

Results for the Nine Months Ended December 31, 2015, and Revised Forecasts

February 2, 2016

IHI Corporation

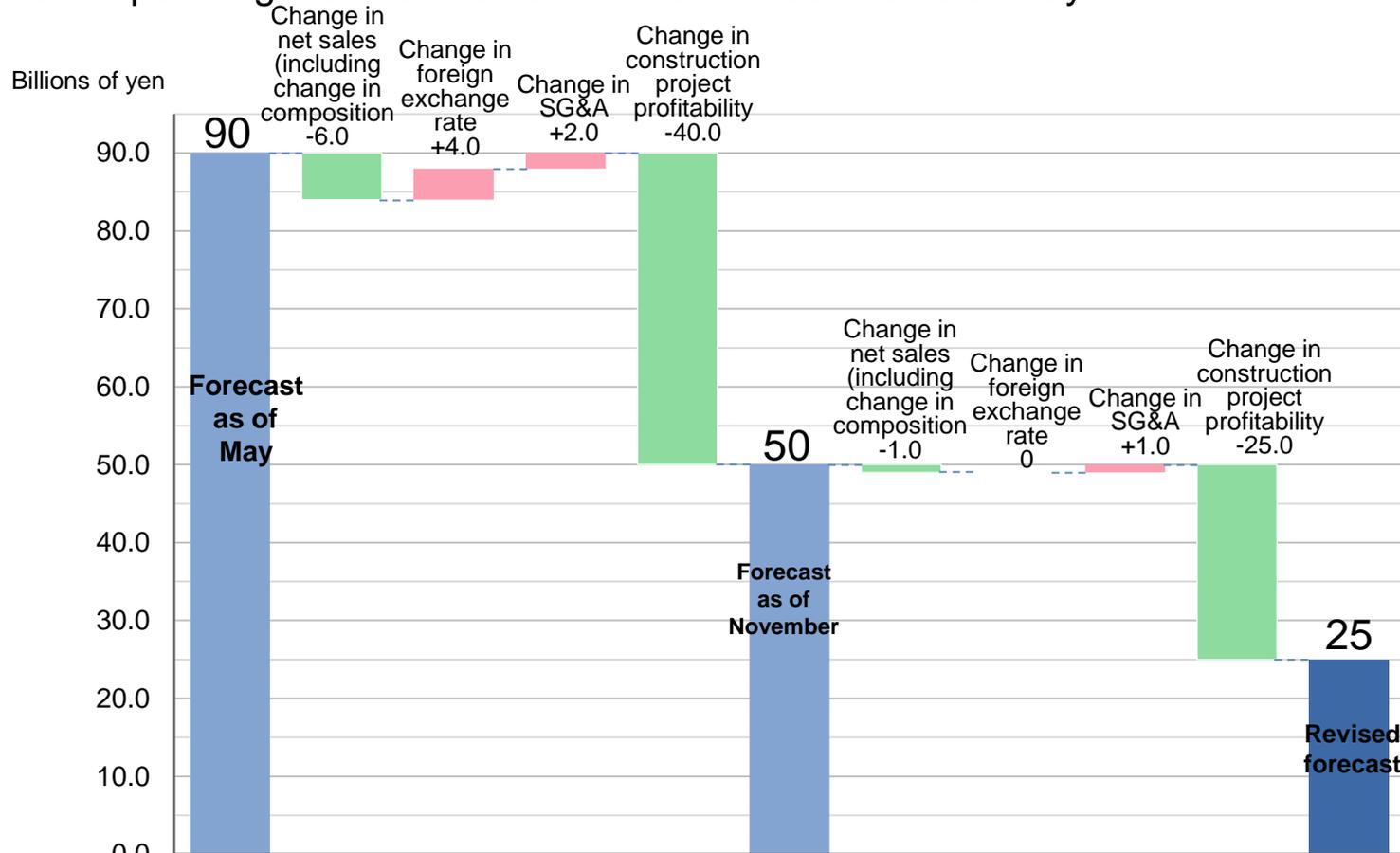
Tamotsu Saito, President and Chief Executive Officer

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Forecasts

Forecasts for Fiscal 2015 (Operating Income)

■ Factors in operating income fluctuations from forecasts as of May and November 2015



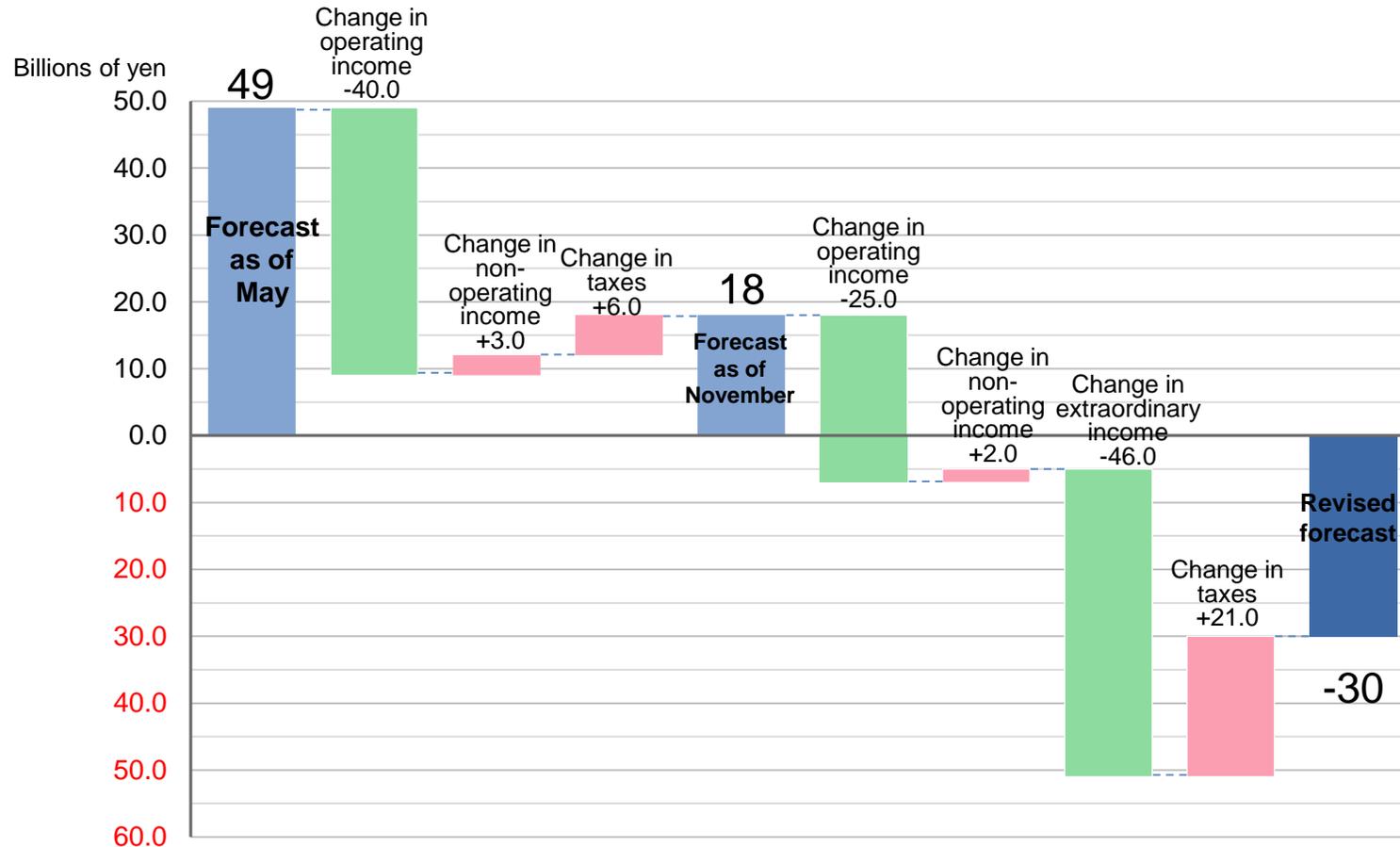
- Forecast as of May: Using official announcement of May 8, 2015 (assumed exchange rate of ¥115/US\$); Forecast as of November: Using official announcement of November 4, 2015 (assumed exchange rate of ¥115/US\$)
- Exchange rate assumption for FY15 forecasts: ¥115/US\$

■ Forecast assumptions

- Changes for worse from November forecasts
 - Deteriorating profitability of F-LNG and offshore structure business
 - Construction expenses after collapse of catwalk of Izmit Bay Crossing Bridge
 - Additional costs of boiler parts fabrication
- Changes for worse from current forecasts
 - Costs of repairing noncompliant boiler welding
 - Deteriorating profitability of F-LNG and offshore structure business
 - Deteriorating profitability of Izmit Bay Crossing Bridge construction

Forecasts for Fiscal 2015 (Net Income)

■ Factors in net income fluctuations from forecasts as of May and November 2015



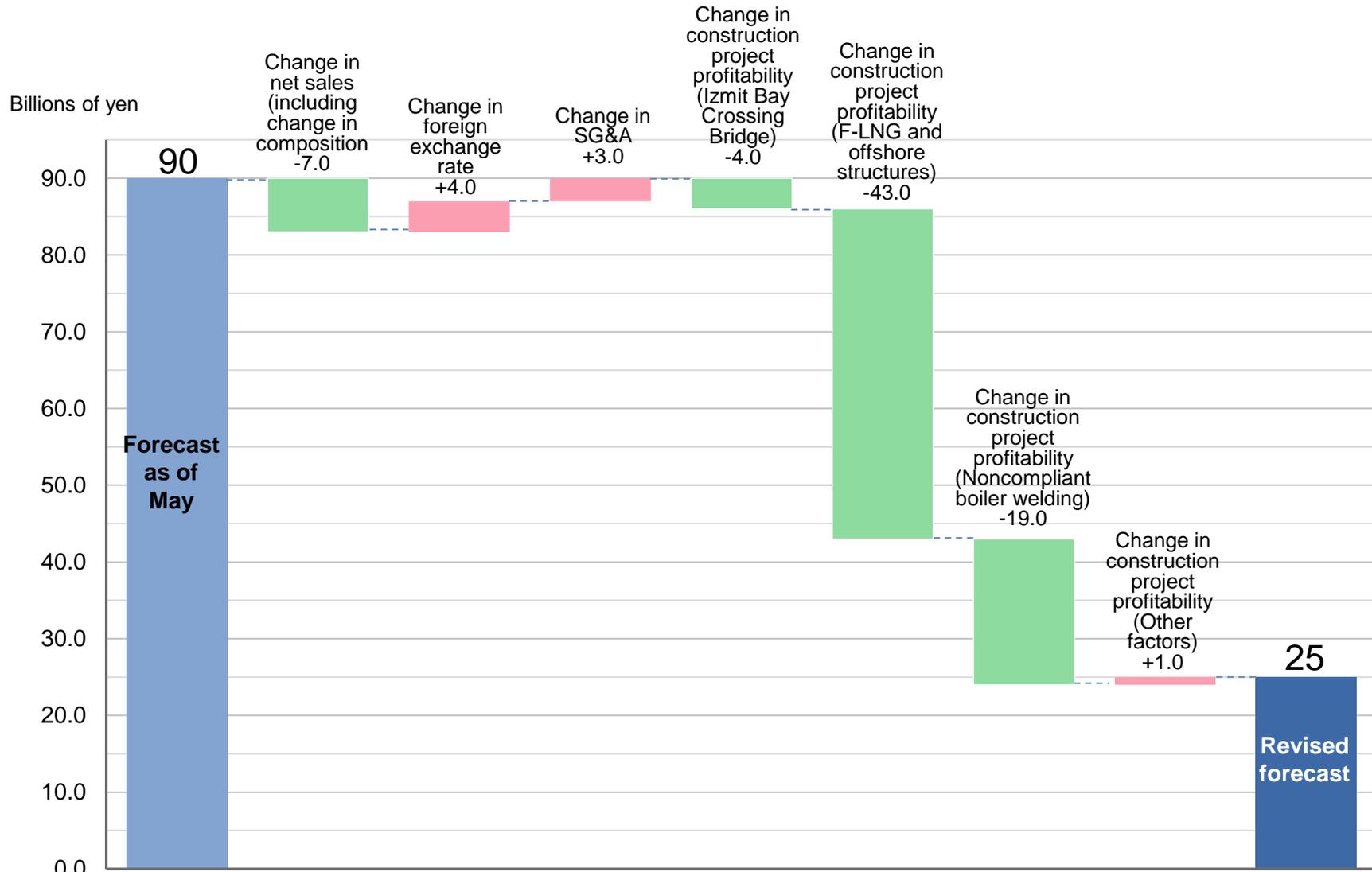
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■ Forecast assumptions

- As of November forecast
 - Non-operating income +¥3.0 billion
 - Upturn in equity investment earnings
- Current forecast
 - Non-operating income +¥2.0 billion
 - Net income and other improvements
 - Extraordinary loss ¥46.0 billion
 - Costs from contracted delivery delays

Forecasts for Fiscal 2015 (Operating Income)

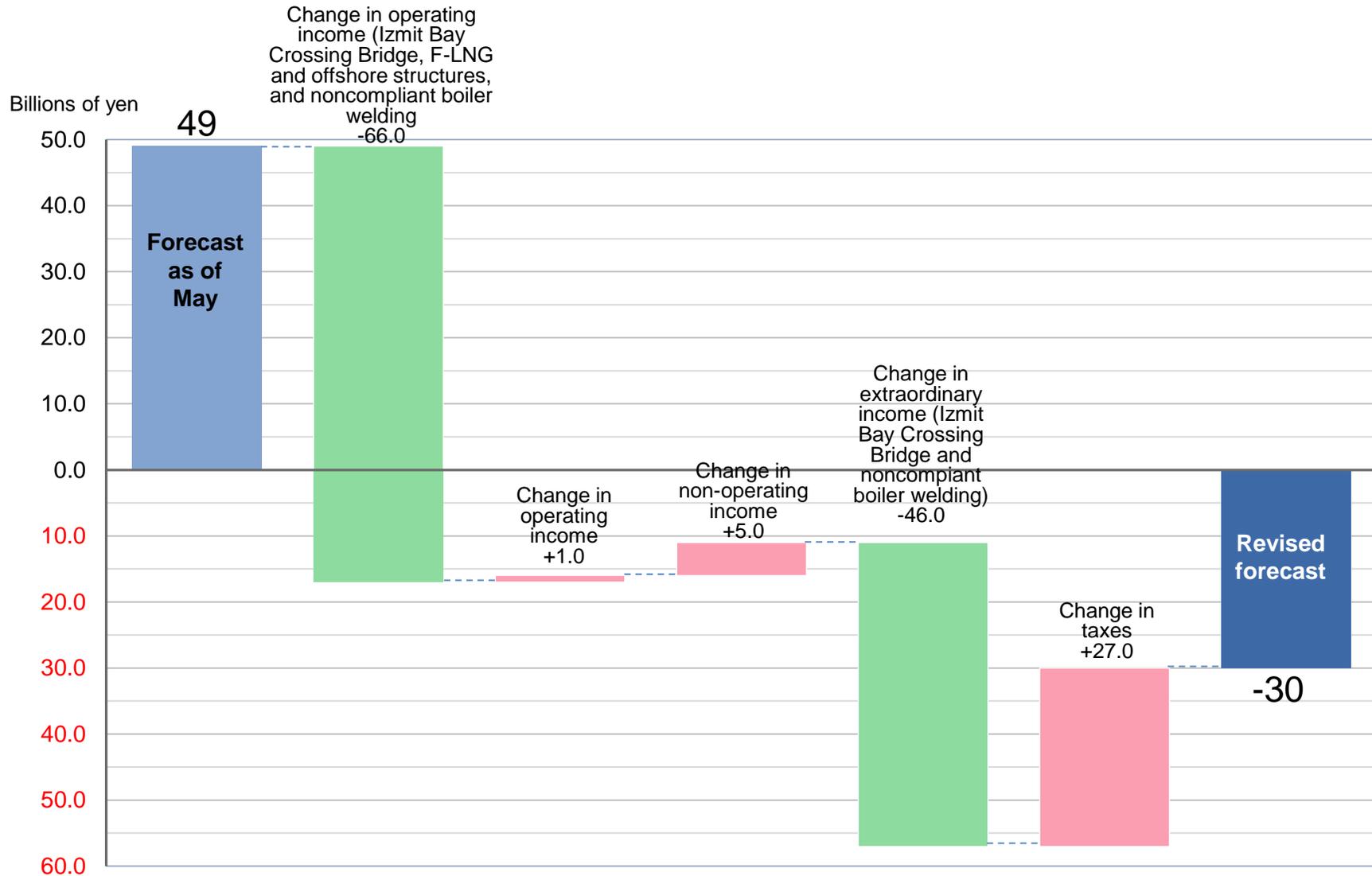
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■ Factors in net income fluctuations from forecasts as of May 2015



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Forecasts by Business Area (Net Sales)

(Billions of yen)

	Net Sales					
	FY2013 (Results)	FY2014 (Results)	FY2015			
			Outlook as of May	Outlook as of August	Outlook as of November	Current outlook
Resources, Energy and Environment	344.0	415.3	480.0	480.0	480.0	450.0
Social Infrastructure and Offshore Facilities	150.3	188.6	180.0	180.0	180.0	180.0
Industrial Systems and General-Purpose Machinery	397.8	411.7	430.0	430.0	410.0	410.0
Aero Engine, Space and Defense	406.0	434.8	470.0	470.0	490.0	490.0
Others	58.9	62.8	70.0	70.0	70.0	70.0
Adjustment	-53.2	-57.5	-50.0	-50.0	-50.0	-50.0
Total	1,304.0	1,455.8	1,580.0	1,580.0	1,580.0	1,550.0

Exchange rate

¥99.05/\$

¥110.31/\$

¥115/\$

¥115/\$

¥115/\$

¥115/\$

Forecasts by Business Area (Operating Income)

(Billions of yen)

	Operating Income					
	FY2013 (Results)	FY2014 (Results)	FY2015			
			Outlook as of May	Outlook as of August	Outlook as of November	Current outlook
Resources, Energy and Environment	11.6	24.0	31.0	31.0	24.0	2.0
Social Infrastructure and Offshore Facilities	2.3	-3.2	7.0	-8.0	-31.0	-39.0
Industrial Systems and General-Purpose Machinery	15.1	10.2	14.0	14.0	12.0	12.0
Aero Engine, Space and Defense	36.7	39.5	43.0	43.0	47.0	49.0
Others	1.9	1.2	2.0	2.0	2.0	2.0
Adjustment	-14.4	-8.6	-7.0	-7.0	-4.0	-1.0
Total	53.2	63.2	90.0	75.0	50.0	25.0

Exchange rate

¥99.05/\$

¥110.31/\$

¥115/\$

¥115/\$

¥115/\$

¥115/\$

Details of Downward Revision and Future Initiatives

(1) Occurrence in Third Quarter of FY2015 and Backdrop

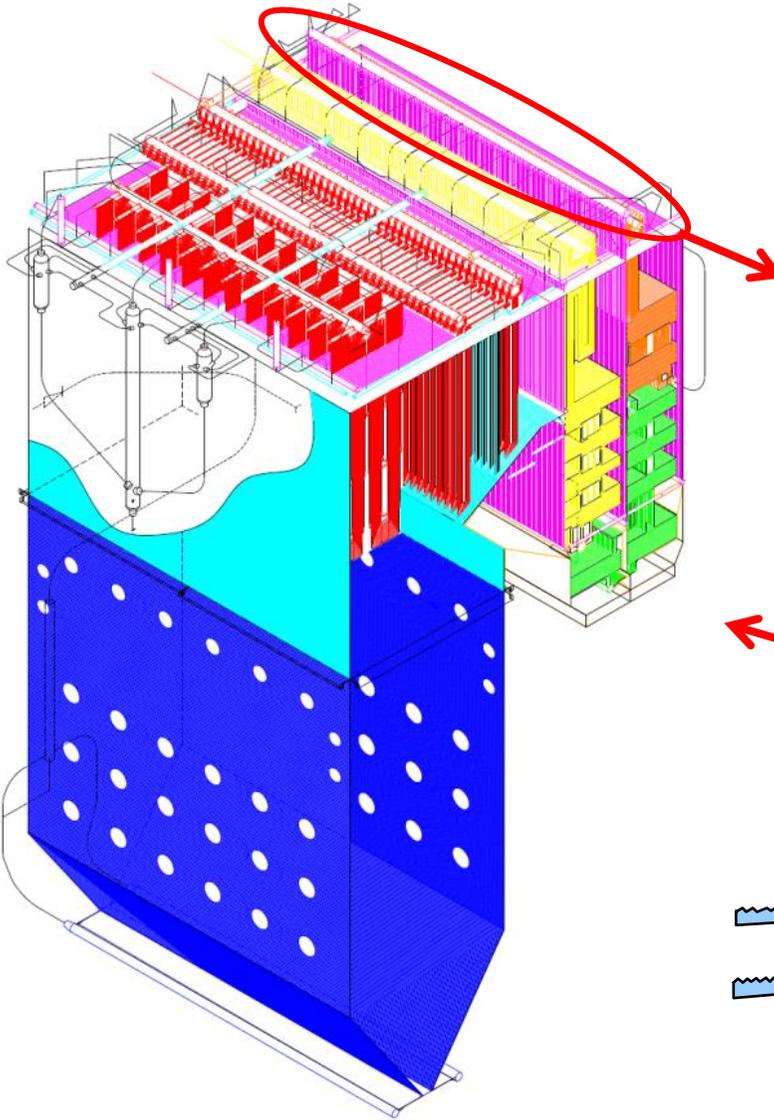
Before handing over a boiler which IHI received an order for, and subsequently had manufactured at an Indonesian subsidiary, PT Cilegon Fabricators (hereafter PTCF), undesignated welding materials were used for some pressure parts. We are discussing repair details and approaches with the customer for four projects subjected to this non-compliance and are pushing ahead to expedite those project schedules. (See Reference 1: Coal Fired Power Plant Overview)

Backdrop of Occurrence

Occurrence	Timing	Details
Usage of undesignated welding materials discovered	Early to late August 2015	<ul style="list-style-type: none"> Hydrostatic testing (see note) revealed leaks from Cilegon Fabricator welds An investigation revealed the use of undesignated welding materials
First investigation	Late August to early October	<ul style="list-style-type: none"> Investigation into welding material control and welding instructions
Investigation expanded to other projects	Mid-October to end-December	<ul style="list-style-type: none"> Investigation into boiler pressure parts for other projects fabricated by PTCF at the same period
Second investigation	Late October to early December	<ul style="list-style-type: none"> Identifying occurrence, causes and formulating corrective measures
Repair details confirmation	Late October to end-January 2016	<ul style="list-style-type: none"> Holding discussions with customer and confirming disposition

Note: Pressurizing boiler products with water at high pressure and checking for leaks

Reference 1: Coal Fired Power Plant Overview



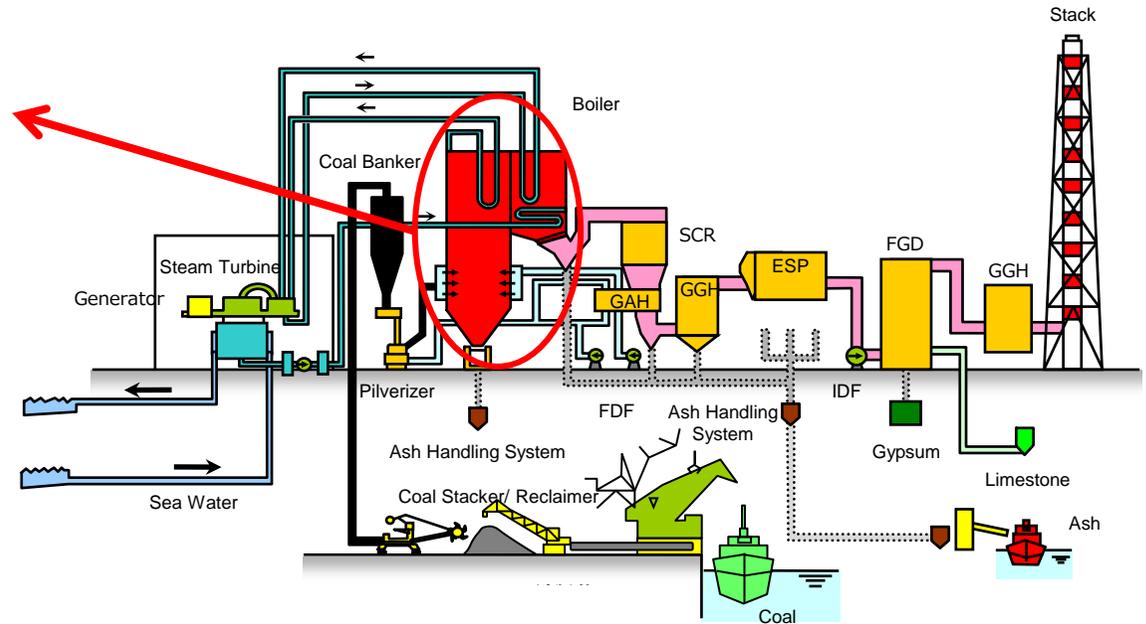
Schematic view of boiler



Header



Welding work at site



Coal fired power plant

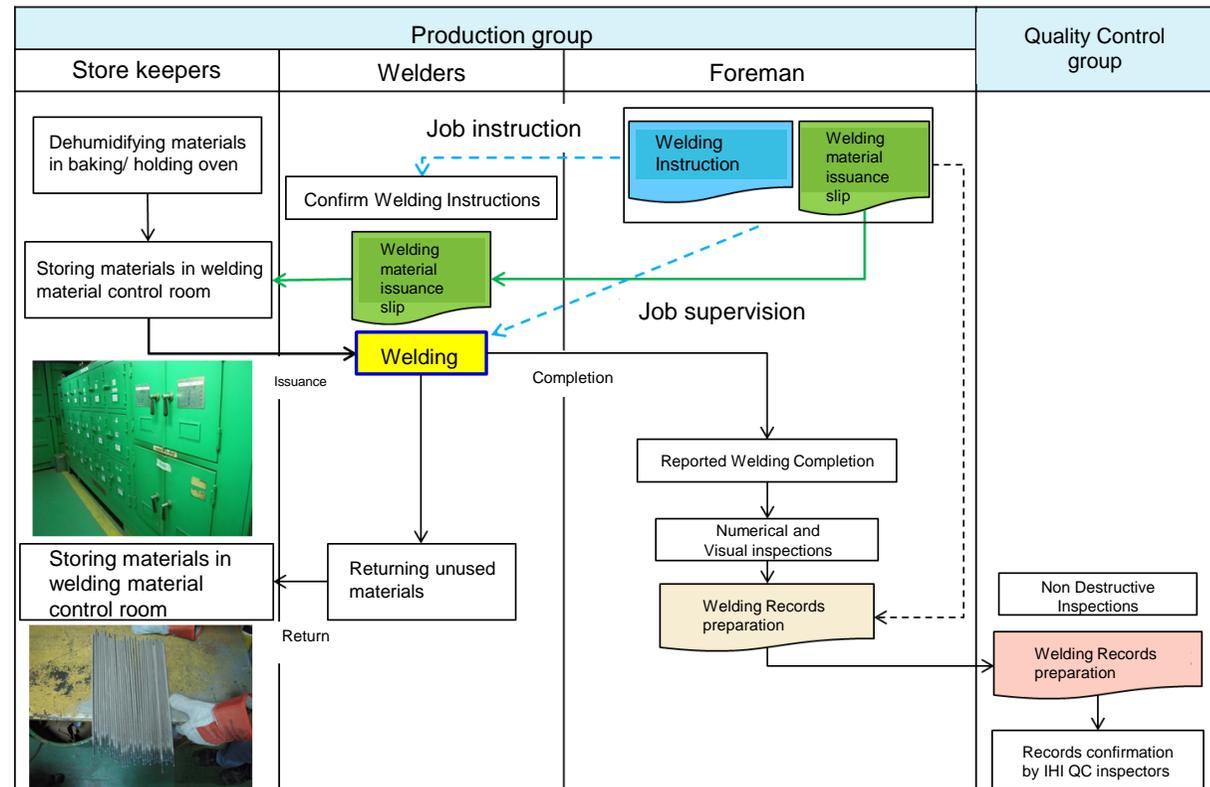
(2) Causes of noncompliant welding at Cilegon Fabricators

While PTCF based its quality management system on the well-proven setup of Aioi Works, which assumed that welders, store keepers (who oversee materials issuance), foremen and supervisors had certain knowledge and experiences.

From around July 2013, PTCF increased the number of welders and store keepers to accommodate a production capacity expansion. But some of these people were insufficiently experienced and trained, so the quality management system failed to function fully. This resulted in the use of undesignated welding materials.

Boiler welding characteristics and complexity

- An important process to ensure the tightness in high temperatures and pressure
- Specifying materials types (five categories), welding techniques, and heat treatment and other processes in complying with codes, standards and customer requirements
- Assigning the right workers



(3) Measures to prevent a recurrence

Quality management measures at PTCF

- Conducted chemical analysis (to identify any mixups of welding materials) of all welds before final shipment inspections
- Dispatched special team from IHI Head Office and Aioi Works, which is reviewing quality management processes and deploying measures to prevent a recurrence
 - (1) Halted all work at PTCF and rigorously assessed all prospective causes of noncompliance
 - (2) Verified and reconstructed quality management system (see Reference 2)
 - (3) Tightened welder and store keepers qualification requirements
 - (4) Retrained welders and store keepers
- Bolstered quality management audits
 - (1) Stationed monitoring team at PTCF
 - (2) Aioi Works Quality Control Dept. and Head Office Quality Assurance Dept. conducts periodical audits

Reinforced governance at Cilegon Fabricators

- (1) Sent additional management personnel to PTCF
- (2) Aioi Works manage and control PTCF's production plans
- (3) Trained PTCF's management personnel at Aioi Works

Group-wide measures

- Established Company-wide Council to Prevent Quality Non-Compliance in December 2015 to conduct special emergency inspections of quality management processes for welding and other work through the entire group

(Reference 2) Improvement 1: Materials Identification Management in Welding Material Control Room

Materials (JIS standard)	Color code
Carbon steel (P1)	White
1% chromium steel (P4)	Green
2.25% chromium steel (P5)	Yellow
9% chromium steel (P15E)	Blue
Stainless steel (P8)	Black

Color coding of materials



Welding materials issuance and return section (White: P1, Green: P4, Yellow: P5, Blue: P15E)



Management zone of welding material control room; P4 (Zone is color coded by welding materials)



Management zone of welding material control room; P5 (Zone is color coded by welding materials)

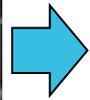


Color Coding for baking/ holding oven for SMAW (Shield Metal Arc Welding) material

(Reference 2) Improvement 2: Products and Welder Identification Management

Materials (JIS standard)	Color code
Carbon steel (P1)	White
1% chromium steel (P4)	Green
2.25% chromium steel (P5)	Yellow
9% chromium steel (P15E)	Blue
Stainless steel (P8)	Black

Color coding of materials



Color coding on materials (large diameter pipe)



Color coding on materials (tubes)



Color coding on header support



Color coding on welder armbands



Welder identification armband

Identify base material by color coding of header support

(4) Impact on full-year forecasts

- The costs of repair work have been estimated in accordance with the repair scope and techniques, which have been agreed on with the customer. With work for which discussions with the customer are ongoing, we reflected costings in total construction costs according to repair scopes and techniques that are most likely to be used at this juncture.
- Extraordinary losses include contract delivery delay damages that could be charged owing to construction delays from repair work

(1) Drill ship hull construction for Singapore

- Progressed to hull flotation stage and started commissioning large machinery. Have broadly resolved design delays that caused confusion
- Although making progress, have yet to completely resolve outfitting (piping) issues. Extended the period for resolution, and process costs could increase

(2) FPSO hull construction for Norway

- Making progress with block construction at Aichi Works and at yards in Japan and abroad
- Looking to secure more engineers and expecting risks of rearranging procurements to ensure the quality of outsourced engineering and address delays in the outfitting process

(3) SPB tank construction for LNG ships

- Progressing well with block construction for four tanks on first ship. Planning to start work on second ship in February
- Expecting risks of higher materials and transportation costs for shortening delivery periods for procured items while also expecting risks from shortfalls in work efficiency improvements owing to delays in increasing number of aluminum welding technicians

(4) Rectification efforts at Aichi Works

(1) Proper personnel placements

Completed shipment on December 18, 2015, of SPB tanks constructed for China. For FPSO hull construction for Norway, basically decided to undertake outfitting and final processes at overseas yard. Looking to swiftly deploy resources from this work to SPB tank construction

(2) Company-wide corporate support

Undertook wide-ranging support from July last year, including for Group companies. Deployed more human resources, particularly for engineering, procurement, commissioning planning, site management, and technicians. Aiming to maintain and reinforce such efforts

Project	Overview		
	Order date	Completion rate on cost basis (see note)	Completion rate on process basis
Drill ship hull construction for Singapore	December 2013	77%	83%
FPSO hull construction for Norway	May 2014	26%	50% (including outsourcing)
Two SPB tank construction for LNG ships for China	April 2014	95%	Delivered
Four SPB tanks for four LNG ships each	March 2014 (1 st ship) March 2015 (4 th ship)	63% (1 st ship) 10% (2 nd ship) 0% (3 rd & 4 th ships)	20% (1 st ship) 0% (2 nd to 4 th ships)

Note: Completion rate as of end-December 2015 based on percentage of completion accounting method

Construction of Izmit Bay Crossing Bridge (1/2)

(1) Developments to date and construction situation

- On March 21, 2015, a tension rod linking a catwalk to the south main tower broke, with the catwalk falling into the sea
- Completed catwalk restoration work on August 16, 2015. Finished cable installation on January 10, 2016, and are continuing to work on clamp (to attach hanger ropes to cable) and hanger rope attachments as part of main girder construction
- Endeavoring in various ways to mitigate delays, such as by increasing the number of construction and site personnel and deploying more construction equipment. Aiming to complete work so bridge is open to traffic in spring 2016



Clamp attachment



Main girder installation on
main tower



Approach construction

Construction of Izmit Bay Crossing Bridge (2/2)

(2) Impact on full-year forecasts

- Expenses for the accident recovery factored in the expenses of constructing a replacement catwalk in fiscal 2014 and expenditure for catching up to cover process delays in the first quarter of fiscal 2015 were incorporated.
- Impacts of additional catch-up expenses and setbacks from process delays on the third quarter were reflected.
- Extraordinary loss to cover possible claims for costs incurred owing to delivery delays was booked, since it became difficult to complete construction by contracted deadline of February 2016.

- Complete construction safely and swiftly
- Implement rigorous measures to prevent issue recurrences
- Roll out measures to prevent recurrences laterally
- Implement special company-wide inspections to prevent nonconformities from

recurring

*Company-wide units

- Izmit Bay Crossing Bridge Accident Response Headquarters
- Offshore and steel structures sector company-wide corporate support
- Response headquarters for Cilegon Fabricators nonconformity measures
- Committee to address quality nonconformity on important company-wide products

Reinforce manufacturing capabilities, including quality

Revised Dividends Forecast

	Previous Forecasts	Revised Forecasts	(Reference: Previous Dividends)
Interim	¥3	¥3 (actual)	¥3
Year-end	¥3	¥0	¥3
Annual	¥6	¥3	¥6

Note: The numbers for previous forecasts were as of May 8, 2015

Management has cut its planned year-end dividends per share for the current fiscal year to zero in view of results.

IHI

Realize your dreams

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.