Results for the Six Months Ended September 30, 2013

Management Overview

November 1, 2013

IHI Corporation
Tamotsu Saito, President and Chief Executive Officer
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Management Overview
Review of Six Months Ended September 30, 2013 (1)

- Group Management Policies 2013 Start Smoothly
  - In first half, slightly lower-than-planned net sales and higher-than-planned operating income and operating margin posted
  - For full-year earnings forecasts, with exchange rate assumption (¥95/$) unchanged, net sales forecast left as they stand, and operating income forecast slightly increased

**Net Sales**

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY12 1H Forecast as of May</th>
<th>FY13 current forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>564.9</td>
<td></td>
<td>1,256.0</td>
</tr>
<tr>
<td>550.0</td>
<td></td>
<td>1,310.0</td>
</tr>
<tr>
<td>546.3</td>
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<td>1,310.0</td>
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</table>

**Operating Income**

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY12 1H Forecast as of May</th>
<th>FY13 current forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.5</td>
<td></td>
<td>19.7</td>
</tr>
<tr>
<td>8.0</td>
<td></td>
<td>42.1</td>
</tr>
</tbody>
</table>

* Figures for FY12 1H include the results of former Ships & Offshore segment (net sales ¥74.3 billion, operating income ¥4.1 billion).
* Figures for FY12 include the results of former Ships & Offshore segment (net sales ¥117.3 billion, operating income ¥6.5 billion).
Analysis of change in operating income in the six months ended September 30, 2013 (compared to forecast as of May 2013 forecast)

(Billions of yen)

- Change in net sales (including change in composition): +1.7
- Change in foreign exchange rate: +2.0
- Change in construction project profitability: +4.0
- Change in SG&A: +4.0

Forecast as of May:
- Change for the better: 8.0
- Difference of event occurrence time from expectation: 8.0

FY13 1H results:
- Change for the better: 19.7

Causes of change in performance:
- Causes of substantial change for the better in first half
  - Reduction of cost for civil aero engines
  - Correction of the strong yen
- Events expected for second half
  - Uncertainty of offshore structures order receiving timing
  - Impact of unprofitable bridge construction work in Japan
  - Uncertainty about nuclear power business
## Numerical Targets for Group Management Policies 2013 (Net Sales, Operating Income)

(Unit: Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2013 (Outlook)</th>
<th>FY2015 (Target)</th>
<th>FY2013 (Outlook)</th>
<th>FY2015 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As of May</td>
<td>Current</td>
<td>Initially</td>
<td>&lt;Ref&gt; Change in exchange rate assumption</td>
</tr>
<tr>
<td>Resources, Energy and Environment</td>
<td>350.0</td>
<td>350.0</td>
<td>440.0</td>
<td>450.0</td>
</tr>
<tr>
<td>Social Infrastructure and Offshore Facilities</td>
<td>170.0</td>
<td>170.0</td>
<td>160.0</td>
<td>170.0</td>
</tr>
<tr>
<td>Industrial Systems and General-Purpose Machinery</td>
<td>400.0</td>
<td>400.0</td>
<td>430.0</td>
<td>440.0</td>
</tr>
<tr>
<td>Aero Engine, Space and Defense</td>
<td>380.0</td>
<td>380.0</td>
<td>380.0</td>
<td>400.0</td>
</tr>
<tr>
<td>Others</td>
<td>60.0</td>
<td>60.0</td>
<td>60.0</td>
<td>60.0</td>
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<tr>
<td>Adjustment amount</td>
<td>-50.0</td>
<td>-50.0</td>
<td>-70.0</td>
<td>-70.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,310.0</td>
<td>1,310.0</td>
<td>1,400.0</td>
<td>1,450.0</td>
</tr>
</tbody>
</table>

**Exchange rate**
- ¥95/US$  
- ¥95/US$  
- ¥80/US$  
- ¥95/US$  
- ¥95/US$  
- ¥95/US$  
- ¥80/US$  
- ¥95/US$
Numerical Targets for Group Management Policies 2013 (1)

- Growth Factors in Resources, Energy and Environment, and Social Infrastructure and Offshore Facilities (Liquefied Natural Gas-Related)

### Burgeoning Natural Gas Demand and Increasing Scale of Liquefaction Plants

**U.S. Natural Gas Consumption Forecasts**

(Source: U.S. EIA)

+ History
+ Projections

**Increase in World’s Natural Gas Liquefaction Plant Capacity**

(Source: IEA)

- United States
- Russia
- Other Africa
- Angola
- Algeria
- Norway
- Latin America
- Other ME
- Qatar
- Other Asia Pacific
- Papua New Guinea
- Indonesia
- Australia

### IHI Predominance in Natural Gas-Related Businesses

Globally develop products that link from the upstream to the downstream of LNG value chain

#### Purification/Liquefaction

Plants that use natural gas, and liquefaction plants
- Extensive track record in FS and FEED projects

#### Transportation/Storage

F-LNG facilities, offshore vessels, and SPB tanks for use on LNG carriers
- Shake-resistant square tanks
- High hull-space utilization efficiency

Bases/storage tanks to receive LNG
- Has leading position in Japan and extensive track record in EPC projects overseas

#### Energy Conversion

Natural gas power generation facilities
- High efficiency and low environmental impact
- Large number already delivered

Against backdrop of climate change issues, demand will increase for natural gas, which emits less CO2 per unit energy consumption. Demand will increase for natural gas chemical plants in U.S. due to shale gas revolution, as well as for plants for liquefied gas for export and ships to carry the products.
Global Turbocharger Market

- North America: 2011: 820,000 → 2015: 2.6 million units
- Europe: 2011: 14 million → 2015: 19 million units
- Greater China: 2011: 2.7 million → 2015: 6 million units
- South America: 2011: 120,000 → 2015: 150,000 units
- South Asia: 2011: 1.8 million → 2015: 3.7 million units
- Japan: 2011: 1.3 million → 2015: 2 million units

Global Turbocharger Demand
From 22 million in 2011
to 35 million in 2015

Demand for turbochargers for diesel engines will globally increase in years to come due to expanding and more stringent environmental regulations passing from developed to emerging countries.

Downsizing of gasoline-engine turbocharging making rapid progress due to tighter fuel consumption regulations in some countries; jump in turbocharger installation ratio that started in Europe will be seen in China and North America.

IHI’s Predominance in Competitive Turbocharger Relationships

IHI Globally in third position in the industry with market share of nearly 30%, IHI accounts for nearly 60% of Japanese market.

(Sales basis)
Firm Demand for Civil Aero Engines in which IHI Participates

Planned New Engine Shipments

World Air Passenger Forecasts (Source: JADC)

Aviation Industry Growth

Development/Shipments Status of Engine Programs in which IHI Participates

Production of numerous best-seller engines, from small- to large-size powerplants

World air passenger traffic to grow by an average 4.8% over next 20 years

18,590 jet aircraft currently in service, but this set to increase 1.8 times to more than 34,000 aircraft over next 20 years
Current Management Issues

Changes in Management Environment in Recent Years

- Market Globalization Development
  - Importance of emerging countries as volume zone → Unavoidable globalization
  - Industrial advances/buildup in emerging countries → Importance of emerging countries, and rise of emerging country companies
  - Global trend of trade liberalization → Activation of moves of management resources that transcend national borders

Imperative to Gain More Orders through Globalization

Group Common Policies
- Realize “The Three Tsunagu” through Matrix Management Introduction
  - Link among businesses
    - Solution & Engineering Headquarters
  - Link products and services with ICT
    - Intelligent Information Management Headquarters
  - Link global markets with IHI Group
    - Global Marketing Headquarters

Individual Policies
- Develop new markets for vehicular turbochargers
- Gain more orders for natural gas-related business (F-LNG, tanks for LNG carriers, chemical plants, etc.)
- Expand heat/surface treatment business
- Expand marine resource development business in Brazil
Progress of Group Management Policies 2013
Multiple SBU Models
Efforts to amalgamate multiple SBU products and services. Can be expected to build on single SBU sales

Resource Provision Model
Extracts factors that single SBUs cannot handle on a priority basis due to deficiencies of resource such as personnel. Makes up for opportunities missed in winning orders by having these addressed by our headquarters

Package Model
Proposes packaging not only IHI Group products and services but also those of other companies in a business entity. To be proposed/advanced as “All Japan Projects” for Japan’s yen-credit projects

* SBU: Abbreviation for Strategic Business Model.

- Allow initiatives from these models to take root in the Group and contribute to growth from an all-IHI perspective
Intelligent Information Management Headquarters

- Lead to the increased sophistication of more comprehensive IHI Group products and services by strengthening control systems, sensing and ICT

Common Control System Platform

- Create and within current fiscal year commence real equipment applications of IHI Group unique control equipment and software building tools
- Quality improvements and cost reductions:
  - Increase reliability and at the same time shorten development times by library standardization
- Long-term guarantee:
  - Stable supply over the long term by developing unique control equipment
- Improvements in confidentiality:
  - Maintain software confidentiality by using unique software building tools

Common Remote Maintenance Platform

- Partially introduce this system in Group products in use with customers, and commence constant monitoring
- In addition to rapidly responding to faults, contribute to customer cost reductions through planned maintenance
- Commencing operations, including test operations, at 10 businesses in 30 locations, plan to further expand applicable products

ILIPS  IHI group Lifecycle Partner System
Strengthening of Common Group Functions toward Growth (The Three *Tsunagu*) (3)

- Global Marketing Headquarters

**Expansion of Regionally Based Businesses**
Link Global Customers/Markets with IHI Group

- Build up customer and multilayered human networks in key regions (the Americas, China and Southeast Asia) and key countries (Indonesia, Thailand, Vietnam and Malaysia)
- In an integrated IHI Group manner develop region-based marketing/branding (hold forums in Brazil, Indonesia, London of the U.K., etc.)
- Market surveys/marketing to search for new business opportunities that follow those in key countries

**Efficient Business Operations in Regions**
Globally link IHI Group

- Realize effective business management and rapid business development
- Promote monitoring and strengthen governance with regard to business management

**Development/Adoption of Global Human Resources**
Link global human resources with IHI Group

- Build global human resource management across entire IHI Group
- Find highly capable human resources in the regions, and draw up development plan

**Development Centered on Three Regional Headquarters (the Americas, Asia-Pacific and China)**
IHI E&C International Corporation, a wholly owned subsidiary of IHI Corporation, and Kiewit Energy Company, have entered into an engineering, procurement and construction contract to develop the Cove Point liquefied natural gas facility located on the Chesapeake Bay in Lusby, Maryland. The IHI/Kiewit joint venture will design, construct, commission and start up the estimated 5.25 million tonnes per annum liquefaction facility.

**Key milestones**
- April 2013: Contract award, start of engineering, procurement of key long-lead equipment
- August 2013: Commence full procurement
- September 2013: DOE authorization to export to non-Free Trade Countries
- Mid-2014: FERC approval expected
- Autumn 2017: Substantial Completion and commencement of operations

**Current status**
- IHI/Kiewit have assembled a global engineering team located in the USA, Tokyo, Philippines and India, led from IHI’s Houston office
- Key equipment has begun manufacture in the US and Europe
- Planning of construction is under way in anticipation of mobilization to site in mid 2014
Concrete caissons for the main tower foundation section were provisionally completed in September 2013, and towing these from primary manufacturing site (a makeshift dry dock) to secondary manufacturing site (makeshift wet dock) was carried out. Under the current plan, the building of the caissons at the makeshift wet dock will be completed in March 2014, and sunk and installed under the sea at the north-south main tower location.

**Principal Processes**
- Sept. 2011: Contract signed, start of detailed design
- Jan. 2013: Construction commenced
- Dec. 2014: Main tower completion
- Feb. 2016: Contracted delivery

**Project Overview**
- Type of bridge: Road suspension bridge
- Span: Approx. 3,000m
- Construction site: Izmit Bay, Turkey
- Total cost of contract: Approx. USD 1.1 billion (consortium of IHI Infrastructure Systems Co., Ltd. and Itochu Corporation)
- Areas of responsibility: Construction covering a full set of design, production and erection of superstructure and substructure of suspension bridge on a full turnkey basis
Structure which Supports Large-Scale Overseas Projects


Establish Growth Trajectory

“Group Management Policies 2010” (2010-2012)


Realize Growth

Expansion, Operation and Evolution of Foundation toward Facing Further Large-Scale Overseas Project Challenges

**Project Management System Upgrade**
- Pre-order acceptance examination of large-scale construction contracts + post-order acceptance monitoring

**Strengthen corporate-led risk management**

**Establishment of Investment Committee**
- Enhanced large-scale investment check/monitoring functions

**Introduction of RiskMetrix**
- Quantitative understanding of the risks in large-scale onshore projects

**Achieve operating profit in all segments over four consecutive years**


"Group Management Policies 2010" (2010-2012)

Equipped with the first hybrid propulsion system in Japan, an environment-friendly tugboat is in service.

First shipments of medium-speed gas engine with high-performance impact spark ignition whose environmental impact was reduced were made.

An IHI E&C International Corporation (IHI E&C) and Kiewit Energy Company joint venture won an EPC contract from Dominion for the latter’s Cove Point natural gas liquefaction facility.

IHI E&C won an order from Dakota Gasification Company (Texas, the U.S.), a wholly owned subsidiary of Basin Electric Power Cooperative of Bismarck (North Dakota, the U.S.), to act as project management consultant for the construction of a shale-gas-based urea plant planned at its facility near Beulah, North Dakota.

IHI acquired the U.S. company Nitrocision LLC, which possesses technologies that utilize ultrahigh-pressure liquid nitrogen in the decontamination and demolition of nuclear power generation facilities.

Contributing to Safe Nuclear Power Generation Facility Decontamination/Decommissioning Work

Gaining More Orders by Introducing New Models
Having completed construction of the main towers of the Naht Tan Bridge in Vietnam, whose construction started in October 2009, IHI commenced steel girder installation work. Plan is for all to have been completed at the end of 2014.

Invested in Brazil’s Estaleiro Atlântico Sul S.A. in conjunction with JGC Corporation and Japan Marine United Corporation. As a result, is proactively engaging in business in the marine resource development facilities and structures fields.

Delivery of hybrid caissons for harbor mouth area of Kamaishi, Iwate Prefecture

First orders for tsunami lifeboat received following prototype approval granted by the Ministry of Land, Infrastructure, Transport and Tourism’s Shikoku Transport & Tourism Bureau
Enhancing Responses to Increased Overseas Demand for Vehicular Turbochargers

- Established joint venture covering vehicular turbochargers with Hyundai WIA Corporation, a major automobile parts manufacturer and a major subsidiary of Hyundai-Kia Motor Group in South Korea.
- Responding to forecasts of increased sales in Europe and China, expanded and upgraded facilities.

Compressor Business Progress

- IHI Compressor and Machinery Co., Ltd. established a parts supply and technical center to enhance its after-sales service business. The company implemented inventory management of parts for general-purpose compressors and conducted maintenance training for technical service personnel using real machines.
- IHI launched highly efficient, grid connectable, package-type, small binary power generation equipment with a maximum sending-end power of 20kW.

Overseas Development of Heat/Surface Treatment

- Following establishment of after-sales service bases for heat treatment equipment, IHI set up manufacturing base within its local subsidiary in Thailand.
- Commenced operation at the base for consignment heat treatment business in Vietnam.
Airline passenger traffic is on growth trend and IHI in process of responding to increased production associated with increased demand for existing types of aero engines.

Conducting development of new engines (PW1100G-JM, Passport20), aiming to steadily obtain type certifications, promoting building up of mass production system.

Signed contracts with Japan Ministry of Defense on preparation for manufacturing 17 engine components for F135 engine powering the F-35A next-generation mainstay fighter.

IHI Aerospace Co., Ltd. was responsible for development of airframe systems of Epsilon rocket test vehicle successfully launched by Japan Aerospace Exploration Agency (JAXA).

The U.S. Cygnus™ space station supply spacecraft successfully docked with International Space Station (ISS). Cygnus™ is fitted with a spacecraft/satellite propulsion system engine developed and manufactured by IHI Aerospace.
Forward-looking figures shown in this material with respect to IHI’s performance outlooks and other matters are based on management’s assumptions and beliefs in light of the information currently available to it, and therefore contain risks and uncertainties. Consequently, you should not place undue reliance on these performance outlooks in making judgments. IHI cautions you that actual results could differ materially from those discussed in these performance outlooks due to a number of important factors. These important factors include political environments in areas in which IHI operates, general economic conditions, and the yen exchange rate including its rate against the US dollar.