(English Translation)

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To all related parties:

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Notice of Recording of Loss on Valuation of Shares of Subsidiaries and Affiliates, etc. (non-consolidated) and Non-Operating Losses

IHI Corporation (hereinafter, "IHI") announces that IHI has recorded ¥11.5 billion in loss on valuation of shares of subsidiaries and affiliates, etc. (non-consolidated) related to an overseas consolidated subsidiary as extraordinary losses and ¥6.4 billion in payments for contract adjustments for civil aero engines as non-operating losses in its financial results for the six months ended September 30, 2017. The details are as follows.

1. Details of loss on valuation of shares of subsidiaries and affiliates, etc. (non-consolidated) related to an overseas consolidated subsidiary

In IHI Group's process plant project underway in North America, due to increased amount of materials from the initial estimation, procurement and construction costs increased. Moreover delayed process schedule came out and it has come to necessitate the review of the whole plan of its construction. After incorporating the cost required to catch up on all the processes connected with these delays into financial results for the six months ended September 30, 2017, the IHI Group has increased its projected construction costs for this project compared with the estimate as of June 30, 2017, and the profitability of the project has deteriorated.

As a result, IHI's subsidiary (regional headquarters for the Americas) IHI INC. experienced an impairment of its net assets, and the actual value of the shares of IHI INC. owned by IHI fell significantly below the book value. IHI investigated the recoverability of share price and deemed such recovery questionable for the time being, and accordingly recorded ¥11.5 billion in loss on valuation of shares of subsidiaries and affiliates, etc. (¥9.9 billion of loss on valuation of shares of subsidiaries and affiliates and ¥1.6 billion of provision for loss on business of subsidiaries and affiliates) as extraordinary losses in its non-consolidated financial results.

Furthermore, this loss on valuation of shares of subsidiaries and affiliates, etc. is eliminated in the consolidated financial statements as the subsidiary concerned is a consolidated subsidiary. Accordingly, there is no impact on the consolidated financial results.

2. Details of the payments for contract adjustments for civil aero engines

IHI faces one-time expenses in connection with contracts with customers relating to engine programs in which IHI is participating. These expenses arose from the new requirement to allocate a portion of the engines planned to be delivered to customers for use as spare engines for operational support. Accordingly, IHI expects these program expenses to be ¥6.4 billion, and has recorded this amount as non-operating losses.

3. Impact on forecasts of consolidated financial results

IHI has incorporated the deterioration of profitability in the process plant project underway in North America, mentioned in 1. above, and the payments for contract adjustments, mentioned in 2. above, into the consolidated financial results for the six months ended September 30, 2017. However, IHI Group has left its full-year consolidated forecasts for the fiscal year ending March 31, 2018, unchanged from the forecasts announced on August 8, 2017, because the IHI Group is expecting increased profits in each reportable segment except the Resources, Energy and Environment segment.