

(Translation)

Securities Code: 7013
June 1, 2017

To: Shareholders

IHI Corporation
Tsugio Mitsuoka, President & CEO
1-1, Toyosu 3-chome, Koto-ku, Tokyo

**NOTICE OF CONVOCATION
OF THE 200TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 200th Ordinary General Meeting of Shareholders of IHI Corporation (the “Company”). The meeting shall be held as described below.

- 1. Date and Time:** June 23, 2017 (Friday), 10:00 a.m.
(The reception of the attendees to the meeting at the reception desk shall start at 8:45 a.m.)
- 2. Place:** The “Hiten” main banquet hall, Grand Prince Hotel New Takanawa
13-1, Takanawa 3-chome, Minato-ku, Tokyo

3. Purposes

Matters to be reported:

1. Report on the business report and the consolidated financial statements for the 200th fiscal year (from April 1, 2016 to March 31, 2017), and the results of the audit of the consolidated financial statements by the accounting auditor and the Audit & Supervisory Board.
2. Report on the non-consolidated financial statements for the 200th fiscal year (from April 1, 2016 to March 31, 2017).

Matters to be resolved:

- Agenda Item No. 1:** Election of fourteen (14) directors
Agenda Item No. 2: Election of two (2) audit & supervisory board members
Agenda Item No. 3: Revision of directors’ remuneration
Agenda Item No. 4: Adoption of performance-based share remuneration plan for directors
Agenda Item No. 5: Consolidation of shares

4. Exercise of Voting Rights by Shareholders Unable to Attend the Meeting

If you are unable to attend the meeting on the specified date, you can exercise your voting rights by voting form (i.e., “Form for Exercising Voting Right”) or via the Internet, etc. Please review the Reference Material for the General Meeting of Shareholders in this document and exercise your voting rights using either of the methods described on the following page.

Outline of Exercising Voting Rights

If you will attend the General Meeting of Shareholders

Please present the enclosed voting form to the receptionist when you attend the meeting. Also, please be sure to bring this Notice of Convocation of the 200th Ordinary General Meeting of Shareholders (this document) to the meeting.

If you will not attend the General Meeting of Shareholders

- If you exercise your voting rights by voting form
Please exercise your voting rights by stating whether you are for or against the agenda items on the voting form enclosed herein and send the form back to us so that it reaches us by the deadline below. If you do not state whether you are for or against an agenda item in exercising your voting rights by the voting form, you shall be considered to have stated that you are for the agenda item.

Deadline: To arrive no later than 5:30 p.m. on June 22, 2017 (Thursday) (JST)

- If you exercise your voting rights via the Internet, etc.
Please exercise your voting rights through the website designated by the Company (<http://www.web54.net>) by the deadline below. (For details, please refer to the “Exercise of Voting Rights by Electronic Measures” on page 111.)

Deadline: No later than 5:30 p.m. on June 22, 2017 (Thursday) (JST)

Treatment if you exercise your voting rights in duplicate

- (a) If any voting rights are exercised redundantly both by the voting form and via the Internet, etc., the votes which reach us last shall be considered to be valid. If both the votes by the voting form and the votes via the Internet, etc. reach us on the same day, the votes cast via the Internet, etc. shall be considered to be valid.
- (b) If any voting rights are exercised via the Internet, etc. more than once, the votes cast last shall be considered to be valid.

Matters regarding the Reference Material for the General Meeting of Shareholders and the Attachment to the Notice of Convocation

Please note that we will post any amendments to the Reference Material for the General Meeting of Shareholders, or the business report, the consolidated financial statements or the non-consolidated financial statements on our website, if any such amendment is made.

Our website: <http://www.ihl.co.jp>

- END -

Disclaimer:

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.

Reference Material for the General Meeting of Shareholders

Agenda Items and Reference Matters

Agenda Item No. 1: Election of fourteen (14) directors

The terms of office of all thirteen (13) current directors will expire at the conclusion of this General Meeting of Shareholders. In that regard, the Company will increase the number of outside directors by one to further enhance the management system and monitoring functions, and approval is hereby requested for the election of fourteen (14) directors, including four (4) outside directors.

The candidates for the offices of directors are as follows:

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
1	Tamotsu Saito (July 13, 1952)	Apr. 1975: Joined the Company Jun. 2006: Executive Officer; Vice President of Aero-Engine & Space Operations, the Company Jan. 2008: Executive Officer; President of Aero-Engine & Space Operations, the Company Apr. 2008: Director; Executive Officer, President of Aero-Engine & Space Operations, the Company Apr. 2009: Director; Managing Executive Officer, President of Aero-Engine & Space Operations, the Company Apr. 2010: Director, the Company Apr. 2011: Executive Vice President, the Company Apr. 2012: President; Chief Executive Officer, the Company Apr. 2016: Chairman of the Board; Chief Executive Officer, General Manager of <i>Monozukuri</i> System Strategy Planning Headquarters, the Company Apr. 2017: Chairman of the Board (incumbent) (Position and Areas of Responsibility at the Company) Chairman of the Board (Significant Concurrent Positions) Representative Director; President, Manufacturing Science and Technology Center Representative Director; Chairman, THE JAPAN WORKVESSEL ASSOCIATION Outside Director, JAPAN POST INSURANCE Co., Ltd. (scheduled to assume the position in June 2017)	114,000 shares

(Reasons for nomination)

Mr. Tamotsu Saito has led the IHI Group's management as President and Chief Executive Officer since April 2012, and since April 2016, as Chairman of the Board, he has worked to achieve further improvements in corporate governance. In the belief that his abundant experience and insight as corporate manager will be utilized in the management of the IHI Group, the Company has nominated him as a candidate for director.

(Note)

Mr. Tamotsu Saito is serving concurrently as Representative Director and President of Manufacturing Science and Technology Center and Representative Director and Chairman of THE JAPAN WORKVESSEL ASSOCIATION. There are no special interests between the Company and Manufacturing Science and Technology Center, and THE JAPAN WORKVESSEL ASSOCIATION.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
2	Tsugio Mitsuoka (October 13, 1954)	<p>Apr. 1980: Joined the Company</p> <p>Apr. 2008: Vice President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2010: Executive Officer; Vice President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2013: Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company</p> <p>Jun. 2014: Director; Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company</p> <p>Apr. 2016: President; Chief Operating Officer, the Company</p> <p>Apr. 2017: President; Chief Executive Officer, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) President; Chief Executive Officer</p>	57,000 shares
<p>(Reasons for nomination)</p> <p>Mr. Tsugio Mitsuoka was appointed President of Aero-Engine & Space Operations in April 2013, driving the growth of the globally developing business before becoming President and Chief Operating Officer in April 2016 and assuming the role of President and Chief Executive Officer in April 2017, in which capacity he has led the IHI Group's management. In the belief that his abundant experience and insight as corporate manager will be utilized in the management of the IHI Group, the Company has nominated him as a candidate for director.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
3	Toshinori Sekido (July 6, 1953)	<p>Apr. 1978: Joined the Company</p> <p>Jul. 2004: Division Director of Civil Aero-Engine Division, Aero-Engine & Space Operations, the Company</p> <p>Apr. 2007: Executive Officer; Vice President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2010: Managing Executive Officer; President of Aero-Engine & Space Operations, the Company</p> <p>Jun. 2011: Director; Managing Executive Officer; President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2013: Director, the Company</p> <p>Apr. 2014: Executive Vice President, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Executive Vice President; Assistant to the President; in charge of Group Engineering; in charge of Priority New Business Areas; in charge of Business Relating to Human Resources; in charge of Business Relating to Information Management; in charge of Business Relating to Corporate Business Development</p> <p>(Significant Concurrent Positions) Representative Director, Japanese Aero Engines Corporation</p>	50,000 shares
<p>(Reasons for nomination) Mr. Toshinori Sekido was appointed Executive Vice President in April 2014, taking charge of Priority New Business Areas, as well as human resources and information management. In light of a high level of insight he has possessed in a wide range of fields and in the belief that his results and experience will be utilized in the management of the IHI Group, the Company has nominated him as a candidate for director.</p> <p>(Note) Mr. Toshinori Sekido is serving concurrently as Representative Director of the Japanese Aero Engines Corporation (JAEC), which is involved in the following transactions with the Company.</p> <ol style="list-style-type: none"> (1) The Company is entrusted with development and research of civil aircraft jet engines and pays the private sector portion of its funding. (2) The Company guarantees a portion of JAEC's loan obligations, etc. (3) The Company receives subsidies from JAEC for developing civil aircraft jet engines. (4) The Company manufactures and delivers civil aircraft jet engine components, etc. to JAEC. (5) The Company pays a portion of expenses required for the profit-making activities of JAEC. 			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
4	Ichiro Terai (January 12, 1954)	<p>Apr. 1976: Joined the Company</p> <p>Jul. 2002: Manager of Tax Accounting Group, Finance & Accounting Division, the Company</p> <p>Apr. 2009: Executive Officer; Deputy General Manager of Finance & Accounting Division and Manager of Tax Accounting Group, Finance & Accounting Division, the Company</p> <p>Jun. 2009: Director; Executive Officer; General Manager of Finance & Accounting Division, the Company</p> <p>Apr. 2012: Director; Managing Executive Officer; General Manager of Finance & Accounting Division, the Company</p> <p>Apr. 2014: Director, the Company</p> <p>Apr. 2015: Executive Vice President, the Company</p> <p>Apr. 2017: Executive Vice President, Senior Executive Officer; President of Social Infrastructure & Offshore Facilities Business Area, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Executive Vice President; Senior Executive Officer; Assistant to the President; in charge of Group Business Process Platform; President of Social Infrastructure & Offshore Facilities Business Area</p>	24,000 shares
<p>(Reasons for nomination)</p> <p>Mr. Ichiro Terai was appointed Executive Vice President in April 2015, taking charge of finance & accounting and corporate planning etc., and has possessed a high level of insight in a wide range of fields. In the belief that his abundant results and experience will be utilized in the management of the IHI Group and contribute to the growth of the IHI Group particularly in Social Infrastructure & Offshore Facilities Business Area, the Company has nominated him as be a candidate for director.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
5	Hiroyuki Otani (October 8, 1955)	<p>Apr. 1978: Joined the Company</p> <p>Apr. 2010: Vice President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2011: Executive Officer; President of Power Systems Operations, the Company</p> <p>Apr. 2012: Executive Officer; Vice President of Energy Operations, the Company</p> <p>Apr. 2013: Executive Officer; Vice President of Machinery & Logistics Systems Operations, the Company</p> <p>Apr. 2014: Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company</p> <p>Jun. 2014: Director; Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company</p> <p>Apr. 2016: Director, the Company</p> <p>Apr. 2017: Director; Managing Executive Officer; President of Resources, Energy and Environment Business Area (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; in charge of Business Relating to Procurement; President of Resources, Energy and Environment Business Area</p>	45,000 shares
<p>(Reasons for nomination)</p> <p>Mr. Hiroyuki Otani has accumulated a great deal of knowledge mainly in the aero-engine production and technology division. He has also been responsible for business divisions including power systems and machinery & logistics, and accordingly possesses a wide range of business management experience. In the belief that his abundant results and experience will contribute to the growth of the IHI Group particularly in Resources, Energy and Environment Business Area, the Company has nominated him as a candidate for director.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
6	Mikio Mochizuki (July 8, 1954)	<p>Apr. 1978: Joined the Company Jan. 2008: General Manager of Project Audit Division Apr. 2011: Executive Officer, the Company; President and Chief Executive Officer, IHI INC. (Regional Headquarter for the Americas) Apr. 2014: Managing Executive Officer; General Manager of Finance & Accounting Division, the Company Jun. 2016: Director; Managing Executive Officer; General Manager of Finance & Accounting Division, the Company Apr. 2017: Director; Managing Executive Officer; President of Industrial Systems & General-Purpose Machinery Business Area, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; in charge of Group Finance & Accounting; President of Industrial Systems & General-Purpose Machinery Business Area; the Company (incumbent)</p>	33,000 shares
<p>(Reasons for nomination) Mr. Mikio Mochizuki has accumulated a great deal of knowledge mainly in the finance & accounting field. He was appointed President and Chief Executive Officer of Regional Headquarter for the Americas and General Manager of Finance & Accounting Division. In the belief that his abundant results and experience will contribute to the growth of the IHI Group particularly in Industrial Machinery & General-Purpose Machinery Business Area, the Company has nominated him as a candidate for director.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
7	Tomoharu Shikina (February 4, 1958)	<p>May 1980: Joined the Company</p> <p>Apr. 2011: Vice President of Aero-Engine & Space Operations, the Company</p> <p>Apr. 2013: Executive Officer; Vice President of Aero-Engine & Space Operations and Division Director of Civil Aero-Engine Division, the Company</p> <p>Apr. 2016: Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company</p> <p>Jun. 2016: Director; Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company</p> <p>Apr. 2017: Director; Managing Executive Officer; President of Aero-Engine, Space & Defense Business Area, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; President of Aero Engine, Space & Defense Business Area</p>	28,000 shares
<p>(Reasons for nomination)</p> <p>Mr. Tomoharu Shikina has accumulated a great deal of knowledge mainly in the aero-engine technology development field. He was appointed President of Aero-Engine & Space Operations in April 2016. In the belief that his abundant results and experience will contribute to the growth of the IHI Group particularly in Aero Engine, Space & Defense Business Area, the Company has nominated him as a candidate for director.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
8	Atsushi Kuwata (May 30, 1957)	<p>Apr. 1981: Joined the Company</p> <p>Apr. 2013: Vice President of Machinery & Logistics Systems Operations, the Company</p> <p>Apr. 2014: Executive Officer; Vice President of Machinery & Logistics Systems Operations and Deputy General Manager of Sales Headquarters, the Company</p> <p>Apr. 2015: Executive Officer; General Manager of Sales Headquarters and Deputy General Manager of Solution & Engineering Headquarters, the Company</p> <p>Jun. 2016: Director; Executive Officer; General Manager of Sales Headquarters and Deputy General Manager of Solution & Engineering Headquarters, the Company</p> <p>Apr. 2017: Director; Managing Executive Officer; General Manager of Sales Headquarters, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; in charge of Group Operations; General Manager of Sales Headquarters</p>	8,000 shares
<p>(Reasons for nomination)</p> <p>Mr. Atsushi Kuwata has accumulated a great deal of knowledge mainly in the sales and marketing field. He was appointed General Manager of Sales Headquarters in April 2015. In the belief that his abundant results and experience will contribute to the growth of each Business Area, the Company has nominated him as a candidate for director.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
9	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 10px;">Candidate for Outside Director</div> <p>Taketsugu Fujiwara (February 19, 1947)</p>	<p>Apr. 1969: Joined Asahi Chemical Industry Co., Ltd. (now Asahi Kasei Corporation) Jun. 2000: Director, Asahi Kasei Corporation Jun. 2003: Senior Executive Officer, Asahi Kasei Corporation Oct. 2003: Presidential Executive Officer, Asahi Kasei Chemicals Corporation Apr. 2009: Vice-Presidential Executive Officer, Asahi Kasei Corporation Jun. 2009: Director, Vice-Presidential Executive Officer, Asahi Kasei Corporation Apr. 2010: President and Representative Director, Presidential Executive Officer, Asahi Kasei Corporation Apr. 2014: Vice Chairman and Director, Asahi Kasei Corporation Jun. 2014: Vice Chairman, Asahi Kasei Corporation Jun. 2015: Director, the Company (incumbent) Standing Counsellor, Asahi Kasei Corporation (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director</p> <p>(Significant Concurrent Positions) President and Representative Director, The Society of Chemical Engineers, Japan Outside Director, SHIMADZU CORPORATION Independent Director of the Board, KOKUYO Co., Ltd.</p>	0 shares
<p>(Reasons for nomination) Mr. Taketsugu Fujiwara gained extensive experience and broad insight at the helm of a general chemicals manufacturer, where he has implemented diversified management. Aiming for these qualities to be reflected in the management of the Company, and acknowledging his proven ability to perform management oversight and monitoring functions from an independent perspective, the Company has nominated him as a candidate for outside director.</p> <p>(Period in office) At the conclusion of this meeting, Mr. Taketsugu Fujiwara will have served 2 years as outside director of the Company.</p>			

(Policy on independence)

The Group has a business relationship involving the sale and purchase of industrial machinery with Asahi Kasei Corporation, where Mr. Taketsugu Fujiwara previously served as a business executive. However, the said relationship generates less than 0.01% of the Company's consolidated net sales (for the fiscal year ended March 31, 2017). Therefore, this has no impact on his independence.

The Company has registered Mr. Taketsugu Fujiwara with domestic financial instrument exchanges (where the Company is listed) as independent director.

(Overview of the Limited Liability Contract)

The Company has concluded a contract with Mr. Taketsugu Fujiwara to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of his liability for damages under the said contract shall be the amount stipulated by laws and regulations. If reappointment of the director is approved, the Company shall continue the aforementioned contract to limit liability with same.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
10	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 10px;">Candidate for Outside Director</div> <p>Hiroshi Kimura (April 23, 1953)</p>	<p>Apr. 1976: Joined Japan Tobacco and Salt Public Corporation (now Japan Tobacco Inc.)</p> <p>Jan. 1999: President of Corporate Planning Division, Japan Tobacco Inc.</p> <p>May 1999: Executive Vice President, Assistant to the CEO, JT International SA, Geneva</p> <p>Jun. 1999: Director, Japan Tobacco Inc.</p> <p>Jun. 2001: Retired from Director, Japan Tobacco Inc.</p> <p>Jun. 2005: Director, Japan Tobacco Inc.</p> <p>May 2006: Retired from Executive Vice President, Assistant to the CEO, JT International SA, Geneva</p> <p>Jun. 2006: President and CEO, Japan Tobacco Inc.</p> <p>Jun. 2012: Chairman of the Board, Japan Tobacco Inc.</p> <p>Jun. 2014: Executive Corporate Advisor, Japan Tobacco Inc.</p> <p>Jun. 2016: Director, the Company (incumbent)</p> <p>Jul. 2016: Advisor, Japan Tobacco Inc. (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director</p> <p>(Significant Concurrent Positions) Independent Director, Asahi Glass Co., Ltd. Outside Director, Nomura Holdings, Inc.</p>	1,000 shares
<p>(Reasons for nomination) Mr. Hiroshi Kimura gained extensive experience and broad insight as a business manager who has led aggressive globalization in response to changes in business environment. Aiming for these qualities to be reflected in the management of the Company, and acknowledging his proven ability to perform management oversight and monitoring functions from an independent perspective, the Company has nominated him as a candidate for outside director.</p> <p>(Period in office) At the conclusion of this meeting, Mr. Hiroshi Kimura will have served 1 year as outside director of the Company.</p> <p>(Policy on independence) One of the Company's subsidiaries has a business relationship involving sales of products related to industrial machinery, etc. with Japan Tobacco Inc., where Mr. Hiroshi Kimura previously served as a business executive. However, the said relationship generates less than 0.01% of the Company's consolidated net sales (for the fiscal year ended March 31, 2017). Therefore, this has no impact on his independence. The Company has registered Mr. Hiroshi Kimura with domestic financial instrument exchanges (where the Company is listed) as independent director.</p>			

(Overview of the Limited Liability Contract)

The Company has concluded a contract with Mr. Hiroshi Kimura to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of his liability for damages under the said contract shall be the amount stipulated by laws and regulations. If reappointment of the director is approved, the Company shall continue the aforementioned contract to limit liability with same.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
11	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Candidate for New Director</div> <p style="text-align: center;">Takeshi Yamada (July 14, 1958)</p>	<p>Apr. 1981: Joined the Company Apr. 2006: Manager of Budgeting Group, Finance & Accounting Division, the Company Jul. 2011: Manager of Planning Group, Corporate Planning Division, the Company Apr. 2014: Executive Officer; Deputy General Manager of Finance & Accounting Division, the Company Apr. 2017: Executive Officer; General Manager of Finance & Accounting Division, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Executive Officer; General Manager of Finance & Accounting Division</p>	12,000 shares
<p>(Reasons for nomination) Mr. Takeshi Yamada has accumulated a great deal of knowledge mainly in the finance & accounting field and corporate planning division. He was appointed Deputy General Manager of Finance & Accounting Division in April 2014 and General Manager of Finance & Accounting Division in April 2017. He has shown a high level of insight into the Group's overall business management. Therefore the Company has nominated him as a candidate for director.</p>			
12	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Candidate for New Director</div> <p style="text-align: center;">Kazuki Awai (September 12, 1959)</p>	<p>Apr. 1983: Joined the Company Jul. 2004: Operations Manager of Sales Headquarters, the Company Apr. 2008: Manager of Planning Group, Corporate Planning Division, the Company Jul. 2011: General Manager of Administration Division, the Company Apr. 2016: Executive Officer; General Manager of Administration Division, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Executive Officer; General Manager of Administration Division</p>	17,000 shares
<p>(Reasons for nomination) Mr. Kazuki Awai has accumulated a great deal of knowledge mainly in the personnel and labor relations field and corporate planning division. He was appointed General Manager of Administration Division in July 2011. He has shown a high level of insight into the Group's overall business management. Therefore the Company has nominated him as a candidate for director.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
13	<div data-bbox="316 421 496 528" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Candidate for New Director</div> <div data-bbox="316 544 496 651" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Candidate for Outside Director</div> <p data-bbox="331 678 491 813">Kazuhiko Ishimura (September 18, 1954)</p>	<p data-bbox="520 405 1102 434">Apr. 1979: Joined Asahi Glass Co., Ltd.</p> <p data-bbox="520 443 1235 472">Jan. 2006: Executive Officer; GM of Kansai Plant</p> <p data-bbox="520 481 1254 577">Jan. 2007: Senior Executive Officer and GM of Electronics & Energy General Division, Asahi Glass Co., Ltd.</p> <p data-bbox="520 586 1273 647">Mar. 2008: Representative Director and President & COO</p> <p data-bbox="520 656 1273 716">Jan. 2010: Representative Director and President & CEO</p> <p data-bbox="520 725 1158 786">Jan. 2015: Chairman, Asahi Glass Co., Ltd. (incumbent)</p> <p data-bbox="520 808 1023 875">(Significant Concurrent Positions) Outside Director, TDK Corporation</p>	0 shares
<p data-bbox="209 887 568 916">(Reasons for nomination)</p> <p data-bbox="209 925 1453 1088">Mr. Kazuhiko Ishimura gained extensive experience and broad insight at the helm of a comprehensive materials manufacturer. Aiming to reflect these qualities in the management of the Company, and expecting he can carry out management oversight and monitoring functions from an independent perspective, the Company has nominated him as a candidate for outside director.</p> <p data-bbox="209 1097 568 1126">(Policy on independence)</p> <p data-bbox="209 1135 1406 1299">The Company has a business relationship involving the sale and maintenance of industrial machinery etc. with Asahi Glass Co., Ltd., where Mr. Kazuhiko Ishimura serves as a business executive. However, the said relationship generates less than 0.01% of the Company's consolidated net sales (for the fiscal year ended March 31, 2017). Therefore, this has no impact on his independence.</p> <p data-bbox="209 1308 1430 1404">If appointment of Mr. Kazuhiko Ishimura is approved, the Company plans to register him with domestic financial instrument exchanges (where the Company is listed) as independent director.</p> <p data-bbox="209 1413 823 1442">(Overview of the Limited Liability Contract)</p> <p data-bbox="209 1451 1453 1615">If appointment of the director is approved, the Company plans to conclude a contract with Mr. Kazuhiko Ishimura to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of his liability for damages under the said contract shall be the amount stipulated by laws and regulations.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
14	<div data-bbox="319 421 494 526" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Candidate for New Director</div> <div data-bbox="319 548 494 654" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <p style="text-align: center;">Yayoi Tanaka (March 20, 1960)</p>	<p>Apr. 1982: Joined Nippon Kogaku K.K. (now NIKON CORPORATION)</p> <p>Oct. 2006: Associate Professor, National Institution for Academic Degrees and University Evaluation (now National Institution for Academic Degrees and Quality Enhancement of Higher Education)</p> <p>Jan. 2007: Member of Fiscal System Council, Ministry of Finance (incumbent)</p> <p>Apr. 2007: Associate Professor of Department of Research for University Evaluation, National Institution for Academic Degrees and University Evaluation Part-time Lecturer, Graduate School of Public Policy, the University of Tokyo (incumbent)</p> <p>Apr. 2012: Civilian Member of Administrative Reform Promotion Council, Cabinet Secretariat (incumbent) Professor of Research Department, National Institution for Academic Degrees and Quality Enhancement of Higher Education</p> <p>Apr. 2015: Member of Policy Evaluation Council, Ministry of Internal Affairs and Communications (incumbent)</p> <p>Apr. 2017: Research Professor of Research Department, National Institution for Academic Degrees and Quality Enhancement of Higher Education (incumbent) Guest Professor of Osaka University (incumbent) Visiting Professor of Shibaura Institute of Technology (incumbent) Public Governance Advisor of Ministry of Internal Affairs and Communications (incumbent) Representative of Social Governance Research Institute (incumbent)</p> <p>(Significant Concurrent Positions) Outside Director, SUMITOMO CORPORATION</p>	0 shares

(Reasons for nomination)

Ms. Yayoi Tanaka has developed a high degree of specialist knowledge and diverse experience through her evaluation and research of non-profit organizations and through her work on various governmental committees. Aiming to reflect these qualities in the management of the Company, and expecting she can carry out management oversight and monitoring functions from an independent perspective, the Company has nominated her as a candidate for outside director.

Although she has not been involved in company management, the Company has judged that she can execute her duties as an outside director appropriately for the above-mentioned reasons.

(Policy on independence)

There are no special interests between Ms. Yayoi Tanaka and the Company.

If appointment of Ms. Yayoi Tanaka is approved, the Company plans to register her with domestic financial instrument exchanges (where the Company is listed) as independent director.

(Overview of the Limited Liability Contract)

If appointment of the director is approved, the Company plans to conclude a contract with Ms. Yayoi Tanaka to limit her liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of her liability for damages under the said contract shall be the amount stipulated by laws and regulations.

Agenda Item No. 2: Election of two (2) audit & supervisory board members

Approval is hereby requested for the election of two (2) audit & supervisory board members, as follows, since out of the five (5) current audit & supervisory board members, the terms of office of Messrs. Makoto Serizawa and Toshiharu Watanabe will expire at the conclusion of this General Meeting of Shareholders.

Consent to submission of this agenda has already been obtained from the Audit & Supervisory Board.

The candidates for the offices of audit & supervisory board members are as follows:

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
1	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Candidate for New Audit & Supervisory Board Member</div> <p>Taizo Suga (Jun. 23, 1955)</p>	<p>Apr. 1978: Joined the Company Jul. 2004: Manager of Finance Group of Finance & Accounting Division, the Company Apr. 2007: Manager of Group Business Management Section, Corporate Planning Division, the Company Apr. 2010: General Manager of Corporate Business Development Division, the Company Apr. 2012: General Manager of Corporate Business Development Division and Lithium-Ion Battery Business Development, the Company Apr. 2013: Executive Officer; President of Urban Development Operations and General Manager of Intelligent Information Management Headquarters, the Company Apr. 2014: Executive Officer, the Company; President and Chief Executive Officer, IHI ASIA PACIFIC PTE. LTD. Apr. 2017: General Advisor, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) General Advisor</p>	9,000 shares
<p>(Reasons for nomination) Mr. Taizo Suga has accumulated a great deal of knowledge mainly in the finance & accounting field since joining the Company. He was appointed President and Chief Executive Officer of IHI ASIA PACIFIC PTE. LTD. In view of his high degree of specialist knowledge of financial management and a wide range of business experience in overall business management, the Company has nominated him as a candidate for audit & supervisory board member. (Note) There are no special interests between Mr. Taizo Suga and the Company.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at the Company, and Significant Concurrent Positions	Number of the Company's shares owned
2	<div data-bbox="323 421 505 533" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Candidate for New Audit & Supervisory Board Member</div> <div data-bbox="323 551 505 663" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Candidate for Outside Audit & Supervisory Board Member</div> <p data-bbox="352 703 480 837">Tomomi Yatsu (May 30, 1960)</p>	<p data-bbox="523 405 1134 434">Apr. 1983: Joined Tokyo Electron Limited</p> <p data-bbox="523 441 1286 506">Oct. 1986: Joined Sanwa Tohmatsu Aoki & Co (now Deloitte Touche Tohmatsu LLC)</p> <p data-bbox="523 512 1294 542">Sep. 1990: Registered as Certified Public Accountant</p> <p data-bbox="523 548 1310 714">Oct. 2001: Registered as Attorney at Law Joined New Tokyo international Law Office (subsequently consolidated with Bingham, Sakai, Mimura & Aizawa Law Office (foreign law joint enterprise))</p> <p data-bbox="523 721 1219 750">Apr. 2015: Partner, TMI Associates (incumbent)</p> <p data-bbox="523 770 1010 799">(Significant Concurrent Positions)</p> <p data-bbox="523 806 751 835">Attorney at Law</p> <p data-bbox="523 842 1299 907">Outside Audit & Supervisory Board Member, Yamaha Motor Co., Ltd.</p> <p data-bbox="523 913 1267 965">Outside Executive Director, SMBC Nikko Securities Inc.</p>	0 shares

(Reasons for nomination)

Ms. Tomomi Yatsu has accumulated extensive experience and insight by responding to various corporate issues as an attorney at law and certified public accountant. Expecting these qualities and her independent perspective to be reflected in the management auditing operations of the Company, the Company believes that she is well-qualified to be a candidate for outside audit & supervisory board member. Although she has not been involved in company management, the Company has judged that she can execute her duties as an outside audit & supervisory board member appropriately for the above-mentioned reasons.

(Policy on independence)

There are no special interests between Ms. Tomomi Yatsu and the Company. If appointment of Ms. Tomomi Yatsu is approved, the Company plans to register her with domestic financial instrument exchanges (where the Company is listed) as independent director.

(Overview of the Limited Liability Contract)

If appointment of the audit & supervisory board member is approved, the Company plans to conclude a contract with Ms. Tomomi Yatsu to limit her liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of her liability for damages under the said contract shall be the amount stipulated by laws and regulations.

(Reference)

Approach of appointment of officers

Policies and procedures relating to appointment of officers

The Company's Board of Directors decides on ideal attributes for officers and draws up independence standards for outside directors and outside audit & supervisory board members. These standards are based on the requirements for independent directors/auditors stipulated by the Tokyo Stock Exchange and their emphasis is to assure that outside directors and outside audit & supervisory board members are genuinely independent.

The Company's Board of Directors sets the basic policy of appointing the most appropriate officers according to the ideal attributes and the independence standards for outside directors and outside audit & supervisory board members with the aim of ensuring sustainable growth and increased corporate value for the IHI Group over the medium to long term.

In appointing officers, the Company's Board of Directors has supplemented the legally required procedures by establishing a Nomination Advisory Committee comprised of all the independent outside directors and the President and representative director. The Committee acts as an optional advisory body to the Board of Directors in order to enhance the Board of Directors' independence, objectivity, and accountability, as well as to proactively obtain the involvement, advice, and supervision of the outside directors. It supervises appointment-related procedures to ensure that they are applied appropriately, and offers related advice.

Ideal Attributes for Officers

The Company appoints directors and corporate auditors who are healthy in mind and body and have all the following attributes:

- Deep understanding of, and sympathy with, the IHI Group's management principles and vision
- The ability to contribute to sustainable growth and medium- to long-term increase in corporate value at the IHI Group by addressing societal issues in accordance with the IHI Group's vision
- Outstanding foresight, penetrating discernment and ability to make appropriate decisions with regard to the management of the IHI Group
- Good character with a strong sense of ethics
- Ample experience as a corporate manager, or a high degree of specialist knowledge, combined with a broad, global perspective and insight

Independence Criteria for Outside Directors

In addition to the requirements for independent directors/auditors stipulated by the Tokyo Stock Exchange, the Company uses the standards below to determine independence.

(1) Major shareholders

The director should not be a major shareholder with 10% or more of the voting rights in the Company, or serve as a director, audit & supervisory board member, executive officer at a company with committees, executive officer or employee, of a corporation that is a major shareholder.

(2) Major clients, suppliers, etc.

The director should not currently serve as a director, audit & supervisory board member, executive officer at a company with committees, executive officer or employee, of any of the Company's major clients, suppliers, etc. detailed below, nor should he/she have served as an executive director, executive officer at a company with committees, or executive officer, of such major clients, suppliers, etc. in the past.

- Major clients of the IHI Group (with transactions valued at 2% or more of the Company's consolidated net sales in the most recent fiscal year)
- Major suppliers to the IHI Group (with transactions valued at 2% or more of the supplier's consolidated net sales in the most recent fiscal year)
- Major lenders to the Company (as listed in the business report for the most recent fiscal year)

(3) Providers of specialist services (attorneys at law, certified public accountants, or consultants, etc.)

The director should not be an attorney at law, certified public accountant, or consultant, etc. who receives 10 million yen or more of monetary consideration or other property from the Company annually besides compensation as a director/audit & supervisory board member.

(4) Accounting auditor

The director should not be a representative partner or partner of the Company's accounting auditor.

(5) Mutual exchange of officers, etc. with the Company

The director should not be assigned to a corporation with which the Company has a relationship of mutually exchanging directors or audit & supervisory board members.

(6) Close relatives

The director should not be the spouse or first- to second-degree relative of a director, audit & supervisory board member, executive officer or equivalent executive-level employee of the IHI Group.

In addition, the director should not be the spouse or first- to second-degree relative of any person* referred to in (1) through (4) above.

* If a major shareholder or a major client, supplier, etc. is a corporation, this applies only to directors, audit & supervisory board members, executive officers at companies with committees, executive officers, or equivalent executive-level employees of the corporation in question.

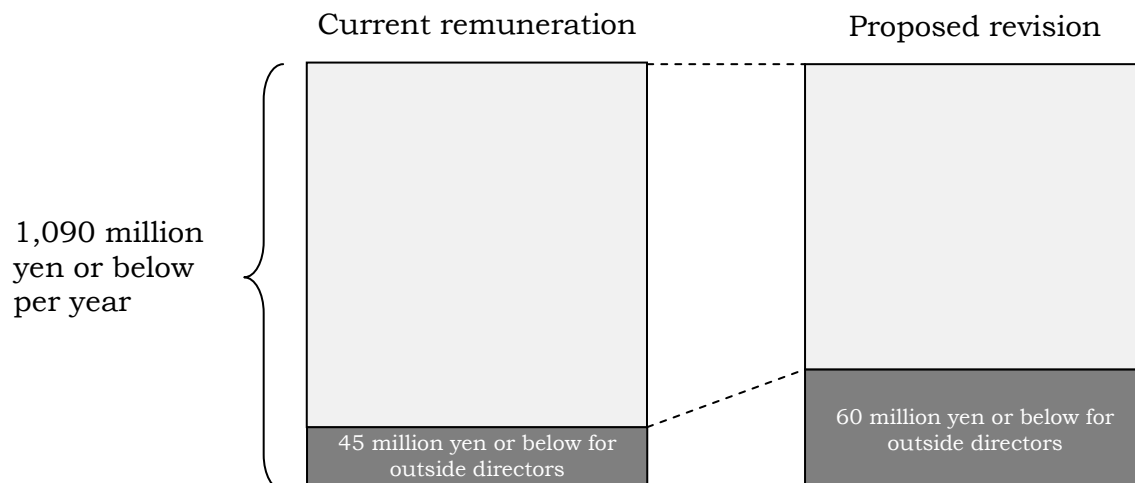
Agenda Item No. 3: Revision of directors' remuneration

The total amount of remuneration for the Company's directors is set at 1,090 million yen or below per year (45 million yen or below for outside directors), as resolved at the 198th Ordinary General Meeting of Shareholders held on June 25, 2015.

The Company has decided to increase the number of outside directors from three (3) to four (4). In conjunction with this change, approval is hereby requested to revise the total amount of the portion of remuneration for the Company's outside directors to 60 million yen or below per year, while keeping the total amount of remuneration for the Company's directors at 1,090 million yen or below per year.

Also, for employees concurrently serving as directors, approval is hereby requested to continue the current situation of not including the employee salary portion in the total amount of remuneration for the Company's directors.

There are currently thirteen (13) directors (three (3) of whom are outside directors). If Agenda Item No. 1 is approved in its original form, there will be fourteen (14) directors (four (4) of whom will be outside directors).



Agenda Item No. 4 Adoption of performance-based share remuneration plan for directors

At the 190th Ordinary General Meeting of Shareholders on June 27, 2007, the Company received approval to introduce, as a long-term incentive for directors (excluding outside directors), a share-based compensation plan that can be exercised after the passage of a fixed period from the time of the director's retirement. On this occasion, based on deliberations and recommendations from the Remuneration Advisory Committee set up by the Company, the Company will abolish the current share-based compensation plan and, with the intention of strengthening the linkage between the interests of directors and shareholders, it proposes the introduction of a "Board Benefit Trust" performance-based share remuneration plan (hereinafter, the "Plan") that would make it possible for directors to hold shares in the Company for the medium to long term during their terms of office. It is proposed that, within the framework of the "Amount and contents of remuneration of the Plan" described below, the details of the Plan be left to the discretion of the Board of Directors.

In addition, directors' remuneration based on the Plan will have the feature of being linked to movements of the Company's share price, and will also vary depending on the medium- and long-term operating performance of the Company. The Company considers that such effects obtained by adopting the Plan will further enhance connections among directors' remuneration, Company's stock value, and its medium- to long-term operating performance, and further raise the motivation of directors to make contributions to increase corporate value for the IHI Group over the medium to long term. Accordingly, the Company considers that the contents of the Plan are appropriate.

In conjunction with adoption of the Plan, new stock options under the share-based compensation plan will no longer be granted.

<Amount and contents of remuneration of the Plan>

(1) Overview of the Plan

The Plan will be structured such that in addition to the total amount of remuneration for directors (set at 1,090 million yen or below per year, and not including salaries of those who are also company employees) (Moreover, even if Agenda Item No. 3 is approved as originally proposed at this ordinary general meeting of shareholders, the total amount of remuneration will be the same amount.) approved at the 198th Ordinary General Meeting of Shareholders held on June 25, 2015, the Company will grant directors shares of its common stock (hereinafter the "Company's shares") and money equivalent to the market value of the Company's shares (hereinafter the "Company's shares, etc." collectively with the Company's shares), as summarized below, through a trust (hereinafter the "Trust" to be established based on the Plan), which the Company will set up.

(i) Acquisition of the Company's shares by the Trust

The Trust will acquire the Company's shares with funds contributed by the Company to transfer the Company's shares, etc. to directors.

(ii) Awarding of points to directors

The Company will award directors points, which will become the base for transferring the Company's shares, etc. every year in accordance with the rules for transfer of shares (hereinafter the "Rules for Transfer of Shares") prescribed by the Company.

(iii) Adjustment of points

Such awarded points will be adjusted, after the end of the three consecutive fiscal years (hereinafter the "Performance Evaluation Period") of which the initial fiscal year will be the year when points will be awarded, based on the degree of achievement of performance indicators predetermined by the Board of Directors of the Company.

(iv) Transfer of the Company's shares, etc. to directors

The Trust will transfer the Company's shares, etc. equivalent to the number of such adjusted points to directors (including those who received points as stated in above (ii) and retired from the Company).

(2) Persons eligible for the Plan

The persons eligible under the Plan will be directors (excluding outside directors) of the Company who are (or were) in office during any period of the fiscal years in which points are (or were) awarded. The current number of directors who would be eligible under the Plan is ten. Ten directors will become eligible under the Plan provided that agenda item No. 1 is approved as originally proposed.

(3) Period of the Plan

There will be no specific termination date of the Plan. The Plan will be terminated upon the delisting of the Company's shares, abolition of the Rules for Transfer of Shares, etc.

(4) Maximum amount of money contributed by the Company to the Trust

The Company will contribute up to 450 million yen every fiscal year as directors' remuneration for the execution of their duties during the period from the beginning to the end of the fiscal year (hereinafter the "Applicable Duty Execution Period") into a newly, and established Trust of which beneficiaries will be directors who fulfill predetermined requirements (including those who received points and retired subsequently. The same shall apply hereinafter.)

Furthermore, in every Applicable Duty Execution Period following the initial fiscal year, the Company shall make additional contributions of money to the Trust up to 450 million yen.

(Note) The monetary amount the Company will contribute to the Trust will be the sum of the above mentioned money up to 450 million yen (money to be allocated for purchasing the Company's shares in order to transfer the Company's shares, etc. to directors) and the estimated amount of trust fees and other miscellaneous expenses. The Company plans to adopt a plan for the Company's executive officers.

However, when making the additional contributions as contemplated above, if the Trust remains holding Company's shares pertaining to a completed

Performance Evaluation Period (excluding those corresponding to the number of finalized points awarded to directors and are held to be transferred as benefits. Hereinafter collectively the “Remaining Shares”), the value of the Remaining Shares (calculated based on the market price on the business day immediately before determining a placement of additional trust) will be deducted from the maximum (contribution of 450 million yen).

(5) Number of the Company’s shares to be acquired by the Trust and the acquisition method

The Trust will acquire the Company’s shares in a quantity based on base points awarded to directors as stated in (6) below in each Applicable Duty Execution Period, but within the limit of the number of finalized points calculated by applying the highest possible adjustment factor (however, in case the Trust holds the Company’s shares as the Remaining Shares, the number of the Remaining Shares will be subtracted from the above limit). The Trust acquires the Company’s shares through the stock exchange market or by underwriting the disposition of the Company’s treasury shares.

<Reference> Assuming application of the closing price, 351 yen, of the Company’s shares on the Tokyo Stock Exchange as of March 31, 2017, the number of shares to be acquired by the Trust at the maximum amount of contribution to the Trust as stated in above (4) will be 1,282,000 shares (amounts of less than one trading share unit are rounded down).

(6) Calculations of and limits on the number and amount of the Company’s shares, etc. to be granted to directors

Upon the start of each Applicable Duty Execution Period, pursuant to the Rules for Transfer of Shares, the Company will award points (hereinafter the “Base Points”), which will be determined in consideration of the directors’ positions, etc., to directors without delay. The Base Points will be adjusted after the end of the Performance Evaluation Period by being multiplied by an adjustment factor. The adjustment factor will be predetermined at a meeting of the Board of Directors of the Company based on the degree of achievement of performance indicators specified at a meeting of the Board of Directors of the Company (hereinafter, the “Finalized Points” provided through such adjustment). After the process of such adjustment, the Company’s shares, etc., with one share of the Company’s shares equivalent to one Finalized Point, will be granted to directors. The limit of the total number of the Finalized Points to be awarded to directors (hereinafter the “Maximum Awarded Points”) will be 1,500,000 points (equivalent to 1,500,000 shares of the Company’s common shares) in total per Applicable Duty Execution Period.

However, in case the Company stock undergoes an event such as a share split, gratuitous allotment of shares, or consolidation of shares, etc. after approval of this agenda, the maximum points to be awarded, the number of points already awarded, and the applicable ratio to convert points into the number of the Company’s shares will be adjusted to reasonable levels, corresponding to the level of the conversion ratio in such events. The Company is requesting approval for the consolidation of 10 shares of the Company to one share (hereinafter the “Consolidation of Shares”) in agenda item No. 5 of this Ordinary General Meeting of Shareholders. In case the Consolidation of Shares

is approved as originally proposed and comes into effect, the number of Base Points already awarded will be adjusted by being multiplied by one-tenth. The Maximum Awarded Points will be changed to 150,000 points (equivalent to 150,000 shares after the Consolidation of Shares comes into effect).

(7) Transfer of the Company's shares, etc.

After the end of each Applicable Duty Execution Period, directors who meet beneficiary requirements will follow the procedures for finalizing the beneficiary status within a predetermined period, and receive from the Trust the Company's shares, which will be equivalent to the number of Finalized Points for the said Applicable Duty Execution Period.

(8) Exercise of voting rights

Voting rights of the Company's shares held in the Trust accounts will not be exercised. This is to assure neutrality towards the Company's management.

(9) Treatment of dividends

Dividends on the Company's shares held in the Trust accounts will be received by the Trust and be appropriated for trust fees, etc. paid to the trustee of the Trust.

(10) Treatment of termination of the Trust

The Trust will be terminated with the occurrence of an event such as delisting of the Company's stock or abolition of Rules for Transfer of Shares. Regarding the Company's shares still held by the Trust at termination of the Trust, the Company plans to acquire all such shares at no cost, and dispose of them through a resolution by the Board of Directors.

<For reference>

Policy on determining remuneration of executives, etc.

In May 2017, the Board of Directors of the Company revised the policy for determining the remuneration etc. of executives as follows.

1. Basic policy on determining remuneration of directors (excluding outside directors) and executive officers

- (1) Remuneration shall be aimed at fully encouraging directors and executive officers to perform their duties in line with management philosophy, Group vision, and Group management policy, and strongly motivating them toward the achievement of specific management goals to bring the Company's and the Company Group's sustainable growth and improve the medium- and long-term corporate value.
- (2) Remuneration shall be structured with the appropriate allocation of an annual incentive (performance-based bonuses), which is linked to the operating performance of each fiscal year, and a medium- and long-term incentive (performance-based share remuneration), which is linked to medium- and long-term operating performance and corporate value aimed at broadly sharing a sense of value with stakeholders, and thereby shall contribute to performing with a sound entrepreneurial spirit.
- (3) Under the management philosophy, "Human resources are our single most valuable asset," appropriate treatment shall be provided to officers of the Company in consideration of the Company's management environment, and social roles and accountabilities the Company undertakes.

2. Remuneration level and allocated ratios of remuneration

- (1) The Company shall regularly survey objective market data on remuneration researched by an external specialized institution, and set an appropriate remuneration level.
- (2) In consideration of the Company's business characteristics, effectiveness of incentive remuneration, etc., total amount of remuneration shall be allocated at approximate proportions of 60%, 20%, and 20% to (i) a fixed base amount, (ii) an annual incentive (performance-based bonuses) to be provided upon the achievement of the targeted performance, and (iii) a medium- and long-term incentive (performance-based share remuneration) provided upon the achievement of the targeted performance respectively.

3. Framework of incentive remuneration

- (1) The monetary amount of an annual incentive to be provided every fiscal year shall vary, depending on the achievement level, within an approximate range of from 0 to 200 under the assumption of providing

the amount of 100 upon the achievement of the targeted performance. Performance evaluation indicators shall be those such as consolidated profit attributable to owners of parent, which is aimed at sharing the interests of shareholders, profitability which is emphasized in Group Management Policies 2016 (consolidated operating profit margin and operating profit margin of responsible business areas), and individual evaluation indicators corresponding to tasks assigned to each executive, and be reviewed as necessary upon changes in management environment, executives' duties, etc.

- (2) The number of shares to be delivered every fiscal year as a medium- and long-term incentive shall vary, depending on the achievement level, within an approximate range of from 0 to 150 under the assumption of providing 100 shares upon the achievement of the targeted performance. The Performance Evaluation Period shall be three fiscal coming years, and performance goals for the final fiscal year of the Performance Evaluation Period shall be established in the initial fiscal year of the Performance Evaluation Period. The performance evaluation indicator shall be consolidated ROIC (return on invested capital), as emphasized in Group Management Policies 2016, and changes in the indicator, if necessary, shall be taken into consideration when reviewing the Group management policies.

4. Procedures for determining remuneration

To ensure appropriateness and objectivity in determining the remuneration of directors and executive officers, the Company has an optional body, the Remuneration Advisory Committee which is organized by six members of three outside directors, one outside audit & supervisory board member, one director in charge of human resources, and one director in charge of finance and accounting under the chair of an outside director. The Committee shall examine and report remuneration related to directors and executive officers, and the Board of Directors shall make decisions.

5. Remuneration of outside directors and audit & supervisory board members

Remuneration of outside directors shall consist only of a base amount in the light of their duties.

Remuneration of audit & supervisory board members shall consist only of a base amount, as compensation for responsibilities for auditing the execution of business throughout the IHI Group. The amount shall be determined through discussions among the audit & supervisory board members.

Agenda Item No. 5: Consolidation of shares

In a bid to improve convenience for investors, Japanese stock exchanges have been enhancing the “Action Plan for Consolidating Trading Units,” which aims to uniformly set 100 shares as the unit for trading (a trading share unit) common stock of all listed companies in Japan with the targeted completion date of October 1, 2018. Accepting this direction as a listed company, the Company resolved at a meeting of the Board of Directors held on May 19, 2017 that it would change the trading share unit from 1,000 shares to 100 shares, in accordance with Article 195 of the Companies Act.

In conjunction with the above, the Company will consolidate its shares, as stated below, to maintain the price level of a trading share unit of the Company and to ensure there is no impact on the number of voting rights subsequent to changing the trading share unit to 100 shares. Upon consolidation of shares, the current total number of authorized shares will change from 3,300 million shares to 300 million shares.

The above change in the trading share unit will come into effect on October 1, 2017, provided this agenda is approved as originally proposed.

(1) Ratio of consolidation

Approval is hereby requested that the company consolidate its 10 shares into one share.

For shareholders who will have fractions of less than one share as a result of the consolidation of shares, the Company will dispose of such fractional shares in a lump-sum, and distribute the proceeds from the disposal to shareholders in proportion to the amount of fractional shares in accordance with the Companies Act.

(2) Date when the consolidation of shares will come into effect (effective date)

October 1, 2017

(3) Total number of authorized shares on the effective date

300,000,000 shares

Pursuant to the provision of Section 2, Article 182 of the Companies Act, Articles of Incorporation pertaining to the total number of authorized shares deemed to have been modified on the effective date of the consolidation of shares.

(Attachment)

Business Report

(From April 1, 2016 to March 31, 2017)

1. Matters on Current Status of Company Group

(1) Progress of business operations and their results

● Business environment and initiatives taken by the IHI Group

During the fiscal year under review, the Japanese economy experienced a pickup in exports and production thanks to the support of steady external demand, but was limited to a modest overall recovery by the dramatic movement in foreign exchange rates and soft private consumption. In the global economy as well, although it continued to expand mainly in Europe and the US, uncertainty has continued due to effect of political trends such as the issue of the UK leaving the EU and the policies of the new U.S. president.

Under this economic environment, the IHI Group has launched the “Group Management Policies 2016,” a three-year medium-term management plan, which had been effective from April 2016. Under this plan, with the theme of “strengthening earnings foundations,” the main policies decided are 1) strengthen business strategy implementation, 2) create a system to ensure consistent construction profitability, 3) provide solutions focused on creating customer value and offer more sophisticated products and services. In addition, the IHI Group is aiming to achieve a consolidated operating margin of 7%, ROIC (return on invested capital) of 10% and a D/E ratio (stability index) of 0.7 times or less in fiscal 2018.

In the fiscal year under review, the Group took various measures based on these policies, and with regard to business restructuring and concentration and selection within businesses, achieved a certain amount of progress and outcome, but in a continuation of the previous fiscal year, profitability deteriorated at a large-scale project in progress, and profits undershot the initial target.

● Operating results

In the fiscal year under review, orders received decreased by 215.4 billion yen from the previous fiscal year to 1,389.8 billion yen, while net sales decreased by 53.0 billion yen to 1,486.3 billion yen.

In terms of profit, operating profit increased by 25.3 billion yen from the previous fiscal year to 47.3 billion yen, owing to such factors as the disappearance of repair costs of noncompliant welding posted in the previous fiscal year in relation to boiler projects, as well as the reducing deficit in the Social Infrastructure and Offshore Facility segment, despite deterioration of profitability in large projects underway in North America in Process plants Business.

In non-operating income and expenses, while the recording of reversal of accrued expenses for delayed delivery of 2.2 billion yen among others as non-operating income, non-operating expenses included a share of loss of entities accounted for using equity method of 3.5 billion yen, foreign exchange losses of 6.7 billion yen, and other non-operating expenses including compensation for damage of 20.6 billion yen. As a result, ordinary profit increased by 12.2 billion

yen from the previous fiscal year to 22.0 billion yen.

In extraordinary income and losses, extraordinary income posted included 23.5 billion yen for the gain on sales of non-current assets such as the sale of land of a building in Toyosu, Koto-ku, and 3.4 billion yen for the gain on contribution of securities to retirement benefit trust. On the other hand, extraordinary losses posted included 9.9 billion yen for business structural reform expenses related to the F-LNG/Offshore structure Business*, 6.9 billion yen for settlement-related expenses related to delivered boiler facilities, and 9.8 billion yen for a loss on transfer related to the transfer of shares in UNIGEN Inc., which was until January 2017 an affiliate of the Company. As a result, profit attributable to owners of parent increased by 3.7 billion yen from the previous fiscal year to 5.2 billion yen.

[Earnings Highlights (Consolidated)]

	199 th Fiscal Year		200 th Fiscal Year	
	Amount (Billions of yen)	%	Amount (Billions of yen)	%
Orders Received	1,605.3	45	1,389.8	44
Net Sales	1,539.3	52	1,486.3	51
Operating Profit	22.0	–	47.3	–
Ordinary Profit	9.7	–	22.0	–
Profit Attributable to Owners of Parent	1.5	–	5.2	–
Order Backlog	1,741.6	44	1,625.3	36

The % column shows the overseas ratio.

● **Dividend**

After comprehensively considering factors such as operating performance during the fiscal year under review and retained earnings, the Company, with sincere regrets, has decided to forgo paying an interim dividend and year-end dividend.

*Regarding the F-LNG/Offshore structure business

Regarding the F-LNG/Offshore Structure Business, in view of the significant deterioration of profitability from fiscal year 2014, the Company has thoroughly explored transforming the business structure to focus on aluminum SPB tanks, as well as the need for drastic countermeasures in light of prospects for the offshore market.

The current offshore market has been in an ongoing slump with no expectations of a demand recovery, due mainly to the fall in crude oil prices. Under this business environment, there is uncertainty in sufficient workload for the operation of the Aichi Works, one of the Company's main works, from the fiscal year 2018 onwards. The Company reached the conclusion that, even including its utilization by other businesses of the IHI Group, it would be difficult for the Aichi Works to ensure profitability by continuous and stable input of new orders. As a result, after the completion of projects for which orders have already been received, the Company has decided to end the Aichi Works'

function as a production base.

<Future policies>

- 1) The IHI Group will do its utmost to complete the SPB cargo tanks and the FPSO (Floating Production Storage and Offloading Unit) shipbuilding project that are currently under construction.
- 2) The Company will fulfill its responsibility to provide after-sales services following delivery by quickly setting up a dedicated organizational unit and assigning skilled personnel with experience and high levels of expertise. Also, the Company will maintain and utilize, as knowhow, its manufacturing technology and technical skill gained up to this point
- 3) The Company will maintain employment for the employees of the Aichi Works by optimally re-assigning them within the Group, and continue looking to utilize the Aichi area in new ways in the future

Also, the Company will continue to explore possibilities for the IHI Group's future presence in the field of offshore development, taking societal demand into consideration.

(Note) These details were announced on April 25, 2017.

○ **Resources, Energy and Environment**

Main business

Boilers, Power systems plant, Motors for land and marine use, Large marine motors, Process plant (storage facilities and chemical plants), Nuclear power (components for nuclear power plants), Environmental systems, Pharmaceutical plant

Performance in fiscal year under review

Sales decreased from the previous fiscal year, reflecting decreased sales in Process plants Business, Power system plant Business and Power systems for land and marine use Business, partially offset by increased sales from the progress of major construction projects in Boiler Business.

The deficit expanded from the previous fiscal year, mainly owing to the decreased revenues in Power systems for land and marine use Business, as well as the deterioration of profitability in large projects underway in North America in Process plants Business, partially offset by reduced impact of deterioration of profitability in Boiler Business.

Orders received declined from the previous fiscal year, reflecting a pullback from large orders secured in the previous fiscal year for Boiler Business and Process plants Business, and decreases in orders secured for Power systems for land and marine use Business, affected by the low crude oil prices.

BUSINESS TOPICS

Orders for high capacity LNG storage tanks at Soma Port in Fukushima Prefecture

The Company formed a joint venture with SHIMIZU CORPORATION and received an order from Fukushima Gas Power Co., Ltd. to perform engineering, procurement and construction for one above-ground LNG storage tank (storage

capacity 230,000 kl).

This order for LNG storage tanks at Soma Port in Fukushima Prefecture is a follow-on to the above-ground LNG storage tank currently under construction at Japan Petroleum Exploration Co., Ltd.'s (JAPEX) Soma LNG Receiving Terminal. A significant shortening of the construction period will be realized by applying the new method developed by the Company. (Construction is scheduled to begin in 2017, and operations are expected to begin in 2020.)

The Company contributes to the Fukushima's revitalization through this project and realizes a stable supply of environmentally-friendly energy against a backdrop of increasing global energy demand.

○ **Social Infrastructure and Offshore Facilities**

Main business

Bridges/water gates, Shield tunneling machines, Transportation systems, Urban development (real estate sales and rental), F-LNG (floating-LNG storage facilities, offshore structures)

Performance in fiscal year under review

Sales decreased from the previous fiscal year, partly owing to the impact of the decreased sales in the Bridge/water gate Business from the completion of the Izmit Bay Crossing Bridge construction project in Turkey, partially offset by increased sales in Shield tunneling machine Business, which carried out business integration.

The effect of the deterioration of profitability related to F-LNG Business was reduced despite additional costs incurred in FY2016, as well as the improved profitability in Bridge/water gate Business. As a result, the deficit was reduced from the previous fiscal year.

Orders received increased from the previous fiscal year, reflecting an increase of orders received in Transport system Business and the effect of business integration of Shield tunneling machine Business.

BUSINESS TOPICS

Commencement of construction for re-development of the Toyosu 2-1 district

In December 2016, the main developer Mitsui Fudosan Co., Ltd. ("Mitsui Fudosan") began construction of the new buildings for the "(tentative name) Toyosu 2nd District 2-1 Project (Towers A and C)" in the 2-1 district of the Toyosu 2-Chome Station Area, for which the Company is the landowner. The mixed-use building that is to be newly constructed will be completed in April 2020, and the Company plans to operate the rental business in collaboration with Mitsui Fudosan.

The mixed-use complex to be newly constructed, will include, in addition to retail facilities and offices, the first hotel to open in the Toyosu re-development district, which the Company has been helping to develop. Additionally, from the perspective of improving the complex's Business Continuity Plan (BCP), the Company plans to apply anti-seismic structure and establish an energy center equipped with a gas co-generation system, which is a high efficiency distributed generation system. Such measures will provide this energy center with the capacity to supply energy to the surrounding buildings, aiming to further strengthen the disaster prevention of the Toyosu district.

○ **Industrial Systems and General-Purpose Machinery**

Main business

Marine machinery, Logistics/industrial systems (logistics system, industrial machinery), Transport machinery, Parking systems, Heat/surface treatment machinery, Vehicular turbochargers, Rotating machinery (compressors, separation equipment, marine turbochargers), Construction machinery(*), Agricultural machinery/small motors, Steel manufacturing equipment, Papermaking machinery

*All the shares of Construction machinery Business were transferred to Kato Works Co., Ltd. on November, 2016.

Performance in fiscal year under review

Sales increased from the previous fiscal year, owing to the effect of the financial reporting periods unification and increases in Logistics/industrial system Business, partially offset by the impact from a transfer of Construction machinery Business and decreased sales in Agricultural machinery/small power systems Business.

Operating profit rose from the previous fiscal year, owing to the increased sales in Logistics/industrial system Business, as well as the improvement in profitability in Parking Business, Logistics/industrial system Business and Rotating machinery Business.

Orders received were at the same level as the previous fiscal year, owing to increases in Vehicular turbocharger Business, Paper-making machinery Business, and Thermal and surface treatment Business, offsetting the impact from a transfer of Construction machinery Business.

BUSINESS TOPICS

Order received to supply ITER with four of the world's largest super-critical pressure helium circulation pumps

The Company has received an order to supply the International Thermonuclear Experimental Reactor (ITER) with four of the world's largest super-critical pressure helium circulation pumps (SHe circulation pumps) and two spare cartridges (rotating elements), to cool superconducting coils (magnetic field generation equipment). ITER is a test reactor being built in southern France as an international collaborative project (Japan, EU, U.S., Russia, China, South Korea and India) to prove the feasibility of nuclear fusion energy as a source of permanent energy for humanity. The SHe circulation pumps to be delivered by the Company will play an important role even in the context of the ITER cooling system.

Our cutting-edge cryogenic rotating machinery technology allowed the Company to succeed in developing these high-performance, high-reliability SHe circulation pumps. Going forward, we will continue to work on the development of cryogenic rotating machinery which can be applied to devices used in large-scale superconducting magnets.

○ **Aero Engine, Space and Defense**

Main business

Aero engines, Rocket systems/space utilization systems (space-related equipment), Defense equipment and systems

Performance in fiscal year under review

Sales decreased mainly due to the effect of yen appreciation in civil aero engines.

Despite an increase in spare-part sales and a decrease in R&D expenses, operating profit decreased from the previous fiscal year, owing to the foreign exchange effect and the launch of sales of the mass production stage for the PW1100G engine.

Orders received decreased from the previous fiscal year, owing to lump-sum procurement of aero engines by Japan Ministry of Defense in the previous fiscal year and a decline in civil aero engines due to the effect of yen appreciation, despite an increase in Rocket systems/space exploration Business.

BUSINESS TOPICS

Successful launch of Epsilon-2

Japan Aerospace Exploration Agency's (JAXA) Epsilon-2 was launched on December 20, 2016 and the Exploration of energization and Radiation in Geospace (ERG) was successfully separated. IHI AEROSPACE Co., Ltd., a subsidiary of the Company, was in charge of the development and manufacture of the launch vehicle system.

This success demonstrates the results of the technological development related to rocket systems, such as the improvement of launch capabilities and the expansion of satellite loading space, that the IHI Group carried out to meet future launch demand.

The IHI Group will work to advance Japanese space development and stimulate future technological development of rocket systems and relevant diligent study.

(2) Financing

The Company carried out financing primarily through 49.6 billion yen from long-term loans, and this was allocated for agreed repayment of long-term loans, redemption of bonds, working capital, and others.

(3) Capital investment

With regard to capital investment activities, the total capital investment for the fiscal year under review was 52.7 billion yen as a result of the Company having made progress centering on the businesses stipulated as priority investment designation in Group Management Policies 2016, such as additional factory constructions for aircraft engines in the Aero Engine, Space and Defense Operations and a manufacturing facility for our vehicular turbocharger manufacturing subsidiary in the Industrial Systems and General-Purpose Machinery Operations.

(4) Status of important business reorganizations, etc.

The Company established the biopharmaceutical manufacturing company UNIGEN Inc. (hereinafter "UNIGEN"), a consolidated subsidiary of UMN Pharma Inc. (hereinafter "UMN Pharma"), based on a basic agreement on a

manufacturing business for drug substances for influenza vaccine concluded with UMN Pharma in January 2010 and has been advancing preparations towards drug substance manufacture for the seasonal influenza vaccine using insect cell cultures being jointly developed by Astellas Pharma Inc. (hereinafter “Astellas Pharma”) and UMN Pharma.

As a result of having considered with UMN Pharma the optimum approach to the future of the influenza drug substance manufacturing business in the light of Astellas Pharma and UMN Pharma’s announcement of the withdrawal of the latter two companies’ application for manufacturing and marketing approval of the vaccine, the Company and UMN Pharma have transferred, on January 31, 2017, all the shares of UNIGEN owned by the Company and UMN Pharma to API Co., Ltd, which wished to become a sponsor of UNIGEN.

(5) Issues to be addressed

In fiscal 2017, which is the second year of the “Group Management Policies 2016,” a medium-term management plan, the IHI Group will use thoroughgoing risk management during the period to prevent further deterioration in the profitability outlook, aiming to raise the likelihood of achieving the management targets for fiscal 2018 set out in the “Group Management Policies 2016,” as well as seeking to strengthen the earnings foundations.

1) Shifting from a “sector structure” to a “business area structure”

In April of this year, the previous business management structure consisting of one business division and eight sectors was abolished and operations were organized into the four business areas of “Resources, Energy and Environment,” “Social Infrastructure and Offshore Facility,” “Industrial System and General-Purpose Machinery” and “Aero Engine, Space and Defense.” With these business domains at the core, the IHI Group will accelerate business restructuring, strengthen risk management and promote Group management, steadily developing measures for the achievement of the management targets in “Group Management Policies 2016.”

2) Strengthen risk management

In April of this year, the screening and monitoring functions for large-scale project orders and large-scale investment projects, which had previously been distributed throughout the corporate headquarters, were drawn together in one place to start the new Project Risk Management Division. This division will work in concert with the individual business areas, seeking to understand risks and respond promptly to them by means of communication that puts a high priority on information from on site.

3) Creating customer value

For the growth of the IHI Group, it is vital that the business model is transformed into something that is not bound by our previous perspectives. We believe that in order to achieve this a flexible and speedy response based on

close communications with the customer is essential, and through this setup we will secure orders that contribute to the realization of customer value.

Also, the IHI Group will actively use shared group functions (“solutions” , “advanced information management” ,and “global businesses”) to accelerate the efforts to create competitive business models.

Ultimately, the IHI Group aims to improve its corporate value through the measures described above. In the spirit of the its corporate message, “Realize your dreams,” IHI Group will continue to evolve as a corporate group helping customers and people around the world to realize their dreams, and fulfilling the expectations of our stakeholders.

We would like to ask for your continued understanding and support.

(6) Changes in assets and profit/loss

(Millions of yen)

Item	197 th Fiscal Year	198 th Fiscal Year	199 th Fiscal Year	200 th Fiscal Year
Orders Received	1,458,984	1,664,387	1,605,323	1,389,885
Net Sales	1,304,038	1,455,844	1,539,388	1,486,332
Ordinary Profit	53,235	56,529	9,716	22,011
Profit Attributable to Owners of Parent	33,133	9,082	1,529	5,247
Basic Earnings per Share (Yen)	22.51	5.88	0.99	3.40
Total Assets	1,496,361	1,690,882	1,715,056	1,692,831
Net Assets	362,555	359,595	333,359	337,630
ROE (Return on equity)* (%)	10.5	2.6	0.5	1.6

* Profit attributable to owners of parent / Average of ending equity for the previous and current years

(7) Main lenders of Corporate Group (As of March 31, 2017)

(Millions of yen)

Lender	Amount
Mizuho Bank, Ltd.	53,973
Sumitomo Mitsui Banking Corporation	36,371
Sumitomo Mitsui Trust Bank, Limited	31,000
The Hachijuni Bank, Ltd.	14,582
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,332
Development Bank of Japan Inc.	9,573
Nippon Life Insurance Company	7,280
Mizuho Trust & Banking Co., Ltd.	6,486
The Chiba Bank, Ltd.	6,109
The 77 Bank, Ltd.	5,756

(8) Main sales offices and works (As of March 31, 2017)

Head Office	1-1, Toyosu 3-chome, Koto-ku, Tokyo		
Sales Offices	Hokkaido Branch (Chuo-ku, Sapporo-city) Hokuriku Branch (Toyama-city, Toyama) Kansai Branch (Chuo-ku, Osaka-city) Shikoku Branch (Takamatsu-city, Kagawa)	Tohoku Branch (Aoba-ku, Sendai-city) Chubu Branch (Nakamura-ku, Nagoya-city) Chugoku Branch (Naka-ku, Hiroshima-city) Kyushu Branch (Chuo-ku, Fukuoka-city)	
Oversea Offices	SINGAPORE ALGIERS JAKARTA BEIJING NEW DELHI	PARIS HANOI BANGKOK SHANGHAI KUALA LUMPUR	MOSCOW DUBAI SEOUL TAIPEI ISTANBUL
Works	Mizuho Aero-Engine Works (Mizuho-machi, Nishitama-gun, Tokyo) Soma No.1 Aero-Engine Works/Soma No.2 Aero-Engine Works (Soma-city, Fukushima) Yokohama Works (Isogo-ku, Yokohama-city) Aichi Works (Chita-city, Aichi) Aioi Works (Aioi-city, Hyogo) Kure Aero-Engine & Turbo Machinery Works (Kure-city, Hiroshima)		

(Notes)

1. Locations of main subsidiaries are as provided in “(10) Main subsidiaries.”
2. Aioi Casting Workshop was incorporated into the Aioi Works on April 1, 2017.

(9) Employees (As of March 31, 2017)

Business Segment	Number of Employees
Resources, Energy and Environment	7,744
Social Infrastructure and Offshore Facilities	2,493
Industrial Systems and General-Purpose Machinery	9,677
Aero Engine, Space and Defense	6,348
Others	2,406
Corporate (company-wide)	991
Total	29,659

(165 increase compared with March 31, 2016)

(10) Main subsidiaries (As of March 31, 2017)

Company Name	Location	Capital	Voting Interest of the Company	Main Business
IHI AEROSPACE CO., LTD.	Koto-ku, Tokyo	5,000 million yen	100.00 %	Manufacture, sale, and repair of space development equipment and rocket vehicles
Niigata Power Systems Co., Ltd.	Chiyoda-ku, Tokyo	3,000 million yen	100.00 %	Manufacture and sale of internal combustion engines, gas turbine engines and marine equipment
Meisei Electric Co., Ltd.	Isesaki-city, Gunma	2,996 million yen	51.01 %	Manufacture and sale of communication, electronic, electric measuring, information processing machines and other instruments and equipment, in addition to construction design, construction work and other incidental services
IHI Transport Machinery Co., Ltd.	Chuo-ku, Tokyo	2,647 million yen	100.00 %	Design, manufacture, sale, installation, maintenance, and repair of parking systems, materials handling equipment, and transport and distribution plants
IHI Shibaura Machinery Corporation (Note 2)	Matsumoto-city, Nagano	1,111 million yen	100.00 %	Design, manufacture, sale, installation, maintenance and repair of internal combustion engines, agricultural machinery, fire pumps and turf-grass management equipment

Company Name	Location	Capital	Voting Interest of the Company	Main Business
IHI Compressor and Machinery Co., Ltd.	Koto-ku, Tokyo	1,033 million yen	100.00 %	Design, manufacture, sale, installation, maintenance and repair of compressors, separators and superchargers for ships
IHI Infrastructure Systems Co., Ltd. (Note 3)	Sakai-ku, Sakai-city	1,000 million yen	100.00 %	Design, manufacture, installation, maintenance and repair of bridges and water gates
Niigata Transys Co., Ltd.	Chiyoda-ku, Tokyo	1,000 million yen	100.00 %	Manufacture and sale of rolling stock, industrial vehicles and machines for snow removal
IHI Turbo Co., Ltd.	Koto-ku, Tokyo	1,000 million yen	100.00 %	Manufacture and sale of vehicular turbochargers
IHI Logistics & Machinery Corporation (Note 4)	Koto-ku, Tokyo	1,000 million yen	100.00 %	Sales, design, manufacturing, procurement, construction, installation, conversion and repair related to logistics equipment, FA equipment and industrial equipment, in addition to repair and maintenance services for parts and equipment
IHI Plant Construction Co., Ltd.	Koto-ku, Tokyo	500 million yen	100.00 %	Design, manufacture, installation and repair of boiler facilities, nuclear power facilities, environmental and storage plant facilities, and industrial machinery facilities

Company Name	Location	Capital	Voting Interest of the Company	Main Business
IHI STAR Machinery Corporation	Chitose-city, Hokkaido	500 million yen	100.00 %	Design, manufacture, sale, maintenance and repair of agricultural machinery
JIM Technology Corporation (Note 5)	Kawasaki-ku, Kawasaki-city	450 million yen	30.60 %	Sales and marketing, design, manufacturing, site work and after-sales support related to shield tunneling machines and other tunneling construction equipment
IHI INC. (Note 6)	U.S.A.	92,407 thousand US dollars	100.00 %	Sale and order procurement of various plant, machinery and maintenance of aircraft engine (regional headquarters)
IHI Aero Engines US Co., Ltd.	U.S.A.	73,400 thousand US dollars	89.50 %	Investment in civil aircraft engine program
IHI Power Generation Corporation	U.S.A.	38,250 thousand US dollars	100.00 %	Investment in biomass power generation business
JURONG ENGINEERING LIMITED	Singapore	51,788 thousand Singapore dollars	95.56 %	Installation of various types of plants and facilities/equipment, engineering and consulting of architectural work and civil engineering and plants
IHI Investment for Aero Engine Leasing LLC	U.S.A.	28,762 thousand US dollars	65.00	Investment in, and receipt of dividends from, specialist engine leasing company

Company Name	Location	Capital	Voting Interest of the Company	Main Business
IHI INFRASTRUCTURE ASIA CO., LTD.	Vietnam	542,638 million Vietnamese dong	100.00 %	Engineering, manufacture, installation, and maintenance of steel structures and concrete structures, and manufacture and installation of construction and industrial machinery
IHI E&C International Corporation	U.S.A.	21,257 thousand US dollars	100.00 %	FS (feasibility study)/FEED (front end engineering design) and EPC (engineering, procurement and construction) business in oil and gas field
Changchun FAWER-IHI Turbo Co., Ltd.	China	158,300 thousand Chinese yuan	57.16 %	Manufacture and sale of vehicular turbochargers
IHI Charging Systems International GmbH	Germany	15,000 thousand euro	100.00 %	Design, manufacture, and sale of vehicular turbochargers
IHI Turbo America Co.	U.S.A.	7,700 thousand US dollars	100.00 %	Manufacture and sale of vehicular turbochargers
IHI ASIA PACIFIC PTE. LTD.	Singapore	22,459 thousand Singapore dollars	100.00 %	Order procurement, business support, purchase and sale agent (regional headquarters)
Wuxi IHI Turbo Co., Ltd.	China	11,800 thousand US dollars	100.00 %	Manufacture and sale of vehicular turbochargers
IHI Transport Machinery Taiwan Corporation	Taiwan	250,000 thousand Taiwan dollars	100.00 %	Manufacture, sale and maintenance of large transport machinery
IHI TURBO (THAILAND) CO., LTD.	Thailand	260,000 thousand Thai baht	90.00 %	Manufacture and sale of vehicular turbochargers
IHI-Sullair Compression Technology (Suzhou) Co., Ltd.	China	55,465 thousand Chinese yuan	51.00 %	Manufacture, sale and service of general-purpose turbo compressors

Company Name	Location	Capital	Voting Interest of the Company	Main Business
IHI Southwest Technologies, Inc.	U.S.A.	5,800 thousand US dollars	100.00 %	Nondestructive testing services for nuclear power plants, petrochemical plants, and thermal power plants
IHI Europe Ltd.	U.K.	2,500 thousand pound	100.00 %	Sale and mediation of various types of plant, machinery, ships/vessels and aircraft engines
Jiangsu IHI Fengdong Vacuum Technology Co., Ltd	China	30,000 thousand Chinese yuan	50.00 %	Design, manufacture, sale and after-sales support of vacuum heat treatment furnaces
IHI (Shanghai) Management Co., Ltd.	China	2,100 thousand US dollars	100.00 %	Sale, order procurement and purchase of various industrial equipment, technical support including maintenance and engineering, provision of shared services (regional headquarters)

(Notes)

1. The Voting Interests of the Company include indirectly owned portions.
2. The voting interest in IHI Shibaura Machinery Corporation rose to 100% due to the acquisition of shares from Yanmar Co., Ltd.
3. IHI Infrastructure Systems Co., Ltd. implemented a capital reduction to cover a deficit.
4. IHI Logistics & Machinery Corporation increased its capital in order to conduct autonomous and smooth marketing activities.
5. Japan Tunnel Systems Corporation, a subsidiary in which the Company holds a 51% voting interest, has a 60% equity stake in JIM Technology Corporation.
6. IHI INC. increased its capital to maintain a capital level required to operate as such a company.
7. Capital is displayed rounded down to the nearest unit. In the figures for the Voting Interests of the Company, shares of less than one unit are rounded to the nearest unit.

2. Company Officers

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2017)

Title and position	Name	Responsibilities and significant concurrent position(s)
Chairman of the Board; Chief Executive Officer	Tamotsu Saito	General Manager of <i>Monozukuri</i> System Strategy Planning Headquarters Representative Director; President, Manufacturing Science and Technology Center Representative Director; Chairman, THE JAPAN WORKVESSEL ASSOCIATION
President; Chief Operating Officer	Tsugio Mitsuoka	In charge of Resources, Energy and Environment Business Areas In charge of Business Relating to Project Audit
Executive Vice President	Toshinori Sekido	Assistant to the President In charge of Priority New Business Areas In charge of Business Relating to Human Resources, Information Systems, Procurement, Corporate Business Development Representative Director, Japanese Aero Engines Corporation
Executive Vice President	Ichiro Terai	Assistant to the President In charge of Corporate Planning In charge of Portfolio Management
Executive Vice President	Joji Sakamoto	Assistant to the President In charge of Business Relating to Internal Audit, Public Relations and Investor Relations, Legal, CSR, and Administration In charge of Group Compliance In charge of Risk Management In charge of Group Business Process Platform
Director	Hiroyuki Otani	In charge of Industrial Systems & General-Purpose Machinery Business Areas
Director	Hiroshi Asakura	In charge of Group Engineering In charge of Social Infrastructure & Offshore Facilities Business Areas
Director; Managing Executive Officer	Mikio Mochizuki	In charge of Group Finance & Accounting General Manager of Finance & Accounting Division

Title and position	Name	Responsibilities and significant concurrent position(s)
Director; Managing Executive Officer	Tomoharu Shikina	In charge of Aero Engine, Space and Defense Business Areas In charge of Business Relating to Defense President of Aero-Engine & Space Operations; Deputy General Manager of Intelligent Information Management Headquarters
Director; Executive Officer	Atsushi Kuwata	In charge of Group Operations General Manager of Sales Headquarters; Deputy General Manager of Solution & Engineering Headquarters Representative Director; Chairman, Japan Parking System Manufacturers Association Incorporated
Director	Tomokazu Hamaguchi	Outside Director, East Japan Railway Company Outside Director, KURARAY CO., LTD. Director, FPT Corporation
Director	Taketsugu Fujiwara	Vice President and Representative Director, The Society of Chemical Engineers, Japan Outside Director, SHIMADZU CORPORATION Independent Director of the Board, KOKUYO Co., Ltd.
Director	Hiroshi Kimura	Independent Director, Asahi Glass Co., Ltd. Outside Director, Nomura Holdings, Inc.
Standing Audit & Supervisory Board Member	Makoto Serizawa	
Standing Audit & Supervisory Board Member	Shigeru Uesugi	
Audit & Supervisory Board Member	Toshiharu Watanabe	Auditor, IKEGAMI TSUSHINKI CO., LTD.
Audit & Supervisory Board Member	Takayuki Hashimoto	Outside Director, KAGOME CO., LTD. Outside Director, Chubu Electric Power Co., Inc. Outside Director of the Board, Mitsubishi Chemical Holdings Corporation

Title and position	Name	Responsibilities and significant concurrent position(s)
Audit & Supervisory Board Member	Yoko Hatta	Outside Audit and Supervisory Board Member, Kobayashi Pharmaceutical Co., Ltd. Outside Corporate Auditor, Nippon Paper Industries Co., Ltd.

- (Notes)
1. Director: Messrs. Tomokazu Hamaguchi, Taketsugu Fujiwara and Hiroshi Kimura are outside directors.
 2. Audit & Supervisory Board Member: Messrs. Toshiharu Watanabe, Takayuki Hashimoto and Ms. Yoko Hatta are outside audit & supervisory board members.
 3. Standing Audit & Supervisory Board Member: Mr. Makoto Serizawa possesses considerable knowledge of financial and accounting matters gained through his years of experience working in the Finance and Accounting Division of the Company.
 4. Audit & Supervisory Board Member: Ms. Yoko Hatta possesses considerable knowledge of financial and accounting matters gained through her experience working in a tax accountant corporation.
 5. The Company has registered Directors Messrs. Tomokazu Hamaguchi, Taketsugu Fujiwara and Hiroshi Kimura, and Audit & Supervisory Board Members Messrs. Toshiharu Watanabe, Takayuki Hashimoto and Ms. Yoko Hatta with domestic financial instrument exchanges (where the Company is listed) as independent directors and independent auditors, respectively.

(2) Directors and Audit & Supervisory Board Member who resigned during this fiscal year

Directors and Audit & Supervisory Board Member who held office during this fiscal year and whose terms expired during this fiscal year are as follows:

Position (at time of resignation)	Name	Responsibilities and significant concurrent positions at time of resignation	Date of resignation
Director	Kazuaki Kama	Representative Director, Japanese Aero Engines Corporation President, Financial Accounting Standards Foundation Chairman, Japan Vocational Ability Development Association Outside Director, KYOKUTO BOEKI KAISHA, LTD. Outside Director, KONICA MINOLTA, INC. Outside Director, NSK Ltd.	June 24, 2016
Director	Sadao Degawa	In charge of Special Mission from the President	June 24, 2016
Director	Eiichi Yoshida	Assistant to the President	June 24, 2016
Director	Akinori Abe	In charge of Special Mission from the President	June 24, 2016

Position (at time of resignation)	Name	Responsibilities and significant concurrent positions at time of resignation	Date of resignation
Director	Naoya Domoto	In charge of Special Mission from the President	June 24, 2016
Director	Tadashi Okamura	Chairman, The Japan Machinery Federation External Director, The Shoko Chukin Bank, Ltd. Outside Director, Internet Initiative Japan Inc.	June 24, 2016
Standing Audit & Supervisory Board Member	Hideo Otaka		June 24, 2016
Audit & Supervisory Board Member	Nobuo Gohara	Attorney at Law	June 24, 2016

(3) Directors' and Executive Officers' responsibilities as of April 1, 2017

Directors' and Executive Officers' responsibilities as of April 1, 2017 are as follows:

Title and position	Name	Responsibilities
Chairman of the Board	Tamotsu Saito	
President Chief Executive Officer	Tsugio Mitsuoka	In charge of Business Relating to Internal Audit In charge of Corporate Planning In charge of Business Relating to Portfolio Management and Project Risk Management In charge of Risk Management
Executive Vice President	Toshinori Sekido	Assistant to the President In charge of Group Engineering In charge of Priority New Business Areas In charge of Business Relating to Human Resources, Information Management and Corporate Business Development
Executive Vice President Senior Executive Officer	Ichiro Terai	Assistant to the President In charge of Group Business Process Platform President of Social Infrastructure & Offshore Facilities Business Area
Director	Joji Sakamoto	In charge of Business Relating to Public Relations and Investor Relations, Legal, CSR and Administration; in charge of Group Compliance

Title and position	Name	Responsibilities
Director Managing Executive Officer	Hiroyuki Otani	In charge of Business Relating to Procurement President of Resource, Energy and Environment Business Areas
Director	Hiroshi Asakura	In charge of Special Mission from the President
Director Managing Executive Officer	Mikio Mochizuki	In charge of Group Finance & Accounting President of Industrial Systems & General-Purpose Machinery Business Area
Director Managing Executive Officer	Tomoharu Shikina	President of Aero-Engine, Space & Defense Business Area
Director Managing Executive Officer	Atsushi Kuwata	In charge of Group Operations General Manager of Sales Headquarters
Managing Executive Officer	Junichi Sakaki	Vice President of Industrial Systems & General-Purpose Machinery Business Area
Managing Executive Officer	Takanori Kunihiro	Vice President of Social Infrastructure & Offshore Facilities Business Area
Managing Executive Officer	Nobuko Mizumoto	General Manager of Procurement Strategy Planning
Executive Officer	Takeshi Yamada	General Manager of Finance & Accounting Division
Executive Officer	Masafumi Nagano	General Manager of Corporate Planning Division
Executive Officer	Koji Yahagi	General Manager of Global Marketing Headquarters
Executive Officer	Yukiya Murano	General Manager of Intelligent Information Management Headquarters
Executive Officer	Masataka Ikeyama	Vice President of Aero-Engine, Space & Defense Business Area
Executive Officer	Yoshinori Kawasaki	Vice President of Industrial Systems & General-Purpose Machinery Business Area
Executive Officer	Kouichi Murakami	General Manager of Corporate Research & Development
Executive Officer	Takashi Niimura	Vice President of Industrial Systems & General-Purpose Machinery Business Area; Deputy General Manager of Sales Headquarters
Executive Officer	Yoshio Yonezawa	Vice President of Resources, Energy and Environment Business Area
Executive Officer	Kazuki Awai	General Manager of Administration Division
Executive Officer	Yutaka Kunisada	General Manager of Solution & Engineering Headquarters
Executive Officer	Shunichi Takayanagi	Vice President of Social Infrastructure & Offshore Facilities Business Area
Executive Officer	Masato Kawaguchi	President of IHI INC. (Regional Headquarters in the Americas)
Executive Officer	Naoshi Matsumoto	Vice President of Aero-Engine, Space & Defense Business Area
Executive Officer	Mitsutoyo Yoshida	General Manager of Project Risk Management Division

Title and position	Name	Responsibilities
Executive Officer	Hiroshi Ide	Vice President of Resources, Energy and Environment Business Area

- (Notes)
1. Executive Vice President, Mr. Toshinori Sekido supervises *Monozukuri* System Strategy Planning Headquarters, Solution & Engineering Headquarters and Intelligent Information Management Headquarters.
 2. Director, Mr. Joji Sakamoto supervises Headquarters Representative's Offices.
 3. Director, Mr. Atsushi Kuwata supervises Global Marketing Headquarters.
 4. The Company shifted to a "business area structure" by implementing revisions to its organization on April 1, 2017.

(4) Remuneration of directors and audit & supervisory board members

(i) Number of recipients and amounts paid

(Millions of yen)

Position	Number of recipients	Breakdown			Total Amount Paid
		Base amount	Share-based compensation	Performance-based bonus	
Director	19	479	66	0	546
Audit & Supervisory Board Member	7	108	-	-	108
Total (Of which, number of outside officers)	26 (8)	587 (72)	66 (-)	0 (-)	654 (72)

- (Notes)
1. Remuneration of directors does not include salaries of those who are also company employees.
 2. Maximum total amount of directors' remuneration is set at 1,090 million yen or below (excluding employee salaries) per year as resolved at the 198th Ordinary General Meeting of Shareholders held on June 25, 2015, and maximum total amount of audit & supervisory board members' remuneration is set at 120 million yen or below as resolved at the 197th Ordinary General Meeting of Shareholders held on June 27, 2014.
 3. The numbers of directors and audit & supervisory board members as of March 31, 2017 are respectively 13 (including 3 outside directors) and 5 (including 3 outside audit & supervisory board members). The reason for the discrepancy from the above is that figures in the chart include 6 directors and 2 audit & supervisory board members who retired at the conclusion of the 199th Ordinary General Meeting of Shareholders held on June 24, 2016.

(ii) Policy on determination of remuneration

Maximum total remuneration of directors and audit & supervisory board members is resolved at an Ordinary General Meeting of Shareholders as described Note 2 above.

Directors' remuneration is a reward system that considers the standard necessary to secure superior human resources, more strongly aspires towards improvements of the Group's business results and corporate value, and emphasizes sharing the risk and return of stock price

fluctuations with shareholders. Remuneration details are finalized at a meeting of the Board of Directors, following consultation and recommendations to the Remuneration Advisory Committee (the “Committee”) which was created to ensure that remuneration is appropriate and that the process is transparent.

Directors’ remuneration consists of a base amount, share-based compensation and performance-based bonuses. For performance-based bonuses, the amount paid is determined so as to provide an incentive for achieving the operating profit targets in the medium-term management plan. The amount paid is calculated based on the degree to which operating profit target values in the medium-term management plan and for each term are achieved, and finalized after consultation and recommendations to the Committee.

In addition, outside directors receive only a base amount.

Remuneration for audit & supervisory board members comprises basic remuneration only as compensation for their responsibilities for auditing the execution of business throughout the Group. The amount is determined through discussions among audit & supervisory board members.

The Committee consists of 6 members: 3 outside directors, an outside audit & supervisory board member, the director in charge of human resources, and the director in charge of finance and accounting. An outside director is appointed the chair of the Committee, and the chair makes final decisions on the Committee’s recommendations.

(Note) In May 2017 the Company announced that it was revising the policy for determining the remuneration of Directors, abolishing the share-based compensation from the remuneration structure and introducing performance-based share remuneration.

(5) Information regarding outside directors and outside audit & supervisory board members

- (i) Significant concurrent positions at other entities and the relationship between the Company and those entities

Significant concurrent positions at other entities are as follows. There is no special relationship between the Company and these entities.

Position	Name	Significant concurrent positions at other entities
Director	Tomokazu Hamaguchi	Outside Director, East Japan Railway Company Outside Director, KURARAY CO., LTD. Director, FPT Corporation

Position	Name	Significant concurrent positions at other entities
Director	Taketsugu Fujiwara	Vice President and Representative Director, The Society of Chemical Engineers, Japan Outside Director, SHIMADZU CORPORATION Independent Director of the Board, KOKUYO Co., Ltd.
Director	Hiroshi Kimura	Independent Director, Asahi Glass Co., Ltd. Outside Director, Nomura Holdings, Inc.
Audit & Supervisory Board Member	Toshiharu Watanabe	Auditor, IKEGAMI TSUSHINKI CO., LTD.
Audit & Supervisory Board Member	Takayuki Hashimoto	Outside Director, KAGOME CO., LTD. Outside Director, Chubu Electric Power Co., Inc. Outside Director of the Board, Mitsubishi Chemical Holdings Corporation
Audit & Supervisory Board Member	Yoko Hatta	Outside Audit and Supervisory Board Member, Kobayashi Pharmaceutical Co., Ltd. Outside Corporate Auditor, Nippon Paper Industries Co., Ltd.

(ii) Attendance to directors/audit & supervisory board members' meetings and activities during this fiscal year:

Position	Name	Attendance of meetings		Activities
		Board of Directors meetings	Audit & Supervisory Board meetings	
Director	Tomokazu Hamaguchi	17 of 19 (89%)	-	Offered advice and suggestions to ensure suitability and appropriateness of the decisions of the Board of Directors meetings based on his ample experience and broad insight gained as a corporate manager of a state-of-the-art IT and telecommunications company.

Position	Name	Attendance of meetings		Activities
		Board of Directors meetings	Audit & Supervisory Board meetings	
Director	Taketsugu Fujiwara	19 of 19 (100%)	-	Offered advice and suggestions to ensure suitability and appropriateness of the decisions of the Board of Directors meetings based on his ample experience and broad insight gained as a corporate manager of a general chemicals manufacturer.
Director	Hiroshi Kimura	14 of 14 (100%)	-	Offered advice and suggestions to ensure suitability and appropriateness of the decisions of the Board of Directors meetings based on his extensive experience and broad insight gained at the helm of business manager who has led globalization.
Audit & Supervisory Board Member	Toshiharu Watanabe	19 of 19 (100%)	19 of 19 (100%)	Addressed questions and expressed opinions accordingly based on his ample experience and knowledge gained as a corporate manager of a general electric manufacturer.
Audit & Supervisory Board Member	Takayuki Hashimoto	16 of 19 (84%)	16 of 19 (84%)	Addressed questions and expressed opinions accordingly based on his ample experience and knowledge gained as a corporate manager of a state-of-the-art IT company.
Audit & Supervisory Board Member	Yoko Hatta	13 of 14 (93%)	12 of 13 (92%)	Addressed questions and expressed opinions accordingly based on her extensive experience and insight in global business operations, notably international taxation.

(Notes) 1. The stated attendance of meetings for director Mr. Hiroshi Kimura considers only the Board of Directors meetings held after his assumption as director.

2. The stated attendance of meetings for audit & supervisory board member Ms. Yoko Hatta considers only the Board of Directors meetings and Audit & Supervisory Board meetings held after her assumption as audit & supervisory board member.

(iii) Limitation of liability

In accordance with Article 427, Paragraph 1 of the Companies Act, each outside director/audit & supervisory board member has entered into an agreement with the Company to limit his liability for damages stipulated in Article 423, Paragraph 1 of the same Act. Amount of maximum liability of each director/audit & supervisory board member under the agreement shall be subject to laws and regulations.

3. Corporate Share Information

(1) Corporate shares (as of March 31, 2017)

- (i) Total number of shares authorized to be issued: 3,300,000,000
- (ii) Total number of shares issued: 1,544,236,863
(excluding 2,562,679 treasury shares)
- (iii) Total number of shareholders: 85,722
- (iv) Major shareholders (top 10 shareholders)

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	55,422	3.58
The Dai-ichi Life Insurance Company, Limited	54,060	3.50
The Master Trust Bank of Japan, Ltd. (Holder in Trust)	50,665	3.28
Japan Trustee Services Bank, Ltd. (Holder in Trust)	48,573	3.14
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	45,979	2.97
State Street Bank And Trust Company 505001	43,454	2.81
State Street Bank And Trust Company 505223	40,350	2.61
Japan Trustee Services Bank, Ltd. (Holder in Trust 9)	29,286	1.89
Japan Trustee Services Bank, Ltd. (Holder in Trust 5)	28,232	1.82
IHI Customer Stock Ownership Association	25,572	1.65

- (Notes)
1. Voting rights for 55,422,000 shares held by “Japan Trustee Services Bank, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)” are exercised in accordance with the instructions of TOSHIBA CORPORATION because TOSHIBA CORPORATION is a consigner of the shares.
 2. The Dai-ichi Life Insurance Company, Limited shifted to a holding company structure by means of a corporate split on October 1, 2016, and has changed the trade name to “Dai-ichi Life Holdings, Inc.” Moreover, all the shareholdings owned by said company have been inherited by that company’s fully owned subsidiary, The Dai-ichi Life Insurance Company, Limited.
 3. Voting rights for 45,979,000 shares held by “Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.” are exercised in accordance with the instructions of Mizuho Bank because Mizuho Bank is a consigner of the shares.
 4. Shareholding ratios are calculated without including total number of treasury shares (2,562,679 shares).

(2) Subscription rights to shares

(i) Subscription rights to shares at the end of the fiscal year

(a) Subscription rights to shares granted to Company officers in remuneration for the performance of their duties:

Name (Date of decision)	Number of subscription rights to shares	Class and number of shares underlying subscription rights to shares	Amount to be paid in (per subscription right to shares)	Value of property to be contributed upon exercise (per subscription right to shares)	Exercise period
1 st Subscription Rights to Shares (July 23, 2007)	24	Common stock 24,000 shares	462,000 yen	1,000 yen	From August 10, 2007 to August 9, 2037
2 nd Subscription Rights to Shares (July 22, 2008)	68	Common stock 68,000 shares	185,000 yen	1,000 yen	From August 19, 2008 to August 18, 2038
3 rd Subscription Rights to Shares (July 21, 2009)	128	Common stock 128,000 shares	165,000 yen	1,000 yen	From August 6, 2009 to August 5, 2039
4 th Subscription Rights to Shares (July 23, 2010)	187	Common stock 187,000 shares	154,000 yen	1,000 yen	From August 10, 2010 to August 9, 2040
5 th Subscription Rights to Shares (July 25, 2011)	164	Common stock 164,000 shares	178,000 yen	1,000 yen	From August 18, 2011 to August 17, 2041
6 th Subscription Rights to Shares (July 23, 2012)	240	Common stock 240,000 shares	159,000 yen	1,000 yen	From August 17, 2012 to August 16, 2042
7 th Subscription Rights to Shares (July 22, 2013)	108	Common stock 108,000 shares	376,000 yen	1,000 yen	From August 22, 2013 to August 21, 2043

Name (Date of decision)	Number of subscription rights to shares	Class and number of shares underlying subscription rights to shares	Amount to be paid in (per subscription right to shares)	Value of property to be contributed upon exercise (per subscription right to shares)	Exercise period
8 th Subscription Rights to Shares (July 22, 2014)	118	Common stock 118,000 shares	440,000 yen	1,000 yen	From August 12, 2014 to August 11, 2044
9 th Subscription Rights to Shares (July 21, 2015)	94	Common stock 94,000 shares	413,000 yen	1,000 yen	From August 11, 2015 to August 10, 2045
10 th Subscription Rights to Shares (July 25, 2016)	241	Common stock 241,000 shares	278,000 yen	1,000 yen	From August 10, 2016 to August 9, 2046

(Notes) Terms and conditions for exercising subscription rights to shares are as follows.

1. Subscription rights to shares shall be exercisable for five (5) years from the date one (1) year after a director or an executive officer lost its position (in the event that such individual assumes the position of audit & supervisory board member within one (1) year after he/she resigns a director or an executive officer, the date he/she lost its position as audit & supervisory board member) (“Exercise Start Date”).
2. Notwithstanding the above 1, in the event of the following (1) or (2), subscription rights to shares shall be exercisable for the period stipulated below. (However, (2) does not apply to subscription rights to shares issued by a reorganized company.)

(1) In the event that the Exercise Start Date does not become effective by the dates indicated below for each of the subscription rights to shares (the “due date”):

Name	Due date	Exercise period of subscription rights to shares
1 st Subscription Rights to Shares	August 9, 2036	From August 10, 2036 to August 9, 2037
2 nd Subscription Rights to Shares	August 18, 2037	From August 19, 2037 to August 18, 2038
3 rd Subscription Rights to Shares	August 5, 2038	From August 6, 2038 to August 5, 2039
4 th Subscription Rights to Shares	August 9, 2039	From August 10, 2039 to August 9, 2040
5 th Subscription Rights to Shares	August 17, 2040	From August 18, 2040 to August 17, 2041
6 th Subscription Rights to Shares	August 16, 2041	From August 17, 2041 to August 16, 2042
7 th Subscription Rights to Shares	August 21, 2042	From August 22, 2042 to August 21, 2043

Name	Due date	Exercise period of subscription rights to shares
8 th Subscription Rights to Shares	August 11, 2043	From August 12, 2043 to August 11, 2044
9 th Subscription Rights to Shares	August 10, 2044	From August 11, 2044 to August 10, 2045
10 th Subscription Rights to Shares	August 9, 2045	From August 10, 2045 to August 9, 2046

- (2) In the event that an agenda item of a merger agreement (under which the Company becomes an absorbed company) or an agenda item of an equity-swap agreement and/or an equity transfer plan (under which the Company becomes a wholly-owned subsidiary of another company) is approved at a General Meeting of Shareholders of the Company (or at a Board of Director meeting or by the Chief Executive Officer if a decision at a shareholders' meeting is not necessary)

Fifteen (15) days from the following day of such decision

3. A holder of subscription rights to shares who relinquishes his/her subscription rights to shares shall not be able to exercise such rights.

(b) Number of subscription rights to shares

Name (Date of decision)	Director			Audit & Supervisory Board Member		
	Number of subscription rights to shares	Number of underlying shares	Number of holders	Number of subscription rights to shares	Number of underlying shares	Number of holders
1 st Subscription Rights to Shares (July 23, 2007)	16	16,000 shares	2	8	8,000 shares	1
2 nd Subscription Rights to Shares (July 22, 2008)	50	50,000 shares	3	18	18,000 shares	1
3 rd Subscription Rights to Shares (July 21, 2009)	107	107,000 shares	5	21	21,000 shares	1
4 th Subscription Rights to Shares (July 23, 2010)	156	156,000 shares	6	31	31,000 shares	1
5 th Subscription Rights to Shares (July 25, 2011)	141	141,000 shares	7	23	23,000 shares	1
6 th Subscription Rights to Shares (July 23, 2012)	211	211,000 shares	7	29	29,000 shares	1
7 th Subscription Rights to Shares (July 22, 2013)	108	108,000 shares	8	-	-	-
8 th Subscription Rights to Shares (July 22, 2014)	118	118,000 shares	10	-	-	-
9 th Subscription Rights to Shares (July 21, 2015)	94	94,000 shares	10	-	-	-
10 th Subscription Rights to Shares (July 25, 2016)	241	241,000 shares	10	-	-	-

- (Notes) 1. These subscription rights to shares are not granted to outside directors and audit & supervisory board members.
2. The subscription rights to shares held by audit & supervisory board members were granted to them while they were serving as directors or executive officers and not granted to them while serving as audit & supervisory board members.

(ii) Subscription rights to shares granted to the Company's executive officers in remuneration for the performance of their duties during this fiscal year:

Date of decision	July 25, 2016
Number of subscription rights to shares	250
Class and number of underlying shares	Common stock: 250,000 shares (1,000 shares per subscription right to shares)
Amount to be paid in	250,000 yen per subscription right to shares
Value of property to be contributed upon exercising	1,000 yen per subscription right to shares (1 yen per share)
Exercise period	From August 10, 2016 to August 9, 2046
Status of granting	Number of subscription rights to shares: 250 Number of underlying shares: 250,000 Number of individuals to whom subscription rights to shares have been granted: 18

(Notes) Terms and conditions for exercising subscription rights to shares are as follows.

1. Subscription rights to shares shall be exercisable for five years from the date one year after a director or an executive officer lost its position (in the event that such individual assumes the position of audit & supervisory board member within one year after he/she resigns a director or an executive officer, the date he/she lost its position as audit & supervisory board member) ("Exercise Start Date").
2. Notwithstanding the above 1, in the event of the following (1) or (2), subscription rights to shares shall be exercisable for the period stipulated below. (However, (2) does not apply to subscription rights to shares issued by a reorganized company.)
 - (1) In the event that Exercise Start Date does not become effective by August 9, 2045
From August 10, 2045 to August 9, 2046
 - (2) In the event that an agenda item of a merger agreement (under which the Company becomes an absorbed company) or an agenda item of an equity-swap agreement and/or an equity transfer plan (under which the Company becomes a wholly-owned subsidiary of another company) is approved at a General Meeting of Shareholders of the Company (or at a Board of Director meeting or by the Chief Executive Officer if a decision at a shareholders' meeting is not necessary)
Fifteen (15) days from the following day of such decision
3. A holder of subscription rights to shares who relinquishes his/her subscription rights to shares shall not be able to exercise such rights.

(iii) Other important matters regarding subscription rights to shares

No items to report.

4. Status of Accounting Auditor

(1) Name

Ernst & Young ShinNihon LLC

(2) Remunerations, etc.

	Amount of payment (million yen)
Remunerations paid to the accounting auditor for the fiscal year under review	183
Total sum of cash and profits relating to other assets that the Company and its subsidiaries should pay to the accounting auditor	438

- (Notes)
1. The audit agreement entered into by the accounting auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the remunerations paid to the accounting auditor for the fiscal year under review indicates the total of these two kinds of amounts.
 2. The Audit & Supervisory Board sought confirmation that the audit plan that the accounting auditor submitted was suitable and appropriate, and carefully studied the grounds and contents of calculations, such as time required for audits and the remuneration unit price. As a result of the aforementioned, the Audit & Supervisory Board found that the remuneration was appropriate, and therefore approved the amount of remunerations paid to the accounting auditor.
 3. Of the Company's main subsidiaries, IHI INC., JURONG ENGINEERING LIMITED and other 17 companies were audited by certified public accountants or accounting auditors (including persons overseas possessing the overseas country's equivalent qualification) other than the accounting auditor of the Company.

(3) Details of non-audit services

The Company entrusts the accounting auditor with the services regarding "Advice and support for issues arising from implementation of IFRS" and "Guidance on accounting for subsidiaries and associates" other than services defined in Article 2, Paragraph 1 of the Certified Public Accountants Act of Japan (non-audit services).

(4) Policy for decisions on dismissal or non-reappointment of accounting auditors

In the case where it is deemed that the accounting auditor has fallen under any of the reasons for dismissal prescribed in Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the accounting auditor based on the consent of all audit & supervisory board members.

In addition, in cases where the accounting auditor is deemed to have difficulty in conducting audit operations appropriately, based on the resolution

of the Audit & Supervisory Board Members, the dismissal or non-reappointment of the accounting auditor shall be decided.

(5) Business suspension order to which the accounting auditor was subject during past two years

On December 22, 2015, the Company's accounting auditor, Ernst & Young ShinNihon LLC, was subject to administrative orders from the Financial Services Agency, suspending the firm from accepting new engagements for three months from January 1, 2016 to March 31, 2016 and ordering the firm to improve its business operations. In response to the order to improve its business operations, on January 29, 2016, the accounting auditor submitted a business improvement plan to the agency, which was accepted.

5. Systems to ensure appropriateness of operations and operation status of the systems

(1) Systems to ensure appropriateness of operations

The Company, through resolution by the Board of Directors, decided on a basic policy relating to “systems to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation, and other systems necessary to ensure the appropriateness of operations of a stock company and of operations of a corporate group consisting of said stock company and its subsidiaries” as stipulated by the Companies Act, and it is working to improve the effectiveness of corporate governance of the IHI Group and thereby increase corporate value. The overview of the basic policy is as follows.

1) System for ensuring compliance of directors and employees with laws and regulations and articles of incorporation

Directors of the Company shall establish rules to ensure that the performance of their duties is compliant with laws and regulations and articles of incorporation, and directors and employees shall observe such rules. Directors of the Company shall establish systems to ensure the appropriateness of operation activities throughout the Company, at each division, and at each affiliate company, and to audit such activities are properly pursued.

(i) Preparation of rules and regulations

Directors shall prepare group-wide, company-wide and departmental rules and procedures such as the “Basic Code of Conduct for the IHI Group” that all directors and employees of the Company must follow to perform their duties. Divisions and sections in charge of each operation must be specified clearly in each rule and regulation. A mechanism to update such rules and regulations in the event of amendment of laws shall also be defined.

(ii) Compliance activities

With respect to compliance activities, the “Compliance Committee” chaired by an officer in charge of compliance for the entire Company shall establish a company-wide compliance policy. The company-wide policy shall be applied to the plan for each division, and each division shall create its own rules and activity plans. In addition to the company-wide training organized and administered by Corporate Social Responsibility Division, training for each level (such as managerial staff, mid-level staff, and new employees) and training for each competency (such as human resources, finance, and procurement) shall be conducted to ensure compliance by all employees.

(iii) A system to ensure and correct activities

An internal audit mechanism shall be created to monitor, inspect, and assess operation activities at each division to ensure the appropriateness of such activities. “Corporate Audit Division,” which is independent of all other divisions, shall be established. Corporate Audit Division shall report the results of audits to the Board of Directors as needed. To

prevent noncompliance, a “Compliance Hotline” shall be established as an internal reporting system and Corporate Social Responsibility Division shall provide the necessary consultations.

2) System for storing and managing information

Directors of the Company shall preserve information related to Directors’ exercise of their duties as a written document or in an electromagnetic form. Directors shall establish a basic policy for storing and managing documents and electromagnetic records, and shall manage information thereof.

Amendment of such basic policy shall be subject to approval of the Board of Directors.

3) System for managing risks

Directors of the Company shall continuously assess, identify, and monitor business risks at each division of IHI group companies.

Directors shall recognize the importance of assessing, identifying, and monitoring any of the following risks as various risks relevant to the execution of duties of IHI group companies, and shall establish an appropriate system to manage such risks as well as a system to apply and evaluate it.

(i) Contracts/agreements

Operational risks relating to contracts/agreements such as competition, alliance/M&A with other companies, business integration, overseas operations, material procurement, and debt guarantee.

(ii) Design, manufacturing, and technologies

Risks that manufacturing sites, quality assurance, technology agreements, and research and development perform below expectations.

(iii) Laws and regulations

Risks of losses or loss of credibility due to violation of law.

(iv) Information systems

Risks of leakage, theft, and loss of information assets, and damage thereto.

(v) Safety, health, and environment

Risks of problems with health and safety assurance and environmental conservation at offices and construction sites.

(vi) Disaster and system failure

Risks of interruption of business activities due to disaster, accidents, and information system failures.

(vii) Financial activities

Risks regarding financial activities such as exchange rate and interest rate trends.

(viii) Financial reporting

Risks of fictitious financial reporting (whether due to fraud or negligence).

Directors of the Company shall continuously assess, identify, and monitor business risks at each division of IHI group companies and promptly appoint personnel to deal with risks in the event new risks arise, and shall report to the Board of Directors of the Company regarding such risks that may affect IHI group performance, financial condition, and share price.

4) System for assuring that Directors exercise their duties efficiently

Directors of the Company shall clearly separate the function of management supervision from that of performance to ensure efficient performance of duties, and shall delegate most rights to perform duties to executive officers for efficiency.

To make appropriate decisions through multi-dimensional considerations, the Chief Executive Officer shall organize a Management Committee as an advisory body to discuss important matters of IHI group companies.

Directors shall prepare profit plans including target profitability of each division and sector at the beginning of every financial period and verify their results each month.

5) System for assuring operational legitimacy within the corporate group

Directors of the Company shall establish a system to ensure IHI group-wide governance by setting rules to manage group companies and appointing responsible divisions to manage, control, and direct such companies. As for group company matters with high levels of importance, directors shall submit/report to the Board of Directors and Management Committee.

Directors of the Company shall monitor the business conditions of group companies on a routine basis by deploying part-time audit & supervisory board members or other employees to group companies. If necessary, responsible division or related division shall provide support to secure the appropriateness of business operations.

Directors also establish a group business management section within the Corporate Planning Division to create a group-wide management mechanism and to supervise group company businesses.

6) Employees to assist audit & supervisory board members

Audit & supervisory board members of the Company shall establish an audit office to assist them in the performance of their duties.

The audit office shall consist of several employees, including managerial staff, of the Company, and personnel matters regarding such employees shall be decided based on mutual consultation between audit & supervisory board members and related directors.

The audit office employees shall follow the instructions of the audit & supervisory board members, and directors shall pay attention to maintaining independence of the audit office employees from the persons who execute business and to ensuring the effectiveness of instructions by the audit & supervisory board members to the audit office employees.

7) Audit by audit & supervisory board members

Audit & supervisory board members of the Company, in accordance with the audit policies defined at the Audit & Supervisory Board, shall attend important meetings including the Board of Directors meetings and management meetings, and audit the performance of directors through interviews with directors, reviews of documents related to important resolutions, and investigations of operations and financial situations of each division and main subsidiaries. The Company shall bear any expenses required for the performance of duties by audit & supervisory board members.

8) Reporting to audit & supervisory board members

Directors and employees of the Company shall, without delay, report to audit & supervisory board members and the Audit & Supervisory Board on matters provided for in laws and regulations, results of internal audits, results of hotline system, and other important matters that have an impact on the IHI Group.

No individual shall be treated unfavorably for making such a report.

(2) Overview of operation status of system to ensure the appropriateness of operations

1) System for ensuring compliance of directors and employees with laws and regulations and articles of incorporation

- (i) Group-wide, company-wide and departmental rules have been established, and in addition to regularly updating rules and regulations to reflect amendment of laws, reviews are periodically carried out based on the regulations for managing rules.
- (ii) The Compliance Committee has been established, decisions on annual compliance policy are made and such policy is implemented internally as well as in group companies. With respect to compliance education, training for each level, e-learning, and other activities are conducted.
- (iii) The internal control systems of the IHI Group are ensured through the performance of evaluation of internal audit and internal control. The outline of operating status of the internal reporting system is disclosed internally on a quarterly basis.

2) System for storing and managing information

The following activities are carried out pursuant to the policy established for storing and management of documents and digital records: document management, investigation of the status of the management on a company-wide basis, and guidance to ensure appropriate filing methods, etc.

3) System for managing risks

Risk management activities are implemented in accordance with regulations for risk management within IHI Group. The status of implementation of these risk management activities is reported at Board of Directors meetings.

4) System for assuring that Directors exercise their duties efficiently

An executive officer system has been introduced to make clear functional separation of management supervision and the performance of duties while a Remuneration Advisory Committee and a Nomination Advisory Committee have been established to strengthen monitoring and supervision function. In addition, Management Committee has been established as an advisory body for the Chief Executive Officer as a forum to discuss important matters.

5) System for assuring operational legitimacy within the corporate group

Rules have been established to serve as rules for management of IHI Group companies, and in accordance with these rules, the responsible divisions manage, control and direct group companies. Also with respect to group company matters with high levels of importance, discussions are held and reports are made at the Board of Directors meetings and the Management Committee meetings of the Company. In addition, the current statuses of the management are confirmed by such measures as appointing part-time audit & supervisory board members who are dispatched from the Company to each company.

6) Employees to assist audit & supervisory board members

An audit office is established to assist audit & supervisory board members in the performance of their duties. Four employees are posted full-time to the audit office, and audit office's independence from the persons who execute business is maintained.

7) Audit by audit & supervisory board members

The audit & supervisory board members attend, in addition to the Board of Directors meetings of the Company, important meetings such as Management Committee meetings of the Company. In addition, the audit & supervisory board members review important documents related to the execution of business and conduct investigations at each division and main subsidiaries.

8) Reporting to audit & supervisory board members

Directors and employees of the IHI Group report to the audit & supervisory board members via the Company's Board of Directors, Management Committee and other means on not only matters prescribed by laws and regulations, but also important matters affecting the IHI Group.

Consolidated Balance Sheet
(As of March 31, 2017)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets	1,073,842	Current liabilities	876,248
Cash and deposits	118,909	Notes and accounts payable – trade	285,937
Notes and accounts receivable – trade	403,094	Short-term loans payable	104,111
Finished goods	20,719	Commercial papers	5,000
Work in process	272,823	Current portion of bonds	10,000
Raw materials and supplies	123,726	Accrued expenses	96,213
Deferred tax assets	44,783	Income taxes payable	5,674
Other	95,233	Advances received	208,907
Allowance for doubtful accounts	(5,445)	Provision for bonuses	23,714
		Provision for construction warranties	47,939
Non-current assets	618,989	Provision for loss on construction contracts	37,324
Property, plant and equipment	342,408	Other provision	248
Buildings and structures	136,801	Other	51,181
Machinery, equipment and vehicles	69,648	Non-current liabilities	478,953
Land	92,284	Bonds payable	50,000
Leased assets	14,285	Long-term loans payable	182,495
Construction in progress	11,623	Lease obligations	13,782
Other	17,767	Deferred tax liabilities for land revaluation	4,884
Intangible assets	41,156	Net defined benefit liability	150,920
Goodwill	16,166	Provision for loss on business of subsidiaries and affiliates	1,149
Software	14,454	Other provision	1,308
Other	10,536	Other	74,415
Investments and other assets	235,425	Total liabilities	1,355,201
Investment securities	134,676	Net Assets	
Deferred tax assets	65,697	Shareholders' equity	309,994
Net defined benefit asset	21	Capital stock	107,165
Other	36,715	Capital surplus	53,510
Allowance for doubtful accounts	(1,684)	Retained earnings	149,832
		Treasury shares	(513)
		Accumulated other comprehensive income	8,169
		Valuation difference on available-for-sale securities	2,892
		Deferred gains or losses on hedges	(277)
		Revaluation reserve for land	5,427
		Foreign currency translation adjustment	1,298
		Remeasurements of defined benefit plans	(1,171)
		Subscription rights to shares	843
		Non-controlling interests	18,624
		Total net assets	337,630
Total assets	1,692,831	Total liabilities and net assets	1,692,831

Consolidated Statement of Income
(Year ended March 31, 2017)

(Millions of yen)

Account title	Amount
Net sales	1,486,332
Cost of sales	1,244,033
Gross profit	242,299
Selling, general and administrative expenses	194,910
Operating profit	47,389
Non-operating income	
Interest and dividend income	2,571
Reversal of accrued expenses for delayed delivery	2,232
Other	3,800
Non-operating expenses	
Interest expenses	3,131
Share of loss of entities accounted for using equity method	3,538
Foreign exchange losses	6,700
Other	20,612
Ordinary profit	22,011
Extraordinary income	
Gain on sales of non-current assets	23,533
Gain on contribution of securities to retirement benefit trust	3,481
Reversal of provision for loss on subsidiaries and affiliates	1,656
Gain on bargain purchase	1,079
Gain on transfer of shares of subsidiaries and affiliates	798
Extraordinary losses	
Business structural reform expenses related to the F-LNG/ Offshore structure Business	9,914
Loss on transfer of receivables	9,834
Settlement-related expenses related to delivered boiler facilities	6,988
Impairment loss	3,461
Compensation for change of construction contracts	2,248
Dismantlement costs of an underpass in Toyosu	2,035
Profit before income taxes	18,078
Income taxes – current	10,872
Income taxes – deferred	(2,479)
Profit	9,685
Profit attributable to non-controlling interests	4,438
Profit attributable to owners of parent	5,247

(Reference)

Consolidated Statement of Cash Flows (Summary)
(Year ended March 31, 2017)

Account title	Amount
Net cash provided by (used in) operating activities	65,373
Net cash provided by (used in) investing activities	(28,961)
Net cash provided by (used in) financing activities	(21,941)
Effect of exchange rate change on cash and cash equivalents	(3,463)
Net increase (decrease) in cash and cash equivalents	11,008
Cash and cash equivalents at end of period	115,911

Consolidated Statement of Changes in Equity
(Year ended March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	107,165	54,431	144,789	(565)	305,820
Changes of items during period					
Profit attributable to owners of parent			5,247		5,247
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		(3)		54	51
Change in ownership interest of parent due to transactions with non-controlling interests		(918)			(918)
Net decrease from newly consolidated subsidiaries			(204)		(204)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(921)	5,043	52	4,174
Balance at end of current period	107,165	53,510	149,832	(513)	309,994

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,580	(377)	5,423	9,954	(4,090)	12,490	758	14,291	333,359
Changes of items during period									
Profit attributable to owners of parent						-			5,247
Purchase of treasury shares						-			(2)
Disposal of treasury shares						-			51
Change in ownership interest of parent due to transactions with non-controlling interests						-			(918)
Net decrease from newly consolidated subsidiaries						-			(204)
Net changes of items other than shareholders' equity	1,312	100	4	(8,656)	2,919	(4,321)	85	4,333	97
Total changes of items during period	1,312	100	4	(8,656)	2,919	(4,321)	85	4,333	4,271
Balance at end of current period	2,892	(277)	5,427	1,298	(1,171)	8,169	843	18,624	337,630

Notes to the Consolidated Financial Statements

I. Basis of Preparation of the Consolidated Financial Statements

1. Scope of Consolidation

(1) Number and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 152

Names of major consolidated subsidiaries:

IHI AEROSPACE CO., LTD., Niigata Power Systems Co., Ltd.,
Meisei Electric Co., Ltd., IHI Transport Machinery Co., Ltd.,
IHI Shibaura Machinery Corporation,
IHI Compressor and Machinery Co., Ltd.,
IHI Infrastructure Systems Co., Ltd., Niigata Transys Co., Ltd.,
IHI Turbo Co., Ltd., IHI Logistics & Machinery Corporation,
IHI Plant Construction Co., Ltd., IHI STAR Machinery Corporation,
JIM Technology Corporation, IHI INC., IHI Aero Engines US Co., Ltd.,
IHI Power Generation Corp., JURONG ENGINEERING LIMITED,
IHI Investment for Aero Engine Leasing LLC,
IHI INFRASTRUCTURE ASIA CO., LTD., IHI E&C International Corporation,
Changchun FAWER-IHI Turbo Co., Ltd.,
IHI Charging Systems International GmbH, IHI Turbo America Co.,
IHI ASIA PACIFIC PTE. LTD., Wuxi IHI Turbo Co., Ltd.,
IHI Transport Machinery Taiwan Corporation,
IHI TURBO (THAILAND) CO., LTD.,
IHI-Sullair Compression Technology (Suzhou) Co., Ltd.,
IHI Southwest Technologies, Inc., IHI Europe Ltd.,
Jiangsu IHI Fengdong Vacuum Technology Co., Ltd.,
IHI (Shanghai) Management Co., Ltd.

In the fiscal year under review, the number of consolidated subsidiaries increased by 4 due to new establishment of the companies and 3 due to increased materiality, and decreased by 1 due to share transfer, 1 due to liquidation, 2 due to mergers and 2 due to decreased materiality.

(2) Names of major non-consolidated subsidiaries, etc.

Names of major non-consolidated subsidiaries:

I&H Engineering Co., Ltd.

(Reason for excluding from the scope of consolidation)

The non-consolidated subsidiary is small in size and its total assets, net sales, the profit or loss for the Company's equity interest, and retained earnings for the Company's equity interest do not have a significant effect on the consolidated financial statements.

2. Application of the Equity Method

(1) Number and names of major affiliated companies accounted for by the equity method

Number of affiliated companies accounted for by the equity method: 30

Names of major equity method affiliates:

Japan Marine United Corporation, GE Passport, LLC

In the fiscal year under review, the number of equity method affiliates increased by 1 due to new establishment of the company and decreased by 1 due to changes in voting interest.

(2) Names of affiliated companies not accounted for by the equity method

Names of major companies: Kondo Iron Works Co., LTD.,
Perkins Shibaura Engines (Wuxi) Co., Ltd.

(Reason for excluding from the scope of equity method)

The companies' profit or loss for the Company's equity interest, and retained earnings for the Company's equity interest have immaterial effect on the consolidated financial statements and is less significant as a whole.

3. Fiscal Year, etc. for Consolidated Subsidiaries

Effective from the fiscal year under review, the closing date of the fiscal year for 31 companies including JURONG ENGINEERING LIMITED has been changed from December 31 to March 31, and six companies including Changchun FAWER-IHI Turbo Co., Ltd. have been consolidated using March 31 as a provisional closing date.

As a result, for the fiscal year ended March 31, 2017, 37 companies including JURONG ENGINEERING LIMITED have a fifteen-month accounting period.

In the period from January 1, 2016 through March 31, 2016 included in the fiscal year under review, net sales were 25,227 million yen, operating profit was 2,798 million yen, ordinary profit was 2,327 million yen and profit before income taxes was 2,332 million yen.

4. Significant Accounting Policies

(1) Valuation bases and methods of securities

Securities to be held until maturity are stated at amortized cost (by the straight-line method).

Other securities with market prices available are stated at fair market value as of the balance sheet date. The related valuation differences are directly included into net assets and the cost of sale price is determined by the moving-average method. Other securities without market prices available are stated at moving-average cost.

(2) *Valuation bases and methods of derivatives*

Derivatives are stated at fair market value.

(3) *Valuation bases and methods of inventories*

Raw materials and supplies are stated at moving-average cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

Finished goods and work in process are stated at identified cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

(4) *Depreciation and amortization of non-current assets*

Property, plant and equipment (except for leased assets)

These assets are depreciated by the declining-balance method. However, lend-lease properties and buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016 are depreciated by the straight-line method. In addition, some of the Company's consolidated subsidiaries employ the straight-line method.

Intangible assets (except for leased assets)

Intangible assets are amortized by the straight-line method. Software used internally is amortized using the straight-line method over the useful life of the assets as estimated by the company (within five years).

Leased assets

Leased assets related to ownership transfer finance lease transactions are depreciated using the same method as that applied to property, plant and equipment.

Leased assets related to non-ownership transfer finance leases are depreciated over the lease period as useful period using the straight-line method with no residual value. The Company uses the method for ordinary rental transactions for non-ownership transfer finance leases for which lease agreements were concluded on or before March 31, 2008.

(5) *Bases for significant allowances and provisions*

Allowance for doubtful accounts

To prepare for losses on bad debts, the allowance for doubtful accounts is provided for based on historical default rates for general receivables, plus individually estimated uncollectible amounts for specific receivables such as doubtful receivables.

Provision for bonuses

For payment of employee bonuses, the provision for bonuses is provided for in the amount that is expected to be paid.

Provision for directors' bonuses

To prepare for payment of bonuses for directors, the provision for bonuses is provided for in the amount that is expected to be paid.

Provision for construction warranties

To prepare for expenditures for construction warranties, the provision for construction warranties is provided for in the amount of estimated future expenditures based on historical experience.

Provision for loss on construction contracts

Provision for loss on construction contracts is provided for in the amount of estimated losses on undelivered construction contracts to occur at the end of the fiscal year under review.

Provision for directors' retirement benefits

The domestic consolidated subsidiaries provided the provision for directors' retirement benefits for the amount required to be paid at the end of the fiscal year under review in accordance with the internal policy.

Provision for loss on business of subsidiaries and affiliates

To prepare for losses on the businesses of subsidiaries and affiliates, estimated loss amount is provided for, taking into account the details of assets and other factors of the relevant subsidiaries.

(6) *Other significant matters concerning the preparation of consolidated financial statements*

Recognition of revenue and expenses

Basis of recognizing revenues and costs of construction contracts

Construction projects whose outcome of the progress by the end of the fiscal year deemed definite are recorded on the percentage-of-completion basis (rate of progress estimated by the cost-ratio method), while all other projects are accounted for on the completed construction basis.

Hedge accounting

(1) Hedge accounting

Deferred hedge accounting is applied. Transactions under forward foreign exchange contracts are booked in yen by translation at the foreign exchange rate stipulated in the contract if requirements for such treatment ("*furiate-shori*") are satisfied.

Interest rate swaps that satisfy requirements for exceptional treatments are accounted for by the exceptional treatment ("*tokurei-shori*").

(2) Hedging instruments and hedged items

Interest swaps are used to hedge interest rate risks associated with loans, and forward foreign exchange contracts, etc. are used to hedge foreign currency risks associated with monetary claims and liabilities denominated in foreign currencies.

(3) Hedging policy

Hedging instruments necessary for each risk category are selected.

(4) Method of assessing effectiveness of hedging

In the period from the beginning of hedging to the point of assessment, effectiveness is evaluated by comparing the cumulative total of the change in market value of or the change in cash flow of a hedged item, with the cumulative total of the change in market value of or the change in cash flow of hedging instruments.

Recognition of net defined benefit liability

To prepare for employees' retirement benefits, net defined benefit liability is recognized based on estimated amounts of projected benefit obligations and pension fund assets at the end of the fiscal year under review. Some consolidated subsidiaries adopt the conventional method to determine net defined benefit liability.

In the calculation of defined benefit liability, the method used to attribute projected benefit obligations in the period up to the fiscal year under review is benefit formula basis.

Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.

Actuarial gain or loss is amortized starting in the fiscal year following the fiscal year in which it occurs using the straight-line method over a certain number of years within the average remaining service period of employees.

Amortization method and period of goodwill

Goodwill is amortized through the estimated effective period of the investment, with the exception that when the amount of goodwill is immaterial, it is charged to expenses as incurred.

Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

Application of the consolidated taxation system

The consolidated taxation system has been applied.

II. Changes in Accounting Policies

(Changes in Accounting Policies)

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, IHI has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from the fiscal year under review, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

As a result, operating profit, ordinary profit and profit before income taxes for the fiscal year under review increased respectively by 174 million yen.

III. Notes to the Consolidated Balance Sheet

1. Assets Pledged as Collateral and Secured Liabilities

(1) Assets pledged as collateral

Cash and deposits	481 million yen
Buildings and structures	730 million yen
Machinery, equipment and vehicles	35 million yen
Land	3,236 million yen
Other property, plant and equipment	11 million yen
Investment securities	646 million yen
	(Note 1)
Other investments and other assets	2,793 million yen
	(Note 2)

Of above, the following assets are pledged as collateral of factory foundation.

Buildings and structures	225 million yen
Machinery, equipment and vehicles	35 million yen
Land	2,613 million yen
Other property, plant and equipment	11 million yen

(2) Secured liabilities

Short-term loans payable	3,911 million yen
Long-term loans payable	8 million yen

Of above, the liabilities for which the collateral of factory foundation is pledged are as follows:

Short-term loans payable	2,484 million yen
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(Note 1) Kagoshima Mega Solar Power Corporation and seven shareholder companies of the said company entered into a revolving pledge agreement with financial institutions in order to secure all and any liabilities of the said company under the limited loan agreement concluded between Kagoshima Mega Solar Power Corporation and the financial institutions.

(Note 2) Nanatsujima Biomass Power Limited Liability Company, its nine shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee all and any liabilities incurred by affiliate Nanatsujima Biomass Power Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions.

2. Accumulated Depreciation of Property, Plant and Equipment

579,736 million yen

3. Contingent Liabilities

(1) Liabilities on guarantee (Note)

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
Japanese Aero Engines Corporation	6,766	Guarantee of loan obligations for purchase of fuselages, guarantee of lease obligations and guarantee for fuselage asset value
ALPHA Automotive Technologies LLC	1,543	Guarantee for lease obligations and loans from financial institutions
IHI Group Health Insurance Association	590	Loans from financial institutions
Japan Aeroforge, Ltd.	531	Loans from financial institutions
Employees	67	Guarantee on mortgage and education loans, etc.
Chubu Segment Co., Ltd.	25	Loans from financial institutions
Total	9,522	

(2) Quasi-guarantee (Note)

(Millions of yen)

Guaranteed entity	Amount	Description
Employees	6,515	Guarantee on housing loans and guarantee on bank loans, etc.
IHI Group Health Insurance Association	641	Loans from financial institutions
Turbo Systems United Co., Ltd.	80	Loans from financial institutions
Total	7,236	

(Note)

The amounts shown above are the amounts the Group would pay to creditors in any of the following cases:

- (1) In the case of a perfected joint guarantee agreement, etc., if the amount guaranteed by the Group is clearly expressed and specified irrespective of other guarantors' capacities to guarantee.
- (2) In the case of a joint and several guarantee agreement with multiple guarantors, if the percentage or the amount guaranteed by the Group is clearly expressed in accordance with an arrangement among guarantors and other joint and several guarantors' capacities to guarantee are deemed adequate.

(3) Notes receivable - trade discounted

377 million yen

(4) Notes receivable endorsed

10 million yen

IV. Notes to the Consolidated Statement of Changes in Equity

1. Numbers of Shares Issued

(1) Class and number of shares issued

(unit: shares)				
Class	Number of Shares at April 1, 2016	Increase	Decrease	Number of Shares at March 31, 2017
Common stock	1,546,799,542	-	-	1,546,799,542

(2) Class and number of treasury shares

(unit: shares)				
Class	Number of Shares at April 1, 2016	Increase	Decrease	Number of Shares at March 31, 2017
Common stock	2,825,606	9,074	272,001	2,562,679

(Notes)

1. The increase in shares is the result of the purchase of shares less than one unit.
2. Of the decrease in shares, 1 share is due to the sale of fractional shares at the request of shareholders, and 272,000 shares are due to the exercise of stock options.

2. Matters Concerning Dividends

(1) Cash dividends

No applicable item.

(2) Of the dividends whose record date belongs to the fiscal year under review, the dividend whose effective date falls in the following fiscal year.

No applicable item.

3. Class and Number of Shares underlying Subscription Rights to Shares

Common stock 3,390,000 shares

V. Financial Instruments

1. Status of Financial Instruments

As a Group policy, the Company and consolidated subsidiaries restrict the investments only in short-term and highly safe financial instruments and obtain funds through bank borrowings and bond issuance.

The customer credit risks in connection with notes and accounts receivable are managed by monitoring the balances and the collectability status by customer and by order in accordance with the Company's policies and procedures. At the same time, the financial status of each counterparty is periodically monitored in order to early capture and mitigate collectability concern arisen from deterioration in financial conditions.

Foreign currency risks associated with monetary assets and liabilities denominated in foreign currencies are, in principle, hedged by utilizing foreign exchange futures and currency option contracts.

As for securities and investment securities, their market prices and the financial status of issuers are regularly assessed, and the Company's holding status is continuously monitored.

Loans, commercial papers and bond payables are made for the purpose of obtaining working capital and funds for capital expenditures. Of which, loans, commercial papers or bond payables with floating rate are exposed to fluctuation risk of interest rate, therefore, such risk is hedged by employing derivative contracts.

Derivative contracts are utilized solely to avoid fluctuation risks of foreign exchange rate, interest rate and commodity prices, and the Company does not enter derivative contracts for speculative purpose.

2. Fair Values of Financial Instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet and their fair values as of March 31, 2017, as well as their differences.

(Millions of yen)

	Consolidated Balance Sheet Amount	Fair Value	Differences
(1) Cash and deposits	118,909	118,909	-
(2) Notes and accounts receivable - trade	403,094		
Allowance for doubtful accounts (*1)	(5,267)		
	397,827	396,437	(1,390)
(3) Securities and investment securities	19,131	19,140	9
Securities to be held until maturity	106	115	9
Available-for-sale securities	19,025	19,025	-
Total assets	535,867	534,486	(1,381)
(4) Notes and accounts payable - trade	285,937	285,937	-
(5) Short-term loans payable	104,111	104,111	-
(6) Commercial papers	5,000	5,000	-
(7) Bonds payable	60,000	59,956	(44)
(8) Long-term loans payable	182,495	183,479	984
Total liabilities	637,543	638,483	940
(9) Derivatives (*2)			
(a) Derivatives to which hedge accounting is not applied	15	15	-
(b) Derivatives to which hedge accounting is applied	238	238	-
Derivatives, total	253	253	-

(*1) The amount of allowance for doubtful accounts, which is recorded individually for notes and accounts receivable, is excluded.

(*2) Derivatives are stated in net of assets and liabilities. The figures in parenthesis indicate net liabilities.

(Notes)

1. Fair value measurement of financial instruments and notes on securities and derivatives

(1) Cash and deposits

The fair value of cash and deposits approximates their book value because of their short-term nature. Thus, the book value is used as fair value.

- (2) Notes and accounts receivable - trade
The fair values are measured based on the present values calculated by discounting receivable amounts classified by certain period at a rate with time to maturity and credit risk taken into account.
 - (3) Securities and investment securities
The fair values of equity securities are based on the market prices at the exchange.
 - (4) Notes and accounts payable - trade, (5) Short-term loans payable, and (6) Commercial papers
The fair value of these accounts approximates their book value because of their short-term nature. Thus, the book value is used as fair value.
 - (7) Bonds payable
The fair value of bonds issued by the Company is based on market price. If there is no market price, the price is computed by the present value method by which the total amount of principal and interest is discounted for the remaining period of the bond and taking into account credit risk.
 - (8) Long-term loans payable
The fair value of long-term loans payable is measured by discounting the total amount (*3) of principals and interests at an assumed interest rate for similar new borrowings.
(*3) Long-term loans payable which are subject to either designated hedge accounting of forward exchange contracts, etc. or exceptional treatment of interest rate swaps are measured depending on the conditions of cases where they are accounted for together with said derivatives.
 - (9) Derivatives
The fair value of forward foreign exchange contracts is based on the forward exchange rate. Forward foreign exchange contracts, etc., which qualify for the designated hedge accounting, are accounted for together with notes and accounts receivable - trade, notes and accounts payable - trade or long-term loans payable designated as a hedged item. Therefore, their fair values are included in the fair value of any of these items (please refer to the above (2), (4) and (8)).
Also, interest rate swaps, which qualify for the exceptional treatment, are accounted for together with long-term loans payable and short-term loans payable designated as a hedged item. Therefore, their fair values are included in the fair value of long-term loans payable and short-term loans payable (please refer to the above (8)).
2. Unlisted equity securities (consolidated balance sheet amount of 36,134 million yen) and shares of subsidiaries and affiliates (consolidated balance sheet amount of 79,411 million yen) are not included in the above "(3) Securities and investment securities, Available-for-sale securities," since their market price is not available and the assessment of their fair values is deemed extremely difficult.

VI. Investment and Rental Properties

1. Status of Investment and Rental Properties

The Company and certain consolidated subsidiaries own rental office buildings (including land), parking lots and commercial facilities in Tokyo and other areas. Income from rental properties is 5,552 million yen for the fiscal year under review.

Major income from rental properties is included in net sales, where major rental expenses are included in cost of sales.

2. Fair Values of Investment and Rental Properties

(Millions of yen)

Consolidated Balance Sheet Amount	Fair Value
97,329	254,889

(Notes)

1. Consolidated balance sheet amount is calculated by subtracting accumulated depreciation and accumulated impairment loss from acquisition cost.
2. The fair value as of March 31, 2017 was measured mainly based on the values in the appraisal report prepared by external real estate appraisers.

VII. Per Share Information

1. Net Assets per Share 206.03 yen

2. Basic Earnings per Share 3.40 yen

(Note)

The basis for calculating basic earnings per share is as follows.

Profit attributable to owners of parent	5,247 million yen
Amounts for non-common shareholders	-
Profit attributable to owners of parent regarding common stock	5,247 million yen
Average number of shares of common stock	1,544,144 thousand shares

VIII. Significant Subsequent Events

No applicable item.

IX. Other Notes

(Gain on sales of non-current assets)

In order to strengthen the Company's financial position and to secure funds to cover business structural reform expenses, the Company recorded gain on sales of non-current assets due to factors including the transfer a portion of the land in the Toyosu area, etc. owned by the Company.

Details and location of assets	Gain on sales of non-current assets
Land (11,540 m ²) 9-15, Toyosu 3-chome, Koto-ku, Tokyo	17,883 million yen
Land (18,185 m ²) 1-1, Toyosu 3-chome, Koto-ku, Tokyo	5,650 million yen
Land (87,478 m ²) 2-1 & 2-2, Ohama-nishimachi, Sakai-ku, Sakai-shi, Osaka	
Others	

(Business structural reform expenses related to the F-LNG/Offshore structure Business)

The Company has decided that Aichi Works, which has held F-LNG production facilities, shall end its function as a base for such production after the completion of all projects of orders received.

In light of this resolution, the Company carried out a reevaluation of the asset values of F-LNG production facilities (business assets), and an examination into the recoverability of these assets in accordance with the "Accounting Standards for Impairment of Non-current Assets." As a result, in addition to performing impairment accounting on the estimated unrecoverable amount, the Company has rationally estimated the dismantlement costs upon the completion of the facility's production role for a portion of the assets, and decided to record business structural reform expenses of 9,914 million yen as extraordinary losses.

(Loss on transfer of receivables)

On January 31, 2017, the Company transferred all of the shares of UNIGEN Inc. (hereinafter "UNIGEN") to API Co., Ltd. The Company had held the right to claim compensation from UNIGEN arising from the performance of debt guarantees corresponding to guarantee of obligations relating to UNIGEN. However, with this transfer, the Company has transferred to API Co., Ltd. the aforesaid right to claim compensation and in relation to this also recorded a loss on transfer of receivables of 9,834 million yen as extraordinary losses.

(Settlement-related expenses related to delivered boiler facilities)

Concerning boiler facilities that the Company manufactured and delivered in the past, a lawsuit was filed against the Company in 2015 claiming that the Company was liable for an accident involving boiler damage that occurred while performing a trial operation by the customer. Judging that the path of reaching an early resolution and reducing legal risks was in the Company's best interest, the Company has settled the case by agreeing to bear a portion of the amount incurred by the accident. As a result, the Company recorded

settlement package and lawyer fees, etc. of 6,988 million yen as extraordinary losses.

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year under review, the Company has applied the “Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

(Note) In preparing consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to the consolidated financial statements, figures less than one unit for monetary amounts are rounded to the nearest unit.

Non-Consolidated Balance Sheet
(As of March 31, 2017)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets		Current liabilities	
Cash and deposits	21,741	Notes payable – trade	3,313
Notes receivable – trade	1,312	Accounts payable – trade	137,521
Accounts receivable – trade	172,785	Short-term loans payable	97,753
Finished goods	12	Commercial papers	5,000
Work in Process	185,709	Current portion of bonds	10,000
Raw materials and supplies	95,487	Lease obligations	2,793
Advance payments – other	28,134	Accounts payable – other	22,576
Prepaid expenses	7,124	Accrued expenses	71,260
Deferred tax assets	32,793	Income taxes payable	568
Accounts receivable – other	38,588	Advances received	114,928
Short-term loans receivable	51,965	Deposits received	902
Other	4,021	Provision for bonuses	9,034
Allowance for doubtful accounts	(4,256)	Provision for construction warranties	37,979
Non-current assets		Provision for loss on construction contracts	28,010
Property, plant and equipment	189,407	Other	2,488
Buildings	91,265	Non-current liabilities	
Structures	4,980	Bonds payable	50,000
Docks and building berths	0	Long-term loans payable	155,352
Machinery and equipment	25,822	Lease obligations	5,048
Vessels	0	Long-term lease and guarantee deposited	9,090
Vehicles	88	Provision for retirement benefits	101,733
Tools, furniture and fixtures	9,533	Provision for loss on business of subsidiaries and affiliates	3,033
Land	46,021	Asset retirement obligations	47
Leased assets	5,118	Other	59,739
Construction in progress	6,577	Total liabilities	
Intangible assets	14,754	928,175	
Royalties and other intangible assets	4,500	Net Assets	
Leasehold right	9	Shareholders' equity	
Right of using facilities	30	Capital stock	107,165
Software	10,140	Capital surplus	54,526
Leased assets	6	Legal capital surplus	54,520
Other	67	Other capital surplus	6
Investments and other assets	298,457	Retained earnings	47,150
Investment securities	52,098	Legal retained earnings	6,083
Shares of subsidiaries and affiliates	150,354	Other retained earnings	41,066
Investments in capital	1,091	Reserve for advanced depreciation of non-current assets	9,208
Investments in capital of subsidiaries and affiliates	21,576	Reserve for investment loss on restructuring specified business	485
Long-term loans receivable	6,803	Retained earnings brought forward	31,373
Deferred tax assets	47,330	Treasury shares	(513)
Other	20,196	Valuation and translation adjustments	
Allowance for doubtful accounts	(992)	Valuation difference on available-for-sale securities	643
		Deferred gains or losses on hedges	47
		Subscription rights to shares	
		843	
		Total net assets	
		209,864	
Total assets		Total liabilities and net assets	
1,138,039		1,138,039	

Non-Consolidated Statement of Income
(Year ended March 31, 2017)

(Millions of yen)

Account title	Amount
Net sales	719,889
Cost of sales	624,411
Gross profit	95,478
Selling, general and administrative expenses	81,398
Operating profit	14,079
Non-operating income	
Interest and dividend income	19,700
Other	3,804
Non-operating expenses	
Interest expenses	2,006
Foreign exchange losses	5,799
Other	14,026
Ordinary profit	15,752
Extraordinary income	
Gain on sales of non-current assets	22,934
Gain on contribution of securities to retirement benefit trust	3,481
Reversal of provision for loss on subsidiaries and affiliates	1,611
Extraordinary losses	
Loss on valuation of shares of subsidiaries and affiliates	17,377
Business structural reform expenses related to the F-LNG/Offshore structure Business	9,914
Loss on transfer of receivables	9,833
Settlement-related expenses related to delivered boiler facilities	6,987
Loss on transfer of shares of subsidiaries and affiliates	3,100
Compensation for change of construction contracts	2,248
Impairment loss	2,035
Dismantlement costs of an underpass in Toyosu	2,035
Loss before income taxes	9,753
Income taxes – current	(2,999)
Income taxes – deferred	(507)
Loss	6,246

(Note) In preparing the business report, consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, non-consolidated balance sheet, non-consolidated statement of income and non-consolidated statement of changes in equity, figures less than one unit for monetary amounts, numbers of shares and shareholding ratios are rounded down. However, in the business report, consolidated balance sheet, consolidated statement of income and consolidated statement of changes in equity, for monetary amounts (excluding borrowings and remuneration) for which units are in millions of yen, figures less than one unit are rounded to the nearest unit.

Non-Consolidated Statement of Changes in Equity
(Year ended March 31, 2017)

(Millions of yen)

	Shareholders' equity										
	Capital stock	Capital surplus			Retained earnings				Total retained earnings	Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings					
						Reserve for advanced depreciation of non-current assets	Reserve for specified business restructuring investment loss	Retained earnings brought forward			
Balance at beginning of current period	107,165	54,520	9	54,529	6,083	9,749	485	37,078	53,397	(564)	214,527
Changes of items during period											
Loss									(6,246)	(6,246)	(6,246)
Reversal of reserve for advanced depreciation of non-current assets						(541)		541	-		-
Increase in reserve due to change in tax rate						0		0	-		-
Purchase of treasury shares										(2)	(2)
Disposal of treasury shares			(3)	(3)						54	51
Net changes of items other than shareholders' equity											
Total changes of items during period	-	-	(3)	(3)	-	(541)	-	(5,705)	(6,246)	51	(6,197)
Balance at end of current period	107,165	54,520	6	54,526	6,083	9,208	485	31,373	47,150	(513)	208,329

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	(331)	(169)	(501)	757	214,783
Changes of items during period					
Loss					(6,246)
Reversal of reserve for advanced depreciation of non-current assets					-
Increase in reserve due to change in tax rate					-
Purchase of treasury shares					(2)
Disposal of treasury shares					51
Net changes of items other than shareholders' equity	975	217	1,192	85	1,278
Total changes of items during period	975	217	1,192	85	(4,919)
Balance at end of current period	643	47	691	843	209,864

Notes to the Non-Consolidated Financial Statements

I. Significant Accounting Policies

1. Valuation Bases and Methods of Assets

(1) Securities

Shares of subsidiaries and affiliates are stated at moving-average cost.

Other securities with market prices available are stated at fair market value as of the balance sheet date. The related valuation differences are directly included into net assets and the cost of sale price is determined by the moving-average method. Other securities without market prices available are stated at moving-average cost.

(2) Derivatives

Derivatives are stated at fair market value.

(3) Inventories

Inventories held for the purpose of sales in the normal course of business

Finished goods are stated at moving-average cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

Work in process is stated at identified cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

Raw materials and supplies are stated at moving-average cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

2. Depreciation and Amortization of Non-current Assets

(1) Property, plant and equipment (except for leased assets)

These assets are depreciated by the declining-balance method. However, lend-lease properties and buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016 are depreciated by the straight-line method.

(2) Intangible assets (except for leased assets)

Intangible assets are amortized by the straight-line method. Software used internally is amortized using the straight-line method over the useful life of the assets as estimated by the company (within five years).

(3) Leased assets

Leased assets related to ownership transfer finance lease transactions are depreciated using the same method as that applied to property, plant and equipment.

Leased assets related to non-ownership transfer finance leases are depreciated over the lease period as useful period using the straight-line method with no residual value. The Company uses the method for ordinary

rental transactions for non-ownership transfer finance leases for which lease agreements were concluded on or before March 31, 2008.

3. Bases for Allowances and Provisions

(1) Allowance for doubtful accounts

To prepare for losses on bad debts, the allowance for doubtful accounts is provided for based on historical default rates for general receivables, plus individually estimated uncollectible amounts for specific receivables such as doubtful receivables.

(2) Provision for bonuses

For payment of employee bonuses, the provision for bonuses is provided for in the amount that is expected to be paid.

(3) Provision for directors' bonuses

To prepare for payment of bonuses for directors, the provision for bonuses is provided for in the amount that is expected to be paid.

(4) Provision for construction warranties

To prepare for expenditures for construction warranties, the provision for construction warranties is provided for in the amount of estimated future expenditures based on historical experience.

(5) Provision for loss on construction contracts

Provision for loss on construction contracts is provided for in the amount of estimated losses on undelivered construction contracts to occur at the end of the fiscal year under review.

(6) Provision for retirement benefits

Provision for retirement benefits is provided for based on estimated amounts of projected benefit obligations and pension fund assets as of the balance sheet date.

In the calculation of defined benefit liability, the method used to attribute projected benefit obligations in the period up to the fiscal year under review is benefit formula basis.

Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.

Actuarial gain or loss is amortized starting in the fiscal year following the fiscal year in which it occurs using the straight-line method over a certain number of years within the average remaining service period of employees.

(7) Provision for loss on business of subsidiaries and affiliates

To prepare for losses on the businesses of subsidiaries and affiliates, estimated loss amount is provided for, taking into account the details of assets and other factors of the relevant subsidiaries.

4. Basis of Recognizing Revenues and Expenses

Basis of recognizing revenues and costs of construction contracts

Construction projects whose outcome of the progress by the end of the fiscal year deemed definite are recorded on the percentage-of-completion basis (rate of progress estimated by the cost-ratio method), while all other projects are accounted for on the completed construction basis.

5. Other Significant Matters Concerning Preparation of the Non-Consolidated Financial Statements

(1) Hedge accounting

1) Hedge accounting

Deferred hedge accounting is applied. Transactions under forward foreign exchange contracts are booked in yen by translation at the foreign exchange rate stipulated in the contract if requirements for such treatment (“*furiate-shori*”) are satisfied.

Interest rate swaps that satisfy requirements for exceptional treatments are accounted for by the exceptional treatment (“*tokurei-shori*”).

2) Hedging instruments and hedged items

Interest swaps are used to hedge interest rate risks associated with loans, and forward foreign exchange contracts, etc. are used to hedge foreign currency risks associated with monetary claims and liabilities denominated in foreign currencies.

3) Hedging policy

Hedging instruments necessary for each risk category are selected.

4) Method of assessing effectiveness of hedging

In the period from the beginning of hedging to the point of assessment, effectiveness is evaluated by comparing the cumulative total of the change in market value of or the change in cash flow of a hedged item, with the cumulative total of the change in market value of or the change in cash flow of hedging instruments.

(2) Accounting method for retirement benefits

In the non-consolidated financial statements, the treatment for unrecognized actuarial gain or loss and unrecognized past service cost on the balance sheet is different to the treatment in the consolidated financial statements. On the non-consolidated balance sheet, unrecognized actuarial gain or loss and unrecognized past service cost are added or deleted from projected benefit obligations and the resulting amount is recorded in provision for retirement benefits.

(3) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(4) Application of the consolidated taxation system

The consolidated taxation system has been applied.

II. Changes in Accounting Policies

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, IHI has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the fiscal year under review, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

As a result, operating profit and ordinary profit for the fiscal year under review increased respectively by 100 million yen, and loss before income taxes decreased by 100 million yen.

III. Notes to the Non-Consolidated Balance Sheet

1. Assets Pledged as Collateral and Secured Liabilities

Assets pledged as collateral

Investment securities	646 million yen (Note 1)
Investments in capital of subsidiaries and affiliates	2,793 million yen (Note 2)

(Note 1) Kagoshima Mega Solar Power Corporation and seven shareholder companies of the said company entered into a revolving pledge agreement with financial institutions in order to secure all and any liabilities of the said company under the limited loan agreement concluded between Kagoshima Mega Solar Power Corporation and the financial institutions.

(Note 2) Nanatsujima Biomass Power Limited Liability Company, its nine shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee all and any liabilities incurred by affiliate Nanatsujima Biomass Power Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions.

2. Accumulated Depreciation of Property, Plant and Equipment

335,096 million yen

3. Contingent Liabilities

(1) Liabilities on guarantee (Note)

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
Japanese Aero Engines Corporation	6,766	Guarantee of loan obligations for purchase of fuselages, guarantee for lease obligations and guarantee of fuselage asset value
IHI Investment for Aero Engine Leasing LLC	2,548	Loans from financial institutions
IHI Charging Systems International GmbH	2,116	Loans from financial institutions
ALPHA Automotive Technologies LLC	1,542	Guarantee for lease obligations and loans from financial institutions
Niigata Power Systems Co., Ltd.	840	Loans from financial institutions
IHI Southwest Technologies, Inc.	661	Loans from financial institutions
IHI Group Health Insurance Association	590	Loans from financial institutions
Japan Aeroforge, Ltd.	531	Loans from financial institutions
Toshiba IHI Power Systems Corporation	84	Loans from financial institutions
Total	15,681	

(2) Quasi-guarantee (Note)

(Millions of yen)

Guaranteed entity	Amount	Description
Employees of the Company	6,295	Housing loans and others
IHI Charging Systems International GmbH	1,464	Commitment to guarantees for the obligation to return VAT refund
IHI Group Health Insurance Association	641	Loans from financial institutions
Turbo Systems United Co., Ltd.	80	Loans from financial institutions
Total	8,481	

(Note)

The amounts shown above are the amounts the Company would pay to creditors in any of the following cases:

- (1) In the case of a perfected joint guarantee agreement, etc., if the amount guaranteed by the Company is clearly expressed and specified irrespective of other guarantors' capacities to guarantee.
- (2) In the case of a joint and several guarantee agreement with multiple guarantors, if the percentage or the amount guaranteed by the Company is clearly expressed in accordance with an arrangement among guarantors and other joint and several guarantors' capacities to guarantee are deemed adequate.

4. Monetary Claims and Liabilities to Subsidiaries and Affiliates

Short-term monetary claims	78,484 million yen
Long-term monetary claims	7,917 million yen
Short-term monetary liabilities	109,024 million yen
Long-term monetary liabilities	878 million yen

IV. Notes to the Non-Consolidated Statement of Income

Amounts of Transactions with Subsidiaries and Affiliates

(1) Operating transactions

Sales to subsidiaries and affiliates	46,078 million yen
Purchases from subsidiaries and affiliates	183,676 million yen

(2) Non-operating transactions

18,300 million yen

V. Notes to the Non-Consolidated Statement of Changes in Equity

Class and Number of Treasury Shares at the End of the Fiscal Year

Common stock	2,562,679 shares
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VI. Tax Effect Accounting

(Primary causes for the occurrence of deferred tax assets and liabilities)

Deferred tax assets are mainly in association with provision for retirement benefits, and deferred tax liabilities are mainly in association with reserve for advanced depreciation of non-current assets.

VII. Non-current Assets Used Through Leases

In addition to the non-current assets on the non-consolidated balance sheet, some of facilities for operating Headquarters Representative's Offices, etc. are used through non-ownership transfer finance leases.

VIII. Related Party Transactions

1. Subsidiaries, Affiliates and Other Related Parties

(Millions of yen)

Type	Name	Location	Capital or Contribution	Nature of Business	Voting Rights Holding or Held	Relation with the Party
Subsidiary	IHI Turbo Co., Ltd.	Koto-ku, Tokyo	1,000	Manufacture	Holding directly 100%	Production subsidiary
Subsidiary	IHI INC.	New York, U.S.A.	92,407 thousand US dollars	Sales, solicitation of orders	Holding directly 100%	Regional Headquarter for the Americas
Affiliate	IHI Finance Support Corporation	Chuo-ku, Tokyo	200	Lease, factoring, etc.	Holding directly 33.5%	Factoring

(Millions of yen)

Name	Transactions	Transaction Amount (Note 1)	Account Title	Balance as of March 31, 2017 (Note 1)
IHI Turbo Co., Ltd.	-Purchases of vehicular turbochargers, etc.	(Note 2) 38,912	Accounts payable - trade Accounts payable - other	12,133 9
IHI INC.	-Subscription to capital increase	(Note 3) 18,807	-	-
IHI Finance Support Corporation	-Factoring	(Note 4) 71,905	Accounts payable - trade Accounts payable - other	18,314 1,182

2. Directors/Audit & Supervisory Board Members and Major Individual Shareholders

(Millions of yen)

Type	Name	Location	Capital or Contribution	Nature of Business or Occupation	Voting Rights Holding or Held	Relation with the Party
Director/audit & supervisory board member	Kazuaki Kama	-	-	Japanese Aero Engines Corporation (Representative Director)	Held directly 0%	Senior Counselor of the Company
Director/audit & supervisory board member	Toshinori Sekido	-	-	Japanese Aero Engines Corporation (Representative Director)	Held directly 0%	Executive Vice President of the Company

(Millions of yen)

Name	Transactions	Transaction Amount (Note 1)	Account Title	Balance as of March 31, 2017 (Note 1)
Kazuaki Kama	Operating transactions with Japanese Aero Engines Corporation (JAEC) (Note 5, 6)			
	-Subcontract of work from JAEC related to R&D of jet engines	-	-	-
	-Payment of a portion of funding related to the above	170	-	-
	-Repayment of subsidies related to the above	16	-	-
	-Manufacture of jet engine components and delivery thereof to JAEC	44,773	-	-
	-Payment of a portion of expenses related to the above	17,794	-	-
Toshinori Sekido	Operating transactions with Japanese Aero Engines Corporation (JAEC) (Note 5, 7)			(Note 8)
	-Subcontract of work from JAEC related to R&D of jet engines	6,744	Accounts receivable - other	65
	-Payment of a portion of funding related to the above	2,948	-	- (Note 8)
	-Acceptance of subsidies related to the above	8,510	Accounts payable - other	4,671
			Long-term accounts payable - other	53,732
	-Manufacture of jet engine components and delivery thereof to JAEC	134,706	Accounts receivable - trade	29,196
	-Payment of a portion of expenses related to the above	69,322	Advances received	11,974
			-	-

1. Amounts of transactions do not include consumption taxes and balances as of March 31, 2017 do.
2. Amounts of transactions and trading prices were based on conditions for general transactions, and took into account market prices.
3. The Company subscribed to the capital increase through IHI INC.'s allotment of new shares to shareholders.
4. With regard to factorings, the Company, any customer and IHI Finance Support Corporation enter into a basic agreement concerning the Company's liabilities and settle the amount.
5. The Company conducted these transactions as a representative of third parties, and amounts of transactions and trading prices were based on conditions for general transactions.
6. Mr. Kazuaki Kama resigned from the position of Representative Director of Japanese Aero Engines Corporation on June 29, 2016, and the amount indicated above relates to the terms of office for this fiscal year.
7. Mr. Toshinori Sekido was appointed to the position of Representative Director of Japanese Aero Engines Corporation on June 30, 2016, and the amount indicated above relates to the terms of office for this fiscal year.
8. Consumption tax, etc. are not included in Accounts receivable – other, Accounts payable – other or Long-term accounts payable - other for which Japanese Aero Engines Corporation is the counterparty.

IX. Per Share Information

1. Net Assets per Share	135.35 yen
2. Basic Loss per Share	4.04 yen

(Note)

The basis for calculating basic loss per share is as follows.

Loss	6,246 million yen
Amounts for non-common shareholders	–
Loss regarding common stock	6,246 million yen
Average number of shares of common stock	1,544,144 thousand shares

X. Significant Subsequent Events

No applicable item.

XI. Other Notes

(Gain on sales of non-current assets)

In order to strengthen the Company's financial position and to secure funds to cover business structural reform expenses, the Company recorded gain on sales of non-current assets due to factors including the transfer a portion of the land in the Toyosu area, etc. owned by the Company.

Details and location of assets	Gain on sales of non-current assets
Land (11,540 m ²) 9-15, Toyosu 3-chome, Koto-ku, Tokyo	17,883 million yen
Land (18,185 m ²) 1-1, Toyosu 3-chome, Koto-ku, Tokyo Land (87,478 m ²) 2-1 & 2-2, Ohama-nishimachi, Sakai-ku, Sakai-shi, Osaka Others	5,050 million yen

(Loss on valuation of shares of subsidiaries and affiliates)

Because the fair value of IHI Inc.'s shares held by the Company has declined significantly below their book value, the Company has investigated the likelihood of a recovery in the value of the shares. Having concluded that such a recovery would be difficult for the time being, the Company has recorded a loss on valuation of shares of subsidiaries and affiliates.

Including other losses on valuation of shares of subsidiaries and affiliates, extraordinary losses of 17,377 million yen were recorded.

(Business structural reform expenses related to the F-LNG/Offshore structure Business)

The Company has decided that Aichi Works, which has held F-LNG production facilities, shall end its function as a base for such production after the completion of all projects of orders received.

In light of this resolution, the Company carried out a reevaluation of the asset values of F-LNG production facilities (business assets), and an examination into the recoverability of these assets in accordance with the "Accounting Standards for Impairment of Non-current Assets." As a result, in addition to performing impairment accounting on the estimated unrecoverable amount, the Company has rationally estimated the dismantlement costs upon the completion of the facility's production role for a portion of the assets, and decided to record business structural reform expenses of 9,914 million yen as extraordinary losses.

(Loss on transfer of receivables)

On January 31, 2017, the Company transferred all of the shares of UNIGEN Inc. (hereinafter "UNIGEN") to API Co., Ltd. The Company had held the right to claim compensation from UNIGEN arising from the performance of debt guarantees corresponding to guarantee of obligations relating to UNIGEN. However, with this transfer, the Company has transferred to API Co., Ltd. the

aforsaid right to claim compensation and in relation to this also recorded a loss on transfer of receivables of 9,833 million yen as extraordinary losses.

(Settlement-related expenses related to delivered boiler facilities)

Concerning boiler facilities that the Company manufactured and delivered in the past, a lawsuit was filed against the Company in 2015 claiming that the Company was liable for an accident involving boiler damage that occurred while performing a trial operation by the customer. Judging that the path of reaching an early resolution and reducing legal risks was in the Company's best interest, the Company has settled the case by agreeing to bear a portion of the amount incurred by the accident. As a result, the Company recorded settlement package and lawyer fees, etc. of 6,987 million yen as extraordinary losses.

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year under review, the Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

(Note) In preparing the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to the non-consolidated financial statements, monetary amounts less than one unit are rounded down.

Audit Report of Accounting Auditor on Consolidated Financial Statements

(Translation)

Report of Independent Auditors

May 15, 2017

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Hideyuki Inoue (Seal)
Certified Public Accountant
Designated and Engagement Partner

Ichiro Tajima (Seal)
Certified Public Accountant
Designated and Engagement Partner

Yoichi Takanashi (Seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of IHI Corporation (the “Company”) applicable to the fiscal year from April 1, 2016 through March 31, 2017.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity’s internal control.

However, in making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the IHI Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2017 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act of Japan.

Audit Report of Accounting Auditor on Financial Statements

(Translation)

Report of Independent Auditors

May 15, 2017

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Hideyuki Inoue (Seal)
Certified Public Accountant
Designated and Engagement Partner

Ichiro Tajima (Seal)
Certified Public Accountant
Designated and Engagement Partner

Yoichi Takanashi (Seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the related supplementary schedules of IHI Corporation (the "Company") applicable to the 200th fiscal year from April 1, 2016 through March 31, 2017.

Management's Responsibility for the Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However,

in making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of IHI Corporation applicable to the 200th fiscal year ended March 31, 2017 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act of Japan.

Audit Report of the Audit & Supervisory Board

<Translation>

Audit Report

We at the Audit & Supervisory Board, having discussed the Directors' performance of duties during the 200th fiscal year, from April 1, 2016 through March 31, 2017, based on audit reports from each Audit & Supervisory Board Member, prepared this Audit Report. Our audit opinion is as follows.

I. Methods and Contents of the Audit Implemented by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board established its audit policy, assigned responsibilities to each Audit & Supervisory Board Member in carrying out the policy, and received reports from each Audit & Supervisory Board Member on audit implementation and results. In addition, the Audit & Supervisory Board, when necessary, received reports and requested explanations from Directors, other executives and accounting auditors concerning the execution of their duties.

Each Audit & Supervisory Board Member, in accordance with the Audit & Supervisory Board Members standard of audit, established by the Audit & Supervisory Board, as well as the audit policy and assigned responsibilities, communicated with Directors, internal audit divisions, and other employees, in order to gather information and develop an optimal audit environment. At the same time, each Audit & Supervisory Board Member attended meetings of the Board of Directors and other important meetings, received reports on the execution of duties from Directors, employees and other personnel, received reports and requested explanations from them when necessary, perused important documents, including those subject to executive approval, and examined the conditions of assets and business at the head office and other major business office. With regard to the Company's subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with Directors, Audit & Supervisory Board Members, and other personnel of the subsidiaries, requested reports from them, and examined the conditions of assets and business when necessary.

In addition, each Audit & Supervisory Board Member has reviewed the contents of the Board of Directors' resolutions on a system which assures that the execution of Directors' duties described in the business report comply with laws and regulations and the Articles of Incorporation, and monitored improvements to the system for assuring the propriety of operations of a corporate group consisting of a corporation and its subsidiaries, as stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan. Each Audit & Supervisory Board Member also verified that improvements had been made to the internal control system, in accordance with the Board of Directors' resolutions.

Based on the methods described above, the Audit & Supervisory Board reviewed the business report and its supplementary schedules for the fiscal year.

Further, each Audit & Supervisory Board Member has monitored the accounting auditor to verify their independence and the propriety of their audit implementation, and has received reports and requested explanations from them when necessary. In addition, each Audit & Supervisory Board Member received a notice from the accounting auditor that “the system for securing appropriate execution of duties” (in each item listed in Article 131 of the Corporate Accounting Rules) has been developed in accordance with “the Standard on Quality Control Concerning Audit” (established by the Business Accounting Council on October 28, 2005), and requested explanations from them when necessary.

Based on the methods described above, the Audit & Supervisory Board reviewed non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements) and their supplementary schedules, as well as consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements) for the fiscal year.

II. Results of Audit

1. Results of the audit of the business report and other documents

(1) The business report and its supplementary schedules present fairly the condition of the Company in accordance with applicable laws and regulations, as well as the Articles of Incorporation.

(2) With regard to the execution of Directors’ duties, we have found no misconduct or material matters in violation of laws and regulations, or the Articles of Incorporation.

(3) We find the content of the Board of Directors’ resolution on the internal control system sufficient. Also, with regard to the description of the internal control system in the business report and execution of Director’s duties, nothing unusual is to be pointed out.

2. Results of the audit of non-consolidated financial statements and their supplementary schedules

The method and results of the audit conducted by Ernst & Young ShinNihon LLC, the Company’s accounting auditor, are recognized as fair and proper.

3. Results of the audit of consolidated financial statements

The method and results of the audit conducted by Ernst & Young ShinNihon LLC, the Company’s accounting auditor, are recognized as fair and proper.

May 18, 2017

**The Audit & Supervisory Board
IHI Corporation**

Makoto Serizawa (Seal)
Standing Audit & Supervisory
Board Member

Shigeru Uesugi (Seal)
Standing Audit & Supervisory
Board Member

Toshiharu Watanabe (Seal)
Outside Audit & Supervisory
Board Member

Takayuki Hashimoto (Seal)
Outside Audit & Supervisory
Board Member

Yoko Hatta (Seal)
Outside Audit & Supervisory
Board Member

Exercise of Voting Rights by Electronic Measures

You can exercise your voting rights only through a designated special website specifically for such purpose (<http://www.web54.net>). Provider fees and communication fees (telephone charges) to access the Voting Right Exercising Website shall be borne by the shareholder. There is no site tailored for access by mobile phone. When you use it, please read and follow the following rules and instructions:

■ Electronic voting

1. Votes for which rights are exercised by 5:30 p.m. (JST) on the day prior to the General Meeting of Shareholders (Thursday, June 22, 2017) (JST) shall be effective. Please vote as early as possible to allow us sufficient time to tabulate votes.
2. If any voting rights are exercised via the Internet, etc. more than once, the votes cast last shall be considered to be valid.
3. If any voting rights are exercised redundantly both by the voting form and via the Internet, etc., the votes which reach us last shall be considered to be valid. If both the votes by the voting form and the votes via the Internet, etc. reach us on the same day, the votes cast via the Internet, etc. shall be considered to be valid.

■ Password

1. A password is required to verify a shareholder's identity. Please take appropriate measures to ensure the security of your password.
2. Passwords supplied by us and those created by you will only apply to matters related to this General Meeting of Shareholders.
3. Your password will become invalid if you enter the wrong password multiple times. Should you need a password to be reissued, please follow the directions on the screen.

■ System requirement

1. Display with screen resolution of 800 × 600 pixels (SVGA) or higher
2. The following applications must be installed:
 - (1) Web browser Microsoft® Internet Explorer Ver. 5.01 Service Pack 2 or later
 - (2) PDF reader Adobe® Acrobat® Reader® Ver. 4.0 or later or Adobe® Reader® Ver. 6.0 or later

*Internet Explorer is a registered trademark, trademark and product name of Microsoft Corporation, used in the United States and/or other countries, and Adobe® Acrobat® Reader® and Adobe® Reader® are those of Adobe Systems Incorporated, respectively. These softwares are distributed through their websites at no charge.

■ **If you are unclear about the operation**

Please contact as below if you are unclear about the operation of Exercise of Voting Rights by Electronic Measures:

<p>Sumitomo Mitsui Trust Bank Securities Agency Web Support [Toll Free] 0120 (652) 031 (9:00 – 21:00) (JST)</p>

For other inquiries please refer to the following:

- 1) Shareholders with an account at a brokerage firm
Please contact the brokerage firm that you trade with

- 2) Shareholders without an account at a brokerage firm (shareholders with a special account)
Sumitomo Mitsui Trust Bank Securities Administration Center
Tel: 0120 (782) 031 [Toll Free]
Hours: Weekdays 9:00 – 17:00 (JST)

To Institutional investors

You can exercise your voting rights by electronic measures as above and also can use the electronic platform to exercise voting rights which is operated by ICJ Inc.