for purposes of pure investment

Not applicable

(Translation purposes only)

(vi) Status of accounting audit

IHI commissions its accounting audit to Ernst & Young ShinNihon LLC. The names of the certified public accountants belonging to Ernst & Young ShinNihon LLC who executed the accounting audit of IHI, as well as the consecutive number of years they have audited IHI, are shown below.

Hideyuki Inoue (one year)

Yoshiyuki Sakuma (seven years)

Ichiro Tajima (six years)

Note: In the quarterly reviews up until the second quarter, audits was performed by Mr. Jun Uemura, Mr. Yoshiyuki Sakuma, and Mr. Ichiro Tajima, and thereafter, Mr. Jun Uemura was replaced by Mr. Hideyuki Inoue.

Information about assistants for the accounting audit of IHI is as follows:

Certified Public Accountant: 43

Other: 55

Note: Other includes persons who have passed the Certified Public Accountants Examination, persons in charge of systems audits, and others.

(vii) Number of directors

The Articles of Incorporation stipulates that IHI shall have not more than 15 directors.

(viii) Resolutions requirements for the election of directors

The Articles of Incorporation stipulates that resolution for election of directors shall be adopted by a majority vote of the shareholders present, whose voting rights shall represent one-third or more of the voting rights of all shareholders entitled to vote.

The Articles of Incorporation also stipulates that cumulative voting shall not be used in resolutions for the election of directors.

(ix) Acquisition of own shares

The Articles of Incorporation stipulates that IHI may, under Article 165, paragraph 2 of the Companies Act, acquire its own shares by resolution of the Board of Directors. This measure is aimed at carrying out a flexible capital policy.

(x) Interim dividends

The Articles of Incorporation stipulates that IHI may, under Article 454, paragraph 5 of the Companies Act, upon resolution of the Board of Directors, pay interim dividends on the basis of September 30 each year as the record date. This measure is aimed at carrying out a flexible return of profits to shareholders.

(xi) Stipulations in the Articles of Incorporation that enable IHI to exempt directors and audit & supervisory board members from liabilities based on resolution of the Board of Directors

The Articles of Incorporation stipulates that IHI may, by resolution of the Board of Directors, in accordance with Article 426, paragraph 1 of the Companies Act, in the case that the director or audit & supervisory board member is acting in good faith and there is no critical negligence involved, exempt directors and audit & supervisory board members from liabilities, so as to ensure that directors and audit & supervisory board members sufficiently perform the roles expected of them in executing their duties.

(xii) Special resolutions requirements for the general meeting of shareholders

The Articles of Incorporation stipulates that the special resolutions requirements for the general meeting of shareholders provided in Article 309, paragraph 2 of the Companies Act shall be adopted by two-thirds or more of the votes of the shareholders present, whose voting rights shall represent one-third or more of the voting rights of all shareholders entitled to vote. This provision aims to ensure the smooth operation of the general meeting of shareholders by easing the quorum for special resolutions at the general meeting of shareholders.

(Translation purposes only)

(2) Details of audit remuneration, etc.

(i) Details of remuneration to Certified Public Accountants, etc.

Classification	The previous fiscal year		The current fiscal year	
	Remuneration for audit or attestation services (millions of yen)	Remuneration for non-audit services (millions of yen)	Remuneration for audit or attestation services (millions of yen)	Remuneration for non-audit services (millions of yen)
Reporting company	188	52	180	49
Consolidated subsidiaries	182	18	174	17
Total	370	70	354	66

(ii) Other material remuneration to independent auditors

(The previous fiscal year)

Some of IHI's foreign subsidiaries paid remuneration for audit services and non-audit services to Ernst & Young Group which belongs to the same network as IHI's Certified Public Accountants, etc.

(The current fiscal year)

Some of IHI's foreign subsidiaries paid remuneration for audit services and non-audit services to Ernst & Young Group which belongs to the same network as IHI's Certified Public Accountants, etc.

(iii) Details of non-audit services rendered by Certified Public Accountants, etc.

(The previous fiscal year)

IHI entrusts the accounting auditor with the services regarding "advice and support for issues arising from implementation of IFRSs (International Financial Reporting Standards)" and "guidance on accounting for subsidiaries and affiliates" other than services defined in Article 2, paragraph 1 of Certified Public Accountants Act (non-audit services).

(The current fiscal year)

IHI entrusts the accounting auditor with the services regarding "advice and support for issues arising from implementation of IFRSs (International Financial Reporting Standards)" and "guidance on accounting for subsidiaries and affiliates" other than services defined in Article 2, paragraph 1 of Certified Public Accountants Act (non-audit services).

(ix) Policy on determining audit remuneration

There is no particular policy on determining audit remuneration. The remuneration is decided with the consent of the Audit & Supervisory Board, taking into consideration factors such as the number of days of the audit and the unit price of the audit.

Note: The amounts shown in "IV. Information about reporting company" have been rounded down with the exception of the amounts shown in "3. Dividend policy" and "(2) Details of audit remuneration, etc." under "6. Corporate governance, etc."

(Translation purposes only)

V. Overview of operational procedures for shares

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record date for dividends of surplus	September 30 March 31
Number of shares constituting one voting unit	1,000 shares
Purchase and sales of shares less than one unit	
Location of office	(Special account) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department
Administrator of Shareholders' Register	(Special account) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Forwarding office	—
Purchase and sales fee	Free of charge
Method of public notice	IHI shall give its public notice via an electronic method. However, in case of an accident or an unavoidable reason that prevents use of the electronic method, public notice shall be given in the Nihon Keizai Shimbun, which is published in Tokyo. URL for public notice is following http://www.ihico.jp/ihico/elec/index.html
Special benefits for shareholders	Not applicable

- Notes:
1. IHI may, upon resolution of the Board of Directors, pay interim dividends on the basis of September 30 each year as the record date.
 2. Shareholders of IHI may not exercise any rights other than those stipulated below regarding shares less than one unit.
 - (1) Rights listed in Article 189, paragraph 2 of the Companies Act;
 - (2) Rights to make demands pursuant to Article 166, paragraph 1 of the Companies Act;
 - (3) Rights to receive allotment of shares and share purchase warrants in proportion to the number of shares owned by them; and
 - (4) Rights to request to sell such number of shares as will make one unit with the shares less than one unit owned by them.

(Translation purposes only)

VI. Reference information of reporting company

1. Information about parent company, etc. of reporting company

There is no company that falls under the category of “parent company, etc.” of IHI.

2. Other reference information

From the beginning of the current fiscal year until the filing date of this Annual Securities Report, IHI has filed the following documents.

(1)	Annual Securities Report and Documents Attached, and Confirmation Letter	Fiscal year (198th)	From April 1, 2014 To March 31, 2015	Filed with Director-General of the Kanto Local Finance Bureau on June 25, 2015
(2)	Internal Control Report and Documents Attached			Filed with Director-General of the Kanto Local Finance Bureau on June 25, 2015
(3)	Quarterly Reports and Confirmation Letters	(199th First Quarter)	From April 1, 2015 To June 30, 2015	Filed with Director-General of the Kanto Local Finance Bureau on August 12, 2015
		(199th Second Quarter)	From July 1, 2015 To September 30, 2015	Filed with Director-General of the Kanto Local Finance Bureau on November 12, 2015
(4)	Quarterly Reports	(199th Third Quarter)	From October 1, 2015 To December 31, 2015	Filed with Director-General of the Kanto Local Finance Bureau on February 12, 2016
(5)	Confirmation Letters	(199th Third Quarter)	From October 1, 2015 To December 31, 2015	Filed with Director-General of the Kanto Local Finance Bureau on February 15, 2016
(6)	Extraordinary Reports			
	Extraordinary Report based on Article 19, paragraph 2, item ix-2 (results of exercise of voting rights at a General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.			Filed with Director-General of the Kanto Local Finance Bureau on June 26, 2015
	Extraordinary Report based on Article 19, paragraph 2, item ii-2 (allotment of share options) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.			Filed with Director-General of the Kanto Local Finance Bureau on July 21, 2015
	Extraordinary Report based on Article 19, paragraph 2, item xix (where an event has occurred which may have a serious effect on the financial position, operating results and cash flows) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.			Filed with Director-General of the Kanto Local Finance Bureau on February 2, 2016
	Extraordinary Report based on Article 19, paragraph 2, item ix (a change in the representative director) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.			Filed with Director-General of the Kanto Local Finance Bureau on February 22, 2016
	Extraordinary Report based on Article 19, paragraph 2, item xii and xix (where an event has occurred which may have a serious effect on the financial position, operating results and cash flows) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.			Filed with Director-General of the Kanto Local Finance Bureau on March 29, 2016
(7)	Amendment to Extraordinary Report			
	Amendment to the Extraordinary Report filed on July 21, 2015			Filed with Director-General of the Kanto Local Finance Bureau on August 11, 2015

(Translation purposes only)

(8) Amended Shelf Registration Statements

Filed with Director-General of the Kanto
Local Finance Bureau on April 7, 2015

Filed with Director-General of the Kanto
Local Finance Bureau on April 28, 2015

Filed with Director-General of the Kanto
Local Finance Bureau on June 25, 2015

Filed with Director-General of the Kanto
Local Finance Bureau on June 26, 2015

Filed with Director-General of the Kanto
Local Finance Bureau on July 21, 2015

Filed with Director-General of the Kanto
Local Finance Bureau on August 11, 2015

Filed with Director-General of the Kanto
Local Finance Bureau on August 12, 2015

Filed with Director-General of the Kanto
Local Finance Bureau on November 12, 2015

Filed with Director-General of the Kanto
Local Finance Bureau on February 2, 2016

Filed with Director-General of the Kanto
Local Finance Bureau on February 12, 2016

Filed with Director-General of the Kanto
Local Finance Bureau on February 22, 2016

Filed with Director-General of the Kanto
Local Finance Bureau on March 29, 2016

(Translation purposes only)

Part 2. Information about company which provides guarantee to reporting company

Not applicable

Consolidated financial statements

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Consolidated financial statements of IHI Corporation and Subsidiaries:	
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Consolidated statement of comprehensive income for the year ended March 31, 2016	F-6
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Financial information

1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

- (1) The consolidated financial statements of IHI is prepared in accordance with the “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976).
- (2) The non-consolidated financial statements of IHI is prepared in accordance with the “Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (Ordinance of the Ministry of Finance No. 59 of 1963, hereinafter referred to as “Ordinance on Financial Statements”).

As IHI falls under the category of a company allowed to file specified financial statements, the non-consolidated financial statements of IHI is prepared in accordance with Article 127 of the Ordinance on Financial Statements.

2. Audit attestation

The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016) were audited by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

3. Special efforts to ensure the appropriateness of the consolidated financial statements, etc.

IHI makes special efforts to ensure the appropriateness of the consolidated financial statements, etc. Specifically, IHI is a member of the Financial Accounting Standards Foundation to establish an internal system that enables the proper understanding of the contents of accounting standards, etc. and the timely disclosure of accurate and fair corporation information.

1. Consolidated financial statements

(1) Consolidated financial statements

i) Consolidated balance sheet

(Millions of yen)

	March 31, 2015		March 31, 2016	
Assets				
Current assets				
Cash and deposits	*1	94,549	*1	106,536
Notes and accounts receivable - trade	*1, *4	438,260	*1, *4	444,838
Securities		205		1,403
Finished goods	*7	24,939	*7	23,537
Work in process	*7	249,362	*7	254,907
Raw materials and supplies	*1	125,000	*1	131,865
Deferred tax assets		43,206		61,956
Other		84,562		86,512
Allowance for doubtful accounts		(6,357)		(11,048)
Total current assets		1,053,726		1,100,506
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	*1, *5, *8	145,642	*1, *5, *8	142,597
Machinery, equipment and vehicles, net	*1, *5, *8	77,470	*1, *5, *8	72,648
Land	*1, *6	90,294	*1, *5, *6	90,936
Leased assets, net	*8	15,877	*8	16,412
Construction in progress		10,885		8,927
Other, net	*1, *5, *8	17,457	*1, *5, *8	18,216
Total property, plant and equipment		357,625		349,736
Intangible assets				
Goodwill		23,301		22,043
Software		13,613	*5	14,449
Other		13,587		13,113
Total intangible assets		50,501		49,605
Investments and other assets				
Investment securities	*1, *2	167,138	*1, *2	139,463
Deferred tax assets		35,587		47,338
Net defined benefit asset		3		11
Other	*2	28,168	*2	30,380
Allowance for doubtful accounts		(1,866)		(1,983)
Total investments and other assets		229,030		215,209
Total non-current assets		637,156		614,550
Total assets		1,690,882		1,715,056

(Millions of yen)

	March 31, 2015	March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	300,148	297,499
Short-term loans payable	*1 114,135	*1 94,550
Commercial papers	17,000	5,000
Current portion of bonds	-	10,000
Accrued expenses	82,612	118,932
Income taxes payable	23,162	8,222
Advances received	125,170	180,352
Provision for bonuses	26,687	24,610
Provision for construction warranties	36,804	44,337
Provision for loss on construction contracts	*7 28,553	*7 53,223
Other provision	656	379
Other	40,998	45,665
Total current liabilities	795,925	882,769
Non-current liabilities		
Bonds payable	70,000	60,000
Long-term loans payable	*1 192,320	*1 187,085
Lease obligations	13,174	12,968
Deferred tax liabilities for land revaluation	*6 5,445	*6 5,158
Net defined benefit liability	157,986	154,968
Provision for loss on business of subsidiaries and affiliates	22,590	2,805
Other provision	1,186	1,377
Other	72,661	74,567
Total non-current liabilities	535,362	498,928
Total liabilities	1,331,287	1,381,697
Net assets		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	54,438	54,431
Retained earnings	152,563	144,789
Treasury shares	(655)	(565)
Total shareholders' equity	313,511	305,820
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,622	1,580
Deferred gains or losses on hedges	(743)	(377)
Revaluation reserve for land	*6 5,166	*6 5,423
Foreign currency translation adjustment	14,783	9,954
Remeasurements of defined benefit plans	(3,545)	(4,090)
Total accumulated other comprehensive income	32,283	12,490
Subscription rights to shares	747	758
Non-controlling interests	*6 13,054	*6 14,291
Total net assets	359,595	333,359
Total liabilities and net assets	1,690,882	1,715,056

ii) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016	
Net sales		1,455,844		1,539,388
Cost of sales	*1, *2, *3	1,210,313	*1, *2, *3	1,320,376
Gross profit		245,531		219,012
Selling, general and administrative expenses	*1, *4	182,278	*1, *4	196,964
Operating income		63,253		22,048
Non-operating income				
Interest income		721		920
Dividend income		1,648		1,997
Share of profit of entities accounted for using equity method		—		1,167
Foreign exchange gains		5,274		—
Reduction of accrued expenses for delayed delivery		2,210		—
Other income		3,054		5,277
Total non-operating income		12,907		9,361
Non-operating expenses				
Interest expenses		4,221		3,922
Share of loss of entities accounted for using equity method		1,701		—
Foreign exchange losses		—		5,122
Other expenses		13,709		12,649
Total non-operating expenses		19,631		21,693
Ordinary income		56,529		9,716
Extraordinary income				
Gain on sales of non-current assets		—	*5	28,648
Gain on contribution of securities to retirement benefit trust		—		6,358
Gain on sales of investment securities		—		1,804
Total extraordinary income		—		36,810
Extraordinary losses				
Expenses for delayed delivery		—	*6	44,628
Loss on valuation of shares of subsidiaries and affiliates		—		1,756
Provision for loss on business of subsidiaries and affiliates		—		1,700
Impairment loss	*7	175	*7	81
Loss on business of subsidiaries and affiliates	*8	29,089		—
Total extraordinary losses		29,264		48,165
Profit (loss) before income taxes		27,265		(1,639)
Income taxes-current		29,827		18,889
Income taxes - deferred		(9,309)		(25,660)
Total income taxes		20,518		(6,771)
Profit		6,747		5,132
Profit (loss) attributable to non-controlling interests		(2,335)		3,603
Profit attributable to owners of parent		9,082		1,529

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit	6,747	5,132
Other comprehensive income		
Valuation difference on available-for-sale securities	8,296	(14,353)
Deferred gains or losses on hedges	(383)	376
Revaluation reserve for land	633	284
Foreign currency translation adjustment	9,810	(5,364)
Remeasurements of defined benefit plans, net of tax	1,290	(705)
Share of other comprehensive income of entities accounted for using equity method	436	(598)
Total other comprehensive income	*1 20,082	*1 (20,360)
Comprehensive income	26,829	(15,228)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	28,017	(18,338)
Comprehensive income attributable to non- controlling interests	(1,188)	3,110

iii) Consolidated statement of changes in net assets

Fiscal year ended March 31, 2015

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	107,165	54,439	171,318	(665)	332,257
Cumulative effects of changes in accounting policies			(14,625)		(14,625)
Restated balance	107,165	54,439	156,693	(665)	317,632
Changes of items during period					
Dividends of surplus			(13,891)		(13,891)
Profit attributable to owners of parent			9,082		9,082
Purchase of treasury shares				(8)	(8)
Disposal of treasury shares		(1)		18	17
Change in treasury shares of parent arising from transactions with non-controlling shareholders					-
Net increase from newly consolidated subsidiaries			609		609
Net decrease from merger with non-consolidated subsidiaries					-
Change of scope of equity method			(1)		(1)
Reversal of revaluation reserve for land			71		71
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(1)	(4,130)	10	(4,121)
Balance at end of current period	107,165	54,438	152,563	(655)	313,511

(Millions of yen)

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	8,424	36	4,665	4,912	(5,058)	12,979	621	16,698	362,555
Cumulative effects of changes in accounting policies								(54)	(14,679)
Restated balance	8,424	36	4,665	4,912	(5,058)	12,979	621	16,644	347,876
Changes of items during period									
Dividends of surplus						-			(13,891)
Profit attributable to owners of parent						-			9,082
Purchase of treasury shares						-			(8)
Disposal of treasury shares						-			17
Change in treasury shares of parent arising from transactions with non-controlling shareholders						-			-
Net increase from newly consolidated subsidiaries						-			609
Net decrease from merger with non-consolidated subsidiaries						-			-
Change of scope of equity method						-			(1)
Reversal of revaluation reserve for land						-			71
Net changes of items other than shareholders' equity	8,198	(779)	501	9,871	1,513	19,304	126	(3,590)	15,840
Total changes of items during period	8,198	(779)	501	9,871	1,513	19,304	126	(3,590)	11,719
Balance at end of current period	16,622	(743)	5,166	14,783	(3,545)	32,283	747	13,054	359,595

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	107,165	54,438	152,563	(655)	313,511
Cumulative effects of changes in accounting policies					–
Restated balance	107,165	54,438	152,563	(655)	313,511
Changes of items during period					
Dividends of surplus			(9,262)		(9,262)
Profit attributable to owners of parent			1,529		1,529
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		(6)		96	90
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(1)			(1)
Net decrease from newly consolidated subsidiaries			(19)		(19)
Net decrease from merger with non-consolidated subsidiaries			(22)		(22)
Change of scope of equity method					–
Reversal of revaluation reserve for land					–
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	(7)	(7,774)	90	(7,691)
Balance at end of current period	107,165	54,431	144,789	(565)	305,820

(Millions of yen)

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation on reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	16,622	(743)	5,166	14,783	(3,545)	32,283	747	13,054	359,595
Cumulative effects of changes in accounting policies						–			–
Restated balance	16,622	(743)	5,166	14,783	(3,545)	32,283	747	13,054	359,595
Changes of items during period									
Dividends of surplus						–			(9,262)
Profit attributable to owners of parent						–			1,529
Purchase of treasury shares						–			(6)
Disposal of treasury shares						–			90
Change in treasury shares of parent arising from transactions with non-controlling shareholders						–			(1)
Net decrease from newly consolidated subsidiaries						–			(19)
Net decrease from merger with non-consolidated subsidiaries						–			(22)
Change of scope of equity method						–			–
Reversal of revaluation reserve for land						–			–
Net changes of items other than shareholders' equity	(15,042)	366	257	(4,829)	(545)	(19,793)	11	1,237	(18,545)
Total changes of items during period	(15,042)	366	257	(4,829)	(545)	(19,793)	11	1,237	(26,236)
Balance at end of current period	1,580	(377)	5,423	9,954	(4,090)	12,490	758	14,291	333,359

iv) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Profit (loss) before income taxes	27,265	(1,639)
Depreciation	53,490	58,229
Depreciation and amortization on other	3,961	4,874
Loss on business of subsidiaries and affiliates	29,089	—
Impairment loss	175	81
Increase (decrease) in allowance for doubtful accounts	(781)	(568)
Increase (decrease) in provision for bonuses	1,792	(1,986)
Increase (decrease) in provision for construction warranties	10,917	7,718
Increase (decrease) in provision for loss on construction contracts	10,110	24,689
Increase (decrease) in net defined benefit liability	8,290	6,209
Interest and dividend income	(2,369)	(2,917)
Interest expenses	4,221	3,922
Foreign exchange losses (gains)	(159)	(1,071)
Loss (gain) on sales of short-term and long-term investment securities	(455)	(1,914)
Loss (gain) on valuation of short-term and long-term investment securities	1,391	3,542
Share of (profit) loss of entities accounted for using equity method	1,701	(1,167)
Loss (gain) on disposal of property, plant and equipment	1,390	(27,606)
Loss (gain) on securities contributed to employees' retirement benefit trust	—	(6,358)
Decrease (increase) in notes and accounts receivable - trade	(36,900)	(10,396)
Increase (decrease) in advances received	18,146	56,568
Decrease (increase) in advance payments	(698)	(12,912)
Decrease (increase) in inventories	(41,275)	(12,179)
Increase (decrease) in notes and accounts payable - trade	15,713	80
Increase (decrease) in accrued expenses	6,914	37,376
Decrease (increase) in other current assets	(4,016)	(1,191)
Increase (decrease) in other current liabilities	(1,248)	(4,169)
Decrease (increase) in consumption taxes refund receivable	(20,607)	13,124
Other, net	2,107	(2,956)
Subtotal	88,164	127,383
Interest and dividend income received	4,409	4,789
Interest expenses paid	(4,078)	(4,124)
Income taxes paid	(24,906)	(32,710)
Net cash provided by (used in) operating activities	63,589	95,338

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from investing activities		
Decrease (increase) in time deposits	421	(927)
Purchase of short-term and long-term investment securities	(8,547)	(5,852)
Purchase of shares of subsidiaries	(926)	–
Proceeds from sales and redemption of short-term and long-term investment securities	4,929	5,131
Purchase of property, plant and equipment and intangible assets	(71,604)	(52,804)
Gain (loss) on sales or disposal of property, plant and equipment and intangible assets	95	33,576
Purchase of shares and investments of subsidiaries resulting in change in scope of consolidation	(4,595)	(5,051)
Decrease (increase) in short-term loans receivable	1,236	1,656
Payments of long-term loans receivable	(99)	(53)
Collection of long-term loans receivable	84	60
Decrease (increase) in other investments	(9,528)	(19,702)
(Decrease)increase in other fixed liabilities	13,472	8,568
Other, net	451	(115)
Net cash provided by (used in) investing activities	(74,611)	(35,513)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	8,013	(38,982)
Net increase (decrease) in commercial papers	3,000	(12,000)
Proceeds from long-term loans payable	63,851	50,896
Repayments of long-term loans payable	(42,381)	(33,528)
Proceeds from issuance of bonds	40,000	–
Redemption of bonds	(20,000)	–
Proceeds from sales and leasebacks	250	612
Repayments of lease obligations	(3,625)	(3,916)
Decrease (increase) in treasury shares	(8)	(5)
Purchase of treasury shares of subsidiaries	–	(1)
Cash dividends paid	(13,845)	(9,241)
Proceeds from share issuance to non-controlling shareholders	131	1,188
Dividends paid to non-controlling interests	(1,943)	(2,553)
Net cash provided by (used in) financing activities	33,443	(47,530)
Effect of exchange rate change on cash and cash equivalents	7,185	(1,836)
Net increase (decrease) in cash and cash equivalents	29,606	10,459
Cash and cash equivalents at beginning of period	62,604	92,527
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	317	272
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(4)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	357
Cash and cash equivalents at end of period	*1 92,527	*1 103,611

Notes to Consolidated financial statements

(BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS)

1. Scope of consolidation

(1) Consolidated subsidiaries

The number of consolidated subsidiaries is 151 (the previous fiscal year: 152). The names of principal consolidated subsidiaries are omitted here because they are provided in “4. Overview of affiliated entities” under “I. Overview of company.” There was a change in consolidated subsidiaries in the current fiscal year. The reason for the change and the status are provided in “3. Description of business” under “I. Overview of company.”

(2) Non-consolidated subsidiaries

The names of principal non-consolidated subsidiaries are Jiangsu IHI Fengdong Vacuum Technology Co.,Ltd and IHI Transport Machinery Taiwan Corporation. Since each non-consolidated subsidiary is small in size and the sum of total assets, total net sales, total share of basic earnings, total share of retained earnings, etc. of all the non-consolidated subsidiaries is insignificant in comparison with the sum of those items of consolidated companies, the non-consolidated subsidiaries do not have a significant impact on the consolidated financial statements.

2. Equity method

(1) Application of the equity method of accounting

The number of affiliates accounted for using the equity method is 30 (the previous fiscal year: 33). The names of these affiliates are as follows:

(Domestic affiliates)

Japan Limited Liability Partnership for Japan-Australia Oxyfuel Demonstration Project, TOSHIBA POWER SYSTEMS INSPECTION SERVICES CO., LTD., Paul Wurth IHI Co., Ltd., Turbo Systems United Co., Ltd., Japan Marine United Corporation, JMU AMTEC Co., Ltd., IMC Co., Ltd., JMU Defense Systems Co., Ltd., Kaisho Shipping Co., Ltd., and IHI Finance Support Corporation

(Foreign affiliates)

FELGUERA-I.H.I., S.A., Long Xin Enterprise Pte.Ltd., PETROLEUM CONSULTING ENGINEERS (MUMBAI) Private Limited, HVM Plasma, spol sro, GE Passport, LLC, KAISHO MARINE S.A., SOUTH-POINT MARINE S.A., SUNNY RIVER LINE S.A., GREAT RIVER LINE S.A., LUNAR RIVER LINE S.A., GLORIOUS RIVER LINE S.A., Perkins Shibaura Engines LLC, Perkins Shibaura Engines Limited, ALPHA Automotive Technologies LLC, Rio Bravo Fresno, and five other companies.

(Change in affiliates accounted for using the equity method)

Due to completion of liquidation, TJEL E&C & RMS JV was excluded from affiliates accounted for using the equity method. In addition, due to agreement on transfer of the ownership, Estaleiro Atlântico Sul S.A. and EAS International Inc. were excluded from affiliates accounted for using the equity method.

(2) Number of companies not accounted for using the equity method

The names of principal non-consolidated subsidiaries and affiliates that are not accounted for using the equity method are as follows:

(Non-consolidated subsidiaries)

Jiangsu IHI Fengdong Vacuum Technology Co.,Ltd and IHI Transport Machinery Taiwan Corporation.

(Affiliates)

UNIGEN Inc. and Perkins Shibaura Engines (Wuxi) Co., Ltd.

From the viewpoint of these companies' accounts such as profit or loss (amount corresponding to IHI's equity interest), and retained earnings (amount corresponding to IHI's equity interest), exclusion of these companies from the scope of equity method companies has an immaterial effect on the consolidated financial statements and their effect as a whole thereon is also immaterial.

3. Accounting period of consolidated subsidiaries

Because the difference between the balance sheet date of the foreign following subsidiaries and the consolidated balance sheet date is not more than three months, financial statements as of each company's balance sheet date are used in preparation of the consolidated financial statements. However, adjustments necessary for consolidation are made to significant intercompany transactions conducted in the period between their balance sheet date and the consolidated balance sheet date.

(Foreign subsidiaries whose balance sheet date is December 31)

JURONG ENGINEERING LIMITED and its 21 subsidiaries, IHI Power System Germany GmbH, ISHI POWER SDN.BHD., PT Cilegon Fabricators, NIIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD., IHI E&C International Corporation and its two subsidiaries, IHI POWER SYSTEM MALAYSIA SDN. BHD., IHI Southwest Technologies, Inc. and its subsidiary, IHI INFRASTRUCTURE ASIA CO., LTD., IHI California Inc., IHI Hauzer Techno Coating B.V. and its four subsidiaries, IHI Press Technology America, Inc., New Metal Engineering, LLC, IUK (HK) LIMITED, Indigo TopCo Ltd. and its 24 subsidiaries, IHI Charging Systems International GmbH and its two subsidiaries, IHI-Sullair Compression Technology (Suzhou) Co., Ltd., Changchun FAWER-IHI Turbo Co., Ltd., IHI Turbo America Co., IHI TURBO (THAILAND) CO., LTD., ISM America Inc., Wuxi IHI Turbo Co., Ltd., SHANGHAI STAR MODERN AGRICULTURE EQUIPMENT CO., LTD., IHI VTN GmbH and its three subsidiaries, IHI-ICR, LLC., IHI Aero Engines US Co., Ltd., IHI do Brasil Representações Ltda., IHI ENGINEERING AUSTRALIA PTY. LTD., IHI Europe Ltd., IHI INC., IHI New Energy Inc., Algae Systems, LLC., IHI Power Generation Corporation and its 6 subsidiaries, IHI (Shanghai) Management Co., Ltd., IHI ASIA PACIFIC PTE. LTD. and IHI ASIA PACIFIC(Thailand)CO.,LTD..

4. Significant accounting policies

(1) Valuation bases and methods for significant assets

(i) Securities

- (a) Securities to be held until maturity are stated at amortized cost (by the straight-line method).
- (b) Other securities with market prices available are carried at fair market value as of the balance sheet date. The related valuation differences are directly included into net assets and the sale price is computed by the moving-average method. Other securities without market prices available are stated at cost by the moving-average method.

(ii) Derivatives

Derivatives are stated at fair market value.

(iii) Inventories

- (a) Raw materials and supplies are stated at cost determined by the moving-average method. (For amounts shown on balance sheet, the book value write-down method based on decreased profitability is used.)
- (b) Finished goods and work in process are stated principally at identified cost. (For amounts shown on balance sheet, the book value write-down method based on decreased profitability is used.)

(2) Depreciation of property, plant and equipment

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

These assets are depreciated by the declining-balance method. However, depreciation of lend-lease properties, certain assets of consolidated subsidiaries and buildings (excluding building fixtures) acquired on and after April 1, 1998, are computed by the straight-line method.

(ii) Intangible assets (except for leased assets)

These assets are amortized by the straight-line method. Software for internal use is amortized using the straight-line method over a useful life of five years.

(iii) Leased assets

- (a) Leased assets related to finance lease transactions that transfer its ownership are depreciated using the same method as that applied to property, plant and equipment.
- (b) Leased assets related to finance leases transactions that do not transfer its ownership are depreciated over the lease period as useful period using the straight-line method with no residual value. IHI uses the operating lease accounting method for finance lease transactions that do not transfer ownership contracted on or before March 31, 2008.

(3) Basis for significant reserves

(i) Allowance for doubtful accounts

To provide for losses on bad debts, the allowance for doubtful accounts is provided based on historical default rates for normal receivables, plus individually estimated amounts for specific uncollectible receivables.

(ii) Provision for bonuses

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

- (iii) Provision for directors' bonuses
For payment of directors' bonuses, the provision for directors' bonuses is provided for in the amount that is expected to be paid.
- (iv) Provision for construction warranties
To provide for guaranteed project expenses, the provision for construction warranties is recorded as an estimate of future expenditures based on historical experience.
- (v) Provision for loss on construction contracts
Provision for loss on construction contracts is provided for in the amount of estimated losses for undelivered projects at the end of the fiscal year.
- (vi) Provision for directors' retirement benefits
For payment of retirement benefits to directors and audit & supervisory board members, the provision for directors' retirement benefits is provided for at consolidated subsidiaries in Japan in the amount determined by those companies' internal guidelines.
- (vii) Provision for loss on business of subsidiaries and affiliates
Provision for loss on business of subsidiaries and affiliates is provided for in the amount of estimated loss to be borne by IHI in consideration of the contents of assets of subsidiaries and affiliates.

(4) Accounting for retirement benefits

To prepare for employees' retirement benefits, net defined benefit liability is recognized as the amount of retirement benefit obligations and plan assets based on estimated amounts at the end of the current fiscal year. Certain consolidated subsidiaries adopt the simplified method to determine net defined benefit liability.

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

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

Actuarial gains or losses are amortized from the year following the fiscal year in which it recognized using the straight-line method over a certain number of years within the average remaining service periods of employees.

(5) Foreign exchange translations

The assets and liabilities of overseas subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date while the income and expenses of the same are translated at the average exchange rates during the period. Translation differences are included in components of foreign exchange translation adjustments and non-controlling interests in consolidated subsidiaries under net assets.

(6) Revenue and costs recognition

Basis of recording revenues and costs of construction contracts

- (i) Construction projects whose outcome of the progress by the end of the fiscal year deemed definite are recorded on the percentage-of-completion method (the percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost).
- (ii) All other projects are accounted for on the completed construction method.

(7) Principal methods for hedge accounting

(i) Hedge accounting methods

Deferred hedge accounting is applied for IHI. Foreign receivables and payables under forward foreign exchange contracts are stated at the applicable forward foreign exchange rates (the furiate method) if certain conditions are met. For interest rate swaps, special treatment is applied if the swaps satisfy the requirements for special treatment.

(ii) Hedging instruments and hedged items

Interest rate swaps are utilized to hedge interest volatility risks of loans payable, and forward foreign exchange contracts, etc. are used to hedge exchange fluctuation risks of monetary receivables and payables denominated in foreign currencies.

(iii) Hedging policy

Necessary hedging instruments are selected by risk category.

(iv) Method for assessing hedge effectiveness

In a period from the inception of a hedge to the time of assessment of the effectiveness, the effectiveness is assessed based mainly on the amounts of changes in the hedged item and the hedging instrument, comparing market fluctuations or cumulative changes in cash flows of the hedged item with market fluctuations or cumulative changes in cash flows of the hedging instrument.

(8) 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.

(9) Scope of cash on consolidated statement of cash flows

Cash (cash and cash equivalents) in the consolidated statement of cash flows consists of cash on hands, at-call deposits with banks, and short-term investments having maturities within three months from acquisition which are readily convertible to cash and involve only an insignificant risk in their value.

(10) Consumption taxes

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

(11) Application of consolidated taxation system

The consolidated taxation system has been applied from the current fiscal year.

(Changes in accounting policies)

(Application of Accounting Standard and other regulations for Business Combinations)

Effective from the current fiscal year, IHI has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in IHI's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of IHI was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the current fiscal year, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the presentation method for "Net income" and other related items was changed, and the presentation of "Minority interests" was changed to "Non-controlling interests." The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. IHI is applying the said standards prospectively from the beginning of the current fiscal year.

As a result, the impact of this change on the consolidated financial statements for the current fiscal year was immaterial.

In the consolidated statement of cash flows for the current fiscal year, cash flows for the purchase or sales of shares of subsidiaries not resulting in change in the scope of consolidation are classified under "cash flows from financing activities." Cash flows concerning costs related to the purchase of shares and investments of subsidiaries resulting in change in the scope of consolidation, as well as costs related to the purchase or sales of shares and investments of subsidiaries not resulting in change in the scope of consolidation, are classified under "cash flows from operating activities."

(Standards yet to be applied)

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

(1) Overview

When transferring authority on the Japanese Institute of Certified Public Accountants' practical guidelines on accounting related to tax-effect accounting and practical guidelines for auditing (sections related to accounting treatment) to the ASBJ, the "Implementation Guidance on Recoverability of Deferred Tax Assets" groups companies into five categories with respect to guidelines related to the recoverability of deferred tax assets, principally those provided in the Japanese Institute of Certified Public Accountants Auditing Committee Report No. 66, "Audit Treatment for Judgment of Recoverability of Deferred Assets." The guidance basically applies the framework for handling estimates of the amount of deferred tax assets recorded according to these categories, making some necessary revisions to category conditions and the handling of the amount of deferred tax assets recorded, thereby providing guidelines for the application of the "Accounting Standards for Tax-Effect Accounting" (Business Accounting Council) for the recoverability of deferred tax assets.

(Revisions to category criteria and the treatment of the amount of deferred tax assets recorded)

- Accounting treatments of entities not satisfying any of the category criteria from "Category 1" to "Category 5."
- Category criteria of "Category 2" and "Category 3."
- Accounting treatments of unscheduled deductible temporary differences for entities in "Category 2."
- Accounting treatments for reasonably estimable period for taxable income before temporary differences for entities in "Category 3."
- Accounting treatments for entities satisfying the category criteria of "Category 4" and also falling in "Category 2" or "Category 3."

(2) Application date

The revisions will be applied from the beginning of the fiscal year commencing on or after April 1, 2016.

(3) Effects of application of the accounting standard, etc.

The amount of the effect on the consolidated financial statements from the revisions of the "Implementation Guidance on Recoverability of Deferred Tax Assets" is currently under assessment.

(Consolidated balance sheet)

*1. Assets pledged as collateral

The following assets were pledged as collateral.

	(Millions of yen)	
	March 31, 2015	March 31, 2016
Cash and deposits	154	153
Notes and accounts receivable - trade	122	100
Raw materials and supplies	5	3
Buildings and structures	1,917	1,641
Machinery, equipment and vehicles	142	89
Land	6,380	3,971
Other property, plant and equipment	14	12
Investment securities (Note)	646	646
Total	9,380	6,615

Note: The common stocks of Kagoshima Mega Solar Power Corporation ("Kagoshima Mega Solar Power") were pledged as collateral for all obligations to be incurred from the line-of-credit agreements entered into between by Kagoshima Mega Solar Power and the financial institutions.

Of the above assets, assets pledged as collateral for factory foundation mortgage are as follows:

	(Millions of yen)	
	March 31, 2015	March 31, 2016
Buildings and structures	228	213
Machinery, equipment and vehicles	55	44
Land	2,613	2,613
Other property, plant and equipment	14	12
Total	2,910	2,882

The obligations collateralized by the above assets are as follows.

	(Millions of yen)	
	March 31, 2015	March 31, 2016
Short-term loans payable	4,952	4,271
Long-term loans payable	590	485
Total	5,542	4,756

Of the above loans, obligations corresponding factory foundation mortgage are as follows:

	(Millions of yen)	
	March 31, 2015	March 31, 2016
Short-term loans payable	2,484	2,484

*2. Investments securities and investments in capital in non-consolidated subsidiaries and affiliates

Investments securities and investments in capital in non-consolidated subsidiaries and affiliates are as follows:

	(Millions of yen)	
	March 31, 2015	March 31, 2016
Investment securities (Common stocks)	80,523	79,969
Other investments and other assets (Investments in capital)	1,646	1,127

*3. Contingent liabilities

IHI provides guarantees and guarantees in kind for the debts etc. from the financial institutions and others by the following subsidiaries and affiliates.

(1) Guarantees for debt of others (Note: 1)

(Millions of yen)			
March 31, 2015		March 31, 2016	
Estaleiro Atlântico Sul S.A.(Note: 2)	19,413	UNIGEN Inc.	10,600
Japanese Aero Engines Corporation (“JAEC”)	7,729	Japanese Aero Engines Corporation (“JAEC”)	6,406
UNIGEN Inc.	6,300	ALPHA Automotive Technologies LLC	1,812
ALPHA Automotive Technologies LLC	1,001	IHI group health insurance society	689
IHI group health insurance society	787	Japan Aeroforge, Ltd.	590
Japan Aeroforge, Ltd.	590	Rio Bravo Fresno (Note: 3)	395
Rio Bravo Fresno (Note: 3)	421	Rio Bravo Rocklin (Note: 3)	382
Rio Bravo Rocklin (Note: 3)	409	Contingent liabilities for lease contracts with customers of construction machineries	50
IHI Logistics System Technology Shanghai Co., Ltd.	193	Contingent liabilities for employee housing loans	70
Contingent liabilities for lease contracts with customers of construction machineries	82	Chubu Segment Co., Ltd.	25
Contingent liabilities for employee housing loans	76		
Chubu Segment Co., Ltd.	25		
Total	37,026	Total	21,019

(2) Contingent liabilities arising from guarantees in kind for debts

(Millions of yen)			
March 31, 2015		March 31, 2016	
Contingent liabilities for employee housing loans	8,109	Contingent liabilities for employee housing loans	7,294
IHI group health insurance society	837	IHI group health insurance society	741
Total	8,946	Total	8,035

Notes: 1. In any of the following cases, the amount represents the amounts for which the Companies are liable:

- (1) In the case of joint guarantees and guarantees in kind for debts with protection requirements against creditors, where the Companies’ liabilities are specifically stated and clarified regardless of the debt capacity of other guarantors in the contract.
 - (2) In the case of joint and several guarantees in which there are two or more guarantors, where the percentage or amount of the Companies’ liabilities is specifically stated and clarified such as in agreement among the guarantors and other joint and several guarantors are considered to have sufficient debt capacity.
2. As of March 31, 2015, a provision for loss on business of subsidiaries and affiliates was recorded based on guarantee obligations to Estaleiro Atlântico Sul S.A. (hereinafter referred to as “EAS”). Since IHI subsidiary JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA (hereinafter referred to as “JEI”) agreed to transfer its entire equity interest in EAS to EAS’s shareholders Camargo Corrêa Group and the Queiroz Galvão Group, as of March 31, 2016, IHI was released from the guarantee obligations and the provision for loss on business of subsidiaries and affiliates was reversed.
3. The contracts are revolving guarantees in which guarantees are provided within certain limits set to guarantee debts on continuous transactions, and the amount represents guarantee facilities.

*4. Notes receivable - trade discounted in the ordinary course of business and notes receivable - trade endorsed in the ordinary course of business

	(Millions of yen)	
	March 31, 2015	March 31, 2016
Notes receivable - trade discounted in the ordinary course of business	200	246
Notes receivable - trade endorsed in the ordinary course of business	1	141

*5. Reduction of book value for subsidies

Amounts of subsidies received principally from government and directly deducted from non-current assets are as follows:

	(Millions of yen)	
	March 31, 2015	March 31, 2016
Buildings and structures	26	9
Machinery, equipment and vehicles	861	2,133
Other property, plant and equipment	10	14
Software	-	2
Total	897	2,158

The amount deducted directly from property, plant and equipment due to land expropriation is as follows:

	March 31, 2015	March 31, 2016
Land	-	776
Total	-	776

*6. Revaluation reserve for land

In accordance with the "Act on Revaluation of Land" promulgated on March 31, 1998, 2 consolidated subsidiaries have revalued their land used for business. These companies recorded the effect of the revaluation, after deducting deferred tax liabilities on land which were recorded as long-term liabilities, and non-controlling interests which were included in non-controlling interests in consolidated subsidiaries.

- Revaluation method: Revaluation is calculated based on posted prices and roadside land prices stipulated in Article 2, items 1 and 4 of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119 promulgated on March 31, 1998).
- Revaluation dates: March 31, 2000 and September 30, 2000

	(Millions of yen)	
	March 31, 2015	March 31, 2016
The difference between the fair value of land at the end of the year that was revalued in the previous year and book value after revaluation	(5,214)	(5,494)

*7. Presentation of inventories and provision for loss on construction contracts

Inventories related to sales contracts for construction for which losses are expected and relevant reserve for losses on sales contracts are presented separately without netting. Of inventories related to sales contracts for construction for which losses are expected, the amounts corresponding to the reserve for losses on sales contracts are as follows:

	(Millions of yen)	
	March 31, 2015	March 31, 2016
Finished goods	93	50
Work in process	3,879	2,422
Total	3,972	2,472

*8. Accumulated depreciation of property, plant and equipment

	(Millions of yen)	
	March 31, 2015	March 31, 2016
	535,112	562,260

(Consolidated statement of income)

*1. Total research and development costs

Research and development expenses included in general and administrative expenses and production cost for the period are as follows:
(Millions of yen)

Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
37,022	41,652

*2. Losses on valuation of inventories

The amount of inventories as of March 31, 2015 and 2016 are the value after a write-down based on decreased profitability of assets. Since net reversal of losses of inventories in the year ended March 31, 2015 and net losses on valuation of inventories in the year ended March 31, 2016 were offset included in cost of sales for the years ended March 31, 2015 and 2016.

(Millions of yen)

Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
(494)	654

*3. Provision for loss on construction contracts

Provision for loss on construction contracts included in cost of sales is as follows:

(Millions of yen)

Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
28,553	53,223

*4. Major selling general and administrative expense

The major items and amounts in selling general and administrative expense are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Expenses in taking orders received	13,623	14,315
Provision of allowance for doubtful accounts	189	(521)
Salaries for directors and employees (Note)	68,545	71,167
Travelling and transportation expense	7,182	7,174
Research and development expenses	32,674	37,685
Business consignment expenses	7,791	8,673
Contribution for expenses common to all business segments	4,071	6,041
Depreciation	7,886	9,867

Note: Salaries for directors and employees, included in provision for bonuses are ¥8,868 million and ¥8,334 million and retirement benefit expense, are ¥5,922 million and ¥4,920 million for the years ended March 31, 2015 and 2016, respectively.

*5. Gain on sales of non-current assets

The current fiscal year ended March 31, 2016

In order to strengthen IHI's financial position, IHI recorded a gain on sales of non-current assets due to factors including the sale of a portion of land owned by IHI and part of IHI's co-ownership interest in a rental office building in the Toyosu area.

Details and location of assets	Gain on sales of non-current assets
Land (57,579 m ²) and structures 17-1, Toyosu 2-chome, Koto-ku, Tokyo and other two parcels	¥19,717 million
Rental office building (Among IHI's co-ownership interest of 33%, 15% of the building's total co-ownership interest.) 2-20, Toyosu 3-chome, Koto-ku, Tokyo	¥8,714 million
Others	¥217 million

*6. Expenses for delayed delivery

The current fiscal year ended March 31, 2016

It has become more likely that IHI may not be able to meet contractual delivery deadlines on several projects because of construction delays stemming from efforts to address noncompliant welding (using welding materials different from those specified in the design drawings) on certain boiler projects.

Also, with respect to the Izmit Bay Crossing Bridge construction project, after completing restoration work following the collapse of a catwalk used for work to install main cables in March 2015, IHI did its utmost to catch up on construction delays, but construction work was not completed by the contractual deadline of February 2016.

Notwithstanding its ongoing commitment to keep pushing ahead with efforts to complete construction safely and swiftly, management allocates to extraordinary losses potential damages of ¥44,628 million that IHI could incur as a result of failing to meet the contractual deadline.

*7. Impairment loss

The following loss on impairment loss of fixed assets was recorded.

The previous fiscal year ended March 31, 2015

(1) Group of assets for which the Companies recognized impairment loss

(Millions of yen)

Use	Location	Type of assets	Amount	Value of assets
Idle assets	Matsumoto City, Nagano, Japan, etc.	Land and Building etc.	153	Net sales value
Idle assets	Kamiina-gun, Nagano, Japan	Building etc.	18	Net sales value
Idle assets	Takahagi City, Ibaraki, Japan	Land	2	Net sales value
Idle assets	Chitose City, Hokkaido, Japan	Land	1	Net sales value
Idle assets	Isesaki City, Gunma, Japan	Land	1	Net sales value

(2) Method for grouping assets

Assets are grouped principally by each business or each place of business, and idle assets, assets held to sale and assets pending disposal are treated, in principle, as one group on an individual basis.

(3) Reasons of recognition of impairment loss

Due to significant decrease in market prices, the book value of idle assets has been reduced to recoverable amount.

(4) Method for measuring recoverable amounts

The recoverable amounts are the higher of its net sales value (amount calculated by reasonably adjusting property tax valuation, etc., assessed sale value) or its value in use (discount rate is mainly 5.0%).

(5) Impairment loss

The amounts of impairment loss for the year ended March 31, 2015 are as follows:

(Millions of yen)

Land	143
Buildings etc.	32
<u>Total</u>	<u>175</u>

The current fiscal year ended March 31, 2016

(1) Group of assets for which the Companies recognized impairment loss

(Millions of yen)

Use	Location	Type of assets	Amount	Value of assets
Idle assets	Kamiina-gun, Nagano, Japan	Construction in progress	56	Net sales value
Assets to be disposed of	Yachiyo City, Chiba, Japan	Building etc.	24	Net sales value
Assets to be disposed of	Kiso-gun, Nagano, Japan	Building etc.	1	Net sales value

(2) Method for grouping assets

Assets are grouped principally by each business or each place of business, and idle assets, assets held to sale and assets pending disposal are treated, in principle, as one group on an individual basis.

(3) Reasons of recognition of impairment loss

As there is no prospect of usage, the book value of idle assets has been reduced to the recoverable amount.
The book value of assets to be disposed of has been reduced to the recoverable amount.

(4) Method for measuring recoverable amounts

The recoverable amounts are the higher of its net sales value (amount calculated by reasonably adjusting property tax valuation, etc., assessed sale value) or its value in use (discount rate is mainly 5.0%).

(5) Impairment loss

The amounts of impairment loss for the year ended March 31, 2016 are as follows:

(Millions of yen)

Land	25
Buildings etc.	56
Total	81

*8. Loss on business of subsidiaries and affiliates

The previous fiscal year ended March 31, 2015

In 2013, there were an increasing number of investments opportunities in offshore structures/plants for offshore energy exploration as a result of the global rise in demand for oil and natural gas. Brazil, in particular, was viewed as a world-class market for offshore energy exploration. Given the favorable business environment, IHI invested in EAS with the goal of supplying offshore energy exploration facilities such as FPSOs (Floating Production, Storage and Offloading Systems) and using the knowledge gained thereby in the future to promote offshore energy exploration-related businesses in Japan, which has the world's sixth largest Exclusive Economic Zone. At the time, EAS was the only Brazilian company capable of constructing large-scale offshore structures and was poised for further growth with existing orders for 7 drill ships and 20 tankers and an expectation of future orders with respect to FPSO construction projects.

EAS's financial situation and cash position, however, have weakened significantly due to, among other factors, allegations of corruption in certain areas of the Brazilian economy, which has interfered with its ability to obtain payments for certain overdue amounts, and the quick downturn in the Brazilian economy as a result of the drop in energy prices. In response to the current situation, IHI decided that it was necessary to re-examine the strategies for offshore development related businesses in Brazil. As a result, IHI recorded an extraordinary loss of ¥ 29,089 million related to its investments in EAS in Brazil.

The extraordinary loss comprises a ¥7,604 million loss on investments in EAS and a ¥21,485 million provision for loss on business of subsidiaries and affiliates related to EAS. The provision for loss on business of subsidiaries and affiliates includes a guarantee obligation of ¥19,413 million for EAS as of March 31, 2015.

(Consolidated statement of comprehensive income)

*1. Reclassification adjustments and tax effects relating to other comprehensive income

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Valuation difference on available-for-sale securities :		
Amount arising during the year	10,518	(11,805)
Reclassification adjustments	(22)	(8,015)
Before tax effects	10,496	(19,820)
Tax effects relating to other comprehensive income	(2,200)	5,467
Valuation difference on available-for-sale securities	8,296	(14,353)
Deferred gains or losses on hedges:		
Amount arising during the year	(577)	568
Tax effects relating to other comprehensive income	194	(192)
Deferred gains or losses on hedges	(383)	376
Revaluation reserve for land:		
Amount arising during the year	(185)	(3)
Tax effects relating to other comprehensive income	818	287
Revaluation reserve for land	633	284
Foreign currency translation adjustment:		
Amount arising during the year	9,810	(5,539)
Reclassification adjustments	—	175
Foreign currency translation adjustment	9,810	(5,364)
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the year	4,948	893
Reclassification adjustments	(2,640)	(1,560)
Before tax effects	2,308	(667)
Tax effects relating to other comprehensive income	(1,018)	(38)
Remeasurements of defined benefit plans, net of tax	1,290	(705)
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the year	840	100
Reclassification adjustments	(404)	(698)
Share of other comprehensive income of entities accounted for using equity method	436	(598)
Total other comprehensive income	20,082	(20,360)

(Consolidated statement of changes in net assets)

The previous fiscal year ended March 31, 2015

1. Class and total number of shares issued and class and number of treasury stock

(Thousands of shares)

	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Shares issued				
Common stock	1,546,799	–	–	1,546,799
Total	1,546,799	–	–	1,546,799
Treasury stock				
Common stock (Notes 1, 2)	3,369	14	93	3,290
Total	3,369	14	93	3,290

Notes: 1. The increase of 14 thousand shares in the number of common stock in treasury stock is due to purchase of shares less than one unit.

2. The decrease of 93 thousand shares in the number of common stock in treasury stock is broken down to a decrease of one thousand shares due to request from shareholders who own shares less than one unit to add shares to their holdings, and a decrease of 92 thousand shares resulting from the exercise of subscription rights to shares.

2. Share subscription rights

Company	Description	Type of shares to be issued	Number of shares to be issued				Balance at the end of current fiscal year (Millions of yen)
			At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year	
Parent company	Subscription rights at stock option	–	–	–	–	–	747
	Total	–	–	–	–	–	747

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Cut off date	Effective date
Annual general meeting of the shareholders on June 27, 2014	Common stock	9,261	6	March 31, 2014	June 30, 2014
Meeting of the Board of Directors on November 5, 2014	Common stock	4,631	3	September 30, 2014	December 4, 2014

(2) Dividends which the cutoff date was in the year end of March 31, 2015 and the effective date of which is in the year ended March 31, 2016

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (yen)	Cut off date	Effective date
Annual general meeting of the shareholders on June 25, 2015	Common stock	4,631	Retained earnings	3	March 31, 2015	June 26, 2015

The current fiscal year ended March 31, 2016

1. Class and total number of shares issued and class and number of treasury stock

(Thousands of shares)

	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Shares issued				
Common stock	1,546,799	–	–	1,546,799
Total	1,546,799	–	–	1,546,799
Treasury stock				
Common stock (Notes 1, 2)	3,290	14	479	2,825
Total	3,290	14	479	2,825

Notes: 1. The increase of 14 thousand shares in the number of common stock in treasury stock is due to purchase of shares less than one unit.

2. The decrease of 479 thousand shares in the number of common stock in treasury stock is resulting from the exercise of subscription rights to shares.

2. Share subscription rights

Company	Description	Type of shares to be issued	Number of shares to be issued				Balance at the end of current fiscal year (Millions of yen)
			At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year	
Parent company	Subscription rights at stock option	–	–	–	–	–	758
	Total	–	–	–	–	–	758

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Cut off date	Effective date
Annual general meeting of the shareholders on June 25, 2015	Common stock	4,631	3	March 31, 2015	June 26, 2015
Meeting of the Board of Directors on November 4, 2015	Common stock	4,631	3	September 30, 2015	December 4, 2015

(2) Dividends which the cutoff date was in the year end of March 31, 2016 and the effective date of which is in the year ended March 31, 2017

Not applicable

(Consolidated statement of cash flows)

*1. A reconciliation of cash and cash equivalents to the amounts shown in the consolidated balance sheet

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash and deposits	94,549	106,536
Time deposits due in more than three months	(1,873)	(2,772)
Collateral deposits	(154)	(153)
Investment trusts included in marketable securities	5	–
Cash and cash equivalents	92,527	103,611

(Leases)

1. Finance leases (Lessee)

Finance leases which transfer ownership

(i) Leased Assets

These leases are mainly plants and equipment of nuclear power plants' components (machinery, equipment and vehicles) for Resources, Energy & Environment.

(ii) Depreciation method for leased assets

Refer to "4 Significant accounting policies (2) Depreciation of property, plant and equipment."

Finance leases which do not transfer ownership

(i) Leased Assets

These leases are mainly plants and equipment of vehicular turbochargers (machinery, equipment and vehicles) for Industrial System & General-Purpose Machinery.

(ii) Depreciation method for leased assets

Refer to "4 Significant accounting policies (2) Depreciation of property, plant and equipment."

The Companies use the operating lease accounting method for the finance leases which do not transfer ownership contracted on or before March 31, 2008.

(1) Acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of the leased property

(Millions of yen)

	March 31, 2015			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings and structures	1,860	816	–	1,044
Machinery, equipment and vehicles	1,697	1,482	–	215
Other (Tools, furniture, fixture and other)	191	165	–	26
Software	–	–	–	–
Total	3,748	2,463	–	1,285

(Millions of yen)

	March 31, 2016			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings and structures	1,824	874	–	950
Machinery, equipment and vehicles	1,118	1,007	–	111
Other (Tools, furniture, fixture and other)	143	125	–	18
Software	–	–	–	–
Total	3,085	2,006	–	1,079

(2) Future minimum lease payments

(Millions of yen)

	March 31, 2015	March 31, 2016
Minimum lease payment		
Within 1 year	266	258
Over 1 year	1,746	1,488
Total	2,012	1,746
Balance of impairment losses on lease assets	–	–

(3) Lease payments, reversal of allowance for impairment losses on leased property, estimated depreciation cost, estimated interest expenses and losses on impairment of leased property

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Lease payments	751	456
Reversal of allowance for impairment losses on leased property	–	–
Estimated depreciation cost	226	153
Estimated interest expense	282	253
Losses on impairment	–	–

(4) Calculation method of estimated depreciation cost

Estimated depreciation cost is mainly calculated as ten-ninths of the amount computed by the declining-balance method over the respective lease terms and assuming a 10% scrap value.

(5) Calculation method of estimated interest expense

Estimated interest expense is calculated as the amount of total lease payments less estimated acquisition costs. Allocation of the estimated interest expense to each accounting period is based on the interest method.

2. Operating leases (Lessee)

Future minimum lease payments for non-cancelable operating leases

(Millions of yen)

	March 31, 2015	March 31, 2016
Within 1 year	3,835	3,802
Over 1 year	9,654	6,514
Total	13,489	10,316

3. Finance leases (Lessor)

The Companies use the operating lease accounting method for the finance leases which do not transfer ownership contracted on or before March 31, 2008.

(1) Acquisition costs, accumulated depreciation and net book value of the leased property

(Millions of yen)

	March 31, 2015		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	2,065	1,143	922
Machinery, equipment and vehicles	1,049	867	182
Other (Tools, furniture, fixture and other)	6	6	0
Total	3,120	2,016	1,104

(Millions of yen)

	March 31, 2016		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	2,051	1,123	928
Machinery, equipment and vehicles	1,049	897	152
Other (Tools, furniture, fixture and other)	6	6	0
Total	3,106	2,026	1,080

(2) Future minimum lease payments

(Millions of yen)

	March 31, 2015	March 31, 2016
Within 1 year	226	250
Over 1 year	1,365	1,115
Total	1,591	1,365

(3) Lease income, depreciation and estimated interest income

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Lease income	375	375
Depreciation	110	99
Estimated interest income	171	149

(4) Calculation method of estimated interest expense

Estimated interest expense is calculated as the amount of total lease payments less estimated acquisition costs. Allocation of the estimated interest expense to each accounting period is based on the interest method.

(Impairment loss)

No impairment loss was allocated to leased assets.

4. Operating leases (Lessor)

Future minimum lease income for non-cancelable operating leases

(Millions of yen)

	March 31, 2015	March 31, 2016
Within 1 year	540	526
Over 1 year	2,460	1,934
Total	3,000	2,460

5. Sublease transactions

The disclosure is omitted because of its insignificance

(Financial Instruments)

1. Status of financial instruments

(1) Policy on financial instruments

As a Group policy, the Companies manage funds only in short-term and highly safe financial assets such as bank deposits and finance mainly through bank borrowings and debenture issuance. Derivatives are utilized to hedge the fluctuation risks of foreign exchanges, interests and commodity prices, and the Companies do not enter into derivative contracts for speculative or trading purposes.

(2) Details of financial instruments and risks thereof

Notes and accounts receivable - trade, which are operating receivables, are exposed to the customer credit risks. Operating receivables denominated in foreign currencies related to construction in abroad or the like are exposed to the fluctuation risks of foreign exchanges, which is, in principle, hedged by derivatives using forward foreign exchange contracts and foreign currency options for the position after netting operating payables denominated in foreign currencies. Marketable securities and investment securities mainly consist of held-to-maturity securities and equity securities associated with business-ties or capital-ties with companies to maintain business relationships and are exposed to the fluctuation risks of market price.

Notes and accounts payable - trade, which are operating payables, are mostly settled within one year. Some of them are related to goods procured from overseas and denominated in foreign currencies, therefore they are exposed to the fluctuation risks of foreign exchanges. However, the amount is constantly, in general, less than the balance of notes and accounts receivable - trade denominated in the same foreign currency. Loans, commercial papers and debentures are made for the purpose of obtaining operating capital and funds for capital expenditures, and the redemption dates arrive within 17 years after the balance sheet date. Although some of loans are exposed to the fluctuation risks of interest rate and foreign exchanges, they are hedged by derivatives using interest rate swaps and foreign currency swaps.

Derivatives the Companies use are forward foreign exchange contracts and foreign currency options to hedge the fluctuation risks of foreign exchanges pertaining to operating receivables and payables denominated in foreign currencies, and interest rate swaps to hedge the fluctuation risks of interest rate regarding loans payable. For details of hedge accounting, refer to "4 Significant accounting policies (7) Principal methods for hedge accounting."

(3) Risk management structure regarding financial instruments

(i) Management of the credit risks (risks pertaining to customer's non-performing of contracts)

To manage the credit risks for operating receivables, pursuant to the internal regulations related to receivable management, the department of the Companies in charge of collections in each business department periodically monitors the condition of major customers, manages the collectability and balances by customer or by project ordered, and thus seeks for an early identification and mitigation of collectability concern caused by deterioration in financial status.

The credit risk for held-to-maturity securities is minor because the Companies hold only securities with high ratings.

In derivative transactions, the Companies enter into contracts only with financial institutions with high ratings to reduce the counterparty risks.

The maximum credit risk amount as of the consolidated balance sheet date equals to the consolidated balance sheet amount of financial assets exposed to the credit risks.

(ii) Management of the market risks (the fluctuation risks of foreign exchanges or interest rate)

To manage the fluctuation risks of foreign exchanges for operating receivables and payables denominated in foreign currencies, the Companies hedge the fluctuation risks monthly identified by currency by utilizing forward foreign exchange contracts and foreign currency options. Hedge results are reported monthly to the executive in charge of the Finance & Accounting Division, and quarterly to the Management Meeting.

To reduce the fluctuation risks of interest rate and foreign exchanges regarding long-term loans payable, IHI and certain consolidated subsidiaries use interest rate swaps and foreign currency swaps.

As for marketable securities and investment securities, their market prices and the financial condition of issuers (companies with which the Companies do business) are periodically monitored. Also, the Companies' holding status of those other than held-to-maturity securities are continuously reviewed by taking into account the relationships with the companies with which the Companies do business.

As for derivatives, transactions are recorded and the balance is checked up between the Companies and the contract partner. Moreover, derivative balances and valuation gains or losses as of the month-end are reported to the executive in charge of the Finance & Accounting Division on a monthly basis.

(iii) Management of the liquidity risks pertaining to fund procurement (risks of non-performing of payments on due dates)

The Companies manage the liquidity risks by measures of timely forming and updating the cash flow plan.

(4) Supplementary explanation to fair value of financial instruments

While the fair value of financial instruments is based on the market price, such value may be estimated reasonably if the market price is not available. Because variable factors are counted in the estimation, the estimated value may differ if a different assumption is employed. Please note that notional amounts of derivatives in the Note "Derivatives" do not, in themselves, indicate the market risks pertaining to derivatives.

2. Fair value of financial instruments

The amount recorded in the consolidated balance sheet, fair value and difference between them are as follows.

Financial instruments whose fair value is deemed to be extremely difficult to figure out are not included. (Note: 2)

The previous fiscal year as of March 31,2015

(Millions of yen)

	Amount recorded in the balance sheet	Fair value	Difference
(1) Cash and deposits	94,549	94,549	–
(2) Notes and accounts receivable - trade	438,260		
Less allowance for doubtful receivables (*1)	(4,181)		
	434,079	433,495	(584)
(3) Marketable securities and investment securities	50,732	50,741	9
Held-to-maturity securities	1,708	1,717	9
Other securities	49,024	49,024	–
Total assets	579,360	578,785	(575)
(4) Notes and accounts payable - trade	300,148	300,148	–
(5) Short-term loans payable	114,135	114,135	–
(6) Commercial papers	17,000	17,000	–
(7) Debentures	70,000	69,409	(591)
(8) Long-term loans payable	192,320	193,317	997
Total liabilities	693,603	694,009	406
(9) Derivatives (*2)			
(i) Derivatives to which hedge accounting is not applied	(1,368)	(1,368)	–
(ii) Derivatives to which hedge accounting is applied	(685)	(685)	–
Total derivatives	(2,053)	(2,053)	–

*1. The amount of allowance for doubtful receivables that is recorded individually for notes and accounts receivable - trade, is excluded.

*2. Assets and liabilities arising out from derivative transactions are stated on the net basis. The figures in parentheses indicate net liabilities.

The current fiscal year as of March 31, 2016

(Millions of yen)

	Amount recorded in the balance sheet	Fair value	Difference
(1) Cash and deposits	106,536	106,536	–
(2) Notes and accounts receivable - trade	444,838		
Less allowance for doubtful receivables (*1)	(3,961)		
	440,877	440,703	(174)
(3) Marketable securities and investment securities	25,674	25,685	11
Held-to-maturity securities	1,507	1,518	11
Other securities	24,167	24,167	–
Total assets	573,087	572,924	(163)
(4) Notes and accounts payable - trade	297,499	297,499	–
(5) Short-term loans payable	94,550	94,550	–
(6) Commercial papers	5,000	5,000	–
(7) Debentures	70,000	70,434	434
(8) Long-term loans payable	187,085	188,102	1,017
Total liabilities	654,134	655,585	1,451
(9) Derivatives (*2)			
(i) Derivatives to which hedge accounting is not applied	(549)	(549)	–
(ii) Derivatives to which hedge accounting is applied	(123)	(123)	–
Total derivatives	(672)	(672)	–

*1. The amount of allowance for doubtful receivables that is recorded individually for notes and accounts receivable - trade, is excluded.

*2. Assets and liabilities arising out from derivative transactions are stated on the net basis. The figures in parentheses indicate net liabilities.

Notes: 1. Methods of measuring fair value of financial instruments, and notes to securities and derivative transactions

(1) Cash and deposits

The fair value of Cash and deposits are assumed to be approximate to their book value due to the short-term maturity.

(2) Notes and accounts receivable - trade

The fair value is measured based on the present values calculated by discounting receivable amounts at a rate determined based on time to maturity and credit risk. The fair value of receivables with special concern is measured by the present values of estimated cash flows discounted at the similar discount rates.

(3) Marketable securities and investment securities

The fair value of equity securities are based on the market prices at the exchange. The fair value of debt securities are based on the market prices at the exchange or the prices provided by the financial institutions with which the Companies do business. For information on securities classified by holding purpose, please refer to the Note "Securities."

(4) Notes and accounts payable – trade, (5) Short-term loans and (6) Commercial papers

The fair value of these accounts is assumed to be approximate to their book value due to the short-term maturity.

(7) Debentures

As for the fair value of debentures issued by IHI, marketable debentures are measured based on the market price and non-marketable debentures are measured based on the present value calculated by discounting the total amount of principles and interests at a rate determined based on time to maturity and the credit risk.

(8) Long term loans

The fair value of long-term loans is measured by discounting the total amount of principles and interests (*3) at an assumed interest rate for similar new borrowings.

(*3) Long-term loans associated with either designated hedge accounting of forward exchange contracts, etc., or interest rate swaps that qualify for the exceptional treatment are measured depending on the conditions of cases where they are accounted for together with its derivatives.

(9) Derivatives

Refer to the Note "Derivatives."

2. Amounts recorded in the balance sheet of financial instruments whose fair value is deemed to be extremely difficult to figure out

(Millions of yen)

	March 31, 2015	March 31, 2016
Unlisted stocks	36,088	35,233
Stocks of subsidiaries and affiliates	80,523	79,969
Total	116,611	115,192

The above financial instruments are not included in "(3) Marketable securities and investment securities" because determining their fair value was deemed to be extremely difficult, due to the fact that they do not have market prices and their future cash flow cannot be estimated.

3. Redemption schedules after consolidated balance sheet dates for monetary receivables and held-to-maturity securities
The previous fiscal year as of March 31, 2015

(Millions of yen)

Classification	Within 1 year	After 1 year and within 5 years	After 5 years and within 10 years	After 10 years
Cash and deposits	94,549	–	–	–
Notes and accounts receivable – trade	407,732	30,510	18	–
Marketable securities and investment securities				
Held-to-maturity securities				
(1) National and local government bonds	200	1,400	–	–
(2) Company debentures	–	–	–	108
Total	502,481	31,910	18	108

The current fiscal year as of March 31, 2016

(Millions of yen)

Classification	Within 1 year	After 1 year and within 5 years	After 5 years and within 10 years	After 10 years
Cash and deposits	106,536	–	–	–
Notes and accounts receivable – trade	428,865	15,963	10	–
Marketable securities and investment securities				
Held-to-maturity securities				
(1) National and local government bonds	1,400	–	–	–
(2) Company debentures	–	–	–	107
Total	536,801	15,963	10	107

4. Repayment schedules after consolidated balance sheet dates for debentures, long-term loans and other interest bearing liabilities

The previous fiscal year as of March 31, 2015

(Millions of yen)

	Due within 1 year	Due after 1 year and through 2 years	Due after 2 years and through 3 years	Due after 3 years and through 4 years	Due after 4 years and through 5 years	Due after 5 years
Debentures	–	10,000	10,000	–	20,000	30,000
Long-term loans	–	50,502	45,889	43,135	33,246	19,548

The current fiscal year as of March 31, 2016

(Millions of yen)

	Due within 1 year	Due after 1 year and through 2 years	Due after 2 years and through 3 years	Due after 3 years and through 4 years	Due after 4 years and through 5 years	Due after 5 years
Debentures	10,000	10,000	–	20,000	10,000	20,000
Long-term loans	–	45,697	44,857	37,716	48,392	10,423

(Securities)

1. A summary of trading securities

No trading securities were held at March 31, 2015 and 2016.

2. A summary of held-to-maturity securities with fair value

The previous fiscal year as of March 31, 2015

(Millions of yen)

		Amount recorded in the balance sheet	Fair value	Difference
Held-to-maturity securities whose fair value exceed their amounts recorded in the balance sheet	(1) National and local government bonds	1,600	1,602	2
	(2) Company debentures	108	115	7
	Subtotal	1,708	1,717	9
Held-to-maturity securities whose fair value does not exceed their amounts recorded in the balance sheet	(1) National and local government bonds	—	—	—
	(2) Company debentures	—	—	—
	Subtotal	—	—	—
Total		1,708	1,717	9

The current fiscal year as of March 31, 2016

(Millions of yen)

		Amount recorded in the balance sheet	Fair value	Difference
Held-to-maturity securities whose fair value exceed their amounts recorded in the balance sheet	(1) National and local government bonds	1,400	1,400	0
	(2) Company debentures	107	118	11
	Subtotal	1,507	1,518	11
Held-to-maturity securities whose fair value does not exceed their amounts recorded in the balance sheet	(1) National and local government bonds	—	—	—
	(2) Company debentures	—	—	—
	Subtotal	—	—	—
Total		1,507	1,518	11

3. A summary of other securities with stated market prices

The previous fiscal year as of March 31, 2015

(Millions of yen)

	Type	Amount recorded in the balance sheet	Acquisition cost	Difference
Other securities whose amounts recorded in the balance sheet exceed their acquisition cost	Equity securities	39,278	18,053	21,225
Other securities whose amounts recorded in the balance sheet do not exceed their acquisition cost	Equity securities	9,746	9,918	(172)
Total		49,024	27,971	21,053

Note: Unlisted stocks (amount reported on balance sheet: ¥36,088 million) are not included in the above table because there were no quoted market prices available and their fair value is deemed to be extremely difficult to figure out.

The current fiscal year as of March 31, 2016

(Millions of yen)

	Type	Amount recorded in the balance sheet	Acquisition cost	Difference
Other securities whose amounts recorded in the balance sheet exceed their acquisition cost	Equity securities	11,896	5,880	6,016
Other securities whose amounts recorded in the balance sheet do not exceed their acquisition cost	Equity securities	12,271	15,912	(3,641)
Total		24,167	21,792	2,375

Note: Unlisted stocks (amount reported on balance sheet: ¥35,223 million) are not included in the above table because there were no quoted market prices available and their fair value is deemed to be extremely difficult to figure out.

4. A summaries of held-to-maturity securities which were sold

No proceeds from the sale of held-to-maturity securities were recognized in the years ended March 31, 2015 and 2016.

5. A summary of other securities which were sold

The previous fiscal year ended March 31, 2015

(Millions of yen)

	Selling prices	Amount of gain on sales	Amount of loss on sales
Equity securities	730	233	0

The current fiscal year ended March 31, 2016

(Millions of yen)

	Selling prices	Amount of gain on sales	Amount of loss on sales
Equity securities	2,707	1,805	0

6. Securities subject to the recognition of impairment losses

The previous fiscal year ended March 31, 2015

The disclosure for other securities is omitted since it is not material at March 31, 2015.

If the market value at the end of the fiscal year has dropped by 50% or more compared with the acquisition value, an impairment loss is recognized for the full amount, and if it has dropped from approximately 30 to 50% compared with the acquisition value, an impairment loss is recognized in the amount deemed necessary taking into account the probability of recoverability.

The current fiscal year ended March 31, 2016

The disclosure for other securities is omitted since it is not material at March 31, 2016.

An impairment loss on shares of subsidiaries and affiliates was recorded as valuation loss on shares of subsidiaries and affiliates in extraordinary losses in the amount of ¥1,756 million.

In recognizing impairment loss on other securities with available market values, if the market value at the end of the fiscal year has dropped by 50% or more compared with the acquisition value, an impairment loss is recognized for the full amount, and if it has dropped from approximately 30 to 50% compared with the acquisition value, an impairment loss is recognized in the amount deemed necessary taking into account the probability of recoverability. If the fair value of shares of subsidiaries and affiliates has significantly dropped due to a deterioration in the financial position of the issuer, the probability of recoverability is determined individually, and an impairment loss is recognized if recoverability is not expected.

(Derivatives)

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency

The previous fiscal year as of March 31, 2015

(Millions of yen)

Type	Transaction Type	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Forward foreign exchange contracts				
	Sell:				
	U.S. dollar	7,290	3,750	(317)	(317)
	Thai Baht	77	–	(3)	(3)
	Buy:				
	U.S. dollar	287	–	0	0
	Euro	4,389	147	(348)	(348)
	Swedish Krona	4,324	463	(648)	(648)
	Japanese yen	1,783	–	(52)	(52)
	Total	–	–	(1,368)	(1,368)

Note: Method of measuring fair value

The fair value of forward foreign exchange contracts are measured using the forward foreign exchange rates.

The current fiscal year as of March 31, 2016

(Millions of yen)

Type	Transaction Type	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Forward foreign exchange contracts				
	Sell:				
	U.S. dollar	6,479	835	(431)	(431)
	Thai Baht	1,405	–	(10)	(10)
	Buy:				
	U.S. dollar	257	–	(5)	(5)
	Euro	148	–	(27)	(27)
	Swedish Krona	463	–	(95)	(95)
	Foreign currency options				
	Sell:				
	Call U.S. dollar	20,700	–	34	34
(–)					
Buy:					
Put U.S. dollar	10,776	–	(12)	(12)	
		(26)			
	Total	–	–	(546)	(546)

Notes: 1. Method of measuring fair value

The fair value of forward foreign exchange contracts are measured using the forward foreign exchange rates.

The fair value of foreign currency options are measured based on the prices provided by financial institutions with which the Companies do business.

2. The option premiums are stated for in parentheses in the rows of "Notional amount" and "Over 1 year,"

(2) Interest rate

The previous fiscal year as of March 31, 2015

(Millions of yen)

Type	Transaction type	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Interest rate swaps Payments fixed receipts floating	440	–	0	0
Total		–	–	0	0

Note: The fair value is measured based on the prices provided by financial institutions with which the Companies do business.

The current fiscal year as of March 31, 2016

Not applicable

(3) Commodity

The previous fiscal year as of March 31, 2015

Not applicable

The current fiscal year as of March 31, 2016

(Millions of yen)

Type	Transaction type	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Nickel swaps Payments fixed receipts floating	25	–	(3)	(3)
Total		–	–	(3)	(3)

Note: The fair value is measured based on the prices provided by financial institutions with which the Companies do business.

2. Derivatives to which hedge accounting is applied

(1) Foreign currency

The previous fiscal year as of March 31, 2015

(Millions of yen)

Hedge accounting	Hedging instrument	Hedged item	Notional amount	Over 1 year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts				
	Sell:	Accounts receivable – trade			
	U.S. dollar		8,713	664	(930)
	Euro		46	–	(2)
	Hong Kong dollar		49	–	(1)
	Thai Baht		15	–	3
	Buy:	Accounts payable – trade			
	U.S. dollar		6,762	5,157	428
	Euro		3,287	644	(190)
	Swedish Krona		2	–	0
Singapore dollar		360	–	(4)	
Swiss franc		25	–	0	
Hong Kong dollar		1,001	–	12	
Allocation treatment	Foreign currency swaps contracts:				
	U.S. dollar- Japanese yen	Long-term Loans	12,167	11,117	(Note 2)
	U.S. dollar- Euro	Long-term Loans	4,544	4,544	(Note 2)
	Forward foreign exchange contracts				
	Sell:	Accounts receivable – trade			
	U.S. dollar		47,092	5,835	(Note 2)
	Euro		1,058	549	(Note 2)
	Hong Kong dollar		1,187	–	(Note 2)
	Buy:	Accounts payable - trade			
	U.S. dollar		875	230	(Note 2)
Euro		1,354	125	(Note 2)	
Singapore dollar		132	–	(Note 2)	
Hong Kong dollar		308	–	(Note 2)	
	Total		–	–	(684)

Notes: 1. Method of measuring fair value

The fair value of forward foreign exchange contracts is calculated using the forward foreign exchange rates.

2. Fair value of transactions using the method such as forward foreign exchange contracts where transactions are recorded by translation at the contracted rate is included in the fair value of hedged items, either of long-term loans, accounts receivable - trade or accounts payable - trade, as these derivatives are accounted for together with the long-term loans, accounts receivable - trade or accounts payable - trade.

The current fiscal year as of March 31, 2016

(Millions of yen)

Hedge accounting	Hedging instrument	Hedged item	Notional amount	Over 1 year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts				
	Sell:	Accounts receivable – trade			
	U.S. dollar		2,672	845	130
	Hong Kong dollar		6	–	0
	New Taiwan dollar		599	–	52
	Buy:	Accounts payable – trade			
	U.S. dollar		7,136	96	(159)
	Euro		1,382	–	(26)
	Swedish Krona		2	–	0
	Singapore dollar		156	–	(6)
	Swiss franc		26	–	0
Hong Kong dollar		1,329	–	(68)	
New Taiwan dollar		291	35	(16)	
Chinese yuan		75	–	(6)	
Korean won		398	–	(24)	
Allocation treatment	Foreign currency swaps contracts:				
	U.S. dollar- Japanese yen	Long-term Loans	11,117	7,557	(Note 2)
	U.S. dollar- Euro	Long-term Loans	4,544	–	(Note 2)
	Forward foreign exchange contracts				
	Sell:	Accounts receivable – trade			
	U.S. dollar		25,415	–	(Note 2)
	Euro		523	–	(Note 2)
	Hong Kong dollar		572	–	(Note 2)
	Buy:	Accounts payable - trade			
	U.S. dollar		2,223	14	(Note 2)
Euro		83	–	(Note 2)	
Hong Kong dollar		50	–	(Note 2)	
Total			–	–	(123)

Notes: 1. Method of measuring fair value

The fair value of forward foreign exchange contracts is calculated using the forward foreign exchange rates.

2. Fair value of transactions using the method such as forward foreign exchange contracts where transactions are recorded by translation at the contracted rate is included in the fair value of hedged items, either of long-term loans, accounts receivable - trade or accounts payable - trade, as these derivatives are accounted for together with the long-term loans, accounts receivable - trade or accounts payable - trade.

(2) Interest rate

The previous fiscal year as of March 31, 2015

(Millions of yen)

Hedge accounting	Hedging instrument	Hedged item	Notional amount	Over 1 year	Fair value
Deferral hedge accounting of interest rate swaps	Interest rate swaps Payments fixed receipts floating	Long-term loans	3,000	–	(1)
Exceptional treatment of interest rate swaps	Interest rate swaps Payments fixed receipts floating	Long-term loans	87,776	79,432	(Note 2)
	Interest rate swaps Payments fixed receipts fixed	Debentures	20,000	20,000	(Note 2)
Total			–	–	(1)

Notes: 1. Method of measuring fair value

The fair value are measured based on the prices provided by financial institutions with which the Companies do business.

2. Fair value of transactions by the exceptional treatment of interest rate swaps is included in the fair value of long-term loans and debentures, as these derivatives are accounted for together with the long-term loans and debentures.

The current fiscal year as of March 31, 2016

(Millions of yen)

Hedge accounting	Hedging instrument	Hedged item	Notional amount	Over 1 year	Fair value
Exceptional treatment of interest rate swaps	Interest rate swaps Payments fixed receipts floating	Long-term loans	82,432	53,373	(Note 2)
	Interest rate swaps Payments fixed receipts fixed	Debentures	20,000	20,000	(Note 2)
Total			–	–	–

Notes: 1. Method of measuring fair value

The fair value are measured based on the prices provided by financial institutions with which the Companies do business.

2. Fair value of transactions by the exceptional treatment of interest rate swaps is included in the fair value of long-term loans and debentures, as these derivatives are accounted for together with the long-term loans and debentures.

(Retirement benefits)

1. Outline of Retirement benefits plan

The Companies have defined benefit pension plans, lump-sum retirement payment plans and defined contribution plans. In addition, an employee, if eligible, may receive additional payments upon retirement under certain situation. Certain consolidated subsidiaries in Japan adopt the simplified methods to calculate net defined benefit liabilities and retirement benefit expenses for their lump-sum retirement payment plans and defined benefit pension plans.

Furthermore, certain overseas consolidated subsidiaries adopt the International Financial Reporting Standards (IFRS) and have applied IAS 19 Employee Benefits (revised June 16, 2011) effective from the year ended March 31, 2014.

IHI has set up a retirement benefit trust for the lump-sum retirement payment plan from March 2016.

2. Defined-benefit pension plan

(1) A reconciliation of the opening and closing balances of retirement benefit obligation

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Retirement benefit obligation at the beginning of the year	133,014	161,429
Cumulative effects of changes in accounting policies	22,053	-
Restated balance	155,067	161,429
Service cost	8,932	9,407
Interest cost	1,635	1,621
Actuarial gains or losses incurred	1,087	2,148
Payments of retirement benefits	(5,712)	(6,640)
Past service cost incurred	-	29
Foreign exchange translation adjustments	206	(97)
Increase resulting from inclusion of subsidiaries in consolidation	27	528
Increase due to change in measurement of retirement benefit obligation from the simplified method to the standard method	524	-
Other	(337)	(126)
Retirement benefit obligation at the end of the year	161,429	168,299

(2) A reconciliation of the opening and closing balances of plan assets

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Plan assets at the beginning of the year	3,121	3,446
Expected return on assets	-	12
Interest income on plan assets at overseas consolidated subsidiaries	58	33
Actual return on plan assets under the simplified method	21	(4)
Actuarial gains or losses incurred	15	(455)
Contributions by IHI	188	10,477
Payments of retirement benefits	(156)	(232)
Foreign exchange translation adjustments	85	(9)
Other	114	74
Plan assets at the end of the year	3,446	13,342

Note: Contributions by IHI for the current fiscal year include contributions to the retirement benefit trust of ¥10,323 million.

- (3) A reconciliation of the closing balances of retirement benefit obligation and plan assets, and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets

	(Millions of yen)	
	March 31, 2015	March 31, 2016
Retirement benefit obligation for funded plans	6,060	123,806
Plan assets	(3,446)	(13,342)
	2,614	110,464
Retirement benefit obligation for unfunded plans	155,369	44,493
Net amount of liabilities and assets recorded in the consolidated balance sheets	157,983	154,957
Net defined benefit liability	157,986	154,968
Net defined benefit assets	3	11
Net amount of liabilities and assets recorded in the consolidated balance sheets	157,983	154,957

Note: IHI's lump-sum retirement payment plan, which was an unfunded plan until the previous fiscal year, has become a funded plan as a result of the setup of the retirement benefit trust.

- (4) Amounts of net periodic pension cost and its components

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Service cost	8,911	9,411
Interest cost	1,576	1,578
Actual return on plan assets under the simplified method	1	10
Expected return on plan assets	-	(12)
Amortization of actuarial gains and losses	2,515	1,733
Amortization of past service cost	(164)	(158)
Amortization of cost incurred due to the change from simplified method to the standard method	524	-
Other	146	(3)
Total	13,509	12,599

Notes: 1. In computing the projected benefit obligation, small companies are permitted to adopt certain simplified method and certain consolidated subsidiaries have done so. The periodic pension cost for the consolidated subsidiaries to adopt such simplified method have been included in "Service cost."

- (5) Remeasurements of defined benefit plans, net of tax

Components of items (before tax effect) recorded in remeasurements of defined benefit plans, net of tax are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Past service cost	(140)	(187)
Actuarial gains and losses	2,526	(525)
Total	2,386	(712)

- (6) Remeasurements of defined benefit plans

Components of items (before tax effect) recorded in remeasurements of defined benefit plans are as follows:

	(Millions of yen)	
	March 31, 2015	March 31, 2016
Unrecognized past service cost	3,677	3,490
Unrecognized actuarial gains and losses	(7,826)	(8,351)
Total	(4,149)	(4,861)

(7) Plan assets

(i) Major components of plan assets

The proportion of major categories to total plan assets is as follows:

	March 31, 2015	March 31, 2016
Bond	48%	11%
Stock	6	75
Cash and deposits	8	4
General account	11	3
Real estate	23	6
Other	4	1
Total	100%	100%

Note: The retirement benefit trust, which was set up for the lump-sum retirement payment plan in March 2016, accounts for 74% of total plan assets.

(ii) Method of setting the expected long-term rate of return

In determining the expected long-term rate of return on plan assets, the current and projected allocations of plan assets and the current and projected long-term investment returns on various assets constituting plan assets are taken into consideration.

(8) Bases for actuarial calculations

Major bases for actuarial calculation

	March 31, 2015	March 31, 2016
Discount rate	Mainly 1.0%	Mainly 1.0%
Long-term expected rate of return	–	Mainly 0.0%

3. Defined contribution plan

The required contribution amount to the defined contribution plan of IHI's consolidated subsidiaries during the year ended March 31, 2015 and 2016 were ¥873 million and ¥1,089 million, respectively.

(Stock Options)

1. Expenses for stock options and account titles

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Selling, general and administrative expenses	143	100

2. Description of stock options, changes in the size of stock options

(1) Description of stock options

	FY2007 Stock option	FY2008 Stock option	FY2009 Stock option	FY2010 Stock option
Persons granted	Directors of IHI: 13 Executive officers of IHI: 13	Directors of IHI: 13 Executive officers of IHI: 11	Directors of IHI: 13 Executive officers of IHI: 14	Directors of IHI: 13 Executive officers of IHI: 13
Class and number of shares (Note)	Common stock 274,000 shares	Common stock 511,000 shares	Common stock 647,000 shares	Common stock 759,000 shares
Grant date	August 9, 2007	August 18, 2008	August 5, 2009	August 9, 2010
Vesting conditions	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.
Service period	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.
Exercise period	From August 10, 2007 to August 9, 2037	From August 19, 2008 to August 18, 2038	From August 6, 2009 to August 5, 2039	From August 10, 2010 to August 9, 2040

	FY2011 Stock option	FY2012 Stock option	FY2013 Stock option	FY2014 Stock option
Persons granted	Directors of IHI: 13 Executive officers of IHI: 14	Directors of IHI: 13 Executive officers of IHI: 15	Directors of IHI: 13 Executive officers of IHI: 14	Directors of IHI: 13 Executive officers of IHI: 17
Class and number of shares (Note)	Common stock 593,000 shares	Common stock 798,000 shares	Common stock 350,000 shares	Common stock 325,000 shares
Grant date	August 17, 2011	August 16, 2012	August 21, 2013	August 11, 2014
Vesting conditions	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.
Service period	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.
Exercise period	From August 18, 2011 to August 17, 2041	From August 17, 2012 to August 16, 2042	From August 22, 2013 to August 21, 2043	From August 12, 2014 to August 11, 2044

	FY2015 Stock option
Persons granted	Directors of IHI: 12 Executive officers of IHI: 18
Class and number of shares (Note)	Common stock 242,000 shares
Grant date	August 10, 2015
Vesting conditions	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.
Service period	No provisions since vesting day is not readily determinable.
Exercise period	From August 11, 2015 to August 10, 2045

Note: The number of stock options is translated into the number of shares.

(2) The number of and changes in stock options

The following describes changes in the number of stock options that existed during the year ended March 31, 2016. The number of stock options is translated into the number of shares.

(i) Number of stock options

	FY2007 Stock option	FY2008 Stock option	FY2009 Stock option	FY2010 Stock option	FY2011 Stock option
Non-vested: (share)					
Outstanding at March 31, 2015	70,000	237,000	330,000	466,000	425,000
Granted	–	–	–	–	–
Forfeited	–	–	–	–	–
Vested	16,000	55,000	65,000	87,000	86,000
Outstanding of non-vested at March 31, 2016	54,000	182,000	265,000	379,000	339,000
Vested: (share)					
Outstanding at March 31, 2015	–	39,000	139,000	157,000	99,000
Vested	16,000	55,000	65,000	87,000	86,000
Exercised	16,000	78,000	129,000	119,000	65,000
Forfeited	–	–	–	–	–
Outstanding of non-exercised at March 31, 2016	–	16,000	75,000	125,000	120,000

	FY2012 Stock option	FY2013 Stock option	FY2014 Stock option	FY2015 Stock option
Non-vested: (share)				
Outstanding at March 31, 2015	708,000	350,000	325,000	–
Granted	–	–	–	242,000
Forfeited	–	–	–	–
Vested	118,000	53,000	–	–
Outstanding of non-vested at March 31, 2016	590,000	297,000	325,000	242,000
Vested: (share)				
Outstanding at March 31, 2015	63,000	–	–	–
Vested	118,000	53,000	–	–
Exercised	50,000	22,000	–	–
Forfeited	–	–	–	–
Outstanding of non-exercised at March 31, 2016	131,000	31,000	–	–

(ii) Per amount information

	FY2007 Stock option	FY2008 Stock option	FY2009 Stock option	FY2010 Stock option	FY2011 Stock option
Exercise price - yen	1	1	1	1	1
Average share price at exercise - yen	320	278	344	272	375
Fair value price at grant date - yen	462	185	165	154	178

	FY2012 Stock option	FY2013 Stock option	FY2014 Stock option	FY2015 Stock option
Exercise price - yen	1	1	1	1
Average share price at exercise - yen	334	330	–	–
Fair value price at grant date - yen	159	376	440	413

3. Stock options granted during the year ended March 31, 2016

The estimation method for stock options granted in the current fiscal year is as follows:

(i) Evaluation technique used : Black-Scholes model

(ii) Main basic numerical values and estimation method

Volatility of stock price (Note: 1)	33%
Estimated remaining outstanding period (Note: 2)	3.5 years
Estimated dividend (Note: 3)	¥6 per share
Interest rate with risk free (Note: 4)	0.02%

Notes: 1. Annual volatility rate estimated based on daily stock prices over the past 3.5 years (closing prices on each day from February 11, 2012 to August 10, 2015).

2. Expected average period from grant date to exercise date.

3. Based on actual dividends for the preceding year (September 30, 2014 interim dividend 3 yen per share, March 31, 2015 year-end dividend 3 yen per share).

4. Annual rate, the yield on national government bonds on August 10, 2015 (Remaining life of 3.5 years).

4. Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will forfeit in the future, only the number of actual forfeited options is reflected.

(Deferred tax accounting)

1. Significant components of the Companies' deferred tax assets and liabilities

(Millions of yen)

	March 31, 2015	March 31, 2016
Deferred tax assets:		
Losses on valuation of inventories	2,745	2,813
Losses on impairment of fixed assets	4,965	4,482
Allowance for employees' bonuses	7,547	6,272
Reserve for guaranteed contracts	11,378	12,531
Reserve for losses on sales contracts	9,164	16,415
Denial of accrued expense	5,075	17,277
Valuation losses on investment securities	2,062	2,248
Net defined benefit liability	49,980	47,908
Net loss carried forward	7,589	7,105
Unrealized gain	2,943	3,391
Other	20,832	21,539
Subtotal deferred tax assets	124,280	141,981
Valuation allowance	(29,150)	(20,644)
Total	95,130	121,337
Deferred tax liabilities:		
Gain on transfer from business divestures	(2,653)	(2,512)
Unrealized holding gain on other securities	(6,656)	(1,189)
Deferred gains on sales of property, plant and equipment	(4,993)	(4,480)
Gain on contribution of securities to retirement benefit trust	–	(1,947)
Other	(3,458)	(3,272)
Total	(17,760)	(13,400)
Net deferred tax assets (Note)	77,370	107,937

Note: Net deferred tax assets and liabilities as of March 31, 2015 and 2016 are included in the following accounts in the consolidated balance sheet:

(Millions of yen)

	March 31, 2015	March 31, 2016
Current assets - Deferred tax assets	43,206	61,956
Investment and other assets - Deferred tax assets	35,587	47,338
Current liabilities – Other	(121)	(66)
Long-term liabilities - Other	(1,302)	(1,291)

2. The reconciliation between the statutory tax rate and the effective income tax rate after applying deferred tax accounting

	March 31, 2015	March 31, 2016
Statutory tax rate in Japan	35.6%	33.1%
Adjustments:		
Change in valuation allowance	18.2	564.5
Reduction of deferred tax asset due to change in corporate tax rate of Japan	26.4	(348.1)
Expenses not deductible permanently (e.g. entertainment expenses)	2.2	(81.2)
Different tax rates on overseas earnings	4.0	133.5
Tax exemption of research and development expenses	(12.7)	261.7
Foreign income taxes included in deductible expenses	2.7	(103.1)
Equalization inhabitant taxes	1.4	(22.5)
Withholding tax on dividends from foreign subsidiaries	0.5	(18.2)
Other	(3.0)	(6.6)
Effective income tax rate after applying deferred tax accounting	75.3	413.1

(Changes in presentation)

“Foreign income taxes included in deductible expenses,” “Equalization inhabitant taxes” and “Withholding tax on dividends from foreign subsidiaries,” which were included in “Other” in the previous fiscal year, have been separately presented in the current fiscal year due to their increased materiality. The above table for the previous fiscal year has been reclassified to reflect this change in presentation.

As a result of the change, 1.6% presented as “Other” in the previous fiscal year has been reclassified into as “Foreign income taxes included in deductible expenses” of 2.7%, “Equalization inhabitant taxes” of 1.4%, “Withholding tax on dividends from foreign subsidiaries” of 0.5% and “Other” of negative 3.0%.

3. Adjustment to deferred tax assets and liabilities by change in Corporate Tax Rate

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 15 of 2016) and “Act for Partial Revision of the Local Tax Act, etc.” (Act No. 13 of 2016) were passed on March 29, 2016 in the Diet. The corporate tax rates are to be lowered from the fiscal year beginning on or after April 1, 2016. Accordingly, the statutory effective tax rate for the calculation of deferred tax assets and deferred tax liabilities will be lowered from 32.3%, the rate used for the previous fiscal year, to 30.9% for temporary differences expected to be reversed in the fiscal year beginning on April 1, 2016 and the fiscal year beginning on April 1, 2017, and to 30.6% for temporary differences expected to be reversed in fiscal years beginning on April 1, 2018 and later.

As a result of these rate changes, deferred tax assets (after deducting deferred tax liabilities) as of March 31, 2016 decreased by ¥5,690 million. Income taxes-deferred and valuation difference on available-for-sale securities increased by ¥5,691 million and ¥62 million, respectively. Remeasurements of defined benefit plans and deferred gains or losses on hedges decreased by ¥60 million and ¥1 million, respectively. Deferred tax liabilities for land revaluation decreased by ¥284 million and revaluation reserve for land increased by ¥257 million.

(Business combination)

Disclosure is omitted since it is not material

(Asset retirement obligations)

Disclosure is omitted since it is not material

(Investment and Rental Property)

The previous fiscal year ended March 31, 2015

IHI and certain consolidated subsidiaries own rental office buildings (including land), parking lots and commercial facilities in Tokyo and other areas. The amounts recorded in the consolidated balance sheet and the fair value of these investment and rental properties at March 31, 2015 are as follows:

(Millions of yen)

Category of use	Amount in consolidated balance sheet			Fair value as of March 31, 2015
	Balance as of April 1, 2014	Net change	Balance as of March 31, 2015	
Office buildings	65,749	4,326	70,075	146,876
Parking lots	548	(423)	125	2,008
Commercial facilities	3,653	314	3,967	49,976
Others	28,371	(246)	28,125	77,846
Total	98,321	3,971	102,292	276,706

Notes: 1. The amount recorded in consolidated balance sheet is calculated by subtracting accumulated depreciation and impairment losses from acquisition cost.

2. The fair value at fiscal year-end is based on the values mainly in the appraisal report prepared by external real estate appraisers.

Income and expenses concerning investment and rental properties are as follows:

(Millions of yen)

Category of use	Amount in consolidated statement of income			
	Rental income	Rental expenses	Net rental income	Others
Office buildings	8,563	5,723	2,840	–
Parking lots	146	8	138	–
Commercial facilities	1,312	402	910	–
Others	3,391	1,461	1,930	14
Total	13,412	7,594	5,818	14

Notes: 1. Major rental income is included in “Net sales,” while major rental expenses are included in “Cost of sales.”

2. For the year ended March 31, 2015, “Others” in the above table is composed of gains on sales of property, plant, land and equipment, and included in non-operating income on the consolidated statement of income.

The current fiscal year ended March 31, 2016

IHI and certain consolidated subsidiaries own rental office buildings (including land), parking lots and commercial facilities in Tokyo and other areas. The amounts recorded in the consolidated balance sheet and the fair value of these investment and rental properties at March 31, 2016 are as follows:

(Millions of yen)

Category of use	Amount in consolidated balance sheet			Fair value as of March 31, 2016
	Balance as of April 1, 2015	Net change	Balance as of March 31, 2016	
Office buildings	70,075	(7,126)	62,949	140,504
Parking lots	125	(11)	114	551
Commercial facilities	3,967	(74)	3,893	29,641
Others	28,125	(452)	27,673	96,658
Total	102,292	(7,663)	94,629	267,354

- Notes: 1. The amount recorded in consolidated balance sheet is calculated by subtracting accumulated depreciation and impairment losses from acquisition cost.
2. The fair value at fiscal year-end is based on the values mainly in the appraisal report prepared by external real estate appraisers.

Income and expenses concerning investment and rental properties are as follows:

(Millions of yen)

Category of use	Amount in consolidated statement of income			
	Rental income	Rental expenses	Net rental income	Others
Office buildings	9,396	6,061	3,335	8,715
Parking lots	41	6	35	–
Commercial facilities	1,335	426	909	19,717
Others	3,533	1,881	1,652	4
Total	14,305	8,374	5,931	28,436

- Notes: 1. Major rental income is included in “Net sales,” while major rental expenses are included in “Cost of sales.”
2. For the year ended March 31, 2016, “Others” in the above table is composed of gains on sales of property, plant, land and equipment, and losses of disposal of property, plant and equipment, and included in extraordinary income and non-operating expenses on the consolidated statement of income.

(Segment information)

Segment information

1. Overview of reportable segments

The reportable segments are constituent units of the IHI Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and evaluating operating performance.

IHI organizes operation divisions by products and services and the operation divisions deploy business activities formulating both domestic and overseas strategies for each product and service comprehensively.

The IHI Group therefore categorizes segments based on the grouping together of operation divisions classified by markets and other similarities of products and services. The four reportable segments are as follows:

Resources, Energy and Environment, Social Infrastructure and Offshore Facility, Industrial System and General-Purpose Machinery, and Aero Engine, Space and Defense.

Main businesses, products and services belonging to each segment

Reportable segment	Main businesses, products and services
Resources, Energy and Environment	Boiler, power systems plants, power systems for land and marine use, large power systems for ships, gas processes (storage facilities and process plants), nuclear power (components for nuclear power plants), environmental response systems, medical and pharmaceutical products (pharmaceutical plants)
Social Infrastructure and Offshore Facility	Bridge, water gate, shield tunneling machines, transport system, urban development (real estate sales and rental), F-LNG (floating LNG storage facilities), offshore structures
Industrial System and General-Purpose Machinery	Machinery for ships, logistics system, transport machinery, parking, steel manufacturing equipment, industrial machinery, thermal and surface treatment, paper-making machinery, vehicular turbocharger, compressor, separation system, turbocharger for ships, construction machinery, agricultural machinery, small power systems
Aero Engine, Space and Defense	Aero engines, rocket systems/space utilization systems (space-related equipment), defense systems

2. Calculation method used for sales, profit or loss, assets and liabilities, and other items by reportable segment
 The accounting method used for reportable business segments is generally the same as the method stated in “BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS.” Profits from reportable segments are figures based on operating income. Intersegment income and transfers are based on actual market pricing.

3. Information about sales, profit or loss, assets and liabilities, and other items by reportable segment
The previous fiscal year ended March 31, 2015

(Millions of yen)

	Reportable Segment					Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	405,427	184,731	396,453	430,669	1,417,280	38,564	1,455,844	—	1,455,844
(2) Intersegment sales and transfers	9,932	3,905	15,254	4,185	33,276	24,310	57,586	(57,586)	—
Total	415,359	188,636	411,707	434,854	1,450,556	62,874	1,513,430	(57,586)	1,455,844
Segment profit (Operating income)	24,098	(3,240)	10,256	39,570	70,684	1,261	71,945	(8,692)	63,253
Others:									
Depreciation (Note 4)	5,926	6,243	11,586	14,580	38,335	900	39,235	4,054	43,289
Share of profit (loss) of entities accounted for using equity method	376	—	1,150	(316)	1,210	(2,914)	(1,704)	3	(1,701)
Increase in property, plant and equipment (Note 5)	10,947	12,483	13,945	16,613	53,988	1,500	55,488	8,462	63,950

- Notes: 1. The “Others” classification consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment related to such business, and other service operations.
2. Adjustment of segment profit represents intersegment transactions of ¥76 million and unallocated corporate expenses of negative ¥8,768 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
3. Reportable segment assets and liabilities have not been shown, as they are not used as the basis for deciding the allocation of management resources or evaluating operating performance.
4. Depreciation represents depreciation of property, plant and equipment. Adjustment of depreciation represents unallocated depreciation in property, plant and equipment.
5. Adjustment of increase in property, plant and equipment represents unallocated increase in property, plant and equipment.

The current fiscal year ended March 31, 2016

(Millions of yen)

	Reportable Segment					Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	443,304	161,106	393,258	497,208	1,494,876	44,512	1,539,388	–	1,539,388
(2) Intersegment sales and transfers	9,172	7,033	11,509	3,000	30,714	25,341	56,055	(56,055)	–
Total	452,476	168,139	404,767	500,208	1,525,590	69,853	1,595,443	(56,055)	1,539,388
Segment profit (Operating income)	(2,273)	(48,996)	12,693	58,444	19,868	2,115	21,983	65	22,048
Others:									
Depreciation (Note 4)	6,626	6,373	11,888	15,839	40,726	1,066	41,792	4,948	46,740
Share of profit (loss) of entities accounted for using equity method	(214)	–	971	(362)	395	1,040	1,435	(268)	1,167
Increase in property, plant and equipment (Note 5)	7,504	5,909	13,878	18,547	45,838	1,539	47,377	3,451	50,828

- Notes: 1. The “Others” classification consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations.
2. Adjustment of segment profit represents intersegment transactions of negative ¥724 million and unallocated corporate expenses of ¥789 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
3. Reportable segment assets and liabilities have not been shown, as they are not used as the basis for deciding the allocation of management resources or evaluating operating performance.
4. Depreciation represents depreciation of property, plant and equipment. Adjustment of depreciation represents unallocated depreciation in property, plant and equipment.
5. Adjustment of increase in property, plant and equipment represents unallocated increase in property, plant and equipment.

Related information

The previous fiscal year ended March 31, 2015

1. Product and service information

The information is omitted, as classification is the same as for reportable segments.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	U.S.A.	Asia	Central and South America	Europe	Others	Total
697,806	270,889	265,772	31,448	171,035	18,894	1,455,844

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Asia	Central and South America	Europe	Others	Total
309,963	4,903	17,470	39	25,202	48	357,625

3. Information by major customer

(Millions of yen)

Name of customer or individual	Net sales	Related business segment
Japanese Aero Engines Corporation	154,261	Aero Engine, Space and Defense

The current fiscal year ended March 31, 2016

1. Product and service information

The information is omitted, as classification is the same as for reportable segments.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	U.S.A.	Asia	Central and South America	Europe	Others	Total
742,465	336,173	258,875	23,102	139,937	38,836	1,539,388

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Asia	Central and South America	Europe	Others	Total
304,299	5,031	18,987	20	21,337	62	349,736

3. Information by major customer

(Millions of yen)

Name of customer or individual	Net sales	Related business segment
Japanese Aero Engines Corporation	175,853	Aero Engine, Space and Defense

Information about impairment loss on non-current assets by reportable segment

The previous fiscal year ended March 31, 2015

(Millions of yen)

	Reportable Segment					Others (Note)	Total	Adjustments	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Impairment loss	–	2	172	–	174	1	175	–	175

Note: The “Others” consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment related to such business, and other service operations.

The current fiscal year ended March 31, 2016

(Millions of yen)

	Reportable Segment					Others (Note)	Total	Adjustments	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Impairment loss	–	24	56	–	80	1	81	–	81

Note: The “Others” consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment related to such business, and other service operations.

Information about goodwill amortization amount and year-end balance by reportable segment

The previous fiscal year ended March 31, 2015

(Millions of yen)

	Reportable Segment					Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Amount for the current fiscal year	522	–	2,627	–	3,149	430	3,579	15	3,594
Balance at the end of the current fiscal year	4,072	–	16,271	–	20,343	2,932	23,275	26	23,301

Notes: 1. The “Others” consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment related to such business, and other service operations.
2. Adjustment represents unallocated goodwill amortization and year-end balance.

The current fiscal year ended March 31, 2016

(Millions of yen)

	Reportable Segment					Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Amount for the current fiscal year	616	–	2,672	–	3,288	402	3,690	14	3,704
Balance at the end of the current fiscal year	3,421	–	16,080	–	19,501	2,530	22,031	12	22,043

Notes: 1. The “Others” consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment related to such business, and other service operations.
2. Adjustments represents unallocated goodwill amortization and year-end balance.

Information about gain on negative goodwill by reportable segment

The previous fiscal year ended March 31, 2015

Disclosure is omitted since it is not significant.

The current fiscal year ended March 31, 2016

Not applicable

Related party transactions

1. Related party transactions

(1) Transactions between IHI and related parties

(i) Non-consolidated subsidiaries, affiliates and other related parties of IHI

The previous fiscal year ended March 31, 2015

	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relation-ship	Transaction	Transaction amount (Note 1) (Millions of yen)	Account title	Balance as of March 31 (Note 1) (Millions of yen)
Affiliate	IHI Finance Support Corporation ("IFS")	Chuo-ku, Tokyo, Japan	200	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note 2)	71,112	Notes and accounts payable - trade Other current liabilities	10,478 1,326
	Estaleiro Atlântico Sul S.A.	Pernambuco, Brazil	459 (Millions of BRL)	Manufacturing	Holding indirectly 20.1% (Note 3)	Debt guarantee	Guarantee of obligations for construction payment (Note 4) Guarantee of obligations for loans from financial institutions (Note 5)	5,872 13,541	-	-

- Notes:
1. The transaction amount does not include consumption taxes and the balance as of March 31 includes them.
 2. With regard to factorings, IHI, any customer and IFS entered into a basic agreement concerning IHI's liabilities and settled the amount.
 3. The ratio calculated by multiplying the 60.4% ratio of voting rights in JEI owned by IHI and the 33.3% ratio of voting rights in EAS owned by JEI is shown.
 4. With regard to guarantee of obligations for construction payment, guarantee of obligations is made for EAS's obligations for payment to its suppliers.
 5. Guarantee of obligations for loans from financial institutions is shown the amount of re-guarantee carried out by IHI against guarantee of obligation carried out by JEI with respect to a loan by EAS from a financial institution.

The current fiscal year ended March 31, 2016

	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relation-ship	Transaction	Transaction amount (Note 1) (Millions of yen)	Account title	Balance as of March 31 (Note 1) (Millions of yen)
Affiliate	IHI Finance Support Corporation ("IFS")	Chuo-ku, Tokyo, Japan	200	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note 2)	70,392	Notes and accounts payable - trade Other current liabilities	20,830 3,055

- Notes:
1. The transaction amount does not include consumption taxes and the balance as of March 31 includes them.
 2. With regard to factorings, IHI, any customer and IFS entered into a basic agreement concerning IHI's liabilities and settled the amount.

ii) Directors/audit & supervisory board members, major shareholders and other related parties of IHI
The previous fiscal year ended March 31, 2015

Type	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note 1) (Millions of yen)	Account title	Balance as of March 31 (Note 1) (Millions of yen)
Director	Kazuaki Kama	-	-	JAEC (Chairman)	Held directly 0.0%	Representative director and president of IHI	Operating transactions with JAEC (Note 2) -Subcontract of work from JAEC related to R&D of jet engines -Payment of a portion of funding related to the above -Reception of subsidies related to the above -Manufacture of jet engine components and delivery thereof to JAEC -Payment of a portion of expenses related to the above	8,293 3,615 9,662 154,232 76,345	- - Other current liabilities Other long-term liabilities Notes and accounts receivable - trade Advances from customers -	- - 1,823 43,800 25,228 5,240 -

- Notes: 1. The transaction amount does not include consumption taxes and the balance as of March 31 includes them.
2. The person conducted these transactions as a representative of a third party, and the transaction amounts and prices are subject to terms and conditions of general transactions.

(2) Transactions between consolidated subsidiaries and related parties of IHI

i) Non-consolidated subsidiaries, affiliates and other related parties of IHI

The previous fiscal year ended March 31, 2015

Type	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note 1) (Millions of yen)	Account title	Balance as of March 31 (Note 1) (Millions of yen)
Affiliate	IFS	Chuo-ku, Tokyo, Japan	200	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note 2)	172,921	Notes and accounts payable - trade	56,932
									Other current liabilities	90

- Notes: 1. The transaction amount does not include consumption taxes and the balance as of March 31 includes them.
2. With regard to factorings, a consolidated subsidiary, any customer and IFS entered into a basic agreement concerning the consolidated subsidiary's liabilities and settled the amount.

The current fiscal year ended March 31, 2016

Type	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note 1) (Millions of yen)	Account title	Balance as of March 31 (Note 1) (Millions of yen)
Affiliate	IFS	Chuo-ku, Tokyo, Japan	200	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note 2)	166,031	Notes and accounts payable - trade	56,214
									Other current liabilities	374

- Notes: 1. The transaction amount does not include consumption taxes and the balance as of March 31 includes them.
2. With regard to factorings, a consolidated subsidiary, any customer and IFS entered into a basic agreement concerning the consolidated subsidiary's liabilities and settled the amount.

2. Notes on parent company or significant affiliates

(1) Information about parent company

Not applicable

(2) Condensed financial information of significant affiliates

Japan Marine United Corporation (JMU) is a significant affiliate for the year ended March 31, 2016. The condensed financial information of JMU for the years ended March 31, 2015 and 2016 are as follows:

(Millions of yen)

	Japan Marine United Corporation	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Current assets	205,938	218,992
Fixed assets	150,588	147,759
Current liabilities	151,773	169,389
Long-term liabilities	58,613	51,954
Net assets	146,140	145,408
Net sales	283,712	332,749
Income before income taxes and non-controlling interests	7,869	1,168
Net income	5,786	1,134

(Amounts per share)

(Yen)

Category	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net assets per share	224.03	206.16
Basic earnings per share	5.88	0.99
Diluted earnings per share	5.88	0.99

Note: Fundamentals for calculating basic earnings per share and basic earnings per share fully diluted are as follows:

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	9,082	1,529
Amounts for non-common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent regarding common stock (Millions of yen)	9,082	1,529
Average number of shares of common stock (Thousands of shares)	1,543,507	1,543,682
Basic earnings per share fully diluted		
Adjusted profit attributable to owners of parent (Millions of yen)	—	—
(Interest income of the above, net of taxes) (Millions of yen)	—	—
Increase in number of shares of common stock (Thousands of shares)	1,944	1,468
(Subscription rights to shares of the above) (Thousands of shares)	1,944	1,468
Potential shares not included in calculation of Basic earnings per share fully diluted due to being non-dilutive	—	3 types of subscription rights to shares (Total number of subscription rights to shares: 621 units) For an overview of the subscription rights to shares, refer to “IV. Information about reporting company, 1. Information about shares, etc., (2) Subscription rights to shares, etc., (i) Resolution made at the Board of Directors’ meeting held on July 23, 2007, (viii) Resolution made at the Board of Directors’ meeting held on July 22, 2014, (ix) Resolution made at the Board of Directors’ meeting held on July 21, 2015.”

(Significant subsequent events)

Not applicable

v) Consolidated supplemental schedules

Schedule of bonds

Company	Description	Date of Issuance	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Interest rate (%)	Collateral	Maturity	Remarks
IHI	36th unsecured bonds	March 9, 2012	10,000	10,000 (10,000)	1.000	None	March 9, 2017	Funds for bond redemption
IHI	37th unsecured bonds	October 15, 2012	10,000	10,000	0.740	None	October 13, 2017	Funds for bond redemption
IHI	38th unsecured bonds	June 14, 2013	10,000	10,000	1.110	None	June 12, 2020	Funds for redemption of commercial papers
IHI	39th unsecured bonds	June 17, 2014	10,000	10,000	0.389	None	June 17, 2019	Funds for bond redemption
IHI	40th unsecured bonds	June 17, 2014	10,000	10,000	0.592	None	June 17, 2021	Funds for bond redemption
IHI	41st unsecured bonds	December 10, 2014	10,000	10,000	0.287	None	December 10, 2019	Funds for redemption of commercial papers
IHI	42nd unsecured bonds	December 10, 2014	10,000	10,000	0.490	None	December 10, 2021	Funds for redemption of commercial papers
Total		–	70,000	70,000 (10,000)	–	–	–	–

Note: 1. The figures in parentheses indicate the redemption schedule within one year.

2. The redemption schedule within five years after the consolidated balance sheet date is as follows:

(Millions of yen)

Due within 1 year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
10,000	10,000	–	20,000	10,000

Detailed statement of loans

(Millions of yen)

Category	Balance as of April 1, 2015	Balance as of March 31, 2016	The weighted-average interest rate (%)	Payment due
Short-term loans	76,545	36,646	0.97	–
Current portion of long-term loans	37,590	57,904	1.18	–
Current portion of lease obligation	4,046	4,956	–	–
Long-term loan (excluding current portion)	192,320	187,085	0.80	April 2017 to September 2033
Lease obligations (excluding current portion)	13,174	12,968	–	April 2017 to November 2035
Current portion of commercial papers	17,000	5,000	0.10	–
Total	340,675	304,559	–	–

- Notes: 1. The average interest rates relative to loans show weighted average interest rates with respect to loan closing balances.
2. The average interest rates relative to lease obligations are not noted because the interest-equivalent expense component is not material and has not been separately identified from the underlying lease obligations, and is amortized using the straight-line method.
3. Repayment of long-term loans and lease obligations (excluding current portion) above scheduled within five years after the closing date are as follows:

(Millions of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans	45,697	44,857	37,716	48,392
Lease obligations	3,622	2,551	1,890	1,603

Detailed statement of asset retirement obligations

The amounts of asset retirement obligations at April 1, 2015 and March 31, 2016 were less than 1% of total liabilities and net assets at April 1, 2015 and March 31, 2016, respectively. As a result, the schedule of asset retirement obligations is not required to be disclosed in accordance with accounting principles generally accepted in Japan.

(2) Others

Quarterly results for the fiscal year ended March 31, 2016

(YTD period)	First quarter	Second quarter	Third quarter	Full year
Net sales (Millions of yen)	340,762	688,271	1,058,195	1,539,388
Income before income taxes and non-controlling interests (Millions of yen)	(428)	(4,030)	(45,313)	(1,639)
Profit attributable to owners of parent (Millions of yen)	(48)	(3,907)	(34,285)	1,529
Basic earnings per share (Yen)	(0.03)	(2.53)	(22.21)	0.99

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	(0.03)	(2.50)	(19.68)	23.20

Note: The amounts shown in “Consolidated financial statements.” under “Financial information” were rounded to the nearest million yen.

Independent Auditor's Report

The Board of Directors
IHI Corporation

We have audited the accompanying consolidated financial statements of IHI Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 depend on the auditor's 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 of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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 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 consolidated financial position of IHI Corporation and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

/s/ Ernst & Young ShinNihon LLC

June 24, 2016
Tokyo, Japan

(For Translation Purposes Only)
Independent Auditor's Report

June 24, 2016

The Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Designated and Engagement Partner
Certified Public Accountant
Designated and Engagement Partner
Certified Public Accountant
Designated and Engagement Partner
Certified Public Accountant

Hideyuki Inoue

Yoshiyuki Sakuma

Ichiro Tajima

<Financial statements audit>

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Law of Japan, we have audited the accompanying consolidated financial statements of IHI Corporation, included in "Financial Information" for the fiscal year from April 1, 2015 to March 31, 2016, which comprise the consolidated balance sheet, the consolidated statements of income, comprehensive income, changes in net assets and cash flows, the significant accounting policies, the other related notes, and the consolidated supplemental schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 depend on the auditor's 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 of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments, the auditor considers internal controls 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 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 consolidated financial position of IHI Corporation and consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

<Internal control audit>

Pursuant to Article 193-2, Section 2, of the Financial Instruments and Exchange Law of Japan, we also have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at March 31, 2016 of IHI Corporation(the "Management's Report").

Management's Responsibility for the Management's Report

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Internal control over financial reporting may not prevent or detect misstatements.

Auditor's Responsibility

Our responsibility is to express an opinion on the Management's Report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Management's Report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the result of management's assessment on internal control over financial reporting in the Management's Report. The procedures selected depend on the auditor's judgment, including the materiality of effect on the reliability of financial reporting. An internal control audit also includes evaluating the overall presentation of the Management's Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting.

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 Management's Report referred to above, which represents that the internal control over financial reporting as at March 31, 2016 of IHI Corporation is effective, present fairly, in all material respects, the result of management's assessment on internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Conflicts of Interest

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

Notes:

1. The above is a digitization of the text contained in the original copy of the Independent Auditors' Report on Financial Statements and Internal Controls, which is in the custody of IHI—the submitter of this Securities Report.
2. The XBRL data is not included in the range of Audit.
3. The above is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

(Translation purposes only)

Cover page

Document title	Confirmation Letter
Clause of stipulation	Article 24-4-2, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	June 24, 2016
Company name	株式会社 I H I (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
Title and name of representative	Tsugio Mitsuoka, President and Chief Operating Officer
Title and name of chief financial officer	Not applicable
Address of registered head office	1-1, Toyosu 3-chome, Koto-ku, Tokyo
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya-city) Securities Membership Corporation Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka-city) Securities Membership Corporation Sapporo Securities Exchange (14-1, Minamiichijo-nishi 5-chome, Chuo-ku, Sapporo-city)

(Translation purposes only)

1. Appropriateness of the content of statements in this Annual Securities Report

Tsugio Mitsuoka, President and Chief Operating Officer of IHI Corporation (“IHI”), has confirmed that this Annual Securities Report of the 199th fiscal term (April 1, 2015 through March 31, 2016) is reasonably and fairly stated in accordance with the Financial Instruments and Exchange Act and related regulations.

2. Other information for special attention

There are no noteworthy matters that are pertinent to this Annual Securities Report.

(Translation purposes only)

Cover page

Document title	Internal Control Report
Clause of stipulation	Article 24-4-4, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	June 24, 2016
Company name	株式会社 I H I (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
Title and name of representative	Tsugio Mitsuoka, President and Chief Operating Officer
Title and name of chief financial officer	Not applicable
Address of registered head office	1-1, Toyosu 3-chome, Koto-ku, Tokyo
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya-city) Securities Membership Corporation Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka-city) Securities Membership Corporation Sapporo Securities Exchange (14-1, Minamiichijo-nishi 5-chome, Chuo-ku, Sapporo-city)

(Translation purposes only)

1. Basic framework of internal control related to financial reporting

Tsugio Mitsuoka, President and Chief Operating Officer of IHI Corporation (“IHI”), has the responsibility for the design and operation of internal control over financial reporting of IHI and manages the design and operation of such internal control in accordance with the basic framework set forth in the document “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

Internal control aims at achieving its objectives to a reasonable extent given that all individual components of internal control are integrated, and function as a whole. Thus, it is possible that internal control over financial reporting may not be able to completely prevent or detect false statements in financial reporting.

2. Scope, date and procedures for evaluation

Assessment of internal control over financial reporting was performed as of March 31, 2016 (i.e., the closing date of the current fiscal year) in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In this assessment, evaluation was first made of company-level control which would have a material impact on the reliability of financial reporting on a consolidated basis, and based on such result, business processes to be assessed were selected. In the business process-level control assessment, the effectiveness of internal control was assessed by analyzing the business processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and evaluating the designs and operations of these key controls.

The scope of internal control assessment over financial reporting was determined by selecting IHI, consolidated subsidiaries and affiliates accounted for using the equity method based on the materiality of their impacts on the reliability of financial reporting. The materiality of the impacts on the reliability of financial reporting was determined in consideration of both quantitative and qualitative aspects, and the scope of the business processes for which internal controls were to be assessed was determined rationally based on the outcome of IHI-level internal control assessment performed for IHI, 69 consolidated subsidiaries, and one affiliate accounted for using the equity method. 82 consolidated subsidiaries and 29 affiliates accounted for using the equity method were excluded from the scope of this company-level control assessment as their quantitative and qualitative impacts were deemed insignificant.

In determining the scope of business process-level control assessment, sales (after eliminating intra-group company transactions) for the current fiscal year of each business site/office were totaled, beginning in order of the business site/office with the highest sales, and when the sales of the first seven business sites/offices, aggregated to roughly two-thirds of the consolidated net sales in the current fiscal year, these were determined to be the “Significant Businesses.” Moreover, for affiliates accounted for using equity method, the scope of evaluation was determined by considering the materiality of effect on consolidated financial statements, and one business site/office was made a “Significant Business.” In such Significant Businesses, all business processes related to the accounts that are closely associated with IHI’s business objectives, such as sales, accounts receivable, and inventory were included in the scope of assessment. Furthermore, regardless of the selected Significant Businesses, certain other important business processes with a high possibility of critical misstatements and which are related to significant accounting items involving estimates and forecasts, or related to businesses or operations dealing with high-risk transactions were added to the scope of assessment as business processes with material impacts on financial reporting.

3. Result of evaluation

Based on the above mentioned assessment, it was concluded that the internal control over financial reporting at the end of the current fiscal year was effective.

4. Supplementary information

There are no noteworthy matters that are pertinent to this Annual Securities Report.

5. Other information for special attention

There are no noteworthy matters that are pertinent to this Annual Securities Report.