

(English Translation)

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To all related parties:

**IHI Corporation**

Representative: Tamotsu Saito  
President and Chief Executive Officer  
Securities code: 7013  
Contact: Mikio Mochizuki  
Managing Executive Officer,  
Finance & Accounting Division  
Phone: +81-3-6204-7065

Notice of Revisions to the First Half and Full Year Consolidated Financial

Forecasts for the Fiscal Year ending March 31, 2016

IHI Corporation (“IHI”) announces that the forecasts of consolidated results for the first half and full year for the fiscal year ending March 31, 2016, which were announced on August 4, 2015, have been revised as described below.

Details

1. Revisions to Forecasts of First Half Consolidated Results for the Fiscal Year Ended March 31, 2016  
(from April 1, 2015 to September 30, 2015)

(Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit (loss) attributable to owners of parent	Basic earnings per Share
Previous forecasts (A) (Announced on August 4, 2015)	700,000	20,000	14,000	6,000	3.89 yen
Revised forecasts (B)	680,000	0	(4,000)	(4,000)	(2.59) yen
Change (B – A)	(20,000)	(20,000)	(18,000)	(10,000)	—
Change (%)	(2.9)	(100.0)	(128.6)	(166.7)	—
(Reference) Results of the corresponding period of the previous fiscal year (First half of FY2014)	616,144	28,934	32,337	20,946	13.57 yen

2. Revisions to Forecasts of Full-year Consolidated Results for the Fiscal Year Ended March 31, 2016  
(from April 1, 2015 to March 31, 2016)

(Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit (loss) attributable to owners of parent	Basic earnings per Share
Previous forecasts (A) (Announced on August 4, 2015)	1,580,000	75,000	63,000	39,000	25.27 yen
Revised forecasts (B)	1,580,000	50,000	38,000	18,000	11.66 yen
Change (B-A)	0	(25,000)	(25,000)	(21,000)	—
Change (%)	0	(33.3)	(39.7)	(53.8)	—
(Reference) Results of the corresponding period of the previous fiscal year (FY2014)	1,455,844	63,253	56,529	9,082	5.88 yen

3. Reasons for Revisions

On August 4, 2015, IHI announced a forecast revision due to deteriorating profitability in F-LNG / Offshore Structure Business and cost increase due to shortening of construction period at Izmit Bay Crossing Bridge construction project in Turkey which experienced an accident last fiscal year in which a part of the scaffolding (“catwalk”) dropped down to the sea.

In the F-LNG / Offshore Structure Business, ever since the previous forecast revision, IHI has been strengthening its project management function and has been deploying corporate-driven initiatives (allocation of engineers and experts across various divisions of the IHI Group, adding more staff to strengthen monitoring function, etc.). However, the disruption of production at Aichi Works has not completely been recovered. The drill ship project for Singapore is continuing to experience design changes and other shortcomings at the site level, although to a lesser extent than what IHI had been experiencing at the time of previous forecast revision announcement. IHI has allocated additional resources to Aichi Works, thereby recording additional designing and processing charges. Additionally, in the shipbuilding project for FPSO (Floating Production Storage and Offloading Unit) for Norway, with a detailed designing now underway, IHI and an overseas manufacturer (to whom IHI has outsourced parts) have confirmed the work plan in detail. This resulted in IHI recording additional project expenses due to significant increases in procurement costs from increased amount of materials and the consequent construction delay. The processing and construction delays relating to large scale offshore structure projects described above could result in shortages of resources available to the SPB tank construction project for LNG carrier. In order to avoid the shortages of resources, IHI has reflected additional processing costs to the aggregate amount of project cost. As a result, the F-LNG / Offshore Structure Business is expected to experience a significant deterioration in profitability.

Besides the F-LNG / Offshore Structure Business, as a result of the deterioration of business environment such as low oil price and the weakening of the Chinese economy, IHI’s Resources, Energy and Environment Business and Industrial System and General Purpose Machinery Business are experiencing a lower than expected sales, and the Resources, Energy and Environment Business is expected to record additional charges in some of its projects. For such reasons, IHI has made a downward revision to the forecasts of the consolidated results for the first half and full year for the fiscal year ending March 31, 2016.

**【Existing Projects in F-LNG / Offshore Structure Business】**

Project Name	Overview
Drill ship project for Singapore	Order Received: Dec 2013 Completion Rate (※1): 68%
FPSO shipbuilding project for Norway	Order Received: May 2014 Completion Rate (※1): 12%
SPB tanks for LNG carrier for China (2 tanks)	Order Received: Apr 2014 Completion Rate (※1): 88%
SPB tanks for LNG carrier for domestic customer (4 tanks x 4 ships)	Order Received: Mar 2014 (1 <sup>st</sup> Ship) / Mar 2015 (4 <sup>th</sup> Ship) Completion Rate (※1): 26% (1 <sup>st</sup> Ship), 2% (2 <sup>nd</sup> Ship) 0% (3 <sup>rd</sup> Ship), 0% (4 <sup>th</sup> Ship)

(※1) Completion rate as of end of September 2015 based on percentage of completion accounting method

4. Countermeasures

In the F-LNG / Offshore Structure Business, there has been a continued downward earnings revisions since 3Q FY2014, due to disruptions in production at Aichi Works, procurement budget overruns, and lack of project management. In order to fix the situation as soon as possible and to prevent future earnings deterioration, IHI will deploy the following countermeasures.

- (1) Since July 2015, with a view to adding more human resources and strengthening the project management monitoring function for the F-LNG / Offshore Structure Business, IHI has been deploying corporate-driven initiatives (allocation of engineers and experts across various divisions of the IHI Group, more staff to strengthen monitoring, etc.). Furthermore, measures to secure the resources for the SPB tank construction project for LNG carrier will be executed including the support from IHI Group companies.
- (2) IHI has been trying to minimize the risk of further downward earnings revisions at the F-LNG / Offshore Structure Business by effectively accepting no new orders during the current fiscal year.
- (3) In order to execute the actions described above and strengthen the execution capability of the F-LNG / Offshore Structure Business, IHI will make the following management change as of October 21.

Name		Position	Responsibilities
Sadao Degawa	(New)	Executive Vice President Senior Executive Officer	Assistant to the President  In charge of Group Engineering and Business Relating to Information Systems  In charge of Social Infrastructure & Offshore Facilities Business Areas  President of Offshore Project & Steel Structures Operations
	(Previous)	Executive Vice President	Assistant to the President  In charge of Group Engineering and Business Relating to Information Systems
Akinori Abe	(New)	Director	Special Missions assigned by President
	(Previous)	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

Please also refer to supplementary material “Explanation Regarding Revisions to the Financial Forecasts for the Fiscal Year ending March 31, 2016” which IHI disclosed today together with this press release.

(Note) The above forecasts are based on information currently available to IHI and certain assumptions determined as rational. Actual performance may significantly differ from these forecasts due to various factors in the future.