

**CONSOLIDATED FINANCIAL REPORT
 FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013
 <Japanese GAAP>**

IHI Corporation (IHI) is listed on the First Section of the Tokyo Stock Exchange, Nagoya Stock Exchange, Sapporo Securities Exchange and Fukuoka Stock Exchange with the securities code number 7013.

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Submission of Quarterly Securities Report: November 13, 2013 (planned)
 Preparing supplementary material on quarterly financial results: Yes
 Holding quarterly financial results presentation meeting: Yes

This consolidated financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures are in Japanese yen rounded to the nearest millions.

1. PERFORMANCE

(1) Business Results

(Millions of yen, except per share figures; percentages show the rate of increase or decrease from the previous corresponding period)

	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
Six months ended September 30, 2013	546,305	(3.3)%	19,755	36.0%	23,364	100.8%
Six months ended September 30, 2012	564,994	7.4%	14,522	(23.9)%	11,638	(14.1)%

	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Six months ended September 30, 2013	12,753	7.7%	8.72	8.23
Six months ended September 30, 2012	11,842	135.5%	8.09	7.65

(Note) Comprehensive income

Six months ended September 30, 2013: ¥24,528 million 117.3%

Six months ended September 30, 2012: ¥11,288 million 105.0%

(2) Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity to Total Assets
September 30, 2013	1,379,271	316,038	22.1%
March 31, 2013	1,364,239	299,282	21.1%

(Reference) Shareholders' equity at the end of the period (consolidated)

September 30, 2013: ¥304,177 million

March 31, 2013: ¥288,384 million

2. DIVIDENDS

(Record Date)	Dividends per Share					(Yen)
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-end	Annual	
Fiscal year ended March 31, 2013	—	0.00	—	5.00	5.00	
Fiscal year ending March 31, 2014	—	0.00	—	—	—	
Fiscal year ending March 31, 2014 (Forecast)	—	—	—	5.00	5.00	

(Note) Revisions to the dividend forecasts most recently announced: None

3. FORECAST OF RESULTS FOR THE YEAR ENDING MARCH 31, 2014

(Millions of yen, except per share figures; percentages show the rate of increase or decrease from the previous corresponding period)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Full-year	1,310,000	4.3%	50,000	18.6%	39,000	7.7%	24,000	(28.1%)	16.40

(Note) Revisions to the forecast of results most recently announced: Yes

4. NOTES

- (1) **Changes in significant subsidiaries during the six months under review**
(Changes in specified subsidiaries accompanying changes in scope of consolidation): None
- (2) **Application of special accounting for preparing quarterly consolidated financial statements:** Yes
- (3) **Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections**
 - (i) Changes in accounting policies due to revisions to accounting standards: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement of prior period financial statements after error corrections: None
- (4) **Number of shares issued (Common stock):**
 - (i) Number of shares issued at the end of the period (including treasury stock)

As of September 30, 2013	1,467,058,482 shares
As of March 31, 2013	1,467,058,482 shares
 - (ii) Number of shares of treasury stock owned at the end of the period

As of September 30, 2013	3,758,251 shares
As of March 31, 2013	3,748,665 shares
 - (iii) Average number of shares outstanding during the period (cumulative quarterly period)

Six months ended September 30, 2013	1,463,305,752 shares
Six months ended September 30, 2012	1,463,500,139 shares

* Indication regarding execution of quarterly review procedures

This quarterly financial report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial report, the quarterly review procedures in accordance with the Financial Instruments and Exchange Act are in progress.

* Proper use of forecast of results, and other special matters

Earnings estimates made in this report and other statements that are not historical facts are forward-looking statements about the future performance of IHI. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not place undue reliance on them. IHI cautions that a number of important factors such as political and general economic conditions and currency exchange rates could cause actual results to differ materially from those discussed in the forward-looking statements, etc.

QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

Summary of consolidated performance

In Japan during the six months under review, the economy was on track for recovery mainly on the back of heightened expectations regarding the effects of “Abenomics” and exchange rate stability, with the yen generally staying in the range between ¥95 and ¥99 to the dollar.

Outside of Japan, despite increasing concerns about slower economic growth in some emerging countries, there were moderate recovery trends in developed countries such as the U.S. and European nations, while the slowdown in the Chinese economy bottomed out mainly on the back of the effects of increased public investment. Consequently, overseas economies as a whole continued to show moderate growth.

Under this business environment, orders received by the IHI Group during the six months under review increased 4.4% from the same period of the previous fiscal year to ¥614.8 billion. Although there was a decrease due to the exclusion from the scope of consolidation of IHI Marine United Inc. and its three subsidiaries, which made up the Ships & Offshore Facilities Operations segment until the previous fiscal year, and their new designation as equity method affiliates, all other reportable segments posted increases in orders received, resulting in an overall rise. Net sales decreased 3.3% from the same period of the previous fiscal year to ¥546.3 billion as a result of the exclusion of the Ships & Offshore Facilities Operations segment. Despite the impact of the said segment’s exclusion, on the other hand, profits increased from the same period of the previous fiscal year. Specifically, owing to higher profits in the Aero Engine, Space and Defense segment, operating income increased 36.0% to ¥19.7 billion and ordinary income rose 100.8% to ¥23.3 billion, with the increase in ordinary income also reflecting improvements in equity in earnings of affiliates and foreign exchange losses/gains. In addition, net income increased 7.7% to ¥12.7 billion, despite a decrease in extraordinary income resulting from the absence of gain on sales of noncurrent assets recorded in the same period of the previous fiscal year.

MATTERS REGARDING SUMMARY INFORMATION (NOTES)

1. Changes in significant subsidiaries during the six months under review

None

2. Application of special accounting for preparing quarterly consolidated financial statements

Tax expense calculation

Tax expenses on income before income taxes and minority interests for the six months under review are calculated by multiplying income before income taxes and minority interests for the six months under review by the reasonably estimated effective tax rate for the fiscal year including the quarter under review after applying tax effect accounting. Should the estimated effective tax rate be unavailable, however, tax expenses are calculated using the statutory tax rate for income before income taxes and minority interests for the six months under review.

The deferred income taxes amount is shown inclusive of income taxes.

QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS**1. CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

	September 30, 2013	March 31, 2013
Assets		
Current assets		
Cash and deposits	65,030	73,032
Notes and accounts receivable-trade	293,626	348,350
Short-term investment securities	4,528	395
Finished goods	19,894	19,741
Work in process	236,988	190,594
Raw materials and supplies	111,455	105,968
Other	87,412	83,441
Allowance for doubtful accounts	(5,629)	(6,735)
Total current assets	813,304	814,786
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	133,460	132,416
Other, net	193,224	188,641
Total property, plant and equipment	326,684	321,057
Intangible assets		
Goodwill	22,704	22,608
Other	16,031	16,535
Total intangible assets	38,735	39,143
Investments and other assets		
Investment securities	143,480	128,879
Other	60,031	62,631
Allowance for doubtful accounts	(2,963)	(2,257)
Total investments and other assets	200,548	189,253
Total noncurrent assets	565,967	549,453
Total assets	1,379,271	1,364,239

1. CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	September 30, 2013	March 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	243,261	266,299
Short-term loans payable	90,550	114,927
Commercial papers	20,000	6,000
Current portion of bonds payable	20,000	-
Income taxes payable	10,760	11,984
Advances received	120,925	106,377
Provision for bonuses	22,480	22,443
Provision for construction warranties	20,842	18,948
Provision for loss on construction contracts	15,326	21,510
Other provision	293	740
Other	86,826	96,224
Total current liabilities	651,263	665,452
Noncurrent liabilities		
Bonds payable	53,278	63,335
Long-term loans payable	167,624	151,449
Provision for retirement benefits	118,988	115,408
Other provision	3,681	4,217
Other	68,399	65,096
Total noncurrent liabilities	411,970	399,505
Total liabilities	1,063,233	1,064,957
Net assets		
Shareholders' equity		
Capital stock	95,762	95,762
Capital surplus	43,047	43,047
Retained earnings	150,911	144,675
Treasury stock	(739)	(736)
Total shareholders' equity	288,981	282,748
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,635	6,158
Deferred gains or losses on hedges	84	(810)
Revaluation reserve for land	4,665	4,665
Foreign currency translation adjustment	812	(4,377)
Total accumulated other comprehensive income	15,196	5,636
Subscription rights to shares	695	563
Minority interests	11,166	10,335
Total net assets	316,038	299,282
Total liabilities and net assets	1,379,271	1,364,239

2. CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2013 to Sep. 30, 2013	Apr. 1, 2012 to Sep. 30, 2012
Net sales	546,305	564,994
Cost of sales	446,506	476,999
Gross profit	99,799	87,995
Selling, general and administrative expenses	80,044	73,473
Operating income	19,755	14,522
Non-operating income		
Interest income	333	284
Dividends income	847	1,042
Equity in earnings of affiliates	5,605	551
Foreign exchange gains	543	-
Other	4,126	3,897
Total non-operating income	11,454	5,774
Non-operating expenses		
Interest expenses	2,013	2,282
Expenses for delayed delivery	3,164	-
Foreign exchange losses	-	2,501
Other	2,668	3,875
Total non-operating expenses	7,845	8,658
Ordinary income	23,364	11,638
Extraordinary income		
Gain on sales of noncurrent assets	-	13,863
Total extraordinary income	-	13,863
Extraordinary loss		
Impairment loss	20	10
Loss on valuation of investment securities	-	3,873
Total extraordinary losses	20	3,883
Income before income taxes and minority interests	23,344	21,618
Income taxes	9,586	8,955
Income before minority interests	13,758	12,663
Minority interests	1,005	821
Net income	12,753	11,842

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2013 to Sep. 30, 2013	Apr. 1, 2012 to Sep. 30, 2012
Income before minority interests	13,758	12,663
Other comprehensive income		
Valuation difference on available-for-sale securities	3,113	(2,063)
Deferred gains or losses on hedges	629	174
Foreign currency translation adjustment	6,029	539
Share of other comprehensive income of associates accounted for using equity method	999	(25)
Total other comprehensive income	10,770	(1,375)
Comprehensive income	24,528	11,288
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	22,865	10,425
Comprehensive income attributable to minority interests	1,663	863

3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2013 to Sep. 30, 2013	Apr. 1, 2012 to Sep. 30, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	23,344	21,618
Depreciation and amortization	23,192	23,210
Depreciation and amortization on other	1,665	1,833
Impairment loss	20	10
Increase (decrease) in allowance for doubtful accounts	(501)	(605)
Increase (decrease) in provision for bonuses	(99)	(569)
Increase (decrease) in provision for construction warranties	1,817	2,269
Increase (decrease) in provision for loss on construction contracts	(6,217)	436
Increase (decrease) in provision for retirement benefits	3,443	(1,268)
Interest and dividends income	(1,180)	(1,326)
Interest expenses	2,013	2,282
Foreign exchange losses (gains)	179	(582)
Loss (gain) on sales of short-term and long term investment securities	144	(26)
Loss (gain) on valuation of short-term and long term investment securities	-	3,875
Equity in (earnings) losses of affiliates	(5,605)	(551)
Loss (gain) on disposal of property, plant and equipment	273	(12,897)
Decrease (increase) in notes and accounts receivable-trade	58,614	61,068
Increase (decrease) in advances received	13,125	12,372
Decrease (increase) in advance payments	(6,171)	1,618
Decrease (increase) in inventories	(47,704)	(25,569)
Increase (decrease) in notes and accounts payable-trade	(28,070)	(23,702)
Increase (decrease) in accrued expenses	3,853	342
Decrease (increase) in other current assets	(1,492)	(3,613)
Increase (decrease) in other current liabilities	(5,690)	(1,984)
Decrease (increase) in consumption taxes refund receivable	1,071	1,273
Other, net	604	(397)
Subtotal	30,628	59,117
Interest and dividends income received	1,120	1,414
Interest expenses paid	(2,110)	(2,335)
Income taxes paid	(8,057)	(9,599)
Net cash provided by (used in) operating activities	21,581	48,597

3. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2013 to Sep. 30, 2013	Apr. 1, 2012 to Sep. 30, 2012
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	494	42
Purchase of short-term and long term investment securities	(6,059)	(3,220)
Purchase of investments in subsidiaries	-	(811)
Proceeds from sales and redemption of short-term and long term investment securities	1,018	3,565
Purchase of property, plant and equipment and intangible assets	(23,822)	(27,960)
Proceeds from sales of property, plant and equipment and intangible assets	582	16,511
Payments for disposal of property, plant and equipment and intangible assets	108	(202)
Purchase of newly consolidated subsidiaries	-	(6,059)
Purchase of trust beneficiary right	(5,140)	-
Net decrease (increase) in short-term loans receivable	(1,729)	(236)
Payments of long-term loans receivable	(190)	(203)
Collection of long-term loans receivable	35	43
Decrease (increase) in other investments	1,819	(1,223)
(Decrease) increase in other fixed liabilities	1,349	(224)
Other, net	515	(18)
Net cash provided by (used in) investing activities	(31,020)	(19,995)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(10,609)	(726)
Net increase (decrease) in commercial papers	14,000	10,000
Proceeds from long-term loans payable	30,685	11,145
Repayment of long-term loans payable	(31,690)	(25,076)
Proceeds from issuance of bonds	10,000	-
Redemption of bonds	-	(10,000)
Repayments of lease obligations	(1,957)	(1,819)
Decrease (increase) in treasury stock	(3)	(209)
Cash dividends paid	(7,262)	(5,815)
Cash dividends paid to minority shareholders	(850)	(427)
Net cash provided by (used in) financing activities	2,314	(22,927)
Effect of exchange rate change on cash and cash equivalents	1,732	631
Net increase (decrease) in cash and cash equivalents	(5,393)	6,306
Cash and cash equivalents at beginning of period	72,070	63,498
Increase in cash and cash equivalents from newly consolidated subsidiary	855	598
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	91	67
Cash and cash equivalents at end of period	67,623	70,469

SEGMENT INFORMATION

I Six months ended September 30, 2012

1. Information about sales and profit or loss by reportable segment

As presented in “II Six months ended September 30, 2013, 2. Matters about change in reportable segments, etc.”

2. Information about impairment loss of noncurrent assets, goodwill and negative goodwill by reportable segment

Material impairment loss of noncurrent assets

None

Material change in goodwill amount

In the Others, Meisei Electric Co., Ltd. was made IHI's subsidiary through a tender offer for stock on June 12, 2012. ¥3,703 million of gain on goodwill was recognized by this event in the six months ended September 30, 2012.

Material gain on negative goodwill

None

II Six months ended September 30, 2013

1. Information about sales and profit or loss by reportable segment

(Millions of yen)

	Reportable Segment					Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the consolidated statements of income
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	134,699	54,751	180,290	162,236	531,976	14,329	546,305	–	546,305
(2) Intersegment sales and transfers	3,873	2,196	4,486	1,841	12,396	8,413	20,809	(20,809)	–
Total	138,572	56,947	184,776	164,077	544,372	22,742	567,114	(20,809)	546,305
Segment profit (loss)	3,527	(728)	7,296	15,477	25,572	(384)	25,188	(5,433)	19,755
(Operating income (loss))									

- Notes: 1. The “Others” classification consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations.
2. Adjustment of segment profit represents intersegment transactions of ¥76 million and unallocated corporate expenses of negative ¥5,509 million.
- Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

Main businesses, products and services belonging to each segment are as follows:

Reportable Segment	Main Businesses, Products and Services
Resources, Energy and Environment	Boilers, power systems, motors for land and marine use, large marine motors, gas processes (storage facilities and process plants), nuclear power (components for nuclear power plants), environmental systems, pharmaceuticals (pharmaceutical plants)
Social Infrastructure and Offshore Facilities	Bridges, water gates, shield tunneling machines, transportation systems, urban development (real estate sales and rental), F-LNG (floating LNG storage facilities), offshore structures
Industrial Systems and General-Purpose Machinery	Marine machinery, logistics systems, materials handling equipment, parking systems, steel manufacturing equipment, industrial machinery, heat / surface treatment machinery, papermaking machinery, vehicular turbochargers, compressors, separation equipment, marine turbochargers, construction machinery, agricultural machinery, small motors
Aero Engine, Space and Defense	Aero engines, rocket systems/space utilization systems (space-related equipment), defense systems

2. Matters about change in reportable segments, etc.

Effective from the first quarter ended June 30, 2013, the IHI Group has carried out an entity conversion in line with a review of its four business fields based on Group Management Policies 2013. In accordance with this change, the IHI Group's reportable segments have been changed on the basis of their business fields, from the seven segments of Energy & Resources Operations; Ships & Offshore Facilities Operations; Social Infrastructure Operations; Logistics Systems & Industrial Machinery Operations; Rotating Equipment & Mass-Production Machinery Operations; Aero Engine & Space Operations; and Others, to four segments. The four new segments are Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense.

After being restated to reflect this change, the information on sales and profit or loss by reportable segment for the six months ended September 30, 2012 is as follows:

(Millions of yen)

	Reportable Segment				Total	Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the consolidated statements of income
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General- Purpose Machinery	Aero Engine, Space and Defense					
Sales:									
(1) Sales to outside customers	125,154	43,214	178,038	133,970	480,376	84,618	564,994	–	564,994
(2) Intersegment sales and transfers	12,192	4,245	6,440	5,692	28,569	12,345	40,914	(40,914)	–
Total	137,346	47,459	184,478	139,662	508,945	96,963	605,908	(40,914)	564,994
Segment profit (loss) (Operating income (loss))	4,388	(1,684)	6,244	6,261	15,209	4,129	19,338	(4,816)	14,522

Notes: 1. The "Others" classification consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations. It also includes sales of ¥74,339 million and operating income of ¥4,123 million that were attributable to the Ships & Offshore Facilities Operations segment before the change.

2. Adjustment of segment profit represents intersegment transactions of negative ¥299 million and unallocated corporate expenses of negative ¥4,517 million.

Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

3. Information about impairment loss of noncurrent assets, goodwill and negative goodwill by reportable segment

Material impairment loss of noncurrent assets

None

Material change in goodwill amount

None

Material gain on negative goodwill

None