



PRESS RELEASE

IHI AGREES TO TRANSFER IHI CONSTRUCTION MACHINERY SHARES TO KATO WORKS

Tokyo, October 25, 2016 – IHI Corporation (IHI) announced today that it has agreed to transfer all the shares in its wholly-owned **IHI Construction Machinery Limited** to **Kato Works Co., Ltd.** The decision is in keeping with IHI Group Management Policies 2016, which adopted a new portfolio management approach to reinforce IHI's earnings base. This share transfer was an outcome of construction machinery business deliberations as part of efforts to accelerate business concentration and selection.

IHI Construction Machinery was established in 1952 as Ishikawajima Koehring Co., a joint venture with Koehring of the United States. Over the years, the company has manufactured and sold mini-excavators, cranes, crawler carriers, and other construction machinery, offering top-notch products and services in Japan and abroad.

In light of growing global populations and higher urbanization rates, the construction machinery sector offers solid long-term potential. In recent years, however, the sector has experienced an increasingly adverse operating climate owing to slower growth in emerging nations and more uncertainty in the global economy. Construction machinery companies have endeavored to accommodate these dramatic changes and reinforce their business underpinnings by forming alliances or restructuring.

Established in 1895, Kato Works is a leading construction machinery company. It is pushing forward with Medium-Term Management Plan 2016-2018, targeting net sales exceeding ¥100 billion. It is deploying measures to reach the global market, develop highly competitive products and expand its lineup. It was against this backdrop that IHI explored the optimal business structure to deploy IHI Construction Machinery's resources, centered on its strengths in mini excavators and large crawler cranes. Management concluded that integrating that subsidiary's operations with those of Kato Works as a specialized construction machinery player would reinforce competitiveness. It would also create a structure for products and services that deliver higher added value to customers by bolstering the lineup and leveraging IHI Construction Machinery's Italian and Chinese business units and sales networks.

As part of the Kato Works group, IHI Construction Machinery will continue to make and sell products that benefit customers by consolidating technological and manufacturing strengths. The **Kato Works group** will endeavor to broaden **its lineup, expand its sales network, and reinforce development and design to boost its development** capabilities, delivering even more attractive products and services in Japan and worldwide.

IHI will drive ahead with initiatives based on Group Management Policies 2016 to strengthen its earnings and competitiveness.

The transfer is subject to regulatory approval, with a scheduled transfer date of November 25th, 2016.

COMPANY PROFILES

IHI CONSTRUCTION MACHINERY LIMITED

Address : 3174 Showa-machi, Kanazawa-ku, Yokohama, Kanagawa Prefecture

President : Yoshiki Inoue

Capitalization : ¥1,750 million (as of March 31, 2016)

Nonconsolidated net sales : ¥22,086 million (year ended March 31, 2016)

Number of employees : 299 (as of March 31, 2016)

Businesses : Manufacturing and selling mini excavators, hydraulic excavators, crawler carriers, crawler cranes, concrete pumps, forestry machinery, and other construction machinery and related environmental equipment

KATO WORKS CO., LTD.

Address : 9-37, Higashioi 1-chome, Shinagawa-ku, Tokyo

President : Kimiyasu Kato

Capitalization : ¥2,935 million (as of March 31, 2016)

Consolidated net sales : ¥77,183 million (year ended March 31, 2016)

Non consolidated net sales : ¥69,531 million (year ended March 31, 2016)

Number of employees : 784 (as of March 31, 2016)
(Consolidated)

Number of employees : 662 (as of March 31, 2016)

Businesses : Manufacturing and selling mobile cranes and construction and industrial equipment