

200th term (from April 1, 2016 to March 31, 2017)

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 23, 2017, 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 23, 2017
Fiscal year	200th term (from April 1, 2016 to March 31, 2017)
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 Executive 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.
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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	196th term	197th term	198th term	199th term	200h term
Fiscal year ended	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Net sales (Millions of yen)	1,256,049	1,304,038	1,455,844	1,539,388	1,486,332
Ordinary profit (Millions of yen)	36,219	53,235	56,529	9,716	22,011
Profit attributable to owners of parent (Millions of yen)	33,386	33,133	9,082	1,529	5,247
Comprehensive income (Millions of yen)	44,964	49,571	26,829	(15,228)	4,628
Net assets (Millions of yen)	299,282	362,555	359,595	333,359	337,630
Total assets (Millions of yen)	1,364,239	1,496,361	1,690,882	1,715,056	1,692,831
Net assets per share (Yen)	197.08	223.68	224.03	206.16	206.03
Basic earnings per share (Yen)	22.81	22.51	5.88	0.99	3.40
Diluted earnings per share (Yen)	21.58	21.31	5.88	0.99	3.40
Shareholders' equity ratio (%)	21.14	23.07	20.45	18.56	18.79
Return on equity (ROE) (%)	12.40	10.46	2.63	0.46	1.65
Price earnings ratio (PER) (Times)	12.54	19.28	95.75	240.40	103.24
Cash flows from operating activities (Millions of yen)	74,347	39,220	63,589	95,338	65,373
Cash flows from investing activities (Millions of yen)	(61,033)	(62,282)	(74,611)	(35,513)	(28,961)
Cash flows from financing activities (Millions of yen)	(3,150)	11,395	33,443	(47,530)	(21,941)
Cash and cash equivalents at end of period (Millions of yen)	72,070	62,604	92,527	103,611	115,911
Number of employees (Persons)	26,618	27,562	28,533	29,494	29,659

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 ratios less than one unit are rounded off.

(Translation purposes only)

(2) Business results of reporting company

Term	196th term	197th term	198th term	199th term	200th term
Fiscal year ended	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Net sales (Millions of yen)	589,444	608,678	689,269	734,807	719,889
Ordinary profit (Millions of yen)	16,665	25,586	36,392	9,987	15,752
Profit (Millions of yen)	19,903	15,238	232	31,698	(6,246)
Capital stock (Millions of yen)	95,762	107,165	107,165	107,165	107,165
Total number of issued shares (Thousands of shares)	1,467,058	1,546,799	1,546,799	1,546,799	1,546,799
Net assets (Millions of yen)	192,899	225,912	206,340	214,783	209,864
Total assets (Millions of yen)	936,093	996,652	1,132,586	1,179,799	1,138,039
Net assets per share (Yen)	131.44	145.97	133.19	138.62	135.35
Dividends per share [Interim dividends per share] (Yen)	5.00 [-]	6.00 [-]	6.00 [3.00]	3.00 [3.00]	— [-]
Basic earnings (loss) per share (Yen)	13.60	10.35	0.15	20.53	(4.04)
Diluted earnings per share (Yen)	12.85	9.73	0.15	20.51	—
Shareholders' equity ratio (%)	20.55	22.60	18.15	18.14	18.37
Return on equity (ROE) (%)	10.93	7.30	0.11	15.11	(2.95)
Price earnings ratio (PER) (Times)	21.03	41.93	3,753.33	11.59	—
Payout ratio (%)	36.76	57.95	3,991.83	14.61	—
Number of employees (Persons)	7,982	8,331	8,458	8,571	8,630

- 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.
 5. Diluted earnings per share for the 200th term is not disclosed even though IHI has issued potential shares, because the per share figure is a net loss.
 6. Price earnings ratio (PER) for the 200th term is not disclosed, because the per share figure is a net loss.

(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. From that time through May 1958, listed IHI's stock on Osaka Securities Exchange (Osaka Securities Exchange integrated its cash-equity market with Tokyo Stock Exchange in July 2013), Kyoto Stock Exchange (absorbed by Osaka Securities Exchange in March 2001), Fukuoka Stock Exchange, Niigata Stock Exchange (absorbed by Tokyo Stock Exchange in March 2000), Sapporo Securities Exchange and Hiroshima Stock Exchange (absorbed by Tokyo Stock Exchange in March 2000).
March 1957	Established Tanashi Aero-Engine Plant to manufacture jet engines for aircraft.
January 1959	Jointly established Ishikawajima do Brasil Estaleiros in Rio de Janeiro with Brazilian government.
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 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).
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.
September 2006	Completed construction of Toyosu Center Building Annex (a rental office building).
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.

(Translation purposes only)

Year / Month	Major Event
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.
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)
May 2016	Jointly established Nanatsujima Biomass Power Limited Liability Company for operating the woody biomass power plant with eight investment-partner companies.
October 2016	Conducted management integration by merging with Mitsubishi Heavy Industries Mechatronics Systems, Ltd. and commenced operations as JIM Technology Corporation to enhance competitiveness and earning capabilities in Shield tunneling machine Business.
November 2016	Transferred all the shares of IHI Construction Machinery Limited to Kato Works Co., Ltd.
April 2017	Decided to end the Aichi Works' function as a production base, after the completion of projects of F-LNG/Offshore structure for which orders have already been received.
May 2017	Transferred machinery for ships business to IKNOW MACHINERY CO., LTD.

(Translation purposes only)

3. Description of business

IHI and its affiliated companies (152 consolidated subsidiaries and 30 affiliates accounted for using equity method as of March 31, 2017) operate four main businesses, providing a diverse range of products. The four businesses are: Resources, Energy and Environment; Social Infrastructure and Offshore Facility; Industrial System 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 boiler, power systems plants, power systems for land and marine use, large power systems for ships, process plants (storage facilities and chemical plants), nuclear power (components for nuclear power plants), environmental response systems, and pharmaceutical plants.

[Major Subsidiaries and Affiliates]

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, 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, IHI Power System (Thailand) Co., Ltd. (Note (i)), and other one company (Note (ii)).

(Social Infrastructure and Offshore Facility)

Activities within this business include manufacturing, sales, and provision of services relating to bridge/water gate, shield tunneling machines, transport system, urban development (real estate sales and rental), and F-LNG (floating-LNG storage facilities, offshore structures).

[Major Subsidiaries and Affiliates]

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

(Industrial System and General-Purpose Machinery)

Activities within this business include manufacturing, sales, and provision of services relating to machinery for ships, logistics/industrial system (logistics system, industrial machinery), transport machinery, parking, thermal and surface treatment, vehicular turbocharger, rotating machinery(compressor, separation system, turbocharger for ships), construction machinery (Note (iv)), agricultural machinery/small power systems, steel manufacturing equipment, and paper-making machinery.

[Major Subsidiaries and Affiliates]

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, CENTRAL CONVEYOR COMPANY, LTD., IHI Compressor and Machinery Co., Ltd., IHI Turbo Co., Ltd., IHI Technical Training Institution, IHI Shibaura Machinery Corporation, IHI STAR Machinery Corporation, Clover Turbo Co., Ltd., IHI Hauzer Techno Coating B.V. and its five subsidiaries (Note (v)), IHI Press Technology America, Inc., New Metal Engineering, LLC, IUK (HK) LIMITED, Indigo TopCo Ltd. and its 24 subsidiaries (Note (vi)), 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 Transport Machinery Taiwan Corporation(Note (i)), and Jiangsu IHI Fengdong Vacuum Technology Co., Ltd. (Note (i)), (Note (iv)).

(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 systems.

[Major Subsidiaries and Affiliates]

IHI AEROSPACE CO., LTD., IHI AEROSPACE ENGINEERING CO., LTD., IHI Aero Manufacturing Co., Ltd.,

(Translation purposes only)

IHI CASTINGS CO., LTD., IHI Jet Service Co., Ltd., IHI MASTER METAL Co., Ltd., INC Engineering Co., Ltd., IHI-ICR, LLC., IHI Aero Engines US Co., Ltd., and IHI Investment for Aero Engine Leasing LLC. (Note (vii))

(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 Affiliates]

IHI Scube Co., Ltd., IHI Trading, Inc., IHI Business Support Corporation (Note (viii)), MEISEI ELECTRIC CO., LTD. and its one subsidiary, IHI Inspection & Instrumentation Co., Ltd., Takashima Giken Co., LTD.,

IHI do Brasil Representações Ltda., IHI ENGINEERING AUSTRALIA PTY. LTD., IHI Europe Ltd., IHI INC.,

IHI New Energy Inc., 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 (Note (ix, x)).

- Notes: (i) Newly included in the scope of consolidation to reflect increasing importance within the IHI Group.
- (ii) IHI Power System Germany GmbH (Resources, Energy and Environment) is already proceeding with its liquidation process, and as its importance has diminished, it was excluded from the scope of consolidation.
- (iii) Newly included in the scope of consolidation due to completion of integration in the Shield tunneling machine Business.
- (iv) Excluded from the scope of consolidation, due to transferring all the shares of IHI Construction Machinery Limited, which was operating Construction machinery Business, to Kato Works Co., Ltd.
- (v) One subsidiary of IHI Hauzer Techno Coating B.V. (Industrial System and General-Purpose Machinery) was newly established and is newly included in the scope of consolidation.
- (vi) Of the subsidiaries of Indigo TopCo Ltd. (Industrial System and General-Purpose Machinery), one subsidiary was newly established and is newly included in the scope of consolidation, while one subsidiary was excluded from the scope of consolidation because it was merged and ceased to exist.
- (vii) Newly included in the scope of consolidation due to its new establishment.
- (viii) IHI Shibaura Technical Service Corporation (Others) was excluded from the scope of consolidation, because it was merged into IHI Business Support Corporation (Others) and ceased to exist.
- (ix) IHI NeoG Algae Limited Liability Company (Others) is already proceeding with its liquidation process, and as its importance has diminished, it was excluded from the scope of consolidation.
- (x) Algae Systems, LLC. (Others) was excluded from the scope of consolidation because its liquidation of equity.

(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 & Environment	IHI PACKAGED BOILER CO., LTD./Kotobuki Iron Works Co., Ltd./Niigata Power Systems Co., Ltd./IHI Enviro Corporation				
	NICO Precision Co., Inc./PT Cilegon 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./ 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 Southw est Technologies, Inc. and its 1 subsidiary
	Diesel United, Ltd.(■)			IHI Power System (Thailand) Co., Ltd.	
Social Infrastructure & Offshore Facilities	IHI Infrastructure Systems Co., Ltd./IHI Construction Service Co., Ltd./IHI INFRASTRUCTURE ASIA CO., LTD./JIM Technology Corporation				
	Niigata Transys Co., Ltd.(■)				
	IHI CONSTRUCTION MATERIALS Co., Ltd.			Chiba Warehouse Co., Ltd./ San-Etsu Co., Ltd./ Japan Tunnel Systems Corporation	
	Livecon Engineering Co., Ltd.(■)			IHI California Inc.	
Industrial Systems & General - Purpose Machinery	IHI Transport Machinery Co., Ltd./IHI Machinery and Furnace Co., Ltd./IHI Hauzer Techno Coating B.V. and its 5 subsidiaries/ Jiangsu IHI Fengdong Vacuum Technology Co., Ltd./IHI Compressor and Machinery Co., Ltd./IHI-Sullair Compression Technology (Suzhou) Co., Ltd./ IHI Logistics & Machinery Corporation/CENTRAL CONVEYOR COMPANY, LTD./Voith IHI Paper Technology Co., Ltd				
	IHI Turbo Co., Ltd.		IHI Fuso Engineering Co., Ltd.		
	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.(■)			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	
	IHI TURBO (THAILAND) CO., LTD./Changchun FAWER-IHI Turbo Co., Ltd./ Wuxi IHI Turbo Co., Ltd./IHI Transport Machinery Taiwan Corporation(■)		Nishi-nihon Sekkei Engineering Co., Ltd.		
Aero Engine, Space & 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 Investment for Aero Engine Leasing LLC
	IHI AEROSPACE CO., LTD.				
Others	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 Scube Co., Ltd./ IHI Business Support Corporation/ IHI New Energy Inc./ IHI Power Generation Corporation and its 6 subsidiaries	
	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, 2017, and subsidiaries listed on the Tokyo Stock Exchange Second Section are noted with the “★” mark.

(Translation purposes only)

4. Overview of affiliated companies

Name	Address	Capital (Millions of yen)	Main business	Voting rights holding [or held] (%)	Nature of relationship
(Consolidated subsidiaries)					
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 construction work 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 Shibaura Machinery Corporation (Note 5)	Matsumoto- city, Nagano	1,111	Industrial System and General-Purpose Machinery	100.0	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 Infrastructure Systems Co., Ltd.	Sakai-city, Osaka	1,000 (Note 6)	Social Infrastructure and Offshore Facility	100.0	Conducts design, manufacture, installation, maintenance and repair of bridges and water gates. 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 Turbo Co., Ltd.	Koto-ku, Tokyo	1,000	Industrial System and General-Purpose Machinery	100.0	Conducts manufacture and sale of vehicular turbochargers Interlocking officers, etc.: Yes
IHI Logistics & Machinery Corporation	Koto-ku, Tokyo	1,000 (Note 6)	Industrial System and General-Purpose Machinery	100.0	Conducts sale, design, manufacture, procurement, construction, installation, conversion and repair related to logistics equipment, FA equipment and industrial equipment, in addition to repair and maintenance services for parts and equipment 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
JIM Technology Corporation (Note 7)	Kawasaki - city, Kanagawa	450	Social Infrastructure and Offshore Facility	60.0 (60.0)	Conducts design, manufacturing, sale, site work, and after-sales support related to shield tunneling machines and other tunneling construction equipment. The indirectly owned portion is held by Japan Tunnel Systems Corporation. Interlocking officers, etc.: Yes
IHI INC.	New York, U.S.A.	Thousands of US\$ 92,407 (Note 6)	Others	100.0	Conducts sale and order procurement of various plant, machinery and maintenance of aircraft engine, etc. (regional headquarters) Interlocking officers, etc.: Yes
IHI Aero Engines US Co., Ltd.	New York, U.S.A.	Thousands of US\$ 73,400	Aero Engine, Space and Defense	100.0	Conducts investment in civil aircraft engine program. Interlocking officers, etc.: Yes

(Translation purposes only)

Name	Address	Capital (Millions of yen)	Main business	Voting rights holding [or held] (%)	Nature of relationship
IHI Power Generation Corporation	New York, U.S.A.	Thousands of US\$ 38,250	Others	100.0 (100.0)	Conducts investment in biomass power generation business, etc. The indirectly owned portion is held by IHI INC. Interlocking officers, etc.: Yes
JURONG ENGINEERING LIMITED	Singapore	Thousands of SGD 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
IHI Investment for Aero Engine Leasing LLC. (Note 8)	New York, U.S.A.	Thousands of US\$ 28,762	Aero Engine, Space and Defense	65.0	Conducts investment in specialist engine leasing company. Interlocking officers, etc.: Yes
IHI INFRASTRUCTURE ASIA CO., LTD.	Haiphong, Vietnam	Millions of VND 542,638	Social Infrastructure and Offshore Facility	100.0	Conducts manufacture, installation, and maintenance of steel structures and concrete structures, and manufacture and installation of construction and industrial machinery. 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
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 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 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 ASIA PACIFIC PTE. LTD.	Singapore	Thousands of SGD 22,459	Others	100.0	Conducts 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	Industrial System and General-Purpose Machinery	100.0	Conducts manufacture and sale of vehicular turbochargers. Interlocking officers, etc.: Yes
IHI Transport Machinery Taiwan Corporation (Note 9)	Taipei, Taiwan	Thousands of TWD 250,000	Industrial System and General-Purpose Machinery	100.0 (100.0)	Conducts manufacture, sale, and maintenance of large-scale transport machinery. The indirectly owned portion is held by IHI Transport Machinery Co., Ltd. Interlocking officers, etc.: Yes
IHI TURBO (THAILAND) CO., LTD.	Chonburi, Thailand	Thousands of THB 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-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 Southwest Technologies, Inc.	Texas, U.S.A.	Thousands of US\$ 5,800	Resources, Energy and Environment	100.0 (6.7)	Conducts 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
Jiangsu IHI Fengdong Vacuum Technology Co., Ltd (Note 9)	Jiangsu, China	Thousands of RMB 30,000	Industrial System and General-Purpose Machinery	50.0 (50.0)	Conducts design, manufacture, sale, and after-sales support of vacuum heat treatment furnace The indirectly owned portion is held by IHI Machinery and Furnace Co.,Ltd. Interlocking officers, etc.: Yes

(Translation purposes only)

Name	Address	Capital (Millions of yen)	Main business	Voting rights holding [or held] (%)	Nature of relationship
IHI (Shanghai) Management Co., Ltd.	Shanghai, China	Thousands of US\$ 2,100	Others	100.0	Conducts 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 120 companies					
Total of 152 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\$ 266,762 (Note 6)	Aero Engine, Space and Defense	30.0 (30.0)	Conducts 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. The monetary amounts of capital less than one unit are rounded down, and ratios of voting rights holding less than one unit are rounded off.
 4. This company files Annual Securities Report.
 5. The voting rights holding of this company have become 100% due to acquisition of its shares from Yanmar Co., Ltd.
 6. This company has changed the amount of its capital.
 7. This company was newly included in the scope of consolidation because the management integration of Shield tunneling machine Business with Japan Tunnel Systems Corporation, which voting rights are 51% held by IHI, and Mitsubishi Heavy Industries Mechatronics Systems, was completed.
 8. This company was newly included in the scope of consolidation due to its new establishment.
 9. 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, 2017

Segment name	Number of employees (Persons)
Resources, Energy and Environment	7,744
Social Infrastructure and Offshore Facility	2,493
Industrial System and General-Purpose Machinery	9,677
Aero Engine, Space and Defense	6,348
Reportable segment total	26,262
Others	2,406
Corporate (company-wide)	991
Total	29,659

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, 2017

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
8,630	39.7	14.5	7,175,106

Segment name	Number of employees (Persons)
Resources, Energy and Environment	2,474
Social Infrastructure and Offshore Facility	480
Industrial System and General-Purpose Machinery	763
Aero Engine, Space and Defense	3,922
Reportable segment total	7,639
Others	–
Corporate (company-wide)	991
Total	8,630

- 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, 2017, there were 7,884 members (including employees seconded to other companies) in the IHI Labor Union. There were a total of 10,486 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 11 of the 50 domestic consolidated subsidiaries (not including the seven consolidated subsidiaries which belong to the IHI Labor Union Federation discussed above) with a total of 5,317 members, and its umbrella organization is the Japan Federation of Basic Industry Worker's Unions.

In addition, the IHI Group Labor Union Federation (19 labor unions, 15,803 members) is made up of 19 labor unions centered on labor unions organized by the IHI Labor Union and each of the consolidated subsidiaries' labor unions.

II. Overview of business

1. Overview of business results

(1) Summary of consolidated performance

During the current fiscal year, the Japanese economy experienced a pickup in exports and production thanks to the support of stead external demand, but was limited to a modest overall recovery by the dramatic movement in foreign exchange rates and soft private consumption. In the global economy as well, although it continued to expand mainly in Europe and the US, uncertainty has continued due to effect of political trends such as the issue of the UK leaving the EU and the policies of the new U.S. president.

Under this economic environment, the IHI Group moved forward with initiatives based on its “Group Management Policies 2016,” a three-year medium-term management plan, which was launched in April 2016.

In the current fiscal year, orders received decreased 13.4% from the previous fiscal year to ¥1,389.8 billion, while net sales decreased 3.4% to ¥1,486.3 billion.

In terms of profit, operating profit increased 114.9% from the previous fiscal year to ¥47.3 billion, owing to such factors as the disappearance of repair costs of noncompliant welding posted in the previous fiscal year in relation to boiler projects, as well as the reducing deficit in the Social Infrastructure and Offshore Facility segment, despite deterioration of profitability in large projects underway in North America in Process plants Business.

In non-operating income and expenses, while the recording of reversal of accrued expense for delayed delivery of ¥ 2.2 billion among others as non-operating income, non-operating expenses included a share of loss of entities accounted for using equity method of ¥3.5 billion (a decrease of ¥4.7 billion year on year), foreign exchange losses of ¥6.7 billion (a decrease of ¥1.5 billion year on year), and other non-operating expenses including compensation for damage of ¥20.6 billion (a decrease of ¥7.9 billion year on year).

As a result, ordinary profit increased 126.5% from the previous fiscal year to ¥22.0 billion.

In extraordinary income and losses, extraordinary income posted included ¥23.5 billion for the gain on sales of non-current assets such as the sale of land of a building in Toyosu, Koto-ku, and ¥3.4 billion for the gain on contribution of securities to retirement benefit trust. On the other hand, extraordinary losses posted included ¥9.9 billion for business structural reform expenses related to F-LNG/Offshore structure Business, ¥6.9 billion for settlement-related expenses related to delivered boiler facilities, and ¥9.8 billion for a loss on transfer of receivables related to the transfer of shares in UNIGEN Inc., which was until January 2017 an affiliate of IHI.

As a result, profit attributable to owners of parent increased 243.2% from the previous fiscal year to ¥5.2 billion.

Starting from the current fiscal year, the end of fiscal year for certain overseas consolidated subsidiaries has been changed from December 31 to March 31, with the result that the fiscal year ended March 31, 2017 consists of the 15 months from January 1, 2016 to March 31, 2017.

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

(Billions of yen)

Reportable segment	Orders received			Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017		Changes from the previous fiscal year (%)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Changes from the previous fiscal year (%)	Sales	Operating profit (loss)	Sales	Operating profit (loss)	Sales	Operating profit (loss)
Resources, Energy and Environment	532.7	352.8	(33.8)	452.4	(2.2)	427.3	(10.6)	(5.6)	–
Social Infrastructure and Offshore Facility	128.5	150.1	16.8	168.1	(48.9)	157.7	(12.0)	(6.2)	–
Industrial System and General-Purpose Machinery	421.8	420.5	(0.3)	404.7	12.6	411.6	17.5	1.7	38.1
Aero Engine, Space and Defense	515.6	451.5	(12.4)	500.2	58.4	471.9	53.0	(5.6)	(9.3)
Total Reportable Segment	1,598.7	1,375.0	(14.0)	1,525.5	19.8	1,468.7	47.8	(3.7)	140.7
Others	65.7	68.3	4.0	69.8	2.1	75.1	2.5	7.6	22.1
Adjustments	(59.1)	(53.5)	–	(56.0)	0.0	(57.5)	(3.0)	–	–
Total	1,605.3	1,389.8	(13.4)	1,539.3	22.0	1,486.3	47.3	(3.4)	114.9

(Translation purposes only)

<Resources, Energy and Environment>

In Power systems for land and marine use Business and Process plants Business, due partly to falling oil prices there has been a slowing of investment in the oil and gas industry leading to projects being postponed or cancelled, and demand is on a declining trend. In Boiler Business, in Japan, amid delays in the restarting of nuclear power plants, there has been strong demand for remodeling work aimed at continued operation of existing facilities, while overseas, primarily in emerging countries, there is firm demand for high-efficiency and environment-friendly facilities.

Under this business environment, orders received declined from the previous fiscal year, reflecting a pullback from large orders secured in the previous fiscal year for Boiler Business and Process plants Business, and decreases in orders secured for Power systems for land and marine use Business, affected by the low crude oil prices.

Sales decreased from the previous fiscal year, reflecting decreased sales in Process plants Business, Power system plant Business and Power systems for land and marine use Business, partially offset by increased sales from the progress of major construction projects in Boiler Business.

The deficit expanded from the previous fiscal year, mainly owing to the decreased revenues in Power systems for land and marine use Business, as well as the deterioration of profitability in large projects underway in North America in Process plants Business, partially offset by reduced impact of deterioration of profitability in Boiler Business.

In this Business Segment, as well as working to expand and enhance energy resource usage technologies, we moved ahead with initiatives to deal with diversified power source needs (decentralization and stabilization) and to enhance and rapidly commercialize technologies to reduce environmental burden.

<Social Infrastructure and Offshore Facility>

In Bridge/water gate Business and Concrete construction materials Business, in addition to anticipating an increase in maintenance demand aimed at enhancing safety in major domestic cities, we also expect an expansion in repair-related demand for decrepit bridges overseas, and from urbanization-related demand in emerging countries. In Shield tunneling machine Business in Japan, we expect strong demand for large-scale infrastructure works, primarily in the Tokyo area.

Orders received increased from the previous fiscal year, reflecting an increase of orders received in Transport system Business and the effect of business integration of Shield tunneling machine Business.

Sales decreased from the previous fiscal year, partly owing to the impact of the decreased sales in the Bridge/water gate Business from the completion of the Izmit Bay Crossing Bridge construction project in Turkey, partially offset by increased sales in Shield tunneling machine Business, which carried out business integration.

The effect of the deterioration of profitability related to F-LNG Business was reduced despite additional costs incurred in the current fiscal year, as well as the improved profitability in Bridge/water gate Business. As a result, the deficit was reduced from the previous fiscal year.

In this Business Segment, in order to continuously offer products, systems and services that help the development of society and of the national land, as well as achieve safety and security, we are promoting initiatives such as those aimed at upgrading infrastructure while making it more robust and disaster-proof.

<Industrial System and General-Purpose Machinery>

In Vehicular turbocharger Business and Thermal and surface treatment Business, demand is strong amid rising global demand for automobiles, the strengthening of environmental regulations in countries worldwide and the shift towards improved fuel economy. In Logistics/industrial system Business, due to the trend in Japan towards recovery in capital investment and the expansion of labor-saving measures, caused by insufficient labor, such as the introduction of robots, we expect growth in demand going forward.

Under this business environment, orders received were at the same level as the previous fiscal year, owing to increases in Vehicular turbocharger Business, Paper-making machinery Business, and Thermal and surface treatment Business, offsetting the impact from a transfer of Construction machinery Business.

Sales increased from the previous fiscal year, owing to the effect of the financial reporting periods unification and increases in Logistics/industrial system Business, partially offset by the impact from a transfer of Construction machinery Business and decreased sales in Agricultural machinery/small power systems Business.

Operating profit rose from the previous fiscal year, owing to the increased sales in Logistics/industrial system Business, as well as the improvement in profitability in Parking Business, Logistics/industrial system Business and Rotating machinery Business.

For this Business Segment, by pushing ahead with continuous business structural reform and leveraging ICT and robots, we are accelerating initiatives aimed at creating value for the customer through enhancing products and services, and working to improve profitability by expanding and optimizing the global network.

<Aero Engine, Space and Defense>

Demand for civil aero engines continues to grow steadily against a background of strong airline results driven by robust tourist demand and lower oil prices.

Under this business environment, Orders received decreased from the previous fiscal year, owing to lump-sum procurement of aero engines by Japan Ministry of Defense in the previous fiscal year and a decline in civil aero engines due to the effect of yen appreciation, despite an increase in Rocket systems/space exploration Business.

Sales decreased mainly due to the effect of yen appreciation in civil aero engines.

Despite an increase in spare-parts sales and a decrease in R&D expenses, operating profit decreased from the previous fiscal year, owing to the foreign exchange effect and the launch of sales of the mass production stage for the PW1100G engine.

In this Business Segment, we have made steady progress in dealing with rising demand for spare parts for aero engines and in measures to reduce costs for the new PW1100G engine, which at this early stage of volume production has low profitability, and we are pursuing initiatives to hold to a minimum the effect of deterioration in profitability caused by the increase in shipment

(Translation purposes only)

volumes.

Note that forward-looking statements are based on the Group's judgments as of the end of the current fiscal year (March 31, 2017).

(2) Cash flows

At the end of the current fiscal year, the outstanding balance of cash and cash equivalents (hereinafter, "cash") was ¥115.9 billion, an increase of ¥12.3 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 ¥65.3 billion (The previous fiscal year: gain of ¥95.3 billion). The main factors of increase were recognition of depreciation of ¥57.8 billion, a decrease in notes and accounts receivable - trade of ¥41.5 billion, an increase in advances received of ¥30.3 billion, while the main factors of decrease were a decrease in accrued expenses of ¥27.0 billion, an increase in inventories of ¥17.1 billion, a decrease in provision for loss on construction contracts of ¥16.1 billion and payments for guarantee of obligations of ¥10.2 billion.

(Cash flows from investing activities)

Net cash used in investing activities was ¥28.9 billion (The previous fiscal year: use of ¥35.5 billion). This was due mainly to purchase of property, plant and equipment and intangible assets of ¥54.2 billion and proceeds from sales of property, plant and equipment ¥28.8 billion.

(Cash flows from financing activities)

Net cash used in financing activities was ¥21.9 billion (The previous fiscal year: use of ¥47.5 billion). This was due mainly to proceeds from long-term loans payable of ¥49.6 billion, repayments of long-term loans payable of ¥57.4 billion and redemption of bonds of ¥10.0 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	434,822	(4.5)
Social Infrastructure and Offshore Facility	148,092	(19.4)
Industrial System and General-Purpose Machinery	399,737	(3.4)
Aero Engine, Space and Defense	443,325	(1.8)
Reportable segment total	1,425,976	(5.2)
Others	66,823	2.6
Total	1,492,799	(4.9)

- 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	352,848	(33.8)	752,378	(10.8)
Social Infrastructure and Offshore Facility	150,127	16.8	196,192	1.0
Industrial System and General-Purpose Machinery	420,563	(0.3)	148,402	7.5
Aero Engine, Space and Defense	451,528	(12.4)	511,083	(5.5)
Reportable segment total	1,375,066	(14.0)	1,608,055	(6.3)
Others	68,382	4.0	17,246	(30.4)
Adjustments	(53,563)	—	—	—
Total	1,389,885	(13.4)	1,625,301	(6.7)

- Notes:
1. Orders received in each segment includes intersegment transactions, and the total amount of intersegment transactions has been eliminated with adjustments amounts.
 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	427,340	(5.6)
Social Infrastructure and Offshore Facility	157,797	(6.2)
Industrial System and General-Purpose Machinery	411,607	1.7
Aero Engine, Space and Defense	471,990	(5.6)
Reportable segment total	1,468,734	(3.7)
Others	75,137	7.6
Adjustments	(57,539)	—
Total	1,486,332	(3.4)

- Notes:
1. Segment sales include intersegment transactions, and the total amount of intersegment transactions has been eliminated with the adjustments amounts.
 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)	175,853	11.4	179,512	12.1

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. Management Policies, Business environment and Issues to be addressed

(1) IHI's basic policy for management

The IHI Group positions being a good corporate citizen who develops together with society as our primary objective. And, through the below visions based on our management philosophies of "Contribute to the development of society through technology" and "Human resources are our single most valuable asset", the IHI Group aims to be the global enterprise group which solves the various environmental, industrial, social, and energy related problems of the 21st century, through using engineering expertise to focus on "Monozukuri" technology, and offering the safety and security for the benefit of both the environment and humanity.

To realize these management policies, IHI group employees are being encouraged to work as distinguished professionals, striving to excel as a global company in "Monozukuri" and engineering technologies with world-renowned product quality. And 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 shareholders' returns expected by the capital markets and creating sustainable corporate value.

(2) Medium-to-long term management strategy and management indicators

In November 2015, the IHI Group established its "Group Management Policies 2016," a three-year medium-term management plan that became effective from April 2016.

Based on the current business environment and outcomes and issues encountered with the "Group Management Policies 2013," the IHI Group is steadily implementing concrete initiatives in accordance with the following policies, which are focused on strengthening the Group's earnings foundations: 1) enhance the Group's ability to implement business strategies, 2) establish systems to secure stable profits from construction projects, and 3) provide solutions aimed at creating value for customers and enhance products and services.

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

(3) Issues to be addressed

Within the economic and business environment noted in "1. Overview of business results" under "II. Overview of business", in the current fiscal year, the Group took various measures based on these above policies, and with regard to business restructuring and concentration and selection within businesses, achieved a certain amount of progress and outcome, but in a continuation of the previous fiscal year, profitability deteriorated at a large-scale project in progress, and profits undershot the initial target.

In fiscal 2017, which is the second year of the "Group Management Policies 2016," a medium-term management plan, the IHI Group will use thoroughgoing risk management during the period to prevent further deterioration in the profitability outlook, aiming to raise the likelihood of achieving the management targets for fiscal 2018 set out in the "Group Management Policies 2016," as well as seeking to strengthen the earnings foundations.

(i) Shifting from a "sector structure" to a "business area structure"

In April of this year, the previous business management structure consisting of one business division and eight sectors was abolished and operations were organized into the four business areas of "Resources, Energy and Environment," "Social Infrastructure and Offshore Facility," "Industrial System and General-Purpose Machinery" and "Aero Engine, Space and Defense." With these business domains at the core, the IHI Group will accelerate business restructuring, strengthen risk management and promote Group management, steadily developing measures for the achievement of the management targets in "Group Management Policies 2016."

(ii) Strengthen risk management

In April of this year, the screening and monitoring functions for large-scale project orders and large-scale investment projects, which had previously been distributed throughout the corporate headquarters, were drawn together in one place to start the new Project Risk Management Division. This division will work in concert with the individual business areas, seeking to understand risks and respond promptly to them by means of communication that puts a high priority on information from on site.

(iii) Creating customer value

For the growth of the IHI Group, it is vital that the business model is transformed into something that is not bound by our previous perspectives. We believe that in order to achieve this a flexible and speedy response based on close communications with the customer is essential, and through this setup we will secure orders that contribute to the realization of customer value. Also, the IHI Group will actively use shared group functions ("solutions," "advanced information management," and "global businesses") to accelerate the efforts to create competitive business models.

The IHI Group aims to improve its corporate value through the measures described above.

Note that forward-looking statements are based on the Group's judgments as of the end of the current fiscal year (March 31, 2017).

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, 2017). 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

Although the Japanese economy is expected to continue on an overall trend of recovery, the outlook is expected to remain uncertain with dramatic movement in foreign exchange rates and other factors. Meanwhile, while the global economy is expected to continue its overall moderate recovery, there are concerns over potential downside risks among the global economies primarily as a result of the impact of the new president’s trends in policies and monetary policy normalization in the U.S., the impact of uncertainty related to the economic outlook and policies for, among other countries, China and other emerging countries in Asia, and trends of worldwide geopolitical risks.

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 Group’s products and services prove unable to adequately compete with competitors in terms of performance, quality, or price, the 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 Group’s operating results and financial position could be adversely affected as a result.

IHI established the biopharmaceutical manufacturing company UNIGEN Inc. (hereinafter “UNIGEN”), a consolidated subsidiary of UMN Pharma Inc. (hereinafter “UMN Pharma”), based on a basic agreement on a manufacturing business for drug substances for influenza vaccine concluded with UMN Pharma in January 2010 and has been advancing preparations towards drug substance manufacture for the seasonal influenza vaccine using insect cell cultures being jointly developed by Astellas Pharma Inc. (hereinafter “Astellas Pharma”) and UMN Pharma.

As a result of having considered with UMN Pharma the optimum approach to the future of the influenza drug substance manufacturing business in the light of Astellas Pharma and UMN Pharma’s announcement of the withdrawal of the latter two companies’ application for manufacturing and marketing approval of the vaccine, IHI and UMN Pharma have transferred, on January 31, 2017, all the shares of UNIGEN owned by IHI and UMN Pharma to API Co., Ltd, which wished to become a sponsor of UNIGEN.

(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 Group’s operating results and financial position could be adversely affected.

(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

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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 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.

(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 "2. 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.

Regarding F-LNG/Offshore structure Business, in view of the significant deterioration of profitability from fiscal year 2014, IHI has thoroughly explored transforming the business structure to focus on aluminum SPB tanks, as well as the need for drastic countermeasures in light of prospects for the offshore market.

The current offshore market has been in an ongoing slump with no expectations of a demand recovery, due mainly to the fall in crude oil prices. Under this business environment, there is uncertainty in sufficient workload for the operation of the Aichi Works, one of IHI's main works, from the fiscal year 2018 onwards. IHI reached the conclusion that, even including its utilization by other businesses of the Group, it would be difficult for the Aichi Works to ensure profitability by continuous and stable input of new orders. As a result, after the completion of projects for which orders have already been received, IHI has decided to end the Aichi Works' function as a production base.

The future policies are below.

(i) The Group will do its utmost to complete the SPB cargo tanks and the FPSO (Floating Production Storage and Offloading Unit) shipbuilding project that are currently under construction.

(ii) IHI will fulfill its responsibility to provide after-sales services following delivery by quickly setting up a dedicated organizational unit and assigning skilled personnel with experience and high levels of expertise. Also, IHI will maintain and utilize, as knowhow, its manufacturing technology and technical skill gained up to this point

(iii) IHI will maintain employment for the employees of the Aichi Works by optimally re-assigning them within the Group, and

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continue looking to utilize the Aichi area in new ways in the future

Also, IHI will continue to explore possibilities for the Group's future presence in the field of offshore development, taking societal demand into consideration.

(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 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 Group's reputation within society. Such eventualities may adversely affect the Group's operating results and financial position.

(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 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 Group's operating results.

(11) Research and development

Information relating to the IHI Group's research and development activities is included in "6. 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 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 Group's operating results and financial position.

Of the legal proceedings under way, there is no case recognized that has the potential to exert a significant adverse effect on the operation of the Group. However, unanticipated legal proceedings of which the Group is currently unaware could arise. If this risk materializes, the 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 Group's operating results.

(14) Health and safety

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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 Group's operating results and financial position. The 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 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 Group's operating results and financial position.

(17) Currency movements

Currency movements have a significant impact on the IHI 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 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 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 Group's operating results and financial position.

Moreover, if a credit rating agency downgrades the 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 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 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 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 Group's growth prospects, operating results, and financial position could be adversely affected.

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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, 2017
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, 2023

(2) Licensing-out contracts

Name of Contracting Company	Name of Counterparty	Country	Licensed Products	Details	Contract Period
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	From 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 business areas 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 ¥35.5 billion on R&D.

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

(1) Resources, Energy and Environment

Resources, Energy and Environment Business Area and Corporate Research & Development are engaged in research and development related to boilers, power systems, process plant, nuclear power, power systems for land and marine use, and other fields. The subsidiaries primarily include Niigata Power Systems Co., Ltd. and IHI Enviro Corporation.

Key achievements in the current fiscal year included winning Minister of Economy, Trade and Industry Award in New Energy Awards 2016 by the practical application of Biomass High Ratio Co-Firing Technology, implementation of downsizing for middle sized boilers of Advanced Ultra Supercritical coal-fired power generation technology, development of technology to reduce the pilot fuel consumption, which is a low-speed two-stroke engine. R&D expenses in this segment totaled ¥6.1 billion.

(2) Social Infrastructure and Offshore Facility

Social Infrastructure and Offshore Facility Business Area and Corporate Research & Development are engaged in research and development related to bridge/water gate, transport systems and other fields. The subsidiaries primarily include Niigata Transys Co., Ltd and IHI Infrastructure Systems Co., Ltd.

Key achievements in the current fiscal year included the completion of Izmit Bay Crossing Bridge which is the result of bolstering technical capabilities continuously to enhance the stability of a long-span suspension bridge. R&D expenses in this segment totaled ¥700 million.

(3) Industrial System and General-Purpose Machinery

Industrial System and General-Purpose Machinery Business Area and Corporate Research & Development are engaged in research and development related to vehicular turbochargers, transport machinery, thermal and surface treatment, compressors, parking and other fields.

The subsidiaries primarily include IHI Charging Systems International GmbH, IHI Shibaura Machinery Corporation, IHI Transport Machinery Co., Ltd., IHI STAR Machinery Corporation, IHI Logistics & Machinery Corporation, and IHI Hauzer Techno Coating BV.

Key achievements in the current fiscal year included the development of turbochargers for downsizing engine to contribute to reduced fuel consumption, enhancement of estimation of containment performance of turbochargers to enhance safety, development of energy storage system to control peak of power consumption, joint development of turbo rotating machine for large cooling capacity turbo refrigerator for cooling superconducting power equipment, joint development of the world's first dedicated turbocharger for marine auxiliary engine applications, and development of cryogenic rotating machinery to cool experimental reactor for nuclear fusion. R&D expenses in this segment totaled ¥7.4 billion.

(4) Aero Engine, Space and Defense

Aero Engine, Space and Defense Business Area and Corporate Research & Development 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 obtaining approval for "GE Passport 20" Civil Aero Engine, whose development IHI has been involved with, construction of mass production systems to make carbon fiber reinforced plastic (CFRP) for the PW1100G-JM engine, and application "MSCoating®" which IHI jointly developed with Mitsubishi Electric to GE90. Due to our development of rocket systems, Epsilon-2 was successfully launched. R&D expenses in this segment totaled ¥9.9 billion.

(5) Others

Head office divisions and Corporate Research & Development 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., and MEISEI ELECTRIC CO., LTD.

Key achievements in the current fiscal year included the technology using hydrogen and ammonia for the promotion of

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renewable energy and the reduction of carbon dioxide emission in power generation area. And, to reform its business model and create new customer value through more sophisticated products and services and achieve more sophisticated manufacturing by utilizing ICT, the IHI Group is applying the Group's common platform for remote maintenance, the ILIPS, to maintenance services of aero engines and logistics machinery system, and working on initiatives of improvement of customer support service by failure prediction and preventive maintenance. By these corporate stance and initiatives, the company was selected as one of the "Competitive IT Strategy Companies" in the "2016 Competitive IT Strategy Company Stock Selection". And, the company won the Japan Association for Wind Engineering Research & Development award, due to utilization of the high density weather observation system by POTEKA, construction of the forecast system for gusts, and contribution to regional disaster prevention by offering observation data. R&D expenses in this segment totaled ¥11.3 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 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 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 decreased by 3.4% from the previous fiscal year to ¥1,486.3 billion. In terms of profit, operating profit amounted to ¥47.3 billion, ordinary profit came to ¥22.0 billion, and profit attributable to owners of parent was ¥5.2 billion.

(ii) Net sales

Consolidated net sales decreased by ¥53.0 billion versus the previous fiscal year, to ¥1,486.3 billion.

Decreased sales in process plants, power system plants, power systems for land and marine use, and civil aero engines due to the effect of yen appreciation, resulting in lower sales overall. Overseas sales decreased 5.0% compared with the previous fiscal year, to ¥757.4 billion, accounting for 51% of consolidated net sales (compared with 52% in the previous fiscal year).

(iii) Operating profit

Consolidated operating profit increased by ¥25.3 billion versus the previous fiscal year, to ¥47.3 billion.

Consolidated operating profit rose overall, mainly due to such factors as the disappearance of repair costs of noncompliant welding posted in the previous fiscal year in relation to boiler projects, as well as the reducing deficit in the Social Infrastructure and Offshore Facility segment, despite deterioration of profitability in large projects underway in North America.

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

Consolidated non-operating income/loss changed from a loss of ¥12.3 billion (net) in the previous fiscal year to a loss of ¥25.3 billion (net) in the current fiscal year. This was because non-operating expenses included a share of loss of entities accounted for using equity method of ¥3.5 billion, foreign exchange losses of ¥6.7 billion, and other non-operating expenses including compensation for damage of ¥20.6 billion, while the recording of reversal of accrued expense for delayed delivery of ¥2.2 billion among others as non-operating income.

As a result, added to those above change, consolidated ordinary profit improved by ¥12.2 billion compared with the previous fiscal year to ¥22.0 billion.

(v) Extraordinary income/losses

Consolidated extraordinary income/losses changed from a loss of ¥11.3 billion (net) in the previous fiscal year to a loss of ¥3.9 billion (net) in the current fiscal year. This was because extraordinary losses posted included 9.9 billion yen for business structural reform expenses related to F-LNG/Offshore structure Business, 6.9 billion yen for settlement-related expenses related to delivered boiler facilities, and 9.8 billion yen for a loss on transfer of receivables related to the transfer of shares in UNIGEN Inc., while the recording of 23.5 billion yen for the gain on sales of non-current assets such as the sale of land of a building in Toyosu, Koto-ku, and 3.4 billion yen for the gain on contribution of securities to retirement benefit trust.

(vi) Profit attributable to owners of parent

As a result of the factors described above, profit attributable to owners of parent improved by ¥3.7 billion from ¥1.5 billion in the previous fiscal year to ¥5.2 billion in the current fiscal year. Consequently, basic earnings per share decreased from ¥0.99 in the previous fiscal year to ¥3.40 in the current fiscal year.

In the fiscal year ended March 31, 2017, the first year of the "Group Management Policies 2016," aimed at "strengthening our earnings foundations", there was a shortfall in profits versus the start-of-year target due to the recording of additional cost and business structural reform expenses related to F-LNG/Offshore structure Business, deterioration of profitability in large projects in North America in Process plants Business, and impact of retreat from the influenza drug substance manufacturing business.

Regarding F-LNG/Offshore structure Business, the IHI Group will do its utmost to complete the projects that are currently under construction. On the other hand, while we stopped accepting new orders of F-LNG and explored into transforming the business structure to focus on aluminum SPB tanks, but given the prospects for the offshore market, we judged that it would be difficult

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to ensure profitability by continuous input of new orders. Accordingly, after the completion of projects for which orders have already been received, we will end the Aichi Works' function as a production base of aluminum SPB tanks.

Concerning large-scale projects underway in North America, its profitability was deteriorated due to delays in the installation construction stages. The Group is planning the prevention of further deterioration by more detailed monitoring of its progress than ever and timely measure.

Concerning the influenza drug substance manufacturing business, as a result of having considered UMN Pharma Inc. about the optimum approach to the future of business, IHI have transferred, on January 31, 2017, all the shares of UNIGEN to API Co., Ltd.

In response to these issues, the Group will use thoroughgoing risk management aiming to raise the likelihood of achieving the management targets set out in the "Group Management Policies 2016," as well as seeking to strengthen the earnings foundations.

(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 ¥1,692.8 billion, down ¥22.2 billion from the end of the previous fiscal year. The main items with significant increase were work in process, up ¥17.9 billion, and cash and deposits, up ¥12.3 billion. The main items with significant decrease were notes and accounts receivable - trade, down ¥41.7 billion, and raw materials and supplies, down ¥8.1 billion.

Total liabilities were ¥1,355.2 billion, a decrease of ¥26.4 billion compared with the end of the previous fiscal year. The main item with significant increase was advances received, up ¥28.5 billion. The main items with significant decrease were accrued expenses, down ¥22.7 billion, provision for loss on construction contracts, down ¥15.8 billion and notes and accounts payable - trade, down ¥11.5 billion.

Net assets were ¥337.6 billion, up ¥4.2 billion compared with the end of the previous fiscal year. This includes profit attributable to owners of parent of ¥5.2 billion.

As a result of the above, net assets per share were ¥206.03 down ¥0.13 compared with the end of the previous fiscal year, and the ratio of equity to total assets slightly increased from 18.6% at the end of the previous fiscal year to 18.8%.

(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 ¥371.9 billion, down ¥2.6 billion from the end of the previous fiscal year. This was primarily due to collected accounts receivable provided by business activities.

At the end of the current fiscal year, the outstanding balance of cash and cash equivalents was ¥115.9 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 ¥52.7 billion during the current fiscal year. These investments were focused on the increase of production capacity, improvements to production systems, as well as the streamlining of production and other measures to enhance competitiveness. Investments by segment were follows:

In Resources, Energy and Environment, ¥6.1 billion was invested to increase production capacity, as well to maintain and upgrade existing facilities.

In Social Infrastructure and Offshore Facility, ¥6.2 billion was invested to maintain and upgrade assets for lease.

In Industrial System and General-Purpose Machinery, ¥13.6 billion was invested to increase production capacity.

In Aero Engine, Space and Defense, ¥22.6 billion was invested to increase production capacity, improve production systems, as well to maintain and upgrade existing facilities.

In others, ¥3.9 billion was invested to acquire real estate for lease.

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 and LNG tanks	1,181	1,828	212 (184)	12	105	3,338	454
Yokohama Works (Yokohama-city, Kanagawa)	Resources, Energy and Environment	Production facilities for components for nuclear power plants	2,236	2,230	1,106 (227)	132	433	6,137	404
Aichi Works (Chita-city, Aichi)	Social Infrastructure and Offshore Facility	Production facilities for F-LNG/Offshore structures	377	152	3,433 (734)	0	39	4,001	462
Mizuho Aero-Engine Works (Nishitama-gun, Tokyo)	Aero Engine, Space and Defense	Production facilities for aero engines and space-related equipment	3,648	4,317	2,023 (169)	211	948	11,147	1,669
Soma Aero-Engine Works (Soma-city, Fukushima)	Aero Engine, Space and Defense	Production facilities for aero engines and space-related equipment	8,215	8,820	3,398 (378)	1,754	10,308	32,495	939
Kure Aero-Engine & Turbo Machinery Works (Kure-city, Hiroshima)	Aero Engine, Space and Defense	Production facilities for aero engines	1,483	2,552	57 (48)	193	255	4,540	453
Head Office (Koto-ku, Tokyo, etc.) (Notes 2 and 3)	Others	Other facilities	79,025	5,593	35,793 (132,889)	2,817	4,011	127,239	3,693

- 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 ¥94,756 million of assets (mainly assets for lease) belonging to the Social Infrastructure and Offshore Facility segment.

(Translation purposes only)

(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	837	973	2,152 (152)	22	351	4,335	332
	Niigata engine Works (Niigata-city, Niigata)	Resources, Energy and Environment	Production facilities	915	1,131	1,050 (55)	4	30	3,130	208
IHI Infrastructure Systems Co., Ltd.	Sakai Works (Sakai-city, Osaka)	Social Infrastructure and Offshore Facility	Production facilities	2,478	1,293	5,686 (83)	—	157	9,614	504
IHI Transport Machinery Co., Ltd.	Numazu Works (Numazu-city, Shizuoka)	Industrial System and General-Purpose Machinery	Production facilities	526	54	1,345 (107)	149	5	2,079	122
IHI Turbo Co., Ltd.	Kiso Works (Kiso-gun, Nagano)	Industrial System and General-Purpose Machinery	Production facilities	1,019	901	94 (65)	867	322	3,203	385
	Shinmachi Works (Kamiina-gun, Nagano)	Industrial System and General-Purpose Machinery	Production facilities	1,686	625	194 (25)	1,052	292	3,849	106
IHI Shibaura Machinery Corporation	Matsumoto Works (Matsumoto-city, Nagano)	Industrial System and General-Purpose Machinery	Production facilities	787	774	4,497 (102)	697	516	7,230	439
IHI AEROSPACE CO., LTD.	Tomioka Works (Tomioka-city, Gunma)	Aero Engine, Space and Defense	Production facilities	4,537	2,295	2,388 (490)	411	1,510	11,141	921

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	1,124	5,379	414 (35)	70	1,324	8,311	954
IHI Charging Systems International GmbH (Note 2)	Germany and Italy	Industrial System and General-Purpose Machinery	Production facilities	686	7,956	152 (8)	2,084	1,363	12,241	979
IHI TURBO (THAILAND) CO., LTD.	Thailand	Industrial System and General-Purpose Machinery	Production facilities	1,246	2,960	333 (54)	—	1,102	5,641	747
Changchun FAWER-IHI Turbo Co., Ltd.	China	Industrial System and General-Purpose Machinery	Production facilities	1,237	2,213	—	—	197	3,647	314

- 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 ¥65.0 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 2017 (Millions of yen)	Facilities
Resources, Energy and Environment	7,500	Production facilities for boilers, motors for land and marine use, components for nuclear power plants, etc.
Social Infrastructure and Offshore Facility	7,500	Production facilities for bridges and water gates, upgrades to real estate lease properties, etc.
Industrial System and General-Purpose Machinery	14,000	Thermal- and surface-treatment facilities, production facilities for vehicular turbochargers, rotating machinery, etc.
Aero Engine, Space and Defense	28,000	Production facilities for aero engines such as PW1100G, space-related equipment, etc.
Reportable segment total	57,000	
Others (Note 3)	8,000	
Total	65,000	

- 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, 2017, there is no plan to sell or scrap any of the IHI Group's important facilities.

Also, with regard to Aichi Works, IHI has decided to end its function as a production base after the completion of projects for which orders have already been received. Therefore, IHI is examining sale and scrap of F-LNG/Offshore structure production facilities which Aichi Works has held.

(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

Note: At the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, the agenda item regarding the consolidation of shares of IHI was duly approved. As a result, the total number of authorized shares will be 300,000,000 shares as of October 1, 2017.

(ii) Issued shares

Class	Number of issued shares as of the end of the fiscal year (Shares) (March 31, 2017)	Number of issued shares as of the filing date (Shares) (June 23, 2017)	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	—	—

- Notes: 1. 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, 2017 and the filing date of this Annual Securities Report.
2. IHI resolved at a meeting of the Board of Directors held on May 19, 2017 that it would change the number of shares constituting one unit from 1,000 shares to 100 shares effective as of October 1, 2017.
3. At the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, the agenda item regarding the consolidation of shares of IHI was duly approved. As a result, IHI will consolidate its 10 of its shares into 1 share effective as of October 1, 2017.

(Translation purposes only)

(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, 2017)	As of the end of the month previous to the filing month (May 31, 2017)
Number of subscription rights to shares (Units)	46	46
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common stock Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	46,000	46,000
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, 2017)	As of the end of the month previous to the filing month (May 31, 2017)
Number of subscription rights to shares (Units)	180	180
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common stock Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	180,000	180,000
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, 2017)	As of the end of the month previous to the filing month (May 31, 2017)
Number of subscription rights to shares (Units)	257	257
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common stock Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	257,000	257,000
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, 2017)	As of the end of the month previous to the filing month (May 31, 2017)
Number of subscription rights to shares (Units)	433	413
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common stock Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	433,000	413,000
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, 2017)	As of the end of the month previous to the filing month (May 31, 2017)
Number of subscription rights to shares (Units)	436	436
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common stock Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	436,000	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, 2017)	As of the end of the month previous to the filing month (May 31, 2017)
Number of subscription rights to shares (Units)	671	671
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common stock Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	671,000	671,000
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, 2017)	As of the end of the month previous to the filing month (May 31, 2017)
Number of subscription rights to shares (Units)	315	315
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common stock Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	315,000	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, 2017)	As of the end of the month previous to the filing month (May 31, 2017)
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 stock 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, 2017)	As of the end of the month previous to the filing month (May 31, 2017)
Number of subscription rights to shares (Units)	236	236
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common stock Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	236,000	236,000
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

(Translation purposes only)

(x)Resolution made at the Board of Directors' meeting held on July 25, 2016
(10th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2017)	As of the end of the month previous to the filing month (May 31, 2017)
Number of subscription rights to shares (Units)	491	491
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–	–
Class of shares underlying subscription rights to shares	Common stock Number of shares per unit: 1,000 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	491,000	491,000
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, 2016 to August 9, 2046	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: 279 Additional paid-in capital per share: 140	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

- (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 a director or an executive officer, the date he/she lost its position as 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
10th Subscription Rights to Shares	August 9, 2045	From August 10, 2045 to August 9, 2046

(Translation purposes only)

- (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 Directors' 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 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 stock 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.
- (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

(Translation purposes only)

(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, 2017, and the filing date of this Annual Securities Report (June 23, 2017).

(6) Shareholding by shareholder category

(As of March 31, 2017)

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)	1	72	46	934	520	60	80,632	82,265	–
Number of shares held (Units)	2	559,823	19,680	62,454	549,016	709	352,676	1,544,360	2,439,542
Ratio (%)	0.00	36.25	1.27	4.04	35.55	0.05	22.84	100	–

- Notes:
1. 2,562,679 shares of treasury shares held by IHI are included in “Individuals and other” and “Share less than one unit” in the above table. These amounts are 2,562 units and 679 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, 2017)

Name	Address	Number of shares held (Thousand shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-trusted 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	50,665	3.27
Japan Trustee Services Bank, Ltd. (Holder in Trust)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	48,573	3.14
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-trusted 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 505001 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	43,454	2.80
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. (15-1, Konan 2-chome, Minato-ku, Tokyo)	40,350	2.60
Japan Trustee Services Bank, Ltd. (Holder in Trust 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	29,286	1.89
Japan Trustee Services Bank, Ltd. (Holder in Trust 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	28,232	1.82
IHI Customer Stock Ownership Association	1-1, Toyosu 3-chome, Koto-ku, Tokyo	25,572	1.65
Total	-	421,594	27.25

- 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. (TOSHIBA Corporation Retirement Benefit Trust Account re-trusted by Sumitomo Mitsui Trust Bank, Limited), The Master Trust Bank of Japan, Ltd. (Holder in Trust), Japan Trustee Services Bank, Ltd. (Holder in Trust), Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-trusted by Mizuho Trust and Banking Co., Ltd., Japan Trustee Services Bank, Ltd. (Holder in Trust 9) and Japan Trustee Services Bank, Ltd. (Holder in Trust 5) are held through trusts.
 - The Dai-ichi Life Insurance Company, Limited shifted to a holding company structure by means of a corporate split on October 1, 2016, and has changed the trade name to “Dai-ichi Life Holdings, Inc.” Moreover, all the shareholdings owned by said company have been inherited by that company’s fully owned subsidiary, The Dai-ichi Life Insurance Company, Limited.
 - In the Report of Possession of Large Volume provided for public viewing on June 6, 2016, the following shareholdings are respectively attributed to BlackRock Japan Co., Ltd. and its seven joint holders as of May 31, 2016. However, since IHI is unable to confirm the actual number of shares held as of March 31, 2017, they are not included in major shareholders above.

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
BlackRock Japan Co., Ltd.	24,314	1.57
BlackRock Investment Management LLC	1,547	0.10
BlackRock (Luxembourg) S.A.	3,192	0.21
BlackRock Life Limited	3,877	0.25
BlackRock Asset Management Ireland Limited	5,558	0.36
BlackRock Fund Advisors	17,853	1.15
BlackRock Institutional Trust Company, N.A.	20,952	1.35
BlackRock Investment Management (UK) Limited	3,027	0.20

(Translation purposes only)

Total	80,322	5.19
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5. In the Change Report pertaining to Report of Possession of Large Volume provided for public viewing on October 21, 2016, the following shareholdings are respectively attributed to Mizuho Bank, Ltd. and its joint holder as of October 14, 2016. However, since IHI is unable to confirm the actual number of shares held as of March 31, 2017, they are not included in major shareholders above.

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
Mizuho Bank, Ltd.	66,890	4.32
Asset Management One Co., Ltd.	58,860	3.81
Total	125,751	8.13

6. In the Change Report pertaining to Report of Possession of Large Volume provided for public viewing on December 22, 2016, the following shareholdings are respectively attributed to Mizuho Bank, Ltd. and its joint holder as of December 15, 2016. However, since IHI is unable to confirm the actual number of shares held as of March 31, 2017, they are not included in major shareholders above.

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
Mizuho Bank, Ltd.	45,979	2.97
Asset Management One Co., Ltd.	58,936	3.81
Total	104,915	6.78

(8) Voting rights

(i) Issued shares

(As of March 31, 2017)

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 stock 2,562,000	–	This is IHI's standard shares whose holders have unlimited rights.
	(reciprocally held shares) Common stock 157,000	–	Same as above
Shares with full voting rights (others)	Common stock 1,541,641,000	1,541,641	Same as above
Shares less than one unit	Common stock 2,439,542	–	Shares less than one unit (1,000 shares)
Number of issued shares	1,546,799,542	–	–
Total number of voting rights	–	1,541,641	–

- Notes: 1. Common stock in “Shares less than one unit” include 679 shares of treasury shares held by IHI.
2. Common stock 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, 2017)

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	2,562,000	–	2,562,000	0.17
(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	–	2,719,000	–	2,719,000	0.18

(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

	10th Subscription Rights to Shares
Date of resolution	July 25, 2016
Category and number of grantees	10 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)

(10) Employee share ownership program

IHI introduced a performance-based share remuneration plan for directors (excluding outside directors) of IHI (hereinafter, the “Plan” in this section) by resolutions at the 200th Ordinary General Meeting of Shareholders, held on June 23, 2017, and at the Board of Directors meeting held on the same day. Also at the same Board of Directors meeting, IHI resolved to adopt the same system as the Plan for the executive officers of IHI.

(i) Overview of the Plan

The Plan is a system by which the directors and the executive officers (hereinafter “Directors, etc.” in this section) will have shares of IHI’s common stock (hereinafter the “IHI’s shares” in this section) and money equivalent to the market value of IHI’s shares (hereinafter collectively with IHI’s shares, the “IHI’s shares, etc.” in this section) transferred to them through a trust set up by IHI (hereinafter the trust to be established based on the Plan shall be referred to as the “Trust” in this section).

(a) Acquisition of IHI’s shares by the Trust

The Trust will acquire IHI’s shares with money contributed by IHI as funds to transfer IHI’s shares, etc. to Directors, etc.

(b) Awarding of points to Directors, etc.

IHI will award Directors, etc. points, which will become the base for transferring IHI’s shares, etc. in accordance with the rules for transfer of shares prescribed by IHI.

(c) Adjustment of points

After the end of the three consecutive fiscal years of which the initial fiscal year will be the year when points will be awarded, such awarded points will be adjusted based on the degree of achievement of performance indicators (consolidated ROIC [return on invested capital]) predetermined by the Board of Directors of IHI.

(d) Transfer of IHI’s shares, etc. to Directors, etc.

The Trust will transfer IHI’s shares, etc. equivalent to the number of such adjusted points to Directors, etc. (including those who were eligible for receiving points as stated in above (b) but who retired from IHI in subsequent years).

(ii) Number of IHI’s shares to be acquired by the Trust and method of acquisition

In the fiscal year ending March 31, 2018, IHI will award a total of 380,576 points to directors and a total of 359,219 points to executive officers, and it is planned that the Trust will acquire a number of shares equivalent to the number of these points multiplied by 150% (1 point will be calculated as 1 share). However, as of the filing date of this Annual Securities Report, the details such as when the Trust will be established, when the shares will be acquired, and the total amount of the shares to be acquired have not been determined.

(iii) Scope of persons eligible to receive beneficiary rights for the Trust and other rights

Such persons shall be those with the status of director of IHI (excluding outside director) or the status of executive officer of IHI during any fiscal year corresponding to a date on which points are awarded as referred to in (i) (b) above.

(Translation purposes only)

2. Acquisitions, etc. of treasury shares

Classes of shares, etc.

Acquisition of common stock 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 stock 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	9,074	2,824,985
Treasury shares acquired during the current period	1,173	476,765

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, 2017 to the filing date of this Annual Securities Report.

(4) Disposals or holding of acquired treasury shares

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)	272,001	54,390,240	20,000	4,006,800
Number of treasury shares held	2,562,679	-	2,543,852	-

- Notes:
1. During the current fiscal year, some were disposed of due to the exercise of subscription rights to shares (272,000 shares, total disposal amount of ¥54,390,040) and some were disposed of due to the request for sale of shares less than one unit (1 share, total disposal amount of ¥200).
 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, 2017 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."

After comprehensively considering factors such as operating performance and retained earnings, IHI has decided to forgo paying an interim dividend and year-end dividend.

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.

4. Historical records of share price

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

Fiscal year	196th	197th	198th	199th	200th
Year ended	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Highest (Yen)	310	516	637	610	362
Lowest (Yen)	150	261	377	154	191

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 2016	November 2016	December 2016	January 2017	February 2017	March 2017
Highest (Yen)	304	335	356	319	361	362
Lowest (Yen)	264	266	301	294	300	338

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: 16 Women: 3 (Percentage of women among directors and audit & supervisory board members: 15.8%)

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	—	Tamotsu Saito	July 13, 1952	Apr. 1975	Joined IHI	(Note 7)	115
				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		
				Apr. 2016	Chairman of the Board; Chief Executive Officer, General Manager of <i>Monozukuri</i> System Strategy Planning Headquarters, IHI		
				Apr. 2017	Chairman of the Board, IHI (incumbent)		
President	Chief Executive Officer	Tsugio Mitsuoka	October 13, 1954	Apr. 1980	Joined IHI	(Note 7)	57
				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		
				Apr. 2017	President; Chief Executive Officer, IHI (incumbent)		
Executive Vice President	—	Toshinori Sekido	July 6, 1953	Apr. 1978	Joined IHI	(Note 7)	50
				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	Senior Executive Officer; President of Social Infrastructure & Offshore Facility Business Area	Ichiro Terai	January 12, 1954	Apr. 1976	Joined IHI	(Note 7)	24
				Apr. 2002	Manager of Tax Accounting Group, Finance & Accounting Division, IHI		
				Apr. 2009	Executive Officer; Deputy General Manager of Finance & Accounting Division and 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		
				Apr. 2017	Executive Vice President; Senior Executive Officer; President of Social Infrastructure and Offshore Facility Business Area, IHI (incumbent)		
Director	Managing Executive Officer; President of Resources, Energy & Environment Business Area	Hiroyuki Otani	October 8, 1955	Apr. 1978	Joined IHI	(Note 7)	46
				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		
				Apr. 2017	Director; Managing Executive Officer; President of Resources, Energy and Environment Business Area, IHI (incumbent)		
Director	Managing Executive Officer; President of Industrial System & General-Purpose Machinery Business Area	Mikio Mochizuki	July 8, 1954	Apr. 1978	Joined IHI	(Note 7)	33
				Jan. 2008	General Manager of Project Audit Division, IHI		
				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		
				Apr. 2017	Director; Managing Executive Officer; President of Industrial System and General-Purpose Machinery Business Area, 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 & Defense Business Area	Tomoharu Shikina	February 4, 1958	May 1980	Joined IHI	(Note 7)	29
				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		
				Apr. 2017	Director; Managing Executive Officer; President of Aero-Engine, Space & Defense Business Area, IHI (incumbent)		
Director	Managing Executive Officer; General Manager of Sales Headquarters	Atsushi Kuwata	May 30, 1957	Apr. 1981	Joined IHI	(Note 7)	8
				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		
				Apr. 2017	Director; Managing Executive Officer; General Manager of Sales 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	Executive Officer; General Manager of Finance & Accounting Division	Takeshi Yamada	July 14, 1958	Apr. 1981 Apr. 2006 Jul. 2011 Apr. 2014 Apr. 2017 Jun. 2017	Joined IHI Manager of Budgeting Group, Finance & Accounting Division, IHI Manager of Planning Group, Corporate Planning Division, IHI Executive Officer; Deputy General Manager of Finance & Accounting Division, IHI Executive Officer; General Manager of Finance & Accounting Division, IHI Director; Executive Officer; General Manager of Finance & Accounting Division, IHI (incumbent)	(Note 7)	12
Director	Executive Officer; General Manager of Administration Division	Kazuki Awai	September 12, 1959	Apr. 1983 Jun. 2004 Apr. 2008 Jun. 2011 Apr. 2016 Jun. 2017	Joined IHI Operations Manager of Sales Headquarters, IHI Manager of Planning Group, Corporate Planning Division, IHI General Manager of Administration Division, IHI Executive Officer; General Manager of Administration Division, IHI Director; Executive Officer; General Manager of Administration Division, IHI (incumbent)	(Note 7)	18
Director	–	Taketsugu Fujiwara	February 19, 1947	Apr. 1969 Jun. 2000 Jun. 2003 Oct. 2003 Apr. 2009 Jun. 2009 Apr. 2010 Apr. 2014 Jun. 2014 Jun. 2015	Joined Asahi Chemical Industry Co., Ltd. (now Asahi Kasei Corporation) Director, Asahi Kasei Corporation Senior Executive Officer, Asahi Kasei Corporation Presidential Executive Officer, Asahi Kasei Chemicals Corporation Vice-Presidential Executive Officer, Asahi Kasei Corporation Director, Vice-Presidential Executive Officer, Asahi Kasei Corporation President and Representative Director, Presidential Executive Officer, Asahi Kasei Corporation Vice Chairman and Director, Asahi Kasei Corporation Vice Chairman, Asahi Kasei Corporation Director, IHI (incumbent) Standing Counsellor, Asahi Kasei Corporation (incumbent)	(Note 7)	–

(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 7)	6
				Jan. 1999	President of Corporate Planning Division, Japan Tobacco Inc.		
				May 1999	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 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.		
				Jun. 2016	Director, IHI (incumbent)		
				Jul. 2016	Advisor, Japan Tobacco Inc. (incumbent)		
Director	–	Kazuhiko Ishimura	September 18, 1954	Apr. 1979	Joined Asahi Glass Co., Ltd	(Note 7)	–
				Jan. 2006	Executive Officer; General Manager of Kansai Plant, Asahi Glass Co., Ltd		
				Jan. 2007	Senior Executive Officer and General Manager of Electronics & Energy General Division, Asahi Glass Co., Ltd		
				Mar. 2008	Representative Director and President & COO, Asahi Glass Co., Ltd.		
				Jan. 2010	Representative Director and President & CEO, Asahi Glass Co., Ltd.		
				Jan. 2015	Chairman, Asahi Glass Co., Ltd. (incumbent)		
				Jun. 2017	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	—	Yayoi Tanaka	March 20, 1960	Apr. 1982	Joined Nippon Kogaku K.K. (now NIKON CORPORATION)	(Note 7)	—
				Oct. 2006	Associate Professor, National Institution for Academic Degrees and University Evaluation (now National Institution for Academic Degrees and Quality Enhancement of Higher Education)		
				Jan. 2007	Member of Fiscal System Council, Ministry of Finance (incumbent)		
				Apr. 2007	Associate Professor of Department of Research for University Evaluation, National Institution for Academic Degrees and University Evaluation		
					Part-time Lecturer, Graduate School of Public Policy, the University of Tokyo (incumbent)		
				Apr. 2012	Civilian Member of Administrative Reform Promotion Council, Cabinet Secretariat (incumbent)		
					Professor of Research Department, National Institution for Academic Degrees and Quality Enhancement of Higher Education		
				Apr. 2015	Member of Policy Evaluation Council, Ministry of Internal Affairs and Communications (incumbent)		
				Apr. 2017	Research Professor of Research Department, National Institution for Academic Degrees and Quality Enhancement of Higher Education (incumbent)		
					Guest Professor of Osaka University (incumbent)		
					Visiting Professor of Shibaura Institute of Technology (incumbent)		
					Public Governance Advisor of Ministry of Internal Affairs and Communications (incumbent)		
					Representative of Social Governance Research Institute (incumbent)		
				Jun. 2017	Director, IHI (incumbent)		
Standing audit & supervisory board member	—	Shigeru Uesugi	July 12, 1958	Apr. 1981	Joined IHI	(Note 9)	9
				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)
Standing audit & supervisory board member	—	Taizo Suga	June 23, 1955	Apr. 1978	Joined IHI	(Note 10)	9
				Jul. 2004	Manager of Finance Group, Finance & Accounting Division, IHI		
				Apr. 2007	Manager of Group Business Management Section, Corporate Planning Division, IHI		
				Apr. 2010	General Manager of Corporate Business Development Division, IHI		
				Apr. 2012	General Manager of Corporate Business Development Division and Lithium-Ion Battery Business Development, IHI		
				Apr. 2013	Executive Officer; President of Urban Development Operations and General Manager of Intelligent Information Management Headquarters, IHI		
				Apr. 2014	Executive Officer, IHI; President and Chief Executive Officer, IHI ASIA PACIFIC PTE. LTD.		
				Apr. 2017	General Advisor, IHI		
				Jun. 2017	Standing audit & supervisory board member, IHI (incumbent)		
Audit & supervisory board member	—	Takayuki Hashimoto	July 9, 1954	Apr. 1978	Joined IBM Japan, Ltd.	(Note 8)	11
				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.		
				Jun. 2015	Audit & supervisory board member, IHI (incumbent)		
				May 2017	Honorary advisor, IBM Japan, Ltd. (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)		
Audit & supervisory board member	—	Tomomi Yatsu	May 30, 1960	Apr. 1983	Joined Tokyo Electron Limited	(Note 10)	—
				Oct. 1986	Joined Sanwa Tohmatsu Aoki & Co (now Deloitte Touche Tohmatsu LLC)		
				Sep. 1990	Registered as Certified Public Accountant		
				Oct. 2001	Registered as Attorney at Law Joined New Tokyo international Law Office (subsequently consolidated with Bingham, Sakai, Mimura & Aizawa Law Office (foreign law joint enterprise))		
				Apr. 2015	Partner, TMI Associates (incumbent)		
				Jun. 2017	Audit & supervisory board member, IHI (incumbent)		
Total							427

- Notes:
1. Chief executive officer, Chief operating officer and Managing executive officer are executive officer ranks.
 2. Directors: Messrs. Taketsugu Fujiwara, Hiroshi Kimura and Kazuhiko Ishimura, and Ms. Yayoi Tanaka are outside directors. IHI has registered directors Messrs. Taketsugu Fujiwara, Hiroshi Kimura and Kazuhiko Ishimura and Ms. Yayoi Tanaka with domestic financial instrument exchanges (where IHI is listed) as independent directors respectively.
 3. Audit & supervisory board members: Mr. Takayuki Hashimoto, and Mses. Yoko Hatta and Tomomi Yatsu are outside audit & supervisory board members. IHI has registered audit & supervisory board members Mr. Takayuki Hashimoto, and Mses. Yoko Hatta and Tomomi Yatsu 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 Company shifted to a "business area structure" by implementing revisions to its organization on April 1, 2017.
 7. 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 23, 2017.
 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.
 10. 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 23, 2017.

(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	Tsugio Mitsuoka	
*	Senior Executive Officer	Ichiro Terai	President of Social Infrastructure & Offshore Facility Business Area
*	Managing Executive Officer	Hiroyuki Otani	President of Resources, Energy & Environment Business Area
*	Managing Executive Officer	Mikio Mochizuki	President of Industrial System & General-Purpose Machinery Business Area
	Managing Executive Officer	Junichi Sakaki	Vice President of Industrial System & General-Purpose Machinery Business Area
	Managing Executive Officer	Takanori Kunihiro	Vice President of Social Infrastructure & Offshore Facility Business Area
*	Managing Executive Officer	Tomoharu Shikina	President of Aero Engine, Space & Defense Business Area
*	Managing Executive Officer	Atsushi Kuwata	General Manager of Sales Headquarters
	Managing Executive Officer	Nobuko Mizumoto	General Manager of Procurement Strategy Planning
*	Executive Officer	Takeshi Yamada	General Manager of Finance & Accounting Division
	Executive Officer	Masafumi Nagano	General Manager of Corporate Planning Division
	Executive Officer	Koji Yahagi	General Manager of Global Marketing Headquarters
	Executive Officer	Yukiya Murano	General Manager of Intelligent Information Management Headquarters
	Executive Officer	Masataka Ikeyama	Vice President of Aero Engine, Space & Defense Business Area
	Executive Officer	Yoshinori Kawasaki	Vice President of Industrial System & General-Purpose Machinery Business Area
	Executive Officer	Kouichi Murakami	General Manager of Corporate Research & Development
	Executive Officer	Takashi Niimura	Vice President of Industrial System & General-Purpose Machinery Business Area; Deputy General Manager of Sales Headquarters
	Executive Officer	Yoshio Yonezawa	Vice President of Resources, Energy & Environment Business Area
*	Executive Officer	Kazuki Awai	General Manager of Administration Division
	Executive Officer	Yutaka Kunisada	General Manager of Solution & Engineering Headquarters
	Executive Officer	Syunichi Takayanagi	Vice President of Social Infrastructure & Offshore Facility Business Area
	Executive Officer	Masato Kawaguchi	President of IHI INC.(Regional Headquarters in the Americas)
	Executive Officer	Naoshi Matsumoto	Vice President of Aero Engine, Space & Defense Business Area
	Executive Officer	Mitsutoyo Yoshida	General Manager of Project Risk Management Division
	Executive Officer	Hiroshi Ide	Vice President of Resources, Energy & Environment Business Area

Note: * means director.

(Translation purposes only)

6. Corporate governance, etc.

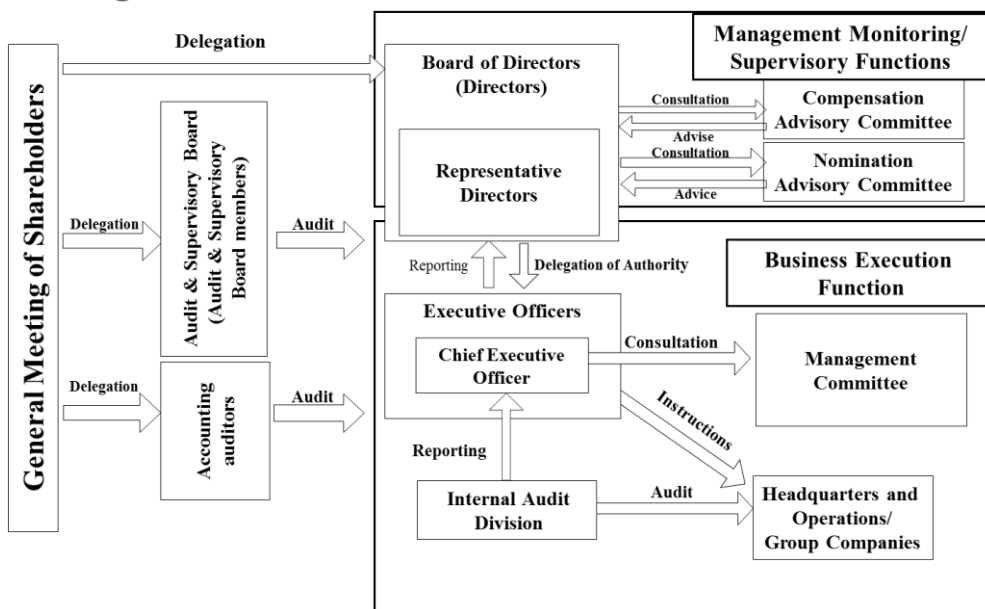
(1) Explanation about corporate governance

(i) Corporate governance system

(a) Overview

- IHI has an audit & supervisory board, which comprises five audit & supervisory board members (three from outside) who audit the duties executed by directors.
- The Board of Directors, which consists of 14 directors (four from 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, who are elected from among individuals with extensive experience and broad insight gained at the helm of business managers, or with a high degree of specialist knowledge and diverse experience, participate in the Board of Directors’ decision-making process, offer advice and make recommendations independently of managers who have been delegated the authority to handle day-to-day operations.
- 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, eight of which concurrently serve as directors.) The Chief Executive Officer (CEO) manages the duties of the executive officers, giving directions and supervision. The executive officers follow the CEO’s directions to execute their assigned duties.
- The Management Committee, which consists of members appointed by the CEO, supports the CEO’s decision-making and 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 president and CEO, and four outside directors, with the president and CEO 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.

(Translation purposes only)

(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 Internal 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 four business areas, 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.
- In April of this year, the screening and monitoring functions for large-scale project orders and large-scale investment projects, which had previously been distributed throughout the corporate headquarters, were drawn together in one place to start the new Project Risk Management Division (26 members). This division will work in concert with the individual business areas, seeking to understand risks and respond promptly to them by means of communication that puts a high priority on information from on site.
- IHI reviews large-scale project orders and large-scale investment projects that could have a significant impact on the IHI Group performance as follows.

(Large-scale Project Orders)

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 business areas 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.

(Large-scale Investment Projects)

The Investment Review Meeting and the Investment Review Subcommittee review the significance of the investment, the soundness of related plans, investment efficiency, maximum potential loss and the establishment of tollgates. Once an investment has been initiated, the monitoring begins, which entails confirmation that the tollgate criteria have been met for advancing to the next phase, and tracking to confirm what degree the results deviate from the investment plan.

- For each business, order volume is stringently controlled and risks and profitability are rigorously evaluated through regular meetings of the Finance & Accounting Division and managers of each Business Areas /SBU. In addition, cost operations are consolidated in the Finance & Accounting Division for enhanced control, and intermediate cost procedures are stipulated and standardized.

(d) Limited liability contract

- In accordance with Article 427, paragraph 1 of the Companies Act, outside directors and audit & supervisory board members enter into contracts with IHI to limit their liability for damages stipulated in Article 423, paragraph 1 of the same act. The amount of the limitation of their liability for damages under the said contract shall be the amount stipulated by laws and regulations.

(ii) Internal and audit & supervisory board members audits

- The Internal Audit Division (28members) 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.

(Translation purposes only)

- 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 execution 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. Taizo Suga, 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.
- Ms. Tomomi Yatsu, the outside audit & supervisory board member, is qualifications as a certified public accountant and possesses considerable knowledge of financial and accounting matters.

(iii) Outside directors and outside audit & supervisory board members

- Four 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 outside 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/audit & supervisory board members to any stock exchange where IHI is listed.
- The number of IHI shares held by outside directors and outside audit & supervisory board members are noted in “5. Information about directors and audit & supervisory board members.”
- Attributes of independent directors/audit & supervisory board members of outside directors and outside audit & supervisory board members, as well as the reasons for their election, are noted below.

Name	Attributes of independent directors/audit & supervisory board members	Reason for Election
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 the company mentioned above.</p> <p>The IHI Group 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, 2017). 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 has elected him as 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 Corporate Advisor of the company mentioned above.</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, 2017). Therefore, this has no impact on his independence.</p>	<p>Mr. Hiroshi Kimura reflects 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 carries out management oversight and monitoring functions from an independent perspective. Therefore, IHI has elected him as 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	Attributes of independent directors/audit & supervisory board members	Reason for Election
Kazuhiko Ishimura	<p>Mr. Kazuhiko Ishimura serves as Chairman of Asahi Glass Co., Ltd.</p> <p>IHI has a business relationship involving the sale, purchase and maintenance of industrial machinery with Asahi Glass Co., Ltd, where Mr. Kazuhiko Ishimura serves as a business executive. However, the relationship mentioned above generates 0.01% of IHI's consolidated net sales (for the fiscal year ended March 31, 2017). Therefore, this has no impact on his independence.</p>	<p>Mr. Kazuhiko Ishimura gained extensive experience and broad insight at the helm of a comprehensive materials manufacturer. Aiming to reflect these qualities in the management of IHI, and expecting he can carry out management oversight and monitoring functions from an independent perspective, IHI has elected him as an outside director.</p> <p>Mr. Kazuhiko Ishimura 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>
Yayoi Tanaka	Not applicable	<p>Ms. Yayoi Tanaka has developed a high degree of specialist knowledge and diverse experience through her evaluation and research of non-profit organizations and through her work on various governmental committees. Aiming to reflect these qualities in the management of IHI, and expecting she can carry out management oversight and monitoring functions from an independent perspective, IHI has elected her as an outside director.</p> <p>Ms. Yayoi Tanaka 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 director.</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 Honorary Advisor of the company mentioned above.</p> <p>The IHI Group has 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, 2016). 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 has elected him as 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 reflects 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 has elected her as 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>

(Translation purposes only)

Name	Attributes of independent directors/audit & supervisory board members	Reason for Election
Tomomi Yatsu	Not applicable	<p>Ms. Tomomi Yatsu has accumulated extensive experience and insight by responding to various corporate issues as an attorney at law and certified public accountant and is expected these qualities and her independent perspective to be reflected in the management auditing operations of IHI. Therefore, IHI has elected her as an outside audit & supervisory board member.</p> <p>Ms. Tomomi Yatsu 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 in the audit & supervisory board.

(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)	510	443	66	–	15
Audit & supervisory board members(excluding outside audit & supervisory board members)	72	72	–	–	3
Outside directors and outside audit & supervisory board members	72	72	–	–	8

- 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 200th Ordinary General Meeting of Shareholders held on June 23, 2017, and maximum total amount of audit & supervisory board members' remuneration is set at 120 million yen or below as resolved at the 197th Ordinary General Meeting of Shareholders held on June 27, 2014.
 3. The numbers of directors and audit & supervisory board members as of March 31, 2017 are respectively 13 (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 six directors and two audit & supervisory board member who retired at the conclusion of the 199th Ordinary General Meeting of Shareholders held on June 24, 2016.

Moreover, it was resolved at the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, that IHI will abolish the current share-based compensation plan and introduce a performance-based share remuneration plan for directors (excluding outside directors).

(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. In May 2017, the Board of Directors of IHI revised the policy for determining the remuneration etc. of executives as follows.

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

- (1) Remuneration shall be aimed at fully encouraging directors and executive officers to perform their duties in line with management philosophy, Group vision, and Group management policy, and strongly motivating them toward the

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achievement of specific management goals to bring IHI's and IHI Group's sustainable growth and improve the medium- and long-term corporate value.

- (2) Remuneration shall be structured with the appropriate allocation of an annual incentive (performance-based bonuses), which is linked to the operating performance of each fiscal year, and a medium- and long-term incentive (performance-based share remuneration), which is linked to medium- and long-term operating performance and corporate value aimed at broadly sharing a sense of value with stakeholders, and thereby shall contribute to performing with a sound entrepreneurial spirit.
- (3) Under the management philosophy, "Human resources are our single most valuable asset," appropriate treatment shall be provided to officers of IHI in consideration of IHI's management environment, and social roles and liabilities IHI undertakes.

2. Remuneration level and allocated ratios of remuneration

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

3. Framework of incentive remuneration

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

4. Procedures for determining remuneration

To ensure appropriateness and objectivity in determining the remuneration of directors and executive officers, IHI has an optional body, the Remuneration Advisory Committee which is organized by six members of three outside directors, one outside audit & supervisory board member, one director in charge of human resources, and one director in charge of finance and accounting under the chair of an outside director. The Committee shall examine and report remuneration related to directors and executive officers, and the Board of Directors shall make decisions.

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

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

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

Furthermore, the calculation method of the monetary amount and number of IHI shares to be provided as performance-based bonuses and performance-based share remuneration, as determined by the Board of Directors, is as follows.

(Translation purposes only)

(Calculation method for the monetary amount to be provided as performance-based bonuses)

At a meeting of the Board of Directors of IHI held on June 23, 2017, it was resolved that a sum of money determined in accordance with objective calculation methods based on indicators showing the profit situation (hereinafter in this section, "profit indicators") for the fiscal year ending March 31, 2018 (hereinafter, "fiscal 2017") will be provided to all of those directors of IHI present on that day (excluding outside directors), in consideration for their execution of duties in fiscal 2017.

The details of the calculation method are as given below

$$\begin{array}{l} \text{The monetary} \\ \text{amount to be} \\ \text{provided*} \end{array} = \begin{array}{l} \text{(a) Standard payment amount} \\ \text{corresponding to titles} \\ \text{and positions and type of} \\ \text{profit indicators used for} \\ \text{reference} \end{array} \times \begin{array}{l} \text{(b) Performance evaluation payout} \\ \text{rates proportionate to the profit} \\ \text{indicators} \end{array}$$

* : Standard payment amount and performance evaluation payout rates are appropriately set corresponding to titles and positions of each directors and profit indicators used for reference.

Notes: Moreover, directors (excluding representative directors and outside directors) shall be provided bonuses separately based on individuals performance.

(Translation purposes only)

(Calculation method for the number of IHI's shares to be provided as performance-based share remuneration)

At a meeting of the Board of Directors of IHI held on June 23, 2017, it was resolved that a number of shares (hereinafter, "the Shares") determined in accordance with objective calculation methods based on indicators showing the profit situation (hereinafter in this section, "profit indicators") for the fiscal year ending March 31, 2020 (hereinafter, "fiscal 2019") will be provided to all of those directors of IHI present on that day (excluding outside directors), in consideration for their execution of duties in fiscal 2017.

The details of the calculation method are as given below, and IHI has received written acknowledgement from all audit & supervisory board members to the effect that said calculation method is fair. These shares are scheduled to be provided within two months of the day following the day on which is held the Ordinary General Meeting of Shareholders pertaining to fiscal 2019, for which the profit indicators are finalized.

$$\text{IHI's shares to be provided} = (\text{a}) \frac{\text{Base points corresponding to titles and positions}}{\text{Performance evaluation payout rates}} \times (\text{b}) \frac{\text{Performance evaluation payout rates}}{\text{The ratio obtained by dividing the months of service in fiscal 2017 by the directors of IHI by 12}} \times (\text{c}) \times (\text{d}) 50\%$$

(a) Base points corresponding to titles and positions are as follows.

Titles and positions	Base points
Chairman of the Board President	64,077
Executive Vice President	40,776
Directors excluding above *	29,126

* : The number of base points awarded to directors newly elected at the 200th Ordinary General Meeting of Shareholders held on June 23, 2017 (hereinafter, "newly elected directors") shall be 21,844 .

(b) Performance evaluation payout rates shall be determined by the consolidated ROIC in fiscal 2019 as follows. (Figures below a decimal point shall be omitted.)

March 31, 2020 year-end Consolidated ROIC * (%)	Performance evaluation payout rates (%)
Less than 3.5	0
Equal or more than 3.5 but less than 10	$= 25 + \frac{750}{65} \times (\text{Consolidated ROIC} - 3.5)$
10	100
More than 10 but less than 13	$= 100 + \frac{50}{3} \times (\text{Consolidated ROIC} - 10)$
Equal or more than 13	150

* : Consolidated ROIC shall be calculated as the ratio calculated by $(1 - \text{"Effective statutory tax rate"}) \times (\text{"Operating profit"} + \text{"Interest income"} + \text{"Dividend income"}) \div (\text{"Total shareholders' equity"} + \text{"Total accumulated other comprehensive income"} + \text{Amount of interest bearing liabilities})$. (However, this shall be the ratio after rounding off to one decimal place.) Hereinafter the same shall apply.

* : "Effective statutory tax rate" shall be the ratio shown in the notes to the consolidated financial statements of IHI.

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- * : “Operating Profit”, “Interest income” and “Dividend income” shall be amounts shown in the Consolidated statement of income of IHI. (They shall be rounded off to the nearest million yen.)
 - * : “Total shareholders’ equity” and “Total accumulated other comprehensive income” shall be the average of the amounts shown on IHI’s consolidated balance sheets for the previous fiscal year, and for the current fiscal year (they shall be rounded off to the nearest million yen.)
 - * : The amount of interest bearing liabilities shall be the average of the sum of the amounts shown in the breakdown of bonds and the breakdown of loans etc. in IHI’s consolidated supplementary schedule at the beginning of the fiscal year and of the same figure at the end of the current fiscal year. (However, this shall be rounded off to the nearest million yen.)
- (c) For newly elected directors, the “ratio obtained by dividing the months of service in fiscal 2017 by the directors of IHI by 9” shall be used for calculation. In addition, the “months of service in fiscal 2017 by the directors of IHI” shall be calculated according to the calendar, with any fractions of less than one month that arise rounded up to one month. However, the period of service between June 23, 2017 and June 30, 2017 shall be discarded for calculation purposes.
- (d) In the event of fractions of less than one unit of shares occurring in the number obtained from (a) to (c) above (with fractions of less than one point discarded; hereinafter “number of finalized points”), said fraction shall be discarded, after which the number shall be multiplied by 50% to calculate the number of shares to be provided.

As a result of the above, the maximum number of shares to be provided to directors of IHI shall be limited to the number calculated and finalized in cases where the months of service is 12 (or in cases where the months of service is 9 for newly elected directors) and when based on the highest performance evaluation payout rate.

- Notes :
1. The number of IHI’s shares to be provided as performance-based share remuneration shall be calculated based on the titles and positions determined at the meeting of the Board of Directors of IHI held on June 23, 2017. Moreover, shares shall not be provided to directors who died before the end of June 2020 (if the end of June is not a business day, then the directly preceding business day).
 2. After the consolidation of shares of IHI approved at the 200th Ordinary General Meeting of Shareholders held on June 23, 2017 comes into effect, base points will be adjusted to a number corresponding to the previous number multiplied by 1/10th (fractions of less than one point shall be discarded).
 3. At the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, IHI received approval to contribute to the trust set up by IHI (hereinafter “the Trust”) for the purpose of providing performance-based share remuneration, up to a maximum of 450 million yen every fiscal year. However, in cases where the total number of finalized points of each director is greater than the number of shares of IHI bought and held by the Trust (hereinafter “number of shares held in trust”) under the upper limit, the number of shares held in trust shall be divided proportionately according to the number of finalized points owned by each director, and the obtained number shall be deemed the number of finalized points of each director, and then the number of shares to be provided to each director shall be calculated.
 4. In the event of IHI’s shares undergoing an event such as a share split, gratis allotment of shares, or consolidation of shares, etc., the number of shares to be provided shall be adjusted to reasonable levels, corresponding to the level of the ratio, etc. used in such events.
 5. Directors of IHI who receive performance-based share remuneration shall be “executive officers” as defined by Article 34 paragraph 1, item 3 of the Corporation Tax Act.
 6. The “indicators on profits” of Article 34 paragraph 1, item 3(a) of the Corporation Tax Act shall be the consolidated ROIC. The amounts of this shall be listed in the annual securities report of IHI for fiscal 2019.
 7. In the event of fractions of less than one unit of shares occurring in the number of shares to be provided, said fractions shall be discarded.

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(Calculation method for the monetary amount to be provided as performance-based share remuneration)

At a meeting of the Board of Directors of IHI held on June 23, 2017, it was resolved that a sum of money determined in accordance with objective calculation methods based on indicators showing the profit situation (hereinafter in this section, “profit indicators”) for “fiscal 2019” will be provided to all of those directors of IHI present on that day (excluding outside directors), in consideration for their execution of duties in fiscal 2017.

The details of the calculation method are as given below, and IHI has received written acknowledgement from all audit & supervisory board members to the effect that said calculation method is fair. These monies are scheduled to be provided along with the Shares that have the same applicable period for the execution of duties, within two months of the day following the day on which is held the Ordinary General Meeting of Shareholders pertaining to fiscal 2019, for which the profit indicators are finalized.

The monetary amount to be provided = (a) $\frac{\text{Number of finalized points} - \text{Number of the Shares to be provided}}{\text{Number of the Shares to be provided}}$ × (b) The market price of IHI’s shares on the last day of June 2020 (or if that day is not a trading day, the trading day directly before that)

(b) The market price of IHI’s shares shall be the closing price or quote at the Tokyo Stock Exchange on the day needed to calculate the market price of IHI’s shares, and in situations where there is no closing price or quote published on that day, the closing price or quote on the most recent day for which a closing price or quote can be obtained shall be used.

The maximum monetary amount to be provided to the directors of IHI shall be finalized corresponding to titles and positions as below.

Titles and positions	The maximum monetary amount (Yen)
Chairman of the Board President	48,115,000
Executive Vice President	31,164,000
Directors excluding above *	22,689,000

*: For newly elected directors, the maximum shall be 16,766,000 yen.

- Notes : 1. The content of notes 1, 2, 3, 4, 5 and 6 to “(Calculation method for the number of the IHI’s shares to be provided as performance-based share remuneration)” apply equally to “(Calculation method for the monetary amount to be provided as performance-based share remuneration)”.
2. In the event that fractions of less than 1 yen occur in the monetary amount to be provided, fractions shall be discarded.

(v) Shareholdings

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

Number of stock names: 138

Total amount on the balance sheet: ¥50,646 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.	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 Structure Co., Ltd	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 the 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

(Translation purposes only)

Stock name	Number of shares (Shares)	Amount on the balance sheet (Millions of yen)	Holding purpose
TOSHIBA MACHINE CO., LTD.	968,000	334	To maintain and strengthen trading relationships in the nuclear power business, etc.
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.

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 previous fiscal year ended March 31, 2016, 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.

(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.	23,332,777	4,759	To facilitate smooth financial transactions such as financing and to collect domestic and overseas information
THE HUB POWER COMPANY LIMITED	20,432,459	2,846	To maintain and strengthen trading relationships in the boiler business, etc.
TOSHIBA CORPORATION	8,751,000	2,112	To maintain and strengthen trading relationships in the nuclear power business, etc.
NIPPON STEEL & SUMITOMO METAL CORPORATION	540,886	1,387	To maintain and strengthen trading relationships in the procurement of steel materials and the boiler business, etc.
Mitsui Fudosan Co., Ltd.	402,000	954	To maintain and strengthen trading relationships in the urban development business, etc.
China Steel Structure Co., Ltd	11,061,690	867	To maintain and strengthen trading relationships in the rotating machinery business, etc.
The Kansai Electric Power Company, Incorporated	520,300	711	To maintain and strengthen trading relationships in the boiler business, etc.
Sumitomo Mitsui Financial Group, Inc.	146,300	591	To facilitate smooth financial transactions such as financing and to collect domestic and overseas information
Electric Power Development Co., Ltd.	217,500	566	To maintain and strengthen trading relationships in the boiler business, etc.
NISHISHIBA ELECTRIC CO., LTD.	2,741,860	501	To maintain and strengthen trading relationships in the power systems for land and marine use business, etc.
The Chugoku Electric Power Co., Inc.	309,000	380	To maintain and strengthen trading relationships in the boiler business, etc.
NACHI-FUJIKOSHI CORP.	437,000	249	To maintain and strengthen trading relationships in the procurement of parts for facilities
The 77 Bank, Ltd.	395,250	190	To facilitate smooth financial transactions such as financing and to collect local information
The Hachijuni Bank, Ltd.	294,000	184	To facilitate smooth financial transactions such as financing and to collect local information
DAIO PAPER CORPORATION	119,000	169	To maintain and strengthen trading relationships in the papermaking machinery business, etc.
Tokyo Electric Power Company Holdings, Incorporated	275,139	119	To maintain and strengthen trading relationships in the boiler business, etc.
JFE Holdings, Inc.	55,846	106	To maintain and strengthen trading relationships in the procurement of steel materials and the boiler business, etc.
Hokkaido Electric Power Co., Inc.	96,611	81	To maintain and strengthen trading relationships in the boiler business, etc.

(Translation purposes only)

Stock name	Number of shares (Shares)	Amount on the balance sheet (Millions of yen)	Holding purpose
EF-ON INC.	80,000	77	To maintain and strengthen trading relationships in the power systems for land and marine use business, etc.
SAIBUGAS Co.,Ltd.	299,000	76	To maintain and strengthen trading relationships in the process plants business, etc.

Deemed share holdings

Stock name	Number of shares (Shares)	Amount on the balance sheet (Millions of yen)	Holding purpose
NETSCOUT SYSTEMS, INC.	1,709,255	2,756	Has authority to direct the exercise of voting rights
The Shizuoka Bank, Ltd.	2,364,500	2,142	Has authority to direct the exercise of voting rights
Sumitomo Mitsui Trust Holdings, Inc.	404,474	1,561	Has authority to direct the exercise of voting rights
The Chugoku Bank, LTD.	800,000	1,296	Has authority to direct the exercise of voting rights
Tosoh Corporation	1,156,000	1,130	Has authority to direct the exercise of voting rights
Mitsubishi UFJ Financial Group, Inc.	1,374,780	961	Has authority to direct the exercise of voting rights
Toho Gas Co., Ltd.	885,250	696	Has authority to direct the exercise of voting rights
Yamaguchi Financial Group, Inc.	537,000	648	Has authority to direct the exercise of voting rights
Dai-ichi Life Holdings, Inc.	324,400	647	Has authority to direct the exercise of voting rights
IBJ Leasing Company, Limited	240,000	570	Has authority to direct the exercise of voting rights

Notes: 1. When determining shareholdings with the highest values in the amounts recorded on the balance sheet, specified investment shares and deemed share holdings are not combined.

2. The Dai-ichi Life Insurance Company, Limited has changed the trade name to "Dai-ichi Life Holdings, Inc." on October 1, 2016.

(c) Investment shares held for purposes of pure investment

Not applicable

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(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 (two years)

Ichiro Tajima (seven years)

Yoichi Takanashi (one year)

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

Certified Public Accountants: 33

Others: 52

Note: Others include people 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.

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(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	180	49	183	71
Consolidated subsidiaries	174	17	171	13
Total	354	66	354	84

(ii) Other material remuneration to independent auditors

(The previous fiscal year)

Some of IHI's foreign subsidiaries paid remuneration for audit or attestation 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 or attestation 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).

(iv) 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."

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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.
 3. IHI resolved at a meeting of the Board of Directors held on May 19, 2017 to change the number of shares constituting one unit from 1,000 shares to 100 shares. The effective date is scheduled to be October 1, 2017.
 4. At the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, the agenda item regarding the consolidation of shares of IHI was duly approved. As a result, IHI will consolidate its 10 of its shares into 1 share effective as of October 1, 2017.

(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 (199th)	From April 1, 2015 To March 31, 2016	Filed with Director-General of the Kanto Local Finance Bureau on June 24, 2016
(2)	Amendment Report for Annual Securities Report and Confirmation Letter	Fiscal year (199th)	From April 1, 2015 To March 31, 2016	Filed with Director-General of the Kanto Local Finance Bureau on August 12, 2016
		Fiscal year (198th)	From April 1, 2014 To March 31, 2015	Filed with Director-General of the Kanto Local Finance Bureau on November 4, 2016
		Fiscal year (199th)	From April 1, 2015 To March 31, 2016	Filed with Director-General of the Kanto Local Finance Bureau on November 4, 2016
(3)	Internal Control Report and Documents Attached			Filed with Director-General of the Kanto Local Finance Bureau on June 24, 2016
(4)	Shelf Registration Statement(bond) and Documents Attached			Filed with Director-General of the Kanto Local Finance Bureau on November 21, 2016
(5)	Amended Shelf Registration Statements			Filed with Director-General of the Kanto Local Finance Bureau on January 23, 2017 Filed with Director-General of the Kanto Local Finance Bureau on February 28, 2017 Filed with Director-General of the Kanto Local Finance Bureau on April 25, 2017
(6)	Quarterly Reports and Confirmation Letters	(200th First Quarter)	From April 1, 2016 To June 30, 2016	Filed with Director-General of the Kanto Local Finance Bureau on August 12, 2016
		(200th Second Quarter)	From July 1, 2016 To September 30, 2016	Filed with Director-General of the Kanto Local Finance Bureau on November 11, 2016
		(200th Third Quarter)	From October 1, 2016 To December 31, 2016	Filed with Director-General of the Kanto Local Finance Bureau on February 13, 2017
(7)	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 27, 2016
	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 25, 2016

(Translation purposes only)

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 January 23, 2017

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 February 28, 2017

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 28, 2017

Extraordinary Report based on Article 19, paragraph 2, item xii (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 April 25, 2017

(8) Amendment to Extraordinary Report

Amendment to the Extraordinary Report filed on June 27, 2016

Filed with Director-General of the Kanto Local Finance Bureau on July 1, 2016

Amendment to the Extraordinary Report filed on July 25, 2016

Filed with Director-General of the Kanto Local Finance Bureau on August 10, 2016

(Translation purposes only)

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

Not applicable

Consolidated financial statements

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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 are 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 are 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 are 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, 2017 (from April 1, 2016 to March 31, 2017) 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, 2016	March 31, 2017
Assets		
Current assets		
Cash and deposits	*1 106,536	*1 118,909
Notes and accounts receivable - trade	*1, *4 444,838	*4 403,094
Securities	1,403	—
Finished goods	*7 23,537	*7 20,719
Work in process	*7 254,907	*7 272,823
Raw materials and supplies	*1 131,865	123,726
Deferred tax assets	61,956	44,783
Other	86,512	95,233
Allowance for doubtful accounts	(11,048)	(5,445)
Total current assets	1,100,506	1,073,842
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	*1, *5, *8 142,597	*1, *5, *8 136,801
Machinery, equipment and vehicles, net	*1, *5, *8 72,648	*1, *5, *8 69,648
Land	*1, *5, *6 90,936	*1, *5, *6 92,284
Leased assets, net	*8 16,412	*8 14,285
Construction in progress	8,927	11,623
Other, net	*1, *5, *8 18,216	*1, *5, *8 17,767
Total property, plant and equipment	349,736	342,408
Intangible assets		
Goodwill	22,043	16,166
Software	*5 14,449	14,454
Other	13,113	10,536
Total intangible assets	49,605	41,156
Investments and other assets		
Investment securities	*1, *2 139,463	*1, *2 134,676
Deferred tax assets	47,338	65,697
Net defined benefit asset	11	21
Other	*2 30,380	*1, *2 36,715
Allowance for doubtful accounts	(1,983)	(1,684)
Total investments and other assets	215,209	235,425
Total non-current assets	614,550	618,989
Total assets	1,715,056	1,692,831

(Millions of yen)

	March 31, 2016	March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	297,499	285,937
Short-term loans payable	*1 94,550	*1 104,111
Commercial papers	5,000	5,000
Current portion of bonds	10,000	10,000
Accrued expenses	118,932	96,213
Income taxes payable	8,222	5,674
Advances received	180,352	208,907
Provision for bonuses	24,610	23,714
Provision for construction warranties	44,337	47,939
Provision for loss on construction contracts	*7 53,223	*7 37,324
Other provision	379	248
Other	45,665	51,181
Total current liabilities	882,769	876,248
Non-current liabilities		
Bonds payable	60,000	50,000
Long-term loans payable	*1 187,085	*1 182,495
Lease obligations	12,968	13,782
Deferred tax liabilities for land revaluation	*6 5,158	*6 4,884
Net defined benefit liability	154,968	150,920
Provision for loss on business of subsidiaries and affiliates	2,805	1,149
Other provision	1,377	1,308
Other	74,567	74,415
Total non-current liabilities	498,928	478,953
Total liabilities	1,381,697	1,355,201
Net assets		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	54,431	53,510
Retained earnings	144,789	149,832
Treasury shares	(565)	(513)
Total shareholders' equity	305,820	309,994
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,580	2,892
Deferred gains or losses on hedges	(377)	(277)
Revaluation reserve for land	*6 5,423	*6 5,427
Foreign currency translation adjustment	9,954	1,298
Remeasurements of defined benefit plans	(4,090)	(1,171)
Total accumulated other comprehensive income	12,490	8,169
Subscription rights to shares	758	843
Non-controlling interests	*6 14,291	*6 18,624
Total net assets	333,359	337,630
Total liabilities and net assets	1,715,056	1,692,831

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

Consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	1,539,388	1,486,332
Cost of sales	*1, *2, *3 1,320,376	*1, *2, *3 1,244,033
Gross profit	219,012	242,299
Selling, general and administrative expenses	*1, *4 196,964	*1, *4 194,910
Operating profit	22,048	47,389
Non-operating income		
Interest income	920	870
Dividend income	1,997	1,701
Share of profit of entities accounted for using equity method	1,167	—
Reversal of accrued expenses for delayed delivery	—	2,232
Other income	5,277	3,800
Total non-operating income	9,361	8,603
Non-operating expenses		
Interest expenses	3,922	3,131
Share of loss of entities accounted for using equity method	—	3,538
Foreign exchange losses	5,122	6,700
Other expenses	12,649	20,612
Total non-operating expenses	21,693	33,981
Ordinary profit	9,716	22,011
Extraordinary income		
Gain on sales of non-current assets	*5 28,648	*5 23,533
Gain on contribution of securities to retirement benefit trust	6,358	3,481
Reversal of provision for loss on business of subsidiaries and affiliates	—	1,656
Gain on bargain purchase	—	*6 1,079
Gain on transfer of shares of subsidiaries and affiliates	—	*7 798
Gain on sales of investment securities	1,804	—
Total extraordinary income	36,810	30,547
Extraordinary losses		
Business structural reform expenses related to the F-LNG/Offshore structure Business	—	*8, *11 9,914
Loss on transfer of receivables	—	*9 9,834
Settlement-related expenses related to delivered boiler facilities	—	*10 6,988
Impairment loss	*11 81	*11 3,461
Compensation for change of construction contracts	—	*12 2,248
Dismantlement costs for underpass in Toyosu	—	*13 2,035
Expenses for delayed delivery	*14 44,628	—
Loss on valuation of shares of subsidiaries and affiliates	1,756	—
Provision for loss on business of subsidiaries and affiliates	1,700	—
Total extraordinary losses	48,165	34,480
Profit (loss) before income taxes	(1,639)	18,078
Income taxes - current	18,889	10,872
Income taxes - deferred	(25,660)	(2,479)
Total income taxes	(6,771)	8,393
Profit	5,132	9,685
Profit attributable to non-controlling interests	3,603	4,438
Profit attributable to owners of parent	1,529	5,247

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	5,132	9,685
Other comprehensive income		
Valuation difference on available-for-sale securities	(14,353)	1,096
Deferred gains or losses on hedges	376	332
Revaluation reserve for land	284	7
Foreign currency translation adjustment	(5,364)	(8,945)
Remeasurements of defined benefit plans, net of tax	(705)	2,480
Share of other comprehensive income of entities accounted for using equity method	(598)	(27)
Total other comprehensive income	*1 (20,360)	*1 (5,057)
Comprehensive income	(15,228)	4,628
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(18,338)	1,076
Comprehensive income attributable to non- controlling interests	3,110	3,552

iii) Consolidated statement of changes in net assets

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
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 ownership interest of parent due to transactions with non-controlling interests		(1)			(1)
Net decrease from newly consolidated subsidiaries			(19)		(19)
Net decrease from merger with non-consolidated subsidiaries			(22)		(22)
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 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
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 ownership interest of parent due to transactions with non-controlling interests						–			(1)
Net decrease from newly consolidated subsidiaries						–			(19)
Net decrease from merger with non-consolidated subsidiaries						–			(22)
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

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	107,165	54,431	144,789	(565)	305,820
Changes of items during period					
Dividends of surplus					–
Profit attributable to owners of parent			5,247		5,247
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		(3)		54	51
Change in ownership interest of parent due to transactions with non-controlling interests		(918)			(918)
Net decrease from newly consolidated subsidiaries			(204)		(204)
Net decrease from merger with non-consolidated subsidiaries					–
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	(921)	5,043	52	4,174
Balance at end of current period	107,165	53,510	149,832	(513)	309,994

(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	1,580	(377)	5,423	9,954	(4,090)	12,490	758	14,291	333,359
Changes of items during period									
Dividends of surplus						–			–
Profit attributable to owners of parent						–			5,247
Purchase of treasury shares						–			(2)
Disposal of treasury shares						–			51
Change in ownership interest of parent due to transactions with non-controlling interests						–			(918)
Net decrease from newly consolidated subsidiaries						–			(204)
Net decrease from merger with non-consolidated subsidiaries						–			–
Net changes of items other than shareholders' equity	1,312	100	4	(8,656)	2,919	(4,321)	85	4,333	97
Total changes of items during period	1,312	100	4	(8,656)	2,919	(4,321)	85	4,333	4,271
Balance at end of current period	2,892	(277)	5,427	1,298	(1,171)	8,169	843	18,624	337,630

iv) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit (loss) before income taxes	(1,639)	18,078
Depreciation	58,229	57,880
Depreciation and amortization on other	4,874	5,537
Gain on bargain purchase	—	(1,079)
Impairment loss	81	3,461
Increase (decrease) in allowance for doubtful accounts	(568)	416
Increase (decrease) in provision for bonuses	(1,986)	(493)
Increase (decrease) in provision for construction warranties	7,718	3,993
Increase (decrease) in provision for loss on construction contracts	24,689	(16,106)
Increase (decrease) in net defined benefit liability	6,209	5,040
Interest and dividend income	(2,917)	(2,571)
Interest expenses	3,922	3,131
Foreign exchange losses (gains)	(1,071)	1,801
Loss (gain) on sales of short-term and long-term investment securities	(1,914)	430
Loss (gain) on valuation of short-term and long-term investment securities	3,542	890
Share of (profit) loss of entities accounted for using equity method	(1,167)	3,538
Loss (gain) on sales or disposal of property, plant and equipment	(27,606)	(21,884)
Gain on securities contributed to employees' retirement benefit trust	(6,358)	(3,481)
Reversal of provision for loss on business of subsidiaries and affiliates	—	(1,656)
Gain on transfer of shares of subsidiaries and affiliates	—	(798)
Business structural reform expenses related to the F-LNG/Offshore structure Business	—	9,914
Loss on transfer of receivables	—	9,834
Settlement-related expenses related to delivered boiler facilities	—	6,988
Compensation for change of construction contracts	—	2,248
Dismantlement costs for underpass in Toyosu	—	2,035
Decrease (increase) in notes and accounts receivable - trade	(10,396)	41,501
Increase (decrease) in advances received	56,568	30,394
Decrease (increase) in advance payments	(12,912)	(1,613)
Decrease (increase) in inventories	(12,179)	(17,175)
Increase (decrease) in notes and accounts payable - trade	80	(7,250)
Increase (decrease) in accrued expenses	37,376	(27,098)
Decrease (increase) in other current assets	(1,191)	(10,579)
Increase (decrease) in other current liabilities	(4,169)	(115)
Decrease (increase) in consumption taxes refund receivable	13,124	2,540
Other, net	(2,956)	(5,130)
Subtotal	127,383	92,621
Interest and dividend income received	4,789	4,235
Interest expenses paid	(4,124)	(3,110)
Payments for guarantee obligations	—	(10,271)
Income taxes paid	(32,710)	(18,102)
Net cash provided by (used in) operating activities	95,338	65,373

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from investing activities		
Decrease (increase) in time deposits	(927)	(460)
Purchase of short-term and long-term investment securities	(5,852)	(8,681)
Proceeds from sales and redemption of short-term and long-term investment securities	5,131	4,429
Purchase of property, plant and equipment and intangible assets	(52,804)	(54,262)
Gain (loss) on sales or disposal of property, plant and equipment and intangible assets	33,576	28,831
Payments for transfer of business	—	(328)
Purchase of shares and investments of subsidiaries resulting in change in scope of consolidation	(5,051)	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(82)
Decrease (increase) in short-term loans receivable	1,656	8,592
Payments of long-term loans receivable	(53)	(413)
Collection of long-term loans receivable	60	34
Decrease (increase) in other investments	(19,702)	(10,015)
(Decrease)increase in other fixed liabilities	8,568	3,294
Other, net	(115)	100
Net cash provided by (used in) investing activities	(35,513)	(28,961)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(38,982)	2,916
Net increase (decrease) in commercial papers	(12,000)	—
Proceeds from long-term loans payable	50,896	49,689
Repayments of long-term loans payable	(33,528)	(57,446)
Redemption of bonds	—	(10,000)
Proceeds from sales and leasebacks	612	273
Repayments of lease obligations	(3,916)	(6,739)
Decrease (increase) in treasury shares	(5)	(3)
Purchase of treasury shares of subsidiaries	(1)	(1)
Cash dividends paid	(9,241)	(16)
Proceeds from share issuance to non-controlling shareholders	1,188	1,570
Dividends paid to non-controlling interests	(2,553)	(1,811)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(373)
Net cash provided by (used in) financing activities	(47,530)	(21,941)
Effect of exchange rate change on cash and cash equivalents	(1,836)	(3,463)
Net increase (decrease) in cash and cash equivalents	10,459	11,008
Cash and cash equivalents at beginning of period	92,527	103,611
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	272	1,357
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(4)	(65)
Increase in cash and cash equivalents resulting from merger with non-consolidated subsidiaries	357	—
Cash and cash equivalents at end of period	*1 103,611	*1 115,911

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 152 (the previous fiscal year: 151). The names of principal consolidated subsidiaries are omitted here because they are provided in “4. Overview of affiliated companies” under “I. Overview of company.”

There were changes 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 name of the principal non-consolidated subsidiary is I&H Engineering Co., Ltd. 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: 30). 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., IHI Finance Support Corporation, and Nanatsujima Biomass Power Limited Liability Company

(Foreign affiliates)

FELGUERA-I.H.I., S.A., Long Xin Enterprise Pte.Ltd., 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 5 other companies.

(Change in affiliates accounted for using the equity method)

Nanatsujima Biomass Power Limited Liability Company was newly established and added as an affiliate accounted for using the equity method. In addition, due to the partial transfer of ownership, PETROLEUM CONSULTING ENGINEERS (MUMBAI) Private Limited was excluded from affiliates accounted for using the equity method.

(2) 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)

I&H Engineering Co.,Ltd.

(Affiliates)

Kondo Tekko Co., Ltd., 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)

NIIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD., IHI E&C International Corporation and its 2 subsidiaries, IHI Southwest Technologies, Inc. and its subsidiary, IHI California Inc., IHI Hauzer Techno Coating B.V. and its 5 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 2 subsidiaries, Wuxi IHI Turbo Co., Ltd., IHI VTN GmbH and its 3 subsidiaries, IHI-ICR, LLC., IHI do Brasil Representações Ltda., IHI INC., IHI New Energy Inc., IHI Power Generation Corporation and its 6 subsidiaries, IHI AHIA PACIFIC (Thailand) CO., LTD., IHI Power System (Thailand) Co., Ltd., Jiangsu IHI Fengdong Vacuum Technology Co., Ltd and 1 other company

In addition, effective from the fiscal year ended March 31, 2017, the closing date of the fiscal year for 31 companies including JURONG ENGINEERING LIMITED has been changed from December 31 to March 31, and six companies including Changchun FAWER-IHI Turbo Co., Ltd. have been consolidated using March 31 as a provisional closing date.

As a result, for the fiscal year ended March 31, 2017, 37 companies including JURONG ENGINEERING LIMITED have a fifteen-month accounting period.

In the period from January 1, 2016 through March 31, 2016 included in the fiscal year ended March 31, 2017, net sales were ¥25,227 million, operating profit was ¥2,798 million, ordinary profit was ¥2,327 million, and profit before income taxes was ¥2,332 million.

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 stated 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 and amortization of significant depreciable and amortizable assets

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

These assets are depreciated by the declining-balance method. However, depreciation of lend-lease properties, assets of certain consolidated subsidiaries, buildings (excluding facilities attached to buildings) acquired on and after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016 are computed by the straight-line method.

(ii) Intangible assets (except for leased assets)

These assets are amortized by the straight-line method. Software used internally use is amortized using the straight-line method over a useful life of the assets, estimated by IHI. (five years)

(iii) Leased assets

- (a) Leased assets related to finance lease transactions that transfer 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, estimated uncollectable amounts are recorded based on historical default rates for normal receivables, as well as considering the collectability of specific uncollectible receivables on an individual basis.

- (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
The domestic consolidated subsidiaries provided the provision for directors' retirement benefits for the amount required to be paid at the end of the current fiscal year in accordance with the internal policy.
 - (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 costs are amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.
- Actuarial gains and losses are amortized from the year following the fiscal year in which they occur 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 foreign 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 currency 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 expenses 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 taxes.

(11) Application of consolidated taxation system

The consolidated taxation system has been applied.

(Changes in accounting policies)

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, IHI has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from fiscal year ended March 31, 2017, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

As a result of this change, operating profit, ordinary profit and profit before income taxes for the fiscal year ended March 31, 2017 each increased by ¥174 million.

For the impact on segment profit, refer to “Segment information”.

(Standards yet to be applied)

Disclosure is omitted since it is not material.

(Additional information)

(Application of ASBJ's Implementation Guidance on Recoverability of Deferred Tax Assets)

IHI has applied the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) from the fiscal year ended March 31, 2017.

(Consolidated balance sheet)

*1. Assets pledged as collateral

The following assets were pledged as collateral.

	(Millions of yen)	
	March 31, 2016	March 31, 2017
Cash and deposits	153	481
Notes and accounts receivable - trade	100	—
Raw materials and supplies	3	—
Buildings and structures	1,641	730
Machinery, equipment and vehicles	89	35
Land	3,971	3,236
Other property, plant and equipment	12	11
Investment securities (Note: 1)	646	646
Other investments and other assets (Note: 2)	—	2,793
Total	6,615	7,932

Notes: 1. Kagoshima Mega Solar Power Corporation and seven shareholder companies of the said company entered into a common stock revolving pledge agreement with financial institutions in order to secure all and any liabilities of the said company under the limited loan agreement concluded between Kagoshima Mega Solar Power Corporation and the financial institutions.

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

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

	(Millions of yen)	
	March 31, 2016	March 31, 2017
Buildings and structures	213	225
Machinery, equipment and vehicles	44	35
Land	2,613	2,613
Other property, plant and equipment	12	11
Total	2,882	2,884

The obligations collateralized by the above assets are as follows.

	(Millions of yen)	
	March 31, 2016	March 31, 2017
Short-term loans payable	4,271	3,911
Long-term loans payable	485	8
Total	4,756	3,919

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

	(Millions of yen)	
	March 31, 2016	March 31, 2017
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, 2016	March 31, 2017
Investment securities (Common stocks)	79,969	79,411
Other investments and other assets (Investments in capital)	1,127	5,290

*3. Contingent liabilities

I IHI provides guarantees and guarantees in kind to the following subsidiaries and affiliates for their debts and other obligations from financial institutions

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

(Millions of yen)			
March 31, 2016		March 31, 2017	
UNIGEN Inc.	10,600	Japanese Aero Engines Corporation (“JAEC”)	6,766
Japanese Aero Engines Corporation (“JAEC”)	6,406	ALPHA Automotive Technologies LLC	1,543
ALPHA Automotive Technologies LLC	1,812	IHI Group Health Insurance Society	590
IHI Group Health Insurance Society	689	Japan Aeroforge, Ltd.	531
Japan Aeroforge, Ltd.	590	Contingent liabilities for employee housing loans	67
Rio Bravo Fresno (Note: 2)	395	Chubu Segment Co., Ltd.	25
Rio Bravo Rocklin (Note: 2)	382		
Contingent liabilities for lease contracts with customers of construction machineries	50		
Contingent liabilities for employee housing loans	70		
Chubu Segment Co., Ltd.	25		
Total	21,019	Total	9,522

(2) Contingent liabilities arising from guarantees in kind for debts (Note: 1)

(Millions of yen)			
March 31, 2016		March 31, 2017	
Contingent liabilities for employee housing loans	7,294	Contingent liabilities for employee housing loans	6,515
IHI Group Health Insurance Society	741	IHI Group Health Insurance Society	641
		Turbo Systems United Co., Ltd.	80
Total	8,035	Total	7,236

Notes: 1. In any of the following cases, the amount represents the amounts for which the IHI Group is liable:

- (1) In the case of joint guarantees and guarantees in kind for debts with protection requirements against creditors, where the IHI Group’s 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 IHI Group’s 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. 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, 2016	March 31, 2017
Notes receivable - trade discounted in the ordinary course of business	264	377
Notes receivable - trade endorsed in the ordinary course of business	141	10

*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, 2016	March 31, 2017
Buildings and structures	9	23
Machinery, equipment and vehicles	2,133	640
Other property, plant and equipment	14	18
Software	2	—
Total	2,158	681

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

	(Millions of yen)	
	March 31, 2016	March 31, 2017
Land	776	35
Total	776	35

*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 for land revaluation which were recorded as non-current 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, 2016	March 31, 2017
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	(5,494)	(5,614)

*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 provision for loss on construction contracts are presented separately without netting. Of inventories related to sales contracts for construction for which losses are expected, the amounts corresponding to the provision for loss on construction contracts are as follows:

	(Millions of yen)	
	March 31, 2016	March 31, 2017
Finished goods	50	384
Work in process	2,422	2,380
Total	2,472	2,764

*8. Accumulated depreciation of property, plant and equipment

	(Millions of yen)	
	March 31, 2016	March 31, 2017
	562,260	579,736

(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, 2016	Fiscal year ended March 31, 2017
41,652	35,554

*2. Losses on valuation of inventories

The amount of inventories as of March 31, 2016 and 2017 are the value after a write-down based on decreased profitability of assets. Loss on valuation in the fiscal year was partially offset by gain on reversal of loss on valuation of the previous fiscal year, and the following net loss on valuation is included in cost of sales for the years ended March 31, 2016 and 2017.

(Millions of yen)

Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
654	881

*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, 2016	Fiscal year ended March 31, 2017
53,223	37,324

*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, 2016	Fiscal year ended March 31, 2017
Expenses in taking orders received	14,315	14,874
Provision of allowance for doubtful accounts	(521)	664
Salaries for directors and employees (Note)	71,167	71,926
Traveling and transportation expenses	7,174	6,741
Research and development expenses	37,685	32,391
Business consignment expenses	8,673	8,978
Contribution for expenses common to all business segments	6,041	4,276
Depreciation	9,867	9,829

Note: Salaries for directors and employees include provision for bonuses of ¥8,334 million and retirement benefit expenses of ¥4,920 million for the previous fiscal years ended March 31, 2016 and provision for bonuses of ¥8,407 million and retirement benefit expenses of ¥5,634 million for the current fiscal year ended March 31, 2017.

*5. Gain on sales of non-current assets

The previous 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 2 parcels	¥19,717 million
Rental office building (Among IHI's co-ownership interest of 33%, 15% of the building's total co-ownership interest.)	¥8,714 million
2-20, Toyosu 3-chome, Koto-ku, Tokyo	
Others	¥217 million

The current fiscal year ended March 31, 2017

In order to strengthen IHI's financial position and to secure funds to cover business structural reform expenses, IHI recorded a gain on sales of non-current assets mainly due to the transfer part of the land in the Toyosu area, etc. owned by IHI.

Details and location of assets	Gain on sales of non-current assets
Land (11,540 m ²) 9-15, Toyosu 3-chome, Koto-ku, Tokyo	¥17,883 million
Land (18,185 m ²) 1-1, Toyosu 3-chome, Koto-ku, Tokyo	
Land (87,478 m ²) 2-1 & 2-2, Ohama-nishimachi, Sakai-ku, Sakai-shi, Osaka	¥5,650 million
Others	

*6. Gain on bargain purchase

The current fiscal year ended March 31, 2017

Gain on bargain purchase occurred in relation to the completion of the integration of Shield tunneling machine Business on October 1, 2016.

*7. Gain on transfer of shares of subsidiaries and affiliates

The current fiscal year ended March 31, 2017

Gain on transfer of shares of subsidiaries and affiliates occurred, owing to the transfer of all the shares of IHI Construction Machinery Limited, which was a consolidated subsidiary of IHI, to Kato Works Co., Ltd on November 25, 2016.

*8. Business structural reform expenses related to F-LNG/Offshore structure Business

The current fiscal year ended March 31, 2017

IHI has decided that Aichi Works, which has held F-LNG production facilities, shall end its function as a base for such production after the completion of all projects of orders received.

In light of this resolution, IHI carried out a reevaluation of the asset values of F-LNG production facilities (business assets), and an examination into the recoverability of these assets in accordance with the "Accounting Standards for Impairment of Non-current Assets." As a result, in addition to recording estimated unrecoverable amounts as impairment losses, IHI has reasonably estimated the dismantlement costs upon the ceasing of the facility's production role for a portion of the assets, and decided to record business structural reform expenses of ¥9,914 million as extraordinary losses.

*9. Loss on transfer of receivables

The current fiscal year ended March 31, 2017

On January 31, 2017, IHI transferred all of the shares of UNIGEN Inc. (hereinafter "UNIGEN") to API Co., Ltd. IHI had held the right to claim compensation from UNIGEN arising from the performance of debt guarantees corresponding to guarantee of obligations relating to UNIGEN. However, with this transfer, IHI has transferred to API Co., Ltd. the aforesaid right to claim compensation and in relation to this also recorded a loss on transfer of receivables of ¥9,834 million as extraordinary losses.

*10. Settlement-related expenses related to delivered boiler facilities

The current fiscal year ended March 31, 2017

Concerning boiler facilities that IHI manufactured and delivered in the past, a lawsuit was filed against IHI in 2015 claiming that IHI was liable for an accident involving boiler damage that occurred while a customer performed a trial operation. Judging that the path of reaching an early resolution and reducing legal risks was in IHI's best interest, IHI has settled the case by agreeing to bear a portion of the amount incurred by the accident. As a result, IHI recorded settlement package and lawyer fees, etc. of ¥6,988 million as extraordinary losses.

*11. Impairment loss

The following impairment loss of fixed assets was recorded.

The previous fiscal year ended March 31, 2016

(1) Group of assets for which the IHI Group 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)

Buildings etc.	25
Construction in progress	56
<u>Total</u>	<u>81</u>

The current fiscal year ended March 31, 2017

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

(Millions of yen)

Use	Location	Type of assets	Amount	Value of assets
Business assets	Chita-city, Aichi, Japan	Building etc.	7,214	Net sales value
Idle assets	Yokohama-city, Kanagawa, Japan	Building etc.	1,538	Net sales value
Other	United States	Goodwill	775	Value in use
Business assets	Otsu-city, Shiga, Japan	Land, Building etc.	592	Net sales value
Business assets	Yokohama-city, Kanagawa, Japan	Building etc.	290	Net sales value
Assets to be disposed of	Ayase-city, Kanagawa, Japan	Building etc.	190	Net sales value
Idle assets	Nishinomiya-city, Hyogo, Japan	Land, Building etc.	76	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 deterioration in profitability, the book value of business assets has been reduced to recoverable amount. 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. Goodwill has been impaired to the recoverable amount as the revenues that had been expected in the business plan assessed at the time of share acquisition were no longer expected.

(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%). In addition, the recoverable amount of goodwill is measured based on the re-evaluated corporate value.

(5) Impairment loss

Of the impairment loss of ¥10,675 million, ¥3,461 million was recorded as “Impairment loss” under extraordinary losses and ¥7,214 million was recorded as “Business structural reform expenses related to the F-LNG/Offshore structure Business” under extraordinary losses. The amounts of impairment loss for the year ended March 31, 2017 are as follows:

	(Millions of yen)
Land	54
Building etc.	9,846
Goodwill	775
<hr/>	
Total	10,675

*12. Compensation for change of construction contracts

The current fiscal year ended March 31, 2017

With regard to the drillship construction for Singapore in F-LNG/Offshore structure Business, alteration of the delivery conditions was agreed with the ordering party and delivery was accelerated to December, 2016 from March, 2017 which was originally planned.

Amendment of the contract due to the alteration of the delivery conditions includes the compensation to the ordering party for risks of additional costs aside from the deduction in contract revenue for the alteration of scope of work under the contract. The compensation for risks of additional costs was recorded as extraordinary losses.

*13. Dismantlement costs for underpass in Toyosu

The current fiscal year ended March 31, 2017

As an underpass located in Toyosu area, Koto-ku, Tokyo is to be dismantled, the associated costs were recorded as extraordinary losses.

*14. Expenses for delayed delivery

The previous fiscal year ended March 31, 2016

The possibility that the IHI Group will not be able to meet the contractual delivery schedule in some projects has arisen, due in part to construction project delays caused by welding noncompliant (use of welding materials different from those specified in the design drawings) in some boiler construction projects.

Also, with respect to the Izmit Bay Crossing Bridge construction project in Turkey, 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 delivery deadline of February 2016.

Although the IHI Group continues to work hard for completing construction projects safely and surely at the earliest possible time, in light of the possibility that the IHI Group companies may receive claims for losses due to delayed delivery based on the contract, it recorded the estimated loss of ¥44,628 million under extraordinary losses.

(Consolidated statement of comprehensive income)

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Valuation difference on available-for-sale securities:		
Amount arising during the year	(11,805)	3,391
Reclassification adjustments	(8,015)	(2,690)
Before tax effects	(19,820)	701
Tax effects relating to other comprehensive income	5,467	395
Valuation difference on available-for-sale securities	(14,353)	1,096
Deferred gains or losses on hedges:		
Amount arising during the year	568	449
Tax effects relating to other comprehensive income	(192)	(117)
Deferred gains or losses on hedges	376	332
Revaluation reserve for land:		
Amount arising during the year	(3)	(243)
Tax effects relating to other comprehensive income	287	250
Revaluation reserve for land	284	7
Foreign currency translation adjustment:		
Amount arising during the year	(5,539)	(8,945)
Reclassification adjustments	175	—
Foreign currency translation adjustment	(5,364)	(8,945)
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the year	(2,227)	1,507
Reclassification adjustments	(1,560)	1,571
Before tax effects	(667)	3,078
Tax effects relating to other comprehensive income	(38)	(598)
Remeasurements of defined benefit plans, net of tax	(705)	2,480
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the year	100	(317)
Reclassification adjustments	(698)	290
Share of other comprehensive income of entities accounted for using equity method	(598)	(27)
Total other comprehensive income	(20,360)	(5,057)

(Consolidated statement of changes in net assets)

The previous fiscal year ended March 31, 2016

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

(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 shares				
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 shares 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 shares is resulting from the exercise of subscription rights to shares.

2. Subscription rights to shares

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
Ordinary General Meeting of 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 whose record date was in the year ended March 31, 2016, and the effective date of which is in the year ended March 31, 2017

Not applicable

The current fiscal year ended March 31, 2017

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

(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 shares				
Common stock (Notes 1, 2)	2,825	9	272	2,562
Total	2,825	9	272	2,562

Notes: 1. The increase of 9 thousand shares in the number of common stock in treasury shares is due to purchase of shares less than one unit.

2. The decrease of 272 thousand shares in the number of common stock in treasury shares is resulting from the exercise of subscription rights to shares.

2. Subscription rights to shares

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	–	–	–	–	–	843
	Total	–	–	–	–	–	843

3. Dividends

(1) Dividends paid

Not applicable

(2) Dividends whose record date was in the year ended March 31, 2017, and the effective date of which is in the year ending March 31, 2018

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, 2016	Fiscal year ended March 31, 2017
Cash and deposits	106,536	118,909
Time deposits due in more than three months	(2,772)	(2,996)
Collateral deposits	(153)	(2)
Cash and cash equivalents	103,611	115,911

(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 and amortization of significant depreciable and amortizable assets."

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 and amortization of significant depreciable and amortizable assets."

The IHI Group uses 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, 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, fixtures and other)	143	125	–	18
Software	–	–	–	–
Total	3,085	2,006	–	1,079

(Millions of yen)

	March 31, 2017			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings and structures	1,824	965	–	859
Machinery, equipment and vehicles	132	122	–	10
Other (Tools, furniture, fixtures and other)	143	129	–	14
Software	–	–	–	–
Total	2,099	1,216	–	883

(2) Future minimum lease payments

(Millions of yen)

	March 31, 2016	March 31, 2017
Minimum lease payment		
Within 1 year	258	89
Over 1 year	1,488	1,398
Total	1,746	1,487
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, 2016	Fiscal year ended March 31, 2017
Lease payments	456	402
Reversal of allowance for impairment losses on leased property	–	–
Estimated depreciation cost	153	101
Estimated interest expenses	253	238
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 expenses

Estimated interest expenses are calculated as the amount of total lease payments less estimated acquisition costs. Allocation of the estimated interest expenses 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, 2016	March 31, 2017
Within 1 year	3,802	3,560
Over 1 year	6,514	4,766
Total	10,316	8,326

3. Finance leases (Lessor)

The IHI Group uses 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, 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, fixtures and others)	6	6	0
Total	3,106	2,026	1,080

(Millions of yen)

	March 31, 2017		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	2,050	1,194	856
Machinery, equipment and vehicles	1,040	914	126
Other (Tools, furniture, fixtures and others)	6	6	0
Total	3,096	2,114	982

(2) Future minimum lease income

(Millions of yen)

	March 31, 2016	March 31, 2017
Within 1 year	250	268
Over 1 year	1,115	847
Total	1,365	1,115

(3) Lease income, depreciation and estimated interest income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Lease income	375	375
Depreciation	99	99
Estimated interest income	149	125

(4) Calculation method of estimated interest income

Estimated interest income is calculated as the amount of total lease income and the balance of estimated residual value less estimated acquisition costs. Allocation of the estimated interest income 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, 2016	March 31, 2017
Within 1 year	526	520
Over 1 year	1,934	1,414
Total	2,460	1,934

5. Sublease transactions

Disclosure is omitted since it is not material.

(Financial Instruments)

1. Status of financial instruments

(1) Policy on financial instruments

As a Group policy, the IHI Group manages funds only in short-term and highly safe financial assets such as bank deposits and finance mainly through bank borrowings and bond issuance. Derivatives are utilized to hedge the fluctuation risks of foreign exchanges, interests and commodity prices, and the IHI Group does 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. 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 bonds are made for the purpose of obtaining operating capital and funds for capital expenditures, and the redemption dates arrive within 10 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 IHI Group uses 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 IHI Group 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 IHI Group holds only securities with high ratings.

In derivative transactions, the IHI Group enters 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 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 IHI Group hedges 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 Committee.

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

As for derivatives, transactions are recorded and the balance is checked up between the IHI Group 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 liquidity risks pertaining to fund procurement (risks of non-performing of payments on due dates)

The IHI Group manages liquidity risks by measures such as 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, 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 accounts (*1)	(3,961)		
	440,877	440,703	(174)
(3) 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	294,499	–
(5) Short-term loans payable	94,550	94,550	–
(6) Commercial papers	5,000	5,000	–
(7) Bonds payable	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 accounts 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, 2017

(Millions of yen)

	Amount recorded in the balance sheet	Fair value	Difference
(1) Cash and deposits	118,909	118,909	–
(2) Notes and accounts receivable - trade	403,094		
Less allowance for doubtful accounts (*1)	(5,267)		
	397,827	396,437	(1,390)
(3) Securities and investment securities	19,131	19,140	9
Held-to-maturity securities	106	115	9
Other securities	19,025	19,025	–
Total assets	535,867	534,486	(1,381)
(4) Notes and accounts payable - trade	285,937	285,937	–
(5) Short-term loans payable	104,111	104,111	–
(6) Commercial papers	5,000	5,000	–
(7) Bonds payable	60,000	58,956	(44)
(8) Long-term loans payable	182,495	183,479	984
Total liabilities	637,543	638,483	940
(9) Derivatives (*2)			
(i) Derivatives to which hedge accounting is not applied	15	15	–
(ii) Derivatives to which hedge accounting is applied	238	238	–
Total derivatives	253	253	–

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

*2. Assets and liabilities arising out from derivative transactions are stated on a net basis.

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 is 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) 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 IHI Group does 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 payable 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) Bonds payable

As for the fair value of bonds issued by IHI, marketable bonds are measured based on the market price and non-marketable bonds 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 payable

The fair value of long-term loans payable 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 payable associated with either designated hedge accounting of forward exchange contracts, etc., or interest rate swaps that qualify for 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, 2016	March 31, 2017
Unlisted stocks	35,223	36,134
Shares of subsidiaries and affiliates	79,969	79,411
Total	115,192	115,545

The above financial instruments are not included in “(3) 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, 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	–
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

The current fiscal year as of March 31, 2017

(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	118,909	–	–	–
Notes and accounts receivable - trade	388,504	14,588	2	–
Securities and investment securities				
Held-to-maturity securities				
(1) National and local government bonds	–	–	–	–
(2) Company debentures	–	–	106	–
Total	507,413	14,588	108	–

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

The previous 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
Bonds payable	10,000	10,000	–	20,000	10,000	20,000
Long-term loans payable	–	45,697	44,857	37,716	48,392	10,423

The current fiscal year as of March 31, 2017

(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
Bonds payable	10,000	–	20,000	10,000	20,000	–
Long-term loans payable	–	53,141	51,568	38,825	28,337	10,624

(Securities)

1. A summary of trading securities

No trading securities were held at March 31, 2016 and 2017.

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

The previous 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 do 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

The current fiscal year as of March 31, 2017

(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	–	–	–
	(2) Company debentures	106	115	9
	Subtotal	106	115	9
Held-to-maturity securities whose fair value do not exceed their amounts recorded in the balance sheet	(1) National and local government bonds	–	–	–
	(2) Company debentures	–	–	–
	Subtotal	–	–	–
Total		106	115	9

3. A summary of other securities with stated market prices

The previous 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.

The current fiscal year as of March 31, 2017

(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	8,166	4,322	3,844
Other securities whose amounts recorded in the balance sheet do not exceed their acquisition cost	Equity securities	10,859	12,428	(1,569)
Total		19,025	16,750	2,275

Note: Unlisted stocks (amount reported on balance sheet: ¥36,134 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. Summary of held-to-maturity securities which were sold

There were no sales of held-to-maturity securities in the years ended March 31, 2016 and 2017.

5. Summary of other securities which were sold

The previous 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

The current fiscal year ended March 31, 2017

(Millions of yen)

	Selling prices	Amount of gain on sales	Amount of loss on sales
Equity securities	2,603	959	(1,389)

6. Securities subject to the recognition of impairment losses

The previous 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 loss on valuation of shares of subsidiaries and affiliates in extraordinary losses in the amount of ¥1,756 million.

In recognizing an 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.

The current fiscal year ended March 31, 2017

The disclosure for other securities is omitted since it is not material at March 31, 2017.

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 for necessary amounts taking into account the probability of recoverability.

(Derivatives)

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency

The previous 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)	(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 IHI Group does business.

2. The option premiums are stated in parentheses in the rows under “Notional amount.”

The current fiscal year as of March 31, 2017

(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	3,028	1,111	(150)	(150)
	Thai baht	600	—	(32)	(32)
	Japanese yen	5,683	1,509	213	213
	Buy:				
	U.S. dollar	650	—	(2)	(2)
	Euro	3	—	0	0
	Japanese yen	373	—	(16)	(16)
	Total		—	—	13

Note: Method of measuring fair value

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

(2) Interest rate

The previous fiscal year as of March 31, 2016
Not applicable

The current fiscal year as of March 31, 2017
Not applicable

(3) Commodity

The previous 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.

The current fiscal year as of March 31, 2017

(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	306	-	2	2
Total		-	-	2	2

Note: The fair value is measured based on the prices provided by financial institutions.

2. Derivatives to which hedge accounting is applied

(1) Foreign currency

The previous 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 for forward foreign exchange contracts	Foreign currency swaps contracts:				
	U.S. dollar- Japanese yen	Long-term loans payable	11,117	7,557	(Note 2)
	U.S. dollar- Euro	Long-term loans payable	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 forward foreign exchange rates.

2. Fair value of transactions using allocation treatments for forward foreign exchange contracts 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, 2017

(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		6,174	2,453	(93)
	Hong Kong dollar		77	2	(2)
	Thai baht		27	–	0
	Buy:	Accounts payable - trade			
	U.S. dollar		1,046	43	28
	Euro		1,250	333	17
	Swedish krona		12	–	1
	Singapore dollar		1,608	–	6
	Swiss franc		5	–	0
	Hong Kong dollar		198	–	(2)
New Taiwan dollar		1,647	276	234	
Chinese yuan		818	–	29	
Korean won		764	764	20	
Allocation treatment for forward foreign exchange contracts	Foreign currency swaps contracts:				
	U.S. dollar- Japanese yen	Long-term loans payable	13,746	9,068	(Note 2)
	Forward foreign exchange contracts				
	Sell:	Accounts receivable - trade			
	U.S. dollar		31,612	635	(Note 2)
	Hong Kong dollar		167	–	(Note 2)
	Buy:	Accounts payable - trade			
U.S. dollar		620	–	(Note 2)	
Euro		19	–	(Note 2)	
Hong Kong dollar		190	–	(Note 2)	
Total			–	–	238

Notes: 1. Method of measuring fair value

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

2. Fair value of transactions using allocation treatments for forward foreign exchange contracts 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, 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 payable	82,432	53,373	(Note 2)
	Interest rate swaps Payments fixed receipts fixed	Bonds payable	20,000	20,000	(Note 2)
Total			–	–	–

Notes: 1. Method of measuring fair value

The fair value is measured based on the prices provided by financial institutions with which the IHI Group does business.

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

The current fiscal year as of March 31, 2017

(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 payable	66,839	42,842	(Note 2)
	Interest rate swaps Payments fixed receipts fixed	Bonds payable	20,000	20,000	(Note 2)
Total			–	–	–

Notes: 1. Method of measuring fair value

The fair value is measured based on the prices provided by financial institutions with which the IHI Group does business.

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

(Retirement benefits)

1. Outline of Retirement benefits plan

The IHI Group has 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. IHI has set up a retirement benefit trust for the lump-sum retirement payment plan.

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 fiscal year ended March 31, 2014.

2. Defined-benefit pension plan

(1) Reconciliations of the opening and closing balances of retirement benefit obligations

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Retirement benefit obligations at the beginning of the year	161,429	168,299
Service costs	9,407	9,424
Interest costs	1,621	1,552
Actuarial gains and losses incurred	2,148	553
Payments of retirement benefits	(6,640)	(8,701)
Past service costs incurred	29	6
Foreign currency translation adjustments	(97)	(282)
Increase resulting from inclusion of subsidiaries in consolidation	528	(335)
Increase due to change in measurement of retirement benefit obligations from the simplified method to the standard method	-	566
Other	(126)	112
Retirement benefit obligations at the end of the year	168,299	171,194

(2) Reconciliations of the opening and closing balances of plan assets

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Plan assets at the beginning of the year	3,446	13,342
Expected return on assets	12	12
Interest income on plan assets at overseas consolidated subsidiaries	33	23
Actual return on plan assets under the simplified method	(4)	8
Actuarial gains and losses incurred	(455)	1,924
Contributions by IHI	10,477	5,718
Payments of retirement benefits	(232)	(622)
Foreign currency translation adjustments	(9)	(181)
Other	74	71
Plan assets at the end of the year	13,342	20,295

Note: Contributions by IHI include contributions to the retirement benefit trust of ¥10,323 million and ¥5,573 million during the year ended March 31, 2016 and 2017, respectively.

(3) Reconciliations of the closing balances of retirement benefit obligations and plan assets, and net liability and asset amounts recorded in the consolidated balance sheets

	(Millions of yen)	
	March 31, 2016	March 31, 2017
Retirement benefit obligations for funded plans	123,806	123,801
Plan assets	(13,342)	(20,295)
	110,464	103,506
Retirement benefit obligations for unfunded plans	44,493	47,393
Net amount of liability and asset recorded in the consolidated balance sheets	154,957	150,899
Net defined benefit liabilities	154,968	150,920
Net defined benefit assets	11	21
Net amount of liability and asset recorded in the consolidated balance sheets	154,957	150,899

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

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Service costs	9,411	9,416
Interest costs	1,578	1,524
Actual return on plan assets under the simplified method	10	5
Expected return on plan assets	(12)	(12)
Amortization of actuarial gains and losses	2,129	2,041
Amortization of past service costs	(158)	(327)
Other	(3)	11
Total	12,955	12,658

Notes: 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 has been included in "Service costs."

(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, 2016	Fiscal year ended March 31, 2017
Past service costs	(187)	(333)
Actuarial gains and losses	(525)	3,411
Total	(712)	3,078

(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, 2016	March 31, 2017
Unrecognized past service costs	3,490	3,157
Unrecognized actuarial gains and losses	(8,351)	(4,940)
Total	(4,861)	(1,783)

(7) Plan assets

(i) Major components of plan assets

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

	March 31, 2016	March 31, 2017
Bond	11%	2%
Stock	75	84
Cash and deposits	4	3
General account	3	2
Real estate	6	4
Other	1	5
Total	100	100

Note: The retirement benefit trust, which was set up for the lump-sum retirement payment plan, accounts for 74% and 85% of total plan assets during the year ended March 31, 2016 and 2017, respectively.

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

In determining the long-term expected 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, 2016	March 31, 2017
Discount rate	Mainly 1.0%	Mainly 1.0%
Long-term expected rate of return	Mainly 0.0%	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, 2016 and 2017 were ¥1,089 million and ¥873 million, respectively.

(Stock Options)

1. Expenses for stock options and account titles

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Selling, general and administrative expenses	100	136

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	FY2016 Stock option
Persons granted	Directors of IHI: 12 Executive officers of IHI: 18	Directors of IHI: 10 Executive officers of IHI: 18
Class and number of shares (Note)	Common stock 242,000 shares	Common stock 491,000 shares
Grant date	August 10, 2015	August 9, 2016
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.
Service period	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.
Exercise period	From August 11, 2015 to August 10, 2045	From August 10, 2016 to August 9, 2046

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, 2017. 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, 2016	54,000	182,000	265,000	379,000	339,000
Granted	–	–	–	–	–
Forfeited	–	–	–	–	–
Vested	8,000	18,000	21,000	54,000	69,000
Outstanding of non-vested at March 31, 2017	46,000	164,000	244,000	325,000	270,000
Vested: (share)					
Outstanding at March 31, 2016	–	16,000	75,000	125,000	120,000
Vested	8,000	18,000	21,000	54,000	69,000
Exercised	8,000	18,000	83,000	71,000	23,000
Forfeited	–	–	–	–	–
Outstanding of non-exercised at March 31, 2017	–	16,000	13,000	108,000	166,000

	FY2012 Stock option	FY2013 Stock option	FY2014 Stock option	FY2015 Stock option	FY2016 Stock option
Non-vested: (share)					
Outstanding at March 31, 2016	590,000	297,000	325,000	242,000	–
Granted	–	–	–	–	491,000
Forfeited	–	–	–	–	–
Vested	91,000	44,000	37,000	6,000	–
Outstanding of non-vested at March 31, 2017	499,000	253,000	288,000	236,000	491,000
Vested: (share)					
Outstanding at March 31, 2016	131,000	31,000	–	–	–
Vested	91,000	44,000	37,000	6,000	–
Exercised	50,000	13,000	–	6,000	–
Forfeited	–	–	–	–	–
Outstanding of non-exercised at March 31, 2017	172,000	62,000	37,000	–	–

(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	290	290	264	259	242
Fair value price at grant date - yen	462	185	165	154	178

	FY2012 Stock option	FY2013 Stock option	FY2014 Stock option	FY2015 Stock option	FY2016 Stock option
Exercise price - yen	1	1	1	1	1
Average share price at exercise - yen	272	242	–	266	–
Fair value price at grant date - yen	159	376	440	413	278

3. Stock options granted during the year ended March 31, 2017

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)	43%
Estimated remaining outstanding period (Note: 2)	3.5 years
Estimated dividend (Note: 3)	¥3 per share
Risk-free interest rate (Note: 4)	(0.19)%

Notes: 1. Annual volatility rate estimated based on daily stock prices over the past 3.5 years (closing prices on each day from February 10, 2013 to August 9, 2016).

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

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

4. Annual rate, the yield on national government bonds on August 9, 2016 (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 IHI Group's deferred tax assets and liabilities

	(Millions of yen)	
	March 31, 2016	March 31, 2017
Deferred tax assets:		
Losses on valuation of inventories	2,813	2,627
Over depreciation	1,393	6,525
Impairment loss	4,482	6,924
Provision for bonuses	6,272	6,333
Provision for construction warranties	12,531	13,676
Provision for loss on construction contracts	16,415	10,297
Denial of accrued expenses	17,277	11,325
Valuation losses on investment securities	2,248	1,896
Net defined benefit liability	47,908	50,120
Net loss carried forward	7,105	22,671
Unrealized gain	3,391	2,184
Other	20,146	15,107
Subtotal deferred tax assets	141,981	149,685
Valuation allowance	(20,644)	(26,120)
Total	121,337	123,565
Deferred tax liabilities:		
Gain on transfer from business divestitures	(2,512)	(2,512)
Valuation difference on available-for-sale securities	(1,189)	(794)
Reserve for advanced depreciation of non-current assets	(4,480)	(4,245)
Gain on contribution of securities to retirement benefit trust	(1,947)	(3,013)
Other	(3,272)	(3,352)
Total	(13,400)	(13,916)
Net deferred tax assets (Note)	107,937	109,649

Note: Net deferred tax assets and liabilities as of March 31, 2016 and 2017 are included in the following accounts in the consolidated balance sheet:

	(Millions of yen)	
	March 31, 2016	March 31, 2017
Current assets - Deferred tax assets	61,956	44,783
Non-current assets - Deferred tax assets	47,338	65,697
Current liabilities - Other	(66)	(57)
Non-current liabilities - Other	(1,291)	(774)

(Changes in presentation)

“Over depreciation” which was included in “Other” in the previous fiscal year, has been separately presented in the current fiscal year due to its 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, ¥21,539 million presented as “Other” in the previous fiscal year has been reclassified into ¥1,393 million of “Over depreciation” and ¥20,146 million of “Other.”

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

	March 31, 2016	March 31, 2017
Statutory tax rate in Japan	33.1%	30.9%
Adjustments:		
Change in valuation allowance	564.5	(19.9)
Reduction of deferred tax assets due to change in corporate tax rate of Japan	(348.1)	1.5
Expenses not deductible permanently (e.g. entertainment expenses)	(81.2)	4.3
Different tax rates on overseas earnings	133.5	28.5
Tax exemption of research and development expenses	261.7	–
Foreign income taxes included in deductible expenses	(103.1)	4.4
Equalization inhabitant taxes	(22.5)	2.0
Withholding tax on dividends from foreign subsidiaries	(18.2)	0.8
Gain on bargain purchase	–	(1.8)
Other	(6.6)	(4.3)
Effective income tax rate after applying deferred tax accounting	413.1	46.4

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

The “Act for Partial Revision of the Act for Partial Revision of the Consumption Tax Act to Make Sweeping Reforms to the Taxation System for Secure Revenue to Fund the Increased Cost of Social Security” (Act No. 85 of 2016) and the “Act for Partial Revision of the Act for Partial Revision of the Local Tax Act and the Local Allocation Tax Act to Make Sweeping Reforms to the Tax System for Securing Revenue to Fund the Increased Cost of Social Security.” (Act No. 86 of 2016) were promulgated on November 18, 2016, and the schedule for the raising of the consumption tax rate to 10% was postponed from April 1, 2017 to October 1, 2019.

In association with the above, the timing for the abolishment of the special local corporate tax and the accompanying restoration of the corporate enterprise tax and applications of tax-rate revision of the local corporate tax and tax-rate revision of the corporate inhabitant tax (corporation, income tax) has been postponed from the fiscal year beginning on or after April 1, 2017 to the fiscal year beginning on or after October 1, 2019.

There will be no changes in the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities. However, as a result of changes in the composition of the tax rates in national tax and local tax, there will be some changes in net deferred tax assets (after netting of deferred tax liabilities).

The impact due to these changes is immaterial.

(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, 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, changes during the current fiscal year 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 the 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 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, and equipment, and losses on disposal of property, plant and equipment, and included in extraordinary income and non-operating expenses on the consolidated statement of income.

The current fiscal year ended March 31, 2017

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, 2017 are as follows:

(Millions of yen)

Category of use	Amount in consolidated balance sheet			Fair value as of March 31, 2017
	Balance as of April 1, 2016	Net change	Balance as of March 31, 2017	
Office buildings	62,949	(3,123)	59,826	118,229
Parking lots	114	0	114	551
Commercial facilities	3,893	(19)	3,874	30,824
Others	27,673	5,842	33,515	105,285
Total	94,629	2,700	97,329	254,889

Notes: 1. The amount recorded in the 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 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	8,812	5,716	3,096	22,562
Parking lots	41	6	35	–
Commercial facilities	1,022	301	721	–
Others	3,529	1,829	1,700	0
Total	13,404	7,852	5,552	22,562

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, 2017, “Others” in the above table is composed of gains on sales of property, plant, and equipment, and losses of disposal on 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 segments	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, process plants (storage facilities and chemical plants), nuclear power (components for nuclear power plants), environmental response systems, pharmaceutical plants
Social Infrastructure and Offshore Facility	Bridge/water gate, shield tunneling machines, transport systems, urban development (real estate sale and rental), F-LNG (floating LNG storage facilities and offshore structures)
Industrial System and General-Purpose Machinery	Machinery for ships, logistic/ industrial system (logistic system, industrial machinery), transport machinery, parking, thermal and surface treatment, vehicular turbocharger, rotating machinery (compressor, separation system, turbocharger for ships), construction machinery*, agricultural machinery/small power systems, steel manufacturing equipment, paper-making machinery
Aero Engine, Space and Defense	Aero engines, rocket systems/space utilization systems (space-related equipment), defense systems

* All shares of Construction machinery Business were transferred to Kato Works Co., Ltd. on November, 2016.

2. Calculation method used for sales, profit or loss, assets and liabilities, and other items by reportable segments

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 profit. Intersegment sales and transfers are based on actual market pricing.

(Changes to the fiscal year, for consolidated subsidiaries and others)

As stated in “Basis of preparation of the consolidated financial statements, ” effective from the current fiscal year, the closing date of the fiscal year for 31 companies including JURONG ENGINEERING LIMITED has been changed from December 31 to March 31, and six companies including Changchun FAWER-IHI Turbo Co., Ltd. have been consolidated using March 31 as a provisional closing date.

As a result, for the fiscal year ended March 31, 2017, 37 companies including JURONG ENGINEERING LIMITED have a fifteen-month accounting period.

In the period from January 1, 2016 through March 31, 2016 included in the fiscal year ended March 31, 2017, sales for each segment were ¥10,982 million for the Resources, Energy and Environment segment, ¥371 million for the Social Infrastructure and Offshore Facility segment, and ¥11,781 million for the Industrial System and General-Purpose Machinery segment. Segment profit was ¥615 million for the Resources, Energy and Environment segment, ¥17 million for the Social Infrastructure and Offshore Facility segment, and ¥2,050 million for the Industrial System and General-Purpose Machinery segment.

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

As stated in “Changes in accounting policies,” IHI has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the current fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

As a result, for the fiscal year ended March 31, 2017, segment profit for each segment increased by ¥21 million for the Resources, Energy and Environment segment, ¥30 million for the Social Infrastructure and Offshore Facility segment, ¥28 million for the Industrial System and General-Purpose Machinery segment, and ¥76 million for Aero Engine, Space and Defense segment.

3. Information about sales, profit or loss, assets and liabilities, and other items by reportable segments
The previous fiscal year ended March 31, 2016

(Millions of yen)

	Reportable Segments					Others (Note 1)	Total	Adjustment	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 profit (loss)) (Note 2)	(2,273)	(48,996)	12,693	58,444	19,868	2,115	21,983	65	22,048
Segment assets (Note 3)	370,147	259,789	337,602	482,042	1,449,580	132,160	1,581,740	133,316	1,715,056
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
Investments in equity method companies	1,817	—	3,234	10,106	15,157	47,057	62,214	—	62,214
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. "Others" 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 corporate expenses unallocated to reportable segments of ¥789 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
3. Adjustment of ¥133,316 million for segment assets includes corporate assets unallocated to reportable segments of ¥260,743 million among cash and deposits, buildings and structures, investment securities and other assets, and eliminations of intersegment receivables and payables of negative ¥108,041 million.
4. Depreciation represents depreciation of property, plant and equipment. Adjustment of depreciation represents corporate depreciation of corporate property, plant and equipment unallocated to reportable segments.
5. Adjustment of increase in property, plant and equipment represents corporate increase in corporate property, plant and equipment unallocated to reportable segments.
6. Segment liabilities are omitted because which is not subject to determine allocation of management resources and assess performance.

The current fiscal year ended March 31, 2017

(Millions of yen)

	Reportable Segments					Others (Note 1)	Total	Adjustment	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	417,844	147,979	401,074	469,488	1,436,385	49,947	1,486,332	–	1,486,332
(2) Intersegment sales and transfers	9,496	9,818	10,533	2,502	32,349	25,190	57,539	(57,539)	–
Total	427,340	157,797	411,607	471,990	1,468,734	75,137	1,543,871	(57,539)	1,486,332
Segment profit (Operating profit (loss)) (Note 2)	(10,657)	(12,083)	17,534	53,033	47,827	2,582	50,409	(3,020)	47,389
Segment assets (Note 3)	406,193	241,327	318,927	493,690	1,460,137	107,716	1,567,853	124,978	1,692,831
Others:									
Depreciation (Note 4)	6,635	6,305	11,817	16,295	41,052	929	41,981	4,667	46,648
Share of profit (loss) of entities accounted for using equity method	(119)	(61)	636	(412)	44	(3,436)	(3,392)	(146)	(3,538)
Investments in equity method companies	1,598	2,732	3,380	9,487	17,197	42,165	59,362	–	59,362
Increase in property, plant and equipment (Note 5)	6,166	6,265	13,649	22,641	48,721	950	49,671	3,035	52,706

- Notes: 1. "Others" 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 ¥387 million and corporate expenses unallocated to reportable segments of negative ¥2,633 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
3. Adjustment of ¥124,978 million for segment assets includes corporate assets unallocated to reportable segments of ¥234,603 million among cash and deposits, buildings and structures, investment securities and other assets, and eliminations of intersegment receivables and payables of negative ¥101,884 million.
4. Depreciation represents depreciation of property, plant and equipment. Adjustment of depreciation represents corporate depreciation of corporate property, plant and equipment unallocated to reportable segments.
5. Adjustment of increase in property, plant and equipment represents corporate increase in corporate property, plant and equipment unallocated to reportable segments.
6. Segment liabilities are omitted because which is not subject to determine allocation of management resources and assess performance.

Related information

The previous 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

The current fiscal year ended March 31, 2017

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
728,919	319,877	260,370	26,435	116,198	34,533	1,486,332

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
299,116	4,819	19,923	147	18,358	45	342,408

3. Information by major customer

(Millions of yen)

Name of customer or individual	Net sales	Related business segment
Japanese Aero Engines Corporation	179,512	Aero Engine, Space and Defense

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

The previous fiscal year ended March 31, 2016

(Millions of yen)

	Reportable Segments					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: “Others” consists of businesses that are 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.

The current fiscal year ended March 31, 2017

(Millions of yen)

	Reportable Segments					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	2,186	7,297	822	–	10,305	370	10,675	–	10,675

Note: “Others” consists of businesses that are 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.

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

The previous fiscal year ended March 31, 2016

(Millions of yen)

	Reportable Segments					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. “Others” consists of businesses that are 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. Adjustments represent corporate goodwill amortization and year-end unamortized balances not allocated to reportable segments.

The current fiscal year ended March 31, 2017

(Millions of yen)

	Reportable Segments					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	369	–	2,797	–	3,166	402	3,568	12	3,580
Balance at the end of the current fiscal year	1,613	–	12,609	–	14,222	1,944	16,166	–	16,166

Notes: 1. “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 represent corporate goodwill amortization and year-end unamortized balances not allocated to reportable segments.

Information about gain on bargain purchase by reportable segment

The previous fiscal year ended March 31, 2016

Not applicable

The current fiscal year ended March 31, 2017

Integration of the Shield tunneling machine Business was completed on October 1, 2016 in the Social Infrastructure and Offshore Facility segment. The gain on bargain purchase resulting from this event is ¥1,079 million.

Related party informations

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, 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. Consumption taxes are not included in the transaction amount, but included in the balance as of March 31.

2. With regard to factorings, IHI, any customer and IFS have entered into a basic agreement concerning IHI's liabilities and have settled the amount.

The current fiscal year ended March 31, 2017

	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)	71,906	Notes and accounts payable - trade Other current liabilities	18,315 1,182

Notes: 1. Consumption taxes are not included in the transaction amount, but included in the balance as of March 31.

2. With regard to factorings, IHI, any customer and IFS have entered into a basic agreement concerning IHI's liabilities and have settled the amount.

(ii) Directors/audit & supervisory board members, major shareholders and other related parties of IHI
The previous 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	Relation-ship	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 Chairman of the Board 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	6,512 2,439 10,848 175,368 117,406	- - Other current liabilities Other non-current liabilities Notes and accounts receivable - trade Advances received -	- - 2,985 51,043 22,762 6,571 -

- Notes: 1. Consumption taxes are not included in the transaction amount, but included in the balance as of March 31.
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.

The current fiscal year ended March 31, 2017

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%	Senior Counselor of IHI	Operating transactions with JAEC (Note 2 and 3) -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	- 171 17 44,774 17,795	- - - - -	- - - -
Director	Toshiaki Sekido	-	-	JAEC (Chairman)	Held directly 0.0%	Representative director and Executive vice president of IHI	Operating transactions with JAEC (Note 2 and 4) -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	6,745 2,949 8,511 134,707 69,322	Accounts Receivables - Other current liabilities Other non-current liabilities Notes and accounts receivable - trade Advances received -	65 - 4,671 53,733 29,197 11,975 -

- Notes: 1. Consumption taxes are not included in the transaction amount, but included in the balance as of March 31.
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.

3. Mr. Kazuaki Kama resigned as the chairman of JAEC on June 29, 2016. The amounts stated above pertain to his tenure period of the current fiscal year.
4. Mr. Toshiaki Sekido assumed the position of chairman of JAEC on June 30, 2016. The amounts stated above pertain to his tenure period of the current fiscal year.

(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, 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 Other current liabilities	56,214 374

- Notes: 1. Consumption taxes are not included in the transaction amount, but included in the balance as of March 31.
2. With regard to factorings, IHI, any customer and IFS have entered into a basic agreement concerning IHI's liabilities and have settled the amount.

The current fiscal year ended March 31, 2017

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)	172,091	Notes and accounts payable - trade Other current liabilities	59,921 663

- Notes: 1. Consumption taxes are not included in the transaction amount, but included in the balance as of March 31.
2. With regard to factorings, IHI, any customer and IFS have entered into a basic agreement concerning IHI's liabilities and have 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, 2017. The condensed financial information of JMU for the years ended March 31, 2016 and 2017 are as follows:

(Millions of yen)

	Japan Marine United Corporation	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Current assets	218,992	207,125
Non-current assets	147,759	146,194
Current liabilities	169,389	153,920
Non-current liabilities	51,954	64,426
Net assets	145,408	134,973
Net sales	332,749	303,927
Profit (loss) before income taxes	1,168	(9,309)
Profit (loss)	1,134	(9,560)

(Amounts per share)

(Yen)

Category	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net assets per share	206.16	206.03
Basic earnings per share	0.99	3.40
Diluted earnings per share	0.99	3.40

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

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	1,529	5,247
Amounts for non-common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent regarding common stock (Millions of yen)	1,529	5,247
Average number of shares of common stock (Thousands of shares)	1,543,682	1,544,144
Basic earnings per share fully diluted		
Adjusted profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of shares of common stock (Thousands of shares)	1,468	944
(Subscription rights to shares of the above) (Thousands of shares)	1,468	944
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.”	4 types of subscription rights to shares (Total number of subscription rights to shares: 922 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, (vii) Resolution made at the Board of Directors’ meeting held on July 22, 2013, (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)	–	1.000	None	March 9, 2017	Funds for bond redemption
IHI	37th unsecured bonds	October 15, 2012	10,000	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 (10,000)	60,000 (10,000)	–	–	–	–

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

2. The redemption schedule within 5 years after the consolidated balance sheet date is as follows:

(Millions of yen)

Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
10,000	–	20,000	10,000	20,000

Detailed statement of loans

(Millions of yen)

Category	Balance as of April 1, 2016	Balance as of March 31, 2017	The weighted-average interest rate (%)	Payment due
Short-term loans payable	36,646	50,487	0.63	–
Current portion of long-term loans payable	57,904	53,624	0.80	–
Current portion of lease obligations	4,956	6,546	–	–
Long-term loan payable (excluding current portion)	187,085	182,495	0.72	April 2018 to March 2027
Lease obligations (excluding current portion)	12,968	13,782	–	April 2018 to November 2035
Current portion of commercial papers and other interest-bearing liabilities	5,000	5,000	0.01	–
Total	304,559	311,934	–	–

- 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 component included in lease payments is allocated on consolidated yearly basis using the straight-line method.
3. Repayment of long-term loans payable and lease obligations (excluding current portion) above scheduled within 5 years after the closing date are as follows:

(Millions of yen)

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Long-term loans payable	53,141	51,568	38,825	28,337
Lease obligations	3,705	2,520	2,005	1,514

Detailed statement of asset retirement obligations

The amounts of asset retirement obligations on April 1, 2016 and March 31, 2017 were less than 1% of total liabilities and net assets on April 1, 2016 and March 31, 2017, respectively. As a result, the schedule of asset retirement obligations is not required to be disclosed in accordance with Article 92-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) Others

Quarterly results for the fiscal year ended March 31, 2017

(YTD period)	First quarter	Second quarter	Third quarter	Full year
Net sales (Millions of yen)	341,403	691,799	1,038,221	1,486,332
Profit (loss) before income taxes (Millions of yen)	4,587	5,099	(919)	18,078
Profit (loss) attributable to owners of parent (Millions of yen)	846	(5,256)	(9,172)	5,247
Basic earnings (loss) per share (Yen)	0.55	(3.40)	(5.94)	3.40

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	0.55	(3.95)	(2.54)	9.34

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, 2017, 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, 2017, 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 23, 2017
Tokyo, Japan

Independent Auditor's Report

June 23, 2017

The Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Designated and Engagement Partner Certified Public Accountant	Hideyuki Inoue
Designated and Engagement Partner Certified Public Accountant	Ichiro Tajima
Designated and Engagement Partner Certified Public Accountant	Yoichi Takanashi

<Financial statements audit>

Pursuant to Article 193-2, paragraph 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, 2016 to March 31, 2017, 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, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

(Translation purposes only)

<Internal control audit>

Pursuant to Article 193-2, paragraph 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, 2017 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, 2017 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.

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 23, 2017
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 Executive 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)

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

Tsugio Mitsuoka, President and Chief Executive Officer of IHI Corporation (“IHI”), has confirmed that this Annual Securities Report of the 200th fiscal term (April 1, 2016 through March 31, 2017) 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.

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 23, 2017
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 Executive 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)

1. Basic framework of internal control related to financial reporting

Tsugio Mitsuoka, President and Chief Executive 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, 2017 (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, 70 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 previous 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 previous 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