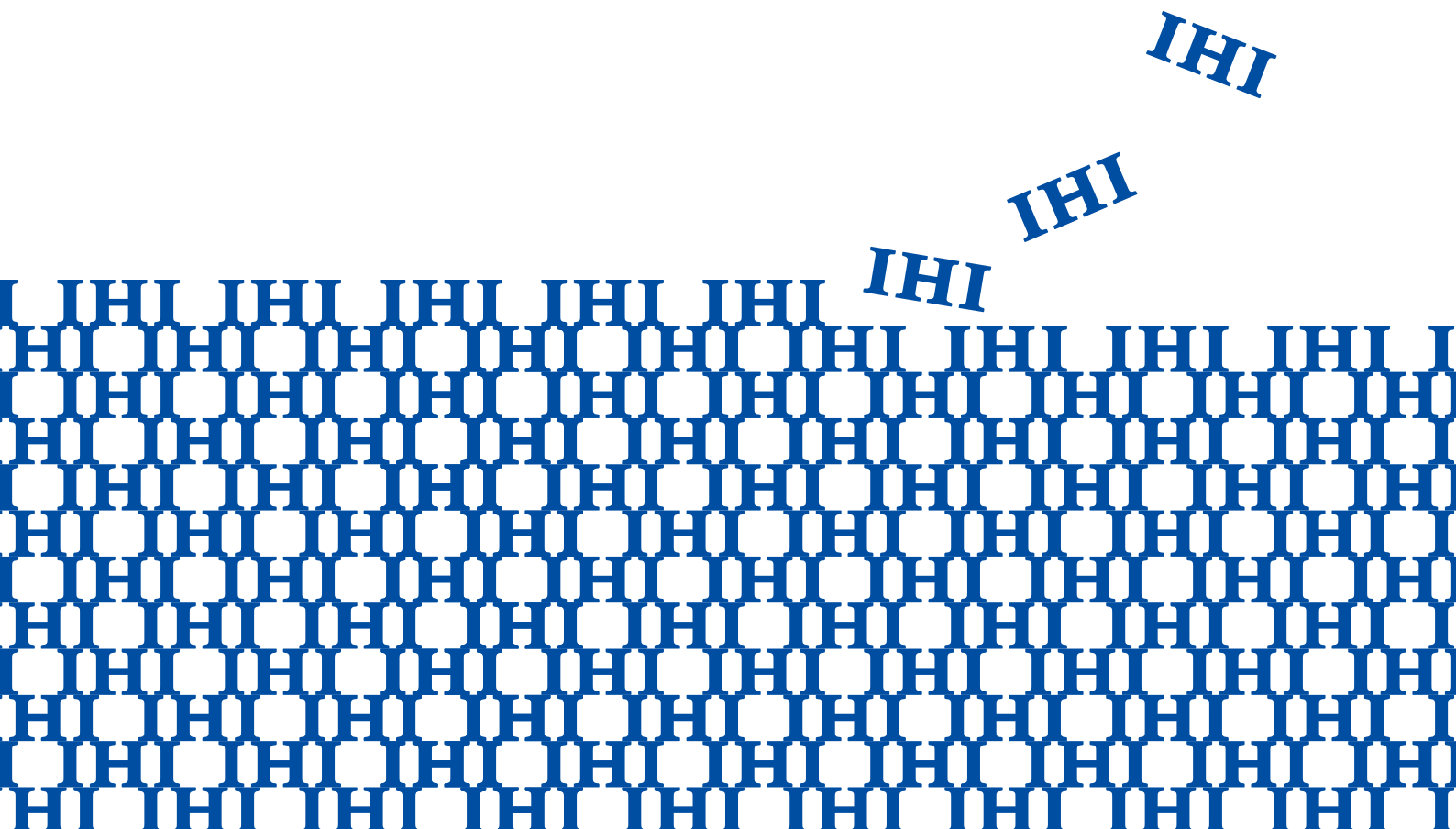


IHI

Realize your dreams

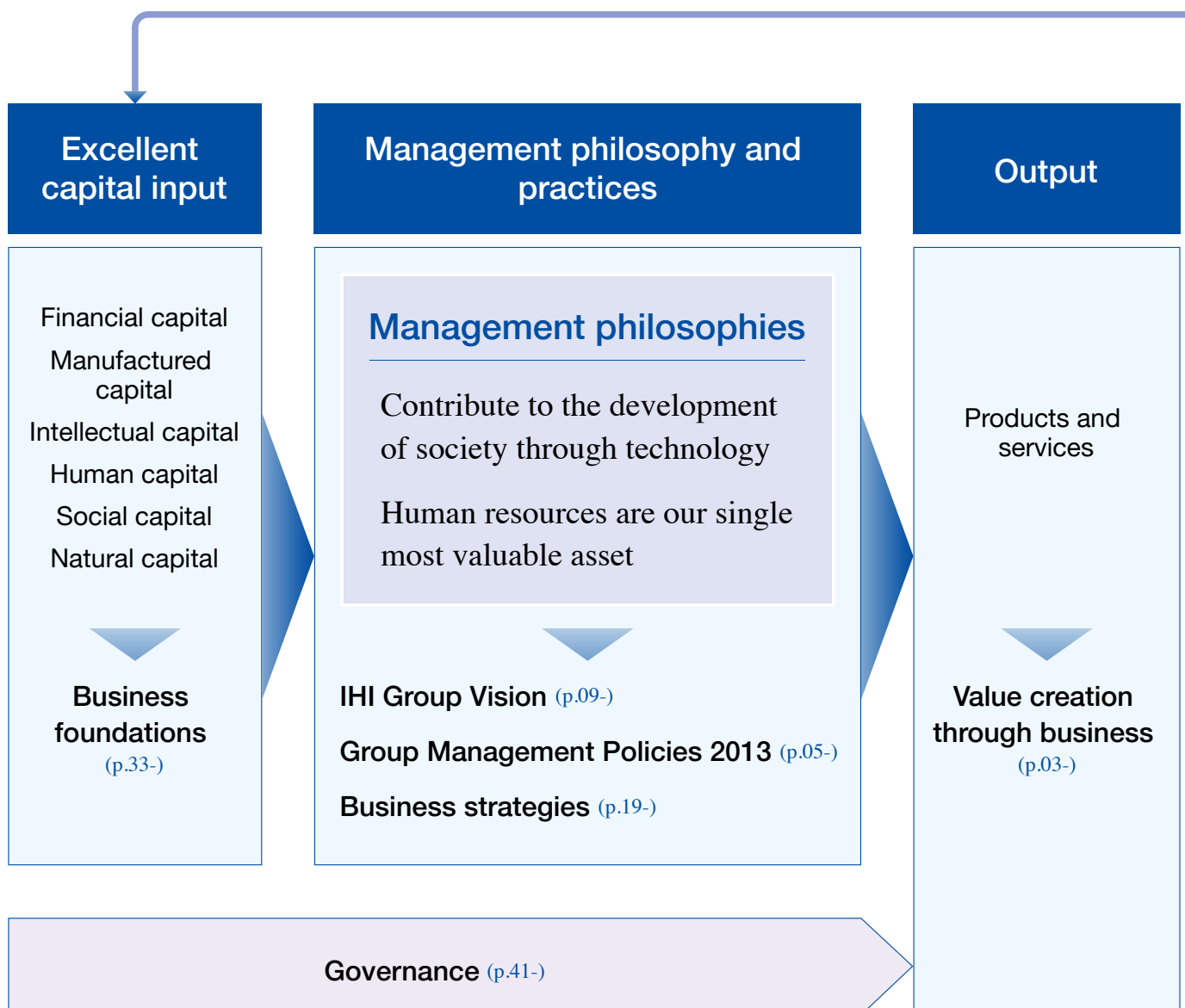
IHI Integrated Report 2015



Publication of Integrated Report 2015

Starting this year, IHI is combining its annual report and CSR report into this single integrated report that outlines our objectives for sustainable growth over the long term. It is also intended to effectively communicate our message to all stakeholders.

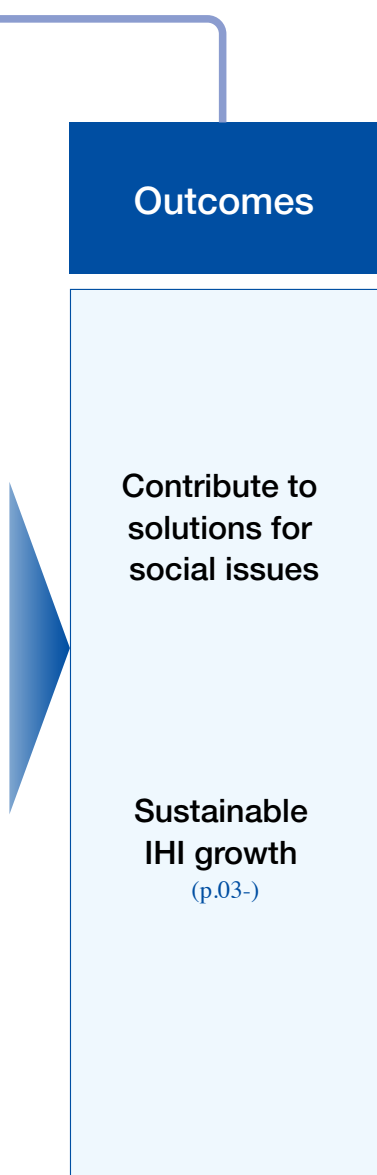
IHI value creation process



	Financial information	Non-financial information
Printed publication	<p>IHI Integrated Report 2015</p> <p>The main focus of this report is on sharing information that fosters a comprehensive understanding of our business activities.</p>	
Websites (Detailed / Up-to-date information)	<p>Discloses detailed financial results and information on IHI stock and shareholders for our investors</p> <p>IR Site</p> <p>http://www.ihico.jp/en/ir/index.html</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px; width: 45%;"> <p style="text-align: center;">IHI Report (for shareholders)</p> <p style="text-align: center;">https://www.ihico.jp/en/ir/library/report/index.html</p> </div> <div style="border: 1px solid black; padding: 5px; width: 45%;"> <p style="text-align: center;">Securities Report</p> <p style="text-align: center;">http://www.ihico.jp/en/ir/library/securities/</p> </div> </div>	<p>Provides our stakeholders with detailed information on our sustainability initiatives</p> <p>Sustainability Site</p> <p>http://www.ihico.jp/csr/english/index.html</p> <div style="border: 1px solid black; padding: 5px; width: 100%; text-align: center;"> <p>Corporate Governance Report</p> <p>https://www.ihico.jp/en/policy/governance/index.html</p> </div>

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Our Trajectory

From Shipbuilding to Comprehensive Heavy Industry Solutions: A Path of Realized Dreams

Ishikawajima Shipyard established

The Tokugawa Shogunate established the Ishikawajima Shipyard to defend Japan from Western industrialized nations.

1853

Harima Dock Co. established

Ishikawajima-Harima Heavy Industries created

Ishikawajima Heavy Industries and Harima Shipbuilding & Engineering merged, combining their respective strengths in heavy machinery and large-scale shipbuilding.

1907

1960

1877



Completed the *Tsu-un Maru*, the first steamship built by a private Japanese shipbuilder

Together with steam locomotives, steamships heralded the sweeping modernization of Japan.

1887



Completed Azuma Bridge, spanning the Sumida River in Tokyo

This was Japan's largest truss structure iron bridge at the time.

1890



Delivered Japan's first thermal power generation facilities to Tokyo Dento Co.

The facility boasted an output of more than 100kW, a major technological accomplishment at the time.

1945



Manufactured Japan's first turbojet engine, the Ne-20

The engine was installed in the Kikka (Orange Blossom) attack jet, which was the first jet-powered aircraft in Japan to make a successful test flight.

1969



Completed construction of Japan's first LNG storage tanks

The four tanks incorporated innovative technology that enabled LNG to be stored at -162°C.

1993



Entered V2500 engine maintenance business

The company began handling all aspects of jet engine maintenance: dismantling, cleaning, testing, component repair, assembly and test operation.

Historical events

1853

Commodore Perry arrives at Uruga Bay

1872

Japan's first rail line opens, linking Shinbashi and Yokohama Stations

1879

Thomas Edison invents the light bulb

1903

Wright Brothers achieve the first successful engine-powered flight

1914

Tokyo Station opens

1964

Summer Olympics held in Tokyo

1973

First oil crisis

Since our founding about 160 years ago, IHI has consistently made positive contributions to society through precision manufacturing (*monozukuri*). In the early days, we built ships that contributed to the modernization of Japan. Today, we are delivering solutions to the challenges facing global society, such as growing energy demands, intensifying urbanization and industrialization and the increasing complexity of logistics. Moving forward, we will continue facing these challenges head-on to achieve the sustainable development of society.



Name changed to IHI

A global provider of comprehensive engineering solutions was born

Japan Marine United established

2007

2013

1998



Completion of Akashi-Kaikyo Bridge, the world's longest suspension bridge

This 3.9km bridge across the Seto Inland Sea made it possible to drive from Kansai to Shikoku in two hours, realizing a long-held dream with a unique wind-resistant design and precision engineering.

2001



Ten millionth vehicular turbocharger manufactured

IHI began producing vehicular turbochargers in 1959. Since they improve fuel efficiency and filter exhaust gas, demand has increased as environmental restrictions have grown stricter.

2002



Photo is provided by J-POWER(EPDC)

Japan's first large-scale tower-type boiler begins commercial operation

IHI supplied Japan's first tower-type boiler to the Isogo Thermal Power Plant.

2010



Photo courtesy of JAXA

Hayabusa capsule returns to Earth

IHI's unique heat-resistance technology protected the capsule carried by the Hayabusa spacecraft from temperatures as high as 20,000°C and enabled its successful return from space.

2013



Success in stable outdoor cultivation of algae for biofuel

Using their manufacturing technologies, IHI and its partners succeeded in large-scale cultivation of Enomoto algae, which is expected to be a source of biofuel in the future.

2013



Photo courtesy of JAXA

Provided support for system development, manufacture and launch of Epsilon rocket

The Epsilon launch vehicle is a new solid-fuel rocket developed to achieve both improved performance and lower life-cycle cost.

1988

Seto Ohashi Bridge and Seikan Tunnel completed

1992

Global electricity consumption tops 10 trillion kWh

2005

Kyoto Protocol aimed at reducing greenhouse gas emissions comes into force

2008

Global financial crisis strikes

2009

H1N1 flu pandemic

2011

Great East Japan Earthquake

2013

Abenomics economic policies launched

Road to Achieving Growth

Group Management Policies 2007 (FY2007 – 2009)

These policies were aimed at achieving growth with an effective balance of quality, volume and speed. Structural reforms were undertaken to boost Group profitability, heighten competitiveness, reinforce basic foundations and support global expansion.

Achievements

Put in place the foundations for growth

- Enhanced revenue management framework for each business unit
- Furthered the selection and prioritization of key businesses
- Reinforced affiliate management

Group Management Policies 2010 (FY2010 – 2012)

These policies were aimed at establishing a growth trajectory by focusing our business model on product lifecycles and our product strategy on market needs. It also instituted a more global approach to business management.

Achievements

Established a growth trajectory

- Stabilized business foundations
- Strengthened selection and prioritization of key businesses
- Implemented strategies for adapting to globalization



Starting in fiscal year (FY) 2007, IHI formulated a new growth trajectory based on management policies that sought to improve profitability, select and prioritize key businesses, achieve global expansion and stabilize the Group’s foundations. At the same time, the policies placed proper importance on market needs and product lifecycles. In Group Management Policies 2013, the Three *Tsunagu* (Links) concept was established as the key to growth.

Group Management Policies 2013 (FY2013 – 2015)

By adapting to three megatrends—growing demands for smart social infrastructures, information technology advances and increasingly intertwined global economy, IHI aims to achieve growth by generating value for customers through the Three *Tsunagu* (Links). (See p. 07 for details)

Key growth initiative for FY 2015

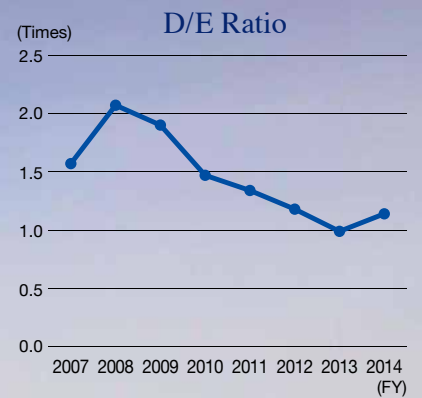
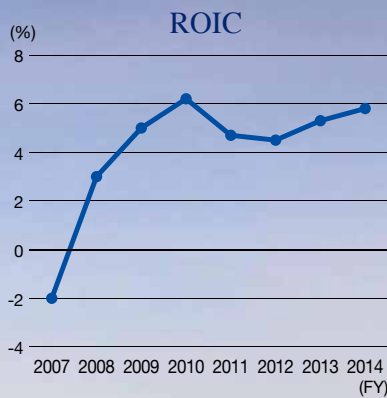
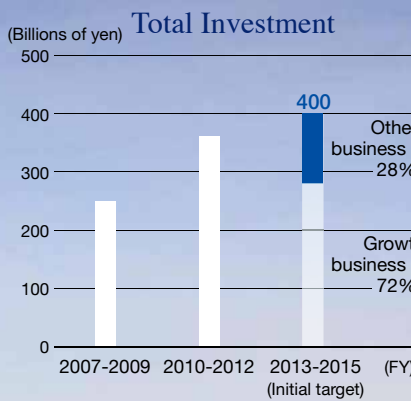
- Produce results through shared Group functions collaboration
- Stably secure orders that help enhance customer value
- Accelerate reforms to create highly profitable structure through business model innovations.
- Generate growth by allocation of management resources
- Reform business processes to generate value

Goal → Realization of growth

Initial targets

- Sales 1,400 billion yen
- Operating income 70 billion yen
- Total investment 400 billion yen
- D/E ratio 1.2 or lower
- ROIC 6.5%

(See p.13 for details)



Group Growth through Value Creation for Customers

Group Management Policies 2013

Three Megatrends

The Three *Tsunagu* (Links)

Three Megatrends

Adapting to the changing business environment is vital for a competitive advantage

Smart social infrastructure

As urban populations grow and nations industrialize, smart infrastructure is crucial to balance the global environment, quality of life and safety and security.

Information technology advances

The way we live today is being shaped by advanced, highly networked IT, as embodied by the spread of phrases like machine-to-machine and big data.

Increasingly intertwined global economy

The growing complexity of the global economy is evidenced by the way more people, commodities, money and information are flowing across national boundaries.

The Three *Tsunagu* (Links)

We have established new Group headquarters to share group functions, allowing us to implement the Three *Tsunagu* (Links), respond swiftly to the three megatrends and create value for customers.

		Business Areas			
		Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-purpose Machinery	Aero Engine, Space and Defense
Shared Group Functions	Solution & Engineering Headquarters	Linkage among existing businesses and between existing and peripheral businesses			
	Intelligent Information Management Headquarters	Linkage of products/services and ICT			
	Global Marketing Headquarters	Linkage between global markets and IHI			

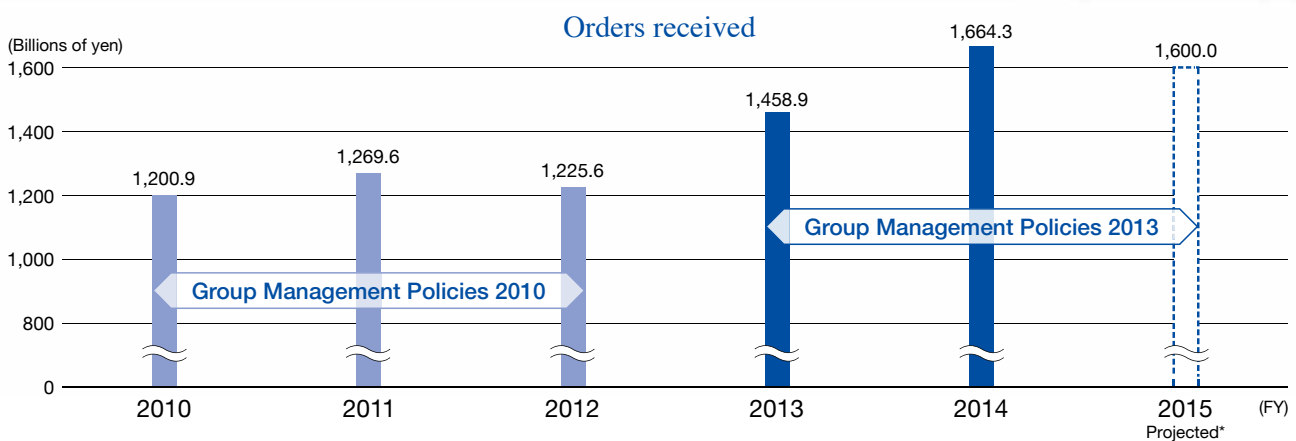
IHI sees societal and environmental issues as growth opportunities. IHI will continue to link business units with other business units, products and services with information and communications technology (ICT) and global markets with IHI to generate new value. By creating new value for our customers, we intend to expand markets globally and grow into a world-leading corporate Group.

Value Creation
for Customers

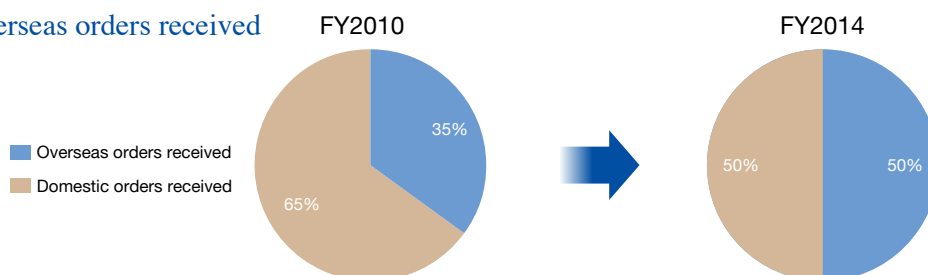
Realizing Growth

A World-Leading
Corporate Group

Grow sustainably by acquiring new markets



Percentage of overseas orders received



*Projected: As of May 2015

IHI Objectives

Contribute to the development of society through technology

Vision

The IHI Group seeks to solve the various environmental, industrial, social, and energy related problems of the 21st century, through using engineering expertise to focus on “*Monozukuri*” technology. In striving towards these goals, IHI is becoming a global enterprise offering the safety and security for the benefit of both the environment and humanity. “*Monozukuri*” Technology means the technology used to improve the competitiveness of products and services offered, by strengthening the capabilities required in development, design, supply, manufacture and construction.

Value Creation for Customers

We will address the tasks laid out in the Three *Tsunagu* (Links), namely optimum resolution of issues related to urbanization and industrialization, utilization of diverse IT technologies and development of global networks. This will enable us to create the value our customers require.

Resources, Energy and Environment

In line with resource and energy trends, we are applying our unique technologies to systems for development, manufacture, storage and transport; the reduction of environmental load; more energy-efficient fossil fuel and renewable energy combustion and utilization systems; and key hardware for nuclear power generation.

Social Infrastructure and Offshore Facilities

We manage infrastructure projects from design to after-service, supported by our industry-leading products and systems. This allows us to contribute to the growth of nations and societies, promote offshore development and ensure safety and security.

Industrial Systems and General-purpose Machinery

We offer industrial systems that underpin manufacturing processes. In particular, we cater to fields where manufacturing models have not yet been established or where processes require continual refinement.

Aero Engine, Space and Defense

We constantly heighten the sophistication of our precision manufacturing technologies to secure a leading position in the aero engine business. We also contribute to the development of the space industry, focusing in particular on propulsion technologies.

New Priority Areas

We are working to strengthen and accelerate the creation of new businesses for future growth.

IHI generates value for society by resolving the issues our customers face, which sustainably boosts our presence in the market and leads to growth.

Realize your dreams

Creation of Value for Society

Our corporate message “Realize your dreams” embodies our mission to realize the dreams and goals of people around the world and to contribute to the development of society through precision manufacturing technologies.



Realize low-carbon societies

IHI is contributing to sustainable societies by reducing environmental impact, addressing environmental issues and providing eco-friendly products and services.



Provide stable energy supplies

IHI provides products and technologies that transform diverse energy sources into electricity to meet increasing electric power demands and changing conditions in society.



Respond to industrialization, advancement and urbanization

IHI provides products and technologies that enhance urban functions, alleviate risks associated with dense populations, elevate standards of living and contribute to a safer society. In addition, our innovative manufacturing processes increase productivity, contributing to affluent lifestyles and social stability.



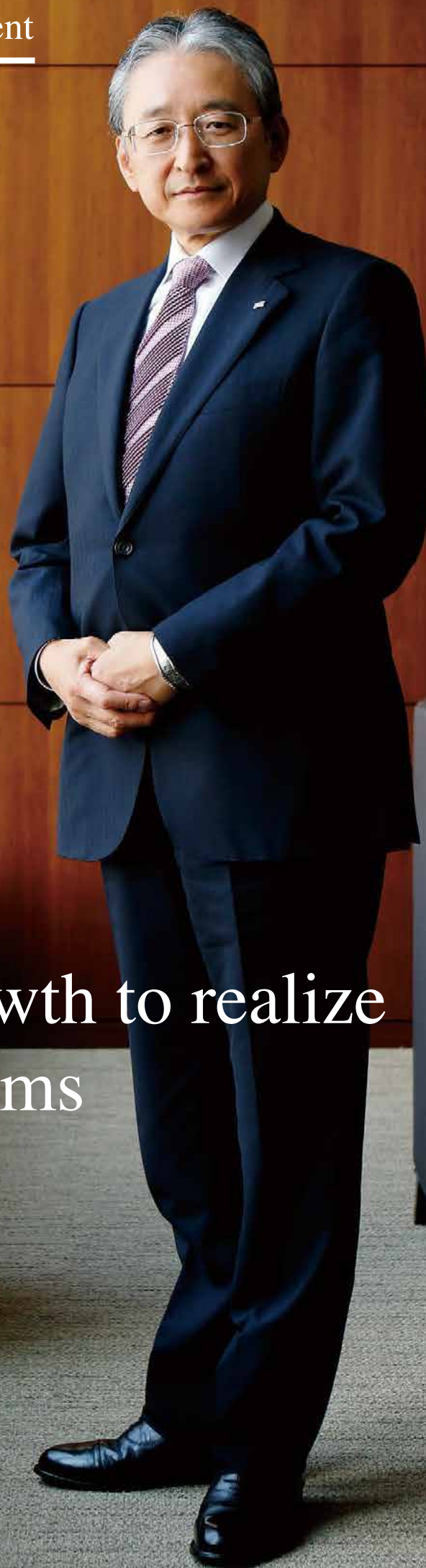
Develop medical, food and water solutions

IHI provides new products and services that address issues relating to medical care, food and water.

Message from the President

Tamotsu Saito

President and Chief Executive Officer
IHI Corporation



Pursuing growth to realize
people's dreams

Accelerating Growth with the Three Links (*Tsunagu*)

In FY2014, our focus was accelerating growth through targeted strategies based on the Three Links (*Tsunagu*), an integral part of the IHI Group Management Policy 2013, which resulted in a strong year with sales of 1,455.8 billion yen and operating income of 63.2 billion yen. However, we were unable to fully meet market expectations due to the worsening business performance of some major projects and extraordinary losses on investments in a Brazilian shipbuilding firm. In FY2015, we will redouble our efforts to enhance risk management and improve performance.

FY2015 is the final year of IHI Group Management Policies 2013, which focuses on creating customer value and achieving business growth. IHI will continue working to achieve the targets it lays out.

First, I would like to explain why we formulated this business plan.

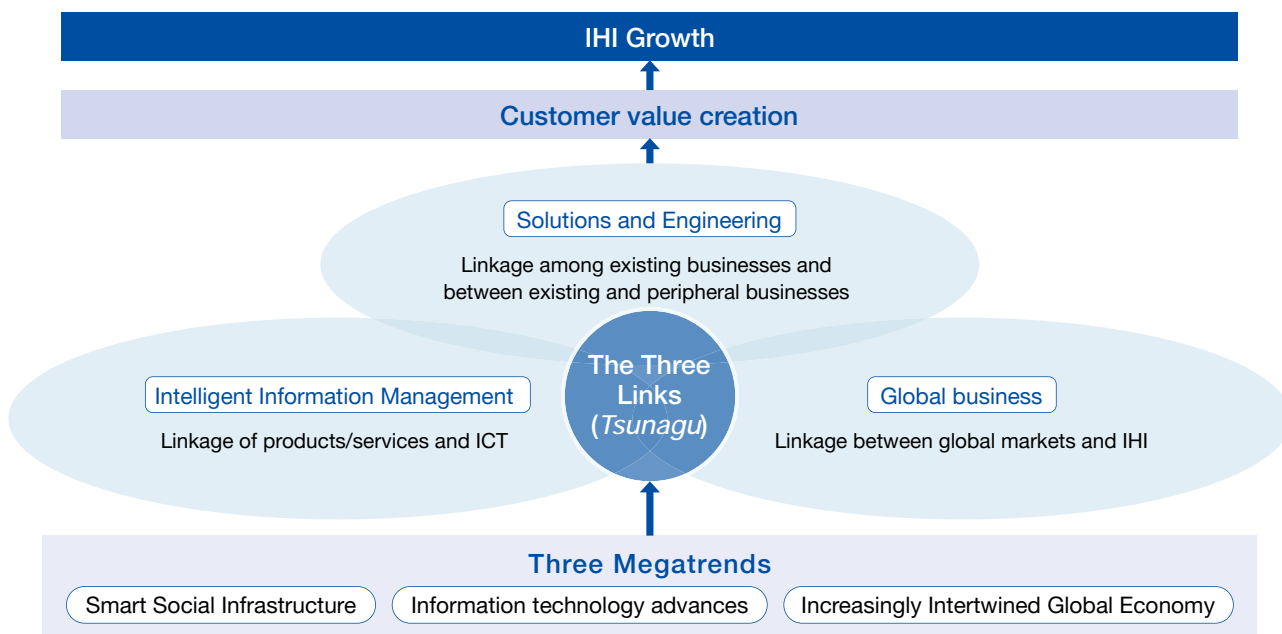
Our previous midterm plan, Group Management Policies 2010, required three paradigm shifts: moving toward a business model focused on product lifecycles, advancing a product strategy focused on market requirements and laying the groundwork for a global management approach. These strategies enabled us to stabilize our business foundations.

However, when we look at global economic growth, particularly in emerging nations, it is clear that we are not expanding at the same speed. We have analyzed today's socioeconomic climate and identified three megatrends: Smart social infrastructure, Information technology advances, and Increasingly intertwined global economy (chart 1). After extensive discussion, we have concluded that to be globally competitive, IHI must implement structural reforms in response to these trends, shifting existing technologies and business models away from the framework of business units and toward a more integrated approach.

Therefore, we have positioned the Three Links (*Tsunagu*), namely linkage among existing businesses and between existing and peripheral businesses, linkage of products and services and ICT and linkage between global markets and IHI, as shared group functions and established the Solution & Engineering Headquarters, Intelligent Information Management Headquarters and Global Marketing Headquarters in April 2013 to implement them.

As the final year of the current plan, FY2015 will be the year we comprehensively integrate the strategies. We have achieved consistent growth over the past two years, and I am confident that these policies are steadily moving us in the right direction.

<Chart 1>



Five priority measures for accelerating growth

In FY2014, we pursued five priority measures to accelerate growth. The results are set out below.

1 Strengthen and deploy shared Group functions

In Solutions & Engineering, we increased projects and improved function-sharing for a rising number of projects in our Solutions business. Meanwhile, in Intelligent Information Management, we expanded adoption of our common control system and remote maintenance platforms, which led to wider use of sensing solutions and ICT in manufacturing and service operations. In Global Marketing, we built multilayered networks with customers, particularly in priority countries, and expanded functions at regional headquarters.

2 Secure orders stably

In FY2014, new measures resulted in 1,664.3 billion yen in orders, with for more than 50% coming from overseas. In FY2015, we will again secure a stable flow of orders by improving estimate accuracy and other measures.

3 Enhance profit structure

Last year, we began transforming our business models, for example by expanding overseas power plant maintenance. In FY2015, we will further accelerate our efforts and distinguish ourselves from the competition by offering products and services that utilize shared group functions.

4 Allocate resources strategically

Based on our growth strategy, we have begun allocating 70% of total investment to business units with growth potential and undertaking activities to improve cash flow. The benchmark for these decisions is the cash conversion cycle, or how long it takes to convert resource inputs into cash flows. We are also advancing initiatives to generate resources, such as reforms that further strengthen and enhance the strategic functions of head office divisions.

5 Improve manufacturing capabilities

Over the last two years, we have pushed ahead with I-Project, a Group-wide initiative to enhance operational quality and productivity. It promotes an ongoing positive cycle of improvement efforts, since there is always room for improvement. Also, in October 2014, we opened the IHI *Tsunagu* Lab at our Yokohama facility to link “*Monozukuri*” technology within IHI and outside.

<Chart 2> Group Management Policies 2013 Results

	FY2013	FY2014	FY2015 Targets (initial)
Sales	1,304.0	1,455.8	1,400.0
Operating income	53.2	63.2	70.0
(Assumed exchange rate)	(¥99.05/\$)	(¥110.31/\$)	(¥80/\$)
Total investment	108.1	114.8	400.0 (Total for FY2013 - 15)
Investment in plant and equipment	54.6	63.9	190.0
R&D investment	33.5	37.0	110.0
Investments and loans	20.0	13.9	100.0
D/E ratio ¹	0.99	1.14	1.2 or lower
ROIC ²	5.3%	5.8%	6.5%
ROE ³	10.5%	2.6%	—
Dividends	¥6/share	¥6/share	¥6/share

¹ Debt/Equity ratio: interest-bearing debt ÷ net assets

² Return on Invested Capital: (operating income + interest and dividend income) after-tax ÷ (owner's equity + interest-bearing debt)

³ Return on Equity: net income ÷ (average of owner's equity at end of previous term and end of current term)

(Unit: billions of yen)

Achieve sales of 1,600 billion yen and operating income of 100 billion yen as quickly as possible

Toward the Realization of Steady Growth

In FY2014, we focused on business units with growth potential and our orders steadily increased, making it increasingly likely that we will reach the 1,600 billion yen sales target set forth in Group Management Policies 2013. However, new business risks are emerging, and we are implementing measures to minimize their impact while maintaining steady growth. Among them, the three outlined below are particularly crucial.

1 Materialize growth through Three Links (*Tsunagu*)

We are working to reinforce and accelerate our four business areas and shared group functions at our three new headquarters.

We are also utilizing these shared functions to transform business models and differentiate our products and services from the competition. Turning new ideas into business units with concrete, specific results is not always easy, but we will step up our efforts to do so.

2 Manage risk of large investments and orders

To capture more of the global market and achieve growth, it is vital that we strengthen risk management. We must calibrate our response to risks associated with national or regional circumstances. With regard to orders and investments above a certain amount, we will thoroughly investigate the specifics and determine if it would be an appropriate move.

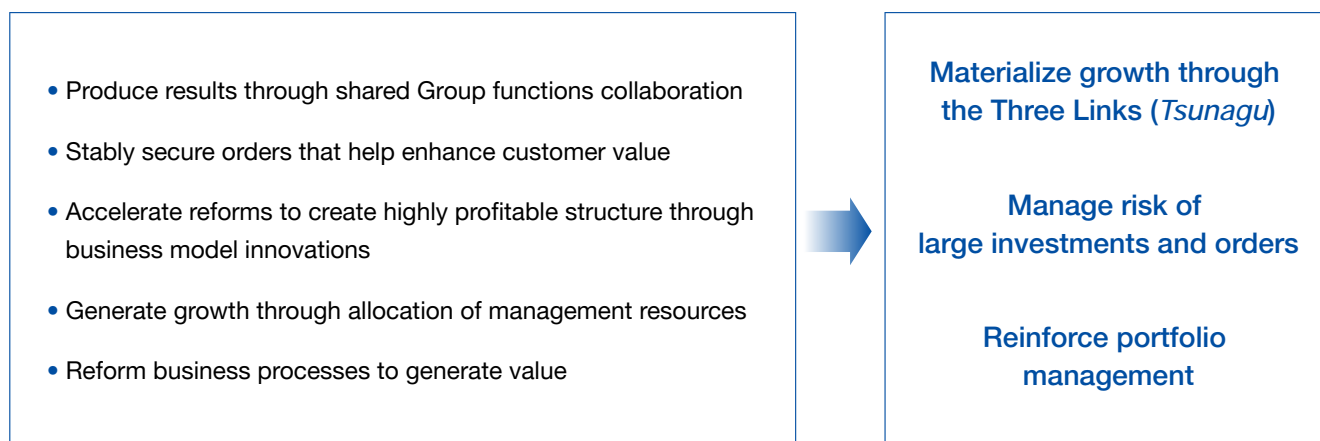


3 Reinforce portfolio management

While improving the risk management that underpins growth, we will also enhance portfolio management to ensure that growth is sound. One strategy is to focus investment on core business segments, such as aero engines and vehicular turbochargers and the 15 business units we have identified as growth and core businesses. To achieve this, we will formulate a mission for each business unit that sets numerical targets based on the difference between current status and future objectives and strengthen the support functions of corporate units. Also, to enhance capital efficiency, we will calculate ROIC for each business unit and factor it into our evaluation.

We intend to incorporate portfolio management strategies into the next midterm business plan.

<Chart 3> Priority Measures for FY2015: Toward the Realization of Steady Growth





Pursuing our management philosophy to increase corporate value

Realizing the dreams of society

Today, our society is changing at a dizzying pace. Considering the universal trend toward diversification, the future of manufacturing is likely to lie in transitioning from the mass production of a few things to the variable production of many. Assuming this global trend continues, people and enterprises will have to change the way they do business.

In the midst of this maelstrom, we continue to adhere to our management philosophy of contributing to the development of society through technology and valuing human resources as our single most valuable asset. IHI has formulated the IHI Group Vision to show what we aspire to be. First and foremost, we believe that keeping the long-term picture in view generates diverse value for society and leads to our own growth.

In order to realize people's dreams and our mission as a Group, we must respond swiftly and effectively not only to existing needs but also to needs that are not yet apparent. This is what we had in mind when formulating the corporate message "Realize your dreams."

Pursuing the value-creating technologies of the future

Investment with a long-term perspective is necessary in order to identify and meet latent needs.

Carbon fiber reinforced polymer (CFRP), which we jointly developed with materials manufacturers to reduce aero engine weight, is a perfect example. It took approximately 20 years from R&D to commercial application. The product lifecycle of jet engines is around 30 years, so when approaching a project like this one, we have to imagine what society will be like decades in the future. This is true not only for aero engines, but for all fields. Delivering value requires swift identification of customer requirements ahead of the competition and tireless pursuit of R&D and commercial implementation.

For IHI to be delivering new value several decades from now, it is crucial that we work with an open innovation paradigm, drawing on resources within the Group and outside of it. To find new resources, we need opportunities to encounter and interact with diverse people. With this in mind, we established the IHI *Tsunagu*

Lab at our Yokohama facility in October 2014, an initiative I personally spearheaded. There have already been more than 1,500 visitors to the lab and it is growing into a forum for idea creation and interaction between IHI, our customers and people we were not able to connect with before.

Human resources, the most valuable asset

Part of our management philosophy is that we should prioritize human resources as our single most valuable asset. Based on this credo, we are formulating the Group Human Resource Management Policy with the key phrase “Group Global Diversity.”

In a fluidly changing era like ours, we are frequently faced with unpredictable situations and rely above all on human resources. Whatever challenges, paradigm shifts or adversity we may encounter, we can handle them effectively if we find and cultivate outstanding, versatile personnel who can respond appropriately.

As someone who learned the business through practical experience, I continue to strongly advocate the Three Actuals (going to the actual place, seeing the actual things, and knowing the actual situation). While there is no substitute for real, hands-on experience, it

must be supplemented with knowledge from history and other sources. So, in April 2015, we opened the IHI Human Resources Development & Communication Center, nicknamed I-STEP Shonan, in Yokosuka, Kanagawa.

Always with our stakeholders

IHI never ceases improving our corporate governance, aiming to earn and keep the trust and patronage of shareholders and other stakeholders over the long term.

To create value for our customers and society as a whole and to achieve further growth, it is vital that we engage in proactive dialogue with all our stakeholders. In order to more effectively communicate with them, we will be releasing an Integrated Report that fuses the missions of our Annual Report and CSR Report from this fiscal year on.

We also ask all IHI employees to use it deepen their understanding and renew their awareness of how Group activities contribute to society.

To all stakeholders, we would appreciate you kindly looking through this report and then giving us your opinions and feedback.



Toyosu IHI Building vicinity

Financial and CSR Highlights

	Unit	FY2010	FY2011	FY2012	FY2013	FY2014
Financial information						
Net sales	Billions of yen	1,187.2	1,221.8	1,256.0	1,304.0	1,455.8
Operating income	Billions of yen	61.3	43.3	42.1	53.2	63.2
Net income	Billions of yen	29.7	23.8	33.3	33.1	9.0
R&D expenses	Billions of yen	29.2	30.0	30.2	33.5	37.0
Investment in plant and equipment	Billions of yen	86.3	53.5	55.0	54.5	63.9
Depreciation and amortization	Billions of yen	38.2	41.1	41.7	40.4	43.2
Overseas net sales	Billions of yen	512.0	521.0	486.3	618.5	758.0
Total assets	Billions of yen	1,361.4	1,338.1	1,364.2	1,496.3	1,690.8
Interest-bearing debt	Billions of yen	373.3	345.2	353.8	357.8	410.6
Net assets	Billions of yen	253.6	258.4	299.2	362.5	359.5
Cash flows from operating activities	Billions of yen	95.5	24.7	74.3	39.2	63.5
Cash flows from investing activities	Billions of yen	-77.7	-37.7	-61.0	-62.2	-74.6
Free cash flow	Billions of yen	17.7	-12.9	13.3	-23.0	-11.0
Cash flows from financing activities	Billions of yen	-25.9	-38.5	-3.1	11.3	33.4
EPS (earnings per share) ¹	Yen	20.29	16.26	22.81	22.51	5.88
BPS (book value per share) ²	Yen	162.33	170.84	197.08	223.68	224.03
Cash dividend per share	Yen	3	4	5	6	6
Operating margin	%	5.2	3.5	3.4	4.1	4.3
Percentage of overseas sales	%	43	43	39	47	52
ROIC (return on invested capital) ³	%	6.2	4.6	4.5	5.3	5.8
ROA (return on assets) ⁴	%	2.1	1.8	2.5	2.3	0.6
ROE (return on equity) ⁵	%	13.2	9.8	12.4	10.5	2.6
D/E ratio ⁶	(times)	1.47	1.34	1.18	0.99	1.14
CSR Information						
Number of employees	(people)	26,035	26,915	26,618	27,562	28,533
Percentage of female managers (IHI Corporation)	%		1.5	1.5	1.6	1.9
Number of certified environmentally friendly products ⁷	(products)					4

All financial figures refer to a consolidated basis, unless IHI Corporation is specified.

See pp. 49-50 for more detailed information on CSR.

¹ Net income ÷ total number of shares issued

² Net assets ÷ total number of shares issued


³ (operating income + interest and dividend income) after-tax ÷ (owner's equity + interest-bearing debt)

⁴ Net income ÷ (average of total assets at end of previous term and end of current term)

⁵ Net income ÷ (average of owner's equity at end of previous term and end of current term)

⁶ Interest-bearing debt ÷ net assets

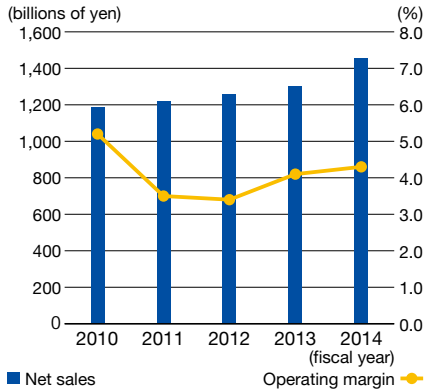
⁷ For further details, please see p. 38.

 For more detailed information, please refer to the websites below.

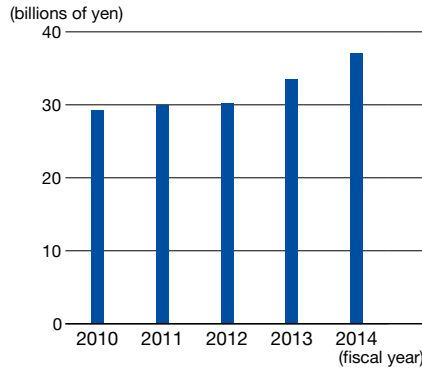
Financial: <http://www.ihico.jp/en/ir/index.html>

CSR: <http://www.ihico.jp/csr/english>

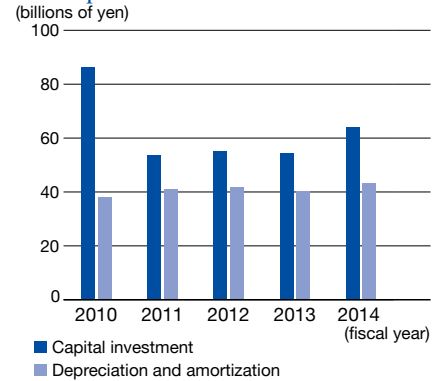
Net sales / Operating margin



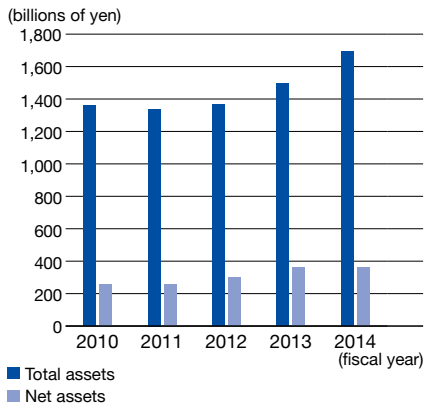
R&D expenses



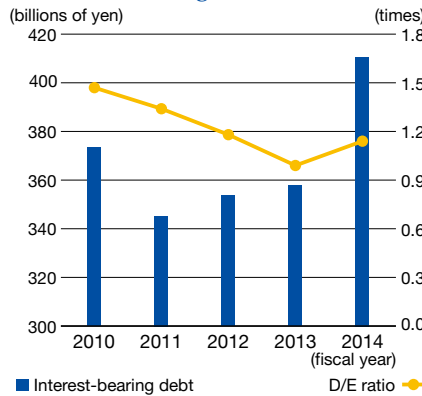
Investment in plant and equipment / Depreciation and amortization



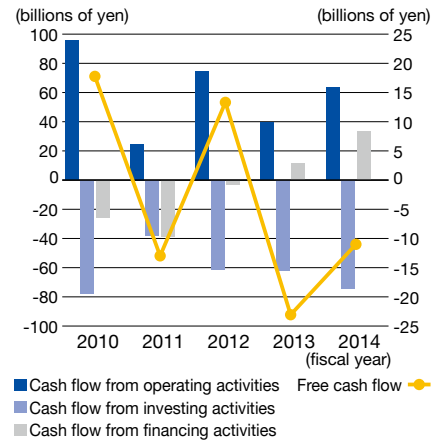
Total assets / Net assets



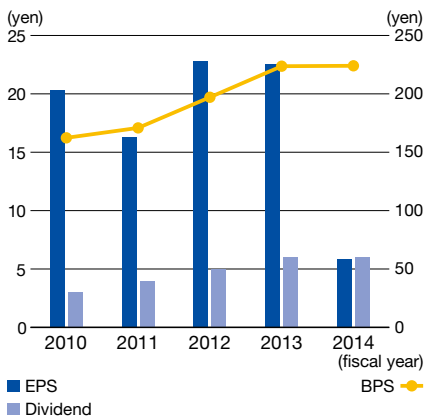
Interest-bearing debt / D/E ratio



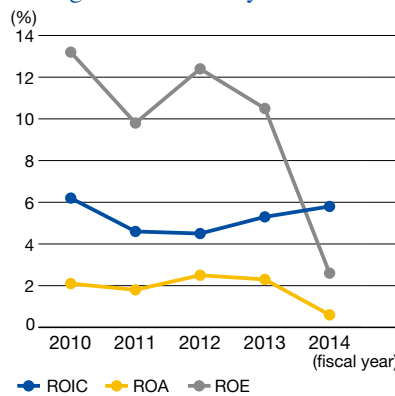
Cash flow



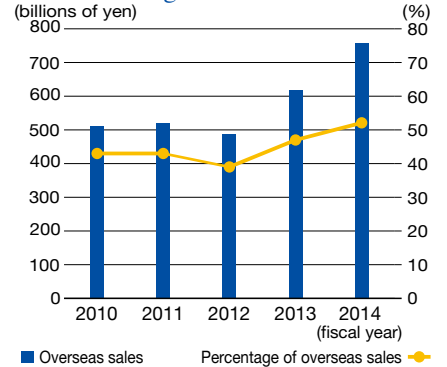
Per-share indicators



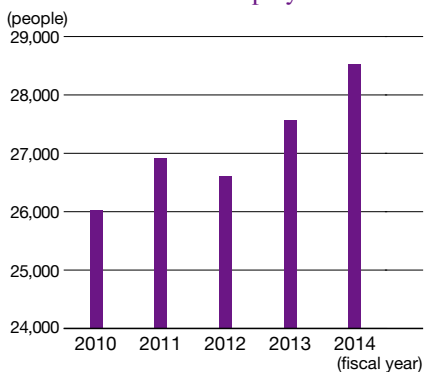
Management efficiency indicators



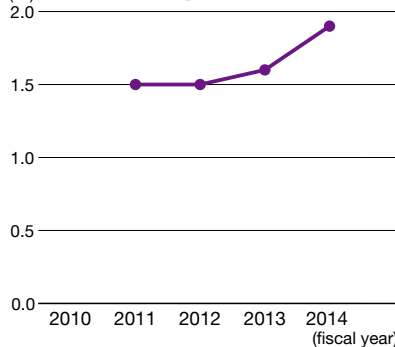
Overseas sales / Percentage of overseas sales



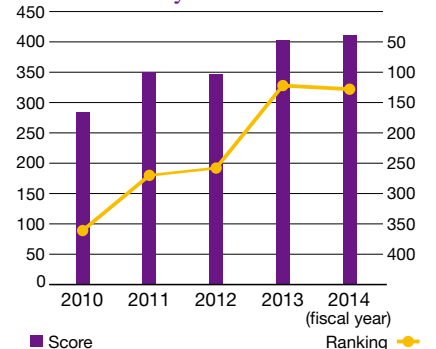
Number of employees



Percentage of female managers (IHI Corporation)



Nikkei Environmental Management Survey assessment



Business Strategies

Resources, Energy and Environment



■ Main Products

Boilers, power systems, motors for land and marine use, large marine motors, gas processing (storage facilities and process plants), nuclear power (components for nuclear power plants), environmental systems, pharmaceuticals (pharmaceutical plants), etc.

Social Infrastructure and Offshore Facilities



■ Main Products

Bridges, water gates, shield tunneling machines, transportation systems, urban development (real estate sales and rental), F-LNG (floating liquid natural gas storage facilities), offshore structures

Industrial Systems and General-Purpose Machinery



■ Main Products

Marine machinery, logistics systems, materials handling equipment, parking systems, steel manufacturing equipment, industrial machinery, heat/surface treatment machinery, papermaking machinery, vehicular turbochargers, compressors, separation equipment, marine turbochargers, construction machinery, agricultural machinery, small motors, etc.

Aero Engine, Space and Defense



■ Main Products

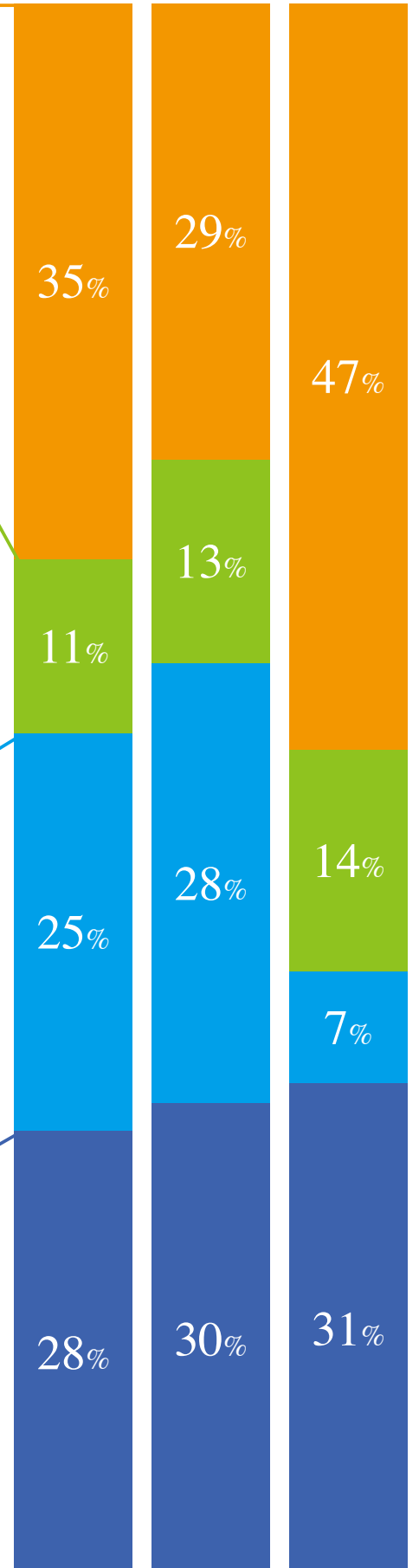
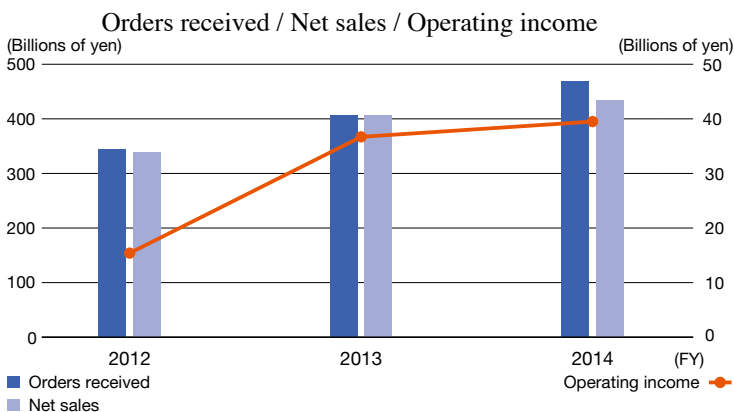
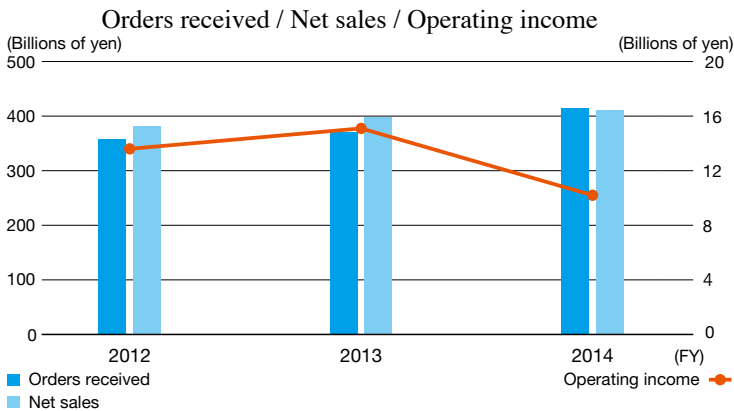
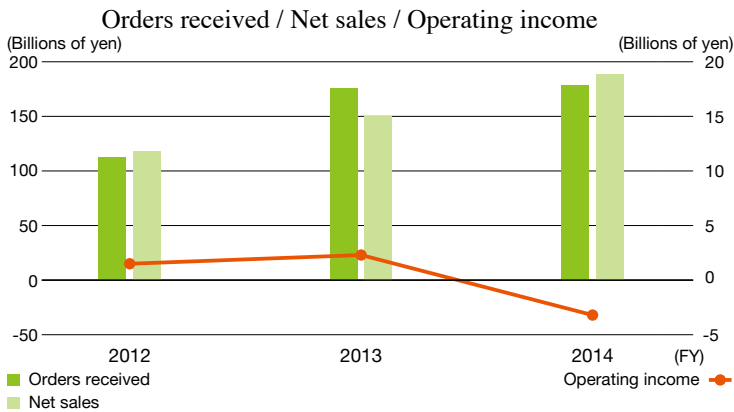
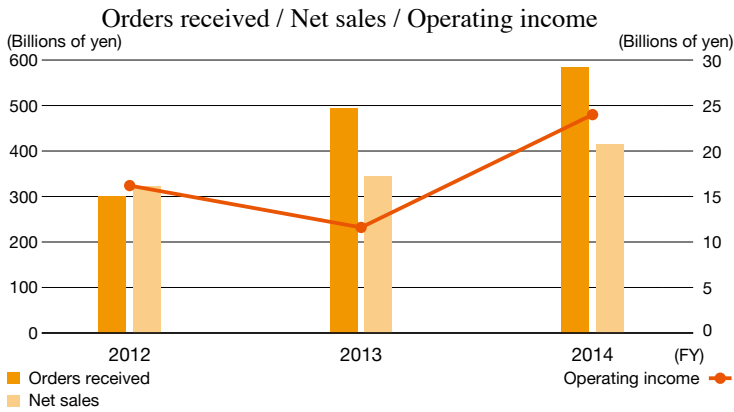
Aero engines, rocket systems/space utilization systems (equipment related to space exploration), defense systems, etc.

Photo courtesy of JAXA

Photo courtesy of JAXA

FY2014 Results

Orders received Net sales Orders on hand



Percentages may not total 100 due to rounding.

Resources, Energy and Environment



Overview of operations

To maintain the stable supply of energy essential to industrial progress and comfortable lifestyles, we offer customers both in Japan and overseas a wide range of core equipment such as power-generating boilers and LNG storage tanks in line with current global resource and energy trends.

We are committed to mitigating environmental impact, conserving resources and contributing to the realization of low-carbon societies. While meeting rising energy demands in emerging economies, we are also advancing the development of new technologies such as more efficient power generation facilities and promoting the utilization of renewable energy sources such as biomass fuels.

• FY2014 results

Orders received: Supported by increased orders for boilers and power systems, total orders were up 17.8% from the previous year at ¥582.7 billion.

Net sales: Increased sales in gas processes (storage facilities and process plants) and boilers enabled total sales to rise 20.7% from the previous year at ¥415.3 billion.

Operating income: Operating income rose 107.4% from the previous year to ¥24.0 billion, thanks to the depreciation of the yen and other factors.

• Our objective

To offer power generation systems that minimize environmental impact while maintaining stable supplies of energy

• Creation of value for society



Realize low-carbon societies



Provide stable energy supplies

• Major projects

Projects	Completion date
Cove Point natural gas liquefaction facility (USA)	FY2017
Boiler for ultra-supercritical coal-fired power plant (Morocco)	FY2018
Boiler for ultra-supercritical coal-fired power plant (Malaysia)	FY2019

FOCUS

Production of fertilizer feedstock from lignite coal: Commencement of demonstration operation for Twin IHI Gasifier (TIGAR™)

Lignite coal utilization has been limited because of its low calorific value and high moisture, and its high spontaneous combustion. However, amid pressing needs to prevent natural resource depletion, the world eagerly awaits the development of effective measures to utilize lignite coal, which is available in abundant reserves and for low prices.

TIGAR™ is a gasifier developed by IHI that incorporates circulating fluidized bed boiler technology to produce syngas for fertilizer feedstock from lignite coal. After launching research and development in 2004, we held an inauguration ceremony in February 2015 for a demonstration plant at an Indonesian state-run fertilizer factory. We will carry out continuous operation tests to verify the operability and endurance from now on. Once technical demonstrations are finished, we will proceed to commercial deployment.



Twin IHI Gasifier (TIGAR™)

Interview

Increasing our presence and working towards solutions for energy and environmental issues

Naoya Domoto

Board Director for Resources, Energy and Environment



Business environment and IHI's strengths

Growth fueled by rising energy demands

Global environmental issues are becoming ever more urgent as the industrialization of emerging nations increases energy demand.

From an economic and energy diversity standpoint, coal-fired power generation is expected to remain an important part of the energy mix for the foreseeable future. At the same time, there is a pressing need to cut CO₂ emissions.

In this market, IHI has captured a 30% share of the Japanese market and become a leading provider of technologies for highly efficient power generation and reduced environmental impact, including USC (ultra-supercritical) boilers, desulfurization equipment and NOx removal equipment. Global demand for LNG, a relatively clean energy source, is also growing, and IHI boasts the top share (50%) of the LNG tank market in Japan, the world's largest LNG importer. As these trends are expected to continue, we are confident our global business and value chain will continue to expand.

Business results for FY2014 and objectives for FY2015

Build our business through overseas expansion and green technology

In our business area, the focus is on expanding overseas and creating environmentally friendly products. In FY2014, we performed extremely well in terms of orders received, and we have a strong sense that people are increasingly looking to IHI for resource, energy and environment solutions.

Specific results include an order for a USC boiler for coal-fired power generation in Morocco, which will be Africa's first. We have also begun test operations in Indonesia for the Twin IHI Gasifier (TIGAR™) system, which we have been developing for many years. It utilizes lignite, a low-rank coal available in abundant reserves. Meanwhile, at the Callide Power Station in Australia, we have carried out the world's first successful test run of an integrated process in which oxy-fuel technology is applied to an existing coal-fired power plant, producing and selling power while capturing CO₂ emissions for underground injection.

In FY2015, we will move forward with a wide range of projects and are forecasting net sales of ¥480.0 billion and an

operating income of ¥31.0 billion. We are making satisfactory progress on the construction of a major project, the Cove Point natural gas liquefaction facility in the United States, with commencement of operation and handover of the facility scheduled for the end of 2017. Also, we are leveraging the advanced technology and rich experience of Steinmüller Engineering GmbH, a German engineering firm we acquired in June 2014, to boost our presence in the field of lignite-fired power generation boilers.

Outlook for the future

Building systems and technologies that transcend existing paradigms

We aim to better serve our customers by offering new types of support services that are not limited to existing business frameworks and that utilize ICT for effective diagnosis and maintenance of customers' facilities and equipment. Another one of our key goals is for IHI to offer fully integrated, upstream-to-downstream energy solutions.

Moving forward, we will continue building our technological capabilities and track record in this field, contributing to the resolution of social issues and the business performance of IHI. For example, in the area of coal-fired power generation, where reduction of CO₂ emissions is an issue, we are moving toward the realization of power plants with zero CO₂ emissions by combining three of IHI's technological strengths: high efficiency, biomass co-firing and CO₂ capture. Meanwhile, in industrializing nations, we are positioned to meet anticipated growth in demand for distributed and locally produced power sources.

As the world undergoes a major paradigm shift in how we meet energy needs, we aim to seize business opportunities effectively and contribute to the advancement of countries and regions across the globe. Our customers can continue to rely on IHI for construction of safe, secure and high-quality energy infrastructure.

Social Infrastructure and Offshore Facilities



Overview of operations

In social infrastructure, security, offshore and urban development, as well as in other areas, we build infrastructure that underpins society and ensures people can live in safety and security. We are contributing to the realization of low-carbon societies by improving the efficiency of urban functions, to a stable energy supply through development of marine resources and to the development of a safe, secure society through enhancement of urban functions.

• FY2014 results

Orders received: While we received fewer orders for bridges, orders for concrete construction materials rose, fueling 1.8% growth compared to the previous year at ¥178.7 billion.

Net sales: With increased sales of F-LNG/Offshore structure, bridges and urban development projects, net sales rose 25.5% compared to the previous year to ¥188.6 billion.

Operating income: While there were positive factors such as the depreciation of the yen and higher sales in the bridge and urban development categories, due to decreased profitability of F-LNG/Offshore structure and the impact of the Izmit Bay Crossing Bridge accident in Turkey, operating income fell by ¥5.6 billion from the previous year to a ¥3.2 billion deficit.

• Our objective

To offer technologies that enrich, maintain and improve infrastructure in a manner that harmonizes with society

• Creation of value for society



Realize low-carbon societies



Provide stable energy supplies



Respond to industrialization, advancement and urbanization

• Major projects

Projects	Completion date
F-LNG SPB tank for WISON Co.	FY2015
Water gate steel pipe construction for Nam Ngiep 1 Hydropower Plant	FY2018
Steel bridge package for India DFCC's Western Dedicated Freight Corridor	FY2019

FOCUS

Nhat Tan Bridge (Vietnam–Japan Friendship Bridge) opens

In October 2014, IHI Infrastructure Systems Co., Ltd. completed the Nhat Tan Bridge (Vietnam–Japan Friendship Bridge, total length 3,080m) over the Red River in central Hanoi, Vietnam. The Red River flows through Hanoi but is only spanned by a few bridges. As the economy has grown, an increasing number of freight vehicles have been forced to pass directly through the downtown area, worsening traffic congestion.

The completion of the Nhat Tan Bridge has alleviated traffic congestion downtown and improved the efficiency of logistics, making a significant contribution to Vietnamese economic development. And, as the alternate name Vietnam–Japan Friendship Bridge indicates, it is expected to stand as an important symbol of positive relations between the two nations.



Nhat Tan Bridge

Interview

Building social infrastructure on a global scale



Akinori Abe

Board Director for Social Infrastructure and Offshore Facility Business Units

Business environment and IHI's strengths

Meeting society's needs with the support of government initiatives

IHI's social infrastructure and offshore facilities business area embodies our management philosophy of contributing to the development of society through technology. Among our key strengths is our track record of launching a wide range of world-first products and our long history of successfully completing some of Japan's largest projects. In offshore projects, there has been growing acclaim for the IHI-SPB Tank^{*1}, a technology independently developed by IHI, leading to our first order for an F-LNG^{*2} facility and our re-entry into the LNG marine shipping sector last year. We have also been contributing to overseas infrastructure development, including steel bridges in Vietnam and Turkey, where we have been lauded for our advanced technologies and outstanding reliability.

Currently, our business area is being supported by Japanese government initiatives, including the Fundamental Plan for National Resilience and the Marine Frontier Development Strategy. The national resilience plan entails reinforcement, repair and improvement of social infrastructure such as roads and bridges over 50 years. For IHI, this means a long-term business opportunity spanning the next half-century.

We are also looking at substantial business growth as Japan prepares for the 2020 Tokyo Olympics and Paralympics.

Business results for FY2014 and objectives for FY2015

Steady implementation of construction projects and improved business

In FY2014, both the amount of orders received and business performance were up from the previous year. However, our operating income declined due to factors such as decreased profitability in some of our marine projects and an accident during construction work on the Izmit Bay Crossing Bridge in Turkey. However, with the cooperation of the entire company, we are working to complete projects and boost profitability. Following the Izmit Bay accident, we immediately established an investigative task force with the cooperation of Corporate Research & Development and are currently applying all

available resources to determining the cause and working on restoration. Through these efforts, we will get the project back on schedule and regain full customer trust.

For FY2015, we are forecasting sales of ¥180 billion, and it is crucial that we keep moving forward with work on existing orders. We must also respond effectively to potential demand for development of marine resources such as oil and gas and increase orders, including for maintenance, to meet expanding social infrastructure needs both in Japan and overseas.

The Toyosu ForesiaTM project, completed in August 2014, is a state-of-the-art office building that prioritizes reduced environmental impact and improved disaster preparedness. It has become a center of activity in Tokyo's Toyosu district. Moving forward, we will continue advancing key urban development projects like this, including a logistics hub in the Sunamachi district of Koto-ku, Tokyo.

Outlook for the future

Identifying society's potential safety and security needs

Over the medium to long term, we will achieve growth by coordinating multiple business units, identifying latent needs and delivering new value to society. We will apply our technological capabilities to the renewal of aging infrastructure in developed countries and a wide range of new social infrastructure projects to support the growth of developing nations.

The mission of this business unit is to take positive action to fulfill the needs and expectations of people worldwide and to contribute to the safety and security of society. As this field entails engaging with the forces of nature, there is much that is unpredictable and difficult, and for this reason we are always seeking determined people who can overcome these challenges. Moving forward, we will continue to build social infrastructure on a global scale, sharing the rewards and accomplishments with everyone, including our younger employees.

^{*1} SPB: Self-supporting Prismatic Shape IMO type B

^{*2} F-LNG: Floating Liquefied Natural Gas

Industrial Systems and General-Purpose Machinery



Overview of operations

We offer innovative systems and optimal solutions that help our customers enhance manufacturing processes and create more sophisticated products that will satisfy their customers in the years ahead. We are working for the advancement of industrial infrastructure around the world to realize the energy efficiency and environmental performance necessary for a comfortable, safe and secure society.

• FY2014 results

Orders received: While there was a negative impact from the divestiture of the rolling mill business, growth in vehicular turbochargers and transport machinery brought orders up 12.0% from the previous year to ¥415.0 billion.

Net sales: While transport machinery sales fell and the rolling mill business was spun off, vehicular turbocharger sales rose, resulting in 3.5% growth compared to last year at ¥411.7 billion.

Operating income: Operating income fell 32.2% compared to the previous year to ¥10.2 billion due to an increase in R&D costs and other selling and administrative expenses.

• Our objective

To offer technologies that underpin sustainable business activities and lifestyles, taking resources, energy, the environment and people's wellbeing into consideration

• Creation of value for society



Realize low-carbon societies



Respond to industrialization, advancement and urbanization

• Major projects

Projects	Start of mass production
Received orders from several customers for turbochargers to downsize gasoline engines (Japan)	FY2015
Received order from European customer for a gasoline engine turbocharger project (North America)	FY2015

FOCUS

Organic Rankine Cycle Power Generator produces electricity from hot water

Our Heat Recovery HR Series generates up to 20kW of electricity from water at 70 to 95 C, achieving high-efficiency power generation at a compact size by utilizing turbomachinery technology developed by IHI over many years. HR Series generators can be connected to existing electrical power transmission networks of electric power companies, so they help customers not only to save energy, but also to generate locally produced and consumed energy. They are especially suitable for use at factories that emit hot wastewater and for hot spring areas. Our first unit was delivered to the Shichimi Onsen Hotel *Keizantei* in a hot spring district of Nagano Prefecture. It went into operation in March 2014, meeting the customer's wish to make its hotel more environmentally friendly.



Heat Recovery HR Series: Organic Rankine Cycle Power Generator

Interview

Connecting a wide variety of businesses and realizing further growth



Hiroyuki Otani

Board Director for Industrial Systems and
General Purpose Machinery Business Units

Business environment and IHI's strengths

Expanding market, particularly for vehicular turbochargers and transport machinery

In our business area, we provide a wide variety of products and services indispensable for industry. Business results are particularly strong in the areas of vehicular turbochargers, a market predicted to have an average annual growth rate of 9.2% due to tightening environmental regulations worldwide, and transport machinery, a market propelled by rising demand for coal in emerging economies.

Under these favorable market conditions, our strength lies in the advanced manufacturing technologies and “*Monozukuri*” technologies for steel structures, welding and rotating machinery that we have developed over 160 years since our founding as a shipbuilding enterprise. Leveraging these technologies, we are earning high acclaim from customers for our comprehensive expertise and skill in building entire systems.

Business results for FY2014 and objectives for FY2015

Further boost sales and strengthen competitiveness

In FY2014, there was relatively stable growth in sales, but there is room for improvement in terms of profitability.

Our vehicular turbocharger business performed well and propelled us forward as a whole, but there were difficulties in improving sales and boosting profitability in several other business units. We are keenly aware that as we move forward, it will be necessary to leverage our technological superiority to heighten competitiveness, particularly in sectors where strong market growth is forecasted.

During FY2015, we will further accelerate efforts based around the Three *Tsunagu* (Links) initiative and are predicting ¥430.0 billion in sales and ¥14.0 billion in operating income. To achieve these goals, we are focusing on making inroads into overseas markets such as China and India, taking proactive steps including M&As. We are also moving to expand services based on product lifecycle, including ICT-based preventive upkeep and other maintenance services.

Outlook for the future

Strengthening cross-divisional functions to meet society's expectations

In addition to the efforts I just described, it is crucial that we connect the products we have been offering individually into integrated systems to effectively meet new needs.

This business unit currently consists of 16 businesses, but many of these originally developed out of the same products and technologies. It is important that we take advantage of this connectedness by establishing links among dispersed resources, including technologies and production sites, so as to establish a framework within which the Group can leverage its comprehensive strengths, emphasizing speed and efficiency.

Aiming to capitalize on that synergy, we established the *Monozukuri* Management Department in July 2015 as an organization connecting the global Group horizontally to enable us to forge links among dispersed resources and maximize our comprehensive strengths.

It is also crucial that we address issues facing society. Good examples of current products that do this are our *EvaCryo™* vacuum degreaser and our small-scale binary electric power generator, both of which consume dramatically less power than conventional models and drastically reduce environmental impact. We are confident that focusing on these areas will generate new business opportunities and serve as a wellspring of sustained growth in the future.

Aero Engine, Space and Defense



Overview of operations

In the aero engine and space business unit, we draw on our unique technologies and “*Monozukuri*” technologies to open up new possibilities in the sky and outer space. Continuously exploring and expanding our range of state-of-the-art technologies, we offer systems that help make air travel and transport more comfortable, safer and better for the environment, while expanding space utilization and development to help spread related services and software to benefit humankind.

• FY2014 results

Orders received: Thanks to increased orders of aero engines, rocket and space systems, the orders received grew 15.0% compared with the previous year to ¥468.0 billion.

Net sales: Thanks to factors including the depreciation of the yen and an increase in civil aero engines delivered, we achieved 7.1% growth compared with the previous year at ¥434.8 billion.

Operating income: Despite a rise in R&D costs, operating income rose 7.8% compared with the previous year to ¥39.5 billion thanks to increased revenue and profitability from civil aero engines.

• Our objective

We provide safe, convenient and environmentally friendly air transportation systems. We also develop technology for space exploration and utilization for the advancement of society.

• Creation of value for society



Realize low-carbon societies



Respond to industrialization, advancement and urbanization

• Major projects

Aero engine (model)	Date airplanes using engine go into service
PW1100G-JM	FY2015
GE9X	FY2020

FOCUS

Participation in development of next-generation GE9X engine

In 2014, IHI decided to participate in the GE9X program for this next-generation engine being developed by General Electric (USA). The GE9X, the successor to the GE90 powering Boeing 777, will power the Boeing 777X aircraft scheduled to enter service in 2020. IHI will be responsible mainly for the design and manufacture of low-pressure turbine with over 10% of the program share. The GE9X is the 100,000-pound thrust class large commercial aero engine and it is targeted to achieve 10 percent better fuel burn than the current GE90.



Next-generation GE9X engine

Interview

Driving the growth of IHI with our unique technologies and “*Monozukuri*” technologies

Tsugio Mitsuoka

Board Director for Aero Engine, Space and Defense



Business environment and IHI's strengths

Growth expected in the civil aero engine market

In our business area, there is an extremely long period between commencing R&D and commercial launch, often 20 years or more. IHI launched its full-fledged civil aero engine business in 1981.

Today, the civil aero engine market is projected to continue growing steadily at a rate of around 5% year-on-year for the next 20 years. Thus far, IHI has built up a product portfolio that meets diverse needs by participating top-selling engine programs, ranging from small planes to large aircraft, demonstrating the capability to meet a wide range of customer needs. The greatest strengths attained over many years in this industry are without a doubt unique technologies and “*Monozukuri*” technologies. For example, we have developed composite materials to boost fuel economy that have been highly appreciated by customers, which has greatly contributed to our competitiveness in this market.

Business results for FY2014 and objectives for FY2015

Implementation of three priorities

Based on Group Management Policies 2013, we are moving forward with a focus on (1) creating new value through products and services that utilize our unique technological capabilities, (2) winning more contracts for our after-market business, and (3) further increasing the sophistication of our manufacturing systems.

In FY2014, the PW1100G-JM aero engine, a new model to be used in the Airbus A320neo, acquired type approval. We made steady progress in expanding business in defense aero engines and after-market services for the V2500 civil aero engine series. In addition, we took steps to enhance our manufacturing systems, including building a line for mass production of new composite materials, ensuring timely order fulfillment and boosting competitiveness.

In FY2015, we are aiming for sales of ¥470.0 billion and operating income of ¥43.0 billion. We also are moving to strengthen our cash flow by reducing inventory while simultaneously expanding mass production of aero engines,

which are selling robustly, and pursuing R&D on next-generation engines.

Outlook for the future

Realizing safety, security and comfort, as well as environmental friendliness

With aero engines, there are always calls to increase fuel efficiency, so one of our challenges is to improve environmental performance. Ensuring the safety, security, and comfort of air transport is another important way we contribute to society.

With increasing amounts of passengers and freight being transported by planes, it is ever more crucial that we minimize CO₂ and NO_x emissions and noise pollution. IHI has decided to participate in development of the next-generation GE9X civil aero engine, led by General Electric (USA), which is to be approximately 10% more fuel-efficient than the current GE90, making a substantial contribution to reducing energy consumption. Realizing practical uses for engine materials such as composite fiber reinforced polymer (CFRP) and ceramic matrix composite (CMC) would enable us to develop technologies that could reduce environmental burdens.

In the space field, by combining the Epsilon rocket, which successfully launched in 2013, with the sensors and measurement equipment technologies of Meisei Electric Co., Ltd., we expect to explore possibilities for the expanded space utilization and development to help spread related services and software to benefit humankind.

The overall volume of air travel and transport is projected to triple over the next 20 years. It is absolutely crucial that we compensate for increased demand by lessening environmental load. In the years ahead, this business unit will continue addressing these issues so as to fulfill its responsibility to society.

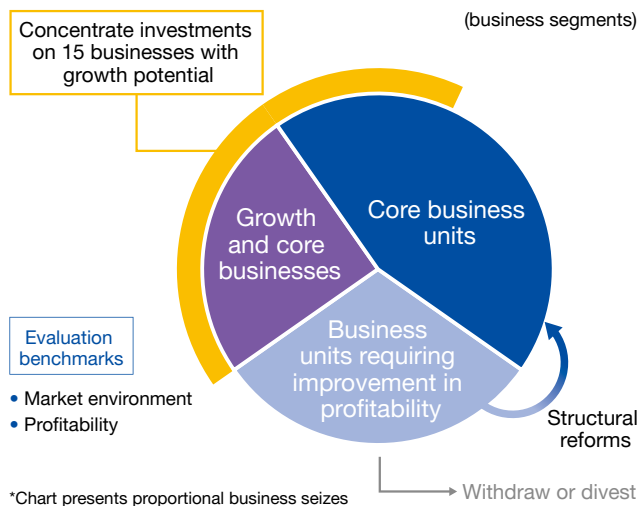
Portfolio Management

This section outlines IHI's approach to portfolio management.

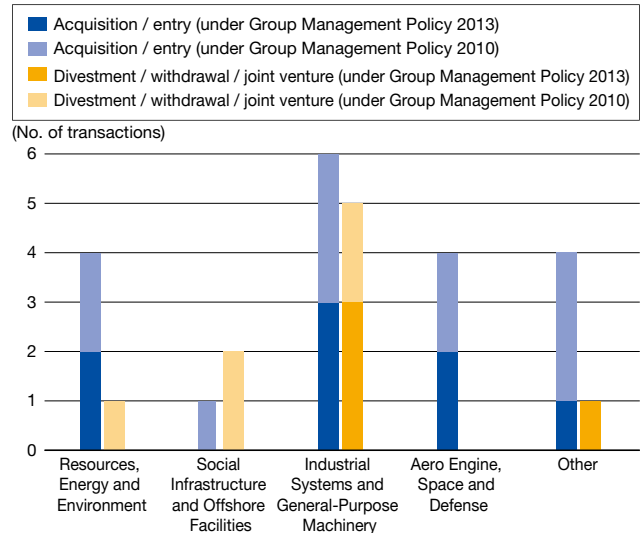
Approach to portfolio management

Group Management Policies 2013 clearly places our business units into three categories: units of focus, key units that drive profitability and units where business performance needs improvement. In addition to investing proactively in business units where growth is forecast, we are carrying out structural reforms of business units requiring improved profitability and eliminating or selling off units that are not expected to improve.

Business selection and concentration



Number of transactions since 2010 (by business area)



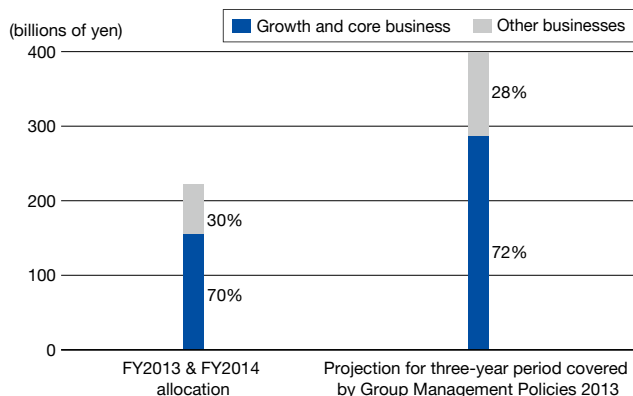
Reinforcing portfolio management

The key issues we face in portfolio management are strengthening effectiveness and enhancing capital efficiency, and we intend to outline specific strategies for addressing them in the next mid-term management plan. With regard to effectiveness, we will formulate a mission for each business unit that sets numerical targets based on the difference between where we are and where we would like to be. We will also establish mechanisms for management and the heads of business units to share information and strengthen involvement at the corporate level. To enhance capital efficiency, IHI set a target for its return on invested capital (ROIC). We will calculate ROIC for each business unit, and factor it into our evaluation benchmarks. Along with the cash flow improvement activities we have been pursuing since FY2014, we have already begun to factor ROIC evaluation into improvement measures such as asset reduction.

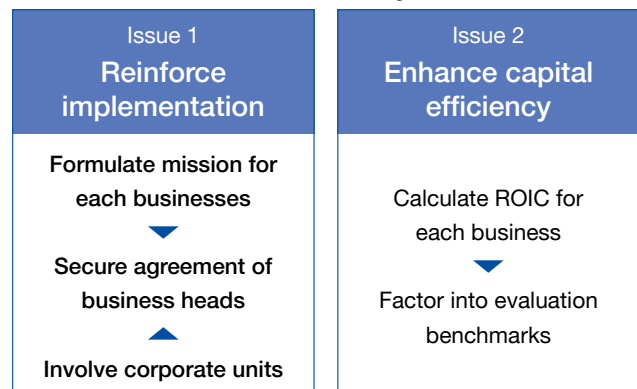
Investment allocation results

In addition to acquisitions and expansion in business units where growth is projected, we have been moving to reorganize our current portfolio of business units, including establishing a joint company for steelmaking furnaces and consolidating our rolling mill business. Approximately 70% of the funds invested under Group Management Policies 2013 consists of consolidated investment in projected growth areas.

Investment allocation results



The next Midterm Business Policy



Business Models

IHI achieves growth through a diverse range of businesses.

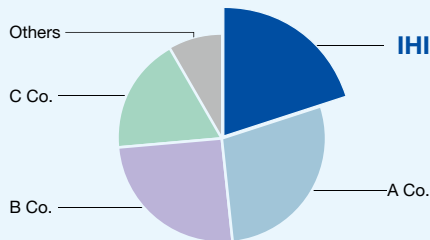
Here, we showcase business models for two of the core businesses that are propelling Group growth.

Vehicular turbocharger business

With environmental regulations being tightened globally, there is a widespread need to boost vehicle fuel efficiency. This is driving expansion of the vehicular turbocharger market, which is projected to grow at an average annual rate of 9.2% through 2020.

IHI's vehicular turbocharger business unit has a history stretching back 60 years, with over 50 million units sold. Our turbochargers are compatible with a wide range of vehicles, and the business unit has the global manufacturing framework and technological capability to meet sophisticated demands. We will continue expanding into emerging economies and other high-volume markets and developing sophisticated next-generation engine systems, so as to deliver products with maximum added value. These measures will significantly expand sales.

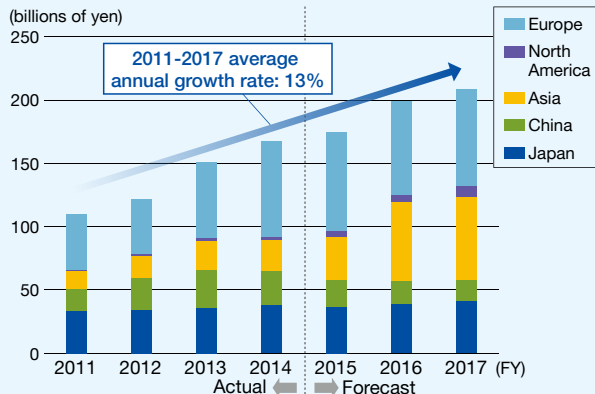
Global market share (2013) (Sales base)



Source: Third-party and IHI surveys

In a business climate characterized by ever-intensifying competition, IHI is one of four major players in the global market for vehicular turbochargers. We supply products to a broad spectrum of customers, not only for passenger vehicles but also for commercial vehicles, small marine vessels and equipment for agriculture and construction.

Projected performance

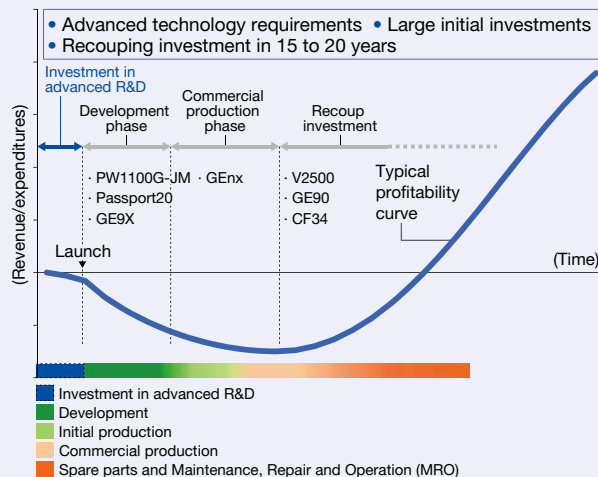


IHI sales are expected to grow at an average annual rate of 13% between fiscal 2011 and 2017. The cumulative number of units sold topped 50 million in FY2014. Moving forward, we will aim to maintain double-digit growth and substantially expand sales.

Aero engine business

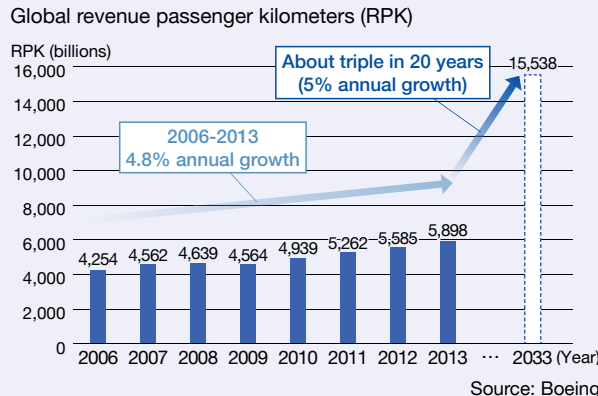
The global market for civil aero engines is expected to grow at an average annual rate of 5%, supported by economic development and population growth in emerging nations. In addition to participating in programs for the development and mass production of top-selling engines in classes ranging from small planes to large aircraft, we have developed new materials that help boost fuel economy and other manufacturing technologies. These have cemented our position as a top global player. In the near term, there will be a rise in initial costs as we embark on a second round of development and mass production. The total number of units sold has exceeded 13,000 and we are steadily enlarging our aftermarket business.

Features of our business model



The aero engine business is characterized by large initial investments, which are recouped over a period of 15 to 20 years.

Global market environment:



Robust growth is projected for the number of air passengers due to economic development and population growth in emerging economies.

Shared Group Functions

Realizing Growth Through the Three Links (*Tsunagu*)

Objectives

In Group Management Policies 2013, solution & engineering, intelligent information management and global marketing are the three shared Group functions that should be strengthened to achieve growth through the Three Links (*Tsunagu*).

Main tasks and challenges

The Three Links (<i>Tsunagu</i>)	Results in FY2014	Strategies for FY2015
Solution & engineering	<ul style="list-style-type: none"> Entrenched solution-based sales and increased number of projects in progress Made steady progress on projects 	<ul style="list-style-type: none"> Share successful case examples throughout the Group Contribute to growth through materialization of specific projects
Intelligent information management	<ul style="list-style-type: none"> Expanded application of control systems and common remote maintenance platforms Launched efforts to use sensing technologies and ICT for more sophisticated manufacturing and services 	<ul style="list-style-type: none"> Develop framework for collection and analysis of big data for business operations Create new business models utilizing sensing technologies and ICT
Global business	<ul style="list-style-type: none"> Built multi-layered networks with customers, particularly in priority countries Implemented regional internal audits via regional headquarters 	<ul style="list-style-type: none"> Establish business models tailored to regional needs and strengthen marketing functions for them Further reinforce business management functions at regional headquarters Establish mechanisms for better human resource development and optimum deployment

Value Creation of IHI Products and Services

IHI is utilizing ICT (information and communications technology) to develop services that generate new value and benefit customers. For example, we are developing a new maintenance mechanism that enables us, with the permission of customers, to collect and analyze big data on our products' operations, utilization and environment, which can be used for preventive maintenance, lifespan prediction and remote control.

This mechanism is currently incorporated in over 200 devices in 10 business units, six of which are already utilizing it commercially to improve the speed and efficiency of repairs. Moving forward, we will analyze the data collected and work towards the capability to prevent trouble before it even starts.



Image of ICT utilization

TOPIC

Expanding our business in Vietnam

Vietnam is showing considerable potential for continued growth in terms of population, GDP growth rate, and strengthened infrastructure development supported by aid from the Japanese government. Vietnam is one of the most important markets for IHI.

To strengthen and promote the IHI brand, we co-hosted the IHI Forum in October 2014 with Vietnam's Foreign Investment Agency (FIA) of the Ministry of Planning and Investment, with the theme "Vietnam 2020 and Beyond: Modernization for the next stage of growth." In addition to presenting some of the diverse solutions IHI can offer, we were able to engage with guests and Vietnamese stakeholders at the reception.

We will continue to build brand awareness and trust to expand our involvement in Vietnam as a part of our global strategy.



IHI Forum 2014 (Vietnam)

Development of New Businesses

Objectives

IHI, and in particular the Corporate Business Development Division, is enhancing and accelerating the creation of new businesses with the potential to become growth/core businesses in the future. We are incubating these new businesses in a wide range of fields, with the aim of contributing to sustainable societies.

Key results

Area	Results
Exploring new business fields	<ul style="list-style-type: none"> Began a collaboration with a venture capital firm with bases in Silicon Valley and Tokyo that has a strong record in developing startups, to collect information for exploring new businesses, particularly in life sciences, food and water as stipulated in Group Management Policies 2013
Biofuel from algae	<ul style="list-style-type: none"> Established IHI NeoG Algae with Gene and Gene Technology Corporation and Chitose Laboratory Corporation (formerly Neo-Morgan Laboratory) to produce and sell biofuel through mass-cultivation of fast-growing <i>Botryococcus braunii</i> algae 2013: successfully achieved stable outdoor cultivation of algae for biofuel in a 100m²-scale pond at our Yokohama facility 2015: completed construction of a test facility with a scaled-up 1,500m² open pond and started operations to cultivate algae in Kagoshima Prefecture for a project commissioned by NEDO
Agricultural information services	<ul style="list-style-type: none"> Began using Field Touch, an agricultural production support system that uses crop and environmental sensing, on a trial basis to supply information to producers in the Tokachi Obihiro area Exhibited at the 33rd International Agricultural Machinery Show in Obihiro in July 2014 and at Agro-Innovation 2014 in November Supplied video content about new technologies to the Japan pavilion at the Milan Expo (opened May 2015)
Manufacturing active pharmaceutical ingredients for influenza vaccines	<ul style="list-style-type: none"> Began collaboration to manufacture active pharmaceutical ingredients for influenza vaccines with UMN Pharma, whose cell culture technology cuts manufacturing time by two-thirds compared with traditional methods; findings are being shared with IHI Group's pharmaceutical plant construction business to enhance operations Completed test production program at UNIGEN Gifu plant; UMN Pharma and Astellas Pharma achieved the primary endpoint in Phase III clinical trials for their seasonal influenza vaccine and applied for manufacturing and marketing approval in May 2014

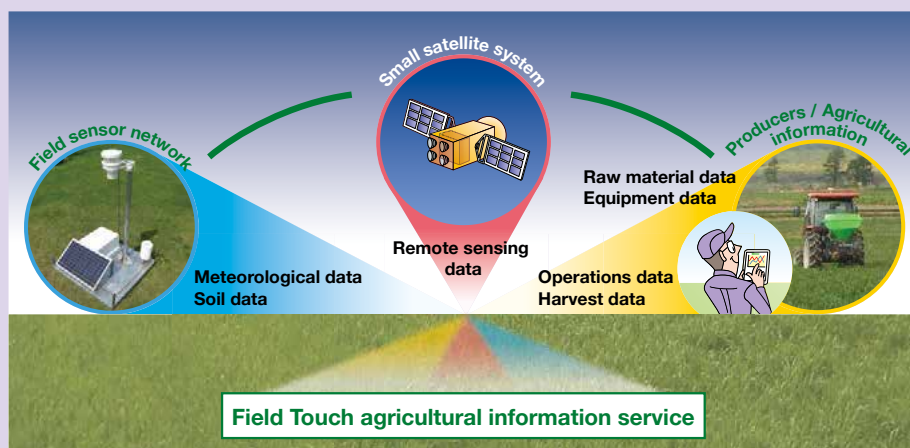
TOPIC

Agricultural information services

IHI is developing IHI Agricultural Information Services with technologies developed in the space, weather observation and agricultural equipment fields. This service uses agricultural ICT, particularly crop and environmental sensing applications, to collect, process and deliver information on crop growth, on-site work progress and local weather and environmental conditions.

As of FY2014, we are supplying information on a trial basis to nearly 300 producers interested in remote monitoring in the Tokachi Obihiro area. In the future, we aim to offer this system so food and logistics companies can remotely monitor production sites to boost the quality of crops, reduce costs and accurately predict harvest times. This not only will

offer agricultural producers support for business planning, implementation and improvement, it also will contribute to sustainable agriculture and food safety and security.



How Field Touch Works

Research and Development



For more detailed information, please visit IHI website.

IHI Research & Development

Search

<http://www.ihi.co.jp/en/technology/>



IHI Tsunagu Lab

Research and development (R&D) is the starting point of IHI's management philosophy to contribute to the development of society through technology. To utilize the strengths of the entire Group without being constrained by organizational barriers, we are constantly advancing R&D by unifying our

technology strategies and management policies.

Our R&D is focused in key fields and aligned with the three megatrends of Smart infrastructures, Information technology advances, and Increasingly intertwined global economy.

Smart Social Infrastructure

- Improve energy efficiencies, reduce environmental loads and diversify energy sources
- Resolve safety and security issues across the entire life cycle of infrastructure

Information technology advances

- Convert massive amounts of data into valuable information

Increasingly intertwined global economy

- Strategically balance competition and cooperation with rivals
- Promote open innovation

Common technologies to refine products and services

- Control technology and ICT utilization
- Thermal-energy-management technology
- Advanced-manufacturing technology
- Preventive-maintenance technology
- Electrically driven technology

Specifically focused technologies to accelerate growth

- Rotating-machinery technology
- Chemical-process technology

Basic technologies

- Structural-strength technology
- Material technology
- Combustion technology
- Heat and fluid technology
- Vibration and machine element technology
- Welding technology

Adapting Marine Rotating Machinery Technology to Land and Sky

IHI started out as a shipbuilding company and, even today, one of our major strengths is in rotating machinery, which has evolved from marine steam turbines into diverse IHI products. Aero engines, vehicular turbochargers and gas turbines for power generation systems have become main products. We maintain our competitive edge (1) by advancing performance through new materials, and

advanced technology for structural and aerodynamic design and control and (2) by improving production efficiency and launching new services. We will continue advancing R&D that leverages our world-class rotating-machinery technology to address crucial energy and environmental issues, and contribute to IHI's growth.

In accordance with our Group Management Policies, we pursue R&D for IHI's growth and society's prosperity

Akira Tateno

Executive Officer, General Director of Corporate Research & Development

Our R&D initiatives are aimed not only at improving products and/or services and boosting competitiveness, but also at creating new value for future business. Corporate Research & Development has over 650 employees working on basic and common technologies across IHI to maintain our core technologies. Here, General Manager Akira Tateno discusses IHI's latest R&D initiatives.



Advancing R&D in line with technology strategy

With regard to smart infrastructure, we are pursuing initiatives that improve energy efficiencies, reduce environmental load and diversify energy sources. Examples include Advanced Ultra-Supercritical (A-USC) boilers for high-efficiency thermal power-generation systems, carbon dioxide capture and storage (CCS) systems and the development of technologies to harness renewable energy sources, such as algae biofuels and ocean currents. We are also focusing on boosting the fuel economy of aero engines and enhancing our vehicular turbochargers with smaller designs and increased fuel efficiency. We are developing Friction Stir Welding (FSW) technology for consistently high joint quality in our proprietary Self-Supporting Prismatic Shape IMO type B (IHI-SPB)³ aluminum tanks, which are used to efficiently transport and store environmentally friendly liquefied natural gas.

To address issues that arise over the life cycle of infrastructure, we are working on preventive maintenance systems that offer improved performance, failure prediction and remote maintenance. The systems incorporate analysis of big data from the monitoring of crucial infrastructure such as large transport machinery and bridges, as well as power plants and aero engines.

In the area of advanced, highly networked IT, we are carrying out R&D aimed at converting massive amounts of data into valuable information for new services and business areas. We have developed the IHI group Lifecycle Partner System (ILIPS™), which collects and stores data on product operation on a secure, dedicated Internet server. ILIPS™ is a common platform that enables not only remote surveillance but also timely component replacement through failure prediction. We are now expanding our range of supported information and devices for more sophisticated data analysis.

To address the increasingly complex global economy, we are committed to open innovation targeting timely value-creation. We have dispatched researchers known as Technology Attachés to New York, London and Singapore to reinforce our global R&D network, and we opened IHI *Tsunagu* Lab at our Yokohama Engineering Center. Customers and other stakeholders come to the lab to collaborate with us on value creation and innovation, linking needs to new ideas through technologies, people and information.

Turning open innovation into opportunity

IHI started out in the shipbuilding industry and then expanded into machinery and plant systems. Today, as society evolves and needs continue to change, we are broadening our range of technologies and applying them to new businesses. For example, in the field of 3D laser radar systems, we leveraged our electronics, control and ICT expertise to develop an all-weather obstacle detection system for railroad crossings that has been widely adopted in Japan and abroad. Also, as part of our initiative to develop Intelligent Transport Systems (ITS), we conducted a demonstration test for a traffic intersection security system in Singapore with a local partner, the Institute for Infocomm Research (I²R). We are also developing a cable-free, wireless charging system for electric vehicles that combines IHI's electronics and control technologies and the advanced application of magnetic resonance technology from U.S.-based WiTricity. Moving forward, we will partner with automakers to commercialize the system and promote its international standardization.

Sources of Our Technological Strength

IHI's business extends across a wide range of fields, which are linked horizontally by our Corporate Research & Development Operations unit. One of our major strengths is the ability to deploy manufacturing skills across various fields. For example, we applied our expertise in aero engine materials and design to vehicular turbochargers. One of the renewable energy initiatives we are pursuing is a power-generation system that uses turbines driven by stable ocean currents, such as the Philippine Current. Backed by our expertise in offshore structures and rotating machinery, we are uniquely suited to execute such projects.

IHI believes that human resources are its single most valuable asset. Indeed, our technological strength is rooted in our people. To succeed at the global level, a company needs engineers with excellent communication skills to gain the trust of customers and partners, and reliable, highly competent experts who can address diverse technical challenges. We will continue to invest in superior human resources to earn the trust of stakeholders through our skill in executing diverse projects.

Human Resources

FY2014 Data

Number of Groups' employees

Region	Number of people
Japan	22,504
Asia and Oceania	3,231
Americas	1,074
Europe, Middle East and Africa	1,724
Total	28,533

As of March 31, 2015

Recruitment (IHI Corporation)

	2013	2014	2015
Engineering personnel	152 (10)	165 (10)	196 (23)
Administrative personnel	47 (17)	46(16)	51 (20)
Japanese employees who graduated from Universities in overseas.	2 (1)	2 (1)	3 (0)
Non-Japanese employees	13 (5)	10 (4)	7 (2)
Total	214	223	257

Number of female employees are in ()

Number of Female Managers (IHI Corporation)

	Number of people	Percentage of total
2012	41	1.5%
2013	44	1.6%
2014	51	1.9%
2015	60	2.1%
FY2018 target	75 or more	3.0% or higher



For more detailed information, please visit IHI Sustainability website.

IHI Human Resources

<http://www.ihi.co.jp/csr/english/>

Human Resource Management

The IHI management philosophy clearly states that human resources are the single most valuable asset. We firmly believe it is necessary to develop a supportive workplaces environment with common values at its core by putting structures in place that help each employee realize his or her full potentials.

From this perspective, we formulated the Group Human Resource Management Policy in 2013, which defines five common values shared by all employees and sets forth guidelines based around the keywords of “group,” “global” and “diversity.”

Additionally, the growth strategy outlined in Group Management Policies 2013 states that for the company to develop, human resources must be developed as well. Our Group Human Resource Management Policy calls for the creation of a roadmap for hiring, staffing, development, evaluation, remuneration, HR division within IHI Group, improvement of the work environment, prioritizing certain objectives and outlining specific measures to meet them.

Group Human Resource Management Policy

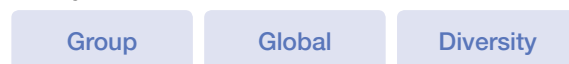
In line with IHI's management principles and Group vision, IHI creates customer value by leveraging engineering expertise centered on “*Monozukuri*” technology.

- 1 In order to become an enterprise with distinguished global professionals who strive to excel in “*Monozukuri*” Technology and engineering technologies with world-renowned high quality products, ideal human resources shall be enhanced and shall serve as a shared value of Employees within the group.
- 2 Ideal human resources shall serve as the foundation for establishment of HR management policies in order to provide Employees with opportunities for development.
- 3 Providing a work environment where people of diverse backgrounds can demonstrate their abilities and are in tune with the management principles and Group vision of IHI.

► Ideal Human Resources



► Keywords



Diversity Promotion

IHI believes diversity is crucial to fostering a corporate culture of creativity and innovation. The company's diversity-promotion initiatives are focused on women, non-Japanese, persons with disabilities and seniors.

■ Promoting More Female Managers

As a crucial part of our growth strategy, IHI is actively recruiting outstanding female employees, fostering their professional development and cultivating an environment in which they can thrive.

By fiscal 2018, IHI aims to have at least 75 female managers level or higher, including 3 percent of accounting managers.

We are also committed to making all employees more aware and supportive of women in the workplace and are working with Group companies on this initiative.

Focus

Network Leaders: Female managers supporting female employees

We introduced the Network Leader program in FY2013 to foster our development of female employees. In FY2014, nine female managers were appointed Network Leaders.

Network Leaders organize workshops and study sessions to help women share information and address issues related to career development and work-life balance.



Training session

Human Resource Development

The IHI Group Human Resource Management Policy explains that IHI cannot grow unless its people grow. Based on this philosophy, we have enhanced our human resource-development initiatives by building a training facility and have been organizing various seminars.

In March 2015, we completed the IHI Human Resources Development & Communication Center, called I-STEP Shonan, a core facility for human resources training located in Yokosuka, Kanagawa Prefecture.

The I refers to the growth of both the individual and IHI. STEP is an acronym for Sympathy, Training, Exchange and Practice, which together will enable our employees to take a step up.

Through the learning and interaction at I-STEP Shonan, we will convey IHI's organizational DNA, including our management philosophy, history, vision and Ideal Human Resources, to our global employees and cultivate the mentality and skills expected of everyone at IHI.



I-STEP Shonan has one underground and five aboveground floors and contains training rooms, an international meeting facility, a dining hall and a communal bathing area, as well as accommodations for overnight stays.

Developing people-friendly work environments

IHI consistently fosters people-friendly workplaces where all employees can realize their full potential. Specific areas of focus include health and safety, risk management, mental health support and developing relationships of mutual trust with the labor union.

Environment

FY2014 Performance

CO₂ emissions from business activities

275,000 tons

Number of certified environmentally friendly products

4

CDP Climate Change 2014 Program scores

Climate disclosure score

97

Climate performance band

A



For more detailed information, please visit IHI Sustainability website.

IHI Environment Search

<http://www.ihi.co.jp/csr/english/>

Promoting environmental management

We formulated IHI Group Environmental Vision 2013, our environmental action plan through FY2018, based on the realization that we must keep improving our environmental management. It has three main goals: reducing environmental burden through products and services, reducing environmental burden through business operations and promoting Group environmental management. We are currently developing the necessary foundations to make the Vision a reality.

IHI Group Environmental Vision 2013

IHI is committed to making environmental sustainability an integral part of all Group companies through cooperation with our customers and business partners around the world.

Targets and results

We are currently implementing the three-year IHI Group Environmental Vision 2013 in tandem with IHI Group Management Policies 2013. The results for fiscal 2014 were as follows.

Self-assessment of environmental action plan implementation

Area of activity	Self-assessment
Promote environmental management	
Establish environmentally aware business framework	C
Utilize environmental management systems	C
Reduce environmental risks	A
Environmental communication	A
Provide environmental information regarding supply chain	B
Reduce environmental burdens through products and services	
Further quantitative reduction of CO ₂ emissions	B
Expand eco-friendly products	B
Reduce environmental burdens through business operations	
Promote energy conservation and climate-change mitigation	A
Promote creation of recycling-oriented societies	C
Strengthen sharing of information about chemical substances in products within IHI and with business partners	A
Promote management of chemicals at worksites	B
Promote green procurement	C
Measure impact on biodiversity	B

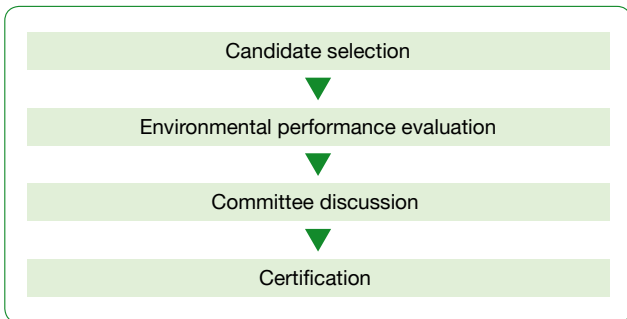
A: From 80 points B: 60 to 79 points C: 40 to 59 points D: Below 40 points

Focus

Environmentally friendly product certification

IHI has introduced an in-house certification scheme to identify products with outstanding environmental performance. This is part of our efforts to reduce environmental burdens through products and services, one of the key aims of IHI Group Environmental Vision 2013. During fiscal 2014, the first year of the scheme, four products were certified: the Heat Recovery (HR) Series small-scale binary electric power generator, the EvaCryo™ vacuum vapor degreaser, a vehicular turbocharger and the Toyosu Foresia™ green office building with suburb earthquake resistance.

Certification process



**EvaCryo™
vacuum vapor degreaser**

Uses significantly less power than its predecessor



**Heat Recovery (HR)
Organic Rankine Cycle
Power Generator**

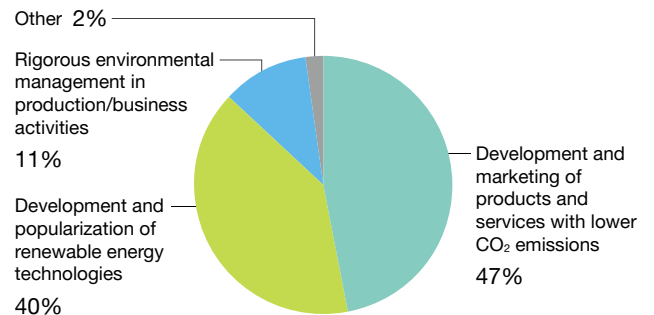
Generates power from previously unutilized factory waste heat, and hot springs

Focus

Communicating with stakeholders

In December 2014, IHI exhibited at Japan's foremost environmental fair, Eco-Products 2014. More than 5,000 people visited the booth, an increase from the previous year, and we shared how our environmental program is realizing society's dreams with manufacturing technology. The results of a questionnaire distributed at the event revealed that people have high expectations for us where the environment is concerned.

Q. What kind of initiatives do you hope to see from IHI in the future?



Focus

IHI scores high marks on CDP 2014 Index

In October 2014, the London-based international nonprofit CDP*, which evaluates the performance of large companies with regard to climate change, selected IHI for its Climate Disclosure Leadership Index (CDLI) and its Climate Performance Leadership Index (CPLI). Companies in the CDLI proactively disclose business information related to climate change, while those in the CPLI are leaders in reducing greenhouse gas emissions.

*Formerly the Carbon Disclosure Project



CDLI



CPLI

Supply Chain Management

To strengthen adherence to its Group Basic Procurement Policies, IHI addressed issues raised in its 2013 survey of

1,332 suppliers



For more detailed information, please visit IHI Sustainability website.

IHI Supply chain management

Search

<http://www.ihi.co.jp/csr/english/>

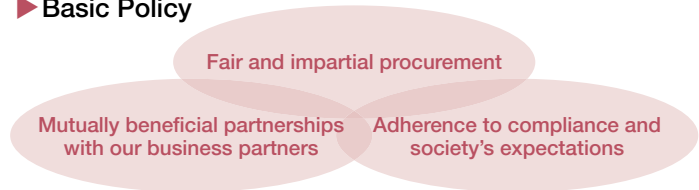
Basic Procurement Policy

The IHI Group Basic Procurement Policy focuses on three principles: fair and impartial procurement, mutually beneficial partnerships with our business partners, and strict adherence to compliance and society's expectations.

To address procurement-related issues regarding, for example, the environment or conflict minerals, our personnel must thoroughly understand the issues and be able to communicate effectively with all parties. We ensure that they have the accurate information they need and are sharing it with our partners.

IHI Group Basic Procurement Policy

► Basic Policy



► Request to business partners

- Compliance
- Attention to human rights, labor conditions and occupational safety and health
- Ensuring optimal quality, cost and delivery conditions
- Enhancement of competitiveness
- Respect for the environment
- Information disclosure

Focus

CSR in procurement

To raise awareness of our procurement policies, we surveyed our major suppliers in Japan in fiscal 2013 and verified the status of compliance at 1,332 companies. In fiscal 2014, we followed up various issues raised in the survey to help our suppliers find solutions, which we will continue to do in the future.

IHI also conducts internal training on procurement-related laws and regulations for managing hazardous chemicals. In

FY2014, we launched the new course to deepen our global procurement personnel's understanding of relevant laws, regulations, tax systems.

By establishing guidelines for procurement and obtaining suppliers' cooperation in meeting society's expectations, we believe both IHI and suppliers can improve their competitiveness and enjoy prosperity.

Comment from Vietnamese supplier ANH THY Co., Ltd.



Supplier ANH THY Co., Ltd. receives award from IHI.

We, at ANH THY Co., Ltd. have a plant in Binh Duong Province in southern Vietnam, and supply IHI Group with distribution boards, control panels, cable support systems, etc.

Based on our close partnership, personnel from IHI and our company regularly visit each other.

We have received much guidance and positive feedback from IHI Group, which gives us encouragement and enables us to improve our quality and technology even more. We sincerely wish for a long and mutually beneficial relationship.

Community Service

Total spending on social contributions

¥302.99 million



For more detailed information, please visit IHI Sustainability website.

IHI CSR activities

Search

<http://www.ihi.co.jp/csr/english/>

CSR Policies

IHI doesn't just contribute to the resolution of social issues with our business activities.

We are running a variety of CSR activities revolving around five key themes.

Five key themes

Nurturing future generations

Promoting precision-manufacturing and scientific technologies

Providing access to medical care, food and water

Resolving problems in local communities

Supporting environmental sustainability

Focus

Yokohama Facility turns 50

In 2014, the IHI Yokohama Facility marked the 50th anniversary of its establishment, and a ceremony was held on December 5. There were around 150 attendees from IHI and many guests, including the mayor of Yokohama's Isogo Ward and other representatives from the community. We expressed our gratitude to everyone who has supported the facility over the years and pledged to continue contributing to local development.

Moving forward, IHI will continue making positive contributions to the communities where we do business.



50th anniversary ceremony

Focus

Charity walk for water and food solutions

The United Nations World Food Programme (WFP) works to eradicate hunger and poverty. Since 2010, IHI has been a council member of a non-profit support organization called Japan Association for the World Food Programme (JAWFP). Aiming to strengthen food security, IHI is working with JAWFP as part of its CSR initiatives.

In FY2014, we again sponsored WFP's Walk the World, a charity walk along the Yokohama waterfront to raise awareness of food supply issues. This year, over 300 IHI employees and their families took part.



Walk the World participants



Directors and Corporate Auditors As of July 2015

- | | | | | |
|---|---|--|---|--|
| <p>a Kazuaki Kama
Chairman of the Board</p> | <p>b Tamotsu Saito
President
Chief Executive Officer
Chair of Nomination Advisory Committee</p> | <p>c Sadao Degawa
Executive Vice President
Assistant to the President
In charge of Group Engineering
In charge of Business Relating to Information Systems</p> | <p>d Toshinori Sekido
Executive Vice President
Assistant to the President
In charge of Priority New Business Areas
In charge of Business Relating to Human Resources, Procurement and Corporate Business Development
Member of Compensation Advisory Committee</p> | <p>e Ichiro Terai
Executive Vice President
Assistant to the President
In charge of Group Finance & Accounting
Member of Compensation Advisory Committee</p> |
| <p>f Joji Sakamoto
Director
In charge of Business Relating to Internal Audit
In charge of Business Relating to Legal, CSR and Administration
In charge of Group Compliance and Risk Management
In charge of Group Business Process Platform</p> | <p>g Eiichi Yoshida
Director
In charge of Business Relating to Public Relations, Investor Relations and Project Audit
In charge of Group Operations</p> | <p>h Tsugio Mitsuoka
Director
Managing Executive Officer
In charge of Aero Engine, Space and Defense Business Areas
In charge of Business Relating to Defense Systems
President of Aero-Engine & Space Operations; Deputy General Manager of Intelligent Information Management Headquarters</p> | <p>i Hiroyuki Otani
Director
Managing Executive Officer
In charge of Industrial Systems & General-Purpose Machinery Business Areas
President of Machinery & Logistics Systems Operations; Deputy General Manager of Intelligent Information Management Headquarters</p> | <p>j Akinori Abe
Director
Managing Executive Officer
In charge of Social Infrastructure & Offshore Facilities Business Areas
President of Offshore Project & Steel Structures Operations; General Manager of Solution & Engineering Headquarters</p> |



k Hiroshi Asakura
Director
 In charge of Corporate
 Planning

l Naoya Domoto
Director
 Managing Executive
 Officer
 In charge of Resources,
 Energy and Environment
 Business Areas
 President of Energy &
 Plant Operations

m Tomokazu Hamaguchi
Outside Director
 Member of Compensation
 Advisory Committee
 Member of Nomination Advisory
 Committee
 (Fellow, Meiji Institute for Global
 Affairs)

n Tadashi Okamura
Outside Director
 Member of Compensation
 Advisory Committee
 Member of Nomination
 Advisory Committee
 (Adviser to Board, TOSHIBA
 CORPORATION)

o Taketsugu Fujiwara
Outside Director
 Member of Compensation
 Advisory Committee
 Member of Nomination
 Advisory Committee
 (Standing Counselor of Asahi
 Kasei Corporation)

p Hideo Ootaka
Corporate Auditor

q Makoto Serizawa
Corporate Auditor

r Nobuo Gohara
Outside Corporate Auditor
 (Chief Attorney, Gohara
 Compliance and Law Office)

s Toshiharu Watanabe
Outside Auditor
 (Adviser of TOSHIBA
 CORPORATION)

t Takayuki Hashimoto
Outside Auditor
 Member of Compensation
 Advisory Committee
 (Vice Chairman, IBM Japan
 Ltd.)

Corporate Governance

 For more detailed information, please visit IHI Sustainability website.

IHI Corporate Governance

<http://www.ihi.co.jp/csr/english/>

Basic Views on Corporate Governance

IHI Corporation defines corporate governance as a system that assures sustainable growth and maximization of corporate value by enhancing management efficiency so that IHI Corporation can leverage its innate capabilities to the fullest extent possible.

To achieve this, IHI Corporation targets efficient and appropriate internal decision-making by clearly separating management monitoring and supervisory functions from

functions related to their execution of duties. Furthermore, by establishing the relevant internal rules and building a system to administer them, IHI ensures appropriate operations across the entire Group.

IHI Corporation promotes constant improvement of its corporate governance, aiming to earn the trust and support of its shareholders and other stakeholders over the long term.

Basic Policies on Enhancing Corporate Governance

IHI Corporation will work to enhance its corporate governance in line with the following basic policies.

- 1 Respect shareholders' rights and ensure equal treatment
- 2 Strive to cooperate appropriately with shareholders and other stakeholders
- 3 Fulfill our responsibility to be accountable to stakeholders and ensure transparency by appropriately and proactively disclosing information relating to the Company
- 4 Clarify the roles and responsibilities of the Board of Directors, the corporate auditors and the Board of Corporate Auditors to enable them to adequately fulfill their management monitoring and supervisory functions
- 5 Conduct constructive dialogue with shareholders who have investment policies according with the medium- to long-term interests of shareholders

Corporate Governance Measures

Establishment of the Appointment Advisory Committee

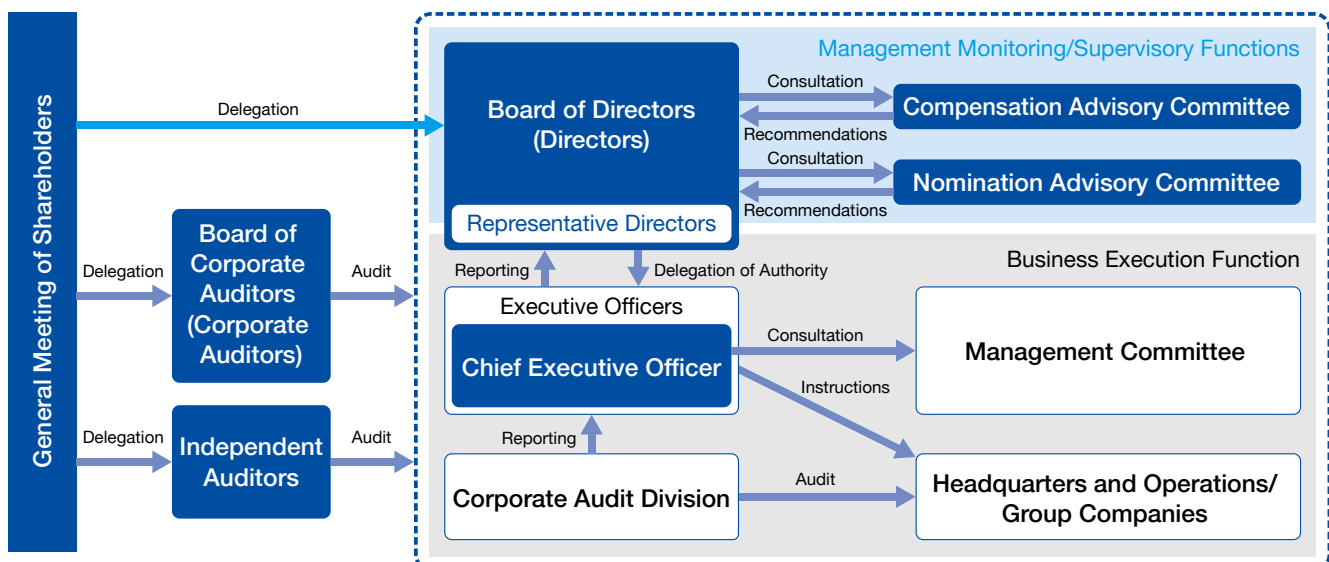
On June 25, 2015, we established the Appointment Advisory Committee consisting of volunteers from the Board of Directors. It aims to improve corporate governance by strengthening the independence, objectivity and accountability of the Board of Directors when choosing top

management, executive officers and candidates for director and auditor positions.

Number of outside directors increased

The number of outside directors was increased from two to three as of June 25, 2015, to further reinforce corporate governance.

Corporate Governance Management Structure



Corporate Governance System

Board of Directors

The Board of Directors consists of 15 directors, including three outside directors. It makes decisions related to all important matters concerning the management of the Group and oversees directors in the execution of their duties.

Board of Corporate Auditors

IHI, which is classified in Japan as a company with audit and supervisory boards elects five corporate auditors, three of whom are outside corporate auditors, to monitor the work of the directors.

Business execution framework

IHI Corporation introduced the executive officer system to facilitate and strengthen the decision-making and supervisory functions of the Board of Directors and improve the efficiency of business operations. Executive officers are appointed by the

board and execute the duties delegated to them under the CEO's guidance and supervision. IHI Corporation currently has 25 executive officers, five of whom are also on the Board of Directors

Compensation Advisory Committee

To ensure propriety in director remuneration, IHI Corporation established the Compensation Advisory Committee, which consists of six members: three outside directors (one of whom acts as the committee chairman), an outside corporate auditor, a board member responsible for human resources and a board member responsible for finance.

Appointment Advisory Committee

To supervise and advise on the appointment of executives, IHI Corporation established the Appointment Advisory Committee, composed of four members: the president, who serves as chairman of the committee, and three outside directors.

Policies relating to appointment of officers

The Board of Directors decides on ideal attributes for officers and draws up independence standards for outside directors and outside corporate auditors. These standards are based on the requirements for independent directors/auditors stipulated by the Tokyo Stock Exchange. The emphasis is to assure that outside directors and outside corporate auditors are genuinely independent.

The Board of Directors sets the basic policy of appointing the most appropriate officers according to the ideal attributes and the independence standards for outside directors and outside corporate auditors with the aim of ensuring sustainable growth and increased corporate value for IHI over the medium to long term.

Ideal Attributes for Officers

IHI Corporation appoints directors and corporate auditors who are healthy in mind and body and have all the following attributes:

- Deep understanding of and sympathy with IHI's management principles and vision
- The ability to contribute to sustainable growth and medium- to long-term increase in corporate value at IHI by addressing societal issues in accordance with IHI Group's Vision
- Outstanding foresight, penetrating discernment and ability to make appropriate decisions with regard to the management of IHI
- Good character with a strong sense of ethics
- Ample experience as a corporate manager, or a high degree of specialist knowledge, combined with a broad, global perspective and insight

Independence Standards and Qualification for Independent Outside Directors

In addition to the requirements for independent directors/auditors stipulated by the Tokyo Stock Exchange, the Company uses the standards below to determine independence.

1. Major shareholders

The director should not be a major shareholder with 10% or more of the voting rights in the Company, or serve as a director, corporate auditor or executive officer at a company with committees, executive officer or employee of a corporation that is a major shareholder.

2. Major clients, suppliers, etc.

The director should not currently serve as a director, corporate auditor, executive officer at a company with committees, executive officer or employee of any of the Company's major clients, suppliers, etc. detailed below, nor have served as an executive director, executive officer at a company with committees, or executive officer of a major client, supplier, etc. in the past.

- Major clients of IHI (with transactions valued at 2% or more of the Company's consolidated net sales in the most recent fiscal year)
- Major suppliers to IHI (with transactions valued at 2% or more of the supplier's consolidated net sales in the most recent fiscal year)
- Major lenders to the Company (as listed in the business report for the most recent fiscal year)

3. Providers of specialist services (attorneys at law, certified public accountants, or consultants, etc.)

The director should not be an attorney at law, certified public accountant, or consultant, etc. who receives ¥10 million or more of monetary consideration or other property from the Company annually besides compensation as a director/corporate auditor.

4. Accounting auditor

The director should not be a representative partner or partner of the Company's accounting auditor.

5. Mutual exchange of officers, etc. with the Company

The director should not be assigned to a corporation with which the Company mutually exchanges directors or corporate auditors.

6. Close relatives

The director should not be the spouse or first- to second-degree relative of a director, corporate auditor, executive officer or equivalent executive-level employee of IHI.

In addition, the director should not be the spouse or first- to second-degree relative of any person* referred to in (1) through (4) above.

* If a major shareholder or a major client, supplier, etc. is a corporation, this applies only to directors, corporate auditors, executive officers at companies with committees, executive officers, or equivalent executive-level employees of the corporation in question.

In addition to the above, the Company also considers age, concurrent positions, period in office, and related matters when nominating candidates as outside directors.

Policy on determination of remuneration

Basic stance

Maximum total remuneration of directors and corporate auditors is resolved at the 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 Compensation Advisory Committee (the "Committee"), which was created to ensure that remuneration is appropriate and that the process is transparent.

Types of compensation

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 targets 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.

FY2014 breakdown

(millions of yen)

Position	Number of recipients	Breakdown			Total Amount Paid
		Base amount	Stock-based compensation	Performance-based bonuses	
Director	18	617	78	211	907
Corporate auditor	5	102	-	-	102
Total (of which, outside officers)	23 (5)	720 (56)	78 (-)	211 (-)	1,010 (56)

Notes:

1. Remuneration of directors does not include salaries of those who are also company employees.
2. Total annual remuneration for a director is 1,090 million yen or less (excluding employee salaries), as resolved at the 190th Ordinary General Meeting of Shareholders on June 27, 2007. Total annual remuneration for corporate auditors is 120 million yen or less, as resolved at the 197th Ordinary General Meeting of Shareholders on June 27, 2014.
3. During the fiscal year under review, 13 directors (excluding outside directors) were paid a total of 132 million yen in performance-based bonuses for the fiscal year that ended on March 31, 2014.
4. The numbers of directors and corporate auditors as of March 31, 2015 are respectively 15 (including 2 outside directors) and 5 (including 3 outside corporate auditors). The reason for the discrepancy from the above is that figures in the chart include 3 directors who retired at the conclusion of the 197th Ordinary General Meeting of Shareholders on June 27, 2014.

Policy for Constructive Dialogue with Shareholders

Basic stance

IHI Corporation is well aware that timely, appropriate disclosure of corporate information to investors forms the foundation of a sound financial instruments market. Based on the basic principle of promoting highly transparent management throughout the Company, its basic policy with regard to disclosure of information is to disclose important information relating to the Company's management or operations to participants in capital markets promptly, accurately, continuously, and fairly, always from the investor's perspective. The basic policy also calls on the Company to show good faith in being accountable for its management course and key business operations.

Dialogue with shareholders

Guided by this basic policy, IHI pursues investor relations (IR) and shareholder relations (SR) activities, working to enhance its range of disclosure documents and holding financial results presentation meetings, as well as presentations by business division. Through such means as making these available online, the Company strives to provide proactive and fair disclosure.

IHI Corporation also engages in debate on important

management policies, corporate governance, and other topics with major shareholders who have investment policies according with the medium- to long-term interests of shareholders. Dialogues with investors are handled by the Public Relations Division, while dialogues with shareholders are handled by the Administration Division, and depending on who has applied to attend, and the purpose and content of the dialogue, directors or executive officers in charge may also attend. Important dialogue content is reported to the Board of Directors.

System for promoting dialogue

The director responsible for the Public Relations Division oversees IR activities, while the director responsible for the Administration Division oversees SR activities. In addition, the Company shares information about every aspect of IR activities, including the collection, sharing, disclosure and storage of material information, by holding meetings led by the director responsible for public relations and investor relations, attended by the Public Relations Division, the Administration Division, the Corporate Planning Division, and the Finance & Accounting Division.

From the Outside Directors

In full agreement with the prioritization of human resources

Tomokazu Hamaguchi

Outside Director

As President and Director & Senior Advisor at NTT Data Corporation, Mr. Hamaguchi developed a track record of reform. He is currently a fellow at the Meiji Institute for Global Affairs.



After assuming the post of Outside Director in 2008, I was initially struck by the wide variety of fields IHI is engaged in, from bridges to agricultural equipment. It later dawned on me that virtually all of these had grown in some way out of the original shipbuilding business, launched so long ago, and that these technologies continue to propel IHI to success.

IHI resembles NTT Data in that projects entail contracts for enormous sums and often involve crucial national infrastructure. In general, the larger a project is, the more difficult it is to manage, but despite the breadth of their business and the complexity of projects, IHI deserves praise for the speed, transparency and accountability with which it responds to any difficulties. For example, IHI wasted no time in announcing losses from a FY2014 investment in a Brazilian shipbuilding firm.

Corporate executives often speak of maximizing company value, but profits cannot be the only goal. It is important to decide how to prioritize stakeholders, but in my opinion, employees ought to come first. When employee satisfaction is high, work is carried out in an

open way and governance goes smoothly. This leads to more satisfied customers, which in turn leads to higher profits and greater corporate value.

In R&D, IHI is maximizing corporate value by making significant initial investments of both financial and human resources to expand the company’s range of technologies and positive capital.

As an outside director, I am tasked with asking, “Is the IHI way of doing things out of step with the rest of the world?” I think, however, that the Three Links (*Tsunagu*) set forth in Group Management Policies 2013 serve to connect various divisions horizontally and prevents them from adopting too narrow a focus.

I believe that as IHI moves forward, stronger links should be forged among the various in-house functions, increasing the number of new products and services. I also look forward to seeing resources invested in PR to communicate with society and publicize technologies that consumers find both innovative and intuitive. Most of all, I look forward to seeing IHI make an increasingly positive impact on the world.

Attendance to directors/corporate auditors’ meetings and activities during this fiscal year

Position	Name	Attendance of meetings		Main activities
		Directors’ meetings	Auditors’ meetings	
Director	Tomokazu Hamaguchi	18/19 meetings (95%)	-	Provided advice and suggestions accordingly, from the viewpoint of an experienced business manager of a leading-edge IT/telecommunication business in order to ensure appropriate and correct decisions were taken at the meetings.
Director	Tadashi Okamura	18/19 meetings (95%)	-	Provided advice and suggestions accordingly, from the viewpoint of an experienced business manager of a manufacturing business, in order to ensure that appropriate and correct decisions were taken at the meetings.
Corporate Auditor	Takeo Inokuchi	13/19 meetings (68%)	9/13 meetings (69%)	Addressed questions and expressed opinions accordingly from the viewpoint of an experienced business manager of financial institutions.
Corporate Auditor	Nobuo Gohara	18/19 meetings (95%)	13/13 meetings (100%)	Addressed questions and expressed opinions accordingly from the viewpoint of a leading expert on corporate compliance.
Corporate Auditor	Toshiharu Watanabe	19/19 meetings (100%)	13/13 meetings (100%)	Addressed questions and expressed opinions accordingly from the viewpoint of a business manager with global experience of manufacturing industries.

Internal Control System

The basic policy for the internal control system is designed to boost the effectiveness of corporate governance and increase the corporate value of the Group. IHI believes that establishing a robust internal control system is key to expanding business globally,

and we are making continuous efforts to achieve a sound compliance structure and enhance risk-management systems, as well as to develop and implement a shared management framework throughout IHI.

Compliance

Compliance provides a company with the foundation for operating within society. In IHI Group, compliance policies are based on the following:

- Observing strictly all laws, company rules and other regulations; and
- Acting in a fair and responsible manner as a corporate citizen.

In addition to compliance with laws and regulations, the policies also require meeting the demands of society.

In FY2014, IHI focused on reinforcing our awareness of business risks associated with changes in the general business climate and in specific fields. Based on a policy of reviewing rules and operations, we also spent time assessing our compliance with existing rules and developing rules for new operations.

Risk Management

The basic approach to risk management entails making business continuity plans, ensuring the safety of employees and their families, conserving management resources and retaining the trust of society. IHI manages risk based on our Basic Code of Conduct, adhering to the following principles:

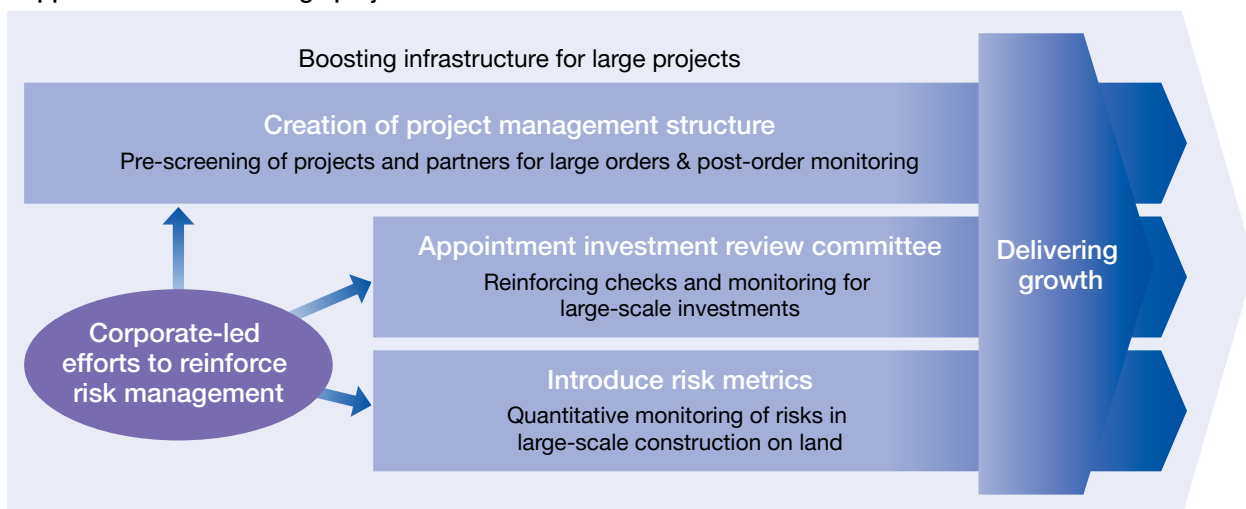
1. Ensure business continuity
2. Improve society's perception of IHI
3. Conserve management resources
4. Avoid actions detrimental to the interests of stakeholders
5. When trouble occurs, work toward a speedy recovery
6. When difficult situations arise, address them in a responsible fashion
7. Respond to society's expectations with regard to risks

Managing Risks of Major Investments and Orders.

Based on a mechanism established in 2007, ongoing monitoring and reinforcement is necessary to manage risks that arise and introduce responses in a timely manner, such as improvements to the estimate

process or the introduction of pre-order reviews. In response to the declining profitability of large-scale offshore structures, we continued our work this year to reinforce our risk management framework in that area.

Support framework for large projects



From the Outside Auditors

More readily responding to changes in society

Nobuo Gohara
Outside Auditor

Mr. Gohara has served as a public prosecutor, Meijo University professor, head of the Compliance Research Center and advisor to the Ministry of Internal Affairs and Communications and head of Office of Compliance. Currently, he is Chief Attorney at Gohara Compliance and Law Office and a visiting professor at Kansai University.



I assumed the post of auditor in 2008, the year after there were major losses in the energy plant business unit that required the previous fiscal year's results to be revised. Since then, I have helped to institute reforms and improvements, such as enhancing order management and optimizing the use of percentage-of-completion methods. I have also tried approaches not conventionally used by outside auditors, for example exchanging opinions and information with employees online. I am pleased to say that compared with several years ago, it seems that these endeavors have been producing results. Business performance has been steadily improving and executives have been regaining confidence in the company.

One thing that characterizes IHI is its dedication to both technology and people. This can manifest itself in both positive and negative ways, however. It is important to maintain an organizational climate that values the intrepid acceptance of new technological challenges, but this can also make it unclear where responsibility lies when problems arise or when difficult choices have to be made.

When approaching long-term growth strategies, including global projects, M&As, and so forth, in a dynamically changing business environment, it is sometimes necessary to take risks. In these cases, it is crucial for management to take responsibility and provide strong leadership so that the IHI policy of cherishing people and technology leads to good results. I am happy to say that President Saito and the rest of the current management team look capable of doing this.

What I hope to see from IHI in the future is continued contribution to society as an organization of talented technological professionals. In particular, I believe the energy field is ripe for innovation. To fulfill this potential, it is necessary to decide what society needs most and how IHI technologies and human resources can meet that need. The "your" in "Realize your dreams" means the Group is here to fulfill society's dreams by creating new value. I look forward to seeing IHI continue fulfilling this role.

Project Auditing System

The Project Audit Division is under the headquarters and is engaged in surveying management status, assessing risks and evaluating the appropriateness of cost-benefit calculations while projects are in progress. As of the end of FY2014, 83 projects were being audited in IHI. The Project Audit Division is responsible for monitoring (1) the adequacy of the project's execution system and execution plan after the order is received; (2) the transparency, appropriateness and timeliness of the project's

estimated profitability; and (3) the appropriateness of the final cost estimate in view of current progress. For major projects, IHI conducts more detailed monitoring, including site assessments. In cases of declining profitability, we identify the root problems and resolve them.

When generating estimates, IHI implements a screening process related to project execution risk to verify project execution systems, the validity of the execution plan and the profitability of the project.

CSR Management

 For more detailed information, please visit IHI Sustainability website.

IHI CSR Management

<http://www.ihi.co.jp/csr/english/>

IHI believes that for us to sustainably increase corporate value, we must meet the expectations and earn the trust of customers and society. To accomplish this, we have established a CSR Committee in which top

executives are proactively engaged in facilitating CSR. Going forward, we will continue taking steps to integrate CSR and management, aiming to advance both through mutual reinforcement.

Key CSR performance data

Area		FY2013	FY2014	Targets set in Group Management Policies 2013	
Financial targets					
Relevant data	Consolidated net sales	¥1.304 trillion	¥1.4558 trillion	¥1.4 trillion (FY2015) (¥80 = \$1)	
	Consolidated operating income	¥53.2 billion	¥63.2 billion	¥70.0 billion (FY2015) (¥80 = \$1)	
	ROIC	5.3%	5.8%	6.5% (FY2015)	
	Debt to equity ratio	0.99	1.14	1.2 or below (FY2015)	
	ROE	10.5%	2.6%	-	
	Total investment	¥108.1 billion	¥114.8 billion	¥400 billion (Cumulative total from FY2013 to FY2015)	
Area		FY2013	FY2014	FY2015 Plan	Future objectives
CSR					
Measures	Employee awareness	Raised awareness of issues via e-learning programs	Ongoing	Ongoing	Raise awareness of global CSR issues and show steps each individual should take to meet stakeholder expectations, earn trust and raise company value long-term
Relevant data	Level of employee awareness	86%	89%	90% or greater	-
Governance					
Measures	Risk management	• Set 12 priority policies	• Set 14 priority policies	• Set 16 priority policies	-
Relevant data	Outside director meeting attendance rate	88%	95%	-	-
Compliance					
Measures	Compliance training	• Conducted compliance and risk management programs	Ongoing	Ongoing	Act ethically with priority on sincerity and fairness, so as to comply with internal, national and international rules, laws, regulations, prescribed practices, internal policies and procedures
	Globalization of compliance systems	• Reviewed IHI and Regional Headquarters for the Americas compliance systems	• Improved IHI and Regional Headquarters for the Americas compliance systems	• Reviewed global compliance systems	Establish Group-wide global compliance system
Relevant data	Hotline reports	158	238	-	-
Supply chain					
Measures	Procurement policy awareness	• Conducted survey of 1,332 companies • Established IHI Group Policy on Conflict Minerals	• Reviewed survey findings • Established environmental control guidelines	• Review survey findings (emphasis on suppliers with compliance difficulties)	Ensure all major suppliers are in compliance with IHI Group Basic Procurement Policy
	Procurement personnel training	• Started training courses for local procurement personnel • Introduced training courses on procurement-related laws, regulations and tax systems of priority emerging countries	• Ensured procurement compliance, including in management of chemical substances	Ongoing	Ensure global procurement compliance for priority countries
Health and safety					
Measures	Health and safety	• Established IHI Group Safety and Health Committee • Introduced mental resilience training for office staff • Introduced new health management system	• Introduced OHD (Occupational Health Dynamics) assessments • Introduced standards for responding to medical checkup results	• Establish IHI Group Central Safety and Health Committee • Introduce IHI Health and Safety Management Assessments	Work to ensure workplace environments are healthy and safe for all people working for or with IHI
Relevant data	Rate of occurrence of work-related accidents requiring time off from work	0.21	0.24	0.00	-
	Number of annual leave days taken	16.27 days	16.02 days	16.0 days or more	-

CSR Committee Activities

The CSR Committee is a Group-wide committee that meets once a year. At the third meeting held in May 2015, the committee discussed CSR activities carried out in fiscal 2014, CSR challenges and future policies. The editorial policies and key content of the new Integrated Report were also discussed.

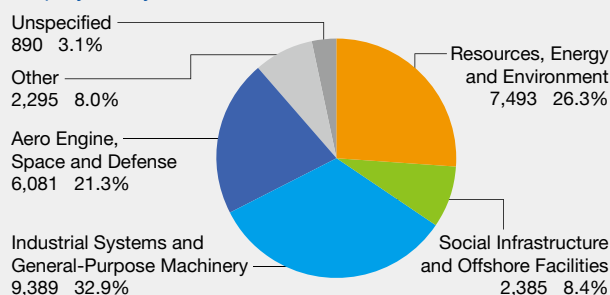


Area		FY2013	FY2014	FY2015 Plan	Future objectives	
Diversity						
Measures	Gender diversity	<ul style="list-style-type: none"> Promoted awareness of gender diversity Established networks for female personnel Supported women's career ambitions and increased motivation Heightened awareness of gender diversity among male employees, especially those in managerial and supervisory positions Identified obstacles to gender diversity 	<ul style="list-style-type: none"> Selected as a Nadeshiko Brand Prepared diversity page for official website, released messages from top executives 	<ul style="list-style-type: none"> Promote of work-life balance Expand gender diversity initiative throughout the Group Improve male employees' awareness of gender diversity Provide ongoing support for networking among female personnel 	Foster inclusive workplace that shares Management Philosophy and IHI Group Vision. Provide greater opportunities for employees to develop and grow.	
	Employment opportunities for persons with disabilities	<ul style="list-style-type: none"> Announced numerical targets related to gender diversity Introduced support system for employees returning to work 	<ul style="list-style-type: none"> Joined ACE (Accessibility Consortium of Enterprises) 	<ul style="list-style-type: none"> Posted listing on employment site for persons with disabilities 		<ul style="list-style-type: none"> Participate in joint briefing session hosted by company supporting persons with disabilities
	Employment opportunities for seniors	<ul style="list-style-type: none"> Introduced optional retirement age system where employees have option to work until their 65th birthdays 	<ul style="list-style-type: none"> Recruited candidates from priority areas (Asia) 	<ul style="list-style-type: none"> Reviewed life planning seminars 		<ul style="list-style-type: none"> Continue and further review life planning seminars
	Employment opportunities for non-Japanese persons		Ongoing	Ongoing		
Relevant data (IHI)	Female recruitment	33 (15%)	31 (14%)	45 (18%)	Incoming university graduates: engineering 10% or greater, administrative 35% or greater, total 15% or greater	
	Number of female managers	44 (1.6%)	51 (1.9%)	60 (2.1%)	75 (3%) or greater (FY2018)	
	Number of female officers	0	1	1	1 or more (FY2018)	
	Percentage of employees returning to work after childcare leave	100%	100%	100%	100%(FY2015)	
	Employment rate of persons with disabilities	2.02%	2.04%	2.0% or greater	2.3% (FY2018, April)	
	Recruitment of new non-Japanese graduates	13	11	9		
Environment						
Measures	Environmental management	<ul style="list-style-type: none"> Established IHI Group Environmental Action Plan 2013 	<ul style="list-style-type: none"> Established energy consumption, CO₂ emissions and waste reduction targets and monthly monitoring program 	<ul style="list-style-type: none"> Created environmental data collection system 	[IHI Group Environmental Vision 2013] [Goals through FY2018] IHI's vision is to make environmental sustainability an integral part of all Group companies by working together with our customers and business partners around the world.	
Relevant data	CO ₂ emissions from business activities	249,000 tons	Less than 300,000 tons	Less than 300,000 tons	300,000 tons (FY2018)	
	Reduction of CO ₂ emissions from products and services	Estimated 12 products/services contributing	Estimated 11 products/service contributing	Will continue to estimate reductions in CO ₂ emissions from products and services	10 million tons (FY2018)	
	Sales of environmentally friendly products	-	Four products received internal certification for environmental friendliness	Will check more products for internal certification for environmental friendliness	70% or greater (FY2018)	
	CDP climate disclosure scores	91	97	90 or greater	-	
	CDP performance band	B	A	B	-	
	Nikkei Environmental Management Survey	403	411	400 or higher	-	

Company and stock information

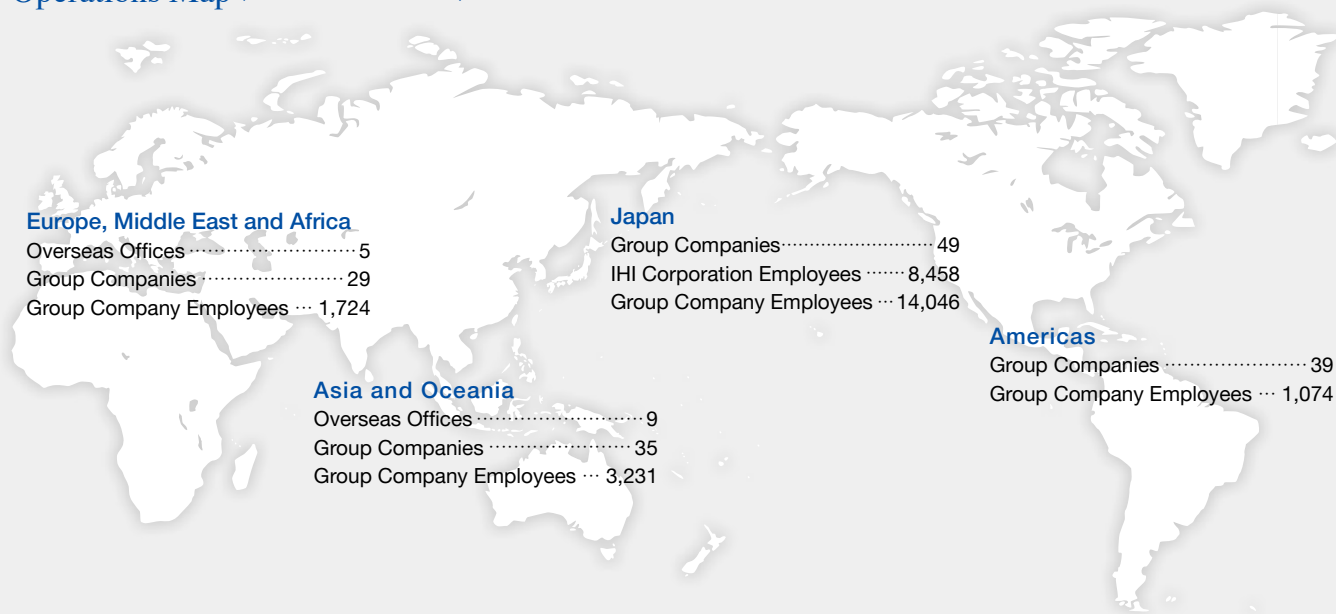
Name	IHI Corporation
Head Office	Toyosu IHI Building, 1-1, Toyosu 3-chome, Koto-ku, Tokyo 135-8710, Japan Tel: +81-3-6204-7800
President and CEO	Tamotsu Saito
Founded	December 5, 1853
Incorporated	January 17, 1889
Capital	107.1 billion yen
Employees (Consolidated)	28,533
Works	8
Branches and sales offices in Japan	17
Overseas offices	14
Overseas branch	1
Group companies	In Japan: 82 (53 subsidiaries, 29 affiliates) Overseas: 170 (129 subsidiaries, 41 affiliates)
Securities code	7013
Stock exchange listings	Tokyo, Nagoya, Sapporo, Fukuoka
Share unit number	1,000
Total number of authorized shares	3,300,000,000
Outstanding shares	1,546,799,542
Shareholders	84,412
Fiscal year	April 1 to March 31 of the following year
General shareholders' meeting	June of each year
Record date for year-end dividend	March 31 annually
Record date for interim dividend	September 30 annually
Shareholder registry administrator / Special account managing institution*	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department 8-4, Izumi 2-chome, Suginami-ku, Tokyo 160-0063, Japan 0120-782-031 (toll-free in Japan)

Employees by business unit



(Note) Data is the number of officially employed workers, which includes employees on loan to IHI, but not Group employees on loan to other companies. The number of temporary workers is not listed, as these make up less than 10 percent of workers.

Operations Map (consolidated subsidiaries)



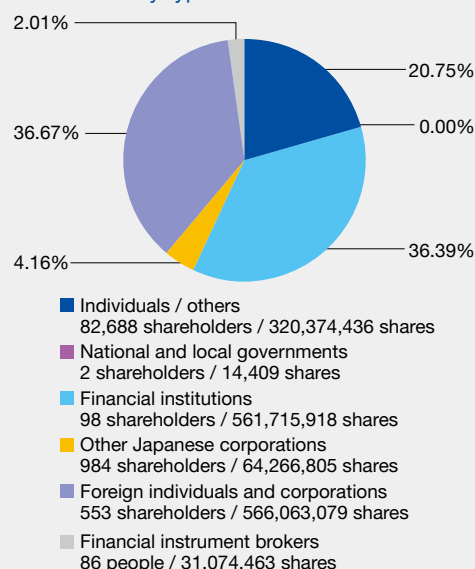
Major Shareholders

Name	Number of shares held (Thousand)	Shareholding ratio (%)
State Street Bank And Trust Company	72,022	4.66%
Japan Trustee Services Bank, Ltd. (Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited / Toshiba Corporation Retirement Benefit)	55,422	3.59%
The Dai-ichi Life Insurance Company, Limited	54,060	3.50%
Japan Trustee Services Bank, Ltd. (Holder in Trust)	51,594	3.34%
The Master Trust Bank of Japan, Ltd. (Holder in Trust)	51,259	3.32%
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	45,979	2.97%
Goldman, Sachs & Co. Reg.	26,537	1.71%
IHI Customer Stock Ownership Association	25,215	1.63%
Nippon Life Insurance Company	24,897	1.61%
Sumitomo Life Insurance Company	22,624	1.46%

(Notes) 1. Numbers of shares and shareholder ratios less than a single unit are rounded down.
2. Shareholding ratios are calculated without including the total number of treasury shares.

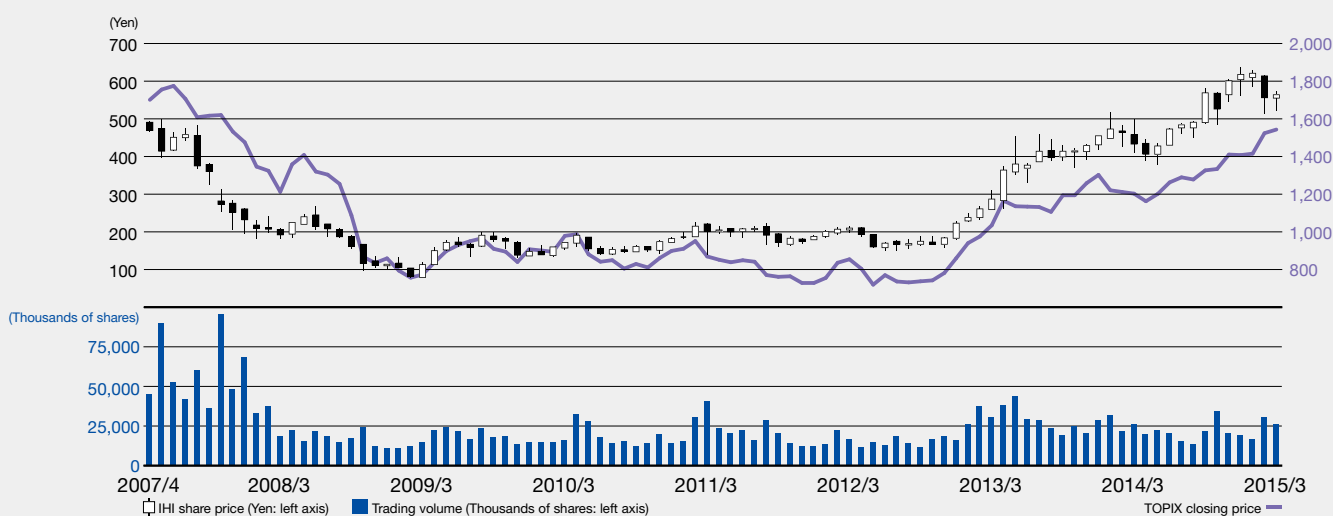
Shareholder Composition

Distribution by type of shareholder



(Note) Due to rounding, the total percentage may not add up to 100.

IHI Stock Performance and Average Trading Volume Per Day



About IHI Integrated Report 2015

■ Scope

IHI Corporation and its major group companies

■ Period

This report covers FY2014, beginning April 1, 2014, and ending March 31, 2015. However, information prior to and after this period may also be included.

■ Guidelines

- International Integrated Reporting Framework, International Integrated Reporting Council
- Sustainability Reporting Guidelines (version 4/G4), Global Reporting Initiative
- Environmental Reporting Guidelines (2012 version), Ministry of the Environment

■ Inquiries

Please contact us via the inquiry form on IHI website:
https://contact.ihico.jp/index.php/ihico_eng/IHI/form_10707

■ Disclaimer

This report contains facts, both past and present, about the IHI Group, as well as forward-looking projections based on our current management plans and policies. These forward-looking projections are made with the information available at the time and are based on numerous assumptions; thus, they are subject to changes in the business environment and operations. Actual results may be materially different from those forecast.

IHI Corporation

Corporate Social Responsibility Division

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