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Notice of Revisions to First Half and Full-Year Consolidated Results Forecasts and Planned Dividends for the Fiscal Year Ending March 31, 2017

IHI Corporation (hereinafter, "IHI") announces the following revisions to the first-half and full-year consolidated results forecasts and planned dividends that it announced on July 29, 2016, for the fiscal year ending March 31, 2017.

1. Revisions to First-Half (April 1 through September 30, 2016) Forecasts for the Fiscal Year Ending March 31, 2017

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income (Loss)	Profit (Loss) Attributable to Owners of Parent	Basic Earnings per Share
Previous forecasts (A) (Announced on July 29, 2016)	700,000	23,000	16,000	9,000	5.83 yen
Revised forecasts (B)	690,000	12,000	5,000	(5,000)	-3.24 yen
Change (B－A)	-10,000	-11,000	-11,000	-14,000	―
Change (%)	-1.4	-47.8	-68.8	-155.6	―
Reference: Results for previous corresponding period (First half of fiscal year ended March 31, 2016)	688,271	269	(4,030)	(3,907)	-2.53 yen

2. Revisions to Full-Term Forecasts for the Fiscal Year Ending March 31, 2017

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income (Loss)	Profit Attributable to Owners of Parent	Basic Earnings per Share
Previous forecasts (A) (Announced on July 29, 2016)	1,520,000	58,000	44,000	22,000	14.25 yen
Revised forecasts (B)	1,500,000	38,000	18,000	0	0.00 yen
Change (B－A)	-20,000	-20,000	-26,000	-22,000	―
Change (%)	-1.3	-34.5	-59.1	-100.0	―
Reference: Fiscal year ended March 31, 2016	1,539,388	22,048	9,716	1,529	0.99 yen

*Foreign exchange rate assumptions
US$1.00 = ¥100 (previous forecast based on ¥105)
1 euro = ¥110 (previous forecast based on ¥115)

3. Reasons for Revisions

Management lowered its operating and other earnings forecasts in light of new exchange rate assumptions (US$1.00 = ¥100, previously US$1.00 = ¥105, and 1 euro = ¥110, previously 1 euro = ¥115) and further setbacks in three projects of the LNG/Offshore Structure Business:

(1) Drill ship construction for Singapore
(2) FPSO shipbuilding project for Norway
(3) Construction of 16 SPB tanks for four Japanese LNG carriers

These projects were principal factors in downward revisions to consolidated results forecasts in the previous fiscal year. The Group undertook concerted efforts to deploy support systems and drive forward with work. After making its previous results announcement, however, management projected additional costs owing to the following project developments.

(1) Drill ship construction for Singapore

Construction status: Having finished hull assembly this year the Company transferred the vessels in April from the Aichi Works dock to the quay, where it is installing electrical cables and equipment in the final phase of complete construction.

New issues:

- Electrical cable installation work entered the inspection phase after progressing from July this year, and issued identified by the customer with related to the quality of electrical engineering work increased during that process.
- After reviewing the engineering, the Company needed to re-lay cables and add or re-install cable trays, which management projected would significantly delay electrical work. The Company needed to deploy resources to get back on track and avoid falling behind with painting, commissioning, and other later stages.
- Management had to post massive additional costs to prevent delivery from sliding from within 2016, as originally planned, to March 2017.
- The Company jointly assessed concerns with the customer and confirmed that there should be no further expenses or issues that affect the project.

(2) FPSO shipbuilding project for Norway

Construction status: The Company transported hull blocks manufactured at the Aichi Works and other facilities in Japan and abroad to a subcontractor shipyard in Singapore that completed hull assembly in August this year. Outfitting and electrical work is proceeding on the vessel in that shipyard's quay.

New issues:

- Revisions to yard plan drawings finished in September this year. In the final confirmation stage, the Company reviewed the engineering to prevent interference between piping. It thereby became evident that there would be significantly more piping and cabling materials and that backtracking work would be necessary. After recalibrating future work volumes with the shipyard, the Company pushed back the projected delivery by two months, to July 2017, resulting in significantly higher costs.
- The Company incurred expenses to post and extend the stays of engineers to manage engineering, construction, and quality control to more rigorously manage project progress at the shipyard.

(3) Construction of 16 SPB tanks for four Japanese LNG carriers

Construction status: Of the total of 16 tanks for four ships, the Company fitted two tanks for the first vessel in August and October this year. It plans to complete delivery for that vessel by fitting the remaining two tanks for it in December.

New issues:

- Fitting the tanks entails assembling giant upper and lower blocks and joining them on board vessels, and these later construction stages are very challenging for aluminum SPB tanks in terms of precision control and welding quality.
- Despite an accordingly intensive deployment of skilled workers, the process was more difficult than envisaged. Frequent backtracking work made it impossible to attain planned work efficiency levels, and it became clear that no proficiencies had resulted from continuous production. With work falling significantly behind, measures to regain lost ground became necessary.
- To catch up, management therefore decided to expand the area for assembling final blocks. Management also reviewed work volumes for constructing subsequent tanks based on results with the first two tanks fitted, as it concluded that proficiency gains were unlikely to materialize. Estimated costs thus soared, with the projected completion being pushed back one or two months. The Company now expects to hand over all four ships in December 2017.
- Management will pursue a range of improvement measures, including to optimize plans for deploying welders.

The IHI Group is doing its utmost to complete these three projects.

As stated in previous disclosure materials, the Company has already stopped accepting new orders for F-LNG and offshore structures in view of their profitability deteriorating significantly from last fiscal year. Management looked into transforming the business structure to focus on aluminum SPB tanks, and will also explore the need for drastic countermeasures in light of prospects for the offshore market, reaching a decision by the end of this fiscal year.

4. Revision of Dividends Forecast

(1) Revision details

	Dividends per Share		
	Interim	Year-end	Annual
Previous forecast	¥3.00	¥3.00	¥6.00
Revised forecast	—	—	—
Fiscal year ended March 31, 2016	¥3.00	—	¥3.00

(2) Reason for Revision

IHI maintains a basic policy of allocating sufficient internal reserves to reinforce its operational foundations so it can fulfill its commitment to delivering stable dividends. This is in keeping with a commitment to maintaining sustainable returns to shareholders.

In view of results forecasts for the current fiscal year because of the circumstances described above, management has regretfully cut its planned interim and year-end dividends per share to zero.

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 owing to various future factors.