

**CONSOLIDATED FINANCIAL REPORT
FOR THE NINE MONTHS ENDED DECEMBER 31, 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: February 13, 2014 (planned)
 Preparing supplementary material on quarterly financial results: Yes
 Holding quarterly financial results presentation meeting: None

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
Nine months ended December 31, 2013	871,533	0.4%	34,121	39.3%	45,271	86.8%
Nine months ended December 31, 2012	868,142	4.3%	24,499	(10.7)%	24,232	3.2%

	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Nine months ended December 31, 2013	31,317	74.1%	21.40	20.23
Nine months ended December 31, 2012	17,992	7.2%	12.29	11.62

(Note) Comprehensive income

Nine months ended December 31, 2013: ¥43,949 million 119.5%

Nine months ended December 31, 2012: ¥20,020 million 187.0%

(2) Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity to Total Assets
December 31, 2013	1,490,388	339,149	21.7%
March 31, 2013	1,364,239	299,282	21.1%

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

December 31, 2013: ¥323,239 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%	53,000	25.8%	47,000	29.8%	27,000	(19.1)%	18.45

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

4. NOTES

- (1) **Changes in significant subsidiaries during the nine 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 December 31, 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 December 31, 2013	3,516,542 shares
As of March 31, 2013	3,748,665 shares
 - (iii) Average number of shares outstanding during the period (cumulative quarterly period)

Nine months ended December 31, 2013	1,463,344,332 shares
Nine months ended December 31, 2012	1,463,430,245 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 nine months under review, the economy was on moderate recovery trend mainly on the back of expectations regarding “Abenomics” and exchange rate with the yen generally staying in the range between ¥95 and ¥104 to the dollar.

Outside of Japan, despite concerns about slowdown 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. Consequently, overseas economies as a whole continued to show moderate growth.

Under this business environment, both orders received and net sales of the IHI Group during the nine months increased. Orders received increased 10.7% from the same period of the previous fiscal year to ¥912.1 billion while net sales rose 0.4% to ¥871.5 billion. Despite both orders received and sales decreasing 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 and sales. Despite the impact of the said segment’s exclusion, 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 39.3% to ¥34.1 billion and ordinary income rose 86.8% to ¥45.2 billion, with the increase in ordinary income also reflecting improvements in equity in earnings of affiliates and foreign exchange gains. In addition gain on transfer from business divestitures was recognized and net income increased 74.1% to ¥31.3 billion from the same period of the previous fiscal year.

MATTERS REGARDING SUMMARY INFORMATION (NOTES)

1. Changes in significant subsidiaries during the nine 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 nine months under review are calculated by multiplying income before income taxes and minority interests for the nine 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 nine 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)

	December 31, 2013	March 31, 2013
Assets		
Current assets		
Cash and deposits	76,300	73,032
Notes and accounts receivable-trade	334,711	348,350
Short-term investment securities	1,528	395
Finished goods	21,427	19,741
Work in process	264,005	190,594
Raw materials and supplies	112,765	105,968
Other	91,662	83,441
Allowance for doubtful accounts	(5,850)	(6,735)
Total current assets	896,548	814,786
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	131,882	132,416
Other, net	194,568	188,641
Total property, plant and equipment	326,450	321,057
Intangible assets		
Goodwill	22,348	22,608
Other	18,211	16,535
Total intangible assets	40,559	39,143
Investments and other assets		
Investment securities	170,555	128,879
Other	59,133	62,631
Allowance for doubtful accounts	(2,857)	(2,257)
Total investments and other assets	226,831	189,253
Total noncurrent assets	593,840	549,453
Total assets	1,490,388	1,364,239

1. CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	December 31, 2013	March 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	258,866	266,299
Short-term loans payable	143,740	114,927
Commercial papers	24,000	6,000
Current portion of bonds payable	20,000	-
Income taxes payable	16,936	11,984
Advances received	124,421	106,377
Provision for bonuses	12,973	22,443
Provision for construction warranties	22,206	18,948
Provision for loss on construction contracts	15,958	21,510
Other provision	339	740
Other	101,493	96,224
Total current liabilities	740,932	665,452
Noncurrent liabilities		
Bonds payable	53,249	63,335
Long-term loans payable	159,379	151,449
Provision for retirement benefits	121,249	115,408
Other provision	2,775	4,217
Other	73,655	65,096
Total noncurrent liabilities	410,307	399,505
Total liabilities	1,151,239	1,064,957
Net assets		
Shareholders' equity		
Capital stock	95,762	95,762
Capital surplus	43,046	43,047
Retained earnings	169,502	144,675
Treasury stock	(693)	(736)
Total shareholders' equity	307,617	282,748
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,790	6,158
Deferred gains or losses on hedges	(407)	(810)
Revaluation reserve for land	4,665	4,665
Foreign currency translation adjustment	(426)	(4,377)
Total accumulated other comprehensive income	15,622	5,636
Subscription rights to shares	648	563
Minority interests	15,262	10,335
Total net assets	339,149	299,282
Total liabilities and net assets	1,490,388	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 Dec. 31, 2013	Apr. 1, 2012 to Dec. 31, 2012
Net sales	871,533	868,142
Cost of sales	715,513	730,470
Gross profit	156,020	137,672
Selling, general and administrative expenses	121,899	113,173
Operating income	34,121	24,499
Non-operating income		
Interest income	462	422
Dividends income	1,388	1,496
Equity in earnings of affiliates	9,334	907
Foreign exchange gains	6,578	2,758
Other	4,923	3,375
Total non-operating income	22,685	8,958
Non-operating expenses		
Interest expenses	3,020	3,379
Expenses for delayed delivery	4,178	192
Other	4,337	5,654
Total non-operating expenses	11,535	9,225
Ordinary income	45,271	24,232
Extraordinary income		
Gain on transfer from business divestitures	7,500	-
Gain on sales of noncurrent assets	-	13,904
Total extraordinary income	7,500	13,904
Extraordinary loss		
Impairment loss	20	362
Loss on valuation of investment securities	-	3,001
Provision for loss on subsidiaries and affiliates	-	663
Total extraordinary losses	20	4,026
Income before income taxes and minority interests	52,751	34,110
Income taxes	19,951	15,075
Income before minority interests	32,800	19,035
Minority interests	1,483	1,043
Net income	31,317	17,992

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2013 to Dec. 31, 2013	Apr. 1, 2012 to Dec. 31, 2012
Income before minority interests	32,800	19,035
Other comprehensive income		
Valuation difference on available-for-sale securities	5,460	1,600
Deferred gains or losses on hedges	53	(377)
Foreign currency translation adjustment	4,666	(207)
Share of other comprehensive income of associates accounted for using equity method	970	(31)
Total other comprehensive income	11,149	985
Comprehensive income	43,949	20,020
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	41,869	18,941
Comprehensive income attributable to minority interests	2,080	1,079

SEGMENT INFORMATION

Segment information

I Nine months ended December 31, 2012

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

As presented in “II Nine months ended December 31, 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 Resources, Energy and Environment segment, IHI acquired EPC Center Houston of Kvaerner Americas, thereby establishing IHI E&C International Corporation. ¥1,072 million of gain on goodwill was recognized by this event in the nine months ended December 31, 2012.

In the Others, Meisei Electric Co., Ltd. was made IHI's subsidiary through a tender offer for stock. ¥3,703 million of gain on goodwill was recognized by this event in the nine months ended December 31, 2012.

Material gain on negative goodwill

None

II Nine months ended December 31, 2013

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

(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	218,453	91,915	269,485	267,581	847,434	24,099	871,533	–	871,533	
(2) Intersegment sales and transfers	6,954	3,269	6,759	3,285	20,267	12,349	32,616	(32,616)	–	
Total	225,407	95,184	276,244	270,866	867,701	36,448	904,149	(32,616)	871,533	
Segment profit (loss)	7,803	(634)	10,832	27,088	45,089	(265)	44,824	(10,703)	34,121	
(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 ¥1 million and unallocated corporate expenses of negative ¥10,704 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 nine months ended December 31, 2012 is as follows:

	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	188,704	67,988	263,830	213,252	733,774	134,368	868,142	–	868,142	
(2) Intersegment sales and transfers	17,736	6,949	9,824	8,666	43,175	19,207	62,382	(62,382)	–	
Total	206,440	74,937	273,654	221,918	776,949	153,575	930,524	(62,382)	868,142	
Segment profit (loss) (Operating income (loss))	7,445	(212)	8,416	9,794	25,443	6,759	32,202	(7,703)	24,499	

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 ¥117,358 million and operating income of ¥6,535 million that were attributable to the Ships & Offshore Facilities Operations segment before the change.

2. Adjustment of segment profit represents intersegment transactions of negative ¥174 million and unallocated corporate expenses of negative ¥7,529 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