(Translation)

Securities Code: 7013
May 29, 2019

To: Shareholders

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

NOTICE OF CONVOCATION OF THE 202ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 202nd Ordinary General Meeting of Shareholders of IHI Corporation (the "Company"). The meeting shall be held as followings.

1. Date and Time: June 20, 2019 (Thursday), 10:00 a.m.
(The reception of the attendees to the meeting 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 202nd fiscal year (from April 1, 2018 to March 31, 2019), 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 202nd fiscal year (from April 1, 2018 to March 31, 2019)

Matters to be resolved:

Agenda Item No. 1: Allotment of dividend of surplus
Agenda Item No. 2: Election of eleven (11) directors
Agenda Item No. 3: Election of one (1) audit & supervisory board member

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

If unable to attend the meeting on the day, voting rights can be exercised 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 (page 5 to page 34) in this document and exercise your voting rights using one of the methods described on the following page.

Guidance on Exercising Voting Rights

Three methods for exercising voting rights are as follows.

If you will attend the General Meeting of Shareholders

●If exercising voting rights by attendance at the General Meeting of Shareholders;

Please present the enclosed voting form to the reception when attending the meeting. Also, please bring this Notice of Convocation of the 202nd Ordinary General Meeting of Shareholders (this document) to the meeting.

Date and time of the General Meeting of Shareholders:
June 20, 2019 (Thursday), 10:00 a.m.

If you will not attend the General Meeting of Shareholders

● If exercising voting rights by voting form;

Please exercise your voting rights by stating whether you are for or against each of the agenda items on the voting form enclosed herein and return the form that it reaches us by the deadline below.

If you do not state whether for or against an agenda item when 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 19, 2019 (Wednesday) (JST)

● If exercising voting rights via the Internet, etc.;

Please exercise your voting rights via personal computer or smartphone by the deadline below.

For details of the methods for exercising voting rights, please refer to page 122.

Deadline: No later than 5:30 p.m. on June 19, 2019 (Wednesday) (JST)

In case of repeated exercise of voting rights

(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 be noted 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.ihi.co.jp

- END -

Disclaimer:

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

Reference Material for the General Meeting of Shareholders

Agenda Items and Reference Matters

Agenda Item No. 1: Allotment of Dividend of Surplus

The Company's management policy is to contribute in building a sustainable society, aiming to boost corporate value by working together with its customers to solve various social problems, and maintaining a basic policy to aim for stable dividend payment and sustainable dividend increase, in proportion with the IHI Group's growth.

In consideration of the above policy, the results for the fiscal year under review and retained earnings, the year-end dividend for the 202nd fiscal year will be as follows:

(i) Type of dividend assets

Cash

(ii) Matters concerning the allotment of dividend assets and the total amount

40 yen per share of the Company's common stock

Total amount of dividends 6,180,420,320 yen

An interim dividend of 30 yen per share was paid, resulting in an annual dividend of 70 yen per share. The consolidated payout ratio is 27.1%.

(iii) Effective date of dividends

June 21, 2019

(Reference) The Company's Dividend Policy (announced on May 8, 2019)

The Company's management policy is to contribute to building a sustainable society, aiming to boost corporate value by working together with its customers to solve various social problems.

Under this management policy of contributing in achieving sustainable society, the Company aims to increase dividends on a sustainable basis in proportion with the IHI Group's growth while following the basic policy of stable dividend payment.

With respect to the amount of dividends, the Company targets a consolidated payout ratio of around 30% while comprehensively considering investments and allocations to enrich and bolster equity to enhance corporate value.

Agenda Item No. 2: Election of eleven (11) directors

The terms of office of all twelve (12) current directors will expire at the conclusion of this General Meeting of Shareholders. In that regard, approval is hereby requested for the election of eleven (11) directors, including three (3) outside directors.

The candidates for the offices of directors are as follows:

Cand-idate No.	Name	Attribute of candidate	Current position at the Company	Attendance of Board of Directors meetings	Period in office
1	Tamotsu Saito	Reappointment	Chairman of the Board	18 of 18 (100%)	11 years and 2 months
2	Tsugio Mitsuoka	Reappointment	President; Chief Executive Officer	18 of 18 (100%)	5 years
3	Hiroyuki Otani	Reappointment	Executive Vice President; Senior Executive Officer	18 of 18 (100%)	5 years
4	Takeshi Yamada	Reappointment	Executive Vice President; Senior Executive Officer	18 of 18 (100%)	2 years
5	Tomoharu Shikina	Reappointment	Director; Managing Executive Officer	18 of 18 (100%)	3 years
6	Nobuko Mizumoto	Reappointment	Director; Managing Executive Officer	14 of 14 (Note) (100%)	1 year
7	Masafumi Nagano	Reappointment	Director; Managing Executive Officer	14 of 14 (Note) (100%)	1 year
8	Kouichi Murakami	Reappointment	Director; Managing Executive Officer	14 of 14 (Note) (100%)	1 year
9	Taketsugu Fujiwara	Reappointment Outside Independent	Director	18 of 18 (100%)	4 years
10	Hiroshi Kimura	Reappointment Outside Independent	Director	17 of 18 (94%)	3 years
11	Kazuhiko Ishimura	Reappointment Outside Independent	Director	18 of 18 (100%)	2 years

(Note) The stated Attendance of Board of Directors meetings is based merely on the attendance after his/her assumption as director.

Cand-idate 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	Reappointment Tamotsu Saito (July 13, 1952)	Apr. 1975: Joined the Company Jun. 2006: Executive Officer; Vice President of Aero-Engine & Space Operations, the Company Jan. 2008: Executive Officer; President of Aero-Engine & Space Operations, the Company Apr. 2008: Director; Executive Officer, President of Aero-Engine & Space Operations, the Company Apr. 2009: Director; Managing Executive Officer, President of Aero-Engine & Space Operations, the Company Apr. 2010: Director, the Company Apr. 2011: Executive Vice President, the Company Apr. 2012: President; Chief Executive Officer, the Company Apr. 2016: Chairman of the Board; Chief Executive Officer, General Manager of *Monozukuri* System Strategy Planning Headquarters, the Company Apr. 2017: Chairman of the Board, the company (incumbent) (Position and Areas of Responsibility at the Company) Chairman of the Board (Significant Concurrent Positions) President, Manufacturing Science and Technology Center Chairman, THE JAPAN WORKVESSEL ASSOCIATION President, The Japan Society of Industrial Machinery Manufacturers Chairman, Japan Association of Defense Industry President, Society of Japanese Value Engineering Chairman, Fukushima Innovation Coast Framework Promotion Organization Chairman, The Shipbuilders' Association of Japan (scheduled to assume the position in June 2019) Outside Director, JAPAN POST INSURANCE Co., Ltd. Outside Director, Oki Electric Industry Co., Ltd. (Number of other listed companies where he serves concurrently as officer) Engaged in business execution: 0 Not engaged in business execution: 2 companies	13,500 shares

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

(Attendance of Board of Directors meetings)
18 out of 18 (100%)

(Period in office)
At the conclusion of this meeting, Mr. Tamotsu Saito will have served 11 years and 2 months as director of the Company.

(Note)
Mr. Tamotsu Saito is serving concurrently as representative of Manufacturing Science and Technology Center, THE JAPAN WORKVESSEL ASSOCIATION, The Japan Society of Industrial Machinery Manufacturers, Japan Association of Defense Industry, Society of Japanese Value Engineering, Fukushima Innovation Coast Framework Promotion Organization, and will serve concurrently as representative of The Shipbuilders' Association of Japan. There are no special interests between the Company and him, Manufacturing Science and Technology Center, THE JAPAN WORKVESSEL ASSOCIATION, The Japan Society of Industrial Machinery Manufacturers, Japan Association of Defense Industry, Society of Japanese Value Engineering, Fukushima Innovation Coast Framework Promotion Organization, and The Shipbuilders' Association of Japan.

Cand-idate 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	Reappointment Tsugio Mitsuoka (October 13, 1954)	Apr. 1980: Joined the Company Apr. 2008: Vice President of Aero-Engine & Space Operations, the Company Apr. 2010: Executive Officer; Vice President of Aero-Engine & Space Operations, the Company Apr. 2013: Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company Jun. 2014: Director; Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company Apr. 2016: President; Chief Operating Officer, the Company Apr. 2017: President; Chief Executive Officer, the Company (incumbent) (Position and Areas of Responsibility at the Company) President; Chief Executive Officer (Number of other listed companies where he serves concurrently as officer) Engaged in business execution: 0 Not engaged in business execution: 0	8,000 shares

(Reasons for nomination)
Mr. Tsugio Mitsuoka was appointed as President of Aero-Engine & Space Operations in April 2013, driving the growth of the globally developing business before becoming President and Chief Operating Officer in April 2016 and assuming the role of President and Chief Executive Officer in April 2017, in which capacity he has led the IHI Group's management. In the belief that his abundant experience and insight as corporate manager will be utilized in the management of the IHI Group, the Company has nominated him as a candidate for director.

(Attendance of Board of Directors meetings)
18 out of 18 (100%)

(Period in office)
At the conclusion of this meeting, Mr. Tsugio Mitsuoka will have served 5 years as director of the Company.

(Note)
There are no special interests between the Company and Mr. Tsugio Mitsuoka.

Cand-idate 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	Reappointment Hiroyuki Otani (October 8, 1955)	Apr. 1978: Joined the Company Apr. 2010: Vice President of Aero-Engine & Space Operations, the Company Apr. 2011: Executive Officer; President of Power Systems Operations, the Company Apr. 2012: Executive Officer; Vice President of Energy Operations, the Company Apr. 2013: Executive Officer; Vice President of Machinery & Logistics Systems Operations, the Company Apr. 2014: Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company Jun. 2014: Director; Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company Apr. 2016: Director, the Company Apr. 2017: Director; Managing Executive Officer; President of Resources, Energy and Environment Business Area, the Company Apr. 2018: Executive Vice President; Senior Executive Officer; President of Resources, Energy and Environment Business Area, the Company Apr. 2019: Executive Vice President; Senior Executive Officer, the Company (incumbent) (Position and Areas of Responsibility at the Company) Executive Vice President; Senior Executive Officer; Assistant to the President; in charge of Group Safety and Health; in charge of Labor; in charge of *Monozukuri* System Strategy; in charge of Group Quality Assurance; in charge of Business Relating to Procurement; in charge of Production Base Strategy (Number of other listed companies where he serves concurrently as officer) Engaged in business execution: 0 Not engaged in business execution: 0	4,900 shares

(Reasons for nomination)
Mr. Hiroyuki Otani has accumulated a great deal of knowledge mainly in the aero-engine production and technology division. He has also been responsible for business divisions including power systems and machinery & logistics, and the Resources, Energy and Environment Business Area. In the belief that this wide range of business management experience and insight will be utilized in the management of the IHI Group, the Company has nominated him as a candidate for director.

(Attendance of Board of Directors meetings)
18 out of 18 (100%)

(Period in office)
At the conclusion of this meeting, Mr. Hiroyuki Otani will have served 5 years as director of the Company.

(Note)
There are no special interests between the Company and Mr. Hiroyuki Otani.

Cand-idate 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	Reappointment Takeshi Yamada (July 14, 1958)	Apr. 1981: Joined the Company Apr. 2006: Manager of Budgeting Group, Finance & Accounting Division, the Company Jul. 2011: Manager of Planning Group, Corporate Planning Division, the Company Apr. 2014: Executive Officer; Deputy General Manager of Finance & Accounting Division, the Company Apr. 2017: Executive Officer; General Manager of Finance & Accounting Division, the Company Jun. 2017: Director; Executive Officer; General Manager of Finance & Accounting Division, the Company Apr. 2018: Director; Managing Executive Officer; General Manager of Finance & Accounting Division, the Company Apr. 2019: Executive Vice President; Senior Executive Officer, the Company (incumbent) (Position and Areas of Responsibility at the Company) Executive Vice President; Senior Executive Officer; Assistant to the President; In charge of Group Finance & Accounting; In charge of Business Relating to Corporate Planning (Number of other listed companies where he serves concurrently as officer) Engaged in business execution: 0 Not engaged in business execution: 0	1,400 shares

(Reasons for nomination)
Mr. Takeshi Yamada has accumulated a great deal of knowledge mainly in the finance & accounting field and corporate planning division. He was appointed as Deputy General Manager of Finance & Accounting Division in April 2014 and General Manager of Finance & Accounting Division in April 2017. In the belief that his high level of insight into financial strategies, improvement in the financial condition and the Group's overall business management will be utilized in the management of the IHI Group, the Company has nominated him as a candidate for director.

(Attendance of Board of Directors meetings)
18 out of 18 (100%)

(Period in office)
At the conclusion of this meeting, Mr. Takeshi Yamada will have served 2 years as director of the Company.

(Note)
There are no special interests between the Company and Mr. Takeshi Yamada.

Cand-idate 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	Reappointment Tomoharu Shikina (February 4, 1958)	May 1980: Joined the Company Apr. 2011: Vice President of Aero-Engine & Space Operations, the Company Apr. 2013: Executive Officer; Vice President of Aero-Engine & Space Operations and Division Director of Civil Aero-Engine Division, the Company Apr. 2016: Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company Jun. 2016: Director; Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, the Company Apr. 2017: Director; Managing Executive Officer; President of Aero-Engine, Space & Defense Business Area, the Company (incumbent) (Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; in charge of Business Relating to Public Relations and Investor Relations; In charge of Group Business Process Platform; President of Aero-Engine, Space & Defense Business Area (Number of other listed companies where he serves concurrently as officer) Engaged in business execution: 0 Not engaged in business execution: 0	3,700 shares

(Reasons for nomination)
Mr. Tomoharu Shikina has accumulated a great deal of knowledge in the aero-engine technology development field. He then was appointed as President of Aero-Engine & Space Operations in April 2016. In the belief that his abundant accomplishments and experience will contribute to the growth of the IHI Group particularly in Aero-Engine, Space & Defense Business Area, the Company has nominated him as a candidate for director.

(Attendance of Board of Directors meetings)
18 out of 18 (100%)

(Period in office)
At the conclusion of this meeting, Mr. Tomoharu Shikina will have served 3 years as director of the Company.

(Note)
There are no special interests between the Company and Mr. Tomoharu Shikina.

Cand-idate 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	Reappointment Nobuko Mizumoto (March 31, 1957)	Apr. 1982: Joined the Company Jul. 2004: General Manager of TX Preparation Division, the Company Apr. 2006: General Manager of New Business Creation Group, Corporate Planning Division, the Company Oct. 2008: General Manager of Recruit Group, Human Resources Division, the Company Apr. 2012: General Manager of Corporate Social Responsibility Division, the Company Apr. 2014: Executive Officer; General Manager of Group Business Process Platform Control Division, the Company Apr. 2016: Executive Officer; General Manager of Procurement Strategy Planning, the Company Apr. 2017: Managing Executive Officer; General Manager of Procurement Strategy Planning, the Company Apr. 2018: Managing Executive Officer; General Manager of Intelligent Information Management Headquarters, the Company Jun. 2018: Director; Managing Executive Officer; General Manager of Intelligent Information Management Headquarters, the Company (incumbent) (Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; In charge of Business Relating to Information Management; General Manager of Intelligent Information Management Headquarters (Number of other listed companies where she serves concurrently as officer) Engaged in business execution: 0 Not engaged in business execution: 0	2,600 shares

(Reasons for nomination)
After accumulating achievements as a researcher at the IHI's technology research institute, Ms. Nobuko Mizumoto has served in vital posts at headquarters divisions, beginning with the Headquarters relocation project. In the belief that her wide range of experience and achievements accumulated in her career are essential for the growth of the IHI Group, the Company has nominated her as a candidate for director.

(Attendance of Board of Directors meetings)
14 out of 14 (100%)

(Period in office)
At the conclusion of this meeting, Ms. Nobuko Mizumoto will have served 1 year as director of the Company.

(Note)
There are no special interests between the Company and Ms. Nobuko Mizumoto.
*The name of Ms. Nobuko Mizumoto in the family register is Nobuko Saita.

Cand-idate 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	Reappointment Masafumi Nagano (November 27, 1958)	Apr. 1982: Joined the Company Mar. 2006: General Manager of Labor & Safety Planning Group, Human Resources Division, the Company Apr. 2009: General Manager of Kyusyu Branch, Sales Headquarters, the Company Apr. 2012: General Manager of Human Resources Division, the Company Apr. 2014: Executive Officer; General Manager of Human Resources Division, the Company Apr. 2016: Executive Officer; General Manager of Corporate Planning Division, the Company Apr. 2018: Managing Executive Officer; President of Industrial Systems & General-Purpose Machinery Business Area, the company Jun. 2018: Director; Managing Executive Officer; President of Industrial Systems & General-Purpose Machinery Business Area, the company (incumbent) (Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; President of Industrial Systems & General-Purpose Machinery Business Area (Number of other listed companies where he serves concurrently as officer) Engaged in business execution: 0 Not engaged in business execution: 0	3,400 shares

(Reasons for nomination)
Mr. Masafumi Nagano has accumulated a great deal of knowledge mainly in the human resources division. He has also been responsible for the domestic sales headquarters and the human resources division, and subsequently responsible for the corporate planning division. In the belief that his abundant experience and accomplishments will contribute to the growth of the IHI Group particularly in Industrial Systems & General-Purpose Machinery Business Area, the Company has nominated him as a candidate for director.

(Attendance of Board of Directors meetings)
14 out of 14 (100%)

(Period in office)
At the conclusion of this meeting, Mr. Masafumi Nagano will have served 1 year as director of the Company.

(Note)
There are no special interests between the Company and Mr. Masafumi Nagano.

Cand-idate 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	Reappointment Kouichi Murakami (January 19, 1960)	Apr. 1985: Joined the Company Apr. 2009: General Manager of Administration Department, Corporate Research & Development, the Company Apr. 2012: General Manager of Products Development Center, Corporate Research & Development, the Company Apr. 2013: Deputy General Manager of Corporate Research & Development; General Manager of Research Laboratory, the Company Apr. 2015: Vice President of Rotating Machinery Operations; Assistant General Manager of Corporate Research & Development, the Company Apr. 2016: Executive Officer; President of Rotating Machinery Operations, the Company Apr. 2017: Executive Officer; General Manager of Corporate Research & Development, the Company Apr. 2018: Managing Executive Officer; General Manager of Corporate Research & Development, the Company Jun. 2018: Director; Managing Executive Officer; General Manager of Corporate Research & Development, the Company (incumbent) (Position and Areas of Responsibility at the Company) Director; Managing Executive Officer; In charge of Group Engineering; In charge of Business Relating to New Corporate Businesses; General Manager of Corporate Research & Development (Number of other listed companies where he serves concurrently as officer) Engaged in business execution: 0 Not engaged in business execution: 0	4,500 shares

(Reasons for nomination)
Mr. Kouichi Murakami gained experience in the research & development of materials and overall technological management in corporate research & development division. Following this, he was in charge of the rotating machinery operations division, then appointed as General Manager of Corporate Research & Development in April 2017. Judging that this experience and high level of insight into the Group's overall technologies is essential for the growth of the IHI Group, the Company has nominated him as a candidate for director.

(Attendance of Board of Directors meetings)
14 out of 14 (100%)

(Period in office)
At the conclusion of this meeting, Mr. Kouichi Murakami will have served 1 year as director of the Company.

(Note)
There are no special interests between the Company and Mr. Kouich Murakami.

Cand-idate 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	Reappointment Candidate for Outside Director Candidate for Independent Director Taketsugu Fujiwara (February 19, 1947)	Apr. 1969: Joined Asahi Chemical Industry Co., Ltd. (now Asahi Kasei Corporation) Jun. 2000: Director, Asahi Kasei Corporation Jun. 2003: Senior Executive Officer, Asahi Kasei Corporation Oct. 2003: Presidential Executive Officer, Asahi Kasei Chemicals Corporation Apr. 2009: Vice-Presidential Executive Officer, Asahi Kasei Corporation Jun. 2009: Director, Vice-Presidential Executive Officer, Asahi Kasei Corporation Apr. 2010: President and Representative Director, Presidential Executive Officer, Asahi Kasei Corporation Apr. 2014: Vice Chairman and Director, Asahi Kasei Corporation Jun. 2015: Director, the Company (incumbent) Standing Counsellor, Asahi Kasei Corporation Jun. 2018: Counsellor, Asahi Kasei Corporation (incumbent) (Position and Areas of Responsibility at the Company) Director (Significant Concurrent Positions) Chairman, Japan Society for Safety Engineering Outside Director, SHIMADZU CORPORATION Independent Director of the Board, KOKUYO Co., Ltd. Outside Director, KONICA MINOLTA, INC. (Number of other listed companies where he serves concurrently as officer) Engaged in business execution: 0 Not engaged in business execution: 3 companies	0 shares

(Reasons for nomination)
Mr. Taketsugu Fujiwara gained extensive experience and broad insight at the helm of a general chemicals manufacturer, where he implemented diversified management. Aiming for these qualities to be reflected in the management of the Company, and acknowledging his proven ability in performing management oversight and monitoring functions from an independent perspective, the Company has nominated him as a candidate for outside director.

(Attendance of Board of Directors meetings)
18 out of 18 (100%)

(Period in office)
At the conclusion of this meeting, Mr. Taketsugu Fujiwara will have served 4 years as outside director of the Company.

(Policy on independence)
Some of the Company's subsidiaries have a business relationships relating to the defense business with Asahi Kasei Corporation, where Mr. Taketsugu Fujiwara previously served as a business executive. However, the transaction amount generated by this is less than 0.03% of the Company's consolidated net sales and 0.03% of Asahi Kasei Corporation's consolidated net sales (for the fiscal year ended March 31, 2019), which is immaterial. Therefore, this has no impact on his independence.
The Company has registered Mr. Taketsugu Fujiwara with domestic financial instrument exchanges (where the Company is listed) as independent director.

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

Cand-idate 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	Reappointment Candidate for Outside Director Candidate for Independent Director Hiroshi Kimura (April 23, 1953)	Apr. 1976: Joined Japan Tobacco and Salt Public Corporation (now Japan Tobacco Inc.) Jan. 1999: President of Corporate Planning Division, Japan Tobacco Inc. May 1999: Executive Vice President, JT International SA Jun. 1999: Director, Japan Tobacco Inc. Jun. 2001: Retired from Director, Japan Tobacco Inc. Jun. 2005: Director, Japan Tobacco Inc. May 2006: Retired from Executive Vice President, JT International SA Jun. 2006: President and CEO, Japan Tobacco Inc. Jun. 2012: Chairman of the Board, Japan Tobacco Inc. Jun. 2014: Executive Corporate Advisor, Japan Tobacco Inc. Jun. 2016: Director, the Company (incumbent) Jul. 2016: Advisor, Japan Tobacco Inc. Mar. 2018: Executive Alumnus, Japan Tobacco Inc. (incumbent) (Position and Areas of Responsibility at the Company) Director (Significant Concurrent Positions) Outside Director, Nomura Holdings, Inc. Outside Director, Mitsui Sumitomo Insurance Company, Limited (Number of other listed companies where he serves concurrently as officer) Engaged in business execution: 0 Not engaged in business execution: 2 companies	1,900 shares

(Reasons for nomination)
Mr. Hiroshi Kimura gained extensive experience and broad insight as a business manager who has led aggressive globalization in response to changes in business environment. Aiming for these qualities to be reflected in the management of the Company, and acknowledging his proven ability to perform management oversight and monitoring functions from an independent perspective, the Company has nominated him as a candidate for outside director.

(Attendance of Board of Directors meetings)
17 out of 18 (94%)

(Period in office)
At the conclusion of this meeting, Mr. Hiroshi Kimura will have served 3 years as outside director of the Company.

(Policy on independence)
Some of the Company's subsidiaries have a business relationships 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 transaction amount that business relationship generates is less than 0.01% of the Company's consolidated net sales, which is immaterial, in addition the Company has no history of purchases from Japan Tobacco Inc. (for the fiscal year ended March 31, 2019). Therefore, this has no impact on his independence.
The Company has registered Mr. Hiroshi Kimura with domestic financial instrument exchanges (where the Company is listed) as independent director.

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

Cand-idate 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	Reappointment Candidate for Outside Director Candidate for Independent Director Kazuhiko Ishimura (September 18, 1954)	Apr. 1979: Joined Asahi Glass Co., Ltd. (now AGC Inc.) Jan. 2006: Executive Officer; GM of Kansai Plant, Asahi Glass Co., Ltd. Jan. 2007: Senior Executive Officer and GM of Electronics & Energy General Division, Asahi Glass Co., Ltd. Mar. 2008: Representative Director and President & COO, Asahi Glass Co., Ltd. Jan. 2010: Representative Director and President & CEO, Asahi Glass Co., Ltd. Jan. 2015: Chairman, Asahi Glass Co., Ltd. Jun. 2017: Director, the Company (incumbent) Jan. 2018: Director and Chairman, AGC Inc. (incumbent) (Position and Areas of Responsibility at the Company) Director (Significant Concurrent Positions) Chairman, The Asahi Glass Foundation Vice Chairman, Japan Construction Material & Housing Equipment Industries Federation Director and Chairman, AGC Inc. *He is not a business executive at AGC Inc. Outside Director, TDK Corporation Outside Director, Nomura Holdings, Inc. (Number of other listed companies where he serves concurrently as officer) Engaged in business execution: 0 Not engaged in business execution: 3 companies	600 shares

(Reasons for nomination)
Mr. Kazuhiko Ishimura gained extensive experience and broad insight at the helm of a comprehensive materials manufacturer. Aiming for these qualities to be reflected in the management of the Company, and acknowledging his proven ability to perform management oversight and monitoring functions from an independent perspective, the Company has nominated him as a candidate for outside director.

(Attendance of Board of Directors meetings)
18 out of 18 (100%)

(Period in office)
At the conclusion of this meeting, Mr. Kazuhiko Ishimura will have served 2 years as outside director of the Company.

(Policy on independence)
The Group has a business relationship involving the maintenance and sale of industrial machinery, etc. with AGC Inc., where Mr. Kazuhiko Ishimura previously served as a business executive. However, the transaction amount that business relationship generates is less than 0.04% of the Company's consolidated net sales, which is immaterial, and the Company has no history of purchases from AGC Inc. (for the fiscal year ended March 31, 2019). Therefore, this has no impact on his independence.
The Company has registered Mr. Kazuhiko Ishimura with domestic financial instrument exchanges (where the Company is listed) as independent director.

(Overview of the Limited Liability Contract)
The Company has concluded a contract with Mr. Kazuhiko Ishimura to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of his liability for damages under the said contract shall be the amount stipulated by laws and regulations. If reappointment of the director is approved, the Company shall continue the aforementioned contract to limit liability with him.

(Note) The fact that inadequate inspections were performed in the Company's civil aero engine maintenance business during the service of Mr. Taketsugu Fujiwara, Mr. Hiroshi Kimura and Mr. Kazuhiko Ishimura as Outside Director of the Company has revealed. In this regard, the Company received an order from the Ministry of Economy, Trade and Industry to carry out repairs in accordance with the approved repair methods under the Aircraft Manufacturing Industry Act in March 2019, and a business improvement order from the Ministry of Land, Infrastructure, Transport and Tourism under the Civil Aeronautics Act in April 2019. The above three persons had offered suggestions about the importance of legal compliance and internal control based on their extensive experience and a high level of insight since before this fact became clear. After the fact was revealed, they perform their duties including understanding the situation by being kept informed of the progress in the investigation of facts and others, and promptly examining the impact on safety, developing appropriate measures for preventing recurrence, and requesting to further enhance and ensure compliance.

Agenda Item No. 3: Election of one (1) audit & supervisory board member

Approval is hereby requested for the election of one (1) audit & supervisory board member, as follows, since out of the five (5) current audit & supervisory board members, the terms of office of Mr. Takayuki Hashimoto 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 candidate for the office of audit & supervisory board member is as follows:

Name (Date of Birth)	Brief Personal History, and Significant Concurrent Positions	Number of the Company's shares owned
Candidate for New Audit & Supervisory Board Member Candidate for Outside Audit & Supervisory Board Member Candidate for Independent Audit & Supervisory Board Member Toshio Iwamoto (January 5, 1953)	Apr. 1976: Joined NIPPON TELEGRAPH AND TELEPHONE PUBLIC CORPORATION (now NIPPON TELEGRAPH AND TELEPHONE CORPORATION) Jun. 2004: Director; Senior Executive Manager of Payment Solutions Sector, NTT DATA Corporation Jun. 2007: Director; Executive Vice President; Senior Executive Manager of financial business sector, NTT DATA Corporation Jun. 2008: Director; Executive Vice President; In charge of financial sector, NTT DATA Corporation Jun. 2009: Representative Director; Senior Executive Vice President, NTT DATA Corporation Jul. 2009: Representative Director; Senior Executive Vice President; Company President of Public & Financial IT Services Company, NTT DATA Corporation Jun. 2011: Representative Director; Senior Executive Vice President; In charge of sales management; In charge of technology management, NTT DATA Corporation Jun. 2012: President and CEO, NTT DATA Corporation Jun. 2018: Principal Executive Advisor, NTT DATA Corporation (incumbent) (Significant Concurrent Positions) President, Japanese Association of Healthcare Information Systems Industry Independent Director, NSK Ltd. (scheduled to assume the position in June 2019) (Number of other listed companies where he serves concurrently as officer) Engaged in business execution: 0 Not engaged in business execution: 0	0 shares

(Reasons for nomination)
The Company nominated Mr. Toshio Iwamoto as a candidate for Outside Audit & Supervisory Board Member as he possesses extensive experience and broad insight as an experienced business manager, and it expects that he can strengthen the corporate governance of the Company by reflecting those in the management auditing operations of the Company, as well as give his advice based on his deep knowledge and experience regarding IoT, which he has accumulated through system development, etc. to be reflected in our initiative on transformation of business model.

(Policy on independence)
Some of the Company's subsidiaries have business relationships involving the consignment of system introduction support, etc. with NTT DATA Corporation, where Mr. Toshio Iwamoto previously served as a business executive. However, the transaction amount that relationship generates is less than 0.01% of the Company's consolidated net sales and less than 0.01% of NTT DATA Corporation's consolidated net sales (for the fiscal year ended March 31, 2019), which is immaterial. Therefore, this has no impact on his independence.

Mr. Toshio Iwamoto satisfies the requirements for an independent officer under the regulations of the Tokyo Stock Exchange. The Company plans to notify the Tokyo Stock Exchange that he is an independent audit & supervisory board member.

(Overview of the Limited Liability Contract)
If appointment of the audit & supervisory board member is approved, the Company plans to conclude a contract with Mr. Toshio Iwamoto to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of his liability for damages under the said contract shall be the amount stipulated by laws and regulations.

<Reference>

Basic Views on Governance

The Company defines corporate governance as a system that assures sustainable growth and maximization of corporate value by enhancing management efficiency so that the Company can leverage its innate capabilities to the fullest extent possible. To achieve this, the Company targets efficient and appropriate internal decision-making by clearly separating management monitoring and supervisory functions from functions related to their execution of duties. Furthermore, by establishing the relevant internal rules and building a system to administer them, the Company ensures appropriate operations across the entire Group.

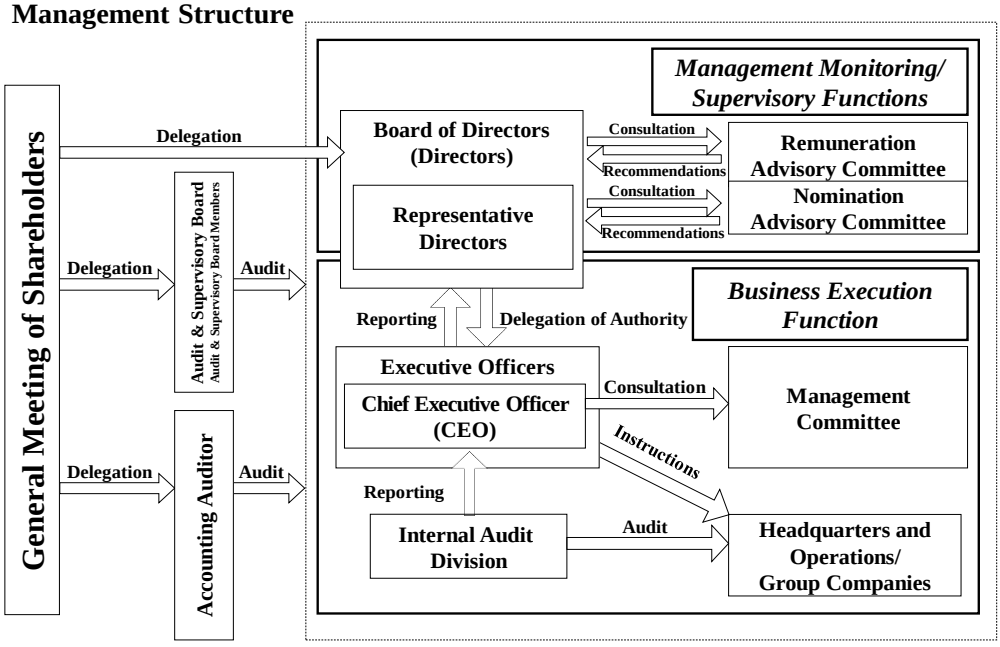
The Company promotes constant improvement of its corporate governance, aiming to earn the trust and support of its shareholders and other stakeholders over the long term.

The Company will work to enhance its corporate governance in line with the following basic policies:

(1) Respect shareholders' rights and ensure equal treatment
(2) Strive to cooperate appropriately with shareholders and other stakeholders
(3) Fulfill our responsibility to be accountable to stakeholders and ensure transparency by appropriately and proactively disclosing information relating to the Company
(4) Clarify the roles and responsibilities of the Board of Directors, the audit & supervisory board members and the Audit & Supervisory Board to enable them to adequately fulfill their management monitoring and supervisory functions
(5) Conduct constructive dialogue with shareholders who have investment policies according with the medium- to long-term interests of shareholders

Overview of Corporate Governance System

Corporate Governance Management Structure



The Company has an Audit & Supervisory Board, which comprises audit & supervisory board members who audit the duties executed by directors.

The Board of Directors makes decisions related to all important matters concerning the management of the Company and the Group, in addition to supervising directors in their business execution. The outside directors, who are elected from among individuals with extensive experience and broad insight gained at the helm of business managers, or with a high degree of specialist knowledge and diverse experience, participate in the Board of Directors' decision-making process, offer advice and make recommendations independently of managers who have been delegated the authority to handle day-to-day operations.

Executive Officer System

The Company has an executive officer system to strengthen the decision-making and supervisory functions of the Board of Directors, as well as to improve the efficiency of business operations. Executive officers are appointed by resolution of the Board of Directors. The Chief Executive Officer (CEO) manages the duties of the executive officers, giving directions and supervision. The executive officers follow the CEO's directions to execute their assigned duties.

The Management Committee, which consists of members appointed by the CEO, supports the CEO's decision-making and business execution.

Executive Structure

The current executive structure consists of 12 directors (four (4) of whom are outside directors), five (5) audit & supervisory board members (three (3) of whom are outside audit & supervisory board members) and 23 executive officers (seven (7) of whom are executive officers who concurrently serve as director). If Agenda Items No. 2 and No. 3 are approved in its original form, the executive structure will consist of 11 directors (three (3) of whom will be outside directors), five (5) audit & supervisory board members (three (3) of whom will be outside audit & supervisory board members) and 23 executive officers (seven (7) of whom will be executive officers who concurrently serve as director).

Remuneration Advisory Committee and Nomination Advisory Committee

The Company established the Remuneration Advisory Committee and the Nomination Advisory Committee as the optional committees. To ensure that director remuneration is appropriate, the Remuneration Advisory Committee comprises six (6) members: three (3) outside directors and one (1) outside audit & supervisory board member, the director in charge of human resources, and the director in charge of finance and accounting, with an outside director serving as the committee chairperson. To provide supervision and advice on nomination of directors and audit & supervisory board members by the representative director, the Nomination Advisory Committee comprises five (5) members: the president and CEO, and four (4) outside directors, with the president and CEO serving as the committee chairperson.

If Agenda Item No. 2 is approved in its original form, the Nomination Advisory Committee will consist of four (4) members: the president and CEO and three (3) outside directors.

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/audit & supervisory board members 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. 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.

Should members of senior management or executive officers meet the dismissal criteria for officers, a determination of such dismissal shall be resolved promptly by the Board of Directors.

Ideal Attributes for Officers

The Company appoints directors and audit & supervisory board members 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/audit & supervisory board members stipulated by the Tokyo Stock Exchange, the Company uses the standards below to determine independence.

(1) Major shareholders	The director should not be a major shareholder with 10% or more of the voting rights in the Company, or serve as a director, audit & supervisory board member, executive officer at a company with committees, executive officer or employee, of a corporation that is a major shareholder.
(2) Major clients, suppliers, etc.	The director should not currently serve as a director, audit & supervisory board member, executive officer at a company with committees, executive officer or employee, of any of the Company's major clients, suppliers, etc. detailed below, nor should he/she have served as an executive director, executive officer at a company with committees, or executive officer, of such major clients, suppliers, etc. in the past. · Major clients of the IHI Group (with transactions valued at 2% or more of the Company's consolidated net sales in the most recent fiscal year) · Major suppliers to the IHI Group (with transactions valued at 2% or more of the supplier's consolidated net sales in the most recent fiscal year) · Major lenders to the Company (as listed in the business report for the most recent fiscal year)
(3) Providers of specialist services (attorneys at law, certified public accountants, or consultants, etc.)	The director should not be an attorney at law, certified public accountant, or consultant, etc. who receives 10 million yen or more of monetary consideration or other property from the Company annually besides compensation as a director/audit & supervisory board member.
(4) Accounting auditor	The director should not be a representative partner or partner of the Company's accounting auditor.

(5) Mutual exchange of officers, etc. with the Company	The director should not be assigned to a corporation with which the Company has a relationship of mutually exchanging directors or audit & supervisory board members.
6) Close relatives	The director should not be the spouse or first- to second-degree relative of a director, audit & supervisory board member, executive officer or equivalent executive-level employee of the IHI Group. In addition, the director should not be the spouse or first- to second-degree relative of any person* referred to in (1) through (4) above. * If a major shareholder or a major client, supplier, etc. is a corporation, this applies only to directors, audit & supervisory board members, executive officers at companies with committees, executive officers, or equivalent executive-level employees of the corporation in question.

Policy on Determination of Remuneration for Officers

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

(1) Remuneration shall be aimed at fully encouraging directors and executive officers to perform their duties in line with management philosophy, Group vision, and Group management policy, and strongly motivating them toward the achievement of specific management goals to bring the Company's and the IHI Group's sustainable growth and improve the medium- and long-term corporate value.

(2) Remuneration shall be structured with the appropriate allocation of an annual incentive (performance-based bonuses), which is linked to the operating performance of each fiscal year, and a medium- and long-term incentive (performance-based share remuneration), which is linked to medium- and long-term operating performance and corporate value aimed at broadly sharing a sense of value with stakeholders, and thereby shall contribute to performing with a sound entrepreneurial spirit.

(3) Under the management philosophy, "Human resources are our single most valuable asset", appropriate treatment shall be provided to officers of the Company in consideration of the Company's management environment, and social roles and accountabilities the Company undertakes.

Remuneration level and allocated ratios of remuneration

(1) The Company shall regularly survey objective market data on remuneration researched by an external specialized institution, and set an appropriate remuneration level.

(2) In consideration of the Company's business characteristics, effectiveness of incentive remuneration, etc., total amount of remuneration shall be allocated at approximate proportions of 60%, 20%, and 20% to (i) a fixed base amount, (ii) an annual incentive (performance-based bonuses) to be provided upon the achievement of the targeted performance, and (iii) a medium- and long-term incentive (performance-based share remuneration) provided upon the achievement of the targeted performance respectively.

Framework of incentive remuneration

(1) The monetary amount of an annual incentive to be provided every fiscal year shall vary, depending on the achievement level, within an approximate range of from 0 to 200 under the assumption of providing the amount of 100 upon the achievement of the targeted performance. Performance evaluation indicators shall be those such as consolidated profit attributable to owners of parent, which is aimed at sharing the interests of shareholders, profitability which is emphasized in Group Management Policies 2016 (consolidated operating profit margin and operating profit margin of responsible business areas), and individual evaluation indicators corresponding to tasks assigned to each executive, and be reviewed as necessary upon changes in management environment, executives' duties, etc.

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

Procedures for determining remuneration

To ensure appropriateness and objectivity in determining the remuneration of directors and executive officers, the Company has an optional body, the Remuneration Advisory Committee which is organized by six (6) members of three (3) outside directors, one (1) outside audit & supervisory board member, the director in charge of human resources, and the director in charge of finance and accounting under the chair of an outside director. The Committee shall examine and report remuneration related to directors and executive officers, and the Board of Directors shall make decisions.

Remuneration of outside directors and audit & supervisory board members

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

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

(Attachment)

Business Report

(From April 1, 2018 to March 31, 2019)

1. Matters on Current Status of the IHI Group

(1) Progress of business operations and their results

● Business environment and initiatives taken by the IHI Group

During the fiscal year under review, the Japanese economy remained stable supported by increases in capital investment, robust corporate performance and improvements in situation of employment and income. In the global economy, overall moderate growth continued, with partial offset by a slowdown in business conditions in China, bolstered by steady growth in the U.S. On the other hand, in the political side, the unstable situation remained from problems including the trade friction between U.S. and China and the issue of U.K. regarding leaving EU.

Facing this environment in the fiscal year under review, which was also the final year of the "Group Management Policies 2016", a three-year medium-term management plan that began in fiscal year 2016, IHI Group moved forward under the slogan "First Year for Change", with initiatives not only to take all business areas across the Group into the black, but also to transform business structures and business models with the aim of building robust earnings foundations while responding speedily to discontinuous and drastic changes in both the management and business environments.

● Operating results

In the fiscal year under review, orders received decreased 7.0% from the previous fiscal year to ¥1,399.2 billion. Net sales decreased 6.7% from the previous fiscal year to ¥1,483.4 billion.

In terms of profit, operating profit increased by ¥10.2 billion to ¥82.4 billion. Although profitability in the civil aero engines business deteriorated owing to increases in the number of new-model engines sold, the issue regarding deterioration of profitability in large projects under way in North America in the process plants business is being brought under control on the whole. Ordinary profit, increasing by ¥44.3 billion to ¥65.7 billion, saw an expanding of profit margin gain due mainly to the positive turn in share of profit of entities accounted for using equity method and in foreign exchange gains and losses. Profit attributable to owners of parent was ¥39.8 billion, an increase of ¥31.5 billion.

Regarding the inadequate inspections that occurred in the civil aero engine maintenance business, the impacts of work suspension at the Company's Mizuho Aero-Engine Works and the estimable compensation were recorded on cost of sales and non-operating expenses, respectively.

[Earnings Highlights (Consolidated)]

	201st Fiscal Year		202nd Fiscal Year	
	Amount (Billions of yen)	%	Amount (Billions of yen)	%
Orders Received	1,505.0	54	1399.2	46
Net Sales	1,590.3	51	1483.4	48
Operating Profit	72.2	–	82.4	–
Ordinary Profit	21.4	–	65.7	–
Profit Attributable to Owners of Parent	8.2	–	39.8	–
Order Backlog	1,567.1	40	1478.2	39

The % column shows the overseas ratio.

● **Interim Dividend**

The Company's interim dividend for the first half of the fiscal year under review was 30 yen per share, which was determined in consideration of a broad range of factors such as earnings outlook during the fiscal year under review.

● **Overview of Each Business Division**

The overview of each business division for the fiscal year under review is as follows:

○ **Resources, Energy and Environment**

Main businesses

Boilers, power systems plants for land use, power systems for land and marine use, large power systems for ships, process plants (storage facilities and chemical plants), nuclear power (components for nuclear power plants), environmental response systems*, pharmaceutical plants

* Environmental response systems business was discontinued on January 1, 2019, due to the transfer of the main business to Kobelco Eco-Solutions Co., Ltd.

Performance in fiscal year under review

Net sales fell due to difficult comparisons caused by progress made in large-scale projects during the previous fiscal year in the process plants business.

Process plants business went into the black at the operating level as a result of factors such as the deterioration in profitability in the previous fiscal year beginning to be brought under control generally.

Orders received declined due to difficult comparisons caused by large-scale orders for the boilers and power systems plans for land use businesses received the previous fiscal year.

BUSINESS TOPICS

Completion of construction work on gas-fired combined cycle power plant for Mozambique's state power company

In November 2018, the Company completed the engineering, procurement and construction, including related public works and installation, of the Maputo gas-fired combined-cycle power plant (110 megawatts of generating capacity), meeting the contracted deadline for this project, the order for which was won in 2016 by the Company and Sumitomo Corporation working together from the

Republic of Mozambique's state-run power company.

The power plant is located approximately 6km to the south-east of Maputo, the capital of the Republic of Mozambique, and is the first gas-fired combined cycle power plant in that country. The Company supplied the core gas turbines and generators, and organized the construction of the power plant as a whole. In addition to undertaking to provide a warranty for two years after the end of construction, we have entered into a long-term after sales contract for six years, supporting the operation of the power plant with high-quality maintenance services.

○ Social Infrastructure and Offshore Facility

Main businesses

Bridges/water gates, shield systems, transport systems, concrete construction materials, urban development (real estate sales and rental), F-LNG (floating LNG storage facilities, offshore structures)*

* F-LNG (floating LNG storage facilities, offshore structures) business was discontinued.

Performance in fiscal year under review

The bridges/water gates business posted higher net sales, but the F-LNG/offshore structures and shield systems businesses declined, leading to lower revenues overall.

Operating profit fell at the F-LNG/offshore structures and shield systems businesses, but rose in the bridges/water gates business.

Orders received declined due to difficult comparisons caused by large-scale orders for the bridges/water gates business received the previous fiscal year.

BUSINESS TOPICS

Helping restore the Kansai International Airport connecting bridge

The Company's subsidiary IHI Infrastructure Systems Co., Ltd. ("IIS") contributed to the rapid restoration of the connecting bridge at Kansai International Airport that was damaged during Typhoon Jebi in September 2018.

The bridge, with which a tanker collided, suffered serious damage in places, leading to the temporary closure of railway and road, except for emergency vehicles. IIS removed the central separator and the damaged bridge girders on the outbound line, in order to effect a speedy restoration of the airport's function.

All except one part of the removed bridge girders needed to be remanufactured, with Sakai Works of IIS being put in charge of designing, machining, assembling, etc. In February 2019, a large floating crane was used to carry out the erection of the bridge at sea during the night, after which the deck of the bridge was paved, leading to the complete restoration of three lanes in each direction by April 8, 2019.

The customer, West Nippon Expressway Company Limited, was delighted that we were able to complete restoration work that would usually have taken at least one year in just seven months.

○ Industrial System and General-Purpose Machinery

Main businesses

Logistics/industrial systems (logistics systems, industrial machineries), transport machineries, parking, thermal and surface treatment, vehicular turbochargers, Rotating machineries (compressor, separation system,

turbochargers for ships), agricultural machineries/small power systems, steel manufacturing equipment, paper-making machineries

Performance in fiscal year under review

Net sales declined as a result of the previous fiscal year's financial reporting periods unification, but excluding the effects of that change, the parking and rotating machineries businesses both in effect recorded increases.

Despite the impact from the previous fiscal year's financial reporting periods unification, operating profit increased due to factors such as improvements in profitability in thermal and surface business.

Orders received declined as a result of the previous fiscal year's financial reporting periods unification, but excluding the effects of that change, transport machineries and others in effect recorded increases.

BUSINESS TOPICS

Order received for Thailand's largest refrigerated distribution center facility

The IHI Group received an order for the design, manufacture and installation of a set of logistics facilities for M-Senko Logistics Distribution Center in November 2018. The distribution center is a logistics base operating in three temperature zones (normal, refrigerated & frozen) to be built in the well-known Bangna commercial district of Bangkok by M-Senko, a joint venture company between investors Senko Co., Ltd., a major logistics company, and MK Restaurant, a major restaurant chain in Thailand, and others.

With the development of the restaurant industry and the increase in exports of frozen foods brought about by Thailand's economic development, the country's cold chain is expanding and consequentially so is the demand for refrigerated warehouses. This distribution center, which will be Thailand's largest in terms of total floor space, will be adjacent to the central kitchen of MK Restaurant Group. This facility will support the company's 650 stores throughout Thailand which are connected distribution network , through a highly efficient and high-quality storage and delivery system, making full use of Japanese know-how.

○ **Aero Engine, Space and Defense**

Main businesses

Aero engines, rocket systems/space utilization systems (space-related equipment), defense systems

Performance in fiscal year under review

Net sales increased due to higher sales volume in the civil aero engines business.

Operating profit fell in the civil aero engines business due to an increase in units of the new PW1100G engine handed over to customers, as well as other factors.

Orders received rose as a result of increases in the civil aero engines and rocket systems/space development businesses.

BUSINESS TOPICS

Delivery of jet engine prototype for future fighter jets

On June 29, 2018, the Company delivered the prototype "XF9-1", a 15-ton-thrust jet engine targeting future fighter jets, to the Air Systems Research Center of the Acquisition, Technology & Logistics Agency.

The "XF 9-1" incorporates, throughout, the world's most advanced computer simulation design technology, as well as Japan's globally acclaimed material technology and processing technology.

Having received orders from the Acquisition, Technology & Logistics Agency for a "research core engine components for next-generation engine" in fiscal 2010, a "research fighter engine components" in fiscal 2013, and a "research fighter engine systems" in fiscal 2015, the Company is continually advancing its design and manufacturing capabilities.

The Company remains committed to supporting the Acquisition, Technology & Logistics Agency in the future. Through efforts to further develop and integrate globally acclaimed technology, we are moving toward the construction of a technology platform for engine R&D targeting fighter jets.

● Inadequate inspections in the civil aero engine maintenance business

During the months March to April, the Company announced that inadequate inspections had been carried out in the Company's civil aero engine maintenance business, and it received administrative sanctions from the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism pursuant to the respective laws under their jurisdiction. Regarding the inadequate practices, we offer our most sincere apologies for the immense trouble and concern caused to all related parties, including the airline companies and organizations involved, and our stakeholders.

In response to the administrative sanctions received from both ministries, the Company has already submitted improvement measures. In the following text, the Company provides the background regarding this incident, and explains the factors that caused the inadequate practices and recurrence prevention measures to be implemented.

1) Background

An onsite inspection by the competent authorities was carried out at the Company's Mizuho Aero-Engine Works in January 2019, and as a result of the Company's own internal investigation that followed, it came to light that the carrying out of inspections by unqualified persons and the improper adjustment of inspection implementation dates in the inspection log had occurred repeatedly.

In addition to reporting these cases to the relevant agencies, including the competent authorities, the Company also requested that the engine manufacturer conduct an inquiry into the airworthiness of the delivered items that had been checked by the inadequate inspection. As a result of the verifications, although it was confirmed that there was no impact directly on the airworthiness of the engines in which the delivered items had been installed, the Company issued a voluntary recall on some engines and parts from the perspective of long-term continual use. Moreover, from February 2019 onward, the Company voluntarily suspended all its inspection operations in the civil aero engine maintenance business. While receiving cooperation from external experts, the Company is proceeding with investigation into the causes and formulation of recurrence prevention measures.

2) Factors causing the inadequate practices

The factors causing these inadequate practices on the site of this business operation included the following. One factor was the implementation of operations with neither inspector training nor a plan to increase personnel to respond to the expansion of business operations and to meet the increased workload, placing priority on delivery times. Another factor was that safety consciousness and compliance consciousness at the site were lacking. Furthermore, although there had been opportunities for improvement within the Company up until the incident occurred, communication at the site had been inadequate, and information was not shared with the senior management level and neither the necessary analysis of causes nor the formulation of recurrence measures was carried out.

3) Measures to prevent recurrence

The Company is now making doubly sure that everyone in the Aero Engine, Space and Defense Business Area, particularly the site of the civil aero engine maintenance business, has sufficient safety consciousness, and it is carrying out compliance education in these locations. In addition, the Company has conducted a fundamental review of the safety management system through such measures as establishing the new position of safety manager, having the officer control the safety management operations, and establishing the "Safety Management System Department" in the business area. Moreover, the Company has conducted a review of the operations implementation structure, making changes to operation procedures to prevent the occurrence of incorrect actions and formulating work introduction plans that suitably correspond to operation process capabilities, among other actions.

The Company is fully conscious of the need to thoroughly implement these recurrence prevention measures and recover trust as soon as possible.

(2) Financing

The Company carried out financing primarily through 52.6 billion yen from long-term loans, and this was allocated for agreed repayment of long-term loans, redemption of bonds, working capital, and others.

(3) Capital investment

With regard to capital investment activities, the total capital investment for the fiscal year under review was ¥67.3 billion as a result of the company having made progress centering on the businesses stipulated as priority investment designation and Group Management Policies 2016, such as additional factory construction to increase production of new models of civil aero engine in the Aero Engine, Space and Defense business, new manufacturing facilities for the maintenance business, and manufacturing facilities etc. for the vehicular turbocharger production subsidiary in the Industrial Systems and General-Purpose Machinery business.

(4) Status of important business reorganizations, etc.

On September 27, 2018, the Company transferred the small power systems business operated by its wholly-owned subsidiary IHI Agri-Tech Corporation ("IAT") to U.S.-based Caterpillar Inc. On the same date, IAT transferred its shares of the small power systems business companies to Caterpillar Inc., and, on December 28,

2018, IAT's small power systems business was succeeded by a Japanese corporation, which was newly established by Caterpillar Inc., through an absorption-type company split.

(5) Issues to be addressed

1) Review of Group Management Policies 2016

In the "Group Management Policies 2016", a medium-term management plan targeted from fiscal 2016 to fiscal 2018, the Group set a theme of "strengthening earnings foundations". The main initiatives within the plan are (1) concentrate and select through new portfolio management, (2) boost profitability by reinforcing project implementation structure, and (3) employ common Group functions to transform business models. The original management targets (operating profit margin of 7%, return on invested capital (ROIC) of 10%, D/E ratio of 0.7 times or lower) were not achieved, however,, as a result of promoting reinforcedrisk management and concentration and selection of businesses, the operating profit margin and ROIC are on an improving trend.We consider it a positive that constant successes has been achieved with regard to strengthening earnings foundations.

On a different note, it has been revealed that inadequate inspections have been carried out in the civil aero engine maintenance business. The Company recognizes this fact as an extremely serious problem that undermines the core of our customer's trust regarding the Company's quality . In order to ensure that such an incident does not occur a second time, the Company is not only taking effective steps to ensure recurrence prevention measures, but also reaffirming the attitude among the entire IHI group of placing utmost priority on safety and quality. We consider the construct of a strongly effective quality assurance system as one of the most-vital management issues, in order to recover trust as soon as possible.

2) Role of Group Management Policies 2019 and initiatives for the three years

In fiscal 2019 IHI Group began "Group Management Policies 2019", which is a new medium-term management plan.

The IHI Group is directly tackling the issues faced by society and its customers with respect to the massive change occurring in the business environment, which encompasses not only the accelerating speed of technological innovation in such fields as IoT, ICT and AI, but also other aspects such as the rapidly changing nature of society's main issues. Through these endeavors, which considered to be activities of creating new values, we shoulder the expectation that we should be continuing to contribute to the realization of a sustainable society while setting goals from a long-term perspective. The next three years, beginning with fiscal 2019, targeted by "Group Management Policies 2019", will a period to accelerate business reforms into full-scale efforts and reimagining the vision of the business operations and products focused on the supply of hardware that have formed the core of the IHI Group in addition to continuing the concentration and selection of business operations. Our efforts will concentrate on the following three transformations.

(i) Strengthening business foundations

With the aim of improving value in our customer's business activities, we will accelerate aftermarket business development from lifecycle perspectives by bringing together the collective wisdom and experience

accumulated within the IHI Group.

(ii) Building a robust operational structure

Through business structural reform carried out by promoting the optimal allocation of resources across the IHI Group, we will promote transformation into an operational structure that is lean and flexible.

(iii) Accelerating preparations for tomorrow

We will promote and accelerate transformation of our business model into one that creates new value that helps bring about a sustainable society from a long-term perspective.

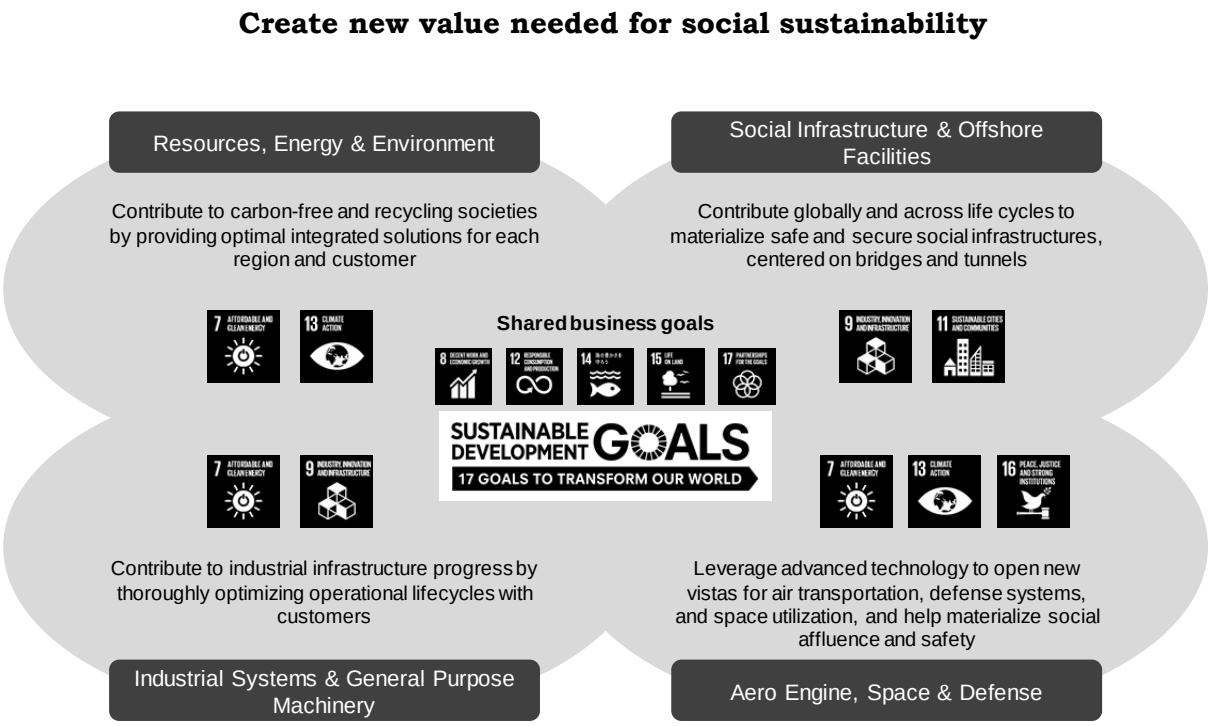
In terms of business performance indicators, the IHI Group has set “ROIC (return on invested capital) of at least 10%” as the primary target. In light of the IHI Group’s future focus on expanding investments in business transformation linked to improving sustainable growth and enhancing corporate value, we have set this ROIC target as a way of promoting business operations that give proper attention to investment efficiency. Wishing to achieve further improvement in investment efficiency, we have set targets for the operating profit margin and cash conversion cycle, both elements of ROIC, as the key indicators of performance management, to 8% and 80 days, respectively.

Even while proceeding with business transformation, IHI Group’s position of placing utmost priority on “safety and quality” will remain stable. In addition, we will further strengthen “risk management” and work toward realizing reform of the business structure and transformation of business models to respond to the changes in the business environment.

By working on these various measures, the IHI Group will seek to restore trust, while achieving improvement in corporate value through sustainable growth of society and its customers, and meeting the expectations of its stakeholders.

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

IHI Group Business Area Direction



Forecasts of consolidated results for fiscal 2019 and dividend forecast

On May 8, 2019, the Company announced its forecasts of full-year consolidated results for fiscal 2019 and dividend forecast as follows.

Details have been made available on the "IR" section of the Company's website; please refer to them as necessary.

(Billions of yen)

	203rd Fiscal Year (Fiscal 2019)
Net Sales	1400.0
Operating Profit	80.0
Ordinary Profit	58.0
Profit Attributable to Owners of Parent	35.0
Annual Dividend	70 yen per share (Interim dividend: 30 yen, year-end dividend: 40 yen)

(6) Changes in assets and profit/loss

(Millions of yen)

Item	199th Fiscal Year	200th Fiscal Year	201st Fiscal Year	202nd Fiscal Year
Orders Received	1,605,323	1,389,885	1,505,010	1,399,242
Net Sales	1,539,388	1,486,332	1,590,333	1,483,442
Ordinary Profit	9,716	22,011	21,425	65,749
Profit Attributable to Owners of Parent	1,529	5,247	8,291	39,889
Basic Earnings per Share (Yen)	9.90	33.98	53.71	258.53
Total Assets	1,715,056	1,692,831	1,633,488	1,664,529
Net Assets	333,359	337,630	350,217	381,692
ROE (Return on equity) (%)	0.5	1.6	2.6	11.8

(Notes)

1. The Company conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) with an effective date of October 1, 2017. Basic earnings per share have been calculated under the assumption that this consolidation of common shares was conducted on the beginning of the 199th fiscal year.
2. The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances from the beginning of the 202nd fiscal year. Accordingly, the amount of total assets for the 201st fiscal year has been restated retroactively in accordance with the Standard.
3. 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, 2019)

(Millions of yen)

Lender	Amount
Mizuho Bank, Ltd.	58,018
Sumitomo Mitsui Banking Corporation	34,107
Sumitomo Mitsui Trust Bank, Limited	33,363
Development Bank of Japan Inc.	25,942
MUFG Bank, Ltd.	13,418
The Hachijuni Bank, Ltd.	11,605
Nippon Life Insurance Company	6,740
The Yamaguchi Bank, Ltd.	6,100
The Chiba Bank, Ltd.	5,663
THE NISHI-NIPPON CITY BANK, LTD.	5,609

(8) Main sales offices and works (As of March 31, 2019)

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 (Kita-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)
Overseas Branches/ Representative Offices	SINGAPORE	PARIS	MOSCOW
	ALGERIA	HANOI	DUBAI
	JAKARTA	BANGKOK	SEOUL
	BEIJING	TAIPEI	NEW DELHI
	KUALA LUMPUR	ISTANBUL	ROME
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) Aioi Works (Aioi-city, Hyogo) Kure Aero-Engine & Turbo Machinery Works (Kure-city, Hiroshima)		

(Notes)

1. The Rome Office was established on September 1, 2018.
2. The Aichi Works (Chita-shi, Aichi) was discontinued on December 1, 2018.
3. Locations of main subsidiaries are as provided in “(10) Main subsidiaries”.

(9) Employees (As of March 31, 2019)

Business Segment	Number of Employees
Resources, Energy and Environment	6,467
Social Infrastructure and Offshore Facilities	2,359
Industrial Systems and General-Purpose Machinery	10,220
Aero Engine, Space and Defense	6,660
Others	2,619
Corporate (company-wide)	961
Total	29,286

(420 decrease compared with March 31, 2018)

(10) Main subsidiaries (As of March 31, 2019)

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI AEROSPACE CO., LTD.	Koto-ku, Tokyo	5,000 million yen	100.00 %	Manufacture, sale, and repair of space development equipment and rocket vehicles
Niigata Power Systems Co., Ltd.	Chiyoda-ku, Tokyo	3,000 million yen	100.00 %	Manufacture and sale of internal combustion engines, gas turbine engines and marine equipment
Meisei Electric Co., Ltd.	Isesaki-city, Gunma	2,996 million yen	51.02 %	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

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
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 Agri-Tech Corporation	Chitose-city, Hokkaido	1,111 million yen	100.00 %	Development, manufacture, and sale of agricultural machinery, turf-grass and lawn maintenance equipment, engines, disinfecting/deodorizing equipment, forged/cast materials, and electronic control units
IHI Rotating Machinery Engineering Co., Ltd.	Koto-ku, Tokyo	1,033 million yen	100.00 %	Design, manufacture, sale, installation, maintenance and repair of compressors, separators, superchargers, etc., for ships
IHI Infrastructure Systems Co., Ltd.	Sakai-ku, Sakai-city	1,000 million yen	100.00 %	Design, manufacture, sale, maintenance and repair of bridges, water gates, etc.
Niigata Transys Co., Ltd.	Chiyoda-ku, Tokyo	1,000 million yen	100.00 %	Manufacture and sale of rolling stock, industrial vehicles and machines for snow removal
IHI Turbo Co., Ltd.	Koto-ku, Tokyo	1,000 million yen	100.00 %	Manufacture of vehicular turbochargers

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI Logistics & Machinery Corporation	Koto-ku, Tokyo	1,000 million yen	100.00 %	Sales, design, manufacturing, procurement, construction, installation, conversion and repair related to logistics equipment, FA equipment and industrial equipment, in addition to repair and maintenance services for parts and equipment
IHI Plant Construction Co., Ltd.	Koto-ku, Tokyo	500 million yen	100.00 %	Design, manufacture, installation and repair of boiler facilities, nuclear power facilities, environmental and storage plant facilities, and industrial machinery facilities
IHI Investment for Aero Engine Leasing LLC (Notes 2, 3)	U.S.A.	163,267 thousand US dollars	65.00 %	Investment in specialist engine leasing company
IHI INC.	U.S.A.	92,407 thousand US dollars	100.00 %	Sale and order procurement of various plant, machinery and maintenance of aircraft engine (regional headquarters)
IHI Power Generation Corporation	U.S.A.	38,250 thousand US dollars	100.00 %	Investment in biomass power generation business
JURONG ENGINEERING LIMITED	Singapore	51,788 thousand Singapore dollars	95.56 %	Installation of various types of plants and facilities/equipment, engineering and consulting of architectural work and civil engineering and plants

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI INFRASTRUCTURE ASIA CO., LTD.	Vietnam	542,638 million Vietnamese dong	100.00 %	Engineering, manufacture, installation and maintenance of steel structures and concrete structures, in addition to manufacture and installation of construction and industrial machineries
IHI E&C International Corporation	U.S.A.	21,257 thousand US dollars	100.00 %	Feasibility study, front end engineering design, and engineering, procurement, and construction businesses in oil and gas field
Changchun FAWER-IHI Turbo Co., Ltd.	China	158,300 thousand Chinese yuan	57.16 %	Manufacture and sale of vehicular turbochargers
IHI Charging Systems International GmbH	Germany	15,000 thousand euro	100.00 %	Design, development, manufacture and sale of vehicular turbochargers
IHI Turbo America Co.	U.S.A.	7,700 thousand US dollars	100.00 %	Manufacture and sale of vehicular turbochargers
IHI ASIA PACIFIC PTE. LTD.	Singapore	22,459 thousand Singapore dollars	100.00 %	Order procurement, business support, purchase and sale agent (regional headquarters)
I&H Engineering Co., Ltd.	Myanmar	12,238 thousand US dollars	60.00 %	Design, engineering, manufacture and construction services of concrete products
Wuxi IHI Turbo Co., Ltd.	China	11,800 thousand US dollars	100.00 %	Manufacture and sale of vehicular turbochargers

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI DALGAKIRAN MAKİNA SANAYİ VE TİCARET A.Ş.	Turkey	33,155 thousand Revaluation of the Turkish Lira	51.00	Development, design, manufacture, sale and service of general-purpose turbo compressors
IHI Transport Machinery Taiwan Corporation	Taiwan	250,000 thousand Taiwan dollars	100.00 %	Manufacture, sale and maintenance of large transport machinery
IHI TURBO (THAILAND) CO., LTD.	Thailand	260,000 thousand Thai baht	90.00 %	Manufacture and sale of vehicular turbochargers
IHI-Sullair Compression Technology (Suzhou) Co., Ltd.	China	55,465 thousand Chinese yuan	51.00 %	Manufacture, sale and service of general-purpose turbo compressors
IHI Southwest Technologies, Inc.	U.S.A.	5,800 thousand US dollars	100.00 %	Nondestructive testing services for nuclear power plants, petrochemical plants, and thermal power plants
IHI Europe Ltd.	U.K.	2,500 thousand pound	100.00 %	Sale and mediation of various types of plant, machinery, ships/vessels and aircraft engines
Jiangsu IHI Fengdong Vacuum Technology Co., Ltd	China	30,000 thousand Chinese yuan	50.00 %	Design, manufacture, sale and after-sales support of vacuum heat treatment furnaces
IHI (Shanghai) Management Co., Ltd.	China	2,100 thousand US dollars	100.00 %	Sale, order procurement and purchase of various industrial equipment, technical support including maintenance and engineering, provision of shared services (regional headquarters)
IHI Aero Engines US Co., Ltd. (Note 4)	U.S.A.	0 thousand US dollars	89.50 %	Investment in civil aircraft engine program

(Notes)

1. The Voting Interests of the Company include indirectly owned portions.
2. This company is classified as a specified subsidiary.
3. The company has changed the amount of its capital.
4. IHI Aero Engines US Co., Ltd. has an equity stake in GE Passport, LLC, an equity method affiliate of the Company.
5. Capital is displayed rounded down to the nearest unit. In the figures for the Voting Interests of the Company, shares of less than one unit are rounded to the nearest unit.

2. Company Officers

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2019)

Title and position	Name	Responsibilities and significant concurrent position(s)
Chairman of the Board	Tamotsu Saito	President, Manufacturing Science and Technology Center Chairman, THE JAPAN WORKVESSEL ASSOCIATION President, The Japan Society of Industrial Machinery Manufacturers Chairman, Japan Association of Defense Industry President, Society of Japanese Value Engineering President, Fukushima Innovation Coast Framework Promotion Organization Outside Director, JAPAN POST INSURANCE Co., Ltd. Outside Director, Oki Electric Industry Co., Ltd.
President; Chief Executive Officer	Tsugio Mitsuoka	In charge of Business Relating to Internal Audit and Corporate Planning In charge of Risk Management and *Monozukuri* System Strategy
Executive Vice President; Senior Executive Officer	Hiroyuki Otani	Assistant to the President In charge of Business Relating to Procurement In charge of Safety and Labor President of Resources, Energy and Environment Business Area
Director; Managing Executive Officer	Tomoharu Shikina	In charge of Business Relating to Public Relations and Investor Relations In charge of Group Business Process Platform President of Aero-Engine, Space & Defense Business Area
Director; Managing Executive Officer	Takeshi Yamada	In charge of Group Finance & Accounting General Manager of Finance & Accounting Division
Director; Managing Executive Officer	Nobuko Mizumoto	In charge of Business Relating to Information Management General Manager of Intelligent Information Management Headquarters
Director; Managing Executive Officer	Masafumi Nagano	President of Industrial Systems & General-Purpose Machinery Business Area

Title and position	Name	Responsibilities and significant concurrent position(s)
Director; Managing Executive Officer	Kouichi Murakami	In charge of Group Engineering and Business Relating to New Corporate Businesses General Manager of Corporate Research & Development
Director	Taketsugu Fujiwara	Chairman, Japan Society for Safety Engineering Outside Director, SHIMADZU CORPORATION Independent Director of the Board, KOKUYO Co., Ltd. Outside Director, KONICA MINOLTA, INC.
Director	Hiroshi Kimura	Outside Director, Nomura Holdings, Inc. Outside Director, Mitsui Sumitomo Insurance Company, Limited
Director	Kazuhiko Ishimura	Chairman, The Asahi Glass Foundation Vice Chairman, Japan Construction Material & Housing Equipment Industries Federation Director and Chairman, AGC Inc. Outside Director, TDK Corporation Outside Director, Nomura Holdings, Inc.
Director	Yayoi Tanaka	Representative, Social Governance Research Institute Outside Director, SUMITOMO CORPORATION
Standing Audit & Supervisory Board Member	Shigeru Uesugi	
Standing Audit & Supervisory Board Member	Taizo Suga	
Audit & Supervisory Board Member	Takayuki Hashimoto	Outside Director, KAGOME CO., LTD. Outside Director, Chubu Electric Power Co., Inc. Outside Director of the Board, Mitsubishi Chemical Holdings Corporation
Audit & Supervisory Board Member	Yoko Hatta	Outside Audit and Supervisory Board Member, Kobayashi Pharmaceutical Co., Ltd. Outside Corporate Auditor, Nippon Paper Industries Co., Ltd.
Audit & Supervisory Board Member	Tomomi Yatsu	Attorney at Law Outside Executive Director, SMBC Nikko Securities Inc. Outside Corporate Auditor, KURARAY CO., LTD.

(Notes)

1. Director: Messrs. Taketsugu Fujiwara, Hiroshi Kimura and Kazuhiko Ishimura and Ms. Yayoi Tanaka are outside directors.
2. Audit & Supervisory Board Member: Mr. Takayuki Hashimoto and Mses. Yoko Hatta and Tomomi Yatsu are outside audit & supervisory board members.
3. Standing Audit & Supervisory Board Member: Mr. Taizo Suga possesses considerable knowledge of financial and accounting matters gained through his years of experience working in the Finance Division of the Company.
4. Audit & Supervisory Board Member: Ms. Yoko Hatta possesses considerable knowledge of financial and accounting matters gained through her experience working in a tax accountant corporation.
5. Audit & Supervisory Board Member: Ms. Tomomi Yatsu is a certified public accountant and possesses considerable knowledge of financial and accounting matters.
6. The Company has registered Directors Messrs. Taketsugu Fujiwara, Hiroshi Kimura and Kazuhiko Ishimura and Ms. Yayoi Tanaka, and Audit & Supervisory Board Members Mr. Takayuki Hashimoto and Mses. Yoko Hatta and Tomomi Yatsu with domestic financial instrument exchanges (where the Company is listed) as independent directors and independent audit & supervisory board members, respectively.

(2) Directors and Audit & Supervisory Board Members who resigned during the fiscal year under review

Directors and Audit & Supervisory Board Members who held office during the fiscal year under review and whose terms expired during the fiscal year under review are as follows:

Position (at time of resignation)	Name	Responsibilities and significant concurrent positions at time of resignation	Date of resignation
Director	Toshinori Sekido	In charge of Special Mission from the President Representative Director, Japanese Aero Engines Corporation	June 22, 2018
Director	Ichiro Terai	In charge of Special Mission from the President	June 22, 2018
Director	Mikio Mochizuki	In charge of Special Mission from the President	June 22, 2018
Director	Atsushi Kuwata	In charge of Group Operations General Manager of Global Marketing & Sales Headquarters	June 22, 2018
Director	Kazuki Awai	In charge of Business Relating to Legal and CSR In charge of Group Compliance General Manager of Administration Division	June 22, 2018

(3) System for executing business operations as of April 1, 2019

Title and position	Name	Responsibilities
Chairman of the Board	Tamotsu Saito	
President Chief Executive Officer	Tsugio Mitsuoka	In charge of Business Relating to Internal Audit In charge of Risk Management
Executive Vice President Senior Executive Officer	Hiroyuki Otani	Assistant to the President In charge of Business Relating to Procurement In charge of Group Safety, Labor, *Monozukuri* System Strategy, and Group Quality Assurance
Executive Vice President Senior Executive Officer	Takeshi Yamada	Assistant to the President In charge of Business Relating to Corporate Planning In charge of Group Finance & Accounting
Director Managing Executive Officer	Tomoharu Shikina	President of Aero-Engine, Space & Defense Business Area In charge of Business Relating to Public Relations and Investor Relations In charge of Group Business Process Platform
Director Managing Executive Officer	Nobuko Mizumoto	General Manager of Intelligent Information Management Headquarters In charge of Business Relating to Information Management
Director Managing Executive Officer	Masafumi Nagano	President of Industrial Systems & General-Purpose Machinery Business Area
Director Managing Executive Officer	Kouichi Murakami	General Manager of Corporate Research & Development In charge of Group Engineering and Business Relating to New Corporate Businesses
Managing Executive Officer	Kazuki Awai	General Manager of Administration Division In charge of Business Relating to Legal and CSR In charge of Group Compliance
Managing Executive Officer	Yoshinori Kawasaki	Vice President of Industrial Systems & General-Purpose Machinery Business Area
Managing Executive Officer	Yutaka Kunisada	General Manager of Solution & Engineering and New Corporate Businesses Headquarters
Managing Executive Officer	Hiroshi Ide	President of Resources, Energy and Environment Business Area
Executive Officer	Takashi Niimura	General Manager of Global Marketing & Sales Headquarters In charge of Group Operations
Executive Officer	Yoshio Yonezawa	President of IHI INC. (Regional Headquarters in the Americas)
Executive Officer	Shunichi Takayanagi	Vice President of Social Infrastructure & Offshore Facilities Business Area
Executive Officer	Naoshi Matsumoto	Vice President of Aero-Engine, Space & Defense Business Area
Executive Officer	Mitsutoyo Yoshida	General Manager of Project Risk Management Division
Executive Officer	Masato Shida	General Manager of Human Resources Division

Title and position	Name	Responsibilities
Executive Officer	Hideo Morita	Vice President of Aero-Engine, Space & Defense Business Area
Executive Officer	Takeshi Kawakami	President of Social Infrastructure & Offshore Facilities Business Area
Executive Officer	Yoshinori Komiya	Vice President of Resources, Energy and Environment Business Area
Executive Officer	Koji Takeda	Vice President of Resources, Energy and Environment Business Area President of IHI Plant Services Corporation
Executive Officer	Yasuhiro Shigegaki	Vice President of Industrial Systems & General-Purpose Machinery Business Area
Executive Officer	Tetsuji Fujimura	Vice President of Aero-Engine, Space & Defense Business Area

(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	Performance-based share remuneration	Performance-based bonus	
Director	17	450	134	95	680
Audit & Supervisory Board Member	5	108	–	–	108
Total (Of which, number of outside officers)	22 (7)	558 (84)	134 (–)	95 (–)	788 (84)

(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 200th Ordinary General Meeting of Shareholders held on June 23, 2017, and maximum total amount of audit & supervisory board members' remuneration is set at 120 million yen or below as resolved at the 197th Ordinary General Meeting of Shareholders held on June 27, 2014.
3. The performance-based share remuneration plan [Board Benefit Trust (BBT)] has been introduced. The total amount of performance-based share remuneration is the amount of the provision for share acquisition costs related to the granted points recorded in the fiscal year under review, which is different from the actual total payment amount.
4. The total amount of performance-based share remuneration and performance based bonus is the amount of the provision that was recorded for the fiscal year under review, and it may be different from the total amount that is actually paid.
5. The numbers of directors and audit & supervisory board members as of March 31, 2019 are respectively 12 (including 4 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 5 directors who retired at the conclusion of the 201st Ordinary General Meeting of Shareholders held on June 22, 2018.

(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	Taketsugu Fujiwara	Chairman, Japan Society for Safety Engineering Outside Director, SHIMADZU CORPORATION Independent Director of the Board, KOKUYO Co., Ltd. Outside Director, KONICA MINOLTA, INC.
Director	Hiroshi Kimura	Outside Director, Nomura Holdings, Inc. Outside Director, Mitsui Sumitomo Insurance Company, Limited
Director	Kazuhiko Ishimura	Chairman, The Asahi Glass Foundation Vice Chairman, Japan Construction Material & Housing Equipment Industries Federation Director and Chairman, AGC Inc. Outside Director, TDK Corporation Outside Director, Nomura Holdings, Inc.
Director	Yayoi Tanaka	Representative of Social Governance Research Institute Outside Director, SUMITOMO CORPORATION
Audit & Supervisory Board Member	Takayuki Hashimoto	Outside Director, KAGOME CO., LTD. Outside Director, Chubu Electric Power Co., Inc. Outside Director of the Board, Mitsubishi Chemical Holdings Corporation
Audit & Supervisory Board Member	Yoko Hatta	Outside Audit and Supervisory Board Member, Kobayashi Pharmaceutical Co., Ltd. Outside Corporate Auditor, Nippon Paper Industries Co., Ltd.

Position	Name	Significant concurrent positions at other entities
Audit & Supervisory Board Member	Tomomi Yatsu	Attorney at Law Outside Executive Director, SMBC Nikko Securities Inc. Outside Corporate Auditor, KURARAY CO., LTD.

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

Position	Name	Attendance of meetings		Activities
		Board of Directors meetings	Audit & Supervisory Board meetings	
Director	Taketsugu Fujiwara	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 general chemicals manufacturer.
Director	Hiroshi Kimura	17 of 18 (94%)	–	Offered advice and suggestions to ensure suitability and appropriateness of the decisions of the Board of Directors meetings based on his extensive experience and broad insight gained at the helm of business manager who has led globalization.
Director	Kazuhiko Ishimura	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 extensive experience and broad insight gained at the helm of a comprehensive materials manufacturer.

Position	Name	Attendance of meetings		Activities
		Board of Directors meetings	Audit & Supervisory Board meetings	
Director	Yayoi Tanaka	18 of 18 (100%)	–	Offered advice and suggestions to ensure suitability and appropriateness of the decisions of the Board of Directors meetings based on her high degree of specialist knowledge and diverse experience developed through her evaluation and research of non-profit organizations and through her work on various governmental committees.
Audit & Supervisory Board Member	Takayuki Hashimoto	14 of 18 (78%)	16 of 16 (100 %)	Addressed questions and expressed opinions accordingly based on his ample experience and knowledge gained as a corporate manager of a state-of-the-art IT company.
Audit & Supervisory Board Member	Yoko Hatta	18 of 18 (100 %)	16 of 16 (100 %)	Addressed questions and expressed opinions accordingly based on her extensive experience and insight in global business operations, notably international taxation.
Audit & Supervisory Board Member	Tomomi Yatsu	18 of 18 (100%)	16 of 16 (100%)	Addressed questions and expressed opinions accordingly based on her extensive experience and insight accumulated by responding to various corporate issues as an attorney at law and certified public accountant.

(Note) In January 2019, facts came to light that inadequate inspections were occurring at the Company's civil aero engine maintenance business. In response to this, in March 2019, the Company received an order from the Ministry of Economy, Trade and Industry in accordance with the Aircraft Manufacturing Industry Act to carry out repairs following the approved methods of repair, and also in April 2019, the Company received a business improvement order from the Ministry of Land, Infrastructure, Transport and Tourism in accordance with the Civil Aeronautics Act. Before the aforementioned facts came to light, the Outside Directors and Outside Audit & Supervisory Board Members had been providing statements on the

importance of legal compliance and internal controls based on their abundant experience and high level of insight. After the facts came to light, they fulfilled their duties by keeping abreast of the situation by receiving successive reports on the progress of the investigation of the matters related to the facts, and by calling for a prompt investigation into the effect on safety, for appropriate measures to be developed to prevent recurrence, and for a further strengthening and thoroughness of compliance.

(iii) Limitation of liability

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

3. Corporate Share Information

(1) Corporate shares (as of March 31, 2019)

(i) Total number of shares authorized to be issued: 300,000,000

(ii) Total number of shares issued: 154,510,508

(excluding 169,446 treasury shares)

(iii) Total number of shareholders: 73,168

(iv) Major shareholders (top 10 shareholders)

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Holder in Trust)	10,503	6.79
Japan Trustee Services Bank, Ltd. (Holder in Trust)	7,879	5.09
Japan Trustee Services Bank, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	5,542	3.58
The Dai-ichi Life Insurance Company, Limited	5,406	3.49
State Street Bank And Trust Company 505001	4,634	2.99
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	4,597	2.97
Japan Trustee Services Bank, Ltd. (Holder in Trust 9)	3,813	2.46
Japan Trustee Services Bank, Ltd. (Holder in Trust 5)	3,015	1.95
State Street Bank And Trust Company 505223	2,844	1.84
IHI Customer Stock Ownership Association	2,545	1.64

(Notes)

1. Voting rights for 5,542,000 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 4,597,000 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 (169,446 shares). In addition, (218,900 shares) of the Company owned by Trust & Custody Services Bank, Ltd. (Holder in trust E) for a performance-based share remuneration plan "Board Benefit Trust" are not included in treasury shares.

(v) Other significant corporate share information

Through a resolution passed at the 200th Ordinary General Meeting of Shareholders, held on June 23, 2017, the Company has introduced a performance-based share remuneration plan, “Board Benefit Trust,” for its directors (excluding outside directors). To assure neutrality towards the Company’s management, voting rights of the Company’s shares held in the Trust accounts will not be exercised. In addition, as of March 31, 2019, a trust account for the Board Benefit Trust owns 218,900 shares of the Company.

(2) Share acquisition rights

(i) Share acquisition rights at the end of the fiscal year under review

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

Name (Date of decision)	Number of share acquisition rights	Class and number of shares underlying share acquisition rights	Amount to be paid in (per share acquisition right)	Value of property to be contributed upon exercise (per share acquisition right)	Exercise period
1st Share Acquisition Rights (July 23, 2007)	8	Common stock 800 shares	462,000 yen	100 yen	From August 10, 2007 to August 9, 2037
2nd Share Acquisition Rights (July 22, 2008)	18	Common stock 1,800 shares	185,000 yen	100 yen	From August 19, 2008 to August 18, 2038
3rd Share Acquisition Rights (July 21, 2009)	27	Common stock 2,700 shares	165,000 yen	100 yen	From August 6, 2009 to August 5, 2039
4th Share Acquisition Rights (July 23, 2010)	54	Common stock 5,400 shares	154,000 yen	100 yen	From August 10, 2010 to August 9, 2040
5th Share Acquisition Rights (July 25, 2011)	65	Common stock 6,500 shares	178,000 yen	100 yen	From August 18, 2011 to August 17, 2041
6th Share Acquisition Rights (July 23, 2012)	103	Common stock 10,300 shares	159,000 yen	100 yen	From August 17, 2012 to August 16, 2042
7th Share Acquisition Rights (July 22, 2013)	66	Common stock 6,600 shares	376,000 yen	100 yen	From August 22, 2013 to August 21, 2043

Name (Date of decision)	Number of share acquisition rights	Class and number of shares underlying share acquisition rights	Amount to be paid in (per share acquisition right)	Value of property to be contributed upon exercise (per share acquisition right)	Exercise period
8th Share Acquisition Rights (July 22, 2014)	77	Common stock 7,700 shares	440,000 yen	100 yen	From August 12, 2014 to August 11, 2044
9th Share Acquisition Rights (July 21, 2015)	58	Common stock 5,800 shares	413,000 yen	100 yen	From August 11, 2015 to August 10, 2045
10th Share Acquisition Rights (July 25, 2016)	164	Common stock 16,400 shares	278,000 yen	100 yen	From August 10, 2016 to August 9, 2046

(Notes) Terms and conditions for exercising share acquisition rights are as follows.

1. Share acquisition rights 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), share acquisition rights shall be exercisable for the period stipulated below. (However, (2) does not apply to share acquisition rights 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 share acquisition rights (the "due date"):

Name	Due date	Exercise period of share acquisition rights
1st Share Acquisition Rights	August 9, 2036	From August 10, 2036 to August 9, 2037
2nd Share Acquisition Rights	August 18, 2037	From August 19, 2037 to August 18, 2038
3rd Share Acquisition Rights	August 5, 2038	From August 6, 2038 to August 5, 2039
4th Share Acquisition Rights	August 9, 2039	From August 10, 2039 to August 9, 2040
5th Share Acquisition Rights	August 17, 2040	From August 18, 2040 to August 17, 2041
6th Share Acquisition Rights	August 16, 2041	From August 17, 2041 to August 16, 2042
7th Share Acquisition Rights	August 21, 2042	From August 22, 2042 to August 21, 2043
8th Share Acquisition Rights	August 11, 2043	From August 12, 2043 to August 11, 2044

Name	Due date	Exercise period of share acquisition rights
9th Share Acquisition Rights	August 10, 2044	From August 11, 2044 to August 10, 2045
10th Share Acquisition Rights	August 9, 2045	From August 10, 2045 to August 9, 2046

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

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

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

4. With October 1, 2017 as the effective date, the Company changed the number of shares constituting one unit from 1,000 shares to 100 shares and conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares). As a result, "class and number of shares underlying share acquisition rights" and "value of property to be contributed upon exercise" have been adjusted.

(b) Number of share acquisition rights

Name (Date of decision)	Director			Audit & Supervisory Board Member		
	Number of share acquisition rights	Number of shares underlying share acquisition rights	Number of holders	Number of share acquisition rights	Number of shares underlying share acquisition rights	Number of holders
1st Share Acquisition Rights (July 23, 2007)	8	800 shares	1	–	–	–
2nd Share Acquisition Rights (July 22, 2008)	18	1,800 shares	1	–	–	–
3rd Share Acquisition Rights (July 21, 2009)	27	2,700 shares	1	–	–	–
4th Share Acquisition Rights (July 23, 2010)	54	5,400 shares	2	–	–	–
5th Share Acquisition Rights (July 25, 2011)	65	6,500 shares	3	–	–	–

Name (Date of decision)	Director			Audit & Supervisory Board Member		
	Number of share acquisition rights	Number of shares underlying share acquisition rights	Number of holders	Number of share acquisition rights	Number of shares underlying share acquisition rights	Number of holders
6th Share Acquisition Rights (July 23, 2012)	103	10,300 shares	3	–	–	–
7th Share Acquisition Rights (July 22, 2013)	57	5,700 shares	4	9	900 shares	1
8th Share Acquisition Rights (July 22, 2014)	77	7,700 shares	7	–	–	–
9th Share Acquisition Rights (July 21, 2015)	58	5,800 shares	7	–	–	–
10th Share Acquisition Rights (July 25, 2016)	164	16,400 shares	8	–	–	–

(Notes) 1. These share acquisition rights are not granted to outside directors and audit & supervisory board members.

2. The share acquisition rights held by audit & supervisory board members were granted to them while they were serving as executive officers and not granted to them while serving as audit & supervisory board members.

(ii) Share acquisition rights granted to the Company's executive officers in remuneration for the performance of their duties during the fiscal year under review:

No items to report.

(iii) Other important matters regarding share acquisition rights

No items to report.

4. Status of Accounting Auditor

(1) Name

Ernst & Young ShinNihon LLC

(Note) On July 1, 2018, the Accounting Auditor of the Company Ernst & Young ShinNihon LLC changed its Japanese corporate name from ShinNihon Yugen Sekinin Kansa Hojin to EY ShinNihon Yugen Sekinin Kansa Hojin but left its English name unchanged.

(2) Remunerations, etc.

	Amount of payment (million yen)
Remunerations paid to the accounting auditor for the fiscal year under review	196
Total sum of cash and profits relating to other assets that the Company and its subsidiaries should pay to the accounting auditor	416

(Notes)

1. The audit agreement entered into by the accounting auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the remunerations paid to the accounting auditor for the fiscal year under review indicates the total of these two kinds of amounts.
2. The Audit & Supervisory Board sought confirmation that the audit plan that the accounting auditor submitted was suitable and appropriate, and carefully studied the grounds and contents of calculations, such as time required for audits and the remuneration unit price. As a result of the aforementioned, the Audit & Supervisory Board found that the remuneration was appropriate, and therefore approved the amount of remunerations paid to the accounting auditor.
3. Of the Company's main subsidiaries, IHI INC., JURONG ENGINEERING LIMITED and other 19 companies were audited by certified public accountants or accounting auditors (including persons overseas possessing the overseas country's equivalent qualification) other than the accounting auditor of the Company.

(3) Details of non-audit services

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

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

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

In addition, in cases where the accounting auditor is deemed to have difficulty in conducting audit operations appropriately, based on the resolution of the Audit & Supervisory Board, the dismissal or non-reappointment of the accounting auditor shall be decided.

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

(1) Systems to ensure appropriateness of operations

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

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

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

(i) Preparation of rules and regulations

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

(ii) Compliance activities

With respect to compliance activities, the "Compliance Committee" chaired by an officer in charge of compliance for the entire Company shall establish a company-wide compliance policy. The company-wide policy shall be applied to the plan for each division, and each division shall create its own rules and activity plans. In addition to the company-wide training organized and administered by Legal 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 Legal 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 business area and SBU (Strategic Business Unit) 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 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 & Supervisory Board Division to assist them in the performance of their duties.

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

7) Audit by audit & supervisory board members

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

8) Reporting to audit & supervisory board members

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

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

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

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

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.

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.

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.

From an information security perspective, we are working on global risk countermeasures, strengthening rules on taking business data outside the organization, and on getting audit activities to take root.

3) System for managing risks

Risk management activities are implemented in accordance with regulations for risk management within the 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.

We have reviewed the agenda criteria for the Board of Directors and the Management Committee, and have delegated authority for certain matters related to decision-making for important business execution to the CEO or the Presidents of Business Areas. In this way we seek to invigorate discussions on important matters and to make them more substantial.

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, and feedback is provided with regard to issues raised in evaluation processes. 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 & Supervisory Board Division is established to assist audit & supervisory board members in the performance of their duties. Four employees are posted full-time to the Audit & Supervisory Board Division, and Audit & Supervisory Board Division's independence from the persons who execute business is maintained.

7) Audit by audit & supervisory board members

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

8) Reporting to audit & supervisory board members

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

Although the operational status of the internal controls of the IHI Group were confirmed as described above, amid the ongoing analysis into the cause relating to the quality problem in the civil aero engine maintenance business, it was confirmed that there are issues regarding the operation of the compliance activity system and the risk management system.

During fiscal 2019, the IHI Group will tackle these issues while concentrating on the following two points, striving for continual improvement.

(i) We will strengthen and enhance the IHI Group's compliance system and programs. Gaining insight from analysis that delves deeply to the level of workplace interactions and culture, and the normative consciousness of employees, we will construct mechanisms that allow the effective functioning of systems aimed at deploying measures to prevent inappropriate practices from ever arising or detect such practices at an early stage.

(ii) We will identify the particularly important aspects of risks that could inhibit us from achieving business strategies, and focus on monitoring and managing them in order to strengthen our risk management system.

Consolidated Balance Sheet

(As of March 31, 2019)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		**Liabilities**	
Current assets	**987,864**	**Current liabilities**	**823,109**
Cash and deposits	94,951	Notes and accounts payable – trade	290,043
Notes and accounts receivable – trade	377,695	Short-term loans payable	111,785
Finished goods	23,084	Current portion of bonds	20,000
Work in process	276,238	Accrued expenses	88,520
Raw materials and supplies	142,588	Income taxes payable	7,384
Other	77,351	Advances received	157,546
Allowance for doubtful accounts	(4,043)	Provision for bonuses	28,089
		Provision for construction warranties	47,968
		Provision for loss on construction contracts	21,212
		Other provision	1,079
Non-current assets	**676,665**	Other	49,483
Property, plant and equipment	367,394	**Non-current liabilities**	**459,728**
Buildings and structures	137,156	Bonds payable	30,000
Machinery, equipment and vehicles	76,697	Long-term loans payable	175,813
Land	99,217	Lease obligations	14,307
Leased assets	15,962	Deferred tax liabilities for land revaluation	4,953
Construction in progress	10,100	Net defined benefit liability	160,244
Other	28,262	Provision for loss on business of subsidiaries and affiliates	1,212
Intangible assets	34,084	Other provision	1,132
Goodwill	10,032	Other	72,067
Software	18,060	**Total liabilities**	**1,282,837**
Other	5,992	**Net Assets**	
		Shareholders' equity	**343,497**
Investments and other assets	275,187	Capital stock	107,165
Investment securities	117,967	Capital surplus	53,410
Deferred tax assets	116,802	Retained earnings	184,092
Net defined benefit asset	31	Treasury shares	(1,170)
Other	41,763	**Accumulated other comprehensive income**	**5,683**
Allowance for doubtful accounts	(1,376)	Valuation difference on available-for-sale securities	1,063
		Deferred gains or losses on hedges	(190)
		Revaluation reserve for land	5,321
		Foreign currency translation adjustment	2,808
		Remeasurements of defined benefit plans	(3,319)
		Share acquisition rights	**659**
		Non-controlling interests	**31,853**
		Total net assets	**381,692**
Total assets	**1,664,529**	**Total liabilities and net assets**	**1,664,529**

Consolidated Statement of Income

(Year ended March 31, 2019)

(Millions of yen)

Account title	Amount
Net sales	1,483,442
Cost of sales	1,205,713
Gross profit	**277,729**
Selling, general and administrative expenses	195,241
Operating profit	**82,488**
Non-operating income	
Interest and dividend income	2,046
Share of profit of entities accounted for using equity method	4,108
Foreign exchange gains	5
Other	5,199
Non-operating expenses	
Interest expenses	3,227
Portion of compensation for damage resulting from delayed delivery of SPB tank construction	6,679
Expenses for delayed delivery	838
Other	17,353
Ordinary profit	**65,749**
Extraordinary income	
Gain on sales of shares of subsidiaries and associates	4,199
Gain on transfer of business	1,108
Extraordinary losses	
Impairment loss	1,610
Profit before income taxes	**69,446**
Income taxes – current	16,925
Income taxes for prior periods	4,304
Income taxes – deferred	2,977
Profit	**45,240**
Profit attributable to non-controlling interests	5,351
Profit attributable to owners of parent	**39,889**

(Reference)

Consolidated Statement of Cash Flows (Summary)

(Year ended March 31, 2019)

(Millions of yen)

Account title	Amount
Net cash provided by (used in) operating activities	46,402
Net cash provided by (used in) investing activities	(79,280)
Net cash provided by (used in) financing activities	16,463
Effect of exchange rate change on cash and cash equivalents	1,743
Net increase (decrease) in cash and cash equivalents	(14,672)
Cash and cash equivalents at end of period	92,608

Consolidated Statement of Changes in Equity

(Year ended March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	107,165	53,406	153,564	(879)	313,256
Changes of items during period					
Dividends of surplus			(9,267)		(9,267)
Profit attributable to owners of parent			39,889		39,889
Purchase of treasury shares				(424)	(424)
Disposal of treasury shares				133	133
Change in ownership interest of parent due to transactions with non-controlling interests		4			4
Net decrease from newly consolidated subsidiaries			(126)		(126)
Reversal of revaluation reserve for land			32		32
Net changes of items other than shareholders' equity					
Total changes of items during period	–	4	30,528	(291)	30,241
Balance at end of current period	107,165	53,410	184,092	(1,170)	343,497

	Accumulated other comprehensive income						Share acquisition rights	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	2,034	(286)	5,359	3,679	559	11,345	792	24,824	350,217
Changes of items during period									
Dividends of surplus									(9,267)
Profit attributable to owners of parent									39,889
Purchase of treasury shares									(424)
Disposal of treasury shares									133
Change in ownership interest of parent due to transactions with non-controlling interests									4
Net decrease from newly consolidated subsidiaries									(126)
Reversal of revaluation reserve for land									32
Net changes of items other than shareholders' equity	(971)	96	(38)	(871)	(3,878)	(5,662)	(133)	7,029	1,234
Total changes of items during period	(971)	96	(38)	(871)	(3,878)	(5,662)	(133)	7,029	31,475
Balance at end of current period	1,063	(190)	5,321	2,808	(3,319)	5,683	659	31,853	381,692

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: 153

Names of major consolidated subsidiaries:

IHI AEROSPACE CO., LTD., Niigata Power Systems Co., Ltd.,
Meisei Electric Co., Ltd., IHI Transport Machinery Co., Ltd.,
IHI Agri-Tech Corporation, IHI Rotating Machinery Engineering Co., Ltd.,
IHI Infrastructure Systems Co., Ltd., Niigata Transys Co., Ltd.,
IHI Turbo Co., Ltd., IHI Logistics & Machinery Corporation,
IHI Plant Construction Co., Ltd.,
IHI Investment for Aero Engine Leasing LLC, IHI INC.,
IHI Power Generation Corp., JURONG ENGINEERING LIMITED,
IHI INFRASTRUCTURE ASIA CO., LTD.,
IHI E&C International Corporation
Changchun FAWER-IHI Turbo Co., Ltd.,
IHI Charging Systems International GmbH, IHI Turbo America Co.,
IHI ASIA PACIFIC PTE. LTD., I&H Engineering Co., Ltd.,
Wuxi IHI Turbo Co., Ltd.,
IHI DALGAKIRAN MAKİNA SANAYİ VE TİCARET A.Ş.,
IHI Transport Machinery Taiwan Corporation,
IHI TURBO (THAILAND) CO., LTD.,
IHI-Sullair Compression Technology (Suzhou) Co., Ltd.,
IHI Southwest Technologies, Inc., IHI Europe Ltd.,
Jiangsu IHI Fengdong Vacuum Technology Co., Ltd.,
IHI (Shanghai) Management Co., Ltd., IHI Aero Engines US Co., Ltd.

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

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

Names of major non-consolidated subsidiaries:

IHI SOLID BIOMASS MALAYSIA SDN. BHD.
ALPHA Automotive Technologies LLC

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

2. Application of the Equity Method

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

Number of non-consolidated subsidiaries and affiliated companies accounted for by the equity method: 28

Names of major equity method affiliates:

Non-consolidated subsidiary	ALPHA Automotive Technologies LLC
Affiliated companies	Japan Marine United Corporation, GE Passport, LLC, PW1100G-JM Engine Leasing, LLC

In the fiscal year under review, the number of equity method affiliates increased by 1 due to increased materiality, and decreased by 2 due to share transfer and 1 due to liquidation.

(2) Names of non-consolidated subsidiaries and affiliated companies not accounted for by the equity method

Names of major companies:	
Non-consolidated subsidiary	IHI SOLID BIOMASS MALAYSIA SDN. BHD.
Affiliated companies	MINAGAWA NOUKI SEIZOU Co., Ltd. TCT INDUSTRIALS 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

Finished goods and work in process are stated principally 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).

(4) Depreciation and amortization of non-current assets

Property, plant and equipment (except for leased assets)
These assets are depreciated principally by the straight-line method.

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

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

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

(5) Bases for significant allowances and provisions

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

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

Provision for directors' bonuses
To prepare for the transfer of money and shares to the directors, etc., an amount is recognized based on the estimated amount of the liability for transfer of money and shares at the end of the fiscal year under review.

Provision for construction warranties

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

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

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

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

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

Recognition of revenue and expenses
Basis of recognizing revenues and costs of construction contracts
Construction projects whose outcome of the progress by the end of the fiscal year is 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.
(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.

Accounting for retirement benefits

To prepare for employees' retirement benefits, net defined benefit asset/liability is recognized based on the estimated amounts of retirement 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 retirement benefit obligations, the method used to attribute projected benefit obligations in the period up to the fiscal year under review is benefit formula basis.

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

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

Amortization method and period of goodwill

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

Consumption taxes

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

Application of the consolidated taxation system

The consolidated taxation system has been applied.

II. Changes in Accounting Policies

(Change of principal methods for hedge accounting)

Forward foreign exchange rates had been applied for monetary claims and liabilities denominated in foreign currencies under forward foreign exchange contracts if conditions had been met (the furiate method). Also, special treatment had been applied for interest rate swaps if conditions for the special treatment had been met.

As a result of reviewing management methods suitable for global business operation, the IHI Group changed the principal methods for hedge accounting to deferral hedge accounting in order to reflect on its consolidated financial statements more accurately the status of monetary claims and liabilities denominated in foreign currencies and the status of derivative contracts from the fiscal year under review.

The change in accounting policies is not applied retrospectively, as the effect of this change on past periods was immaterial. Moreover, the effect of this change on operating profit, ordinary profit and profit before income taxes for the fiscal year under review was immaterial.

III. Changes in Presentation

(Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal year under review. Accordingly, deferred tax assets were presented under “Investments and other assets” and deferred tax liabilities were presented under “Non-current liabilities.”

IV. Notes to the Consolidated Balance Sheet

1. Assets Pledged as Collateral and Secured Liabilities

(1) Assets pledged as collateral

Cash and deposits	2 million yen
Buildings and structures	66 million yen
Land	475 million yen
Investment securities	646 million yen (Note 1)
Other investments and other assets	2,793 million yen (Note 2)

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

Land	475 million yen

(2) Secured liabilities

Short-term loans payable	2,000 million yen

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

Short-term loans payable	2,000 million yen

(Notes)

1. Kagoshima Mega Solar Power Corporation and seven shareholder companies of the said company entered into a revolving pledge agreement with financial institutions in order to secure all and any liabilities of the said company under the limited loan agreement concluded between Kagoshima Mega Solar Power Corporation and the financial institutions.
2. Nanatsujima Biomass Power Limited Liability Company, its nine shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee all and any liabilities incurred by affiliate Nanatsujima Biomass Power Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions.

2. Accumulated Depreciation of Property, Plant and Equipment

624,833 million yen

3. Contingent Liabilities

(1) Liabilities on guarantee (Note)

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
Japanese Aero Engines Corporation	5,905	Guarantee of loan obligations for purchase of fuselages, guarantee of lease obligations and guarantee for fuselage asset value
ALPHA Automotive Technologies LLC	1,021	Guarantee for lease obligations and loans from financial institutions

Guaranteed entity	Amount	Details of liability on guarantee
Japan Aeroforge, Ltd.	413	Loans from financial institutions
Employees	262	Guarantee on housing loans, etc.
Chubu Segment Co., Ltd.	25	Loans from financial institutions
Total	7,626	

(2) Quasi-guarantee (Note)

(Millions of yen)

Guaranteed entity	Amount	Description
Employees	4,864	Guarantee on housing loans, etc.
Total	4,864	

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

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

(3) Notes receivable - trade discounted

51 million yen

(4) Notes receivable endorsed

1 million yen

(5) Others

The consolidated subsidiary IHI E&C International Corporation received a letter of claim for payment of 112 million US dollars from a customer on May 2, 2019, for expenses for delayed delivery regarding a process plant project currently underway in North America (hereinafter the "Expenses").

From the point of view of the IHI Group, the said subsidiary was constant in its requests for an extension of the delivery date ever since construction delays occurred due to reasons on the customer side, and the IHI Group continues to assert that the claim for the Expenses is unacceptable.

Therefore, at this point, as it is difficult to reasonably estimate the effect on the financial position and business results of the IHI Group, the effect of this matter is not reflected in the consolidated financial statements for the fiscal year under review.

4. Notes Maturing on Balance Sheet Date

Accounting of notes maturing on the last day of fiscal year is settled on the clearing date. Because the last day of the fiscal year under review fell on a bank holiday, the

following such notes that matured on the last day of the fiscal year are included in the balance on the last day of the fiscal year under review.

Notes receivable - trade	1,832 million yen
Notes payable - trade	1,836 million yen

V. 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, 2018	Increase	Decrease	Number of Shares at March 31, 2019
Common stock	154,679,954	–	–	154,679,954

(2) Class and number of treasury shares

(Unit: shares)

Class	Number of Shares at April 1, 2018	Increase	Decrease	Number of Shares at March 31, 2019
Common stock	344,435	109,261	65,350	388,346

(Notes)

1. The number of treasury shares at March 31, 2019 includes 218,900 shares of the Company owned by a trust account for the Board Benefit Trust (BBT).
2. The increase in shares resulted from the purchase of 1,361 shares of shares less than one unit and the acquisition of 107,900 shares of the Company by the Board Benefit Trust (BBT).
3. The decrease in shares resulted from the sale of 50 shares of fractional shares at the request of shareholders, and decrease of 65,300 shares due to exercise of stock options.

2. Matters Concerning Dividends

(1) Cash dividends

Resolution	Class	Total dividends (Millions of yen)	Dividends per share (yen)	Cutoff date	Effective date
Ordinary General Meeting of Shareholders on June 22, 2018	Common stock	4,633	30	March 31, 2018	June 25, 2018
Meeting of the Board of Directors on November 1, 2018	Common stock	4,634	30	September 30, 2018	December 7, 2018

(Notes)

1. Total dividends resolved at the Ordinary General Meeting of Shareholders on June 22, 2018 include 3 million yen which is dividends for shares of the Company owned by a trust account for the Board Benefit Trust (BBT).
2. Total dividends resolved at the meeting of the Board of Directors on November 1, 2018 include 7 million yen which is dividends for shares of the Company owned by a trust account for the Board Benefit Trust (BBT).

(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.

Resolution	Class	Total dividends (Millions of yen)	Dividends per share (yen)	Cutoff date	Effective date
Ordinary General Meeting of Shareholders on June 20, 2019	Common stock	6,180	40	March 31, 2019	June 21, 2019

(Note) Total dividends to be resolved at the Ordinary General Meeting of Shareholders on June 20, 2019 include 9 million yen which is dividends for shares of the Company owned by a trust account for the Board Benefit Trust (BBT).

3. Class and Number of Shares underlying Share Acquisition Rights

Common stock 247,600 shares

VI. 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 mainly 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, 2019, as well as their differences.

(Millions of yen)

	Consolidated Balance Sheet Amount	Fair Value	Differences
(1) Cash and deposits	94,951	94,951	–
(2) Notes and accounts receivable - trade	377,695		
Allowance for doubtful accounts (*1)	(3,806)		
	373,889	373,625	(264)
(3) Securities and investment securities	16,155	16,164	9
Securities to be held until maturity	105	114	9
Available-for-sale securities	16,050	16,050	–
Total assets	484,995	484,740	(255)
(4) Notes and accounts payable - trade	290,043	290,043	–
(5) Short-term loans payable	111,785	111,785	–
(6) Commercial papers	–	–	–
(7) Bonds payable	50,000	50,037	37
(8) Long-term loans payable	175,813	181,673	5,860
Total liabilities	627,641	633,538	5,897
(9) Derivatives (*2)			
(a) Derivatives to which hedge accounting is not applied	102	102	–
(b) Derivatives to which hedge accounting is applied	[47]	[47]	–
Derivatives, total	55	55	–

(*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 square brackets 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 of principals and interests at an assumed interest rate for similar new borrowings.

   (9) Derivatives

   The fair value of forward foreign exchange contracts is based on the forward exchange rate. The fair value of interest rate swaps is based on the prices provided by the financial institution with which the Company does business.

2. Unlisted equity securities (consolidated balance sheet amount of 17,314 million yen) and shares of subsidiaries and affiliates (consolidated balance sheet amount of 84,498 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.

VII. 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 5,155 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
96,415	285,838

(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, 2019 was measured mainly based on the values in the appraisal report prepared by external real estate appraisers.

VIII. Per Share Information

1. Net Assets per Share 2,263.12 yen

2. Basic Earnings per Share 258.53 yen

(Notes)

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

Profit attributable to owners of parent	39,889 million yen
Amounts for non-common shareholders	–
Profit attributable to owners of parent regarding common stock	39,889 million yen
Average number of shares of common stock	154,290 thousand shares

2. The number of shares issued at the end of the period, and the number of treasury shares excluded for the calculation of the average number of shares outstanding during the period, include shares of the Company owned by a trust account for the Board Benefit Trust (BBT). The number of treasury shares at the end of the period excluded for the calculation of net assets per share is 218,900 shares, and the average number of treasury shares outstanding during the period excluded for the calculation of basic earnings per share is 178,438 shares.

IX. Significant Subsequent Events

No applicable item.

X. Other Notes

(Portion of compensation for damage resulting from delayed delivery of SPB tank construction)

In the fiscal year ended March 31, 2018, Japan Marine United Corporation ("JMU"), one of the Company's equity method affiliates, recorded compensation for damage resulting from the delayed delivery of SPB LNG vessels construction. As a result of discussions, a portion of the compensation split between the Company and JMU has been decided.

Accordingly, the Company recorded as non-operating expenses 6,679 million yen of a portion of compensation for damage resulting from the delayed delivery of the SPB tank construction. JMU, on the other hand, recorded the same amount as extraordinary income in the fiscal year ended March 31, 2019.

* SPB: Self-supporting Prismatic Shape IMO type B

(Transfer of small power systems business)

The Company has transferred the commercial engine-focused small power systems business operated by its wholly-owned subsidiary IHI Agri-Tech Corporation ("IAT") to U.S.-based Caterpillar Inc. ("Caterpillar").

On September 27, 2018, shares of the small power systems business companies directly and indirectly held by IAT were sold and transferred to Caterpillar, and, on December 28, 2018, the IAT's small power systems business was split and absorbed by a Japanese corporation, which was newly established by Caterpillar.

As a result of the business transfer, the Company recorded 4,199 million yen gained from the sale and transfer of shares of the companies as a gain on sales of shares of subsidiaries and associates and 1,108 million yen gained from the absorption-type company split as a gain on transfer of business under extraordinary income.

(Note)

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

Non-Consolidated Balance Sheet

(As of March 31, 2019)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		**Liabilities**	
Current assets	**559,402**	**Current liabilities**	**535,230**
Cash and deposits	38,165	Notes payable – trade	2,845
Notes receivable – trade	990	Accounts payable – trade	135,656
Accounts receivable – trade	130,034	Short-term loans payable	126,658
Work in Process	192,227	Current portion of bonds	20,000
Raw materials and supplies	111,715	Lease obligations	1,822
Advance payments – other	13,427	Accounts payable – other	28,387
Prepaid expenses	6,588	Accrued expenses	63,304
Accounts receivable – other	34,516	Income taxes payable	1,884
Short-term loans receivable	31,538	Advances received	97,338
Other	3,335	Deposits received	1,414
Allowance for doubtful accounts	(3,136)	Provision for bonuses	10,796
Non-current assets	**553,977**	Provision for directors' bonuses	773
Property, plant and equipment	215,770	Provision for construction warranties	36,129
Buildings	89,491	Provision for loss on construction contracts	6,751
Structures	7,036	Other	1,465
Docks and building berths	0	**Non-current liabilities**	**339,844**
Machinery and equipment	33,498	Bonds payable	30,000
Vessels	0	Long-term loans payable	132,318
Vehicles	102	Lease obligations	7,193
Tools, furniture and fixtures	18,704	Long-term lease and guarantee deposited	9,144
Land	53,745	Provision for retirement benefits	100,477
Leased assets	8,333	Provision for loss on business of subsidiaries and affiliates	2,072
Construction in progress	4,858	Asset retirement obligations	68
Intangible assets	14,125	Other	58,569
Royalties and other intangible assets	1,169	**Total liabilities**	**875,074**
Leasehold right	32	**Net Assets**	
Right of using facilities	27	**Shareholders' equity**	**238,307**
Software	12,787	Capital stock	107,165
Leased assets	41	Capital surplus	54,525
Other	67	Legal capital surplus	54,520
Investments and other assets	324,081	Other capital surplus	5
Investment securities	29,537	Retained earnings	77,786
Shares of subsidiaries and affiliates	153,184	Legal retained earnings	6,083
Investments in capital	1,086	Other retained earnings	71,703
Investments in capital of subsidiaries and affiliates	32,815	Reserve for advanced depreciation of non-current assets	8,170
Long-term loans receivable	1,633	Reserve for investment loss on restructuring specified business	485
Deferred tax assets	83,612	Retained earnings brought forward	63,046
Other	22,999	Treasury shares	(1,170)
Allowance for doubtful accounts	(787)	**Valuation and translation adjustments**	**(661)**
		Valuation difference on available-for-sale securities	(621)
		Deferred gains or losses on hedges	(39)
		Share acquisition rights	**659**
		Total net assets	**238,305**

Total assets	**1,113,379**	**Total liabilities and net assets**	**1,113,379**

Non-Consolidated Statement of Income

(Year ended March 31, 2019)

(Millions of yen)

Account title	Amount
Net sales	700,497
Cost of sales	585,320
Gross profit	**115,176**
Selling, general and administrative expenses	81,566
Operating profit	**33,610**
Non-operating income	
Interest and dividend income	24,178
Foreign exchange gains	91
Other	2,773
Non-operating expenses	
Interest expenses	1,654
Portion of compensation for damage resulting from delayed delivery of SPB tank construction	6,679
Expenses for delayed delivery	524
Other	12,440
Ordinary profit	**39,355**
Extraordinary losses	
Loss on valuation of shares of subsidiaries and affiliates	14,303
Impairment loss	35
Profit before income taxes	**25,016**
Income taxes – current	(2,055)
Income taxes for prior periods	4,310
Income taxes – deferred	2,204
Profit	**20,558**

Non-Consolidated Statement of Changes in Equity

(Year ended March 31, 2019)

(Millions of yen)

	Shareholders' equity										
		Capital surplus			Retained earnings						
						Other retained earnings					
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for advanced depreci-ation of non-current assets	Reserve for investment loss on restructuring specified business	Retained earnings brought forward	Total retained earnings	Treasury shares	Total share-holders' equity
Balance at beginning of current period	107,165	54,520	5	54,525	6,083	8,690	485	51,236	66,496	(879)	227,307
Changes of items during period											
Dividends of surplus								(9,267)	(9,267)		(9,267)
Profit								20,558	20,558		20,558
Reversal of reserve for advanced depreciation of non-current assets						(519)		519	–		–
Purchase of treasury shares										(423)	(423)
Disposal of treasury shares			0	0						132	132
Net changes of items other than shareholders' equity											
Total changes of items during period	–	–	0	0	–	(519)	–	11,810	11,290	(290)	10,999
Balance at end of current period	107,165	54,520	5	54,525	6,083	8,170	485	63,046	77,786	(1,170)	238,307

	Valuation and translation adjustments			Share acquisition rights	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	(255)	11	(243)	791	227,855
Changes of items during period					
Dividends of surplus					(9,267)
Profit					20,558
Reversal of reserve for advanced depreciation of non-current assets					–
Purchase of treasury shares					(423)
Disposal of treasury shares					132
Net changes of items other than shareholders' equity	(366)	(50)	(417)	(132)	(550)
Total changes of items during period	(366)	(50)	(417)	(132)	10,449
Balance at end of current period	(621)	(39)	(661)	791	238,305

(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.

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

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 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 the transfer of money and shares to the directors, etc., an amount is recognized based on the estimated amount of the liability for transfer of money and shares at the end of the fiscal year under review.

(4) Provision for construction warranties

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

(5) Provision for loss on construction contracts

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

(6) Provision for retirement benefits

Provision for retirement benefits is provided for based on estimated amounts of projected benefit obligations and pension fund assets as of the balance sheet date.
In the calculation of defined benefit liability, the method used to attribute projected benefit obligations in the period up to the fiscal year under review is benefit formula basis.
Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.
Actuarial gain or loss is amortized starting in the fiscal year following the fiscal year in which it occurs using the straight-line method over a certain number of years within the average remaining service period of employees.

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

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

4. Basis of Recognizing Revenues and Expenses

Basis of recognizing revenues and costs of construction contracts

Construction projects whose outcome of the progress by the end of the fiscal year is 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.

2) Hedging instruments and hedged items

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

3) Hedging policy

Hedging instruments necessary for each risk category are selected.

4) Method of assessing effectiveness of hedging

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

(2) Accounting method for retirement benefits

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

(3) Consumption taxes

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

(4) Application of the consolidated taxation system

The consolidated taxation system has been applied.

II. Changes in Accounting Policies

(Change of principal methods for hedge accounting)

Forward foreign exchange rates had been applied for monetary claims and liabilities denominated in foreign currencies under forward foreign exchange contracts if conditions had been met (the furiate method). Also, special treatment had been applied for interest rate swaps if conditions for the special treatment had been met.

As a result of reviewing management methods suitable for global business operation, the Company changed the principal methods for hedge accounting to deferral hedge accounting in order to reflect on its financial statements more accurately the status of monetary claims and liabilities denominated in foreign currencies and the status of derivative contracts from the fiscal year under review.

The change in accounting policies is not applied retrospectively, as the effect of this change on past periods was immaterial. Moreover, the effect of this change on operating profit, ordinary profit and profit before income taxes for the fiscal year under review was immaterial.

III. Changes in Presentation

(Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal year under review. Accordingly, deferred tax assets were presented under “Investments and other assets” and deferred tax liabilities were presented under “Non-current liabilities.”

IV. Notes to the Non-Consolidated Balance Sheet

1. Assets Pledged as Collateral and Secured Liabilities

Assets pledged as collateral

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

(Notes)
1. Kagoshima Mega Solar Power Corporation and seven shareholder companies of the said company entered into a revolving pledge agreement with financial institutions in order to secure all and any liabilities of the said company under the limited loan agreement concluded between Kagoshima Mega Solar Power Corporation and the financial institutions.
2. Nanatsujima Biomass Power Limited Liability Company, its nine shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee all and any liabilities incurred by affiliate Nanatsujima Biomass Power Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions.

2. Accumulated Depreciation of Property, Plant and Equipment

354,735 million yen

3. Contingent Liabilities

(1) Liabilities on guarantee (Note)

(Millions of yen)

Guaranteed entity	Amount	Details of liability on guarantee
IHI Investment for Aero Engine Leasing LLC	13,412	Loans from financial institutions
Japanese Aero Engines Corporation	5,904	Guarantee of loan obligations for purchase of fuselages, guarantee for lease obligations and guarantee of fuselage asset value
IHI Charging Systems International S.p.A.	1,183	Loans from financial institutions
ALPHA Automotive Technologies LLC	1,020	Guarantee for lease obligations and loans from financial institutions
Japan Aeroforge, Ltd.	413	Loans from financial institutions
IHI Charging Systems International GmbH	386	Loans from financial institutions
Total	22,319	

(2) Quasi-guarantee (Note)

(Millions of yen)

Guaranteed entity	Amount	Description
Employees of the Company	4,860	Housing loans and others
IHI Charging Systems International GmbH	1,939	Commitment to guarantees for the obligation to return VAT refund
Total	6,799	

(Note)

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

(1) In the case of a perfected joint guarantee agreement, etc., if the amount guaranteed by the Company is clearly expressed and specified irrespective of other guarantors' capacities to guarantee.

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

4. Monetary Claims and Liabilities to Subsidiaries and Affiliates

Short-term monetary claims	57,233 million yen
Long-term monetary claims	1,976 million yen
Short-term monetary liabilities	125,735 million yen
Long-term monetary liabilities	732 million yen

5. Notes Maturing on Balance Sheet Date

Accounting of notes maturing on the last day of fiscal year is settled on the clearing date. Because the last day of the fiscal year under review fell on a bank holiday, the following such notes that matured on the last day of the fiscal year are included in the balance on the last day of the fiscal year under review.

Notes receivable - trade	80 million yen
Notes payable - trade	354 million yen

V. Notes to the Non-Consolidated Statement of Income

Amounts of Transactions with Subsidiaries and Affiliates

(1) Operating transactions

Sales to subsidiaries and affiliates	20,461 million yen
Purchases from subsidiaries and affiliates	193,259 million yen

(2) Non-operating transactions

35,445 million yen

VI. 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	388,346 shares

(Note)

1. The number of treasury shares at March 31, 2019 includes 218,900 shares of the Company owned by a trust account for the Board Benefit Trust (BBT).

VII. 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.

VIII. Non-current Assets Used Through Leases

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

IX. Related Party Transactions

1. Subsidiaries, Affiliates and Other Related Parties

(Millions of yen)

Type	Name	Location	Capital or Contri-bution	Nature of Business	Voting Rights Holding or Held	Relation with the Party
Subsidiary	IHI Turbo Co., Ltd.	Koto-ku, Tokyo	1,000	Manufacture	Holding directly 100%	Production subsidiary
Subsidiary	IHI Plant Construction Co., Ltd.	Koto-ku, Tokyo	500	Construction	Holding directly 100%	Company sharing business function
Subsidiary	IHI Investment for Aero Engine Leasing LLC	New York, U.S.A.	163,267 thousand US dollars	Investment	Holding directly 65%	Company sharing business function
Subsidiary	IHI E&C International Corporation	Texas, U.S.A.	21,257 thousand US dollars	Design, procurement, construction	Holding indirectly 100%	Company sharing business function
Affiliate	Japan Marine United Corporation	Yokohama -shi, Kanagawa	25,000	Shipbuilding	Holding directly 45.93%	Contractor for SPB tank construction
Affiliate	IHI Finance Support Corporation	Chiyoda-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, 2019 (Note 1)
IHI Turbo Co., Ltd.	-Purchases of vehicular turbochargers, etc.	(Note 2) 46,807	Accounts payable – trade	12,602
IHI Plant Construction Co., Ltd.	-Ordering of field work, etc. for plant construction business	(Note 2) 33,144	Accounts payable – trade Accounts payable – other	12,467 1
IHI Investment for Aero Engine Leasing LLC	-Debt guarantee	(Note 3) 13,412	–	–
IHI E&C International Corporation	-Repayment of borrowings	21,248	–	–
Japan Marine United Corporation	-Portion of compensation for damage resulting from delayed delivery of SPB tank construction	(Note 4) 6,679	–	–
IHI Finance Support Corporation	-Factoring	(Note 5) 55,870	Accounts payable – trade Accounts payable – other	14,422 1,513

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

(Millions of yen)

Type	Name	Location	Capital or Contri-bution	Nature of Business or Occupation	Voting Rights Holding or Held	Relation with the Party
Executive Fellow	Toshinori Sekido	–	–	Japanese Aero Engines Corporation (Representative Director)	Held directly 0%	Executive Fellow of the Company

(Millions of yen)

Name	Transactions	Transaction Amount (Note 1)	Account Title	Balance as of March 31, 2019 (Note 1)
Toshinori Sekido	Operating transactions with Japanese Aero Engines Corporation (JAEC) (Note 6)			
	-Subcontract of work from JAEC related to R&D of jet engines	2,627	–	–
	-Payment of a portion of funding related to the above	3,591	–	– (Note 7)
	-Acceptance of subsidies related to the above	5,435	Accounts payable – other	6,809
			Long-term accounts payable – other	54,021
	-Manufacture of jet engine components and delivery thereof to JAEC	205,071	Accounts receivable – trade	18,893
			Advances received	13,303
	-Payment of a portion of expenses related to the above	71,873	–	–

(Notes)

1. Amounts of transactions do not include consumption taxes and balances as of March 31, 2019 do. The transaction amount does not include foreign exchange gains or losses, and the ending balance includes foreign exchange gains or losses.
2. Amounts of transactions and trading prices were based on conditions for general transactions, and took into account market prices.
3. Debt guarantee is provided against borrowings from financial institutions.
4. The portion of compensation for damage resulting from delayed delivery of SPB tank construction refers to the Company's burden resulting from deliberations with Japan Marine United Corporation.
5. 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.
6. 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.
7. Consumption tax, etc. are not included in Accounts payable – other or Long-term accounts payable - other for which Japanese Aero Engines Corporation is the counterparty.

X. Per Share Information

1. Net Assets per Share	1,540.24 yen
2. Basic Earnings per Share	133.24 yen

(Notes)

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

Profit	20,558 million yen
Amounts for non-common shareholders	–
Profit regarding common stock	20,558 million yen
Average number of shares of common stock	154,290 thousand shares

2. The number of shares issued at the end of the period, and the number of treasury shares excluded for the calculation of the average number of shares outstanding during the period, include shares of the Company owned by a trust account for the Board Benefit Trust (BBT). The number of treasury shares at the end of the period excluded for the calculation of net assets per share is 218,900 shares, and the average number of treasury shares outstanding during the period excluded for the calculation of basic earnings per share is 178,438 shares.

XI. Significant Subsequent Events

(Company split)

Based on a resolution passed at the Board of Directors meeting held on January 28, 2019, the Company transferred the Company's design, manufacture, and sales of plants, and related businesses ("plant construction business") to IHI Plant Construction Co., Ltd. ("IPC"), a wholly-owned subsidiary of the Company through a company split (absorption-type company split) effective on April 1, 2019.

1. Overview of the transaction

(1) Name and description of the business subject to the transaction

Name of the business:	Plant construction business of the Company
Description of the business:	Design, manufacture, and sales, etc. of plants including LNG tanks, storage tanks, and process-related plants

(2) Date of business combination

April 1, 2019

(3) Legal form of the business combination

An absorption-type company split where the Company is the splitting company and IPC is the succeeding company

(4) Company name after the business combination

IHI Plant Services Corporation (IPC changed its trade name as of the date of business combination.)

(5) Other matters concerning the overview of the transaction

The business combination aims to build an integrated operating system that covers the design, manufacture, installation, repair and services for plants, and to offer high-quality solutions that fulfill customer needs toward a net-zero-CO2-emission and recycling-based society, as well as implement efficient business operations and human resources allocation.

2. Overview of accounting treatment to be applied

The company split will be treated as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

XII. Other Notes

(Portion of compensation for damage resulting from delayed delivery of SPB tank construction)
In the fiscal year ended March 31, 2018, Japan Marine United Corporation ("JMU"), one of the Company's equity method affiliates, recorded compensation for damage resulting from the delayed delivery of SPB LNG vessels construction. As a result of discussions, a portion of the compensation split between the Company and JMU has been decided.
Accordingly, the Company recorded as non-operating expenses 6,679 million yen of a portion of compensation for damage resulting from the delayed delivery of the SPB tank construction.

* SPB: Self-supporting Prismatic Shape IMO type B

(Loss on valuation of shares of subsidiaries and affiliates)
Because the fair value of IHI Inc.'s shares held by the Company has declined significantly below their book value, the Company has investigated the likelihood of a recovery in the value of the shares. Having concluded that such a recovery would be difficult for the time being, the Company has recorded 14,303 million yen as a loss on valuation of shares of subsidiaries and affiliates under extraordinary losses.

(Company split)
At the Board of Directors meeting held on January 28, 2019, the Company decided to transfer the power systems business centered on gas turbines for aircraft conversion operated by the Company to Niigata Power Systems Co., Ltd. ("NPS"), a wholly-owned subsidiary of the Company through a company split (absorption-type company split) effective on July 1, 2019.

1. Overview of the transaction

(1) Name and description of the business subject to the transaction

Name of the business: Power systems business of the Company
Description of the business: Engineering and sale of power plants, mainly related to gas turbines for aircraft conversion and related businesses

(2) Date of business combination

July 1, 2019 (tentative)

(3) Legal form of the business combination

An absorption-type company split where the Company is the splitting company and NPS is the succeeding company

(4) Company name after the business combination

IHI Power Systems Co., Ltd. (NPS is scheduled to change its trade name as of the date of business combination.)

(5) Other matters concerning the overview of the transaction

The business combination aims to build an integrated operating system for power system products for distributed energy use by concentrating management resources related to the power systems business, and to offer high-quality lifecycle services that fulfill customer needs toward a net-zero-CO2-emission and recycling-based society, as well as implement efficient business operations and human resources allocation.

(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 Auditor

May 14, 2019

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

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

Hirotaka Oya (Seal)
Certified Public Accountant
Designated and Engagement Partner

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

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of IHI Corporation (the "Company") applicable to the fiscal year from April 1, 2018 through March 31, 2019.

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 as independent auditor. 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, 2019 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

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

Audit Report of Accounting Auditor on Non-Consolidated Financial Statements

(Translation)

Report of Independent Auditor

May 14, 2019

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

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

Hirotaka Oya (Seal)
Certified Public Accountant
Designated and Engagement Partner

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

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to the non-consolidated financial statements and the related supplementary schedules of IHI Corporation (the "Company") applicable to the 202nd fiscal year from April 1, 2018 through March 31, 2019.

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 as independent auditor. 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 202nd fiscal year ended March 31, 2019 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

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

Audit Report of the Audit & Supervisory Board

<Translation>

Audit Report

We, the Audit & Supervisory Board, having discussed the Directors' performance of duties during the 202nd fiscal year, from April 1, 2018 through March 31, 2019, based on audit reports from each Audit & Supervisory Board Member, prepared the following Audit Report.

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 status of 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. Simultaneously, each Audit & Supervisory Board Member attended meetings of the Board of Directors and other vital meetings, received reports on the execution of duties from Directors, employees and other personnel, received reports and requested explanations from them when necessary, reviewed important documents including those subject to executive approval, and examined the conditions of assets and businesses at the head office and other major operations. 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, and examined the conditions of assets and business when necessary.

As indicated in the Business Report, the Audit & Supervisory Board added audit items to acquire the facts, investigate the root causes and monitor the status of reoccurrence prevention consideration, as a response to the revelation of inadequate inspections being carried out at the civil aero engine maintenance business.

In addition, each Audit & Supervisory Board Member 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 Regulation for Enforcement of the Companies Act of Japan.

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

Furthermore, each Audit & Supervisory Board Member has monitored the accounting auditor to verify its independence and the propriety of their audit implementation, and has received reports and requested explanations when necessary. In addition, each Audit & Supervisory Board Member received a notice from the accounting auditor regarding "the system for securing appropriate execution of duties" (items listed in Article 131 of the Regulation on Corporate Accounting) 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, along with 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 accurately present the condition of the Company in accordance with applicable laws and regulations, along with the Articles of Incorporation.
(2) With regard to the execution of Directors' duties, no misconduct nor material matters in violation of laws, regulations, or the Articles of Incorporation were found.
(3) The content of the Board of Directors' resolution on the internal control system was found sufficient. Subsequently, with regard to the description of the internal control system in the Business Report and execution of Director's duties, nothing is to be pointed out.

However, in light of the inadequate practices in the civil aero engine maintenance business that attracted administrative sanctions from the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism, we recognize that there are points that require improvement in the operational aspect of the internal control system. The Audit & Supervisory Board Members and the Audit & Supervisory Board have confirmed that the Company has appropriately acquired the facts, investigated the root cause, and formulated measures to prevent recurrence, and confirmed that the Company has started conducting work on improvement. The Audit & Supervisory Board will pay close attention to ensure that abovementioned measures continue to be steadily implemented.

2. Results of the audit of non-consolidated financial statements and supplementary schedules
The method and results of the audit conducted by Ernst & Young ShinNihon LLC, the Company's accounting auditor, are recognized as appropriate.

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 appropriate.

May 15, 2019

The Audit & Supervisory Board
IHI Corporation

Shigeru Uesugi (Seal)
Standing Audit & Supervisory Board Member

Taizo Suga (Seal)
Standing Audit & Supervisory Board Member

Takayuki Hashimoto (Seal)
Outside Audit & Supervisory Board Member

Yoko Hatta (Seal)
Outside Audit & Supervisory Board Member

Tomomi Yatsu (Seal)
Outside Audit & Supervisory Board Member

Outline of Exercise of Voting Rights via the Internet, etc.

■ **Method 1: Scanning QR code® "Smart Vote"**

You can simply login to the website for exercising voting rights without entering your voting code and password.

1. Please scan the QR code® located on the bottom right of the voting form.

   (Note) "QR code" is a registered trademark of DENSO WAVE INCORPORATED.

2. Indicate your approval or disapproval by following the instructions on the screen.

Note that your voting rights can be exercised only once by using the "Smart Vote" method.

If you need to make a correction to the content of your vote after you have exercised your voting rights, please access the website for personal computer and login by entering your voting code and password printed on the voting form, and exercise your voting rights again.

(Note) You can access the website for personal computer by scanning the QR code® again.

■ **Method 2: Entering voting code and password**

Website for exercising voting rights ► https://www.web54.net

1. Please access the website for exercising voting rights.
2. Enter your voting code printed on the voting form.
3. Please access the website for exercising voting rights.
4. Indicate your approval or disapproval by following the instructions on the screen.

In case you need instructions for how to operate your personal computer/smartphone in order to exercise your voting rights via the Internet, etc., please contact:	**Sumitomo Mitsui Trust Bank, Limited Securities Agency Web Support Hotline** **[Toll Free] 0120-652-031 (only from Japan)** **(9:00 a.m. – 9:00 p.m.) (JST)**

(Note) Institutional investors may use the platform operated for institutional investors by ICJ, Inc. to electronically exercise the voting rights.