

(Translation)

Securities Code: 7013
June 2, 2016

To: Shareholders

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

**NOTICE OF CONVOCATION
OF THE 199TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 199th Ordinary General Meeting of Shareholders of IHI Corporation (the “Company”). The meeting shall be held as described below.

- 1. Date and Time:** June 24, 2016 (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 199th fiscal year (from April 1, 2015 to March 31, 2016), 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 199th fiscal year (from April 1, 2015 to March 31, 2016).

Matters to be resolved:

- Agenda Item No. 1:** Election of thirteen (13) directors
Agenda Item No. 2: Election of two (2) audit & supervisory board members

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 199th 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 23, 2016 (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 99.)

Deadline: No later than 5:30 p.m. on June 23, 2016 (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.ihico.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 thirteen (13) directors

Approval is hereby requested for the election of thirteen (13) directors in expire at the conclusion of this General Meeting of Shareholders.

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 Apr. 2006: Vice President of Aero-Engine & Space Operations, 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 (incumbent) (Position and Areas of Responsibility at the Company) Chairman of the Board; Chief Executive Officer; General Manager of <i>Monozukuri</i> System Strategy Planning Headquarters (Significant Concurrent Positions) Representative Director; President, Manufacturing Science and Technology Center	103,000 shares
(Reasons for nomination) Mr. Tamotsu Saito has accumulated a great deal of knowledge mainly in the aero-engine production and technology divisions since joining the Company. After serving			

as President of Aero-Engine & Space Operations, in April 2012 he assumed the position of President and Chief Executive Officer, and since April 2016 he has served as Chairman of the Board and Chief Executive Officer. In light of his abundant experience and insight as corporate manager, the Company believes that he is well-qualified to be a candidate for a director.

(Note)

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

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 (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) President; Chief Operating Officer; in charge of Resources, Energy and Environment Business Areas; in charge of Business Relating to Project Audit</p>	47,000 shares
<p>(Reasons for nomination)</p> <p>Mr. Tsugio Mitsuoka has accumulated a great deal of knowledge mainly in the aero-engine technology division since joining the Company. After being appointed President of Aero-Engine & Space Operations in April 2013, he grew the globally developing business, and in April 2016, he was appointed President and Chief Operating Officer. In light of his abundant experience and insight, the Company believes that he is well-qualified to be a candidate for a 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 Aero Engine, Space and Defense Business Areas; in charge of Priority New Business Areas; in charge of Business Relating to Human Resources, Information Systems, Procurement, Corporate Business Development, and Defense</p>	44,000 shares
<p>(Reasons for nomination)</p> <p>Mr. Toshinori Sekido has accumulated a great deal of knowledge mainly in the aero-engine technology division since joining the Company. After running the business as President of Aero-Engine & Space Operations, he has demonstrated a high level of insight in a wide range of fields since his appointment as Executive Vice President in April 2014. In light of his results and experience, the Company believes that he is well-qualified to be a candidate for a 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
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, 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 (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Executive Vice President; Assistant to the President; in charge of Group Finance & Accounting and Group Operations; in charge of Corporate Planning and Portfolio Management</p>	20,000 shares
<p>(Reasons for nomination)</p> <p>Mr. Ichiro Terai has accumulated a great deal of knowledge mainly in the finance-related divisions since joining the Company. After being appointed Director and General Manager of the Finance & Accounting Division in June 2009, he managed and oversaw a wide range of businesses, and has demonstrated a high level of insight in a wide range of fields since his appointment as Executive Vice President in April 2015. In light of his results and experience, the Company believes that he is well-qualified to be a candidate for a 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	Joji Sakamoto (November 23, 1952)	<p>Apr. 1976: Joined the Company</p> <p>Jul. 2002: General Manager of Administration Division, the Company</p> <p>Jul. 2005: General Manager of Public Relations & Advertising Division, the Company</p> <p>Apr. 2007: General Manager of Compliance Control Division and General Manager of Contracts & Legal Division, the Company</p> <p>Apr. 2008: Executive Officer; General Manager of Compliance Control Division, General Manager of Contracts & Legal Division and General Manager of Reform the Internal Control System Project Division, the Company</p> <p>Jun. 2009: Director, the Company</p> <p>Apr. 2016: 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 Business Relating to Internal Audit; in charge of Business Relating to Public Relations and Investor Relations, Legal, CSR and Administration; in charge of Group Compliance and Risk Management; in charge of Group Business Process Platform</p>	59,000 shares
<p>(Reasons for nomination)</p> <p>Mr. Joji Sakamoto has accumulated a great deal of knowledge mainly in the administration and legal fields since joining the Company. After being responsible for a number of headquarters divisions, he was appointed Director in June 2009, and has demonstrated a high level of insight in a wide range of fields since his appointment as Executive Vice President in April 2016. In light of his results and experience, the Company believes that he is well-qualified to be a candidate for a 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	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 (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; in charge of Industrial Systems & General-Purpose Machinery Business Areas</p>	40,000 shares

(Reasons for nomination)

Mr. Hiroyuki Otani has accumulated a great deal of knowledge mainly in the aero-engine production and technology division since joining the Company. He has been responsible for business divisions including power systems and machinery & logistics. He has a wide range of business experience, and in light of his results and experience, the Company believes that he is well-qualified to be a candidate for a director.

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	Hiroshi Asakura (June 20, 1954)	<p>Apr. 1980: Joined the Company</p> <p>Apr. 2008: Division Director of Rotating Machinery Division, Industrial Machinery Operations, the Company</p> <p>Apr. 2009: Executive Officer; President of Rotating Machinery Operations, the Company</p> <p>Apr. 2012: Executive Officer; General Manager of Corporate Research & Development, the Company</p> <p>Apr. 2013: Managing Executive Officer; General Manager of Corporate Planning Division, the Company</p> <p>Jun. 2015: Director, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director; in charge of Group Engineering; in charge of Social Infrastructure & Offshore Facilities Business Areas</p>	27,000 shares
<p>(Reasons for nomination)</p> <p>Mr. Hiroshi Asakura has accumulated a great deal of knowledge mainly in the rotating machinery technology development division since joining the Company. He has served as President of Rotating Machinery Operations, General Manager of Corporate Research & Development, and General Manager of Corporate Planning Division. He has a wide range of business, technological, and managerial experience, and in light of his results and experience, the Company believes that he is well-qualified to be a candidate for a 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	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 10px;">Candidate for Outside Director</div> <p>Tomokazu Hamaguchi (April 20, 1944)</p>	<p>Apr. 1967: Joined Nippon Telegraph and Telephone Public Corporation</p> <p>Apr. 1985: Senior Manager, Administration Division, Public Administrations System Division, Data Communication Sector, NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>Jul. 1988: Senior Manager, Corporate Strategy Planning Department, NTT DATA Corporation(now NTT DATA Communications Systems Corporation)</p> <p>Jun. 1995: Senior Vice President, NTT DATA Corporation</p> <p>Jun. 1997: Executive Vice President, NTT DATA Corporation</p> <p>Jun. 2001: Senior Executive Vice President, NTT DATA Corporation</p> <p>Jun. 2003: President and Chief Executive Officer, NTT DATA Corporation</p> <p>Jun. 2007: Counselor and Director, NTT DATA Corporation</p> <p>Apr. 2008: Director, the Company (incumbent)</p> <p>Jun. 2009: Senior Corporate Advisor, NTT DATA Corporation</p> <p>Jun. 2013: Senior Advisor, NTT DATA Corporation</p> <p>Jul. 2015: Fellow, Meiji Institute for Global Affairs (incumbent) Advisor, Ubiquitous Corporation (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Director</p> <p>(Significant Concurrent Positions) Outside Director, East Japan Railway Company Outside Director, KURARAY CO., LTD. Director, FPT Corporation</p>	30,000 shares
<p>(Reasons for nomination)</p> <p>Mr. Tomokazu Hamaguchi was selected as a candidate for an outside director with the aim of reflecting in the management of the Company his broad insight from his track record in transforming his own organization and supporting transformations at customers while at the helm of a state-of-the-art IT and telecommunications company. In addition, the Company aims for him to carry out management oversight and monitoring functions from an independent perspective.</p>			

(Period in office)

At the conclusion of this meeting, Mr. Tomokazu Hamaguchi will have served 8 years as outside director of the Company.

(Policy on independence)

One of the Company's subsidiaries has a business relationship involving equipment maintenance with NTT DATA Corporation, where Mr. Tomokazu Hamaguchi 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, 2016), and at least six years have passed since Mr. Tomokazu Hamaguchi was a business executive at the said company. Therefore, this has no impact on his independence.

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

(Overview of the Limited Liability Contract)

The Company has concluded a contract with Mr. Tomokazu Hamaguchi to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Corporation Law, pursuant to the provisions of Article 427, Paragraph 1 of the Law. 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
9	<div data-bbox="316 421 491 533" style="border: 1px solid black; padding: 2px; width: fit-content;">Candidate for Outside Director</div> <p data-bbox="331 853 481 987">Taketsugu Fujiwara (February 19, 1947)</p>	<p data-bbox="515 405 1230 472">Apr. 1969: Joined Asahi Chemical Industry Co., Ltd. (now Asahi Kasei Corporation)</p> <p data-bbox="515 472 1185 506">Jun. 2000: Director, Asahi Kasei Corporation</p> <p data-bbox="515 539 1235 607">Jun. 2003: Senior Executive Officer, Asahi Kasei Corporation</p> <p data-bbox="515 618 1225 685">Oct. 2003: Presidential Executive Officer, Asahi Kasei Chemicals Corporation</p> <p data-bbox="515 696 1297 763">Apr. 2009: Vice-Presidential Executive Officer, Asahi Kasei Corporation</p> <p data-bbox="515 775 1230 842">Jun. 2009: Director, Vice-Presidential Executive Officer, Asahi Kasei Corporation</p> <p data-bbox="515 853 1257 943">Apr. 2010: President and Representative Director, Presidential Executive Officer, Asahi Kasei Corporation</p> <p data-bbox="515 954 1294 1021">Apr. 2014: Vice Chairman and Director, Asahi Kasei Corporation</p> <p data-bbox="515 1032 1286 1066">Jun. 2014: Vice Chairman, Asahi Kasei Corporation</p> <p data-bbox="515 1077 1209 1111">Jun. 2015: Director, the Company (incumbent)</p> <p data-bbox="515 1122 1174 1189">Jun. 2015: Standing Counselor, Asahi Kasei Corporation (incumbent)</p> <p data-bbox="515 1200 1294 1267">(Position and Areas of Responsibility at the Company) Director</p> <p data-bbox="515 1279 1209 1435">(Significant Concurrent Positions) Vice 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 data-bbox="202 1458 568 1491">(Reasons for nomination)</p> <p data-bbox="202 1491 1461 1659">Mr. Taketsugu Fujiwara was selected as a candidate for an outside director with the aim of reflecting in the management of the Company his extensive experience and broad insight gained at the helm of a general chemicals manufacturer, where he has implemented diversified management. In addition, the Company aims for him to carry out management oversight and monitoring functions from an independent perspective.</p> <p data-bbox="202 1682 440 1715">(Period in office)</p> <p data-bbox="202 1715 1430 1783">At the conclusion of this meeting, Mr. Taketsugu Fujiwara will have served 1 year as outside director of the Company.</p> <p data-bbox="202 1805 568 1839">(Policy on independence)</p> <p data-bbox="202 1839 1445 1995">One of the Company's subsidiaries 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, 2016). Therefore, this has no impact on his independence.</p>			

The Company has registered Mr. Taketsugu Fujiwara with domestic financial instrument exchanges (where the Company is listed) as an 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 Corporation Law, pursuant to the provisions of Article 427, Paragraph 1 of the Law. 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 data-bbox="312 432 491 539" style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 10px;">Candidate for New Director</div> <p data-bbox="328 678 481 813">Mikio Mochizuki (July 8, 1954)</p>	<p data-bbox="520 405 1002 434">Apr. 1978: Joined the Company</p> <p data-bbox="520 441 1267 539">Jul. 2002: Manager of Planning & Budgeting Group, Finance & Accounting Division, the Company</p> <p data-bbox="520 546 1262 611">Apr. 2007: Manager of Planning Group, Corporate Planning Division, the Company</p> <p data-bbox="520 618 1305 647">Jan. 2008: General Manager of Project Audit Division</p> <p data-bbox="520 654 1251 786">Apr. 2011: Executive Officer, the Company; President and Chief Executive Officer, IHI INC. (Regional Headquarter for the Americas)</p> <p data-bbox="520 792 1230 891">Apr. 2014: Managing Executive Officer; General Manager of Finance & Accounting Division, the Company (incumbent)</p> <p data-bbox="520 913 1294 1012">(Position and Areas of Responsibility at the Company) Managing Executive Officer; General Manager of Finance & Accounting Division</p>	25,000 shares
<p data-bbox="209 1043 568 1072">(Reasons for nomination)</p> <p data-bbox="209 1079 1465 1243">Mr. Mikio Mochizuki has accumulated a great deal of knowledge mainly in the finance field since joining the Company. He was appointed President and Chief Executive Officer of Regional Headquarter for the Americas in April 2011 and General Manager of Finance & Accounting Division in April 2014. In light of his results and experience, the Company believes that he is well-qualified to be a candidate for a 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
11	<div data-bbox="320 434 499 539" style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 10px;">Candidate for New Director</div> <p data-bbox="320 748 499 882">Tomoharu Shikina (February 4, 1958)</p>	<p data-bbox="515 405 1297 439">May 1980: Joined the Company</p> <p data-bbox="515 443 1297 577">Apr. 2006: General Manager of Aero-Engine Engineering, Defense Systems Division, Aero-Engine & Space Operations, the Company</p> <p data-bbox="515 582 1297 683">Apr. 2010: Division Director of Defense Systems Division, Aero-Engine & Space Operations, the Company</p> <p data-bbox="515 687 1297 754">Apr. 2011: Vice President of Aero-Engine & Space Operations, the Company</p> <p data-bbox="515 759 1297 893">Apr. 2013: Executive Officer; Vice President of Aero-Engine & Space Operations and Division Director of Civil Aero-Engine Division, the Company</p> <p data-bbox="515 898 1297 1066">Apr. 2016: Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company (incumbent)</p> <p data-bbox="515 1077 1297 1211">(Position and Areas of Responsibility at the Company) Managing Executive Officer; President of Aero-Engine & Space Operations; Deputy General Manager of Intelligent Information Management Headquarters</p>	25,000 shares

(Reasons for nomination)

Mr. Tomoharu Shikina has accumulated a great deal of knowledge mainly in the aero-engine technology development field since joining the Company. He was appointed Division Director of the Defense Systems Division in April 2010, Division Director of Civil Aero-Engine Division in April 2013, and President of Aero-Engine & Space Operations in April 2016. In light of his results and experience, the Company believes that he is well-qualified to be a candidate for a director.

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
12	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 10px;">Candidate for New Director</div> <p>Atsushi Kuwata (May 30, 1957)</p>	<p>Apr. 1981: Joined the Company</p> <p>Apr. 2005: General Manager of Logistics Systems Sales Department, Logistics Systems & Structures Operations, the Company</p> <p>Apr. 2007: General Manager of Sales, Power Systems Plant Division, Power Systems Operations, the Company</p> <p>Apr. 2009: General Manager of Chubu Branch, Sales Headquarters, 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 (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Executive Officer; General Manager of Sales Headquarters; Deputy General Manager of Solution & Engineering Headquarters</p> <p>(Significant Concurrent Positions) Representative Director and Chairman, Japan Parking System Manufacturers Association Incorporated</p>	6,000 shares
<p>(Reasons for nomination) Mr. Atsushi Kuwata has accumulated a great deal of knowledge mainly in the sales and marketing field since joining the Company. He was General Manager of Chubu Branch, responsible for sales in the machinery & logistics systems business, and was appointed General Manager of Sales Headquarters in April 2015. In light of his insight and experience, the Company believes that he is well-qualified to be a candidate for a director.</p> <p>(Note) Mr. Atsushi Kuwata is serving concurrently as Representative Director and Chairman of Japan Parking System Manufacturers Association Incorporated. There are no special interests between the Company and Japan Parking System Manufacturers Association Incorporated.</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="316 432 491 539" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Candidate for New Director</div> <div data-bbox="316 555 491 663" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Candidate for Outside Director</div> <p data-bbox="336 712 470 846">Hiroshi Kimura (April 23, 1953)</p>	<p data-bbox="515 405 1297 465">Apr. 1976: Joined Japan Tobacco and Salt Public Corporation (now Japan Tobacco Inc.)</p> <p data-bbox="515 472 1297 533">Jan. 1999: Vice President of Corporate Planning Division, Japan Tobacco Inc.</p> <p data-bbox="515 539 1297 645">May 1999: Senior Executive Vice President, Assistant to the CEO, IT International SA, Geneva</p> <p data-bbox="515 651 1297 680">Jun. 1999: Director, Japan Tobacco Inc.</p> <p data-bbox="515 687 1297 716">Jun. 2001: Retired from Director, Japan Tobacco Inc.</p> <p data-bbox="515 723 1297 752">Jun. 2005: Director, Japan Tobacco Inc.</p> <p data-bbox="515 759 1297 864">May 2006: Retired from Senior Executive Vice President, Assistant to the CEO, IT International SA, Geneva</p> <p data-bbox="515 871 1297 900">Jun. 2006: President and CEO, Japan Tobacco Inc.</p> <p data-bbox="515 907 1297 967">Jun. 2012: Chairman of the Board, Japan Tobacco Inc.</p> <p data-bbox="515 974 1297 1034">Jun. 2014: Executive Corporate Advisor, Japan Tobacco Inc. (incumbent)</p> <p data-bbox="515 1041 1297 1146">(Significant Concurrent Positions) Independent Director, Asahi Glass Co., Ltd. Outside Director, Nomura Holdings, Inc.</p>	0 shares

(Reasons for nomination)

Mr. Hiroshi Kimura was selected as a candidate for an outside director with the aim of reflecting in the management of the Company his extensive experience and broad insight gained at the helm of business manager who has led aggressive globalization in response to changes in business environment. In addition, the Company aims for him to serve to carry out management oversight and monitoring functions from an independent perspective.

(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, 2016). Therefore, this has no impact on his independence.

If appointment of Mr. Hiroshi Kimura is approved, the Company plans to register him 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 Mr. Hiroshi Kimura to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Corporation Law, pursuant to the provisions of Article 427, Paragraph 1 of the Law. The amount of the limitation of his 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. Hideo Otaka and Nobuo Gohara 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 and Significant Concurrent Positions	Number. of the Company's shares owned
1	<p>Candidate for New Audit & Supervisory Board Member</p> <p>Shigeru Uesugi (July 12, 1958)</p>	<p>Apr. 1981: Joined the Company</p> <p>Apr. 2005: Deputy General Manager of Planning & Control Department, Aero-Engine & Space Operations, the Company</p> <p>Apr. 2006: General Manager of Planning & Control Department, Aero-Engine & Space Operations, the Company</p> <p>Apr. 2010: Manager of Group Business Management Section, Corporate Planning Division, the Company</p> <p>Apr. 2013: Vice President of Aero-Engine & Space Operations, the Company (incumbent)</p> <p>(Position and Areas of Responsibility at the Company) Vice President of Aero-Engine & Space Operations</p>	8,000 shares
<p>(Reasons for nomination)</p> <p>Mr. Shigeru Uesugi has accumulated a great deal of knowledge mainly in the accounting and finance field of the aero-engine & space business since joining the Company. After having been in charge of formulating policy for the management of the Company's affiliates, he is in charge of the overall management of the Aero-Engine and Space Operations Division since his appointment as Vice President of the Division in April 2013. In light of his extensive knowledge in internal control and compliance, the Company believes that he is well-qualified to be a candidate for an audit & supervisory board member.</p> <p>(Note)</p> <p>There are no special interests between Mr. Shigeru Uesugi and the Company.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History and Significant Concurrent Positions	Number. of the Company's shares owned
2	<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Candidate for New Audit & Supervisory Board Member</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Candidate for Outside Audit & Supervisory Board Member</div> <p>Yoko Hatta (June 8, 1952)</p>	<p>Aug. 1988: Joined Peat Marwick Main & CO. (now KPMG LLP New York)</p> <p>Aug. 1997: Partner, KPMG Peat Marwick LLP (now KPMG LLP New York)</p> <p>Sep. 2002: Partner, KPMG Peat Marwick LLP (now KPMG LLP)</p> <p>Jun. 2008: Auditor, International Christian University (incumbent)</p> <p>(Significant Concurrent Positions) Outside Audit and Supervisory Board Member, Kobayashi Pharmaceutical Co., Ltd.</p>	0 shares
<p>(Reasons for nomination) Ms. Yoko Hatta was selected as a candidate for an outside audit & supervisory board member because the Company aims for her to reflect in the management auditing operations of the Company her extensive experience and insight in global business operations, notably international taxation from an independent perspective. 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.</p> <p>(Policy on independence) There are no special interests between Ms. Yoko Hatta and the Company. If appointment of Ms. Yoko Hatta is approved, the Company plans to register her with domestic financial instrument exchanges (where the Company is listed) as independent director.</p> <p>(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. Yoko Hatta to limit her liability for damages prescribed in Article 423, Paragraph 1 of the Corporation Law, pursuant to the provisions of Article 427, Paragraph 1 of the Law. The amount of the limitation of her liability for damages under the said contract shall be the amount stipulated by laws and regulations.</p>			

(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 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.

(Attachment)

Business Report

(From April 1, 2015 to March 31, 2016)

1. Matters on Current Status of Company Group

(1) Progress of business operations and their results

● Business environment

During the fiscal year under review, the Japanese economy continued to recover at a moderate pace overall, despite some weakness in exports and a lackluster recovery in private consumption and private-sector capital investment, partly due to a slowdown in China and other emerging economies in the first half of the fiscal year. Despite signs of weakness in, among other countries, emerging countries in Asia, the global economy was also on a track of moderate recovery, centered on advanced countries.

Within this business environment, the IHI Group undertook its final year of the three-year medium-term management plan, “Group Management Policies 2013” that was launched in April 2013, implementing initiatives to accelerate Group growth based on the policies.

In the fiscal year under review, orders received decreased ¥59.0 billion from the previous fiscal year to ¥1,605.3 billion, while net sales rose ¥83.5 billion to ¥1,539.3 billion. Operating income declined ¥41.2 billion from the previous fiscal year to ¥22.0 billion. This reflected the recording in some boiler projects IHI received of the cost for pre-delivery repair, which was required for welded portions made using welding materials different from those specified in the design drawings, increased costs in F-LNG/Offshore structure Business, which has continued to have deterioration of construction profitability, and the recording of construction schedule catch-up expenses for the Izmit Bay Crossing Bridge construction project in Turkey, despite a sharp increase in the Aero Engine, Space and Defense segment. Ordinary income declined ¥46.8 billion from the previous fiscal year to ¥9.7 billion, partly reflecting a deterioration of foreign exchange losses. Profit attributable to owners of parent declined ¥7.5 billion from the previous fiscal year to ¥1.5 billion. Although gain on sales of non-current assets due to the sale of land and others in Toyosu, Koto-ku, Tokyo, and gain on contribution of securities to retirement benefit trust were recorded under extraordinary income, the IHI Group also recorded extraordinary losses in light of the possibility that the IHI Group companies are to be claimed for expenses for delayed delivery that are stipulated in the contracts in some projects received due to the above-mentioned process delays that have occurred in association with the repair of boiler welded portions and process delays that occurred in association with an accident of a catwalk falling at the Izmit Bay Crossing Bridge in Turkey.

[Earnings Highlights (Consolidated)]

	198 th Fiscal Year		199 th Fiscal Year	
	Amount (Billions of yen)	%	Amount (Billions of yen)	%
Orders Received	1,664.3	50	1,605.3□	45□
Net Sales	1,455.8	52	1,539.3□	52
Operating income	63.2	-	22.0□	-
Ordinary Income	56.5	-	9.7□	-
Profit attributable to owners of parent	9.0	-	1.5□	-
Order Backlog	1,655.4	49	1,741.6□	44□

The % column shows the overseas ratio.

● **Dividend**

The Company's interim dividend for the end of the first half of the fiscal year under review was ¥3 per share. However, 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 a year-end dividend.

○ **Resources, Energy and Environment**

Main business

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

Performance in fiscal year under review

Sales increased from the previous fiscal year mainly reflecting increases in Gas processes Business due to progress at Cove Point natural gas liquefaction facility construction project in the U.S.

The segment reported an operating loss due to a significant deterioration in profitability in Boiler Business related to repairs required for noncompliant welding in boiler projects, and a projected increase in costs in Gas process Business.

Orders received declined from the previous fiscal year, despite an order for a natural gas liquefaction facility for Elba Island in the U.S., reflecting a pullback from the Cove Point natural gas liquefaction facility in the U.S. secured in the previous fiscal year for Gas processes Business.

BUSINESS TOPICS

Order received from Mozambique's state power company for construction of gas-fired combined-cycle power plant

The Company, in cooperation with Sumitomo Corporation, secured an engineering, procurement, and construction (EPC) order from the Republic of Mozambique's state-run power company for the construction of a gas-fired combined-cycle power plant in Maputo.

This will be the country's first gas-fired combined-cycle power plant and, when completed, will meet about 20% of domestic power demand. The Company will provide the main equipment used in the power plant, including LM6000 gas turbines and generators, and handle construction of the entire plant. We aim to hand over the plant in 2018. Owing to the development of large-scale natural gas fields, we believe gas-fired power plants will become a major source of electric power and we therefore expect operational knowhow for gas-fired power plants to be in high demand. We will also provide technical instruction in the know-how required to operate gas-fired power plants.

The Company will provide the African market with energy systems offering excellent environmental performance as well as high efficiency and quality in order to help ensure a steady supply of energy in the region.

○ **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 owing mainly to the impact of decreased sales from the Izmit Bay Crossing Bridge construction project in Turkey.

The recording of additional costs in relation to production turmoil and a review of construction processes and methods at Aichi Works for F-LNG/Offshore structure Business as well as the recording of construction schedule catch-up expenses related to the Izmit Bay Crossing Bridge construction project in Turkey resulted in a significant operating deficit.

Orders received declined from the previous fiscal year, reflecting a pullback from large orders secured in the previous fiscal year for F-LNG/Offshore structure Business, for which order procurement activities have currently been effectively suspended, partially offset by orders for new rail freight bridge construction work in India and new bridge construction and existing bridge repair work in Bangladesh.

BUSINESS TOPICS

New Bridge Construction and Repair Orders Accepted in Bangladesh

IHI Infrastructure Systems Co., Ltd., a subsidiary of the Company, has formed a joint venture with OBAYASHI CORPORATION, SHIMIZU CORPORATION, and JFE Engineering CORPORATION which has won orders totaling roughly 90 billion yen from the Roads and Highways Department, Ministry of Road Transport and Bridges, Bangladesh to repair the existing Kanchpur, Meghna, and Gumti bridges as well as build new 2nd bridges parallel to these three existing ones (scheduled for completion in 2019).

The three bridges are on National Highway No.1, which connects capital Dhaka to Chittagong, the second-largest city in Bangladesh. Increased traffic volume has become an issue as the country's economy develops and this construction project will not only increase the highway's traffic capacity, but also improve safety including earthquake countermeasures.

Highly complex technologies are being used in this construction. By completing this project on schedule by using technologies and knowhow thus-far

accumulated, we are contributing to the economic development of Bangladesh.

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

Main business

Marine machinery, Logistics systems, Transport machinery, Parking systems, Steel manufacturing equipment, Industrial machinery, Heat / surface treatment machinery, Papermaking machinery, Vehicular turbochargers, Compressors, Separation equipment, Marine turbochargers, Construction machinery, Agricultural machinery, Small motors

Performance in fiscal year under review

Sales declined from the previous fiscal year. Although sales increased in Thermal and surface treatment Business and Compressor Business, that was offset by decreases in Paper-making machinery Business and Vehicular turbocharger Business.

Operating income increased compared with the previous fiscal year, despite an increase in selling, general and administrative expenses such as expenses in taking orders received, mainly reflecting an improvement in profitability in the Thermal and surface treatment Business, Compressor Business and Vehicular turbocharger Business.

Orders received increased from the previous fiscal year owing to increases in Transport machinery Business, Compressor Business and Small power systems Business.

BUSINESS TOPICS

German heat treatment job service provider VTN becomes IHI subsidiary

The Company has acquired and converted into a subsidiary VTN, a German leading group that has been providing general heat treatment job services for over 60 years.

Heat treatment is a technology to strengthen metal and non-metal component materials by heating and then cooling them in such a way as to change their internal structures. Use of heat treatment technology is expected to increase owing to demand for higher diversification and sophistication for materials such as metals and non-metals, especially those used to make industrial machinery, automotive, and aerospace components.

IHI Machinery and Furnace Co., Ltd (hereinafter “IMS”) is a group company that manufactures and sells vacuum heat treatment units such as vacuum furnaces and vacuum carburizing furnaces. In our recent full-scale entry into the European heat treatment job services market, we will bring together VTN’s process engineering and service network and IMS’s unit design engineering excellence to provide customers with an even more attractive lineup of units and heat treatment services.

○ **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 increased from the previous fiscal year, owing mainly to increases in

civil aero engines as a result of the effect of yen depreciation in foreign exchange, and a delivery of gas turbines for naval vessels in Defense systems Business.

Operating income increased significantly from the previous fiscal year owing to the above-mentioned effect from sales increases and improved profitability for civil aero engines, partially offset by increases in expenses such as R&D expenses for the “GE9X” aero engine for the next-generation wide-body jet.

Orders received increased from the previous fiscal year owing to increases in projects for Japan Ministry of Defense in Aero engines Business.

BUSINESS TOPICS

Aircraft Fitted with PW1100G-JM Civil Aero Engine Begin Commercial Flights

The first Airbus A320neo was delivered to Lufthansa by Airbus in January, 2016 and began commercial flights. The Airbus A320neo is fitted with the PW1100G-JM engine, jointly developed by U.S. company Pratt & Whitney, German company MTU Aero Engines AG, and the Company, working under the Japanese Aero Engines Corporation.

Participating with 15% stake in the PW1100G-JM program, the Company is in charge of the development, design, and production of key components such as fan modules and part of low-pressure compressors utilizing proprietary material and manufacturing technologies centered on composite materials. Already, orders for more than 2,500 units of PW1100G-JM have been received, and the IHI Group expects it to serve as a stable pillar of business.

The IHI Group will continue to provide a wide range of advanced manufacturing technologies, and contribute not only to the development of the aviation industry but also to the operation of safe and comfortable aircraft.

(2) Financing

The Company carried out financing primarily through 50.8 billion yen from long-term loans, and this was allocated for agreed repayment of long-term loans, capital for business acquisitions, and others.

(3) Capital investment

With regard to capital investment activities, the total capital investment for the fiscal year under review was 50.8 billion yen as a result of the Company having made progress centering on growth and focus businesses as well as core businesses stipulated by Group Management Policies 2013, 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.

With respect to the IHI Group's investment in Brazilian shipbuilding company Estaleiro Atlântico Sul S.A. ("EAS"), the Company's consolidated subsidiary JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA concluded a contract to transfer its whole equity interest in EAS to EAS shareholders the Camargo Corrêa Group and the Queiroz Galvão Group. This contract was concluded, as it was deemed there was no prospect of recovery for the foreseeable future in the offshore energy exploration-related business, the objective of the IHI Group's investment in the company, due to weakness in the Brazilian economy and a prolonged decline in crude oil prices.

(5) Issues to be addressed

In November 2015, the IHI Group established its "Group Management Policies 2016", a three-year business policy that became effective from April 2016.

Based on the current business environment and outcomes and issues encountered with the "Group Management Policies 2013", the IHI Group is steadily implementing concrete initiatives in accordance with the following policies, which are focused on strengthening the Group's earnings foundations: 1) enhance the Group's ability to implement business strategies, 2) establish systems to secure stable profits from orders and 3) provide solutions aimed at creating value for customers and enhance products and services.

In terms of specific numerical targets, the IHI Group is aiming for 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.

The fiscal year under review was the final year of "Group Management Policies 2013", which aimed for profit growth by expanding the business scale. However, the Company's profit results were significantly lower than the initial profit targets. In the fiscal year ending March 31, 2017, the first year of the "Group Management Policies 2016", the IHI Group will implement the following measures based on the theme of building trust with stakeholder groups.

1) Reform quality control and business systems to reinforce monozukuri capabilities

Led by the *Monozukuri* System Strategy Planning Headquarters, which was established in April 2016, the IHI Group will work to rebuild its quality assurance system, reform engineering processes, including design and production systems, and make business operations more efficient by improving onsite business processes in order to strengthen monozukuri, including quality, and ensure quality issues do not occur again.

2) Strengthen the project implementation structure to secure profits from projects

To secure profits from projects, the IHI Group will carefully identify not only risks related to new business fields but also specific factors related to first-type equipment and conduct thorough assessments. In addition, the IHI Group

will continually improve the accuracy of cost estimates, and reinforce the monitoring system, while also using project progress visualization and having experts carry out reviews at each stage such as engineering, procurement and construction, to ensure project profitability does not fall below expected levels.

3) Secure profits through effective business strategy implementation

In accordance with the “Group Management Policies 2016”, each strategic business unit (SBU) will secure profits by introducing a new portfolio management and reliably implementing a range of initiatives to achieve their missions, which combine strategic directions and quantitative targets. Also, the IHI Group will thoroughly implement ROIC-based management for each business unit to bolster cash flow generating capabilities, while also actively drawing on external resources through M&A and cooperation with other companies to reliably drive structural reform.

4) Reform the business model by implementing initiatives that create value for customers

The IHI Group will secure orders by thoroughly implementing measures to create value for customers. Also, the IHI Group will actively use shared group functions (“solutions,” “advanced information management,” and “global businesses”) to create competitive business models and apply these models across the Group at the earliest opportunity.

(6) Changes in assets and profit/loss

(Millions of yen)

Item	196 th Fiscal Year	197 th Fiscal Year	198 th Fiscal Year	199 th Fiscal Year
Orders Received	1,225,649	1,458,984	1,664,387	1,605,323□
Net Sales	1,256,049	1,304,038	1,455,844	1,539,388□
Ordinary Income	36,219	53,235	56,529	9,716□
Profit Attributable to Owners of Parent	33,386	33,133	9,082	1,529□
Basic Earnings per Share (Yen)	22.81	22.51	5.88	0.99
Total Assets	1,364,239	1,496,361	1,690,882	1,715,056□
Net Assets	299,282	362,555	359,595	333,359□
ROE (Return on equity)* (%)	12.4	10.5	2.6	0.5

* 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, 2016)

(Millions of yen)

Lender	Amount
Mizuho Bank, Ltd.	50,070
Sumitomo Mitsui Banking Corporation	34,723
Sumitomo Mitsui Trust Bank, Limited	29,020
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	24,091
The Hachijuni Bank, Ltd.	15,085
Nippon Life Insurance Company	8,710
Development Bank of Japan Inc.	7,732
The Dai-ichi Life Insurance Company, Limited	7,000
Mizuho Trust & Banking Co., Ltd.	6,440
The Hiroshima Bank, Ltd.	6,120

(8) Main sales offices and works (As of March 31, 2016)

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 Casting Workshop (Aioi-city, Hyogo) Kure Aero-Engine & Turbo Machinery Works (Kure-city, Hiroshima)		

(Note) Locations of main subsidiaries are as provided in “(10) Main subsidiaries.”

(9) Employees (As of March 31, 2016)

Business Segment	Number of Employees
Resources, Energy and Environment	7,654□
Social Infrastructure and Offshore Facilities	2,515□
Industrial Systems and General-Purpose Machinery	9,830□
Aero Engine, Space and Defense	6,237□
Others	2,336□
Corporate (company-wide)	922□
Total	29,494□

(961 increase compared with March 31, 2015)

(10) Main subsidiaries (As of March 31, 2016)

Company Name	Location	Capital	Voting Interest of the Company	Main Business
IHI Infrastructure Systems Co., Ltd. (Note 2)	Sakai-ku, Sakai-city	9,753 million yen	100.00 %	Design, manufacture, installation, maintenance and repair of bridges and water gates
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

Company Name	Location	Capital	Voting Interest of the Company	Main Business
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 Construction Machinery Ltd.	Kanazawa-ku, Yokohama-city	1,750 million yen	100.00 %	Manufacture, sale and repair of construction machinery and materials handling equipment
IHI Shibaura Machinery Corporation	Matsumoto-city, Nagano	1,111 million yen	90.95 %	Design, manufacture, sale, installation, maintenance and repair of internal combustion engines, agricultural machinery, fire pumps and turf-grass management equipment
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

Company Name	Location	Capital	Voting Interest of the Company	Main Business
IHI Turbo Co., Ltd.	Koto-ku, Tokyo	1,000 million yen	100.00 %	Manufacture and sale of vehicular turbochargers
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 NeoG Algae LLC (Note 3)	Miyamae-ku, Kawasaki-city	825 million yen	99.97 %	Research and development, Feasibility study for the bio-fuel produced by Algae
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
IHI STAR Machinery Corporation	Chitose-city, Hokkaido	500 million yen	100.00 %	Design, manufacture, sale, maintenance and repair of agricultural machinery
IHI INC.	U.S.A.	92,257 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. (Note 4)	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.

Company Name	Location	Capital	Voting Interest of the Company	Main 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
Changchun FAWER-IHI Turbo Co., Ltd.	China	158,300 thousand Chinese yuan	57.16 %	Manufacture and sale of vehicular turbochargers
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
IHI Charging Systems International GmbH	Germany	15,000 thousand euro	100.00 %	Design, manufacture, and sale of vehicular turbochargers
IHI ASIA PACIFIC PTE. LTD.	Singapore	12,500 thousand Singapore dollars	100.00 %	Order procurement, business support, purchase and sale agent (regional headquarters)
Wuxi IHI Turbo Co., Ltd. (Note 5)	China	11,800 thousand US dollars	100.00 %	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 Turbo America Co.	U.S.A.	7,700 thousand US dollars	100.00 %	Manufacture and sale of vehicular turbochargers
IHI TURBO (THAILAND) CO., LTD.	Thailand	260,000 thousand Thai baht	90.00 %	Manufacture and sale of vehicular turbochargers
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
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. IHI Infrastructure Systems Co., Ltd. increased its capital to maintain a capital level required to operate as such a company.
3. In line with the development of research and development, IHI NeoG Algae LLC increased its capital at an amount equivalent to research costs.
4. In line with the development of an engine program, IHI Aero Engines US Co., Ltd. increased its capital at an amount equivalent to development costs.
5. Wuxi IHI Turbo Co., Ltd. increased its capital as a result of merging with a non-consolidated subsidiary.
6. 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, 2016)

Title	Name	Responsibilities and significant concurrent position(s)
Chairman of the Board	Kazuaki Kama	Representative Director, Japanese Aero Engines Corporation President, Financial Accounting Standards Foundation Chairman, Japan Vocational Ability Development Association Chairman, The Society of Japanese Aerospace Companies Outside Director, KYOKUTO BOEKI KAISHA, LTD. Outside Director, KONICA MINOLTA, INC. Outside Director, NSK Ltd.
President	Tamotsu Saito	Representative Director; President, Manufacturing Science and Technology Center
Executive Vice President	Sadao Degawa	Assistant to the President In charge of Group Engineering In charge of Business Relating to Information Systems In charge of Social Infrastructure & Offshore Facilities Business Areas President of Offshore Project & Steel Structures Operations
Executive Vice President	Toshinori Sekido	Assistant to the President In charge of Priority New Business Areas In charge of Business Relating to Human Resources, Procurement and Corporate Business Development
Executive Vice President	Ichiro Terai	Assistant to the President In charge of Group Finance & Accounting
Director	Joji Sakamoto	In charge of Business Relating to Internal Audit, Legal, CSR and Administration In charge of Group Compliance In charge of Risk Management In charge of Group Business Process Platform
Director	Eiichi Yoshida	In charge of Business Relating to Public Relations, Investor Relations and Project Audit In charge of Group Operations

Title	Name	Responsibilities and significant concurrent position(s)
Director	Tsugio Mitsuoka	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	Hiroyuki Otani	In charge of Industrial Systems & General-Purpose Machinery Business Areas President of Machinery & Logistics Systems Operations; Deputy General Manager of Intelligent Information Management Headquarters
Director	Akinori Abe	In charge of Special Mission from the President
Director	Hiroshi Asakura	In charge of Corporate Planning
Director	Naoya Domoto	In charge of Resources, Energy and Environment Business Areas President of Energy & Plant Operations
Director	Tomokazu Hamaguchi	Outside Director, East Japan Railway Company Outside Director, KURARAY CO., LTD. Director, FPT Corporation
Director	Tadashi Okamura	Chairman, The Japan Machinery Federation External Director, The Shoko Chukin Bank, Ltd. Outside Director, Internet Initiative Japan Inc.
Director	Taketsugu Fujiwara	President and Representative Director, The Electrochemical Society of Japan Outside Director, SHIMADZU CORPORATION Independent Director of the Board, KOKUYO Co., Ltd.
Standing Audit & Supervisory Board Member	Hideo Otaka	
Standing Audit & Supervisory Board Member	Makoto Serizawa	
Audit & Supervisory Board Member	Nobuo Gohara	Attorney at Law

Title	Name	Responsibilities and significant concurrent position(s)
Audit & Supervisory Board Member	Toshiharu Watanabe	
Audit & Supervisory Board Member	Takayuki Hashimoto	Outside Director, KAGOME CO., LTD.

- (Notes)
1. Director: Messrs. Tomokazu Hamaguchi, Tadashi Okamura and Taketsugu Fujiwara are outside directors.
 2. Audit & Supervisory Board Member: Messrs. Nobuo Gohara, Toshiharu Watanabe and Takayuki Hashimoto 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. The Company has registered Directors Messrs. Tomokazu Hamaguchi, Tadashi Okamura and Taketsugu Fujiwara, and Audit & Supervisory Board Members Messrs. Nobuo Gohara, Toshiharu Watanabe and Takayuki Hashimoto 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	Fusayoshi Nakamura	Assistant to the President	June 25, 2015
Director	Hiroshi Iwamoto	Assistant to the President	June 25, 2015
Director	Hiromitsu Hamamura	Assistant to the President	June 25, 2015
Audit & Supervisory Board Member	Takeo Inokuchi	Outside Corporate Auditor, Sanki Engineering Co., Ltd. Outside Director, Kikkoman Corporation Outside Director, Kaneka Corporation	June 25, 2015

(3) Directors' and Executive Officers' responsibilities as of April 1, 2016

Directors' and Executive Officers' responsibilities as of April 1, 2016 are as follows:

Position	Name	Responsibilities
Chairman of the Board Chief Executive Officer	Tamotsu Saito	General Manager of <i>Monozukuri</i> System Strategy Planning Headquarters
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 Aero Engine, Space and Defense Business Areas In charge of Priority New Business Areas In charge of Business Relating to Human Resources, Information Systems, Procurement, Corporate Business Development, and Defense
Executive Vice President	Ichiro Terai	Assistant to the President In charge of Group Finance & Accounting In charge of Group Operations 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 In charge of Business Relating to 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	Kazuaki Kama	
Director	Sadao Degawa	In charge of Special Mission from the President
Director	Eiichi Yoshida	Assistant to the President
Director	Hiroyuki Otani	In charge of Industrial Systems & General-Purpose Machinery Business Areas
Director	Akinori Abe	In charge of Special Mission from the President
Director	Hiroshi Asakura	In charge of Group Engineering In charge of Social Infrastructure & Offshore Facilities Business Areas
Director	Naoya Domoto	In charge of Special Mission from the President
Managing Executive Officer	Hajime Kuwata	President of Global Marketing Headquarters
Managing Executive Officer	Mikio Mochizuki	General Manager of Finance & Accounting Division

Position	Name	Responsibilities
Managing Executive Officer	Junichi Sakaki	President of Vehicular Turbocharger Operations
Managing Executive Officer	Akira Tateno	General Manager of Corporate Research & Development
Managing Executive Officer	Takanori Kunihiro	President of Offshore Project & Steel Structures Operations
Managing Executive Officer	Tomoharu Shikina	President of Aero-Engine & Space Operations; Deputy General Manager of Intelligent Information Management Headquarters
Executive Officer	Taizo Suga	President of IHI Asia Pacific PTE. Ltd. (Regional Headquarters for Asia Pacific)
Executive Officer	Tsutomu Yoshida	President of IHI INC. (Regional Headquarters in the Americas)
Executive Officer	Atsushi Kuwata	General Manager of Sales Headquarters; Deputy General Manager of Solution & Engineering Headquarters
Executive Officer	Takeshi Yamada	Deputy General Manager of Finance & Accounting Division
Executive Officer	Hideya Hata	President of Infrastructure Operations; Deputy General Manager of Solution & Engineering Headquarters; Deputy General Manager of Intelligent Information Management Headquarters
Executive Officer	Nobuko Mizumoto	General Manager of Procurement Strategy Planning
Executive Officer	Masafumi Nagano	General Manager of Corporate Planning Division
Executive Officer	Koji Yahagi	President of Energy & Plant Operations
Executive Officer	Yukiya Murano	General Manager of Intelligent Information Management Headquarters
Executive Officer	Masahiko Sugitani	Vice President of Energy & Plant Operations; Deputy General Manager of Solution & Engineering Headquarters
Executive Officer	Takashi Makino	Vice President of Aero-Engine & Space Operations
Executive Officer	Masataka Ikeyama	Vice President of Aero-Engine & Space Operations
Executive Officer	Yoshinori Kawasaki	President of Machinery & Logistics Systems Operations; Deputy General Manager of Intelligent Information Management Headquarters
Executive Officer	Kouichi Murakami	President of Rotating Machinery Operations
Executive Officer	Takashi Niimura	Deputy General Manager of Sales Headquarters
Executive Officer	Yoshio Yonezawa	Vice President of Energy & Plant Operations
Executive Officer	Kazuki Awai	General Manager of Administration Division

- (Notes)
1. President, Mr. Tsugio Mitsuoka supervises Nuclear Power Operations.
 2. Executive Vice President, Mr. Toshinori Sekido supervises Solution & Engineering Headquarters and Intelligent Information Management Headquarters.
 3. Executive Vice President, Mr. Ichiro Terai supervises Global Marketing Headquarters and Offshore Project Collaboration Division.
* Offshore Project Collaboration Division was abolished on April 30, 2016.
 4. Executive Vice President, Mr. Joji Sakamoto supervises Headquarters

Representative's Offices.

5. Director, Mr. Hiroshi Asakura supervises Urban Development Operations.

(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	18	581	52	0	634
Audit & Supervisory Board Member	6	108	—	—	108
Total	24	689	52	0	742
(Of which, number of outside officers)	(7)	(69)	(—)	(—)	(69)

- (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 190th Ordinary General Meeting of Shareholders held on June 27, 2007, 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. During the fiscal year under review, the 13 inside directors were paid a total of 140 million yen in performance-based bonuses for the fiscal year ended March 31, 2015.
 4. The numbers of directors and audit & supervisory board members as of March 31, 2016 are respectively 15 (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 3 directors and an audit & supervisory board member who retired at the conclusion of the 198th Ordinary General Meeting of Shareholders held on June 25, 2015.

(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 income targets in the medium-term management plan. The amount paid is calculated based on the degree to which operating income 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.

(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
Director	Tadashi Okamura	Chairman, The Japan Machinery Federation External Director, The Shoko Chukin Bank, Ltd. Outside Director, Internet Initiative Japan Inc.
Director	Taketsugu Fujiwara	President and Representative Director, The Electrochemical Society of Japan Outside Director, SHIMADZU CORPORATION Independent Director of the Board, KOKUYO Co., Ltd.

Position	Name	Significant concurrent positions at other entities
Audit & Supervisory Board Member	Nobuo Gohara	Attorney at Law
Audit & Supervisory Board Member	Takayuki Hashimoto	Outside Director, KAGOME 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	18 of 18 (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 state-of-the-art IT and telecommunications company.
Director	Tadashi Okamura	15 of 18 (83%)	-	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 electric manufacturer.
Director	Taketsugu Fujiwara	13 of 13 (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.

Position	Name	Attendance of meetings		Activities
		Board of Directors meetings	Audit & Supervisory Board meetings	
Audit & Supervisory Board Member	Nobuo Gohara	18 of 18 (100%)	13 of 13 (100%)	Addressed questions and expressed opinions accordingly from the viewpoint of a leading expert on corporate compliance.

Position	Name	Attendance of meetings		Activities
		Board of Directors meetings	Audit & Supervisory Board meetings	
Audit & Supervisory Board Member	Toshiharu Watanabe	18 of 18 (100%)	13 of 13 (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	11 of 13 (85%)	9 of 10 (90%)	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.

- (Notes) 1. The stated attendance of meetings for director Mr. Taketsugu Fujiwara considers only the Board of Directors meetings held after his assumption as director.
2. The stated attendance of meetings for audit & supervisory board member Mr. Takayuki Hashimoto considers only the Board of Directors meetings and Audit & Supervisory Board meetings held after his assumption as audit & supervisory board member.

(iii) Limitation of liability

In accordance with Article 427, Paragraph 1 of the Corporation Law, 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 law. 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, 2016)

- (i) Total number of shares authorized to be issued: 3,300,000,000
- (ii) Total number of shares issued: 1,543,973,936
(excluding 2,825,606 treasury shares)
- (iii) Total number of shareholders: 101,270
- (iv) Major shareholders (top 10 shareholders)

Name	Number of shares held (Thousand)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Holder in Trust)	62,356	4.03
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)	47,974	3.10
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 505223	35,252	2.28
Japan Trustee Services Bank, Ltd. (Holder in Trust 9)	29,262	1.89
State Street Bank And Trust Company 505001	27,328	1.77
IHI Customer Stock Ownership Association	25,285	1.63
Nippon Life Insurance Company	24,897	1.61

- (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. 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.
 3. Shareholding ratios are calculated without including total number of treasury shares (2,825,606 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)	46	Common stock 46,000 shares	462,000 yen	1,000 yen	From August 10, 2007 to August 9, 2037
2 nd Subscription Rights to Shares (July 22, 2008)	148	Common stock 148,000 shares	185,000 yen	1,000 yen	From August 19, 2008 to August 18, 2038
3 rd Subscription Rights to Shares (July 21, 2009)	225	Common stock 225,000 shares	165,000 yen	1,000 yen	From August 6, 2009 to August 5, 2039
4 th Subscription Rights to Shares (July 23, 2010)	302	Common stock 302,000 shares	154,000 yen	1,000 yen	From August 10, 2010 to August 9, 2040
5 th Subscription Rights to Shares (July 25, 2011)	253	Common stock 253,000 shares	178,000 yen	1,000 yen	From August 18, 2011 to August 17, 2041
6 th Subscription Rights to Shares (July 23, 2012)	409	Common stock 409,000 shares	159,000 yen	1,000 yen	From August 17, 2012 to August 16, 2042
7 th Subscription Rights to Shares (July 22, 2013)	175	Common stock 175,000 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
8th Subscription Rights to Shares (July 22, 2014)	162	Common stock 162,000 shares	440,000 yen	1,000 yen	From August 12, 2014 to August 11, 2044
9th Subscription Rights to Shares (July 21, 2015)	128	Common stock 128,000 shares	413,000 yen	1,000 yen	From August 11, 2015 to August 10, 2045

(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
1st Subscription Rights to Shares	August 9, 2036	From August 10, 2036 to August 9, 2037
2nd Subscription Rights to Shares	August 18, 2037	From August 19, 2037 to August 18, 2038
3rd Subscription Rights to Shares	August 5, 2038	From August 6, 2038 to August 5, 2039
4th Subscription Rights to Shares	August 9, 2039	From August 10, 2039 to August 9, 2040
5th Subscription Rights to Shares	August 17, 2040	From August 18, 2040 to August 17, 2041
6th Subscription Rights to Shares	August 16, 2041	From August 17, 2041 to August 16, 2042
7th Subscription Rights to Shares	August 21, 2042	From August 22, 2042 to August 21, 2043
8th Subscription Rights to Shares	August 11, 2043	From August 12, 2043 to August 11, 2044
9th Subscription Rights to Shares	August 10, 2044	From August 11, 2044 to August 10, 2045

- (2) In the event that 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)	38	38,000 shares	3	8	8,000	1
2 nd Subscription Rights to Shares (July 22, 2008)	130	130,000 shares	6	18	18,000	1
3 rd Subscription Rights to Shares (July 21, 2009)	204	204,000 shares	8	21	21,000	1
4 th Subscription Rights to Shares (July 23, 2010)	271	271,000 shares	9	31	31,000	1
5 th Subscription Rights to Shares (July 25, 2011)	230	230,000 shares	10	23	23,000	1
6 th Subscription Rights to Shares (July 23, 2012)	380	380,000 shares	12	29	29,000	1
7 th Subscription Rights to Shares (July 22, 2013)	175	175,000 shares	12	-	-	-
8 th Subscription Rights to Shares (July 22, 2014)	162	162,000 shares	12	-	-	-
9 th Subscription Rights to Shares (July 21, 2015)	128	128,000 shares	12	-	-	-

- (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 21, 2015
Number of subscription rights to shares	114
Class and number of underlying shares	Common stock: 114,000 shares (1,000 shares per subscription right to shares)
Amount to be paid in	413,000 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 11, 2015 to August 10, 2045
Status of granting	Number of subscription rights to shares: 114 Number of underlying shares: 114,000 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 10, 2044
From August 11, 2044 to August 10, 2045
 - (2) In the event that 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 her/his 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	180
Total sum of cash and profits relating to other assets that the Company and its subsidiaries should pay to the accounting auditor	420

- (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 Corporation Law 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., IHI Aero Engines US Co., Ltd., and other 15 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 Law 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 Corporation Law, 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 Corporation Law, 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 major 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 major 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, 2016)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets	1,100,506	Current liabilities	882,769
Cash and deposits	106,536	Notes and accounts payable – trade	297,499
Notes and accounts receivable – trade	444,838	Short-term loans payable	94,550
Securities	1,403	Commercial papers	5,000
Finished goods	23,537	Current portion of bonds	10,000
Work in process	254,907	Accrued expenses	118,932
Raw materials and supplies	131,865	Income taxes payable	8,222
Deferred tax assets	61,956	Advances received	180,352
Other	86,512	Provision for bonuses	24,610
Allowance for doubtful accounts	(11,048)	Provision for construction warranties	44,337
		Provision for loss on construction contracts	53,223
		Other provision	379
		Other	45,665
Non-current assets	614,550	Non-current liabilities	498,928
Property, plant and equipment	349,736	Bonds payable	60,000
Buildings and structures	142,597	Long-term loans payable	187,085
Machinery, equipment and vehicles	72,648	Lease obligations	12,968
Land	90,936	Deferred tax liabilities for land revaluation	5,158
Leased assets	16,412	Net defined benefit liability	154,968
Construction in progress	8,927	Provision for loss on subsidiaries and affiliates	2,805
Other	18,216	Other provision	1,377
Intangible assets	49,605	Other	74,567
Goodwill	22,043		
Software	14,449	Total liabilities	1,381,697
Other	13,113		
Investments and other assets	215,209	Net Assets	
Investment securities	139,463	Shareholders' equity	305,820
Deferred tax assets	47,338	Capital stock	107,165
Net defined benefit asset	11	Capital surplus	54,431
Other	30,380	Retained earnings	144,789
Allowance for doubtful accounts	(1,983)	Treasury shares	(565)
		Accumulated other comprehensive income	12,490
		Valuation difference on available-for-sale securities	1,580
		Deferred gains or losses on hedges	(377)
		Revaluation reserve for land	5,423
		Foreign currency translation adjustment	9,954
		Remeasurements of defined benefit plans	(4,090)
		Subscription rights to shares	758
		Non-controlling interests	14,291
		Total net assets	333,359
Total assets	1,715,056	Total liabilities and net assets	1,715,056

Consolidated Statement of Income
(Year ended March 31, 2016)

(Millions of yen)

Account title	Amount
Net sales	1,539,388
Cost of sales	1,320,376
Gross profit	219,012
Selling, general and administrative expenses	196,964
Operating income	22,048
Non-operating income	
Interest and dividend income	2,917
Share of profit of entities accounted for using equity method	1,167
Other	5,277
Non-operating expenses	
Interest expenses	3,922
Foreign exchange losses	5,122
Other	12,649
Ordinary income	9,716
Extraordinary income	
Gain on sales of non-current assets	28,648
Gain on contribution of securities to retirement benefit trust	6,358
Gain on sales of investment securities	1,804
Extraordinary losses	
Expenses for delayed delivery	44,628
Loss on valuation of shares of subsidiaries and affiliates	1,756
Provision for loss on subsidiaries and affiliates	1,700
Impairment loss	81
Loss before income taxes	1,639
Income taxes – current	18,889
Income taxes – deferred	(25,660)
Profit	5,132
Profit attributable to non-controlling interests	3,603
Profit attributable to owners of parent	1,529

(Reference)

Consolidated Statement of Cash Flows (Summary)
(Year ended March 31, 2016)

(Millions of yen)

Account title	Amount
Net cash provided by (used in) operating activities	95,338
Net cash provided by (used in) investing activities	(35,513)
Net cash provided by (used in) financing activities	(47,530)
Effect of exchange rate change on cash and cash equivalents	(1,836)
Net increase (decrease) in cash and cash equivalents	10,459
Cash and cash equivalents at end of period	103,611

Consolidated Statement of Changes in Equity
(Year ended March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	107,165	54,438	152,563	(655)	313,511
Changes of items during period					
Dividends of surplus			(9,262)		(9,262)
Profit attributable to owners of parent			1,529		1,529
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		(6)		96	90
Change in ownership interest of parent due to transactions with non-controlling interests		(1)			(1)
Net decrease from newly consolidated subsidiaries			(19)		(19)
Net decrease from merger with non-consolidated subsidiaries			(22)		(22)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(7)	(7,774)	90	(7,691)
Balance at end of current period	107,165	54,431	144,789	(565)	305,820

	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	16,622	(743)	5,166	14,783	(3,545)	32,283	747	13,054	359,595
Changes of items during period									
Dividends of surplus						-			(9,262)
Profit attributable to owners of parent						-			1,529
Purchase of treasury shares						-			(6)
Disposal of treasury shares						-			90
Change in ownership interest of parent due to transactions with non-controlling interests						-			(1)
Net decrease from newly consolidated subsidiaries						-			(19)
Net decrease from merger with non-consolidated subsidiaries						-			(22)
Net changes of items other than shareholders' equity	(15,042)	366	257	(4,829)	(545)	(19,793)	11	1,237	(18,545)
Total changes of items during period	(15,042)	366	257	(4,829)	(545)	(19,793)	11	1,237	(26,236)
Balance at end of current period	1,580	(377)	5,423	9,954	(4,090)	12,490	758	14,291	333,359

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: 151

Names of major consolidated subsidiaries:

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

In the fiscal year under review, the number of consolidated subsidiaries increased by 4 due to an acquisition, 2 due to new establishment of the companies and 4 due to increased materiality, and decreased by 3 due to liquidation, 7 due to a merger and 1 due to decreased materiality.

With respect to the IHI Group's investment in Brazilian shipbuilding company Estaleiro Atlântico Sul S.A. (EAS), for which possible estimated loss was recorded under loss on business of subsidiaries and affiliates in the previous fiscal year, the Company's consolidated subsidiary JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA (JEI) concluded a contract to transfer its whole equity interest in EAS to the Camargo Corrêa Group and the Queiroz Galvão Group, which are shareholders of EAS. As a result, effective from the end of the fiscal year under review, JEI is no longer included in the scope of consolidation due to a lack of materiality, as the company is likely to be liquidated in the future.

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

Names of major non-consolidated subsidiaries:

Jiangsu IHI Fengdong Vacuum Technology Co., Ltd.,
Taiwan IHI Transport Machinery Co., Ltd.

(Reason for excluding from the scope of consolidation)

Those non-consolidated subsidiaries are small in size and their 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 decreased by 1 due to liquidation, and 2 (EAS and its subsidiary) due to the conclusion of the above-mentioned contract on the transfer of the equity interest in EAS.

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

Names of major companies: UNIGEN Inc., 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. 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, 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, 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 life 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 subsidiaries and affiliates

To prepare for losses on the businesses of subsidiaries and affiliates, the 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 recording 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*") is 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 income 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 from the fiscal year under review.

II. Changes in Accounting Policies

(Changes in Accounting Policies)

(Application of Accounting Standard for Business Combinations and other regulations)

Effective from the fiscal year under review, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of

subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the presentation method for "Net income" and other related items was changed, and the presentation of "Minority interests" was changed to "Non-controlling interests."

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standards prospectively from the beginning of the fiscal year under review.

The impact of this change on the consolidated financial statements for the fiscal year under review was immaterial.

III. Notes to the Consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Cash and deposits	153 million yen
Notes and accounts receivable - trade	100 million yen
Raw materials and supplies	3 million yen
Buildings and structures	1,641 million yen
Machinery, equipment and vehicles	89 million yen
Land	3,971 million yen
Other property, plant and equipment	12 million yen
Investment securities	646 million yen

(Note)

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

Buildings and structures	213 million yen
Machinery, equipment and vehicles	44 million yen
Land	2,613 million yen
Other property, plant and equipment	12 million yen

(2) Secured liabilities

Short-term loans payable	4,271 million yen
Long-term loans payable	485 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) 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.

2. Accumulated depreciation of property, plant and equipment

562,260 million yen

3. Contingent liabilities

(1) Liabilities on guarantee (Note 1)

(Millions of yen)

Guarantee Given to	Amount	Description
UNIGEN Inc.	10,600	Loans from financial institutions
Japanese Aero Engines Corporation	6,406	Guarantee of loan obligations for purchase of fuselages, guarantee of lease obligations and guarantee of fuselage asset value
ALPHA Automotive Technologies LLC	1,812	Guarantee for lease obligations and loans from financial institutions
IHI Group Health Insurance Association	689	Loans from financial institutions
Japan Aeroforge, Ltd.	590	Loans from financial institutions
Rio Bravo Fresno	(Note 2) 395	Guarantee for repayment of advances received
Rio Bravo Rocklin	(Note 2) 382	Guarantee for repayment of advances received
Construction machinery customers	50	Guarantee for lease obligations
Employees	70	Guarantee on mortgage and education loans, etc.
Chubu Segment Co., Ltd.	25	Loans from financial institutions
Total	21,019	

(Notes)

1. 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.

2. These are maximum guarantee limits under revolving guarantee agreements, which guarantee liabilities relating to ongoing transactions within a maximum guarantee amount.

(2) *Quasi-guarantee*

(Millions of yen)

Guarantee Given to	Amount	Description
Employees	7,294	Guarantee on mortgage and guarantee on bank loans, etc.
IHI Group Health Insurance Association	741	Loans from financial institutions
Total	8,035	

(3) *Notes receivable - trade discounted*

264 million yen

(4) *Notes receivable endorsed*

141 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, 2015	Increase	Decrease	Number of Shares at March 31, 2016
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, 2015	Increase	Decrease	Number of Shares at March 31, 2016
Common stock	3,290,432	14,186	479,012	2,825,606

(Notes)

1. The increase in shares is the result of the purchase of shares less than one unit.
2. Of the decrease in shares, 12 shares are due to the sale of fractional shares at the request of shareholders, and 479,000 shares are due to the exercise of stock options.

2. Matters Concerning Dividends

(1) Cash dividends

Resolution	Class of Shares	Total Amount of Dividends (million yen)	Dividends per Share (yen)	Record Date	Effective Date
June 25, 2015 Ordinary General Meeting of Shareholders	Common stock	4,631	3	March 31, 2015	June 26, 2015
November 4, 2015 Meeting of the Board of Directors	Common stock	4,631	3	September 30, 2015	December 4, 2015

(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 3,171,000 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, 2016, as well as their differences.

(Millions of yen)

	Consolidated Balance Sheet Amount	Fair Value	Differences
(1) Cash and deposits	106,536	106,536	-
(2) Notes and accounts receivable - trade	444,838		
Allowance for doubtful accounts (*1)	(3,961)		
	440,877	440,703	(174)
(3) Securities and investment securities	25,674	25,685	11
Securities to be held until maturity	1,507	1,518	11
Available-for-sale securities	24,167	24,167	-
Total assets	573,087	572,924	(163)
(4) Notes and accounts payable - trade	297,499	297,499	-
(5) Short-term loans payable	94,550	94,550	-
(6) Commercial papers	5,000	5,000	-
(7) Bonds payable	70,000	70,434	434
(8) Long-term loans payable	187,085	188,102	1,017
Total liabilities	654,134	655,585	1,451
(9) Derivatives (*2)			
(a) Derivatives to which hedge accounting is not applied	(549)	(549)	-
(b) Derivatives to which hedge accounting is applied	(123)	(123)	-
Derivatives, total	(672)	(672)	-

- (*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 35,223 million yen) and shares of subsidiaries and affiliates (consolidated balance sheet amount of 79,969 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 5,931 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
94,629	267,354

(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, 2016 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	206.16 yen
2. Basic earnings per share	0.99 yen

(Note)

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

Profit attributable to owners of parent	1,529 million yen
Amounts for non-common shareholders	-
Profit attributable to owners of parent regarding common stock	1,529 million yen
Average number of shares of common stock	1,543,682 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, the Company recorded gain on sales of non-current assets due to factors including the sale of a portion of land and part of the share equity in a rental office building in the Toyosu area, which are owned by the Company.

Details and location of assets	Gain on sales of non-current assets
--------------------------------	-------------------------------------

Land (57,579 m ²) and structures 17-1, Toyosu 2-chome, Koto-ku, Tokyo and other two parcels	19,717 million yen
Rental office building (Among the Company's share equity 33%, 15% of the total) 2-20, Toyosu 3-chome, Koto-ku, Tokyo	8,714 million yen
Others	217 million yen

(Expenses for delayed delivery)

It has become more likely that the Company may not be able to meet contractual delivery deadlines on several projects because of construction delays stemming from efforts to address noncompliant welding (the use of welding materials different from those specified in the design drawings) on some boiler projects.

Also, with respect to the Izmit Bay Crossing Bridge construction project, after completing restoration work following the collapse of a catwalk used for work to install main cables in March 2015, the Company did its utmost to catch up construction delays, but construction work was not completed by the contractual deadline of February 2016.

Notwithstanding its ongoing commitment to keep pushing ahead with efforts to complete construction safely and swiftly, the Company allocates to extraordinary losses the potential damages of 44,628 million yen that the Company could incur as a result of failing to meet the contractual deadline.

(Revision of the amount of deferred tax assets and liabilities by change in corporate tax rate)

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were passed on March 29, 2016 in the Diet. The corporate tax rates are to be lowered from the fiscal year beginning on or after April 1, 2016.

Accordingly, the normal effective statutory tax rate for the calculation of deferred tax assets and deferred tax liabilities will be lowered from 32.3%, the rate used for the previous fiscal year, to 30.9% for temporary differences expected to be utilized for the fiscal year beginning on April 1, 2016 and the fiscal year beginning on April 1, 2017, and to 30.6% for fiscal years beginning on April 1, 2018 and onwards.

As a result of these changes, deferred tax assets (after deducting deferred tax liabilities) as of March 31, 2016 decreased by 5,690 million yen. Income taxes-deferred and valuation difference on available-for-sale securities increased by 5,691 million yen and 62 million yen, respectively.

Remeasurements of defined benefit plans and deferred gains or losses on hedges decreased by 60 million yen and 1 million yen, respectively. Deferred tax liabilities for land revaluation decreased by 284 million yen and revaluation reserve for land increased by 257 million yen.

Non-Consolidated Balance Sheet
(As of March 31, 2016)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		Liabilities	
Current assets	681,108	Current liabilities	557,676
Cash and deposits	31,188	Notes payable – trade	3,484
Notes receivable – trade	2,230	Accounts payable – trade	153,016
Accounts receivable – trade	202,181	Short-term loans payable	69,449
Finished goods	69	Commercial papers	5,000
Work in Process	163,348	Current portion of bonds	10,000
Raw materials and supplies	101,215	Lease obligations	2,858
Advance payments – other	29,447	Accounts payable – other	27,883
Prepaid expenses	6,684	Accrued expenses	73,796
Deferred tax assets	44,800	Income taxes payable	4,063
Accounts receivable – other	26,245	Advances received	115,370
Short-term loans receivable	75,232	Deposits received	911
Other	8,099	Provision for bonuses	8,749
Allowance for doubtful accounts	(9,635)	Provision for construction warranties	33,479
Non-current assets	498,690	Provision for loss on construction contracts	46,938
Property, plant and equipment	203,616	Other	2,675
Buildings	95,961	Non-current liabilities	407,338
Structures	5,880	Bonds payable	60,000
Docks and building berths	743	Long-term loans payable	167,488
Machinery and equipment	27,279	Lease obligations	5,220
Vessels	0	Long-term lease and guarantee deposited	9,086
Vehicles	98	Provision for retirement benefits	105,135
Tools, furniture and fixtures	9,202	Provision for loss on subsidiaries and affiliates	4,644
Land	51,422	Asset retirement obligations	96
Leased assets	7,622	Other	55,666
Construction in progress	5,404	Total liabilities	965,015
Intangible assets	16,684	Net Assets	
Goodwill	12	Shareholders' equity	214,527
Royalties and other intangible assets	6,530	Capital stock	107,165
Leasehold right	9	Capital surplus	54,529
Right of using facilities	32	Legal capital surplus	54,520
Software	10,019	Other capital surplus	9
Leased assets	13	Retained earnings	53,397
Other	67	Legal retained earnings	6,083
Investments and other assets	278,389	Other retained earnings	47,313
Investment securities	55,997	Reserve for advanced depreciation of non-current assets	9,749
Shares of subsidiaries and affiliates	147,532	Reserve for investment loss on restructuring specified business	485
Investments in capital	1,073	Retained earnings brought forward	37,078
Investments in capital of subsidiaries and affiliates	17,200	Treasury shares	(564)
Long-term loans receivable	7,343	Valuation and translation adjustments	(501)
Deferred tax assets	34,480	Valuation difference on available-for-sale securities	(331)
Other	15,371	Deferred gains or losses on hedges	(169)
Allowance for doubtful accounts	(610)	Subscription rights to shares	757
		Total net assets	214,783
Total assets	1,179,799	Total liabilities and net assets	1,179,799

Non-Consolidated Statement of Income
(Year ended March 31, 2016)

(Millions of yen)

Account title	Amount
Net sales	734,807
Cost of sales	663,731
Gross profit	71,076
Selling, general and administrative expenses	83,451
Operating loss	12,375
Non-operating income	
Interest and dividend income	37,064
Other	2,729
Non-operating expenses	
Interest expenses	2,411
Foreign exchange losses	4,999
Other	10,019
Ordinary income	9,987
Extraordinary income	
Gain on sales of non-current assets	28,566
Gain on contribution of securities to retirement benefit trust	6,358
Gain on sales of investment securities	1,505
Extraordinary losses	
Expenses for delayed delivery	25,893
Loss on valuation of shares of subsidiaries and affiliates	1,918
Provision for loss on subsidiaries and affiliates	1,606
Profit before income taxes	17,001
Income taxes – current	7,417
Income taxes – deferred	(22,114)
Profit	31,698

(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, 2016)

(Millions of yen)

	Shareholders' equity										
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings	Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		Retained earnings brought forward			
					Reserve for advanced depreciation of non-current assets	Reserve for specified business restructuring investment loss					
Balance at beginning of current period	107,165	54,520	15	54,535	6,083	10,041	473	14,361	30,959	(654)	192,006
Changes of items during period											
Dividends of surplus								(9,261)	(9,261)		(9,261)
Profit								31,698	31,698		31,698
Reversal of reserve for advanced depreciation of non-current assets						(530)		530	-		-
Increase in reserve due to change in tax rate						238	12	(250)	-		-
Purchase of treasury shares										(5)	(5)
Disposal of treasury shares			(5)	(5)						95	89
Net changes of items other than shareholders' equity											
Total changes of items during period	-	-	(5)	(5)	-	(292)	12	22,717	22,437	89	22,520
Balance at end of current period	107,165	54,520	9	54,529	6,083	9,749	485	37,078	53,397	(564)	214,527

	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	13,346	240	13,587	747	206,340
Changes of items during period					
Dividends of surplus					(9,261)
Profit					31,698
Reversal of reserve for advanced depreciation of non-current assets					-
Increase in reserve due to change in tax rate					-
Purchase of treasury shares					(5)
Disposal of treasury shares					89
Net changes of items other than shareholders' equity	(13,678)	(410)	(14,088)	10	(14,077)
Total changes of items during period	(13,678)	(410)	(14,088)	10	8,443
Balance at end of current period	(331)	(169)	(501)	757	214,783

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, 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 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 from the fiscal year under review.

II. Changes in Accounting Policies

(Application of Accounting Standard for Business Combinations and other regulations)

Effective from the fiscal year under review, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred.

Furthermore, for business combinations carried out on or after the beginning of the fiscal year under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the non-consolidated financial statements for the fiscal year to which the date of business combination belongs.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standards prospectively from the beginning of the fiscal year under review. There is no impact of this change on the non-consolidated financial statements for the fiscal year under review.

III. Notes to the Non-Consolidated Balance Sheet

1. Assets Pledged as Collateral and Secured Liabilities

Assets pledged as collateral

Shares of subsidiaries and affiliates	144 million yen (Note 1)
Investment securities	646 million yen (Note 2)

(Notes)

- Collateral for loans of subsidiaries and affiliates (21 million yen of short-term loans payable).
- 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.

2. Accumulated Depreciation of Property, Plant and Equipment

318,014 million yen

3. Contingent Liabilities

(1) *Liabilities on guarantee (Note 1)*

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
IHI Infrastructure Systems Co., Ltd.	12,056	Loans from financial institutions
UNIGEN Inc.	10,600	Loans from financial institutions
Japanese Aero Engines Corporation	6,405	Guarantee of loan obligations for purchase of fuselages, guarantee for lease obligations and guarantee of fuselage asset value
IHI Charging Systems International GmbH	6,197	Loans from financial institutions
ALPHA Automotive Technologies LLC	1,811	Guarantee for lease obligations and loans from financial institutions
Niigata Power Systems Co., Ltd.	1,680	Loans from financial institutions
IHI Group Health Insurance Association	688	Loans from financial institutions
Japan Aeroforge, Ltd.	590	Loans from financial institutions
Rio Bravo Fresno	(Note 2) 394	Guarantee for repayment of advances received
Rio Bravo Rocklin	(Note 2) 383	Guarantee for repayment of advances received
IHI Southwest Technologies, Inc.	326	Loans from financial institutions
Toshiba IHI Power Systems Corporation	305	Loans from financial institutions
Total	41,440	

(Notes)

1. 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.
2. These are maximum guarantee limits under revolving guarantee agreements, which guarantee liabilities relating to ongoing transactions within a maximum guarantee amount.

(2) *Quasi-guarantee*

(Millions of yen)

Guaranteed entity	Amount	Description
Employees of the Company	7,026	Housing loans and others
IHI Group Health Insurance Association	740	Loans from financial institutions
IHI Charging Systems International GmbH	93	Commitment to guarantees for the obligation to return VAT refund
Total	7,860	

4. Monetary Claims and Liabilities to Subsidiaries and Affiliates

Short-term monetary claims	102,948 million yen
Long-term monetary claims	5,270 million yen
Short-term monetary liabilities	105,758 million yen
Long-term monetary liabilities	860 million yen

IV. Notes to the Non-Consolidated Statement of Income

1. Amounts of Transactions with Subsidiaries and Affiliates

(1) *Operating transactions*

Sales to subsidiaries and affiliates	44,403 million yen
Purchases from subsidiaries and affiliates	159,131 million yen

(2) *Non-operating transactions*

40,728 million yen

2. Gain on sales of non-current assets

In order to strengthen the Company's financial position, the Company recorded gain on sales of non-current assets due to factors including the sale of a portion of land and part of the share equity in a rental office building in the Toyosu area, which are owned by the Company.

Details and location of assets	Gain on sales of non-current assets
Land (57,579 m ²) and structures 17-1, Toyosu 2-chome, Koto-ku, Tokyo and other two parcels	19,717 million yen
Rental office building (Among the Company's share equity 33%, 15% of the total) 2-20, Toyosu 3-chome, Koto-ku, Tokyo	8,714 million yen
Others	135 million yen

3. Expenses for delayed delivery

It has become more likely that the Company may not be able to meet contractual delivery deadlines on several projects because of construction delays stemming from efforts to address noncompliant welding (the use of welding materials different from those specified in the design drawings) on some boiler projects.

Notwithstanding its ongoing commitment to keep pushing ahead with efforts to complete construction safely and swiftly, the Company allocates to extraordinary losses the potential damages of 25,893 million yen that the Company could incur as a result of failing the contractual deadline.

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	2,825,606 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.

(Revision to amounts of deferred tax assets and liabilities due to change in effective statutory tax rates)

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were passed on March 29, 2016 in the Diet. The corporate tax rates are to be lowered from the fiscal years beginning on or after April 1, 2016.

Accordingly, the normal effective statutory tax rate for the calculation of deferred tax assets and deferred tax liabilities will be lowered from 32.3%, the rate used for the previous fiscal year, to 30.9% for temporary differences expected to be reversed in the fiscal year beginning on April 1, 2016 and the

fiscal year beginning on April 1, 2017, and to 30.6% for temporary differences expected to be reversed in fiscal years beginning on April 1, 2018 and onwards.

As a result of these changes, deferred tax assets (after deducting deferred tax liabilities) decreased by 4,155 million yen. Income taxes-deferred and valuation difference on available-for-sale securities increased by 4,199 million yen and 47 million yen, respectively.

Deferred gains or losses on hedges decreased by 3 million yen.

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 Infrastructure Systems Co., Ltd.	Sakai City, Osaka	9,753	Manufacture	Holding directly 100%	Company sharing business function
Subsidiary	JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA	Rio de Janeiro, Brazil	922 million BRL	Investment company	Holding directly 63.1%	Company sharing business function
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, 2015 (Note 1)
IHI Infrastructure Systems Co., Ltd.	-Debt guarantee	(Note 2) 12,056	-	-
JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA	-Subscription to capital increase	(Note 3) 14,666	-	-
IHI Finance Support Corporation	-Factoring	(Note 4) 70,392	Accounts payable - trade Accounts payable - other	20,830 3,054

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%	Chairman of the Board of the Company

(Millions of yen)

Name	Transactions	Transaction Amount (Note 1)	Account Title	Balance as of March 31, 2015 (Note 1)
Kazuaki Kama	Operating transactions with Japanese Aero Engines Corporation (JAEC) (Note 5)			
	-Subcontract of work from JAEC related to R&D of jet engines	6,511	-	-
	-Payment of a portion of funding related to the above	2,438	-	-
	-Acceptance of subsidies related to the above	10,847	Accounts payable - other	2,984
			Long-term accounts payable - other	51,042
	-Manufacture of jet engine components and delivery thereof to JAEC	175,367	Accounts receivable - trade	22,761
		Advances received	6,570	
-Payment of a portion of expenses related to the above	117,405	-	-	

(Notes)

1. Amounts of transactions do not include consumption taxes and balances as of March 31, 2016 do.
2. The debt guarantee applies to borrowings from a financial institution.
3. The Company subscribed to the capital increase by allotment of new shares to equity contributors. For the fiscal year under review, the Company recorded impairment loss and reversed provision for loss on subsidiaries and affiliates.
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.

IX. Per Share Information

1. Net assets per share	138.62 yen
2. Basic earnings per share	20.53 yen

(Note)

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

Profit	31,698 million yen
Amounts for non-common shareholders	–
Profit regarding common stock	31,698 million yen
Average number of shares of common stock	1,543,682 thousand shares

X. Significant Subsequent Events

No applicable item.

(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 17, 2016

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

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

Yoshiyuki Sakuma (Seal)
Certified Public Accountant
Designated and Engagement Partner

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

Pursuant to Article 444, Section 4 of the Corporation Law, 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, 2015 through March 31, 2016.

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, 2016 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 Law of Japan.

Audit Report of Accounting Auditor on Financial Statements

(Translation)

Report of Independent Auditors

May 17, 2016

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

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

Yoshiyuki Sakuma (Seal)
Certified Public Accountant
Designated and Engagement Partner

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

Pursuant to Article 436, Section 2, Paragraph 1 of the Corporation Law, 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 199th fiscal year from April 1, 2015 through March 31, 2016.

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 199th fiscal year ended March 31, 2016 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 Law 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 199th fiscal year, from April 1, 2015 through March 31, 2016, 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 Corporation Law 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.

<Supplementary note>

Ernst & Young ShinNihon LLC (the “Audit Corporation”) was ordered by the Financial Services Agency as of December 22, 2015 to suspend operation for accepting new engagements for three months from January 1, 2016 to March 31, 2016 and improve its operations.

In addition, one of engagement partners who are certified public accountants at the Audit Corporation and were in charge of audits of the Company for the fiscal year ended March 31, 2014, the fiscal year ended March 31, 2015 and the fiscal year ended March 31, 2016 (until the second quarter) was subjected to disciplinary action by the Financial Services Agency suspending the partner from providing services for one month from December 24, 2015 to January 23, 2016. This partner left the Audit Corporation.

We had the Audit Corporation promptly appoint a new engagement partner. Moreover, the Company received an explanation about the content of the business improvement plan that was submitted by the Audit Corporation on January 29, 2016 and accepted by the Financial Services Agency, and confirmed the progress of the plan. In addition, we asked the Audit Corporation to report on the underlying reason why the Audit Corporation became subjected to the punishment as well as the findings after research and future improvement measures. Furthermore, we, as the Audit & Supervisory Board, conducted research on performance of audits of the Company's production-related divisions and finance-related divisions by the Audit Corporation, were presented by the Audit Corporation with the improvement measures for audits of the Company and confirmed the implementation of these measures in the year-end audit of the Company for the fiscal year ended March 31, 2016. At the same time, we also confirmed that there was nothing to be pointed out in the Audit Corporation's audit for the settlement of accounts of the Company.

May 18, 2016

**The Audit & Supervisory Board
IHI Corporation**

Hideo Otaka (Seal)
Standing Audit & Supervisory
Board Member

Makoto Serizawa (Seal)
Standing Audit & Supervisory
Board Member

Nobuo Gohara (Seal)
Outside Audit & Supervisory
Board Member

Toshiharu Watanabe (Seal)
Outside Audit & Supervisory
Board Member

Takayuki Hashimoto (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 23, 2016) (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 x 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.