

198th term (from April 1, 2014 to March 31, 2015)

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 25, 2015, 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 25, 2015 |
| Fiscal year | 198th term (from April 1, 2014 to March 31, 2015) |
| Company name | 株式会社 I H I (Kabushiki Kaisha IHI) |
| Company name in English | IHI Corporation |
| Title and name of representative | Tamotsu Saito, 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. |
| Nearest place of contact | 1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan |
| Telephone number | +81-3-6204-7065 |
| Name of contact person | Yasuaki Fukumoto, Manager, Accounting Group, Finance & Accounting Div. |
| Place for public inspection | Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya-city) Securities Membership Corporation Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka-city) Securities Membership Corporation Sapporo Securities Exchange (14-1, Minamiichijo-nishi 5-chome, Chuo-ku, Sapporo-city) |

(Translation purposes only)

Part 1. Company information

I. Overview of company

1. Summary of business results

(1) Business results of group (Consolidated)

| Term | 194th term | 195th term | 196th term | 197th term | 198th term |
|---|----------------|----------------|----------------|----------------|----------------|
| Fiscal year ended | March 31, 2011 | March 31, 2012 | March 31, 2013 | March 31, 2014 | March 31, 2015 |
| Net sales (Millions of yen) | 1,187,292 | 1,221,869 | 1,256,049 | 1,304,038 | 1,455,844 |
| Ordinary income (Millions of yen) | 51,482 | 41,715 | 36,219 | 53,235 | 56,529 |
| Net income (Millions of yen) | 29,764 | 23,823 | 33,386 | 33,133 | 9,082 |
| Comprehensive income (Millions of yen) | 26,364 | 17,565 | 44,964 | 49,571 | 26,829 |
| Net assets (Millions of yen) | 253,640 | 258,475 | 299,282 | 362,555 | 359,595 |
| Total assets (Millions of yen) | 1,361,441 | 1,338,131 | 1,364,239 | 1,496,361 | 1,690,882 |
| Net assets per share (Yen) | 162.33 | 170.84 | 197.08 | 223.68 | 224.03 |
| Net income per share (Yen) | 20.29 | 16.26 | 22.81 | 22.51 | 5.88 |
| Diluted net income per share (Yen) | 20.28 | 15.37 | 21.58 | 21.31 | 5.88 |
| Shareholders' equity ratio (%) | 17.49 | 18.69 | 21.14 | 23.07 | 20.45 |
| Return on equity (ROE) (%) | 13.22 | 9.76 | 12.40 | 10.46 | 2.63 |
| Price earnings ratio (PER) (Times) | 10.00 | 12.85 | 12.54 | 19.28 | 95.75 |
| Cash flows from operating activities (Millions of yen) | 95,565 | 24,743 | 74,347 | 39,220 | 63,589 |
| Cash flows from investing activities (Millions of yen) | (77,798) | (37,722) | (61,033) | (62,282) | (74,611) |
| Cash flows from financing activities (Millions of yen) | (25,907) | (38,542) | (3,150) | 11,395 | 33,443 |
| Cash and cash equivalents at end of period (Millions of yen) | 115,025 | 63,498 | 72,070 | 62,604 | 92,527 |
| Number of employees (Persons) | 26,035 | 26,915 | 26,618 | 27,562 | 28,533 |

- 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 | 194th term | 195th term | 196th term | 197th Term | 198th term |
|---|----------------|----------------|----------------|----------------|----------------|
| Fiscal year ended | March 31, 2011 | March 31, 2012 | March 31, 2013 | March 31, 2014 | March 31, 2015 |
| Net sales (Millions of yen) | 513,560 | 559,275 | 589,444 | 608,678 | 689,269 |
| Ordinary income (Millions of yen) | 21,562 | 18,900 | 16,665 | 25,586 | 36,392 |
| Net income (Millions of yen) | 10,501 | 16,137 | 19,903 | 15,238 | 232 |
| Capital stock (Millions of yen) | 95,762 | 95,762 | 95,762 | 107,165 | 107,165 |
| Total number of issued shares (Thousands of shares) | 1,467,058 | 1,467,058 | 1,467,058 | 1,546,799 | 1,546,799 |
| Net assets (Millions of yen) | 167,265 | 172,335 | 192,899 | 225,912 | 206,340 |
| Total assets (Millions of yen) | 903,881 | 884,008 | 936,093 | 996,652 | 1,132,586 |
| Net assets per share (Yen) | 113.78 | 117.38 | 131.44 | 145.97 | 133.19 |
| Dividends per share [Interim dividends per share] (Yen) | 3.00 [-] | 4.00 [-] | 5.00 [-] | 6.00 [-] | 6.00 [3.00] |
| Net income per share (Yen) | 7.16 | 11.01 | 13.60 | 10.35 | 0.15 |
| Diluted net income per share (Yen) | 7.15 | 10.40 | 12.85 | 9.73 | 0.15 |
| Shareholders' equity ratio (%) | 18.46 | 19.44 | 20.55 | 22.60 | 18.15 |
| Return on equity (ROE) (%) | 6.38 | 9.53 | 10.93 | 7.30 | 0.11 |
| Price earnings ratio (PER) (Times) | 28.35 | 18.98 | 21.03 | 41.93 | 3,753.33 |
| Payout ratio (%) | 41.90 | 36.30 | 36.76 | 57.95 | 3,991.83 |
| Number of employees (Persons) | 7,986 | 7,944 | 7,982 | 8,331 | 8,458 |

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

(Translation purposes only)

2. Company history

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

(Translation purposes only)

| Year / Month | Major Event |
|----------------|--|
| April 2006 | Transferred the pump facilities related operations to Ebara Corporation. |
| 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 the Company name from Ishikawajima-Harima Heavy Industries Co., Ltd. to IHI Corporation. |
| March 2008 | Acquired the shares of Hauzer Techno Coating B.V. (currently IHI Hauzer Techno Coating B.V.) in the Netherlands to expand and develop the industrial furnace-related business. |
| July 2008 | Transferred cement plants business to Kawasaki Plant Systems Ltd. |
| August 2009 | Acquired the shares of Kurimoto Bridge, Ltd. (currently IHI Infrastructure Systems Co., Ltd.) and made it a wholly owned subsidiary. |
| October 2009 | Acquired the shares of Matsuo Bridge Co., Ltd. (currently IHI Infrastructure Systems Co., Ltd.) and made it a wholly owned subsidiary. |
| November 2009 | Transferred the bridge, water gate, and other steel structures business to Matsuo Bridge Co., Ltd. and merged Kurimoto Bridge Co., Ltd. with Matsuo Bridge Co., Ltd. by an absorption-type merger. At the same time, changed the name of Matsuo Bridge Co., Ltd. to IHI Infrastructure Systems Co., Ltd. |
| January 2010 | IHI Infrastructure Systems Co., Ltd. took over the water gate business from Kurimoto, Ltd. |
| January 2010 | Transferred the shield machine and other tunneling machine businesses to Japan Tunnel Systems Corporation (established jointly as a subsidiary with JFE Engineering Corporation in November 2009) by an absorption-type company split. |
| July 2010 | Sold a portion of the shares of IHI Finance Support Corporation to Century Tokyo Leasing Corporation and converted it from a wholly owned subsidiary to an affiliate. |
| August 2010 | Completed construction of TOYOSU FRONT (a rental office building). |
| January 2011 | Jointly established TOSHIBA IHI Power Systems Corporation with TOSHIBA Corporation for manufacturing turbine equipment of nuclear power plants. |
| January 2012 | Acquired the shares of Fuso Engineering Co., Ltd. (currently IHI Fuso Engineering Co., Ltd.) and made it a wholly owned subsidiary. |
| June 2012 | Conducted a tender offer for the shares of MEISEI ELECTRIC CO., LTD., which has a business base in fields including environmental measurement, disaster prevention systems, space-related and control systems, and made it a subsidiary. |
| July 2012 | Established IHI E&C International Corporation and acquired the on-shore EPC operation of Kvaerner Americas in order to participate in the North American shale gas liquefaction 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 INVESTMENTOS 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). |

(Translation purposes only)

3. Description of business

The Company and its affiliated entities (152 consolidated subsidiaries and 33 affiliates accounted for using equity method as of March 31, 2015) operate four main businesses, providing a diverse range of products. The four businesses are: Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense. Descriptions of the main activities within each business and the roles assigned to individual group companies are as follows.

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

(Resources, Energy and Environment)

Activities within this business include manufacturing, sales, and provision of services relating to boilers, power systems plant, motors for land and marine use, large marine motors, gas processes (storage facilities and chemical plants), nuclear power (components for nuclear power plants), environmental systems, and pharmaceuticals (pharmaceutical plants).

[Major Subsidiaries and Associates]

TOSHIBA IHI Power Systems Corporation, IHI PACKAGED BOILER CO., LTD., IHI Plant Engineering Corporation, IHI Plant Construction Co., Ltd., Kanamachi Purification Plant Energy Service Co., Ltd., Kotobuki Iron Works Co., Ltd., Niigata Power Systems Co., Ltd., NICO Precision Co., Inc., Aomori Plant Co., Ltd., Toyosu Energy Service Co., Ltd., IHI Enviro Corporation, Diesel United, Ltd., JURONG ENGINEERING LIMITED and its 19 subsidiaries (Note (i)), IHI Power System Germany GmbH, ISHI POWER SDN. BHD., PT Cilegon Fabricators, NIIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD., IHI E&C International Corporation and its two subsidiaries (Note (ii)), IHI POWER SYSTEM MALAYSIA SDN.BHD., Steinmüller Engineering GmbH (Note (iii)), IHI Southwest Technologies, Inc. and its one subsidiary (Note (iv)), and other four companies (Note (v))

(Social Infrastructure and Offshore Facilities)

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

[Major Subsidiaries and Associates]

IHI Infrastructure Systems Co., Ltd., IHI Construction Service Co., Ltd., ISHIKAWAJIMA CONSTRUCTION Materials Co., Ltd., Kanto Segment Co., Ltd., Japan Tunnel Systems Corporation, Chiba Warehouse Co., Ltd., San-Etsu Co., Ltd., Niigata Transys Co., Ltd., IHI INFRASTRUCTURE ASIA CO., LTD., and IHI California Inc. (Note (vi))

(Industrial Systems and General-Purpose Machinery)

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

[Major Subsidiaries and Associates]

IHI Transport Machinery Co., Ltd., IHI Fuso Engineering Co., Ltd., Nishi-nihon Sekkei Engineering Co., Ltd., IHI Machinery and Furnace Co., Ltd., Voith IHI Paper Technology Co., Ltd., IHI Logistic Technology Co., Ltd., CENTRAL CONVEYOR COMPANY, LTD., IHI Compressor and Machinery Co., Ltd., IHI Turbo Co., Ltd., IHI Technical Training Institution, IHI Construction Machinery Limited, IHI Shibaura Machinery Corporation, IHI STAR Machinery Corporation, Clover Turbo Co., Ltd. (Note (vii)), IHI Hauzer Techno Coating B.V. and its four subsidiaries, IHI Press Technology America, Inc., New Metal Engineering, LLC, IUK (HK) LIMITED, Indigo TopCo Ltd. and its 24 subsidiaries (Note (viii)), 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., and Shanghai Star Modern Agriculture Equipment Co., Ltd. (Note (iv))

(Translation purposes only)

(Aero Engine, Space and Defense)

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

[Major Subsidiaries and Associates]

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

(Others)

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

[Major Subsidiaries and Associates]

IHI Scube Co., Ltd., IHI Trading, Inc., IHI Business Support Corporation, IHI Shibaura Technical Service Corporation, MEISEI ELECTRIC CO., LTD., IHI Inspection & Instrumentation Co., Ltd., Takashima Giken Co., LTD. (Note (iv)), IHI do Brasil Representações Ltda., IHI ENGINEERING AUSTRALIA PTY. LTD., IHI Europe Ltd., IHI INC., IHI New Energy Inc., Algae Systems, LLC., IHI Power Generation Corporation and its 12 subsidiaries, JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA, IHI (Shanghai) Management Co., Ltd. (Note (iv)), and IHI ASIA PACIFIC PTE. LTD. (Note (iv))

- Notes: (i) Of the subsidiaries of JURONG ENGINEERING LIMITED (Resources, Energy and Environment), 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 its liquidation was completed.
- (ii) One subsidiary of IHI E&C International Corporation (Resources, Energy and Environment) was newly established and is newly included in the scope of consolidation.
- (iii) This company was acquired and is newly included in the scope of consolidation.
- (iv) This company is newly included in the scope of consolidation because its materiality within the IHI Group has increased.
- (v) Cove Point J.V. (Resources, Energy and Environment) was excluded from the scope of consolidation because its liquidation was completed.
- (vi) PC BRIDGE CO., LTD. (Social Infrastructure and Offshore Facilities) was excluded from the scope of consolidation because its liquidation was completed.
- (vii) This company was newly established and is newly included in the scope of consolidation.
- (viii) Of the subsidiaries of Indigo TopCo Ltd. (Industrial Systems and General-Purpose Machinery), one subsidiary was excluded from the scope of consolidation because it was merged and ceased to exist, while two subsidiaries were excluded from the scope of consolidation because their liquidations were completed.

(Translation purposes only)

[Overview of the corporate group]

The roles of the Company 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./ Katobuki Iron Works Co., Ltd./ Nigata 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 4 companies | | |
| | NIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD. (■) | | IHI Plant Construction Co., Ltd./ ISHI POWER SDN.BHD./ IHI Power System Germany GmbH/ Steinmüller Engineering GmbH/ JURONG ENGINEERING LIMITED and its 19 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 Southeast Technologies, Inc. and its 1 subsidiary |
| | Diesel United, Ltd.(■) | | | | |
| Social Infrastructure & Offshore Facilities | IHI Infrastructure Systems Co., Ltd./ IHI Construction Service Co., Ltd./ IHI INFRASTRUCTURE ASIA CO., LTD. | | | | |
| | Nigata Transys Co., Ltd.(■) | | | | |
| | Kanto Segment Co., Ltd. | Japan Tunnel Systems Corporation | | | Chiba Warehouse Co., Ltd./ San-Etsu Co., Ltd. |
| | ISHIKAWAJIMA CONSTRUCTION MATERIALS Co., Ltd. | | | | |
| Industrial Systems & General - Purpose Machinery | IHI Transport Machinery Co., Ltd./ IHI Machinery and Furnace Co., Ltd./ IHI Hauzer Techno Coating B.V. and its 4 subsidiaries/ IHI Compressor and Machinery Co., Ltd./ IHI Sullair Compression Technology (Suzhou) Co., Ltd. | | | | |
| | Voith IHI Paper Technology Co., Ltd./ CENTRAL CONVEYOR COMPANY, LTD. | | | | |
| | IHI Construction Machinery Limited(■)/ IHI Shibaura Machinery Corporation(■)/ IHI STAR Machinery Corporation(■)/ Clover Turbo Co., Ltd.(■)/ IHI Turbo America Co./ IHI Charging Systems International GmbH and its 2 subsidiaries / Shanghai Star Modern Agriculture Equipment Co., Ltd.(■) | | | 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 Turbo Co., Ltd. | Nishi-nihon Sekkei Engineering Co., Ltd. | | | |
| | IHI Fuso Engineering Co., Ltd. | | | | |
| | IHI TURBO (THAILAND) CO., LTD./ Changchun FAWER-IHI Turbo Co., Ltd. / Wuxi IHI Turbo Co., Ltd. | | | IHI Logistic Technology 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 AEROSPACE CO., LTD. | | | | |
| Others | Algae Systems, LLC. | IHI Trading, Inc./ IHI Europe Ltd./ IHI do Brasil Representações Ltda. | | | IHI Scube Co., Ltd./ IHI Business Support Corporation / IHI Shibaura Technical Service Corporation / IHI New Energy Inc./ IHI Power Generation Corporation and its 12 subsidiaries / JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA |
| | IHI INC.(■)/ IHI (Shanghai) Management Co., Ltd.(■)/ IHI ASIA PACIFIC PTE. LTD.(■) | | | | |
| | IHI ENGINEERING AUSTRALIA PTY. LTD. | | | | |
| | MEISEI ELECTRIC CO., LTD.(★)/ 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 the company 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, 2015, and subsidiaries listed on the Tokyo Stock Exchange Second Section are noted with the “★” mark.

(Translation purposes only)

4. Overview of affiliated entities

| Name | Address | Capital (Millions of yen) | Main business | Voting rights holding [or held] (%) | Nature of relationship |
|---|----------------------------|--|---|---|---|
| (Consolidated subsidiaries) | | | | | |
| IHI 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 |
| IHI Infrastructure Systems Co., Ltd. | Sakai-city, Osaka | 4,903 | Social Infrastructure and Offshore Facility | 100.0 | Conducts design, manufacture, installation, maintenance and repair of bridges and water gates. 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 3) | Isesaki-city, Gunma | 2,996 | Others | 51.0 | Conducts manufacture and sale of communication, electronic, electric measuring, information processing machines and other instruments and equipment, in addition to construction design and contracting and other incidental services. Interlocking officers, etc.: Yes |
| IHI Transport Machinery Co., Ltd. | Chuo-ku, Tokyo | 2,647 | Industrial System and General-Purpose Machinery | 100.0 | Conducts design, manufacture, sale, installation, maintenance, and repair of parking systems, materials handling equipment, and transport and distribution plants. Interlocking officers, etc.: Yes |
| IHI Construction Machinery Limited | Yokohama-city, Kanagawa | 1,750 | Industrial System and General-Purpose Machinery | 100.0 | Conducts manufacture, sale and repair of construction machinery and materials handling equipment. IHI leases land, buildings, etc. to that company. Interlocking officers, etc.: Yes |
| IHI Shibaura Machinery Corporation | Matsumoto- city, Nagano | 1,111 | Industrial System and General-Purpose Machinery | 91.0 | Conducts design, manufacture, sale, installation, maintenance and repair of internal combustion engines, agricultural machinery, fire pumps and turf-grass management equipment. Interlocking officers, etc.: Yes |
| IHI Compressor and Machinery Co., Ltd. | Koto-ku, Tokyo | 1,033 | Industrial System and General-Purpose Machinery | 100.0 | Conducts design, manufacture, sale, installation, maintenance and repair of compressors, separators and superchargers for ships. Interlocking officers, etc.: Yes |
| IHI Turbo Co., Ltd. | Koto-ku, Tokyo | 1,000 | Industrial System and General-Purpose Machinery | 100.0 | Manufacture and sale of vehicular turbochargers Interlocking officers, etc.: Yes |
| Niigata Transys Co., Ltd. | Chiyoda-ku, Tokyo | 1,000 | Social Infrastructure and Offshore Facility | 100.0 | Conducts manufacture and sale of rolling stock, industrial vehicles and machines for snow removal. Interlocking officers, etc.: Yes |
| IHI 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 |
| JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA | Rio de Janeiro, Brazil | Thousands of BRL 207,000 | Others | 60.4 | Conducts investment in and financing of Estaleiro Atlântico Sul S.A. and operations related to participating in the management of that company as its shareholder. Interlocking officers, etc.: Yes |
| IHI INC. | New York, U.S.A. | Thousands of US\$ 92,257 (Note 4) | Others | 100.0 | Conducts sale and order procurement of various plant, machinery and maintenance of aircraft engine, etc. Interlocking officers, etc.: Yes |
| IHI Aero Engines US Co., Ltd. | New York, U.S.A. | Thousands of US\$ 63,400 (Note 4) | Aero Engine, Space and Defense | 100.0 | Conducts investment in civil aircraft engine program. Interlocking officers, etc.: Yes |
| IHI Power Generation Corporation | New York, U.S.A. | Thousands of US\$ 38,250 | Others | 100.0 | Investment in biomass power generation business, etc. Interlocking officers, etc.: Yes |

(Translation purposes only)

| Name | Address | Capital (Millions of yen) | Main business | Voting rights holding [or held] (%) | Nature of relationship |
|---|------------------------|--|---|---|---|
| JURONG ENGINEERING LIMITED | Singapore | Thousands of US\$ 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 E&C International Corporation | Texas, U.S.A. | Thousands of US\$ 21,257 | Resources, Energy and Environment | 100.0 (100.0) | Conducts FS (feasibility study)/FEED (front end engineering design) and EPC (engineering, procurement and construction) business in oil and gas field. The indirectly owned portion is held by IHI INC. Interlocking officers, etc.: Yes |
| IHI INFRASTRUCTURE ASIA CO., LTD. | Haiphong, Vietnam | Millions of VND 542,638 | Social Infrastructure and Offshore Facility | 100.0 | Conducts engineering, construction and installation of steel structures and concrete structures. Interlocking officers, etc.: Yes |
| 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 |
| Wuxi IHI Turbo Co., Ltd. | Jiangsu, China | Thousands of USD 9,000 | Industrial System and General-Purpose Machinery | 100.0 | Conducts manufacture and sale of vehicular turbochargers. Interlocking officers, etc.: Yes |
| IHI ASIA PACIFIC PTE. LTD. (Note 5) | Singapore | Thousands of Singapore dollars 12,500 | Others | 100.0 | Order procurement, business support, purchase and sale agent (regional headquarters). Interlocking officers, etc.: Yes |
| IHI TURBO (THAILAND) CO., LTD. | Chonburi, Thailand | Thousands of TBA 260,000 | Industrial System and General-Purpose Machinery | 90.0 (10.0) | Conducts manufacture and sale of vehicular turbochargers. The indirectly owned portion is held by IHI Turbo Co., Ltd. Interlocking officers, etc.: Yes |
| IHI-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. (Note 5) | Texas, U.S.A. | Thousands of US\$ 5,800 | Resources, Energy and Environment | 100.0 (6.7) | Nondestructive testing services for nuclear power plants, petrochemical plants, and thermal power plants, etc. The indirectly owned portion is held by IHI Inspection & Instrumentation Co., Ltd. Interlocking officers, etc.: Yes |
| IHI Europe Ltd. | London, U.K. | Thousands of STG 2,500 | Others | 100.0 | Conducts sale and mediation of various types of plant, machinery, ships/vessels and aircraft engines. Interlocking officers, etc.: Yes |
| IHI (Shanghai) Management Co., Ltd. (Note 5) | Shanghai, China | Thousands of US\$ 2,100 | Others | 100.0 | Sale, order procurement and purchase of various industrial equipment, technical support including maintenance and engineering, provision of shared services (regional headquarters). Interlocking officers, etc.: Yes |
| Other 123 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 |
| Estaleiro Atlântico Sul S.A. | Pernambuco, Brazil | Thousands of BRL 459,681 | Others | 33.3 (33.3) | Conducts sale, engineering, and building of ships/vessels, hulls and shipbuilding-related products, and provides services including maintenance, and parts supply. The indirectly owned portion is held by JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA. Interlocking officers, etc.: Yes |
| GE Passport, LLC | Ohio, U.S.A. | Thousands of US\$ 223,815 (Note 4) | Aero Engine, Space and Defense | 30.0 (30.0) | Conducts the manufacture and sale of the GE Passport20 engine, and provides maintenance, parts supply and other services. The indirectly owned portion is held by IHI Aero Engines US Co., Ltd. Interlocking officers, etc.: Yes |
| Other 30 companies | | | | | |
| Total of 33 companies | | | | | |

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

(Translation purposes only)

5. Information about employees

(1) Information about the IHI Group

As of March 31, 2015

| Segment name | Number of employees (Persons) |
|---|-------------------------------|
| Resources, Energy and Environment | 7,493 |
| Social Infrastructure and Offshore Facility | 2,385 |
| Industrial System and General-Purpose Machinery | 9,389 |
| Aero Engine, Space and Defense | 6,081 |
| Reportable segment total | 25,348 |
| Others | 2,295 |
| Corporate (Common) | 890 |
| Total | 28,533 |

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, 2015

| Number of employees (Persons) | Average age (Years old) | Average length of service (Years) | Average annual salary (Yen) |
|-------------------------------|-------------------------|-----------------------------------|-----------------------------|
| 8,458 | 40.6 | 14.3 | 7,315,322 |

| Segment name | Number of employees (Persons) |
|---|-------------------------------|
| Resources, Energy and Environment | 2,478 |
| Social Infrastructure and Offshore Facility | 520 |
| Industrial System and General-Purpose Machinery | 855 |
| Aero Engine, Space and Defense | 3,715 |
| Reportable segment total | 7,568 |
| Others | – |
| Corporate (Common) | 890 |
| Total | 8,458 |

- Notes:
1. The number of employees is the number of persons actually at work (excludes persons seconded from the Company to companies outside IHI, and includes persons seconded from companies outside IHI to the Company). 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

The Company's labor union is called the IHI Labor Union, which forms the IHI Labor Union Federation with the labor unions of six 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, 2015, there were 7,610 members (including employees seconded to other companies) in the IHI Labor Union. There were a total of 9,845 members in the IHI Labor Union Federation.

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

There is a labor union at 13 of the 49 domestic consolidated subsidiaries (not including the six consolidated subsidiaries which belong to the IHI Labor Union Federation discussed above) with a total of 4,779 members, and its umbrella organization is the Japan Federation of Basic Industry Worker's Unions.

In addition, the IHI Group Labor Union Federation (21 labor unions, 15,143 members) is made up of 21 labor unions centered on labor unions organized by the IHI Labor Union and each of the consolidated subsidiaries' labor unions.

II. Overview of business

1. Overview of business results

(1) Summary of consolidated performance

During the current fiscal year, the Japanese economy continued on a track of moderate recovery due to steady private consumption in the latter half of the fiscal year and improved exports and increased capital investment backed by improved corporate earnings, despite weak recovery in private consumption following a rise in the consumption tax in the first half. The global economy grew moderately led by a strong U.S. economy, although certain emerging countries experienced weak growth and mounting geopolitical risks.

Within this business environment, the IHI Group steadily implemented initiatives to accelerate business development under its three-year midterm business policies, “Group Management Policies 2013” that was launched in April 2013.

In the current fiscal year, orders received increased 14.1% from the previous fiscal year to ¥1,664.3 billion, while net sales rose 11.6% to ¥1,455.8 billion, as all reportable segments posted increases in orders received and sales.

In the current fiscal year, operating income increased 18.7% from the previous fiscal year, to ¥63.2 billion, as the increase in operating income in the Resources, Energy and Environment segment and the Aero Engine, Space and Defense segment partially offset by the decline in operating income in the Social Infrastructure and Offshore Facility segment and the Industrial System and General-Purpose Machinery segment. Ordinary income rose 6.2% to ¥56.5 billion, despite the deterioration in share of profit of entities accounted for using equity method.

Net income declined 72.6% from the previous fiscal year to ¥9.0 billion due to the posting of loss on business of subsidiaries and affiliates related to Brazil’s Estaleiro Atlantico Sul (EAS). The Company invested in EAS to promote offshore energy exploration-related business but the financial position of EAS deteriorated under the circumstances adversely affecting Brazil’s business environment.

Summary of consolidated performance by segment

<Resources, Energy and Environment>

Orders received increased by 17.8% from the previous fiscal year to ¥582.7 billion owing to order increases in Boiler Business and Power system plant Business.

Sales increased by 20.7% from the previous fiscal year to ¥415.3 billion owing to increases in Gas process Business and Boiler Business.

Operating income increased by 107.4% from the previous fiscal year to ¥24.0 billion owing partly to the effects of the above-mentioned increase in sales and yen depreciation.

<Social Infrastructure and Offshore Facility>

Orders received increased by 1.8% from the previous fiscal year to ¥178.7 billion owing to an increase in Concrete construction materials Business, partially offset by order decreases in Bridge Business.

Sales increased by 25.5% from the previous fiscal year to ¥188.6 billion owing to increases in F-LNG/Offshore structure Business, Bridge Business and Urban development Business.

Operating income/loss of ¥3.2 billion in deficit, which was ¥5.6 billion lower than the previous fiscal year, was posted, as the poor profitability of F-LNG/Offshore structure Business and the accident that occurred at the Izmit Bay Crossing Bridge in Turkey, partially offset by the profit-increasing factors such as the yen depreciation and increased revenues from Bridge Business and Urban development Business.

As for F-LNG/Offshore structure Business, the profitability of the drill ship body construction at Aichi works for a Singaporean customer deteriorated due to the confusing production by many times of change of its specification and the necessity to catch up with the schedule while taking emergency measures such as increasing the number of engineer and staff. Including human support, the IHI Group focuses on early recovery of the confusion of production at Aichi works.

The accident that occurred at the Izmit Bay Crossing Bridge in Turkey on March 21 2015, a catwalk (CW) constructed between two main towers has dropped down to the sea. The IHI Group is now in charge for the investigation to determine the cause of the accident, and strives to carefully make progress in restoration work, to seek completion of the project and to recover our reliability.

<Industrial System and General-Purpose Machinery>

Orders received increased by 12.0% from the previous fiscal year to ¥415.0 billion owing to increases in Vehicular turbochargers Business and Transport machinery Business, partially offset by the impact of the divestiture of the business related to the rolling mills in October 2013.

Sales increased by 3.5% from the previous fiscal year to ¥411.7 billion owing to increases in Vehicular turbochargers Business, partially offset by the decrease in Transport machinery Business and the impact of the above-mentioned divestiture of the business.

Operating income decreased by 32.2% from the previous fiscal year to ¥10.2 billion due to mainly reflecting an increase in selling, general and administrative expenses such as R&D expenses, partially offset by the above-mentioned increased revenues.

(Translation purposes only)

<Aero Engine, Space and Defense>

Orders received increased by 15.0% from the previous fiscal year to ¥468.0 billion owing to order increases in Aero engine Business and Rocket systems/space utilization system Business.

Sales increased by 7.1% from the previous fiscal year to ¥434.8 billion owing to yen depreciation and increased delivery in civil aero engines.

Operating income increased by 7.8% from the previous fiscal year to ¥39.5 billion owing to the profit-increasing effect of the above-mentioned increased revenues partially offset by an increase in R&D expenses.

(2) Cash flows

At the end of the current fiscal year, the outstanding balance of cash and cash equivalents (hereinafter, “cash”) was ¥92.5 billion, an increase of ¥29.9 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 ¥63.5 billion (The previous fiscal year: gain of ¥39.2 billion). The main factors of increase were recognition of income before income taxes and minority interests of ¥27.2 billion, recognition of depreciation of ¥53.4 billion, partially offset by an increase in inventories of ¥41.2 billion.

(Cash flows from investing activities)

Net cash used in investing activities was ¥74.6 billion (The previous fiscal year: use of ¥62.2 billion). This was due mainly to purchase of property, plant and equipment and intangible assets of ¥71.6 billion.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥33.4 billion (The previous fiscal year: gain of ¥11.3 billion). This was due mainly to proceeds from long-term loans payable of ¥63.8 billion, repayments of long-term loans payable of ¥42.3 billion, proceeds from issuance of bonds of ¥40.0 billion, and redemption of bonds of ¥20.0 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 | 410,222 | 26.8 |
| Social Infrastructure and Offshore Facility | 192,820 | 29.3 |
| Industrial System and General-Purpose Machinery | 403,245 | 2.8 |
| Aero Engine, Space and Defense | 426,383 | 10.4 |
| Reportable segment total | 1,432,670 | – |
| Others | 54,810 | (19.1) |
| Total | 1,487,480 | 12.8 |

- 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 | 582,768 | 17.8 | 760,467 | 42.1 |
| Social Infrastructure and Offshore Facility | 178,791 | 1.8 | 231,993 | (1.4) |
| Industrial System and General-Purpose Machinery | 415,003 | 12.0 | 121,028 | 11.3 |
| Aero Engine, Space and Defense | 468,090 | 15.0 | 510,704 | 16.0 |
| Reportable segment total | 1,644,652 | – | 1,624,192 | – |
| Others | 75,255 | 20.7 | 31,215 | 61.7 |
| Adjustments | (55,520) | – | – | – |
| Total | 1,664,387 | 14.1 | 1,655,407 | 23.6 |

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

(Translation purposes only)

(3) Sales

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

| Segment name | Amount (Millions of yen) | Year-on-year change (%) |
|---|--------------------------|-------------------------|
| Resources, Energy and Environment | 415,359 | 20.7 |
| Social Infrastructure and Offshore Facility | 188,636 | 25.5 |
| Industrial System and General-Purpose Machinery | 411,707 | 3.5 |
| Aero Engine, Space and Defense | 434,854 | 7.1 |
| Reportable segment total | 1,450,556 | – |
| Others | 62,874 | 6.7 |
| Adjustments | (57,586) | – |
| Total | 1,455,844 | 11.6 |

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

| Counterparty | The previous fiscal year | | The current fiscal year | |
|--|-----------------------------|-------------|-----------------------------|-------------|
| | Amount (Millions of yen) | Ratio (%) | Amount (Millions of yen) | Ratio (%) |
| Japanese Aero Engines Corporation (JAEC) | – (Note) | – (Note) | 154,261 | 10.6 |
| Japan Ministry of Defense | 130,427 | 10.0 | – (Note) | – (Note) |

Note: The disclosures are omitted since there are less than 10% the amount of sales in corresponding fiscal year.

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.

(Translation purposes only)

3. Issues to be addressed

Japanese economy is expected to continue its moderate recovery. Private consumption should remain steady thanks to improved employment and personal incomes. Capital investment is expected to increase moderately backed by improved corporate earnings. The global economy is forecast to continue growing moderately, supported by a stable U.S. economy. There are potential risks, however, for the Japanese and global economies, including rising policy interest rates in the U.S., uncertain economic trends in the E.U., China and other emerging countries, falling oil prices and geopolitical risks, as well as other negative factors.

With the IHI Group becoming more complex as its businesses globalize, the Group is working to ensure that it quickly and effectively manages its increasingly diverse risks as a core task.

The Company has been implementing growth strategies that focus on key strategic business units (SBUs) under the Group Management Policies 2013. As a result, the value of orders received has been steadily increased and conditions have been improved for the achievement of long-term business targets specified in the medium-term business plan. Certain risks have surfaced, however, including the reduced profitability of a project to construct an offshore structure in Singapore, the financial difficulties of a Brazilian company that the IHI Group invested in, and an accident at a large bridge construction site in Turkey. In this final fiscal year of the current business plan, a maximum attempt will be made to minimize the adverse effects of such risks. Moreover, a concerted effort will be made to implement the following measures to achieve business targets and ensure future growth.

(1) Strengthen Collaboration across Group Functions and Business Fields

To survive global competition, collaboration among the group's three headquarters and four business sectors will be strengthened. The aim is to provide customers with attractive new value while expanding the Group's capacity to achieve its goals. Group-wide collaboration with the three headquarters will be emphasized, particularly for businesses that must systematically combine products and services to meet customer needs.

(2) Increase Value for Customers and Secure Orders Steadily

In order to accelerate growth, every member of the IHI Group must take a customer-oriented approach that helps to increase customer value and secure orders on a steady basis. As part of the effort to secure net income, we will begin preparing more precise quotations and more detailed plans at an early stage to win large-scale projects. When bidding for foreign projects, more information will be gathered about local markets. Also, the IHI Group will strengthen its marketing capabilities, build stronger networks with customers, partners and stakeholders, and offer products and services that better meet local needs.

(3) Reform Business Models to Create More Profitable Structures

Our Group Management Policies 2013 places a primary emphasis on achieving business growth to increase profits. In turn, the IHI Group is striving to expand its business scale and secure more competitive advantages. Competitiveness will be improved by steadily cutting costs, strengthening profitability controls for major projects and leveraging value-chain analysis to develop business structures that offer higher profitability. Furthermore, we will strive to differentiate products and services by leveraging shared group functions, including by working outside the limits of established frameworks, if required. Also, business models will be reformed through M&A, partnerships with other companies and open innovation.

For both newly received orders and large projects under way, we will pursue more thorough controls through prevention of recurrence by feedback of low profitability event, precise ascertainment of country risks and sharing knowledge gained through each project's plan-do-see-act (PDCA) cycle.

(4) Allocate Management Resources to Achieve Growth

Growth will also be accelerated by strategically concentrating resources in targeted fields that offer growth potential, as well as in core business fields. Group headquarters will be reformed to enhance and expand strategic planning. Investments in growth will be supported by improved capital efficiency based on ROIC-based performance management, improved cash flow by using cash conversion cycles (CCC) as an index, and an improved debit/equity ratio.

(5) Reform Business Processes to Create Value

The IHI Group will also launch the I-Project to improve its business processes. Under this project, the plan-do-see-act (PDCA) cycle will be adopted to improve the quality and productivity of operations. This initiative is expected to help achieve growth targets under the Group Management Policies 2013.

The Company also decided to respond to the Corporate Governance Code introduced on June 1, 2015.

Ultimately, the IHI Group aims to improve its corporate value through sustained improvement of Corporate Governance and the measures described above. In the spirit of the IHI corporate message, "Realize your dreams," the Company will continue to evolve as a corporate group helping customers and stakeholders around the world to realize their dreams.

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, 2015). In light of the risks described below, the Group has put in place the necessary risk management system, making every possible effort to avoid the occurrence of risks and to minimize the impact when risks do occur.

(1) Competitive environment and business strategy

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

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

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

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

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

(3) Country risk

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

EAS, the Company invested to promote offshore energy exploration-related business has been weakened its financials due to circumstances adversely affecting Brazil’s business environment.

For this reason, in anticipation of potential losses arising out of EAS’s situation, the Company has recorded into the result for the fiscal year ended March 31, 2015 an extraordinary loss that the Company views to be possible in relation to its investment in Brazil.

The IHI Group prioritizes to minimize the loss for the time being, thus there is a possibility to delay temporarily to meet offshore energy exploration needs that is set out in our “Group Management Policies 2013”.

(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

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constantly gather information on market trends for its key raw materials and components. In addition, the Group takes steps to reduce risk, such as rigorously monitoring suppliers' product quality and delivery dates, and diversifying procurement sources to avoid excessive concentration or dependency on particular suppliers. However, if supply shortages or other problems occur as a result of factors such as sudden changes in the prices for crude oil or steel, or in the international situation, they may cause problems including increased costs, quality control issues, or delayed deliveries. These problems could lead to deterioration in the Group's operating results.

(5) Loan guarantees

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

(6) Order contracts

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

In March 2015, at the Izmit Bay Crossing Bridge construction site in Turkey, a project being carried out by the Company's consolidated subsidiary IHI Infrastructure Systems Co., Ltd., part of the scaffolding erected between the main towers for the building of the main cables broke and fell into the sea. This accident may result in the payment of penalties due to a delay in the completion of the project, as well as result in other additional expenses. Consequently, the accident may have an adverse impact on the IHI Group's operating results.

(7) Technology license contracts

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

(8) Production and manufacturing

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

(9) Quality assurance

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

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costs, as well as seriously affecting the IHI Group's reputation within society. Such eventualities may adversely affect the IHI Group's operating results and financial position.

(10) Intellectual property

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

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

(11) Research and development

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

(12) Laws and regulations

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

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

(13) Computer systems

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

(14) Health and safety

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

(15) Environmental conservation

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

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adversely affected.

(16) Disasters and computer system failures

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

(17) Currency movements

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

(18) Interest rate movements

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

(19) Fund procurement and credit ratings

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

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

(20) Taxation

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

(21) Management of credit exposure

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

(22) Human resource training

The IHI Group's growth prospects and internal transmission of skills are largely dependent on the availability of capable employees, and one of the business challenges facing the Group is how to secure employees with strong technical capabilities and skills and transmit their skills to others. However, it could prove impossible to secure or train personnel capable of playing

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such key roles. If this risk materializes, the IHI 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, 2015 |
| Diesel United, Ltd. (Consolidated subsidiary) | Winterthur Gas & Diesel Ltd. | Switzerland | General-purpose low-speed diesel engine | Acquisition of non-exclusive rights for the manufacture and sale of licensed products | From January 1, 2009 to December 31, 2024 |
| IHI AEROSPACE CO., LTD. (Consolidated subsidiary) | LOCKHEED MARTIN CORP. | U.S.A. | Multiple launch rocket system | Acquisition of non-exclusive rights for the manufacture and sale of licensed products | From January 20, 1993 to August 31, 2016 |

(2) Licensing-out contracts

| Name of Contracting Company | Name of Counterparty | Country | Licensed Products | Details | Contract Period |
|--|---|---------|-------------------|---|--------------------------------------|
| IHI Construction Machinery Limited (Consolidated subsidiary) | IHIMER S.p.A | Italy | Mini excavator | Licensing of exclusive rights for manufacture and sale of licensed products | August 31, 2002 to March 31, 2017 |
| IHI Shibaura Machinery Corporation (Consolidated subsidiary) | Perkins Shibaura Engines (Wuxi) Co., Ltd. | China | Diesel engine | Licensing of exclusive implementation rights for technologies related to licensed product | January 1, 2009 to December 31, 2018 |

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6. Research and development activities

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

In the current fiscal year, the IHI Group spent ¥37.0 billion on R&D.

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

(1) Resources, Energy and Environment

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

Key achievements during the current fiscal year included the development of the V28AHX, a new high-output diesel engine in the 28AHX series of medium-speed diesel engines, and completion of the world's first integrated oxyfuel combustion and CO₂ capture demonstration in a utility power station as part of the Callide Oxyfuel Project. With respect to the Twin IHI Gasifier (TIGAR), which generates gas as fuel or chemical feedstock from currently underused low-grade coal, we completed a test plant and began test operations in Indonesia. R&D expenses in this segment totaled ¥6.7 billion.

(2) Infrastructure and Offshore Facility

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

Key achievements included the establishment of automated welding technology that improved the manufacturing efficiency for the IHI-SPB tanks, which entered full-scale production. We continue further R&D of this technology in order to fully adopt it to the production of these tanks. R&D expenses in this segment totaled ¥600 million.

(3) Industrial System and General-Purpose Machinery

Machinery & Logistics Systems Operations, Vehicular Turbocharger Operations, Rotating Machinery Operations, Corporate Research & Development and consolidated subsidiaries are engaged in research and development related to vehicular turbochargers, transport machinery, thermal and surface treatment, compressors 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 Construction Machinery Limited, Voith IHI Paper Technology Co., Ltd., Indigo TopCo Limited, IHI Hauzer Techno Coating BV, and Shanghai Star Modern Agriculture Equipment Co., Ltd.

Key achievements included the development of the T3 Series of three-stage compression. In addition, we made progress in the development of electric turbochargers for hybrid vehicles and fuel cell vehicles, as well as turbochargers for fuel cell vehicles. R&D expenses in this segment totaled ¥8.2 billion.

(4) Aero Engine, Space and Defense

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

Key achievements included the acquisition of approval for the PW1100G-JM civil aero engine, the establishment of mass production technology for components of this engine and the construction of a factory that will exclusively produce these components. In June 2014, the Company decided to participate in the GE9X engine program of GE's Boeing 777X next-generation wide-body jet and then started development activities, also within the reporting period. R&D expenses in this segment totaled ¥9.8 billion.

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(5) Other

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

Key achievements included the completion of essential research on an ocean-current power generation system commissioned by the New Energy and Industrial Technology Development Organization (NEDO), developing a new strain of algae and the construction of a large open pond for experimental algae cultivation that will contribute to the commercialization of bio-fuel production derived from microalgae, as commissioned by NEDO. Also, we developed and began selling the GPS radiosonde iMS-100, the world's smallest and lightest radiosonde, for upper-air observations. R&D expenses in this segment totaled ¥11.4 billion.

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

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

(1) Significant accounting policies and estimates

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

(2) Analysis of business results

(i) Overview

In the current fiscal year, the IHI Group's consolidated net sales increased by 11.6% from the previous fiscal year to ¥1,455.8 billion. In terms of income, operating income amounted to ¥63.2 billion, ordinary income came to ¥56.5 billion, and net income was ¥9.0 billion.

(ii) Net sales

Consolidated net sales rose by ¥151.8 billion versus the previous fiscal year, to ¥1,455.8 billion.

Increased sales in gas processes, civil aero engines, boilers, vehicular turbochargers, F-LNG/offshore structures, and bridges outweighed decreased sales in transport machinery, resulting in higher sales overall. Overseas sales increased 22.5% compared with the previous fiscal year, to ¥758.0 billion, accounting for 52% of consolidated net sales (compared with 47% in the previous fiscal year).

(iii) Operating income

Consolidated operating income increased by ¥9.9 billion versus the previous fiscal year, to ¥63.2 billion.

This was largely as a result of higher profitability due to yen depreciation and increased sales in the Resources, Energy and Environment segment, which outweighed declining profits in F-LNG/offshore structures and the impact of the accident at the Izmit Bay Crossing Bridge in Turkey, resulting in higher income overall.

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

Consolidated non-operating income/loss changed from a loss of ¥36.0 million (net) in the previous fiscal year to a loss of ¥6.7 billion (net) in the current fiscal year. This was primarily because share of profit of entities accounted for using equity method changed from a profit of ¥5.3 billion in the previous fiscal year to a loss of ¥1.7 billion in the current fiscal year.

Nonetheless, consolidated ordinary income improved by ¥3.2 billion to ¥56.5 billion.

(v) Extraordinary income/losses

Consolidated extraordinary income/losses changed from an income of ¥7.2 billion (net) in the previous fiscal year to a loss of ¥29.2 billion (net) in the current fiscal year. In the previous fiscal year, a gain on transfer of ¥7.5 billion had been recorded as a result of conducting an absorption-type company split whereby the rolling mill business of IHI Metaltech Co., Ltd. was transferred to Mitsubishi-Hitachi Metals Machinery, Inc. In the current fiscal year, however, a loss on business of affiliated companies of ¥29 billion was recorded in relation to Estaleiro Atlântico Sul S.A. in Brazil, whose financial position was weakened by disarray in the Brazilian economy, among other factors.

(vi) Net income

As a result of the factors described above, consolidated net income declined by ¥24.0 billion from ¥33.1 billion in the previous fiscal year to ¥9.0 billion in the current fiscal year. Consequently, net income per share decreased from ¥22.51 in the previous fiscal year to ¥5.88 in the current fiscal year.

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

Assets and liabilities, and net assets

Total assets at the end of the current fiscal year were ¥1,690.8 billion, up ¥194.5 billion from the end of the previous fiscal year. The items with the most significant increases were notes and accounts receivable - trade, up ¥43.2 billion, cash and deposits, up ¥31.3 billion, other current assets, up ¥27.5 billion, and work in process, up ¥27.1 billion.

Total liabilities were ¥1,331.2 billion, up ¥197.4 billion from the end of the previous fiscal year. The items with the most significant increases were net defined benefit liability, up ¥28.0 billion, long-term loans payable, up ¥27.1 billion, advances received, up ¥21.9 billion, provision for loss on subsidiaries and affiliates, up ¥20.8 billion, and bonds payable including current portion, up ¥20.0 billion.

Net assets were ¥359.5 billion, down ¥2.9 billion from the end of the previous fiscal year. This was the result of net income of

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¥9.0 billion, down ¥13.8 billion due to dividends of surplus, and down ¥14.6 billion in retained earnings accompanying changes in the accounting standard for retirement benefits, etc.

Consequently, net assets per share increased by ¥0.35 compared with the end of the previous fiscal year, to ¥224.03, and the ratio of shareholders' equity to total assets dropped from 23.1% at the end of the previous fiscal year to 20.5%.

(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 ¥410.6 billion, up ¥52.8 billion from the end of the previous fiscal year. This primarily reflected an increase in working capital provided by business activities combined with procurement of a portion of the Group's investment capital via loans from external parties and bond issues, among other methods.

At the end of the current fiscal year, the outstanding balance of cash and cash equivalents was ¥92.5 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.

(5) Issues recognized by management and future policies

In November 2012, the IHI Group unveiled its three-year Midterm Business Policies, entitled "Group Management Policies 2013", which was launched in April 2013. Taking into account the results of the previous Group Management Policies 2010 and the lessons learned thereof, as well as the business environment at the time, the current plan focuses on achieving growth by addressing key issues in society.

In unveiling these policies, the IHI Group recognized three major megatrends: smart infrastructure; advanced, highly networked IT; and the increasingly complex global economy. The Group decided to respond to these megatrends by bolstering its three strategic initiatives for linkage, namely: 1) linkage among existing businesses and between existing and peripheral businesses; 2) linkage of products/services and ICT (information and communication technologies); and 3) linkage among IHI businesses, customers and partners worldwide. In April 2013, the Group established three new headquarters: Solution & Engineering, Intelligent Information Management and Global Marketing. To address key problems faced by customers, Group businesses were reorganized into four groups, namely: 1) Resources, Energy and Environment; 2) Social Infrastructure and Offshore Facility; 3) Industrial System and General-Purpose Machinery; and 4) Aero Engine, Space and Defense. Since the megatrends remain unchanged despite ongoing changes in the business environment, the Group is now emphasizing close collaboration among its three headquarters and four business areas to create value for customers and expand Group business.

The IHI Group is also working to develop businesses in new fields encompassing life science, food and water, all of which will be pressing issues for society going forward.

The Group Management Policies have set various numerical targets for the fiscal year ending March 31, 2016, including consolidated net sales of ¥1,400.0 billion, consolidated operating income of ¥70.0 billion, return on invested capital (ROIC) of 6.5%, a debit/equity ratio (stability indicator) of less than 1.2 times and total investment of ¥400.0 billion over the three years. (The above amounts assume an exchange rate of ¥80/US\$1.)

In the course of implementing its Group Management Policies 2013 plan for growth, the Company has identified certain risks associated with large investments and orders. Recognizing the need to strengthen management of such risks as the Company business continues to globalize, closer monitoring of economic and social conditions will be initiated in countries such as Brazil. Seeking to minimize losses, the Company focuses on early recovery of the confusion of production at Aichi works and the accident at a bridge construction site in Turkey occurred in the current fiscal year. In addition, building stronger platform for growth of the IHI Group improved risk control will be ensured by sharing information to help avoid low-profit projects by learning from and then applying the lessons of past experiences.

In such ways, the IHI Group aims to improve its corporate value and rapidly progress toward becoming a world-leading corporate group.

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

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III. Information about facilities

1. Overview of capital expenditures, etc.

The IHI Group (IHI and its consolidated subsidiaries) invested a total of ¥63.9 billion during the current fiscal year. These investments were focused on production capacity increases, improvements to production systems, as well as the streamlining of production and other measures to enhance competitiveness. Investment by segment was as follows:

In Resources, Energy and Environment, ¥10.9 billion was invested to increase production capacity, improve production systems, as well to maintain and upgrade existing facilities.

In Social Infrastructure and Offshore Facility, ¥12.4 billion was invested to increase production capacity, and to acquire real estate for lease.

In Industrial System and General-Purpose Machinery, ¥13.9 billion was invested to increase production capacity, make production more streamlined and less labor intensive, as well to maintain and upgrade existing facilities.

In Aero Engine, Space and Defense, ¥16.6 billion was invested to increase production capacity, improve production systems, as well to maintain and upgrade existing facilities.

In Others, ¥9.9 billion was invested to maintain and upgrade existing facilities, and to acquire research and development facilities and welfare facilities.

The Company'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 | 916 | 1,505 | 212 (184) | 23 | 167 | 2,823 | 418 |
| Yokohama Works (Yokohama-city, Kanagawa) | Resources, Energy and Environment | Production facilities for components for nuclear power plants | 3,334 | 4,159 | 1,106 (227) | 222 | 678 | 9,499 | 408 |
| Aichi Works (Chita-city, Aichi) | Social Infrastructure and Offshore Facility | Production facilities for F-LNG/Offshore structures | 3,620 | 1,666 | 3,433 (734) | 2,212 | 113 | 11,044 | 435 |
| Mizuho Aero-Engine Works (Nishitama-gun, Tokyo) | Aero Engine, Space and Defense | Production facilities for aero engines and space-related equipment | 3,889 | 5,003 | 1,979 (168) | 558 | 624 | 12,053 | 1,558 |
| Soma Aero-Engine Works (Soma-city, Fukushima) | Aero Engine, Space and Defense | Production facilities for aero engines and space-related equipment | 6,543 | 9,073 | 3,391 (374) | 1,091 | 6,987 | 27,085 | 893 |
| Kure Aero-Engine & Turbo Machinery Works (Kure-city, Hiroshima) | Aero Engine, Space and Defense | Production facilities for aero engines | 1,288 | 2,592 | 57 (48) | 450 | 463 | 4,850 | 475 |
| Head Office (Koto-ku, Tokyo, etc.) (Notes 2 and 3) | Others | Other facilities | 89,838 | 5,791 | 35,000 (132,800) | 3,207 | 2,685 | 136,521 | 3,690 |

- 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 ¥97,597 million of assets (mainly assets for lease) belonging to the Social Infrastructure and Offshore Facility segment.

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(2) Domestic subsidiaries

| Company name | Office or works (Location) | Segment name | Facilities | Book value (Millions of yen) | | | | | | Number of employees (Persons) |
|--|--|---|-----------------------|------------------------------|-----------------------------------|---|---------------|---------------|--------|-------------------------------|
| | | | | Buildings and structures | Machinery, equipment and vehicles | Land (Area; Thousands of m ²) | Leased assets | Others (Note) | Total | |
| Niigata Power Systems Co., Ltd. | Ota Works (Ota-city, Gunma) | Resources, Energy and Environment | Production facilities | 545 | 775 | 2,152 (152) | 28 | 142 | 3,642 | 341 |
| IHI Infrastructure Systems Co., Ltd. | Sakai Works (Sakai-city, Osaka) | Social Infrastructure and Offshore Facility | Production facilities | 2,580 | 1,262 | 6,931 (170) | – | 164 | 10,937 | 503 |
| IHI Compressor and Machinery Co., Ltd. | Tatsuno Works (Kamiina-gun, Nagano) | Industrial System and General-Purpose Machinery | Production facilities | 1,017 | 721 | 352 (62) | 229 | 141 | 2,460 | 372 |
| IHI Turbo Co., Ltd. | Kiso Works (Kiso-gun, Nagano) | Industrial System and General-Purpose Machinery | Production facilities | 1,050 | 1,178 | 89 (45) | 1,223 | 636 | 4,176 | 393 |
| | Shinmachi Works (Kamiina-gun, Nagano) | Industrial System and General-Purpose Machinery | Production facilities | 1,623 | 511 | 194 (25) | 795 | 28 | 3,151 | 89 |
| IHI Shibaura Machinery Corporation | Matsumoto Works (Matsumoto-city, Nagano) | Industrial System and General-Purpose Machinery | Production facilities | 1,263 | 837 | 5,490 (117) | 319 | 839 | 8,748 | 496 |
| IHI AEROSPACE CO., LTD. | Tomioka Works (Tomioka-city, Gunma) | Aero Engine, Space and Defense | Production facilities | 4,165 | 2,320 | 2,388 (490) | 2 | 1,523 | 10,398 | 957 |

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 | 895 | 4,746 | 477 (35) | 183 | 2,037 | 8,338 | 885 |
| IHI Charging Systems International GmbH (Note 2) | Germany and Italy | Industrial System and General-Purpose Machinery | Production facilities | 755 | 13,406 | 182 (8) | 2,764 | 2,573 | 19,680 | 1,024 |
| IHI TURBO (THAILAND) CO., LTD. | Thailand | Industrial System and General-Purpose Machinery | Production facilities | 1,588 | 2,384 | 375 (54) | – | 800 | 5,147 | 729 |
| Changchun FAWER-IHI Turbo Co., Ltd. | China | Industrial System and General-Purpose Machinery | Production facilities | 612 | 1,309 | – | – | 943 | 2,864 | 289 |

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 ¥90.0 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 2015 (Millions of yen) | Facilities |
|---|--|--|
| Resources, Energy and Environment | 22,000 | Production facilities for boilers, motors for land and marine use, components for nuclear power plants, environmental response systems ,etc. |
| Social Infrastructure and Offshore Facility | 14,500 | Production facilities for bridges, upgrades to real estate lease properties, production facilities for floating LNG storage facilities, etc. |
| Industrial System and General-Purpose Machinery | 19,800 | Thermal- and surface-treatment facilities, production facilities for vehicular turbochargers, etc. |
| Aero Engine, Space and Defense | 24,800 | Production facilities for aero engines and space-related equipment, etc. |
| Reportable segment total | 81,100 | |
| Others (Note 3) | 8,900 | |
| Total | 90,000 | |

- 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, 2015, there is no plan to sell or scrap any of the IHI Group's important facilities.

(Translation purposes only)

IV. Information about reporting company

1. Information about shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

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

(ii) Issued shares

| Class | Number of issued shares as of the end of the fiscal year (Shares) (March 31, 2015) | Number of issued shares as of the filing date (Shares) (June 25, 2015) | Name of stock exchange on which the Company is listed or names of authorized financial instruments firms associations where the Company is registered | Description |
|---------------|--|--|---|---|
| Common shares | 1,546,799,542 | 1,546,799,542 | First Section of Tokyo Stock Exchange and Nagoya Stock Exchange, Fukuoka Stock Exchange, Sapporo Stock Exchange | Shares with full voting rights, in which shareholders have unlimited standard rights. The number of shares constituting one unit is 1,000 shares. |
| Total | 1,546,799,542 | 1,546,799,542 | — | — |

Note: The “Number of issued shares as of the filing date” column does not include the number of shares issued upon exercise of subscription rights to shares between June 1, 2015 and the filing date of this Annual Securities Report.

(2) Subscription rights to shares, etc.

The Company 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, 2015) | As of the end of the month previous to the filing month (May 31, 2015) |
|--|--|--|
| Number of subscription rights to shares (Units) | 70 | 70 |
| Number of treasury subscription rights to shares included in subscription rights to shares (Units) | — | — |
| Class of shares underlying subscription rights to shares | Common shares Number of shares per unit: 1,000 shares | Same as left |
| Number of shares underlying subscription rights to shares (Shares) | 70,000 | 70,000 |
| 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 the Company’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, 2015) | As of the end of the month previous to the filing month (May 31, 2015) |
|--|--|--|
| Number of subscription rights to shares (Units) | 276 | 276 |
| Number of treasury subscription rights to shares included in subscription rights to shares (Units) | – | – |
| Class of shares underlying subscription rights to shares | Common shares Number of shares per unit: 1,000 shares | Same as left |
| Number of shares underlying subscription rights to shares (Shares) | 276,000 | 276,000 |
| 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 the Company'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, 2015) | As of the end of the month previous to the filing month (May 31, 2015) |
|--|--|--|
| Number of subscription rights to shares (Units) | 469 | 469 |
| Number of treasury subscription rights to shares included in subscription rights to shares (Units) | – | – |
| Class of shares underlying subscription rights to shares | Common shares Number of shares per unit: 1,000 shares | Same as left |
| Number of shares underlying subscription rights to shares (Shares) | 469,000 | 469,000 |
| 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 the Company'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, 2015) | As of the end of the month previous to the filing month (May 31, 2015) |
|--|--|--|
| Number of subscription rights to shares (Units) | 623 | 623 |
| Number of treasury subscription rights to shares included in subscription rights to shares (Units) | – | – |
| Class of shares underlying subscription rights to shares | Common shares Number of shares per unit: 1,000 shares | Same as left |
| Number of shares underlying subscription rights to shares (Shares) | 623,000 | 623,000 |
| 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 the Company'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, 2015) | As of the end of the month previous to the filing month (May 31, 2015) |
|--|--|--|
| Number of subscription rights to shares (Units) | 524 | 524 |
| Number of treasury subscription rights to shares included in subscription rights to shares (Units) | – | – |
| Class of shares underlying subscription rights to shares | Common shares Number of shares per unit: 1,000 shares | Same as left |
| Number of shares underlying subscription rights to shares (Shares) | 524,000 | 524,000 |
| 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 the Company'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, 2015) | As of the end of the month previous to the filing month (May 31, 2015) |
|--|--|--|
| Number of subscription rights to shares (Units) | 771 | 771 |
| Number of treasury subscription rights to shares included in subscription rights to shares (Units) | – | – |
| Class of shares underlying subscription rights to shares | Common shares Number of shares per unit: 1,000 shares | Same as left |
| Number of shares underlying subscription rights to shares (Shares) | 771,000 | 771,000 |
| 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 the Company'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, 2015) | As of the end of the month previous to the filing month (May 31, 2015) |
|--|--|--|
| Number of subscription rights to shares (Units) | 350 | 350 |
| Number of treasury subscription rights to shares included in subscription rights to shares (Units) | – | – |
| Class of shares underlying subscription rights to shares | Common shares Number of shares per unit: 1,000 shares | Same as left |
| Number of shares underlying subscription rights to shares (Shares) | 350,000 | 350,000 |
| 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 the Company'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, 2015) | As of the end of the month previous to the filing month (May 31, 2015) |
|--|--|--|
| Number of subscription rights to shares (Units) | 325 | 325 |
| Number of treasury subscription rights to shares included in subscription rights to shares (Units) | – | – |
| Class of shares underlying subscription rights to shares | Common shares Number of shares per unit: 1,000 shares | Same as left |
| Number of shares underlying subscription rights to shares (Shares) | 325,000 | 325,000 |
| Amount to be paid in to exercise subscription rights to shares (Yen) | 1 | Same as left |
| Period for exercising subscription rights to shares | From August 12, 2014 to August 11, 2044 | Same as left |
| Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen) | Issue price: 441 Additional paid-in capital per share: 221 | Same as left |
| Conditions for exercising subscription rights to shares | (Note 1) | Same as left |
| Matters relating to transfer of subscription rights to shares | Acquisition of the subscription rights to shares by transfer shall be subject to approval of the Company'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 corporate auditor within one (1) year after he/she resigns as director or executive officer, the date he/she lost its position as corporate auditor) ("Exercise Start Date").
- (2) Notwithstanding the above (1), in the event of the following (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 |

- (b) In the event that a merger agreement (under which the Company becomes an absorbed company) or an equity-swap agreement and/or an equity transfer plan (under which the Company becomes a wholly-owned subsidiary of another company) is approved at a General Meeting of Shareholders of the Company (or at a Board of Director meeting or by the Chief Executive Officer if a decision at a shareholders' meeting is not necessary): Fifteen (15) days from the following day of such decision

(Translation purposes only)

- (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 the Company merges (limited to cases where the Company is to be extinguished as a result of the merger), splits and absorbs or splits and incorporates (limited to cases where the Company becomes the split company in either case), or equity swaps or transfers (limited to cases where the Company becomes a wholly-owned subsidiary in either case) (collectively, hereinafter, “Reorganization”), the Company 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 the Company 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 the Company 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 the Company 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 the Company Subject to Reorganization underlying subscription rights to shares

Common shares of the Company Subject to Reorganization

- (3) Number of shares of the Company 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 the Company 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 the Company 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 the Company 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, 2015, and the filing date of this Annual Securities Report (June 25, 2015).

(6) Shareholding by shareholder category

(As of March 31, 2015)

| 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 | 97 | 78 | 969 | 498 | 48 | 79,365 | 81,056 | – |
| Number of shares held (Units) | 14 | 561,710 | 31,068 | 64,240 | 565,755 | 228 | 321,237 | 1,544,252 | 2,547,542 |
| Ratio (%) | 0.00 | 36.38 | 2.01 | 4.16 | 36.63 | 0.02 | 20.80 | 100 | – |

- Notes:
1. 3,290,432 shares of treasury stock held by the Company are included in “Individuals and other” and “Share less than one unit” in the above table. These amounts are 3,290 units and 432 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, 2015)

| Name | Address | Number of shares held (Thousand shares) | Shareholding ratio (%) |
|--|---|---|------------------------|
| State Street Bank And Trust Company (standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch) | ONE LINCOLN STREET, BOSTON MA USA 02111 (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo) | 72,022 | 4.65 |
| Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited) | 8-11, Harumi 1-chome, Chuo-ku, Tokyo | 55,422 | 3.58 |
| The Dai-ichi Life Insurance Company, Limited | 13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo | 54,060 | 3.49 |
| Japan Trustee Services Bank, Ltd. (Holder in Trust) | 8-11, Harumi 1-chome, Chuo-ku, Tokyo | 51,594 | 3.33 |
| The Master Trust Bank of Japan, Ltd. (Holder in Trust) | 11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo | 51,259 | 3.31 |
| Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd. | 8-12, Harumi 1-chome, Chuo-ku, Tokyo | 45,979 | 2.97 |
| GOLDMAN, SACHS & CO. REG (standing proxy: Goldman Sachs Japan Co., Ltd.) | 200 WEST STREET NEW YORK, NY, USA (10-1, Roppongi 6-chome, Minato-ku, Tokyo) | 26,537 | 1.71 |
| IHI Customer Stock Ownership Association | 1-1, Toyosu 3-chome, Koto-ku, Tokyo | 25,215 | 1.63 |
| Nippon Life Insurance Company | 6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo | 24,897 | 1.60 |
| Sumitomo Life Insurance Company | 18-24, Tsukiji 7-chome, Chuo-ku, Tokyo | 22,624 | 1.46 |
| Total | — | 429,612 | 27.77 |

- 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-entrusted by Sumitomo Mitsui Trust Bank, Limited), Japan Trustee Services Bank, Ltd. (Holder in Trust), The Master Trust Bank of Japan, Ltd. (Holder in Trust), and Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd. are held through trusts.
 - The Company received a copy of Change Report pertaining to Report of Possession of Large Volume relating to the Company’s share filed in the joint names of Mizuho Bank, Ltd. and three joint holders at the date of May 22, 2014, stating the state of their shareholdings as of May 15, 2014 as given in the below table. However, the description in the table of the major shareholders above does not reflect the information in the Report, because the Company currently is not able to confirm the actual state of their shareholdings as of March 31, 2015.

| Name | Number of shares held (Thousand shares) | Shareholding ratio (%) |
|-----------------------------------|---|------------------------|
| Mizuho Bank, Ltd. | 66,890 | 4.32 |
| Mizuho Securities Co., Ltd. | 5,408 | 0.35 |
| Mizuho Trust & Banking Co., Ltd. | 28,910 | 1.87 |
| Shinko Asset Management Co., Ltd. | 4,923 | 0.32 |
| Total | 106,131 | 6.86 |

- The Company received a copy of Report of Possession of Large Volume relating to the Company’s share filed in the name of ARTISAN INVESTMENTS GP LLC at the date of March 19, 2015, stating the state of its shareholdings as of March 13, 2015 as given in the below table. However, the description in the table of the major shareholders above does not reflect the information in the Report, because the Company currently is not able to confirm the actual state of its shareholding as of March 31, 2015.

| Name | Number of shares held (Thousand shares) | Shareholding ratio (%) |
|----------------------------|---|------------------------|
| ARTISAN INVESTMENTS GP LLC | 107,754 | 6.97 |

(Translation purposes only)

(8) Voting rights

(i) Issued shares

(As of March 31, 2015)

| Classification | Number of shares (Shares) | Number of voting rights (Units) | Description |
|--|--|---------------------------------|--|
| Shares without voting rights | – | – | – |
| Shares with restricted voting rights (treasury shares, etc.) | – | – | – |
| Shares with restricted voting rights (others) | – | – | – |
| Shares with full voting rights (treasury shares, etc.) | (Shares in treasury) Common shares 3,290,000 | – | This is the Company's standard shares whose holders have unlimited rights. |
| | (reciprocally held shares) Common shares 157,000 | – | Same as above |
| Shares with full voting rights (others) | Common shares 1,540,805,000 | 1,540,805 | Same as above |
| Shares less than one unit | Common shares 2,547,542 | – | Shares less than one unit (1,000 shares) |
| Number of issued shares | 1,546,799,542 | – | – |
| Total number of voting rights | – | 1,540,805 | – |

- Notes: 1. Common shares in “Shares less than one unit” include 432 shares of treasury shares held by the Company.
2. Common shares in “Shares with full voting right (others)” include 7,000 shares whose ownership has yet not been transferred and which have been registered in the name of Japan Securities Depository Center. These shares constitute seven units of voting rights and included in the figure in “Number of voting rights.”

(ii) Treasury shares, etc.

(As of March 31, 2015)

| 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 | 3,290,000 | – | 3,290,000 | 0.21 |
| (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 | – | 3,447,000 | – | 3,447,000 | 0.22 |

(Translation purposes only)

(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 the Company |
| 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 the Company |
| 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 |

| | 3rd Subscription Rights to Shares |
|--|---|
| Date of resolution | July 21, 2009 |
| Category and number of grantees | 13 directors and 14 executive officers of the Company |
| 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)

| | 4th Subscription Rights to Shares |
|--|---|
| Date of resolution | July 23, 2010 |
| Category and number of grantees | 13 directors and 13 executive officers of the Company |
| 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 the Company |
| 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 |

| | 6th Subscription Rights to Shares |
|--|---|
| Date of resolution | July 23, 2012 |
| Category and number of grantees | 13 directors and 15 executive officers of the Company |
| 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)

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

(Translation purposes only)

2. Acquisitions, etc. of treasury shares

Classes of shares, etc.

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

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

Not applicable.

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

Not applicable.

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

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

| Category | Number of shares (Shares) | Total amount (Yen) |
|---|---------------------------|--------------------|
| Treasury shares acquired during the current fiscal year | 14,029 | 7,423,826 |
| Treasury shares acquired during the current period | 1,100 | 608,600 |

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, 2015 to the filing date of this Annual Securities Report.

(4) Disposals or holding of acquired treasury stock

| Category | During the current fiscal year | | During the current period | |
|--|--------------------------------|-----------------------------|---------------------------|-----------------------------|
| | Number of shares (Shares) | Total disposal amount (Yen) | Number of shares (Shares) | Total disposal amount (Yen) |
| Acquired treasury shares that was offered to subscribers for subscription | - | - | - | - |
| Acquired treasury shares that was canceled | - | - | - | - |
| Acquired treasury shares that was transferred due to merger, equity swap, or corporate split | - | - | - | - |
| Acquired treasury shares that was disposed of in other ways (Note 1) | 92,700 | 18,313,764 | - | - |
| Number of treasury shares held | 3,290,432 | - | 3,291,532 | - |

Notes: 1. During the current fiscal year, some were disposed of due to the exercise of subscription rights to shares (92,000 shares, total disposal amount of ¥18,175,290) and some were disposed of due to the request for sale of shares less than one unit (700 shares, total disposal amount of ¥138,474).

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, 2015 to the filing date of this Annual Securities Report.

(Translation purposes only)

3. Dividend policy

The Company 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 the Company 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. The Company's Articles of Incorporation stipulate that "The Company may, upon resolution of the Board of Directors, pay interim dividends on the basis of September 30 each year as the record date."

The annual dividend for the current fiscal year in consideration of the year's operating results, future business development, and other aspects is ¥6 per share (interim dividend:¥3) to shareholders.

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

Dividends for the current fiscal year are as follows:

| Date of resolution | Total dividend amount (Millions of yen) | Dividend amount per share (Yen) |
|---|--|------------------------------------|
| November 5, 2014 Resolution of the Meeting of the Board of Directors | 4,631 | 3 |
| June 25, 2015 Resolution of the Ordinary General Meeting of Shareholders | 4,631 | 3 |

Note: Monetary amounts are rounded to the nearest unit.

4. Historical records of share price

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

| Fiscal year | 194th | 195th | 196th | 197th | 198th |
|---------------|----------------|----------------|----------------|----------------|----------------|
| Year ended | March 31, 2011 | March 31, 2012 | March 31, 2013 | March 31, 2014 | March 31, 2015 |
| Highest (Yen) | 226 | 222 | 310 | 516 | 637 |
| Lowest (Yen) | 139 | 160 | 150 | 261 | 377 |

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 2014 | November 2014 | December 2014 | January 2015 | February 2015 | March 2015 |
|---------------|--------------|---------------|---------------|--------------|---------------|------------|
| Highest (Yen) | 570 | 604 | 637 | 628 | 616 | 574 |
| Lowest (Yen) | 484 | 545 | 562 | 585 | 515 | 523 |

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 auditors

Men: 20 Women: - (Percentage of women among directors and auditors: -%)

| Position | Responsibilities | Name | Date of Birth | Brief Personal History | | Term of Office | No. of the Company's shares owned (Thousands of shares) |
|--------------------------|-------------------------|---------------|-------------------|------------------------|--|----------------|---|
| Chairman of the Board | - | Kazuaki Kama | December 26, 1948 | Jul. 1971 | Joined the Company | (Note 6) | 172 |
| | | | | Jun. 2004 | Executive Officer; General Manager of Finance & Accounting Division, the Company | | |
| | | | | Apr. 2005 | Managing Executive Officer; General Manager of Finance & Accounting Division, the Company | | |
| | | | | Jun. 2005 | Director; Managing Executive Officer, General Manager of Finance & Accounting Division, the Company | | |
| | | | | Apr. 2006 | Director; Managing Executive Officer, the Company | | |
| | | | | Apr. 2007 | President; Chief Executive Officer, the Company | | |
| | | | | Apr. 2012 | Chairman of the Board, the Company (incumbent) | | |
| President | Chief Executive Officer | Tamotsu Saito | July 13, 1952 | Apr. 1975 | Joined the Company | (Note 6) | 94 |
| | | | | Apr. 2006 | Vice President of Aero-Engine & Space Operations, the Company | | |
| | | | | Jun. 2006 | Executive Officer; Vice President of Aero-Engine & Space Operations, the Company | | |
| | | | | Jan. 2008 | Executive Officer; President of Aero-Engine & Space Operations, the Company | | |
| | | | | Apr. 2008 | Director; Executive Officer, President of Aero-Engine & Space Operations, the Company | | |
| | | | | Apr. 2009 | Director; Managing Executive Officer, President of Aero-Engine & Space Operations, the Company | | |
| | | | | Apr. 2010 | Director, the Company | | |
| | | | | Apr. 2011 | Executive Vice President, the Company | | |
| | | | | Apr. 2012 | President; Chief Executive Officer, the Company (incumbent) | | |
| Executive Vice President | - | Sadao Degawa | July 20, 1951 | Apr. 1977 | Joined the Company | (Note 6) | 63 |
| | | | | Jul. 2004 | Deputy General Manager of Corporate Research & Development, the Company | | |
| | | | | Apr. 2008 | Executive Officer; General Manager of Corporate Research & Development, the Company | | |
| | | | | Jun. 2009 | Director; Executive Officer, General Manager of Corporate Research & Development, the Company | | |
| | | | | Apr. 2011 | Director; Managing Executive Officer; General Manager of Corporate Research & Development, the Company | | |
| | | | | Apr. 2012 | Executive Vice President, the Company (incumbent) | | |

(Translation purposes only)

| Position | Responsibilities | Name | Date of Birth | Brief Personal History | | Term of Office | No. of the Company's shares owned (Thousands of shares) |
|--------------------------|------------------|------------------|-------------------|------------------------|---|----------------|---|
| Executive Vice President | – | Toshinori Sekido | July 6, 1953 | Apr. 1978 | Joined the Company | (Note 6) | 39 |
| | | | | Jul. 2004 | Division Director of Civil Aero-Engine Division, Aero-Engine & Space Operations, the Company | | |
| | | | | Apr. 2007 | Executive Officer; Vice President of Aero-Engine & Space Operations, the Company | | |
| | | | | Apr. 2010 | Managing Executive Officer; President of Aero-Engine & Space Operations, the Company | | |
| | | | | Jun. 2011 | Director; Managing Executive Officer; President of Aero-Engine & Space Operations, the Company | | |
| | | | | Apr. 2013 | Director, the Company | | |
| | | | | Apr. 2014 | Executive Vice President, the Company (incumbent) | | |
| Executive Vice President | – | Ichiro Terai | January 12, 1954 | Apr. 1976 | Joined the Company | (Note 6) | 16 |
| | | | | Apr. 2002 | Manager of Tax Accounting Group, Finance & Accounting Division, the Company | | |
| | | | | Apr. 2009 | Executive Officer; Deputy General Manager of Finance & Accounting Division, Manager of Tax Accounting Group, Finance & Accounting Division, the Company | | |
| | | | | Jun. 2009 | Director; Executive Officer, General Manager of Finance & Accounting Division, the Company | | |
| | | | | Apr. 2012 | Director; Managing Executive Officer; General Manager of Finance & Accounting Division, the Company | | |
| | | | | Apr. 2014 | Director, the Company | | |
| | | | | Apr. 2015 | Executive Vice President, the Company (incumbent) | | |
| Director | – | Joji Sakamoto | November 23, 1952 | Apr. 1976 | Joined the Company | (Note 6) | 55 |
| | | | | Jul. 2002 | Manager of Administration Division, the Company | | |
| | | | | Jul. 2005 | General Manager of Public Relations & Advertising Division, the Company | | |
| | | | | Apr. 2007 | General Manager of Compliance Control Division and General Manager of Contracts & Legal Division, the Company | | |
| | | | | Apr. 2008 | Executive Officer; General Manager of Compliance Control Division, General Manager of Contracts & Legal Division, General Manager of Reform the Internal Control System Project Division, the Company | | |
| | | | | Jun. 2009 | Director, the Company (incumbent) | | |

(Translation purposes only)

| Position | Responsibilities | Name | Date of Birth | Brief Personal History | | Term of Office | No. of the Company's shares owned (Thousands of shares) |
|----------|--|-----------------|-------------------|------------------------|--|----------------|---|
| Director | – | Eiichi Yoshida | September 9, 1952 | Apr. 1977 | Joined the Company | (Note 6) | 44 |
| | | | | Apr. 2006 | Vice President of Logistics Systems & Structures Operations, the Company | | |
| | | | | Apr. 2008 | Executive Officer; Vice President of Logistics Systems & Structures Operations, the Company | | |
| | | | | Apr. 2009 | Executive Officer; President of Logistics Systems Operations, the Company | | |
| | | | | Apr. 2011 | Executive Officer; Vice President of Machinery, Environmental & Logistics Systems Operations, the Company | | |
| | | | | Apr. 2012 | Managing Executive Officer; Vice President of Global Marketing Headquarters and Chief Regional Officer in China, the Company | | |
| | | | | Apr. 2013 | Managing Executive Officer; General Manager of Sales Headquarters and Deputy General Manager of Solution & Engineering Headquarters, the Company | | |
| | | | | Jun. 2013 | Director; Managing Executive Officer; General Manager of Sales Headquarters and Deputy General Manager of Solution & Engineering Headquarters, the Company | | |
| | | | | Apr. 2015 | Director, the Company (incumbent) | | |
| Director | Managing Executive Officer; President of Aero-Engine & Space Operations; Deputy General Manager of Intelligent Information Management Headquarters | Tsugio Mitsuoka | October 13, 1954 | Apr. 1980 | Joined the Company | (Note 6) | 44 |
| | | | | Apr. 2008 | Vice President of Aero-Engine & Space Operations, the Company | | |
| | | | | Apr. 2010 | Executive Officer; Vice President of Aero-Engine & Space Operations, the Company | | |
| | | | | Apr. 2013 | Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company | | |
| | | | | Jun. 2014 | Director; Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company (incumbent) | | |

(Translation purposes only)

| Position | Responsibilities | Name | Date of Birth | Brief Personal History | | Term of Office | No. of the Company's shares owned (Thousands of shares) |
|----------|--|-----------------|------------------|------------------------|--|----------------|---|
| Director | Managing Executive Officer; President of Machinery & Logistics Systems Operations; Deputy General Manager of Intelligent Information Management Headquarters | Hiroyuki Otani | October 8, 1955 | Apr. 1978 | Joined the Company | (Note 6) | 36 |
| | | | | Apr. 2010 | Vice President of Aero-Engine & Space Operations, the Company | | |
| | | | | Apr. 2011 | Executive Officer; President of Power Systems Operations, the Company | | |
| | | | | Apr. 2012 | Executive Officer; Vice President of Energy Operations, the Company | | |
| | | | | Apr. 2013 | Executive Officer; Vice President of Machinery & Logistics Systems Operations, the Company | | |
| | | | | Apr. 2014 | Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company | | |
| | | | | Jun. 2014 | Director; Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company (incumbent) | | |
| Director | Managing Executive Officer; President of Offshore Project & Steel Structures Operations and General Manager of Solution & Engineering Headquarters | Akinori Abe | November 4, 1954 | Apr. 1977 | Joined the Company | (Note 6) | 7 |
| | | | | Jun. 2010 | Director; General Superintendent of Yokohama Shipyard, IHI Marine United Inc. (now Japan Marine United Corporation) | | |
| | | | | Apr. 2012 | Executive Officer; President of Offshore Project & Steel Structures Operations, the Company | | |
| | | | | Apr. 2014 | Managing Executive Officer; President of Offshore Project & Steel Structures Operations and General Manager of Solution & Engineering Headquarters, the Company | | |
| | | | | Jun. 2014 | Director; Managing Executive Officer; President of Offshore Project & Steel Structures Operations and General Manager of Solution & Engineering Headquarters, the Company (incumbent) | | |
| Director | – | Hiroshi Asakura | June 20, 1954 | Apr. 1980 | Joined the Company | (Note 6) | 25 |
| | | | | Apr. 2008 | Division Director, Rotating Machinery Division, Industrial Machinery Operations, the Company | | |
| | | | | Apr. 2009 | Executive Officer; President of Rotating Machinery Operations, the Company | | |
| | | | | Apr. 2012 | Executive Officer; General Manager of Corporate Research & Development, the Company | | |
| | | | | Apr. 2013 | Managing Executive Officer; General Manager of Corporate Planning Division, the Company | | |
| | | | | Jun. 2015 | Director, the Company (incumbent) | | |
| Director | Managing Executive Officer; President of Energy & Plant Operations | Naoya Domoto | October 8, 1955 | Apr. 1981 | Joined the Company | (Note 6) | 16 |
| | | | | Apr. 2010 | Vice President of Power Systems Operations, General Manager of Planning Division, Division Director of Power Systems Plant Division, the Company | | |
| | | | | Apr. 2012 | Executive Officer; Vice President of Energy Operations, the Company | | |
| | | | | Apr. 2013 | Executive Officer; Vice President of Energy & Plant Operations, the Company | | |
| | | | | Apr. 2014 | Managing Executive Officer; President of Energy & Plant Operations, the Company | | |
| | | | | Jun. 2015 | Director, Managing Executive Officer; President of Energy & Plant Operations, the Company (incumbent) | | |

(Translation purposes only)

| Position | Responsibilities | Name | Date of Birth | Brief Personal History | | Term of Office | No. of the Company's shares owned (Thousands of shares) |
|----------|------------------|--------------------|----------------|------------------------|--|----------------|---|
| Director | – | Tomokazu Hamaguchi | April 20, 1944 | Apr. 1967 | Joined Nippon Telegraph and Telephone Public Corporation | (Note 6) | 28 |
| | | | | Apr. 1985 | Senior Manager, Administration Division, Public Administrations System Division, Data Communication Sector, NIPPON TELEGRAPH AND TELEPHONE CORPORATION | | |
| | | | | Jul. 1988 | Senior Manager, Corporate Strategy Planning Department, NTT DATA Corporation | | |
| | | | | Jun. 1995 | Senior Vice President, NTT DATA Corporation | | |
| | | | | Jun. 1997 | Executive Vice President, NTT DATA Corporation | | |
| | | | | Jun. 2001 | Senior Executive Vice President, NTT DATA Corporation | | |
| | | | | Jun. 2003 | President and Chief Executive Officer, NTT DATA Corporation | | |
| | | | | Jun. 2007 | Counselor and Director, NTT DATA Corporation | | |
| | | | | Apr. 2008 | Director, the Company (incumbent) | | |
| | | | | Jun. 2009 | Senior Corporate Adviser, NTT DATA Corporation | | |
| | | | | Jun. 2013 | Senior Advisor, NTT DATA Corporation (incumbent) | | |
| Director | – | Tadashi Okamura | July 26, 1938 | Apr. 1962 | Joined Tokyo Shibaura Electric Co., Ltd. (now TOSHIBA CORPORATION) | (Note 6) | 18 |
| | | | | Oct. 1993 | Group Executive, Information Processing & Control Systems Group, TOSHIBA CORPORATION | | |
| | | | | Jun. 1994 | Vice President and Director, TOSHIBA CORPORATION | | |
| | | | | Jun. 1996 | Senior Vice President and Director, TOSHIBA CORPORATION | | |
| | | | | Jun. 1998 | Director and Senior Vice President, TOSHIBA CORPORATION | | |
| | | | | Apr. 1999 | Director and Senior Vice President, Executive President, Information and Industrial Systems & Services Company, TOSHIBA CORPORATION | | |
| | | | | Jun. 2000 | President and Chief Executive Officer and Director, TOSHIBA CORPORATION | | |
| | | | | Jun. 2003 | Director, Representative Executive Officer, President and Chief Executive Officer, TOSHIBA CORPORATION | | |
| | | | | Jun. 2005 | Director, Chairman of the Board, TOSHIBA CORPORATION | | |
| | | | | Nov. 2007 | Chairman, The Japan Chamber of Commerce and Industry (Retired in October 2013) Chairman, The Tokyo Chamber of Commerce and Industry (Retired in October 2013) | | |
| | | | | Jun. 2009 | Adviser to the Board, TOSHIBA CORPORATION (incumbent) | | |
| | | | | Jun. 2010 | Director, the Company (incumbent) | | |

(Translation purposes only)

| Position | Responsibilities | Name | Date of Birth | Brief Personal History | | Term of Office | No. of the Company's shares owned (Thousands of shares) |
|----------------------------|------------------|--------------------|-------------------|------------------------|---|----------------|---|
| Director | — | Taketsugu Fujiwara | February 19, 1947 | Apr. 1969 | Joined Asahi Chemical Industry Co., Ltd. (now Asahi Kasei Corporation) | (Note 6) | — |
| | | | | Jun. 2000 | Director, Asahi Kasei Corporation | | |
| | | | | Jun. 2003 | Senior Executive Officer, Asahi Kasei Corporation | | |
| | | | | Oct. 2003 | Presidential Executive Officer, Asahi Kasei Chemicals Corporation | | |
| | | | | Apr. 2009 | Vice-Presidential Executive Officer, Asahi Kasei Corporation | | |
| | | | | Jun. 2009 | Director, Vice-Presidential Executive Officer, Asahi Kasei Corporation | | |
| | | | | Apr. 2010 | President and Representative Director, Presidential Executive Officer, Asahi Kasei Corporation | | |
| | | | | Apr. 2014 | Vice Chairman and Director, Asahi Kasei Corporation | | |
| | | | | Jun. 2014 | Vice Chairman, Asahi Kasei Corporation (incumbent) | | |
| | | | | Jun. 2015 | Director, the Company (incumbent) | | |
| Standing Corporate Auditor | — | Hideo Otaka | April 26, 1952 | Apr. 1978 | Joined the Company | (Note 7) | 18 |
| | | | | Jul. 2002 | Manager of Nuclear Plant Sales Department, Energy & Plant, the Company | | |
| | | | | Jul. 2003 | General Manager of Planning Group, Corporate Planning Division, the Company | | |
| | | | | Apr. 2007 | General Manager of General Affairs Department, Musashi, Aero-Engine & Space Operations, the Company | | |
| | | | | Apr. 2008 | General Manager of Secretariat Division, the Company | | |
| | | | | Jun. 2012 | Standing Corporate Auditor, the Company (incumbent) | | |
| Standing Corporate Auditor | — | Makoto Serizawa | March 17, 1954 | Apr. 1976 | Joined the Company | (Note 8) | 56 |
| | | | | Apr. 2005 | Deputy General Manager of Finance & Accounting Division, the Company | | |
| | | | | Apr. 2006 | Executive Officer; General Manager of Finance & Accounting Division, the Company | | |
| | | | | Apr. 2007 | Executive Officer; General Manager of Finance & Accounting Division, General Manager of Internal Control Planning & Promotion Division, the Company | | |
| | | | | Jun. 2007 | Director, Executive Officer; General Manager of Finance & Accounting Division, General Manager of Internal Control Planning & Promotion Division, the Company | | |
| | | | | Apr. 2008 | Director, Executive Officer; General Manager of Finance & Accounting Division, General Manager of Internal Control Assessment Division, the Company | | |
| | | | | Dec. 2008 | Director, Executive Officer; General Manager of Finance & Accounting Division, the Company | | |
| | | | | Jun. 2009 | Director, the Company | | |
| | | | | Jun. 2013 | Standing Corporate Auditor, the Company (incumbent) | | |

(Translation purposes only)

| Position | Responsibilities | Name | Date of Birth | Brief Personal History | | Term of Office | No. of the Company's shares owned (Thousands of shares) |
|-------------------|------------------|--------------------|---------------|------------------------|---|----------------|---|
| Corporate Auditor | — | Nobuo Gohara | March 2, 1955 | Apr. 1983 | Appointed as public prosecutor | (Note 7) | — |
| | | | | Apr. 2001 | Deputy Prosecutor-General at the Nagasaki District Public Prosecutors Office | | |
| | | | | Oct. 2003 | Specially-appointed Professor at Toin University of Yokohama Law School (concurrent assumption) | | |
| | | | | Jan. 2004 | Deputy Manager of the Tokyo District Public Prosecutors Office, Hachioji Branch | | |
| | | | | Apr. 2004 | Chief Researcher and Teacher at the Research and Training Institute of the Ministry of Justice | | |
| | | | | Apr. 2005 | Professor at Toin University of Yokohama Law School and Head of the Compliance Research Center | | |
| | | | | Apr. 2006 | Registered as attorney at law | | |
| | | | | Apr. 2008 | Specially-appointed Professor at Toin University of Yokohama Law School | | |
| | | | | Jun. 2008 | Corporate Auditor, the Company (incumbent) | | |
| | | | | Apr. 2009 | Professor at Meijo University Research Institute | | |
| | | | | Oct. 2009 | Advisor to the Ministry of Internal Affairs and Communications | | |
| | | | | Jan. 2010 | Director of Compliance Research Center, MIAC | | |
| | | | | Apr. 2010 | Chairman of The Committee of Inspection of Public Pension Service, MIAC | | |
| | | | | Apr. 2012 | Specially-appointed Professor at Kansai University (Faculty of Safety Science) | | |
| | | | | Apr. 2014 | Visiting Professor at Kansai University (Faculty of Safety Science) (incumbent) | | |
| Corporate Auditor | — | Toshiharu Watanabe | July 28, 1950 | Apr. 1974 | Joined TOSHIBA CORPORATION. (former Tokyo Shibaura Electric Co., Ltd.) | (Note 8) | — |
| | | | | Apr. 2002 | Vice President, Social & Industrial Systems Division, Social Infrastructure Systems Company, TOSHIBA CORPORATION | | |
| | | | | Apr. 2003 | Vice President, Social Systems Division, Social Systems Company, TOSHIBA Corporation | | |
| | | | | Apr. 2006 | Executive Vice President, Industrial Systems Company, TOSHIBA CORPORATION | | |
| | | | | Jun. 2007 | Executive Officer, Corporate Vice President and Executive President, Industrial Systems Company, TOSHIBA CORPORATION | | |
| | | | | Apr. 2008 | Executive President, Corporate Vice President and Executive President, Social Systems Company, TOSHIBA CORPORATION | | |
| | | | | Jun. 2008 | Executive Officer, Corporate Senior Vice President and Executive President, Social Systems Company, TOSHIBA Corporation | | |
| | | | | Apr. 2010 | Executive Officer, Corporate Senior Vice President, Managing Director, Smart Facilities Division and Executive President, Social Systems Company, TOSHIBA Corporation | | |
| | | | | Jun. 2010 | Executive Officer, Corporate Executive Vice President and Managing Director, Smart Facilities, TOSHIBA Corporation | | |
| | | | | Oct. 2010 | Executive Officer, Corporate Executive Vice President and Managing Director, Smart Community, TOSHIBA Corporation | | |
| | | | | Jun. 2011 | Director, Executive Officer, and Corporate Executive Vice President, TOSHIBA Corporation | | |
| | | | | Jun. 2013 | Advisor, TOSHIBA CORPORATION (incumbent) Corporate Auditor, the Company (incumbent) | | |

(Translation purposes only)

| Position | Responsibilities | Name | Date of Birth | Brief Personal History | | Term of Office | No. of the Company's shares owned (Thousands of shares) |
|-------------------|------------------|--------------------|---------------|------------------------|--|----------------|---|
| Corporate Auditor | — | Takayuki Hashimoto | July 9, 1954 | Apr. 1978 | Joined IBM Japan, Ltd. | (Note 9) | — |
| | | | | Apr. 2000 | Director; General Manager of General Business, IBM Japan, Ltd. | | |
| | | | | Apr. 2003 | Managing Executive Officer, IBM Japan, Ltd. | | |
| | | | | Jan. 2007 | Senior Managing Executive Officer, IBM Japan, Ltd. | | |
| | | | | Apr. 2008 | Director; Senior Managing Executive Officer, IBM Japan, Ltd. | | |
| | | | | Jan. 2009 | General Manager, IBM Japan, Ltd. | | |
| | | | | May. 2012 | Director, Chairman, IBM Japan, Ltd. | | |
| | | | | Apr. 2014 | Chairman, IBM Japan, Ltd. | | |
| | | | | Jan. 2015 | Vice Chairman, IBM Japan, Ltd. (incumbent) | | |
| | | | | Jun. 2015 | Corporate Auditor, the Company (incumbent) | | |
| Total | | | | | | | 731 |

- Notes:
1. Chief executive officer and managing executive officer are executive officer ranks.
 2. Director: Messrs. Tomokazu Hamaguchi, Tadashi Okamura and Taketsugu Fujiwara are outside directors. The Company has registered directors Messrs. Tomokazu Hamaguchi, Tadashi Okamura and Taketsugu Fujiwara with domestic financial instrument exchanges (where the Company is listed) as independent directors respectively.
 3. Corporate Auditor: Messrs. Nobuo Gohara, Toshiharu Watanabe and Takayuki Hashimoto are outside corporate auditors. The Company has registered corporate auditors Messrs. Nobuo Gohara, Toshiharu Watanabe and Takayuki Hashimoto with domestic financial instrument exchanges (where the Company is listed) as independent auditors, respectively.
 4. Number of the Company's shares owned less than one unit are rounded down.
 5. The Company has instituted an executive officer system for the purpose of establishing a clear delineation between the management monitoring and oversight system and the business execution system, and to enhance both the governance and management functions in the management system. The executive officers in office as of the filing date of this Annual Securities Report are shown in the table below.
 6. The term of office shall expire at the end of the ordinary general meeting of shareholders for the last business term ending within one year after the election in the ordinary general meeting of shareholders held on June 25, 2015.
 7. The term of office shall expire at the end of the ordinary general meeting of shareholders for the last business term ending within four years after the election in the ordinary general meeting of shareholders held on June 22, 2012.
 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 27, 2013.
 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 25, 2015.

(Translation purposes only)

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

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

| | Position | Name | Main Areas of Responsibility |
|---|----------------------------|-------------------|--|
| * | Chief Executive Officer | Tamotsu Saito | |
| | Managing Executive Officer | Naruto Takata | General Manager of Procurement Strategy Planning |
| * | Managing Executive Officer | Tsugio Mitsuoka | President of Aero-Engine & Space Operations; Deputy General Manager of Intelligent Information Management Headquarters |
| | Managing Executive Officer | Hajime Kuwata | President of Global Marketing Headquarters |
| * | Managing Executive Officer | Hiroyuki Otani | President of Machinery & Logistics Systems Operations; Deputy General Manager of Intelligent Information Management Headquarters |
| | Managing Executive Officer | Mikio Mochizuki | General Manager of Finance & Accounting Division |
| * | Managing Executive Officer | Naoya Domoto | President of Energy & Plant Operations |
| * | Managing Executive Officer | Akinori Abe | President of Offshore Project & Steel Structures Operations; General Manager of Solution & Engineering Headquarters |
| | Executive Officer | Junichi Sakaki | President of Rotating Machinery Operations |
| | Executive Officer | Akira Tateno | General Manager of Corporate Research & Development |
| | Executive Officer | Hiromu Furukawa | President of Vehicular Turbocharger Operations |
| | Executive Officer | Taizo Suga | President of Regional Headquarters for Asia Pacific |
| | Executive Officer | Tsutomu Yoshida | President of IHI INC. (Regional Headquarters in the Americas) |
| | Executive Officer | Takanori Kunihiro | President of Nuclear Power Operations |
| | Executive Officer | Tomoharu Shikina | Vice President of Aero-Engine & Space Operations |
| | Executive Officer | Atsushi Kuwata | General Manager of Sales Headquarters; Deputy General Manager of Solution & Engineering Headquarters |
| | Executive Officer | Takeshi Yamada | Deputy General Manager of Finance & Accounting Division |
| | Executive Officer | Hideya Hata | President of Infrastructure Operations; Deputy General Manager of Solution & Engineering Headquarters; Deputy General Manager of Intelligent Information Management Headquarters |
| | Executive Officer | Nobuko Mizumoto | General Manager of Group Business Process Platform Division |
| | Executive Officer | Masafumi Nagano | General Manager of Human Resources Division |
| | Executive Officer | Koji Yahagi | Vice President of Energy & Plant Operations |
| | Executive Officer | Yukiya Murano | General Manager of Intelligent Information Management Headquarters |
| | Executive Officer | Toshiaki Ishida | Deputy General Manager of Sales Headquarters |
| | Executive Officer | Masahiko Sugitani | Vice President of Energy & Plant Operations; Deputy General Manager of Solution & Engineering Headquarters |
| | Executive Officer | Takashi Makino | Vice president of Aero-Engine & Space Operations |

Note: * means director.

(Translation purposes only)

6. Corporate governance, etc.

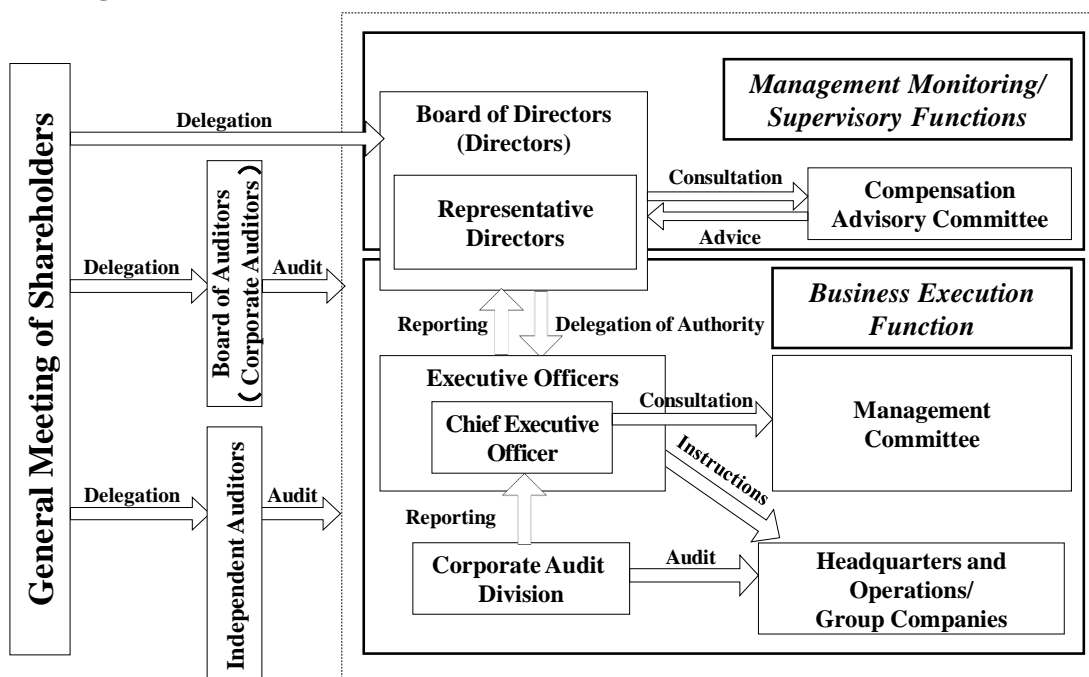
(1) Explanation about corporate governance

(i) Corporate governance system

(a) Overview

- The Company's Board of Auditors comprises five corporate auditors (three from outside) who audit the duties executed by directors.
- The Board of Directors, which consists of 15 directors (three outside), makes decisions related to all important matters concerning the management of the Company, in addition to overseeing directors in the operation of business. The outside directors, drawing on their wealth of experience and perspectives gained from many years as senior managers, participate in the Board of Directors' decision-making process, offer advice and make recommendations independently of managers who have been delegated the authority to handle day-to-day operations.
- The Company 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. Appointed by the Board of Directors, 25 executive officers, five of whom concurrently serve as directors, execute the duties delegated to them by the CEO.
- The Management Committee, which consists of members appointed by the CEO, supports the CEO's decision-making and operation of IHI business.
- To ensure propriety in director remuneration, the IHI Group has a Compensation Advisory Committee consisting of four members: an outside director who acts as the committee chairperson, an outside corporate auditor, the director responsible for human resources and the director responsible for finance and accounting.
- The corporate governance management structure shown below is a visual representation of the Company's corporate governance system.

Corporate Governance Management Structure



(b) Reason for adoption of corporate governance system

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

(c) Internal controls and risk management

- The Company's basic policy is to continually improve its corporate governance while increasing its corporate value.

(Translation purposes only)

- 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 the company. The Company's Corporate Audit Division, which reports directly to the President, is an independent body tasked with overall planning, organizing and studying of evaluations, and determining the effectiveness of internal controls for the entire Group. In addition, internal-control evaluation units are in the Finance & Accounting Division and the nine Operations units, the primary subjects of evaluations. The Information Systems Division has an IT-controls evaluation unit.
- The IHI Group is constantly working to improve its risk management system, including mechanisms for managing and evaluating this system. The Risk Management Conference chaired by the CEO meets regularly to ascertain risks and consider key initiatives, as well as prevent risks and minimize the impact of any risk that occurs.
- The Basic Regulations for Crisis Management stipulate how to handle any crisis that has the potential to significantly impact the IHI Group. The crisis management system includes placing an executive officer in charge of crisis management, establishing a crisis management secretariat and formulating measures to handle any crisis. In addition, each division prepares a business continuity plan to prepare for possible emergencies.
- The Important Project Review Meeting and the Review Subcommittee enhance our system for reviewing risks related to matters such as contracts and technical issues and then incorporating the findings of these reviews in cost estimations used to win project orders. To maintain the profitability of projects, each Operations unit strives to accurately assess profitability and then enhance project management in terms of work processes, costs and quality. The Project Audit Division is dedicated to auditing intermediate cost management and risk management for large projects.
- The Investment Review Meeting and the Investment Review Subcommittee review studies of large investments that could have a significant impact on Group performance, focusing on the significance of the investment, the soundness of related plans, investment efficiency, maximum potential loss and the establishment of tollgates.
- For each business, order volume is stringently controlled and risks and profitability are rigorously evaluated through regular meetings of the Finance & Accounting Division and Operations managers. In addition, cost operations are consolidated in the Finance & Accounting Division for enhanced control, and intermediate cost procedures are stipulated and standardized.

(d) Limitation of liability

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

(ii) Internal and corporate auditor audits

- The Corporate Audit Division (31 members) and the Project Audit Division (12 members) are internal divisions that report directly to the President. These bodies audit all business divisions of the Company and its affiliates on an ongoing basis to enhance internal control, in addition to self-audits conducted by each division.
- The internal audit divisions work closely with corporate auditors and the accounting auditor to report on the implementation and results of audits and to hold regular meetings.
- Corporate auditors, in accordance with policies defined at the Board of Corporate Auditors, 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 the Company operations and finances. Four full-time staffers assist the corporate auditors in the performance of their duties.
- Corporate auditors receive reports on the implementation and results of audits from the accounting auditor and the internal audit divisions. Also, the two sides hold regular meetings.
- Mr. Makoto Serizawa, the standing corporate auditor, possesses considerable knowledge of financial and accounting matters based on his years of experience working in the Finance & Accounting Division.

(iii) Outside directors and corporate auditors

- Three outside directors and three outside corporate auditors provide the Company with objective advice about its business and help to ensure effective auditing and oversight.
- In retaining the services of these outside directors and corporate auditors, the Company adheres to standards regarding their independence as stipulated by stock exchanges in Japan.

(Translation purposes only)

- The outside directors and corporate auditors are required to adhere to these same standards, including having no conflict of interest with any general shareholder. They are reported as independent directors and auditors to any stock exchange where the Company is listed.
- The number of the Company shares held by outside directors and corporate auditors are noted in “5. Information about directors and auditors.”
- Positions held by outside directors and corporate auditors, as well as the reasons for their election to the IHI Board of Directors, are noted below.

| Name | Facts Related to the Standards for Independence | Reason for Election |
|--------------------|---|--|
| Tomokazu Hamaguchi | <p>Mr. Hamaguchi served as President and Chief Executive Officer of NTT DATA CORPORATION, and then as its Counselor and Director until June 2009. He serves currently as Senior Advisor of the Company.</p> <p>One of the Company’s subsidiaries has a business relationship involving equipment maintenance with NTT DATA Corporation, where Mr. Tomokazu Hamaguchi previously served as a business executive. However, the said relationship generates less than 0.01% of the Company’s consolidated net sales (for the fiscal year ended March 31, 2015), and at least five years have passed since Mr. Tomokazu Hamaguchi was a business executive at the said company. Therefore, this has no impact on his independence.</p> | <p>Mr. Tomokazu Hamaguchi reflects in the management of the Company his broad insight from his track record in transforming his own organization and supporting transformations at customers while at the helm of a state-of-the-art IT and telecommunications company. In addition, he carries out management oversight and monitoring functions from an independent perspective. Therefore, the Company believes that he is well-qualified to be an outside director.</p> <p>Mr. Tomokazu Hamaguchi does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. The Company has therefore elected him as an independent director.</p> |
| Tadashi Okamura | <p>Mr. Okamura served as Director, Representative Executive Officer, President and Chief Executive Officer of TOSHIBA CORPORATION, and then as its Director, Chairman of the Board until June 2009. He serves currently as Senior Advisor of the Company.</p> <p>The IHI Group has a business relationship involving the sale and purchase of nuclear power-related products with TOSHIBA Corporation, where Mr. Tadashi Okamura previously served as a business executive. However, the said relationship generates 1.47% of the Company’s consolidated net sales (for the fiscal year ended March 31, 2015), and at least five years have passed since Mr. Tadashi Okamura was a business executive at the said company. Therefore, this has no impact on his independence.</p> | <p>Mr. Tadashi Okamura reflects in the management of the Company his extensive experience from many years of involvement in the management of a general electric manufacturer and his broad insight gained in positions such as Chairman of The Japan Chamber of Commerce and Industry. In addition, he carries out management oversight and monitoring functions from an independent perspective. Therefore, The Company believes that he is well-qualified to be an outside director.</p> <p>Mr. Tadashi Okamura 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. The Company has therefore elected him as an independent director.</p> |
| Taketsugu Fujiwara | <p>Mr. Taketsugu Fujiwara served as President and Representative Director, and Presidential Executive Officer of Asahi Kasei Corporation until March 2014. He serves currently as Vice Chairman of the said company.</p> <p>One of the Company’s subsidiaries has a business relationship involving the sale and purchase of industrial machinery with Asahi Kasei Corporation, where Mr. Taketsugu Fujiwara previously served as a business executive. However, the said relationship generates less than 0.01% of the Company’s consolidated net sales (for the fiscal year ended March 31, 2015). Therefore, this has no impact on his independence.</p> | <p>Mr. Taketsugu Fujiwara is expected to reflect in the management of the Company his extensive experience and broad insight gained at the helm of a general chemicals manufacturer, where he has implemented diversified management. In addition, he is expected to carry out management oversight and monitoring functions from an independent perspective. Therefore, the Company believes that he is well-qualified to be an outside director.</p> <p>Mr. Taketsugu Fujiwara does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. The Company has therefore elected him as an independent director.</p> |

(Translation purposes only)

| Name | Facts Related to the Standards for Independence | Reason for Election |
|--------------------|--|--|
| Nobuo Gohara | Not applicable. | <p>Mr. Nobuo Gohara works tirelessly to enhance the Company's corporate governance through efforts to research and inform others about his concept of "full-set compliance" aimed at creating a "company that responds to society's demands," and based on his profound knowledge of the Companies Act and the Financial Instruments and Exchange Act. Therefore, the Company believes that he is well-qualified to be an outside corporate auditor.</p> <p>Mr. Nobuo Gohara 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. The Company has therefore elected him as an independent director.</p> |
| Toshiharu Watanabe | <p>Mr. Watanabe served as Director, Executive Officer, and Corporate Executive Vice President of TOSHIBA CORPORATION until June 2013. He serves currently as Advisor of the Company.</p> <p>The IHI Group has a business relationship involving the sale and purchase of nuclear power-related products with TOSHIBA Corporation, where Mr. Toshiharu Watanabe previously served as a business executive. However, the said relationship generates 1.47% of the Company's consolidated net sales (for the fiscal year ended March 31, 2015), and at least five years have passed since Mr. Toshiharu Watanabe was a business executive at the said company. Therefore, this has no impact on his independence.</p> | <p>Mr. Toshiharu Watanabe reflects in the auditing of the management of the Company his experience and insight, which he cultivated as a business executive in the field of social infrastructure at a general electric goods manufacturer from an independent perspective. Therefore, the Company believes that he is well-qualified to be an outside corporate auditor.</p> <p>Mr. Toshiharu Watanabe does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. The Company has therefore elected him as an independent auditor.</p> |
| Takayuki Hashimoto | <p>Mr. Takayuki Hashimoto served as General Manager of IBM Japan, Ltd., and then as its Chairman until May 2014. He serves currently as Vice Chairman of the said company.</p> <p>The Company has a business relationship involving leasing IT-related equipment with IBM Japan, Ltd., where Mr. Takayuki Hashimoto previously served as a business executive. However, the said relationship generates less than 0.01% of the Company's consolidated net sales (for the fiscal year ended March 31, 2015). Therefore, this has no impact on his independence.</p> | <p>Mr. Takayuki Hashimoto is expected to reflect his extensive experience and knowledge of global companies gained at the helm of a state-of-the-art IT company in the auditing of the Company's management from an independent perspective. Therefore, the Company believes that he is well-qualified to be an outside corporate auditor.</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. The Company has therefore elected him as an independent auditor.</p> |

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

(Translation purposes only)

(iv) Remuneration, etc. of directors and corporate auditors

(a) Total amount paid to each position of directors and corporate auditors, breakdown and number of recipients

| Position of directors and corporate auditors | Total Amount Paid (Millions of yen) | Breakdown (Millions of yen) | | | Number of recipients |
|---|-------------------------------------|-----------------------------|--------------------------|-------------------------|----------------------|
| | | Base amount | Share-based compensation | Performance-based bonus | |
| Director (excluding outside director) | 884 | 594 | 78 | 211 | 16 |
| Corporate auditor (excluding outside corporate auditor) | 69 | 69 | – | – | 2 |
| Outside directors and outside corporate auditors | 56 | 56 | – | – | 5 |

- Notes:
1. Remuneration of directors does not include salaries as employees of directors who are also employees.
 2. Maximum total amount of directors' remuneration is set at 1,090 million yen or below (excluding employee salaries) per year as resolved at the 190th Ordinary General Meeting of Shareholders held on June 27, 2007, and maximum total amount of corporate auditors' remuneration is set at 120 million yen or below as resolved at the 197th Ordinary General Meeting of Shareholders held on June 27, 2014.
 3. During the current fiscal year, 13 directors (excluding outside directors) were paid 132 million yen in performance-based bonuses for the fiscal year ended March 31, 2014.
 4. The numbers of directors and corporate auditors as of March 31, 2015 are respectively 15 (including two outside directors) and five (including three outside corporate auditors). The reason for the discrepancy from the above is that figures in the chart include three directors who retired at the conclusion of the 197th Ordinary General Meeting of Shareholders held on June 27, 2014.

(b) Remuneration paid, etc. of directors and corporate auditors whose total amount paid to each position of directors and corporate auditors equaled or exceeded ¥100 million

| Name | Position of directors and corporate auditors | Company Classification | Total Amount Paid (Millions of yen) | Breakdown (Millions of yen) | | |
|---------------|--|------------------------|-------------------------------------|-----------------------------|--------------------------|-------------------------|
| | | | | Base amount | Share-based compensation | Performance-based bonus |
| Kazuaki Kama | Director | Reporting company | 116 | 78 | 10 | 27 |
| Tamotsu Saito | Director | Reporting company | 116 | 78 | 10 | 27 |

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

Maximum total remuneration of directors and corporate auditors is resolved at an Ordinary General Meeting of Shareholders. Directors' remuneration is a reward system that considers the standard necessary to secure superior human resources, more strongly aspires towards improvements of the Group's business results and corporate value, and emphasizes sharing the risk and return of stock price fluctuations with shareholders. Remuneration details are finalized at a meeting of the Board of Directors, following consultation and recommendations to the Remuneration Advisory Committee (the "Committee") which was created to ensure that remuneration is appropriate and that the process is transparent.

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

In addition, outside directors receive only a base amount.

Remuneration for corporate auditors comprises basic remuneration only as compensation for their responsibilities for auditing the execution of business throughout the Group. The amount is determined through discussions among corporate auditors.

The Committee consists of four members: an outside director who serves as the chair, an outside corporate auditor, the director in charge of human resources, and the director in charge of finance and accounting. The chair makes final decisions on the Committee's recommendations.

(Translation purposes only)

(v) Shareholdings

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

Number of stock names: 181

Total amount on the balance sheet: ¥79,761 million.

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

(The previous fiscal year)

Specified investment securities

| Stock name | Number of shares (Shares) | Amount on the balance sheet (Millions of yen) | Holding purpose |
|---|------------------------------|--|--|
| Mizuho Financial Group, Inc. | 23,332,717 | 4,759 | To maintain relationship with lender |
| TOSHIBA CORPORATION | 8,751,000 | 3,824 | To maintain relationship with customer |
| Sumitomo Mitsui Trust Holdings, Inc. | 6,318,746 | 2,944 | To maintain relationship with lender |
| MITSUI & CO., LTD. | 1,709,255 | 2,493 | To maintain relationship with customer |
| The Shizuoka Bank, Ltd. | 2,364,500 | 2,381 | To maintain relationship with lender |
| NIPPON STEEL & SUMITOMO METAL CORPORATION | 5,408,867 | 1,525 | To maintain relationship with customer |
| China Steel Corporation | 11,061,690 | 1,267 | To maintain relationship with customer |
| Mitsui Fudosan Co., Ltd. | 402,000 | 1,265 | To maintain relationship with customer |
| IBJ Leasing Company, Limited | 480,000 | 1,249 | To maintain relationship with customer |
| THE HUB POWER COMPANY LIMITED | 20,432,459 | 1,139 | To maintain relationship with customer |
| The Chugoku Bank, LTD. | 800,000 | 1,100 | To maintain relationship with lender |
| UMN Pharma Inc. | 453,250 | 964 | To maintain relationship with customer |
| Mitsubishi UFJ Financial Group, Inc. | 1,374,780 | 779 | To maintain relationship with lender |
| JGC CORPORATION | 194,000 | 696 | To maintain relationship with customer |
| Sumitomo Mitsui Financial Group, Inc. | 146,300 | 645 | To maintain relationship with lender |
| Electric Power Development Co., Ltd. | 217,500 | 634 | To maintain relationship with customer |
| The Kansai Electric Power Company, Incorporated | 520,300 | 550 | To maintain relationship with customer |
| The Iyo Bank, Ltd. | 539,782 | 532 | To maintain relationship with lender |
| Yamaguchi Financial Group, Inc. | 537,000 | 499 | To maintain relationship with lender |
| Toho Gas Co., Ltd. | 885,250 | 497 | To maintain relationship with customer |
| The Dai-ichi Life Insurance Company, Limited | 324,400 | 486 | To maintain relationship with lender |
| NISHISHIBA ELECTRIC CO., LTD. | 2,741,860 | 479 | To maintain relationship with customer |
| TOSHIBA MACHINE CO., LTD. | 968,000 | 472 | To maintain relationship with customer |
| TOSOH CORPORATION | 1,156,000 | 460 | To maintain relationship with customer |
| The Chugoku Electric Power Co., Inc. | 309,000 | 444 | To maintain relationship with customer |
| Tokyo Gas Co., Ltd. | 798,750 | 418 | To maintain relationship with customer |
| The Gunma Bank, Ltd. | 742,000 | 417 | To maintain relationship with lender |
| KYOKUTO BOEKI KAISHA, LTD. | 1,927,904 | 416 | To maintain relationship with customer |
| Kajima Corporation | 514,265 | 186 | To maintain relationship with customer |
| The 77 Bank, Ltd. | 395,250 | 183 | To maintain relationship with lender |

(Translation purposes only)

(The current fiscal year)

Specified investment securities

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

(c) Investment securities held for purposes of pure investment
Not applicable.

(Translation purposes only)

(vi) Status of accounting audit

The Company 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 the Company, as well as the consecutive number of years they have audited the Company, are shown below.

Jun Uemura (two years)

Yoshiyuki Sakuma (six years)

Ichiro Tajima (five years)

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

Certified Public Accountant: 42

Other: 50

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

(vii) Number of directors

The Articles of Incorporation stipulates that the Company 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 the Company 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 the Company 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 the Company to exempt directors and corporate auditors from liabilities based on resolution of the Board of Directors

The Articles of Incorporation stipulates that the Company 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 corporate auditor is acting in good faith and there is no critical negligence involved, exempt directors and corporate auditors from liabilities, so as to ensure that directors and corporate auditors sufficiently perform the roles expected of them in executing their duties.

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

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

(Translation purposes only)

(2) Details of audit remuneration, etc.

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

| Classification | The previous fiscal year | | The current fiscal year | |
|---------------------------|--|---|--|---|
| | Remuneration for audit or attestation services (millions of yen) | Remuneration for non-audit services (millions of yen) | Remuneration for audit or attestation services (millions of yen) | Remuneration for non-audit services (millions of yen) |
| Reporting company | 186 | 27 | 188 | 52 |
| Consolidated subsidiaries | 159 | 16 | 182 | 18 |
| Total | 345 | 43 | 370 | 70 |

(ii) Other material remuneration to independent auditors

(The previous fiscal year)

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

(The current fiscal year)

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

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

(The previous fiscal year)

The Company 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)

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

(ix) Policy on determining audit remuneration

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

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

(Translation purposes only)

V. Overview of operational procedures for shares

| | |
|---|---|
| Fiscal year | From April 1 to March 31 |
| Ordinary General Meeting of Shareholders | June |
| Record date | March 31 |
| Record date for dividends of surplus | September 30 March 31 |
| Number of shares constituting one voting unit | 1,000 shares |
| Purchase and sales of shares less than one unit | |
| Location of office | (Special account) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department |
| Administrator of Shareholders' Register | (Special account) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited |
| Forwarding office | — |
| Purchase and sales fee | Free of charge |
| Method of public notice | The Company 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.ihj.co.jp/ihj/elec/index.html |
| Special benefits for shareholders | Not applicable |

- Notes:
1. The Company 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 the Company may not exercise any rights other than those stipulated below regarding shares less than one unit.
 - (1) Rights listed in Article 189, paragraph 2 of the Companies Act;
 - (2) Rights to make demands pursuant to Article 166, paragraph 1 of the Companies Act;
 - (3) Rights to receive allotment of shares and share purchase warrants in proportion to the number of shares owned by them; and
 - (4) Rights to request to sell such number of shares as will make one unit with the shares less than one unit owned by them.

(Translation purposes only)

VI. Reference information of reporting company

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

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

2. Other reference information

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

- | | | | | |
|-----|--|------------------------|---|--|
| (1) | Annual Securities Report and Documents Attached, and Confirmation Letter | Fiscal year (197th) | From April 1, 2013 To March 31, 2014 | Filed with Director-General of the Kanto Local Finance Bureau on June 27, 2014 |
| (2) | Internal Control Report and Documents Attached | | | Filed with Director-General of the Kanto Local Finance Bureau on June 27, 2014 |
| (3) | Shelf Registration Statement(bond) and Documents Attached | | | Filed with Director-General of the Kanto Local Finance Bureau on November 14, 2014 |
| (4) | Supplemental Documents to Shelf Registration Statement (Bond) and Documents Attached | | | Filed with Director-General of the Kanto Local Finance Bureau on November 27, 2014 |
| (5) | Quarterly Reports and Confirmation Letters | (198th First Quarter) | From April 1, 2014 To June 30, 2014 | Filed with Director-General of the Kanto Local Finance Bureau on August 13, 2014 |
| | | (198th Second Quarter) | From July 1, 2014 To September 30, 2014 | Filed with Director-General of the Kanto Local Finance Bureau on November 13, 2014 |
| | | (198th Third Quarter) | From October 1, 2014 To December 31, 2014 | Filed with Director-General of the Kanto Local Finance Bureau on February 12, 2015 |
| (6) | Extraordinary Reports | | | |
| | Pursuant to Article 19, paragraph 2, item ix-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc. | | | Filed with Director-General of the Kanto Local Finance Bureau on June 30, 2014 |
| | Pursuant to Article 19, paragraph 2, item ii-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc. | | | Filed with Director-General of the Kanto Local Finance Bureau on July 22, 2014 |
| | 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 23, 2015 |
| | 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 April 6, 2015 |
| | 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 April 28, 2015 |

(Translation purposes only)

(7) Amendment to Extraordinary Report

Amendment to the Extraordinary Report filed on July 22, 2014

Filed with Director-General of the Kanto
Local Finance Bureau on August 12, 2014

(8) Amended Shelf Registration Statements

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

Filed with Director-General of the Kanto
Local Finance Bureau on February 23, 2015

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

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

(Translation purposes only)

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

Not applicable.

Consolidated financial statements

| | <u>Page Number</u> |
|--|------------------------|
| Consolidated financial statements of IHI Corporation and Subsidiaries: | |
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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 the Company 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 the Company 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 the Company falls under the category of a company allowed to file specified financial statements, the non-consolidated financial statements of the Company 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, 2015 (from April 1, 2014 to March 31, 2015) 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.

The Company makes special efforts to ensure the appropriateness of the consolidated financial statements, etc. Specifically, the Company 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 sheets

(Millions of yen)

| | March 31, 2014 | | March 31, 2015 | |
|--|----------------|-----------|----------------|-----------|
| Assets | | | | |
| Current assets | | | | |
| Cash and deposits | *1 | 63,236 | *1 | 94,549 |
| Notes and accounts receivable - trade | *1, *4 | 395,037 | *1, *4 | 438,260 |
| Securities | | 1,528 | | 205 |
| Finished goods | *7 | 20,665 | *7 | 24,939 |
| Work in process | *7 | 222,237 | *7 | 249,362 |
| Raw materials and supplies | *1 | 112,983 | *1 | 125,000 |
| Deferred tax assets | | 34,632 | | 43,206 |
| Other | | 57,010 | | 84,562 |
| Allowance for doubtful accounts | | (6,127) | | (6,357) |
| Total current assets | | 901,201 | | 1,053,726 |
| Non-current assets | | | | |
| Property, plant and equipment | | | | |
| Buildings and structures, net | *1, *8 | 133,148 | *1, *5, *8 | 145,642 |
| Machinery, equipment and vehicles, net | *1, *8 | 67,124 | *1, *5, *8 | 77,470 |
| Land | *1, *6 | 90,175 | *1, *6 | 90,294 |
| Leased assets, net | *8 | 16,929 | *8 | 15,877 |
| Construction in progress | | 13,425 | | 10,885 |
| Other, net | *1, *8 | 15,647 | *1, *5, *8 | 17,457 |
| Total property, plant and equipment | | 336,448 | | 357,625 |
| Intangible assets | | | | |
| Goodwill | | 22,958 | | 23,301 |
| Software | | 12,647 | | 13,613 |
| Other | | 6,535 | | 13,587 |
| Total intangible assets | | 42,140 | | 50,501 |
| Investments and other assets | | | | |
| Investment securities | *1, *2 | 162,165 | *1, *2 | 167,138 |
| Deferred tax assets | | 32,489 | | 35,587 |
| Net defined benefit asset | | — | | 3 |
| Other | *2 | 24,751 | *2 | 28,168 |
| Allowance for doubtful accounts | | (2,833) | | (1,866) |
| Total investments and other assets | | 216,572 | | 229,030 |
| Total non-current assets | | 595,160 | | 637,156 |
| Total assets | | 1,496,361 | | 1,690,882 |

(Millions of yen)

| | March 31, 2014 | | March 31, 2015 | |
|---|----------------|------------------|----------------|------------------|
| Liabilities | | | | |
| Current liabilities | | | | |
| Notes and accounts payable - trade | | 280,900 | | 300,148 |
| Short-term loans payable | *1 | 110,340 | *1 | 114,135 |
| Commercial papers | | 14,000 | | 17,000 |
| Current portion of bonds | | 20,000 | | — |
| Accrued expenses | | 73,339 | | 82,612 |
| Income taxes payable | | 16,692 | | 23,162 |
| Advances received | | 103,237 | | 125,170 |
| Provision for bonuses | | 24,590 | | 26,687 |
| Provision for construction warranties | | 25,485 | | 36,804 |
| Provision for loss on construction contracts | *7 | 18,389 | *7 | 28,553 |
| Other provision | | 566 | | 656 |
| Other | | 38,711 | | 40,998 |
| Total current liabilities | | 726,249 | | 795,925 |
| Non-current liabilities | | | | |
| Bonds payable | | 30,000 | | 70,000 |
| Long-term loans payable | *1 | 165,143 | *1 | 192,320 |
| Lease obligations | | 14,697 | | 13,174 |
| Deferred tax liabilities for land revaluation | *6 | 6,312 | *6 | 5,445 |
| Net defined benefit liability | | 129,893 | | 157,986 |
| Provision for loss on subsidiaries and affiliates | | 1,771 | | 22,590 |
| Other provision | | 1,341 | | 1,186 |
| Other | | 58,400 | | 72,661 |
| Total non-current liabilities | | 407,557 | | 535,362 |
| Total liabilities | | 1,133,806 | | 1,331,287 |
| Net assets | | | | |
| Shareholders' equity | | | | |
| Capital stock | | 107,165 | | 107,165 |
| Capital surplus | | 54,439 | | 54,438 |
| Retained earnings | | 171,318 | | 152,563 |
| Treasury shares | | (665) | | (655) |
| Total shareholders' equity | | 332,257 | | 313,511 |
| Accumulated other comprehensive income | | | | |
| Valuation difference on available-for-sale securities | | 8,424 | | 16,622 |
| Deferred gains or losses on hedges | | 36 | | (743) |
| Revaluation reserve for land | *6 | 4,665 | *6 | 5,166 |
| Foreign currency translation adjustment | | 4,912 | | 14,783 |
| Remeasurements of defined benefit plans | | (5,058) | | (3,545) |
| Total accumulated other comprehensive income | | 12,979 | | 32,283 |
| Subscription rights to shares | | 621 | | 747 |
| Minority interests | *6 | 16,698 | *6 | 13,054 |
| Total net assets | | 362,555 | | 359,595 |
| Total liabilities and net assets | | 1,496,361 | | 1,690,882 |

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

Consolidated statements of income

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|---|-------------------------------------|-------------------------------------|
| Net sales | 1,304,038 | 1,455,844 |
| Cost of sales | *1, *2, *3 1,081,630 | *1, *2, *3 1,210,313 |
| Gross profit | 222,408 | 245,531 |
| Selling, general and administrative expenses | *1, *4 169,137 | *1, *4 182,278 |
| Operating income | 53,271 | 63,253 |
| Non-operating income | | |
| Interest income | 640 | 721 |
| Dividend income | 3,389 | 1,648 |
| Share of profit of entities accounted for using equity method | 5,397 | – |
| Foreign exchange gains | 4,244 | 5,274 |
| Reversal of accrued expenses for delayed delivery | – | 2,210 |
| Other income | 6,653 | 3,054 |
| Total non-operating income | 20,323 | 12,907 |
| Non-operating expenses | | |
| Interest expenses | 4,020 | 4,221 |
| Share of loss of entities accounted for using equity method | – | 1,701 |
| Expenses for delayed delivery | 4,019 | – |
| Other expenses | 12,320 | 13,709 |
| Total non-operating expenses | 20,359 | 19,631 |
| Ordinary income | 53,235 | 56,529 |
| Extraordinary income | | |
| Gain on transfer from business divestitures | *5 7,500 | – |
| Total extraordinary income | 7,500 | – |
| Extraordinary losses | | |
| Loss on business of subsidiaries and affiliates | – | *6 29,089 |
| Impairment loss | *7 245 | *7 175 |
| Total extraordinary losses | 245 | 29,264 |
| Income before income taxes and minority interests | 60,490 | 27,265 |
| Income taxes-current | 22,385 | 29,827 |
| Income taxes - deferred | 2,608 | (9,309) |
| Total income taxes | 24,993 | 20,518 |
| Income before minority interests | 35,497 | 6,747 |
| Minority interests in income (loss) | 2,364 | (2,335) |
| Net income | 33,133 | 9,082 |

Consolidated statements of comprehensive income

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| Income before minority interests | 35,497 | 6,747 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,549 | 8,296 |
| Deferred gains or losses on hedges | 550 | (383) |
| Revaluation reserve for land | – | 633 |
| Foreign currency translation adjustment | 10,080 | 9,810 |
| Remeasurements of defined benefit plans, net of tax | – | 1,290 |
| Share of other comprehensive income of entities accounted for using equity method | 895 | 436 |
| Total other comprehensive income | *1 14,074 | *1 20,082 |
| Comprehensive income | 49,571 | 26,829 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 46,099 | 28,017 |
| Comprehensive income attributable to minority interests | 3,472 | (1,188) |

iii) Consolidated statements of changes in equity

Fiscal year ended March 31, 2014

(Millions of yen)

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

| | Accumulated other comprehensive income | | | | | | Subscription rights to shares | Minority interests | Total net assets |
|--|---|-------|-------|---------|---|--|-------------------------------|--------------------|------------------|
| | Valuation difference on available-for-sale securities | | | | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at beginning of current period | 6,158 | (810) | 4,665 | (4,377) | - | 5,636 | 563 | 10,335 | 299,282 |
| Cumulative effects of changes in accounting policies | | | | | | | | | |
| Restated balance | 6,158 | (810) | 4,665 | (4,377) | - | 5,636 | 563 | 10,335 | 299,282 |
| Changes of items during period | | | | | | | | | |
| Conversion of convertible bonds | | | | | | - | | | 22,800 |
| Dividends of surplus | | | | | | - | | | (7,317) |
| Net income | | | | | | - | | | 33,133 |
| Purchase of treasury shares | | | | | | - | | | (8) |
| Disposal of treasury shares | | | | | | - | | | 74 |
| Net increase from newly consolidated subsidiaries | | | | | | - | | | 827 |
| Change of scope of equity method | | | | | | - | | | - |
| Reversal of revaluation reserve for land | | | | | | - | | | - |
| Net changes of items other than shareholders' equity | 2,266 | 846 | - | 9,289 | (5,058) | 7,343 | 58 | 6,363 | 13,764 |
| Total changes of items during period | 2,266 | 846 | - | 9,289 | (5,058) | 7,343 | 58 | 6,363 | 63,273 |
| Balance at end of current period | 8,424 | 36 | 4,665 | 4,912 | (5,058) | 12,979 | 621 | 16,698 | 362,555 |

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

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

iv) Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 60,490 | 27,265 |
| Depreciation | 49,479 | 53,490 |
| Other depreciation and amortization | 3,620 | 3,961 |
| Gain on transfer from business divestitures | (7,500) | – |
| Loss on business of subsidiaries and affiliates | – | 29,089 |
| Impairment loss | 245 | 175 |
| Increase (decrease) in allowance for doubtful accounts | (294) | (781) |
| Increase (decrease) in provision for bonuses | 1,859 | 1,792 |
| Increase (decrease) in provision for construction warranties | 6,441 | 10,917 |
| Increase (decrease) in provision for loss on construction contracts | (3,182) | 10,110 |
| Increase (decrease) in provision for retirement benefits | (115,484) | – |
| Increase (decrease) in net defined benefit liability | 123,345 | 8,290 |
| Interest and dividend income | (4,029) | (2,369) |
| Interest expenses | 4,020 | 4,221 |
| Foreign exchange losses (gains) | 146 | (159) |
| Loss (gain) on sales of short-term and long-term investment securities | 134 | (455) |
| Loss (gain) on valuation of short-term and long-term investment securities | 211 | 1,391 |
| Share of (profit) loss of entities accounted for using equity method | (5,397) | 1,701 |
| Loss on disposal of property, plant and equipment | 1,453 | 1,390 |
| Decrease (increase) in notes and accounts receivable - trade | (40,020) | (36,900) |
| Increase (decrease) in advances received | (3,389) | 18,146 |
| Decrease (increase) in advance payments | (3,135) | (698) |
| Decrease (increase) in inventories | (33,319) | (41,275) |
| Increase (decrease) in notes and accounts payable - trade | 8,266 | 15,713 |
| Increase (decrease) in accrued expenses | 14,386 | 6,914 |
| Decrease (increase) in other current assets | (2,679) | (4,016) |
| Increase (decrease) in other current liabilities | (1,415) | (1,248) |
| Decrease (increase) in consumption taxes refund receivable | 1,192 | (20,607) |
| Other, net | 200 | 2,107 |
| Subtotal | 55,644 | 88,164 |
| Interest and dividend income received | 4,522 | 4,409 |
| Interest expenses paid | (4,142) | (4,078) |
| Income taxes paid | (16,804) | (24,906) |
| Net cash provided by (used in) operating activities | 39,220 | 63,589 |

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from investing activities | | |
| Decrease (increase) in time deposits | 266 | 421 |
| Purchase of short-term and long-term investment securities | (16,117) | (8,547) |
| Purchase of shares of subsidiaries | – | (926) |
| Proceeds from sales and redemption of short-term and long-term investment securities | 1,191 | 4,929 |
| Purchase of property, plant and equipment and intangible assets | (49,382) | (71,604) |
| Gain (loss) on sales or disposal of property, plant and equipment and intangible assets | 1,444 | 95 |
| Purchase of shares and investments of subsidiaries resulting in change in scope of consolidation | – | (4,595) |
| Purchase of trust beneficiary right | (5,140) | – |
| Decrease (increase) in short-term loans receivable | (2,497) | 1,236 |
| Payments of long-term loans receivable | (366) | (99) |
| Collection of long-term loans receivable | 436 | 84 |
| Decrease (increase) in other investments | (1,939) | (9,528) |
| (Decrease)increase in other fixed liabilities | 9,346 | 13,472 |
| Other, net | 476 | 451 |
| Net cash provided by (used in) investing activities | (62,282) | (74,611) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (1,968) | 8,013 |
| Net increase (decrease) in commercial papers | 8,000 | 3,000 |
| Proceeds from long-term loans payable | 53,181 | 63,851 |
| Repayments of long-term loans payable | (49,184) | (42,381) |
| Proceeds from issuance of bonds | 10,000 | 40,000 |
| Redemption of bonds | (200) | (20,000) |
| Proceeds from sales and leasebacks | – | 250 |
| Repayments of lease obligations | (3,994) | (3,625) |
| Decrease (increase) in treasury shares | (8) | (8) |
| Cash dividends paid | (7,288) | (13,845) |
| Proceeds from share issuance to minority shareholders | 4,252 | 131 |
| Cash dividends paid to minority shareholders | (1,396) | (1,943) |
| Net cash provided by (used in) financing activities | 11,395 | 33,443 |
| Effect of exchange rate change on cash and cash equivalents | 2,979 | 7,185 |
| Net increase (decrease) in cash and cash equivalents | (8,688) | 29,606 |
| Cash and cash equivalents at beginning of period | 72,070 | 62,604 |
| Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries | 855 | 317 |
| Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries | 91 | – |
| Decrease in cash and cash equivalents due to business divestitures of consolidated subsidiaries | (1,724) | – |
| Cash and cash equivalents at end of the period | *1 62,604 | *1 92,527 |

Notes to Consolidated financial statements

(Basis of consolidated financial statements)

1. Scope of consolidation

(1) Consolidated subsidiaries

The number of consolidated subsidiaries is 152 (the previous fiscal year: 148). The names of principal consolidated subsidiaries are omitted here because they are provided in “4. Overview of affiliated entities” under “I. Overview of company.” There was a change in consolidated subsidiaries in the current fiscal year. The reason for the change and the status are provided in “3. Description of business” under “I. Overview of company.”

(2) Non-consolidated subsidiaries

The names of principal non-consolidated subsidiaries are Livecon Engineering Co., Ltd., IHI NeoG Algae LLC., MEISEI MANAGEMENT SERVICE CO., LTD., and IHI ASIA PACIFIC (Thailand) CO., LTD. Since each non-consolidated subsidiary is small in size and the sum of total assets, total net sales, total share of net income, 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.

(3) Special purpose companies (“SPCs”) subject to disclosure

The outline of SPCs subject to disclosure and summary of transactions using such companies and the amounts of transaction with such companies are disclosed in the Note of “Special purpose companies subject to disclosure.”

2. Equity method

(1) Application of the equity method of accounting

The number of affiliates accounted for using the equity method is 33 (the previous fiscal year: 35). The names of these affiliates are as follows:

(Domestic affiliates)

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

(Foreign affiliates)

FELGUERA-IHI S.A., Long Xin Enterprise Pte. Ltd., PETROLEUM CONSULTING ENGINEERS (MUMBAI) Private Limited, TJEL E&C & RMS JV, 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, Estaleiro Atlântico Sul S.A., EAS International Inc., Rio Bravo Fresno, and five other companies

(Change in affiliates accounted for using the equity method)

Due to partial transfer of the ownership, Hangzhou XIZI-IUK Parking System Co., Ltd. and XIZI-IUK Installation System Co., Ltd. were excluded from affiliates accounted for using the equity method.

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

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

(Non-consolidated subsidiaries)

Livecon Engineering Co., Ltd., IHI NeoG Algae LLC., MEISEI MANAGEMENT SERVICE CO., LTD., and IHI ASIA PACIFIC (Thailand) CO., LTD.

(Affiliates)

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

These companies have a minor impact on net income or loss, retained earnings, etc., and the impact of them as a whole is not significant.

3. Accounting period of consolidated subsidiaries

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

(Foreign subsidiaries whose balance sheet date is December 31)

JURONG ENGINEERING LIMITED and its 19 subsidiaries, IHI Power System Germany GmbH, ISHI POWER SDN.BHD., PT Cilegon Fabricators, NIIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD., IHI E&C International Corporation and its two subsidiaries, IHI POWER SYSTEM MALAYSIA SDN. BHD., IHI Southwest Technologies, Inc. and its subsidiary, IHI INFRASTRUCTURE ASIA CO., LTD., IHI California Inc., IHI Hauzer Techno Coating B.V. and its four subsidiaries, IHI Press Technology America, Inc., New Metal Engineering, LLC, IUK (HK) LIMITED, Indigo TopCo Ltd. and its 24 subsidiaries, IHI Charging Systems International GmbH and its two subsidiaries, IHI-Sullair Compression Technology (Suzhou) Co., Ltd., Changchun FAWER-IHI Turbo Co., Ltd., IHI Turbo America Co., IHI TURBO (THAILAND) CO., LTD., ISM America Inc., Wuxi IHI Turbo Co., Ltd., SHANGHAI STAR MODERN AGRICULTURE EQUIPMENT CO., LTD., IHI-ICR, LLC., IHI Aero Engines US Co., Ltd., IHI do Brasil Representações Ltda., IHI ENGINEERING AUSTRALIA PTY. LTD., IHI Europe Ltd., IHI INC., IHI New Energy Inc., Algae Systems, LLC., IHI Power Generation Corporation and its 12 subsidiaries, JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA, IHI (Shanghai) Management Co., Ltd., IHI ASIA PACIFIC PTE. LTD., and other four companies.

As the balance sheet date for Steinmüller Engineering GmbH is September 30, financial statements for this subsidiary are provisionally closed at the consolidated balance sheet date.

4. Significant accounting policies

(1) Valuation bases and methods for significant assets

(i) Securities

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

(ii) Derivatives

Derivatives are stated at fair market value.

(iii) Inventories

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

(2) Depreciation of property, plant and equipment

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

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

(ii) Intangible assets (except for leased assets)

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

(iii) Leased assets

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

(3) Basis for significant reserves

(i) Allowance for doubtful accounts

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

- (ii) Provision for bonuses
For payment of employee bonuses, the provision for bonuses is provided for in the amount that is expected to be paid.
 - (iii) Provision for directors' bonuses
For payment of directors' bonuses, the provision for directors' bonuses is provided for in the amount that is expected to be paid.
 - (iv) Provision for construction warranties
To provide for guaranteed project expenses, the provision for construction warranties is recorded as an estimate of future expenditures based on historical experience.
 - (v) Provision for loss on construction contracts
Provision for loss on construction contracts is provided for in the amount of estimated losses for undelivered projects at the end of the fiscal year.
 - (vi) Provision for directors' retirement benefits
For payment of retirement benefits to directors and corporate auditors, the provision for directors' retirement benefits is provided for at consolidated subsidiaries in Japan in the amount determined by those companies' internal guidelines.
 - (vii) Provision for loss on subsidiaries and affiliates
Provision for loss on subsidiaries and affiliates is provided for in the amount of estimated loss to be borne by the Company 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 less plan assets based on estimated amounts at the end of the current fiscal year. Certain consolidated subsidiaries adopt the simplified method to determine net defined benefit liability.
- In the calculation of retirement benefit obligations, the method used to attribute projected benefit obligations in the period up to the current fiscal year is the benefit formula basis.
- Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time it recognized.
- Actuarial gains or losses are amortized from the year following the fiscal year in which it recognized using the straight-line method over a certain number of years within the average remaining service periods of employees.
- (5) Foreign exchange translations
- The assets and liabilities of overseas subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date while the income and expenses of the same are translated at the average exchange rates during the period. Translation differences are included in components of foreign exchange translation adjustments and minority 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 the Company. Foreign receivables and payables under forward foreign exchange contracts are stated at the applicable forward foreign exchange rates (the forward method) if certain conditions are met. For interest rate swaps, special treatment is applied if the swaps satisfy the requirements for special treatment.

(ii) Hedging instruments and hedged items

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

(iii) Hedging policy

Necessary hedging instruments are selected by risk category.

(iv) Method for assessing hedge effectiveness

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

(8) Amortization method and period of goodwill

Goodwill is amortized through the estimated effective period of the investment, with the exception that when the amount of goodwill is immaterial, it is charged to income as incurred.

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

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

(10) Consumption taxes

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

(Changes in accounting policies)

(Application of Accounting Standard for Retirement Benefits)

For the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), the Company has additionally applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits effective from the current fiscal year, and reviewed the determination of retirement benefit obligations and current service cost. Accordingly, the Company changed the method of attributing expected benefit to periods from the straight-line basis to mainly the benefit formula basis as well as amended the determination of discount rate from that based on a maturity period of bonds decided depending on a period of years approximate to the expected average remaining working lives of employees mainly to one that uses a single weighted average discount rate reflecting the estimated timing of retirement benefit payment and the estimated amount of each retirement benefit payments.

Application of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the revision to the calculation method for retirement benefit obligations and current service cost has been added to or deducted from retained earnings as of the beginning of the current fiscal year.

As a result of the change, as of the beginning of the current fiscal year, net defined benefit liability increased by ¥22,053 million, and retained earnings and minority interests decreased by ¥14,625 million and by ¥54 million, respectively. In addition, the impacts of this change on operating income, ordinary income and income before income taxes and minority interests for the current fiscal year were immaterial.

Net assets per share decreased by ¥9.51 in the current fiscal year. The impact of net income per share and net income per share fully diluted in the current fiscal year were immaterial.

(Standards issued but not effective)

(Business combination)

“Accounting Standard for Business Combinations” (ASBJ Statement No. 21; September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22; September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7; September 13, 2013), “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2; September 13, 2013), “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10; September 13, 2013), and “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4; September 13, 2013)

(1) Overview

Under these accounting standards and guidance, the accounting treatment for changes in ownership interest in subsidiaries in case the parent company's control is continuing after an additional acquisition of a subsidiary's stocks and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation of net income was amended, the change from "minority interests" to "non-controlling interests", and accounting treatment for adjustments to provisional amounts during measurement period was also revised.

(2) Scheduled date of application

The applications of these accounting standards are scheduled from the beginning of the fiscal year ending March 31, 2016. The revised provisional accounting treatment will be applied from business combinations that are implemented after the beginning of the fiscal year ending March 31, 2016.

(3) Impact of applying these accounting standards

The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

(Changes in presentation)

(Consolidated Balance Sheet)

“Provision for loss on subsidiaries and affiliates,” which was included in “Other provision” under “Non-current liabilities” in the previous fiscal year, has been separately presented in the current fiscal year due to its increased materiality of the amount. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result of the change, ¥ 3,112 million presented as “Other provision” under “Non-current liabilities” in the consolidated balance sheet of the previous fiscal year has been reclassified into ¥1,771 million of “Provision for loss on subsidiaries and affiliates” and ¥1,341 million of “Other provision.”

(Consolidated balance sheet)

*1. Assets pledged as collateral

The following assets were pledged as collateral.

| | (Millions of yen) | |
|---------------------------------------|-------------------|----------------|
| | March 31, 2014 | March 31, 2015 |
| Cash and deposits | 141 | 154 |
| Notes and accounts receivable - trade | 106 | 122 |
| Raw materials and supplies | 5 | 5 |
| Buildings and structures | 1,485 | 1,917 |
| Machinery, equipment and vehicles | 195 | 142 |
| Land | 6,513 | 6,380 |
| Other property, plant and equipment | 20 | 14 |
| Investment securities (Note) | 646 | 646 |
| Total | 9,111 | 9,380 |

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

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

| | (Millions of yen) | |
|-------------------------------------|-------------------|----------------|
| | March 31, 2014 | March 31, 2015 |
| Buildings and structures | 244 | 228 |
| Machinery, equipment and vehicles | 70 | 55 |
| Land | 2,613 | 2,613 |
| Other property, plant and equipment | 20 | 14 |
| Total | 2,947 | 2,910 |

The obligations collateralized by the above assets are as follows.

| | (Millions of yen) | |
|--------------------------|-------------------|----------------|
| | March 31, 2014 | March 31, 2015 |
| Short-term loans payable | 5,554 | 4,952 |
| Long-term loans payable | 1,267 | 590 |
| Total | 6,821 | 5,542 |

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

| | (Millions of yen) | |
|--------------------------|-------------------|----------------|
| | March 31, 2014 | March 31, 2015 |
| 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, 2014 | March 31, 2015 |
| Investment securities (Common stocks) | 86,648 | 80,523 |
| Other investments and other assets (Investments in capital) | 2,455 | 1,646 |

*3. Contingent liabilities

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

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

| (Millions of yen) | | | |
|---|--------|---|--------|
| March 31, 2014 | | March 31, 2015 | |
| Estaleiro Atlântico Sul S.A. | 12,569 | Estaleiro Atlântico Sul S.A. (Note: 2) | 19,413 |
| UNIGEN Inc. | 6,300 | Japanese Aero Engines Corporation (“JAEC”) | 7,729 |
| Japanese Aero Engines Corporation (“JAEC”) | 6,180 | UNIGEN Inc. | 6,300 |
| JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA | 3,428 | ALPHA Automotive Technologies LLC | 1,001 |
| ALPHA Automotive Technologies LLC | 1,835 | IHI group health insurance society | 787 |
| IHI Logistics System Technology Shanghai Co., Ltd. | 908 | Japan Aeroforge, Ltd. | 590 |
| IHI group health insurance society | 885 | Rio Bravo Fresno (Note: 3) | 421 |
| Japan Aeroforge, Ltd. | 590 | Rio Bravo Rocklin (Note: 3) | 409 |
| Rio Bravo Fresno (Note: 3) | 361 | IHI Logistics System Technology Shanghai Co., Ltd. | 193 |
| Rio Bravo Rocklin (Note: 3) | 350 | Contingent liabilities for lease contracts with customers of construction machineries | 82 |
| IHI Southwest Technologies, Inc. | 215 | Contingent liabilities for employee housing loans | 76 |
| Contingent liabilities for lease contracts with customers of construction machineries | 101 | Chubu Segment Co., Ltd. | 25 |
| Contingent liabilities for employee housing loans | 82 | | |
| Chubu Segment Co., Ltd. | 50 | | |
| Total | 33,854 | Total | 37,026 |

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

| (Millions of yen) | | | |
|---|-------|---|-------|
| March 31, 2014 | | March 31, 2015 | |
| Contingent liabilities for employee housing loans | 8,998 | Contingent liabilities for employee housing loans | 8,109 |
| IHI group health insurance society | 932 | IHI group health insurance society | 837 |
| Total | 9,930 | Total | 8,946 |

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

- (1) In the case of joint guarantees and guarantees in kind for debts with protection requirements against creditors, where the Companies' liabilities are specifically stated and clarified regardless of the debt capacity of other guarantors in the contract.
 - (2) In the case of joint and several guarantees in which there are two or more guarantors, where the percentage or amount of the Companies' liabilities is specifically stated and clarified such as in agreement among the guarantors and other joint and several guarantors are considered to have sufficient debt capacity.
2. The financial position of Estaleiro Atlântico Sul S.A. (hereinafter referred to as “EAS”) has been deteriorated due to the worsening of the business environment resulting from the economic turmoil of Brazil and other factors, and a recovery in the position cannot be expected. In light of this situation, as of the end of the current fiscal year, provision for loss on subsidiaries and affiliates has been recorded based on guarantee obligations for EAS.
3. The contracts are revolving guarantees in which guarantees are provided within certain limits set to guarantee debts on continuous transactions, and the amount represents guarantee facilities.

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

| | (Millions of yen) | |
|--|-------------------|----------------|
| | March 31, 2014 | March 31, 2015 |
| Notes receivable - trade discounted in the ordinary course of business | 540 | 200 |
| Notes receivable - trade endorsed in the ordinary course of business | 16 | 1 |

*5. Reduction of book value for subsidies

Amounts of subsidies received principally from government and directly deducted from property, plant and equipment are as follows:

| | (Millions of yen) | |
|-------------------------------------|-------------------|----------------|
| | March 31, 2014 | March 31, 2015 |
| Buildings and structures | - | 26 |
| Machinery, equipment and vehicles | - | 861 |
| Other property, plant and equipment | - | 10 |
| Total | - | 897 |

*6. Revaluation reserve for land

In accordance with the "Act on Revaluation of Land" promulgated on March 31, 1998, 2 consolidated subsidiaries have revalued their land used for business. These companies recorded the effect of the revaluation, after deducting deferred tax liabilities on land which were recorded as long-term liabilities, and minority interests which were included in minority 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, 2014 | March 31, 2015 |
| 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 | (5,437) | (5,214) |

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

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

| | (Millions of yen) | |
|-----------------|-------------------|----------------|
| | March 31, 2014 | March 31, 2015 |
| Finished goods | 363 | 93 |
| Work in process | 3,858 | 3,879 |
| Total | 4,221 | 3,972 |

*8. Accumulated depreciation of property, plant and equipment

| | (Millions of yen) | |
|--|-------------------|----------------|
| | March 31, 2014 | March 31, 2015 |
| | 502,680 | 535,112 |

(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, 2014 | Fiscal year ended March 31, 2015 |
|----------------------------------|----------------------------------|
| 33,528 | 37,022 |

*2. Losses on valuation of inventories

The amount of inventories as of March 31, 2014 and 2015 are the value after a write-down based on decreased profitability of assets. Since net reversal of losses of inventories in the year ended March 31, 2014 and net losses on valuation of inventories in the year ended March 31, 2015 were offset included in cost of sales for the years ended March 31, 2014 and 2015.

(Millions of yen)

| Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|----------------------------------|----------------------------------|
| 90 | (494) |

*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, 2014 | Fiscal year ended March 31, 2015 |
|----------------------------------|----------------------------------|
| 18,389 | 28,553 |

*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, 2014 | Fiscal year ended March 31, 2015 |
|---|-------------------------------------|-------------------------------------|
| Expenses in taking orders received | 13,277 | 13,623 |
| Provision of allowance for doubtful accounts | 309 | 189 |
| Salaries for directors and employees (Note) | 64,670 | 68,545 |
| Travelling and transportation expense | 6,225 | 7,182 |
| Research and development expenses | 29,510 | 32,674 |
| Business consignment expenses | 7,148 | 7,791 |
| Contribution for expenses common to all business segments | 4,203 | 4,071 |
| Depreciation | 6,354 | 7,886 |

Note: Salaries for directors and employees, included in provision for bonuses are ¥8,335 million and ¥8,868 million and retirement benefit expense, are ¥5,022 million and ¥5,922 million for the years ended March 31, 2014 and 2015, respectively.

*5. Gain on business divestitures

The previous fiscal year ended March 31, 2014

This gain resulted from the absorption-type company split in which the business related to the rolling mills of IHI Metaltech Co., Ltd., the Company's consolidated subsidiary, was succeeded to by Mitsubishi-Hitachi Metals Machinery, Inc. The amount represents the difference between the book value of the common shares of Mitsubishi-Hitachi Metals Machinery, Inc. in consideration for the Company split and the book value of the transferred assets and assumed liabilities pertaining to the business at IHI Metaltech Co., Ltd.

*6. Loss on business of subsidiaries and affiliates

The current fiscal year ended March 31, 2015

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

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

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

*7. Impairment loss

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

The previous fiscal year ended March 31, 2014

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

(Millions of yen)

| Use | Location | Type of assets | Amount | Value of assets |
|-----------------|-------------------------------------|------------------------|--------|-----------------|
| Business assets | Matsumoto City, Nagano, Japan, etc. | Building etc. | 183 | Value in use |
| Idle assets | Kamiina-gun, Nagano, Japan | Land | 42 | Net sales value |
| Idle assets | Kure City, Hiroshima, Japan | Land and Building etc. | 20 | 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 why impairment loss was recognized

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

(4) Method for measuring recoverable amounts

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

(5) Impairment loss

The amounts of impairment loss for the years ended March 31, 2014 are as follows:

(Millions of yen)

| | |
|----------------|-----|
| Land | 57 |
| Buildings etc. | 188 |
| Total | 245 |

The current fiscal year ended March 31, 2015

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

(Millions of yen)

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

(2) Method for grouping assets

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

(3) Reasons why impairment loss was recognized

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

(4) Method for measuring recoverable amounts

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

(5) Impairment loss

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

(Millions of yen)

| | |
|----------------|-----|
| Land | 143 |
| Buildings etc. | 32 |
| Total | 175 |

(Consolidated statement of comprehensive income)

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

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| Valuation difference on available-for-sale securities : | | |
| Amount arising during the year | 2,680 | 10,518 |
| Reclassification adjustments | (9) | (22) |
| Before tax effects | 2,671 | 10,496 |
| Tax effects relating to other comprehensive income | (122) | (2,200) |
| Valuation difference on available-for-sale securities | 2,549 | 8,296 |
| Deferred gains or losses on hedges: | | |
| Amount arising during the year | 892 | (577) |
| Tax effects relating to other comprehensive income | (342) | 194 |
| Deferred gains or losses on hedges | 550 | (383) |
| Revaluation reserve for land: | | |
| Amount arising during the year | – | (185) |
| Tax effects relating to other comprehensive income | – | 818 |
| Revaluation reserve for land | – | 633 |
| Foreign currency translation adjustment: | | |
| Amount arising during the year | 10,080 | 9,810 |
| Remeasurements of defined benefit plans, net of tax: | | |
| Amount arising during the year | – | 4,948 |
| Reclassification adjustments | – | (2,640) |
| Before tax effects | – | 2,308 |
| Tax effects relating to other comprehensive income | – | (1,018) |
| Remeasurements of defined benefit plans, net of tax | – | 1,290 |
| Share of other comprehensive income of entities accounted for using equity method: | | |
| Amount arising during the year | 895 | 840 |
| Reclassification adjustments | – | (404) |
| Share of other comprehensive income of entities accounted for using equity method | 895 | 436 |
| Total other comprehensive income | 14,074 | 20,082 |

(Consolidated statement of changes in net assets)

The previous fiscal year ended March 31, 2014

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

(Thousands of shares)

| | At the beginning of current fiscal year | Increase | Decrease | At the end of current fiscal year |
|---------------------------|---|----------|----------|-----------------------------------|
| Shares issued | | | | |
| Common stock (Note 1) | 1,467,058 | 79,741 | – | 1,546,799 |
| Total | 1,467,058 | 79,741 | – | 1,546,799 |
| Treasury stock | | | | |
| Common stock (Notes 2, 3) | 3,749 | 21 | 401 | 3,369 |
| Total | 3,749 | 21 | 401 | 3,369 |

- Notes: 1. The increase of 79,741 thousand shares in the total number of common stock in shares issued is due to the conversion of convertible bonds.
2. The increase of 21 thousand shares in the number of common stock in treasury stock is due to purchase of shares less than one unit.
3. The decrease of 401 thousand shares in the number of common stock in treasury stock is broken down to a decrease of one thousand shares due to request from shareholders who own shares less than one unit to add shares to their holdings, a decrease of 365 thousand shares resulting from the exercise of subscription rights to shares, and a decrease of 35 thousand shares because of the conversion of convertible bonds.

2. Share subscription rights

| Company | Description | Type of shares to be issued | Number of shares to be issued | | | | Balance at the end of current fiscal year (Millions of yen) |
|----------------|-------------------------------------|-----------------------------|---|----------|----------|-----------------------------------|---|
| | | | At the beginning of current fiscal year | Increase | Decrease | At the end of current fiscal year | |
| Parent company | Subscription rights at stock option | – | – | – | – | – | 621 |
| | Total | – | – | – | – | – | 621 |

3. Dividends

(1) Dividends paid

| Resolution | Type of shares | Total dividends (Millions of yen) | Dividends per share (yen) | Cut off date | Effective date |
|---|----------------|-----------------------------------|---------------------------|----------------|----------------|
| Annual general meeting of the shareholders on June 27, 2013 | Common stock | 7,317 | 5 | March 31, 2013 | June 28, 2013 |

(2) Dividends which the cutoff date was in the year end of March 31, 2014 and the effective date of which is in the year ended March 31, 2015

| Resolution | Type of shares | Total dividends (Millions of yen) | Source of dividends | Dividends per share (yen) | Cut off date | Effective date |
|---|----------------|-----------------------------------|---------------------|---------------------------|----------------|----------------|
| Annual general meeting of the shareholders on June 27, 2014 | Common stock | 9,261 | Retained earnings | 6 | March 31, 2014 | June 30, 2014 |

The current fiscal year ended March 31, 2015

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

(Thousands of shares)

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

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

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

2. Share subscription rights

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

3. Dividends

(1) Dividends paid

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

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

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

(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, 2014 | Fiscal year ended March 31, 2015 |
|---|-------------------------------------|-------------------------------------|
| Cash and deposits | 63,236 | 94,549 |
| Time deposits due in more than three months | (496) | (1,873) |
| Collateral deposits | (141) | (154) |
| Investment trusts included in marketable securities | 5 | 5 |
| Cash and cash equivalents | 62,604 | 92,527 |

2. Details of significant non-cash transactions

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|---|-------------------------------------|-------------------------------------|
| Increase in common stock by exercise of subscription rights to shares (Note) | 11,403 | – |
| Increase in capital surplus by exercise of subscription right to shares (Note) | 11,390 | – |
| Decrease in treasury stock by exercise of subscription right to shares (Note) | 7 | – |
| Decrease in debentures with subscription rights to shares by exercise of subscription rights to shares (Note) | 22,800 | – |

Note: This is due to exercise of subscription rights to shares attaching to euro-yen convertible bonds due in 2016 with subscription rights to shares.

(Leases)

1. Finance leases (Lessee)

Finance leases which transfer ownership

(i) Leased Assets

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

(ii) Depreciation method for leased assets

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

Finance leases which do not transfer ownership

(i) Leased Assets

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

(ii) Depreciation method for leased assets

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

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

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

(Millions of yen)

| | March 31, 2014 | | | |
|---|-------------------|--------------------------|-----------------------------|----------------|
| | Acquisition costs | Accumulated depreciation | Accumulated impairment loss | Net book value |
| Buildings and structures | 1,979 | 817 | – | 1,162 |
| Machinery, equipment and vehicles | 4,901 | 4,051 | – | 850 |
| Other (Tools, furniture, fixture and other) | 246 | 208 | – | 38 |
| Software | – | – | – | – |
| Total | 7,126 | 5,076 | – | 2,050 |

(Millions of yen)

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

(2) Future minimum lease payments

(Millions of yen)

| | March 31, 2014 | March 31, 2015 |
|--|----------------|----------------|
| Minimum lease payment | | |
| Within 1 year | 1,027 | 266 |
| Over 1 year | 2,012 | 1,746 |
| Total | 3,039 | 2,012 |
| 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, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| Lease payments | 1,276 | 751 |
| Reversal of allowance for impairment losses on leased property | – | – |
| Estimated depreciation cost | 525 | 226 |
| Estimated interest expense | 341 | 282 |
| Losses on impairment | – | – |

(4) Calculation method of estimated depreciation cost

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

(5) Calculation method of estimated interest expense

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

2. Operating leases (Lessee)

Future minimum lease payments for non-cancelable operating leases

(Millions of yen)

| | March 31, 2014 | March 31, 2015 |
|---------------|----------------|----------------|
| Within 1 year | 4,063 | 3,835 |
| Over 1 year | 11,052 | 9,654 |
| Total | 15,115 | 13,489 |

3. Finance leases (Lessor)

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

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

(Millions of yen)

| | March 31, 2014 | | |
|---|-------------------|--------------------------|----------------|
| | Acquisition costs | Accumulated depreciation | Net book value |
| Buildings and structures | 2,065 | 1,068 | 997 |
| Machinery, equipment and vehicles | 1,048 | 832 | 216 |
| Other (Tools, furniture, fixture and other) | 6 | 6 | 0 |
| Total | 3,119 | 1,906 | 1,213 |

(Millions of yen)

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

(2) Future minimum lease payments

(Millions of yen)

| | March 31, 2014 | March 31, 2015 |
|---------------|----------------|----------------|
| Within 1 year | 204 | 226 |
| Over 1 year | 1,591 | 1,365 |
| Total | 1,795 | 1,591 |

(3) Lease income, depreciation and estimated interest income

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|---------------------------|-------------------------------------|-------------------------------------|
| Lease income | 378 | 375 |
| Depreciation | 122 | 110 |
| Estimated interest income | 190 | 171 |

(4) Calculation method of estimated interest expense

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

(Impairment loss)

No impairment loss was allocated to leased assets.

4. Operating leases (Lessor)

Future minimum lease income for non-cancelable operating leases

(Millions of yen)

| | March 31, 2014 | March 31, 2015 |
|---------------|----------------|----------------|
| Within 1 year | 542 | 540 |
| Over 1 year | 3,000 | 2,460 |
| Total | 3,542 | 3,000 |

5. Sublease transactions

The disclosure is omitted because of its insignificance

(Financial Instruments)

1. Status of financial instruments

(1) Policy on financial instruments

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

(2) Details of financial instruments and risks thereof

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

Notes and accounts payable - trade, which are operating payables, are mostly settled within one year. Some of them are related to goods procured from overseas and denominated in foreign currencies, therefore they are exposed to the fluctuation risks of foreign exchanges. However, the amount is constantly, in general, less than the balance of notes and accounts receivable - trade denominated in the same foreign currency. Loans, commercial papers and debentures are made for the purpose of obtaining operating capital and funds for capital expenditures, and the redemption dates arrive within 18 years after the balance sheet date. Although some of loans are exposed to the fluctuation risks of interest rate and foreign exchanges, they are hedged by derivatives using interest rate swaps and foreign currency swaps.

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

(3) Risk management structure regarding financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

(4) Supplementary explanation to fair value of financial instruments

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

2. Fair value of financial instruments

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

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

The previous fiscal year as of March 31,2014

(Millions of yen)

| | Amount recorded in the balance sheet | Fair value | Difference |
|---|---|------------|------------|
| (1) Cash and deposits | 63,236 | 63,236 | – |
| (2) Notes and accounts receivable - trade | 395,037 | | |
| Less allowance for doubtful receivables (*1) | (4,060) | | |
| | 390,977 | 390,648 | (329) |
| (3) Marketable securities and investment securities | 41,551 | 41,556 | 5 |
| Held-to-maturity securities | 1,878 | 1,883 | 5 |
| Other securities | 39,673 | 39,673 | – |
| Total assets | 495,764 | 495,440 | (324) |
| (4) Notes and accounts payable - trade | 280,900 | 280,900 | – |
| (5) Short-term loans payable | 110,340 | 110,340 | – |
| (6) Commercial papers | 14,000 | 14,000 | – |
| (7) Debentures | 50,000 | 50,606 | 606 |
| (8) Long-term loans payable | 165,143 | 165,082 | (61) |
| Total liabilities | 620,383 | 620,928 | 545 |
| (9) Derivatives (*2) | | | |
| (i) Derivatives to which hedge accounting is not applied | 697 | 697 | – |
| (ii) Derivatives to which hedge accounting is applied | (114) | (114) | – |
| Total derivatives | 583 | 583 | – |

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

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

The current fiscal year as of March 31, 2015

(Millions of yen)

| | Amount recorded in the balance sheet | Fair value | Difference |
|---|---|------------|------------|
| (1) Cash and deposits | 94,549 | 94,549 | – |
| (2) Notes and accounts receivable - trade | 438,260 | | |
| Less allowance for doubtful receivables (*1) | (4,181) | | |
| | 434,079 | 433,495 | (584) |
| (3) Marketable securities and investment securities | 50,732 | 50,741 | 9 |
| Held-to-maturity securities | 1,708 | 1,717 | 9 |
| Other securities | 49,024 | 49,024 | – |
| Total assets | 579,360 | 578,785 | (575) |
| (4) Notes and accounts payable - trade | 300,148 | 300,148 | – |
| (5) Short-term loans payable | 114,135 | 114,135 | – |
| (6) Commercial papers | 17,000 | 17,000 | – |
| (7) Debentures | 70,000 | 69,409 | (591) |
| (8) Long-term loans payable | 192,320 | 193,317 | 997 |
| Total liabilities | 693,609 | 694,009 | 406 |
| (9) Derivatives (*2) | | | |
| (i) Derivatives to which hedge accounting is not applied | (1,368) | (1,368) | – |
| (ii) Derivatives to which hedge accounting is applied | (685) | (685) | – |
| Total derivatives | (2,053) | (2,053) | – |

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

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

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

(1) Cash and deposits

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

(2) Notes and accounts receivable - trade

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

(3) Marketable securities and investment securities

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

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

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

(7) Debentures

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

(8) Long term loans

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

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

(9) Derivatives

Refer to the Note "Derivatives."

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

(Millions of yen)

| | March 31, 2014 | March 31, 2015 |
|---------------------------------------|----------------|----------------|
| Unlisted stocks | 35,494 | 36,088 |
| Stocks of subsidiaries and affiliates | 86,648 | 80,523 |
| Total | 122,142 | 116,611 |

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

3. Redemption schedules after consolidated balance sheet dates for monetary receivables and held-to-maturity securities
The previous fiscal year as of March 31, 2014

(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 | 63,236 | – | – | – |
| Notes and accounts receivable – trade | 383,409 | 11,606 | 22 | – |
| Marketable securities and investment securities | | | | |
| Held-to-maturity securities | | | | |
| (1) National and local government bonds | 1,500 | 200 | – | – |
| (2) Company debentures | 20 | 50 | – | 108 |
| Total | 448,165 | 11,856 | 22 | 108 |

The current fiscal year as of March 31, 2015

(Millions of yen)

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

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

The previous fiscal year as of March 31, 2014

(Millions of yen)

| | Due within 1 year | Due after 1 year and through 2 years | Due after 2 years and through 3 years | Due after 3 years and through 4 years | Due after 4 years and through 5 years | Due after 5 years |
|-----------------|-------------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-------------------|
| Debentures | 20,000 | – | 10,000 | 10,000 | – | 10,000 |
| Long-term loans | – | 23,867 | 49,157 | 41,593 | 31,331 | 19,195 |

The current fiscal year as of March 31, 2015

(Millions of yen)

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

(Securities)

1. A summary of trading securities

No trading securities were held at March 31, 2014 and 2015.

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

The previous fiscal year as of March 31, 2014

(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 | 200 | 200 | 0 |
| | (2) Company debentures | 108 | 113 | 5 |
| | Subtotal | 308 | 313 | 5 |
| Held-to-maturity securities whose fair value does not exceed their amounts recorded in the balance sheet | (1) National and local government bonds | 1,500 | 1,500 | – |
| | (2) Company debentures | 70 | 70 | – |
| | Subtotal | 1,570 | 1,570 | – |
| Total | | 1,878 | 1,883 | 5 |

The current fiscal year as of March 31, 2015

(Millions of yen)

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

3. A summary of other securities with stated market prices

The previous fiscal year as of March 31, 2014

(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 | 29,938 | 14,782 | 15,156 |
| Other securities whose amounts recorded in the balance sheet do not exceed their acquisition cost | Equity securities | 9,735 | 11,441 | (1,706) |
| Total | | 39,673 | 26,223 | 13,450 |

Note: Unlisted stocks (amount reported on balance sheet: ¥35,494 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, 2015

(Millions of yen)

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

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

4. A summaries of held-to-maturity securities which were sold
 No proceeds from the sale of held-to-maturity securities were recognized in the years ended March 31, 2014 and 2015.

5. A summary of other securities which were sold
 The previous fiscal year ended March 31, 2014

(Millions of yen)

| | Selling prices | Amount of gain on sales | Amount of loss on sales |
|-------------------|----------------|-------------------------|-------------------------|
| Equity securities | 29 | 10 | (1) |

The current fiscal year ended March 31, 2015

(Millions of yen)

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

6. Impairment losse of other securities
 The previous fiscal year ended March 31, 2014
 The disclosure is omitted since it is not material at March 31, 2014.

If market value at the end of the fiscal year has dropped by 50% or more compared to its acquisition value, all of the impairment loss is recognized and if it has dropped around 30 to 50% compared to its acquisition value, impairment loss is recognized in the amount deemed necessary taking into account recoverability of those securities.

The current fiscal year ended March 31, 2015
 The disclosure is omitted since it is not material at March 31, 2015.

If market value at the end of the fiscal year has dropped by 50% or more compared to its acquisition value, all of the impairment loss is recognized and if it has dropped around 30 to 50% compared to its acquisition value, impairment loss is recognized in the amount deemed necessary taking into account recoverability of those securities.

(Derivatives)

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency

The previous fiscal year as of March 31, 2014

(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: | 2,093 | – | (7) | (7) |
| | U.S. dollar | 140 | – | 1 | 1 |
| | Thai baht | | | | |
| | Buy: | | | | |
| | U.S. dollar | 2,627 | – | 458 | 458 |
| | Euro | 4,575 | 2,842 | 237 | 237 |
| | Singapore dollar | 418 | – | (2) | (2) |
| | Japanese yen | 1,881 | – | (57) | (57) |
| | Foreign currency options | | | | |
| | Sell: | | | | |
| | Call U.S. dollar | 1,874 | – | | |
| | | (–) | (–) | (4) | (4) |
| | Euro | 48 | – | | |
| | | (–) | (–) | (4) | (4) |
| Buy: | | | | | |
| Put Euro | 45 | – | | | |
| | (–) | (–) | (3) | (3) | |
| Total | | – | – | 619 | 619 |

Notes: 1. Method of measuring fair value

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

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

2. The option premiums are stated for in parentheses in the rows of "Notional amount" and "Over 1 year," but the foreign currency option is a so-called zero-cost option and no premium is received or paid.

The current fiscal year as of March 31, 2015

(Millions of yen)

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

Note: Method of measuring fair value

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

(2) Interest rate

The previous fiscal year as of March 31, 2014

(Millions of yen)

| Type | Transaction type | Notional amount | Over 1 year | Fair value | Valuation gain (loss) |
|---|---|-----------------|-------------|------------|-----------------------|
| Transactions other than market transactions | Interest rate swaps Payments fixed receipts floating | 274 | 174 | (3) | (3) |
| Total | | – | – | (3) | (3) |

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

The current fiscal year as of March 31, 2015

(Millions of yen)

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

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

(3) Commodity

The previous fiscal year as of March 31, 2014

(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 | 960 | – | 81 | 81 |
| Total | | – | – | 81 | 81 |

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

The current fiscal year as of March 31, 2015

Not applicable

2. Derivatives to which hedge accounting is applied

(1) Foreign currency

The previous fiscal year as of March 31, 2014

(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 | | 27,734 | 1,301 | (384) |
| | Euro | | 77 | – | (1) |
| | Buy: | Accounts payable – trade | | | |
| | U.S. dollar | | 2,726 | 105 | 170 |
| | Euro | | 2,586 | – | 99 |
| | Singapore dollar | | 450 | – | 7 |
| | Swiss franc | | 54 | – | 0 |
| | Thai Baht | | 162 | – | 1 |
| Allocation treatment | Foreign currency swaps contracts | | | | |
| | U.S. dollar- Japanese yen | Long-term Loans | 10,337 | 9,287 | (Note 2) |
| | U.S. dollar- Euro | Long-term Loans | 4,939 | 4,939 | (Note 2) |
| | Forward foreign exchange contracts | | | | |
| | Sell: | Accounts receivable – trade | | | |
| | U.S. dollar | | 7,202 | 1,261 | (Note 2) |
| | Euro | | 1,687 | – | (Note 2) |
| | Hong Kong dollar | | 1,645 | 543 | (Note 2) |
| | Buy: | Accounts payable – trade | | | |
| | U.S. dollar | | 627 | – | (Note 2) |
| Euro | | 55 | – | (Note 2) | |
| | Thai Baht | | 86 | – | (Note 2) |
| Total | | | – | – | (108) |

Notes: 1. Method of measuring fair value

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

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

The current fiscal year as of March 31, 2015

(Millions of yen)

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

Notes: 1. Method of measuring fair value

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

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

(2) Interest rate

The previous fiscal year as of March 31, 2014

(Millions of yen)

| Hedge accounting | Hedging instrument | Hedged item | Notional amount | Over 1 year | Fair value |
|--|---|-----------------|-----------------|-------------|------------|
| Deferral hedge accounting of interest rate swaps | Interest rate swaps Payments fixed receipts floating | Long-term loans | 3,000 | 3,000 | (6) |
| Exceptional treatment of interest rate swaps | Interest rate swaps Payments fixed receipts floating | Long-term loans | 79,806 | 68,984 | (Note 2) |
| Total | | | - | - | (6) |

Notes: 1. Method of measuring fair value

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

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

The current fiscal year as of March 31, 2015

(Millions of yen)

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

Notes: 1. Method of measuring fair value

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

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

(Retirement benefits)

1. Outline of Retirement benefits plan

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

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

2. Defined-benefit pension plan

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

| | (Millions of yen) | |
|--|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
| Retirement benefit obligation at the beginning of the year | 130,350 | 133,014 |
| Cumulative effects of changes in accounting policies | – | 22,053 |
| Restated balance | 130,350 | 155,067 |
| Service cost | 7,889 | 8,932 |
| Interest cost | 2,390 | 1,635 |
| Actuarial gains or losses incurred | 347 | 1,087 |
| Payments of retirement benefits | (7,158) | (5,712) |
| Past service cost incurred | (5,099) | – |
| Foreign exchange translation adjustments | 622 | 206 |
| Increase resulting from inclusion of subsidiaries in consolidation | 2,032 | 27 |
| Increase due to change in measurement of retirement benefit obligation from the simplified method to the standard method | 1,367 | 524 |
| Other | 274 | (337) |
| Retirement benefit obligation at the end of the year | 133,014 | 161,429 |

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

| | (Millions of yen) | |
|--|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
| Plan assets at the beginning of the year | 475 | 3,121 |
| Expected return on assets | – | – |
| Interest income on plan assets at overseas consolidated subsidiaries | 39 | 58 |
| Actual return on plan assets under the simplified method | 13 | 21 |
| Actuarial gains or losses incurred | 46 | 15 |
| Contributions by the Company | 225 | 188 |
| Payments of retirement benefits | (197) | (156) |
| Foreign exchange translation adjustments | 499 | 85 |
| Increase resulting from inclusion of subsidiaries in consolidation | 2,016 | – |
| Other | 5 | 114 |
| Plan assets at the end of the year | 3,121 | 3,446 |

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

| | (Millions of yen) | |
|--|-------------------|----------------|
| | March 31, 2014 | March 31, 2015 |
| Retirement benefit obligation for funded plans | 5,188 | 6,060 |
| Plan assets | (3,121) | (3,446) |
| | 2,067 | 2,614 |
| Retirement benefit obligation for unfunded plans | 127,826 | 155,369 |
| Net amount of liabilities and assets recorded in the consolidated balance sheets | 129,893 | 157,983 |
| Net defined benefit liability | 129,893 | 157,986 |
| Net defined benefit assets | – | 3 |
| Net amount of liabilities and assets recorded in the consolidated balance sheets | 129,893 | 157,983 |

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

| | (Millions of yen) | |
|---|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
| Service cost | 7,876 | 8,911 |
| Interest cost | 2,345 | 1,576 |
| Actual return on plan assets under the simplified method | 6 | 1 |
| Expected return on plan assets | – | – |
| Amortization of actuarial gains and losses | 3,306 | 2,515 |
| Amortization of past service cost | (218) | (164) |
| Amortization of cost incurred due to the change from simplified method to the standard method | 1,367 | 524 |
| Net gain or loss on transfer of retirement benefit plans | 213 | – |
| Other | 138 | 146 |
| Total | 15,033 | 13,509 |

- Notes: 1. In computing the projected benefit obligation, small companies are permitted to adopt certain simplified method and certain consolidated subsidiaries have done so. The periodic pension cost for the consolidated subsidiaries to adopt such simplified method have been included in “Service cost.”
2. “Net gain or loss on transfer of retirement benefit plans” in the above table represents a net gain or loss recognized at certain consolidated subsidiaries that have transferred their retirement benefit plans.

- (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, 2014 | Fiscal year ended March 31, 2015 |
| Past service cost | – | (140) |
| Actuarial gains and losses | – | 2,526 |
| Total | – | 2,386 |

- (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, 2014 | March 31, 2015 |
| Unrecognized past service cost | 3,817 | 3,677 |
| Unrecognized actuarial gains and losses | (10,352) | (7,826) |
| Total | (6,535) | (4,149) |

(7) Plan assets

(i) Major components of plan assets

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

| | March 31, 2014 | March 31, 2015 |
|-------------------|----------------|----------------|
| Bond | 45% | 48% |
| Stock | 10 | 6 |
| Cash and deposits | 9 | 8 |
| General account | 10 | 11 |
| Real estate | 26 | 23 |
| Other | 0 | 4 |
| Total | 100% | 100% |

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

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

(8) Bases for actuarial calculations

Major bases for actuarial calculation

| | March 31, 2014 | March 31, 2015 |
|-----------------------------------|----------------|----------------|
| Discount rate | Mainly 2.0% | Mainly 1.0% |
| Long-term expected rate of return | – | – |

3. Defined contribution plan

The required contribution amount to the defined contribution plan of the Company's consolidated subsidiaries during the year ended March 31, 2014 and 2015 were ¥590 million and ¥873 million, respectively.

(Stock Options)

1. Expenses for stock options and account titles

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| Selling, general and administrative expenses | 132 | 143 |

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 the Company: 13 Executive officers of the Company: 13 | Directors of the Company: 13 Executive officers of the Company: 11 | Directors of the Company: 13 Executive officers of the Company: 14 | Directors of the Company: 13 Executive officers of the Company: 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 the Company: 13 Executive officers of the Company: 14 | Directors of the Company: 13 Executive officers of the Company: 15 | Directors of the Company: 13 Executive officers of the Company: 14 | Directors of the Company: 13 Executive officers of the Company: 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 21, 2044 |

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, 2015. 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, 2014 | 70,000 | 237,000 | 406,000 | 558,000 | 493,000 |
| Granted | – | – | – | – | – |
| Forfeited | – | – | – | – | – |
| Vested | – | – | 76,000 | 92,000 | 68,000 |
| Outstanding of non-vested at March 31, 2015 | 70,000 | 237,000 | 330,000 | 466,000 | 425,000 |
| Vested: (share) | | | | | |
| Outstanding at March 31, 2014 | 6,000 | 39,000 | 82,000 | 88,000 | 48,000 |
| Vested | – | – | 76,000 | 92,000 | 68,000 |
| Exercised | 6,000 | – | 19,000 | 23,000 | 17,000 |
| Forfeited | – | – | – | – | – |
| Outstanding of non-exercised at March 31, 2015 | – | 39,000 | 139,000 | 157,000 | 99,000 |

| | FY2012 Stock option | FY2013 Stock option | FY2014 Stock option |
|--|------------------------|------------------------|------------------------|
| Non-vested: (share) | | | |
| Outstanding at March 31, 2014 | 798,000 | 350,000 | – |
| Granted | – | – | 325,000 |
| Forfeited | – | – | – |
| Vested | 90,000 | – | – |
| Outstanding of non-vested at March 31, 2015 | 708,000 | 350,000 | 325,000 |
| Vested: (share) | | | |
| Outstanding at March 31, 2014 | – | – | – |
| Vested | 90,000 | – | – |
| Exercised | 27,000 | – | – |
| Forfeited | – | – | – |
| Outstanding of non-exercised at March 31, 2015 | 63,000 | – | – |

(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 | 443 | – | 436 | 430 | 391 |
| Fair value price at grant date - yen | 462 | 185 | 165 | 154 | 178 |

| | FY2012 Stock option | FY2013 Stock option | FY2014 Stock option |
|---------------------------------------|------------------------|------------------------|------------------------|
| Exercise price - yen | 1 | 1 | 1 |
| Average share price at exercise - yen | 399 | – | – |
| Fair value price at grant date - yen | 159 | 376 | 440 |

3. Stock options granted during the year ended March 31, 2015

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) | 36% |
| Estimated remaining outstanding period (Note: 2) | 3.5 years |
| Estimated dividend (Note: 3) | ¥6 per share |
| Interest rate with risk free (Note: 4) | 0.09% |

Notes: 1. Annual volatility rate estimated based on daily stock prices in the past 3.5 years (closing prices on each day from February 12, 2011 to August 11, 2014).

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

3. Based on actual year-end dividend for the preceding year (March 31, 2014 year-end dividend).

4. Annual rate, the yield on national government bonds with remaining life of 3.5 years (the yield on August 11, 2014).

4. Estimation of the number of stock options vested

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

(Deferred tax accounting)

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

(Millions of yen)

| | March 31, 2014 | March 31, 2015 |
|--|----------------|----------------|
| Deferred tax assets: | | |
| Losses on valuation of inventories | 3,434 | 2,745 |
| Losses on impairment of fixed assets | 5,716 | 4,965 |
| Allowance for employees' bonuses | 7,597 | 7,547 |
| Reserve for guaranteed contracts | 8,757 | 11,378 |
| Reserve for losses on sales contracts | 6,414 | 9,164 |
| Denial of accrued expense | 7,109 | 5,075 |
| Valuation losses on investment securities | 1,473 | 2,062 |
| Net defined benefit liability | 45,173 | 49,980 |
| Net loss carried forward | 14,195 | 7,589 |
| Unrealized gain | 3,405 | 2,943 |
| Other | 16,802 | 20,832 |
| Subtotal deferred tax assets | 120,075 | 124,280 |
| Valuation allowance | (38,737) | (29,150) |
| Total | 81,338 | 95,130 |
| Deferred tax liabilities: | | |
| Gain on transfer from business divestures | (2,923) | (2,653) |
| Unrealized holding gain on other securities | (4,456) | (6,656) |
| Deferred gains on sales of property, plant and equipment | (5,803) | (4,993) |
| Other | (4,529) | (3,458) |
| Total | (17,711) | (17,760) |
| Net deferred tax assets (Note) | 63,627 | 77,370 |

Note: Net deferred tax assets and liabilities as of March 31, 2014 and 2015 are included in the following accounts in the consolidated balance sheet:

(Millions of yen)

| | March 31, 2014 | March 31, 2015 |
|---|----------------|----------------|
| Current assets - Deferred tax assets | 34,632 | 43,206 |
| Investment and other assets - Deferred tax assets | 32,489 | 35,587 |
| Current liabilities - Other | (142) | (121) |
| Long-term liabilities - Other | (3,352) | (1,302) |

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

| | March 31, 2014 | March 31, 2015 |
|--|----------------|----------------|
| Statutory tax rate in Japan | 38.0% | 35.6% |
| Adjustments: | | |
| Change in valuation allowance | 4.2 | 18.2 |
| Reduction of deferred tax asset due to change in corporate tax rate of Japan | 3.2 | 26.4 |
| Expenses not deductible permanently (e.g. entertainment expenses) | 1.1 | 2.2 |
| Different tax rates on overseas earnings | (3.0) | 4.0 |
| Tax exemption of research and development expenses | (2.9) | (12.7) |
| Other | 0.7 | 1.6 |
| Effective income tax rate after applying deferred tax accounting | 41.3 | 75.3 |

3. Adjustment to deferred tax assets and liabilities by change in Corporate Tax Rate
The “Act for Partial Revision of the Income Tax Act “ and “Act for partial revision of the Local Tax Act” were promulgated on March 31, 2015. Based on the amendments, the statutory tax rate was reduced from the fiscal year beginning April 1, 2015 .Accordingly, the normal effective statutory tax rate for the calculation of deferred tax assets and deferred tax liabilities will be reduced from 35.6% to 33.1% for temporary differences that are expected to reverse in the fiscal year beginning April 1, 2015 and 32.3% in or after the fiscal years beginning April 1, 2016 and onwards.

As a result of these changes, deferred tax assets (after deducting deferred tax liabilities) decreased by ¥6,672 million. Income taxes-deferred, valuation difference on available-for-sale securities increased by ¥7,207 million, ¥681 million respectively. Remeasurements of defined benefit plans, deferred gains or losses on hedges decreased by ¥128 million, ¥16 million, respectively. Deferred tax liabilities for revaluation decreased by ¥632 million and revaluation reserve for land increased by ¥570 million.

4. Accounting procedures regarding Application of Consolidated Taxation System
The IHI Group have been approved regarding the application of the consolidated taxation system from the year ended March 31, 2016. Therefore, from the fiscal year ended March 31, 2015, related accounting procedures have been based on the “Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)” (ASBJ PITF No.5 of January 16, 2015) and the “Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)” (ASBJ PITF No.7 of January 16, 2015).

(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, 2014

The Company 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, 2014 are as follows:

(Millions of yen)

| Category of use | Amount in consolidated balance sheet | | | Fair value as of March 31, 2014 |
|-----------------------|--------------------------------------|------------|------------------------------|---------------------------------|
| | Balance as of April 1, 2013 | Net change | Balance as of March 31, 2014 | |
| Office buildings | 68,367 | (2,618) | 65,749 | 135,399 |
| Parking lots | 575 | (27) | 548 | 9,672 |
| Commercial facilities | 3,676 | (23) | 3,653 | 46,094 |
| Others | 25,477 | 2,894 | 28,371 | 68,705 |
| Total | 98,095 | 226 | 98,321 | 259,870 |

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

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

(Millions of yen)

| Category of use | Amount in consolidated statement of income | | | |
|-----------------------|--|-----------------|-------------------|--------|
| | Rental income | Rental expenses | Net rental income | Others |
| Office buildings | 8,325 | 5,277 | 3,048 | – |
| Parking lots | 465 | 146 | 319 | 11 |
| Commercial facilities | 1,095 | 381 | 714 | – |
| Others | 3,324 | 1,573 | 1,751 | 5 |
| Total | 13,209 | 7,377 | 5,832 | 16 |

- 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, 2014, “Others” in the above table is composed of gains on sales of property, plant, land and equipment, and losses of disposal of property, plant and equipment, and included in both other income (expenses) on the consolidated statement of income.

The current fiscal year ended March 31, 2015

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

(Millions of yen)

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

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

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

(Millions of yen)

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

- Notes: 1. Major rental income is included in “Net sales,” while major rental expenses are included in “Cost of sales.”
2. For the year ended March 31, 2015, “Others” in the above table is composed of gains on sales of property, plant, land and equipment, and losses of disposal of property, plant and equipment, and included in both other income (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.

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

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

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

Main businesses, products and services belonging to each segment

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

2. Calculation method used for sales, profit or loss, assets and liabilities, and other items by reportable segment
 The accounting method used for reportable business segments is the same as the method stated in “Basis of consolidated financial statements”. Profits from reportable segments are figures based on operating income. Intersegment income and transfers are based on actual market pricing.

3. Information about sales, profit or loss, assets and liabilities, and other items by reportable segment
The previous fiscal year ended March 31, 2014

(Millions of yen)

| | Reportable Segment | | | | | Others (Note 1) | Total | Adjustment (Note 2) | Consolidated |
|--|---|--|--|--------------------------------------|-----------|--------------------|-----------|------------------------|--------------|
| | Resources, Energy and Environment | Social Infrastructure and Offshore Facility | Industrial System and General- Purpose Machinery | Aero Engine, Space and Defense | Total | | | | |
| Sales: | | | | | | | | | |
| (1) Sales to outside customers | 333,392 | 144,560 | 386,110 | 401,607 | 1,265,669 | 38,369 | 1,304,038 | – | 1,304,038 |
| (2) Intersegment sales and transfers | 10,701 | 5,753 | 11,710 | 4,491 | 32,655 | 20,584 | 53,239 | (53,239) | – |
| Total | 344,093 | 150,313 | 397,820 | 406,098 | 1,298,324 | 58,953 | 1,357,277 | (53,239) | 1,304,038 |
| Segment profit (Operating income) | 11,617 | 2,369 | 15,130 | 36,723 | 65,839 | 1,930 | 67,769 | (14,498) | 53,271 |
| Others: | | | | | | | | | |
| Depreciation (Note 4) | 5,776 | 6,086 | 10,616 | 14,174 | 36,652 | 795 | 37,447 | 2,982 | 40,429 |
| Share of profit (loss) of entities accounted for using equity method | 325 | – | 552 | (72) | 805 | 4,612 | 5,417 | (20) | 5,397 |
| Increase in property, plant and equipment (Note 5) | 8,137 | 9,177 | 14,615 | 17,277 | 49,206 | 984 | 50,190 | 4,379 | 54,569 |

- Notes: 1. The “Others” consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment related to such business, and other service operations.
2. Adjustment of segment profit represents intersegment transactions of ¥88 million and unallocated corporate expenses of negative ¥14,586 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
3. Reportable segment assets and liabilities have not been shown, as they are not used as the basis for deciding the allocation of management resources or evaluating operating performance.
4. Depreciation represents depreciation of property, plant and equipment. Adjustment of depreciation represents unallocated depreciation in property, plant and equipment.
5. Adjustment of increase in property, plant and equipment represents unallocated increase in property, plant and equipment.

The current fiscal year ended March 31, 2015

(Millions of yen)

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

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

Related information

The previous fiscal year ended March 31, 2014

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 |
|---------|---------|---------|---------------------------|---------|--------|-----------|
| 685,439 | 212,710 | 221,468 | 18,521 | 152,220 | 13,680 | 1,304,038 |

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

(2) Property, plant and equipment

(Millions of yen)

| Japan | U.S.A. | Asia | Central and South America | Europe | Others | Total |
|---------|--------|--------|---------------------------|--------|--------|---------|
| 295,945 | 2,804 | 13,037 | 106 | 24,506 | 50 | 336,448 |

3. Information by major customer

(Millions of yen)

| Name of customer or individual | Net sales | Related business segment |
|--------------------------------|-----------|--------------------------------|
| Japan Ministry of defense | 130,427 | Aero Engine, Space and Defense |

The current fiscal year ended March 31, 2015

1. Product and service information

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

2. Information by geographical area

(1) Net sales

(Millions of yen)

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

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

(2) Property, plant and equipment

(Millions of yen)

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

3. Information by major customer

(Millions of yen)

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

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

The previous fiscal year ended March 31, 2014

(Millions of yen)

| | Reportable Segment | | | | | Others | 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 | – | 20 | 225 | – | 245 | – | 245 | – | 245 |

The current fiscal year ended March 31, 2015

(Millions of yen)

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

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

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

The previous fiscal year ended March 31, 2014

(Millions of yen)

| | Reportable Segment | | | | | Others (Note 1) | Total | Adjustments (Note 2) | Consolidated |
|---|-----------------------------------|---|---|--------------------------------|--------|-----------------|--------|----------------------|--------------|
| | Resources, Energy and Environment | Social Infrastructure and Offshore Facility | Industrial System and General-Purpose Machinery | Aero Engine, Space and Defense | Total | | | | |
| Amount for the current fiscal year | 193 | 1 | 2,449 | – | 2,643 | 421 | 3,064 | 14 | 3,078 |
| Balance at the end of the current fiscal year | 1,106 | – | 18,509 | – | 19,615 | 3,302 | 22,917 | 41 | 22,958 |

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

The current fiscal year ended March 31, 2015

(Millions of yen)

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

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

Information about gain on negative goodwill by reportable segment

The previous fiscal year ended March 31, 2014

Not applicable

The current fiscal year ended March 31, 2015

Disclosure is omitted since it is not significant.

Related party transactions

1. Related party transactions

(1) Transactions between the Company and related parties

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

The previous fiscal year ended March 31, 2014

| | 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 | IHI Finance Support Corporation ("IFS") | Chuo-ku, Tokyo, Japan | 200 | Lease, factoring, etc. | Holding directly 33.5% | Factoring | Factoring (Note 2) | 78,986 | Notes and accounts payable - trade | 25,645 |
| | | | | | | | | | Other current liabilities | 1,513 |

Notes: 1. The transaction amount does not include consumption taxes and the balance as of March 31 includes them.

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

The current fiscal year ended March 31, 2015

| | 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 | IHI Finance Support Corporation ("IFS") | Chuo-ku, Tokyo, Japan | 200 | Lease, factoring, etc. | Holding directly 33.5% | Factoring | Factoring (Note 2) | 71,112 | Notes and accounts payable - trade | 10,478 |
| | | | | | | | | | Other current liabilities | 1,326 |
| Affiliate | Estaleiro Atlântico Sul S.A. | Pernambuco, Brazil | 459 (Millions of BRL) | Manufacturing | Holding indirectly 20.1% (Note 3) | Debt guarantee | Guarantee of obligations for construction payment (Note 4) | 5,872 | - | - |
| | | | | | | | Guarantee of obligations for loans from financial institutions (Note 5) | 13,541 | | |

Notes: 1. The transaction amount does not include consumption taxes and the balance as of March 31 includes them.

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

3. The ratio calculated by multiplying the 60.4% ratio of voting rights in JEI owned by the Company and the 33.3% ratio of voting rights in EAS owned by JEI is shown.

4. With regard to guarantee of obligations for construction payment, guarantee of obligations is made for EAS's obligations for payment to its suppliers.

5. Guarantee of obligations for loans from financial institutions is shown the amount of re-guarantee carried out by the Company against guarantee of obligation carried out by JEI with respect to a loan by EAS from a financial institution.

ii) Directors/auditors, major shareholders and other related parties of the Company
The previous fiscal year ended March 31, 2014

| Type | Name | Location | Capital or contributions (Millions of yen) | Nature of business or occupation | Voting rights holding or held | Relationship | Transaction | Transaction amount (Note 1) (Millions of yen) | Account title | Balance as of March 31 (Note 1) (Millions of yen) |
|----------|--------------|----------|--|----------------------------------|-------------------------------|--|--|--|---|---|
| Director | Kazuaki Kama | - | - | JAEC (Chairman) | Held directly 0.0% | Representative director and president of the Company | 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 | 21,318 8,237 19,543 126,724 84,417 | - - Other current liabilities Other long-term liabilities Notes and accounts receivable - trade Advances from customers - | - - 3,142 34,756 30,430 6,360 - |

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

(2) Transactions between consolidated subsidiaries and related parties of the Company

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

The previous fiscal year ended March 31, 2014

| 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) | 143,620 | Notes and accounts payable - trade Other current liabilities | 51,605 9 |

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

The current fiscal year ended March 31, 2015

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

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

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, 2015. The condensed financial information of JMU for the years ended March 31, 2014 and 2015 are as follows:

(Millions of yen)

| | Japan Marine United Corporation | |
|---|----------------------------------|----------------------------------|
| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
| Current assets | 204,432 | 205,938 |
| Fixed assets | 157,529 | 150,588 |
| Current liabilities | 156,994 | 151,773 |
| Long-term liabilities | 61,403 | 58,613 |
| Net assets | 143,564 | 146,140 |
| Net sales | 270,897 | 283,712 |
| Income before income taxes and minority interests | 5,235 | 7,869 |
| Net income | 6,574 | 5,786 |

(Special purpose companies "SPCs" subject to disclosure)

The previous fiscal year ended March 31, 2014

1. Outline of special purpose companies "SPCs" subject to disclosure and summary of transactions using such companies
The Company executed the securitization of real estate properties in March 2005 in order to obtain stable funding, and used one special purpose company "SPC". However, the Company bought back the beneficiary rights of real estate in trust from the SPC on April 24, 2013. As a result, the Company recognized gain on sale of the beneficiary rights of real estate in trust recorded at the SPC, a distribution from anonymous association. In addition, the SPC was dissolved in August 2013 and the Company received reimbursements with regard to investments in capital under the anonymous association contract.

2. Amounts of transaction with SPCs

(Millions of yen)

| | Balance as of March 31, 2014 | Major income or loss | |
|---|---------------------------------|-----------------------|-----------------------------------|
| | | Category | Amount of major income or loss |
| Acquisition of beneficiary rights of real estate in trust (Note 1) | 5,140 | Other income (Note 2) | 1,200 |
| Reimbursement of investment in capital (Note 3) | 308 | Other income (Note 4) | 81 |

- Notes:
1. Acquired beneficiary rights of real estate in trust are principally included in buildings and land in trust on the consolidated balance sheets.
 2. Distribution based on a gain on sale of the beneficiary rights of real estate in trust recorded by the SPC is included in other income.
 3. Reimbursement of investments in capital represents investments in capital under the anonymous association contract, which were recorded as other securities.
 4. Dividends received with the termination of the anonymous association contract are included in other income.

The current fiscal year ended March 31, 2015

Not applicable

(Amounts per share)

(Yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|------------------------------------|-------------------------------------|-------------------------------------|
| Net assets per share | 223.68 | 224.03 |
| Net income per share | 22.51 | 5.88 |
| Net income per share fully diluted | 21.31 | 5.88 |

Note: Fundamentals for calculating net income per share and net income per share fully diluted are as follows:

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|---|-------------------------------------|
| Net income per share | | |
| Net income (Millions of yen) | 33,133 | 9,082 |
| Net income regarding common stock (Millions of yen) | – | – |
| Amounts for non-common shareholders (Millions of yen) | 33,133 | 9,082 |
| Average number of shares of common stock (Thousands of shares) | 1,471,758 | 1,543,507 |
| Net income per share fully diluted | | |
| Adjustment amount of net income (Millions of yen) | (208) | – |
| (Interest income of the above, net of taxes) (Millions of yen) | (208) | – |
| Increase in number of shares of common stock (Thousands of shares) | 73,548 | 1,944 |
| (Convertible bonds of the above) | 71,749 | – |
| (Subscription rights to shares of the above) (Thousands of shares) | 1,799 | 1,944 |
| Potential shares not included in calculation of net income per share fully diluted due to being non-dilutive | One type of subscription rights to shares (Total number of subscription rights to shares: 76 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.” | |

(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 |
|-------------|----------------------|-------------------|---|---|-------------------|------------|-------------------|---|
| The Company | 34th unsecured bonds | June 18, 2007 | 20,000 | – | 2.130 | None | June 18, 2014 | Funds for bond redemption and operating funds |
| The Company | 36th unsecured bonds | March 9, 2012 | 10,000 | 10,000 | 1.000 | None | March 9, 2017 | Funds for bond redemption |
| The Company | 37th unsecured bonds | October 15, 2012 | 10,000 | 10,000 | 0.740 | None | October 13, 2017 | Funds for bond redemption |
| The Company | 38th unsecured bonds | June 14, 2013 | 10,000 | 10,000 | 1.110 | None | June 12, 2020 | Funds for redemption of commercial papers |
| The Company | 39th unsecured bonds | June 17, 2014 | – | 10,000 | 0.389 | None | June 17, 2019 | Funds for bond redemption |
| The Company | 40th unsecured bonds | June 17, 2014 | – | 10,000 | 0.592 | None | June 17, 2021 | Funds for bond redemption |
| The Company | 41st unsecured bonds | December 10, 2014 | – | 10,000 | 0.287 | None | December 10, 2019 | Funds for redemption of commercial papers |
| The Company | 42nd unsecured bonds | December 10, 2014 | – | 10,000 | 0.490 | None | December 10, 2021 | Funds for redemption of commercial papers |
| Total | | – | 50,000 | 70,000 | – | – | – | – |

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

(Millions of yen)

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

Detailed statement of loans

(Millions of yen)

| Category | Balance as of April 1, 2014 | Balance as of March 31, 2015 | The weighted-average interest rate (%) | Payment due |
|---|-----------------------------|------------------------------|--|------------------------------|
| Short-term loans | 68,481 | 76,545 | 1.29 | – |
| Current portion of long-term loans | 41,859 | 37,590 | 1.11 | – |
| Current portion of lease obligation | 3,622 | 4,046 | – | – |
| Long-term loan (excluding current portion) | 165,143 | 192,320 | 0.99 | April 2016 to September 2033 |
| Lease obligations (excluding current portion) | 14,697 | 13,174 | – | April 2016 to November 2035 |
| Current portion of commercial papers | 14,000 | 17,000 | 0.16 | – |
| Total | 307,802 | 340,675 | – | – |

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

(Millions of yen)

| | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years |
|-------------------|--------------------------------------|---|--|---|
| Long-term loans | 50,502 | 45,889 | 43,135 | 33,246 |
| Lease obligations | 3,285 | 2,745 | 2,079 | 1,364 |

Detailed statement of asset retirement obligations

The amounts of asset retirement obligations at April 1, 2014 and March 31, 2015 were less than 1% of total liabilities and net assets at April 1, 2014 and March 31, 2015, respectively. As a result, the schedule of asset retirement obligations is not required to be disclosed in accordance with accounting principles generally accepted in Japan.

(2) Others

Quarterly results for the fiscal year ended March 31, 2015

| (YTD period) | First quarter | Second quarter | Third quarter | Full year |
|---|---------------|----------------|---------------|-----------|
| Net sales (Millions of yen) | 281,272 | 616,144 | 974,082 | 1,455,844 |
| Income before income taxes and minority interests (Millions of yen) | 12,168 | 32,337 | 45,833 | 27,265 |
| Net income (Millions of yen) | 6,530 | 20,946 | 26,890 | 9,082 |
| Net income per share (Yen) | 4.23 | 13.57 | 17.42 | 5.88 |

| (Accounting period) | First quarter | Second quarter | Third quarter | Fourth quarter |
|-----------------------------------|---------------|----------------|---------------|----------------|
| Net income (loss) per share (Yen) | 4.23 | 9.34 | 3.85 | (11.54) |

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 The IHI group, which comprise the consolidated balance sheet as at March 31, 2015, 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, 2015, 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 25, 2015
Tokyo, Japan

(For Translation Purposes Only)
Independent Auditor's Report

June 25, 2015

The Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

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

Jun Uemura
Yoshiyuki Sakuma
Ichiro Tajima

<Financial statements audit>

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Law of Japan, we have audited the accompanying consolidated financial statements of IHI Corporation, included in "Financial Information" for the fiscal year from April 1, 2014 to March 31, 2015, 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, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

<Internal control audit>

Pursuant to Article 193-2, Section 2, of the Financial Instruments and Exchange Law of Japan, we also have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at March 31, 2015 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, 2015 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 the Company—the submitter of this Securities Report.
2. The XBRL data is not included in the range of Audit.
3. The above is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

(Translation purposes only)

Cover page

| | |
|---|--|
| Document title | Confirmation Letter |
| Clause of stipulation | Article 24-4-2, paragraph 1 of the Financial Instruments and Exchange Act |
| Place of filing | Director-General of the Kanto Local Finance Bureau |
| Filing date | June 25, 2015 |
| Company name | 株式会社 I H I (Kabushiki Kaisha IHI) |
| Company name in English | IHI Corporation |
| Title and name of representative | Tamotsu Saito, 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) |

(Translation purposes only)

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

Tamotsu Saito, President and Chief Executive Officer of IHI Corporation (the“Company”), has confirmed that this Annual Securities Report of the 198th fiscal term (April 1, 2014 through March 31, 2015) is reasonably and fairly stated in accordance with the Financial Instruments and Exchange Act and related regulations.

2. Other information for special attention

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

(Translation purposes only)

Cover page

| | |
|---|--|
| Document title | Internal Control Report |
| Clause of stipulation | Article 24-4-4, paragraph 1 of the Financial Instruments and Exchange Act |
| Place of filing | Director-General of the Kanto Local Finance Bureau |
| Filing date | June 25, 2015 |
| Company name | 株式会社 I H I (Kabushiki Kaisha IHI) |
| Company name in English | IHI Corporation |
| Title and name of representative | Tamotsu Saito, 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) |

(Translation purposes only)

1. Basic framework of internal control related to financial reporting

Tamotsu Saito, President and Chief Executive Officer of IHI Corporation (the “Company”), has the responsibility for the design and operation of internal control over financial reporting of the Company 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, 2015 (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 the Company, 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 the company-level internal control assessment performed for the Company, 68 consolidated subsidiaries, and one affiliate accounted for using the equity method. 84 consolidated subsidiaries and 32 affiliates accounted for using the equity method were excluded from the scope of this company-level control assessment as their quantitative and qualitative impacts were deemed insignificant.

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

3. Result of evaluation

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

4. Supplementary information

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

5. Other information for special attention

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