

Financial Results for First Quarter FY2014 (for the year ending March 31, 2015)

August 4, 2014

IHI Corporation

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1. Consolidated Results for First Quarter FY2014

Summary of 1Q Financial Results

Note: Average exchange rates for FY2014.1Q US\$ 1.00= ¥101.13

(In billion yen)

	FY2013.1Q	FY2014.1Q	Change
Orders received	233.4	277.5	44.0
Net sales	252.9	281.2	28.3
Operating income	7.7	15.1	7.3
Ordinary income	15.2	12.1	▲ 3.0
Income before income taxes and minority interests	15.1	12.1	▲ 3.0
Net income	9.1	6.5	▲ 2.6

1. Consolidated Results for First Quarter FY2014

1Q Financial Results by Segment

■ Orders received & Order backlog

(In billion yen)

	Orders received			Order backlog		
	FY2013.1Q	FY2014.1Q	Change	FY2013	FY2014.1Q	Change
Resources, Energy and Environment	86.1	101.7	15.6	535.2	573.5	38.3
Social Infrastructure and Offshore Facilities	19.9	46.0	26.0	235.2	243.8	8.6
Industrial Systems and General-Purpose Machinery	87.3	95.9	8.5	108.7	124.1	15.3
Aero Engine, Space and Defense	39.0	32.2	▲ 6.8	440.3	389.4	▲ 50.8
Total Reportable Segment	232.6	276.0	43.4	1,319.5	1,331.0	11.4
Others	13.7	14.3	0.5	19.3	20.7	1.4
Adjustment	▲ 12.8	▲ 12.7	-	-	-	-
Total	233.4	277.5	44.0	1,338.8	1,351.8	12.9
Overseas orders received / order backlog	99.7	121.9	22.2	628.1	598.2	▲ 29.9
% of Overseas orders received / order backlog	43%	44%	1%	47%	44%	▲ 3%

1. Consolidated Results for First Quarter FY2014

1Q Financial Results by Segment

■ Net sales & Operating income

(In billion yen)

	Net sales			Ordinary income		
	FY2013.1Q	FY2014.1Q	Change	FY2013.1Q	FY2014.1Q	Change
Resources, Energy and Environment	56.7	72.4	15.7	0.0	▲ 1.2	▲ 1.2
Social Infrastructure and Offshore Facilities	24.3	37.9	13.6	▲ 1.1	1.3	2.5
Industrial Systems and General-Purpose Machinery	90.2	86.1	▲ 4.1	4.7	2.2	▲ 2.5
Aero Engine, Space and Defense	83.0	84.2	1.2	7.8	14.8	7.0
Total Reportable Segment	254.3	280.7	26.4	11.3	17.2	5.8
Others	8.6	10.4	1.8	▲ 0.7	▲ 0.3	0.3
Adjustment	▲ 9.9	▲ 9.9	0.0	▲ 2.8	▲ 1.6	1.1
Total	252.9	281.2	28.3	7.7	15.1	7.3

1. Consolidated Results for First Quarter FY2014

1Q Financial Results by Segment

■ Analysis of change in operating income

(In billion yen)

	Change in net sales	Change in construction profitability	Change in foreign exchange rate	Change in SG&A	Total
Resources, Energy and Environment	1.7	▲ 2.4		▲ 0.5	▲ 1.2
Social Infrastructure and Offshore Facilities	3.0	▲ 0.3		▲ 0.2	2.5
Industrial Systems and General-Purpose Machinery	▲ 0.9	▲ 0.3		▲ 1.3	▲ 2.5
Aero Engine, Space and Defense	1.3	5.0	0.9	▲ 0.2	7.0
Total Reportable Segment	5.1	2.0	0.9	▲ 2.2	5.8
Others	0.3	0.3		▲ 0.3	0.3
Adjustment		0.7		0.5	1.1
Total	5.4	3.0	0.9	▲ 2.0	7.3

1. Consolidated Results for First Quarter FY2014

Non-operating Income / Expenses and Extraordinary Income / Losses

(In billion yen)

	FY2013.1Q	FY2014.1Q	Change
Net interest expense (incl. dividend income)	▲ 0.1	0.0	0.0
Share of profit / losses of entities accounted for using equity method	5.1	▲ 0.4	▲ 5.6
Foreign exchange gains / losses	0.6	▲ 1.5	▲ 2.1
Others	1.7	▲ 0.9	▲ 2.6
Non-operating income / expenses	7.4	▲ 3.0	▲ 10.4
Extraordinary income / losses	0.0	—	0.0

1. Consolidated Results for First Quarter FY2014

Balance Sheets

(In billion yen)

	As of March 31, 2014	As of June 30, 2014	Change
Total assets	1,496.3	1,521.8	25.4
(Trade receivables)	(395.0)	(3,439.0)	(▲ 51.0)
(Inventories)	(355.8)	(408.6)	(52.7)
Total liabilities	1,133.8	1,175.4	41.6
(Interest-bearing debt)	(357.8)	(380.0)	(22.2)
Total net assets	362.5	346.3	▲ 16.1
Shareholders' equity	332.2	315.5	▲ 16.6
Accumulated other comprehensive income	12.9	14.7	1.7
D/E ratio (times)	0.99	1.10	0.11

Note:1. Interest-bearing debt includes the amount of lease obligations .
(as of March 31, 2014: 18.3 billion yen / as of June 30, 2014: 17.8 billion yen)

2. Shareholders' equity as of June 30, 2014 includes the effect of decline of 14.6 billion yen in retained earnings accompanying changes in the accounting standard for retirement benefits.

1. Consolidated Results for First Quarter FY2014 Supplementary Information

(1) Cash Flows

(In billion yen)

	FY2013.1Q	FY2014.1Q	Change
Operating activities	34.3	14.0	▲ 20.2
Investing activities	▲ 16.8	▲ 18.8	▲ 1.9
Free cash flows	17.4	▲ 4.7	▲ 22.2
Financing activities	▲ 18.8	14.0	32.9

(2) R&D/CAPEX/Depreciation & Amortization

(In billion yen)

	FY2013.1Q	FY2014.1Q
R&D	6.0	6.2
CAPEX	13.8	8.3
Depreciation & Amortization	8.9	9.5

1. Consolidated Results for First Quarter FY2014 Supplementary Information

(3) Overseas Sales by Region

(In billion yen)

	FY2013.1Q	FY2014.1Q
Asia	30.4	36.0
China	14.9	15.9
North America	44.6	60.2
Central and South America	5.2	5.7
Europe	30.7	41.8
Others	1.7	3.7
Total	127.7	163.5
% of overseas sales	50.5%	58.2%

2. Forecast of the Consolidated Results for FY2014

Summary of Forecast for First Half of FY2014

<assumed exchange rate>

US\$ 1.00 = ¥100

Euro 1.00 = ¥135

(In billion yen)

	First Half of FY2014 Forecast		First Half of FY2013 Actual	Change
	In April	In Augst		Vs. Forecast in April
Net sales	660.0	670.0	546.3	10.0
Operating income	26.0	29.0	19.7	3.0
Ordinary income	21.0	24.0	23.3	3.0
Net income	11.0	14.0	12.7	3.0

Reasons for the Revision of forecast

Net sales : Increased revenue from foreign exchange translations and an increase in sales of spare parts for aircraft engines in the Aero Engine, Space and Defense business.

Operating income and ordinary income : Increased profit from the effect of the aforementioned increased revenues in the Aero Engine, Space and Defense business, a timing difference in the reporting of expenses such as research and development expenses, and a decrease in profits in the Resources, Energy and Environment business.

2. Forecast of the Consolidated Results for FY2014

Summary of Forecast for FY2014

<assumed exchange rate>

US\$ 1.00 = ¥100

Euro 1.00 = ¥135

(In billion yen)

	FY2014 Forecast		FY2013 Actual	Change
	In April	In Augst		Vs. Forecast in April
Order received	1,550.0	1,550.0	1,458.9	0.0
Net sales	1,440.0	1,440.0	1,304.0	0.0
Operating income	65.0	65.0	53.2	0.0
Ordinary income	57.0	57.0	53.2	0.0
Net income	35.0	35.0	33.1	0.0

<For reference> Sensitivity to foreign exchange rates by currency

1 yen per US\$ corresponds to 1.1 billion yen, and per Euro, 0.0 billion yen in operating income.

2. Forecast of the Consolidated Results for FY2014 Forecast for FY2014 by Segment

■ Orders received

(In billion yen)

	FY2014 Forecast (In April)	FY2014 Forecast (In August)	Change
Resources, Energy and Environment	540.0	540.0	0.0
Social Infrastructure and Offshore Facilities	180.0	180.0	0.0
Industrial Systems and General-Purpose Machinery	400.0	400.0	0.0
Aero Engine, Space and Defense	410.0	410.0	0.0
Total Reportable Segment	1,530.0	1,530.0	0.0
Others	80.0	80.0	0.0
Adjustment	▲ 60.0	▲ 60.0	0.0
Total	1,550.0	1,550.0	0.0

2. Forecast of the Consolidated Results for FY2014 Forecast for FY2014 by Segment

■ Net sales & Operating income

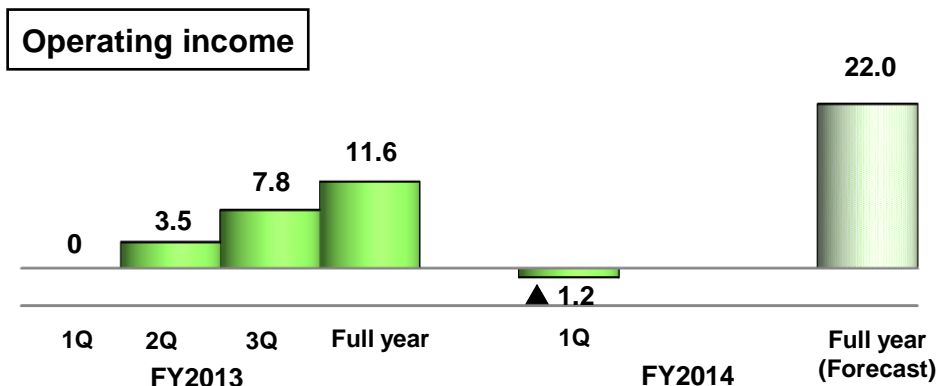
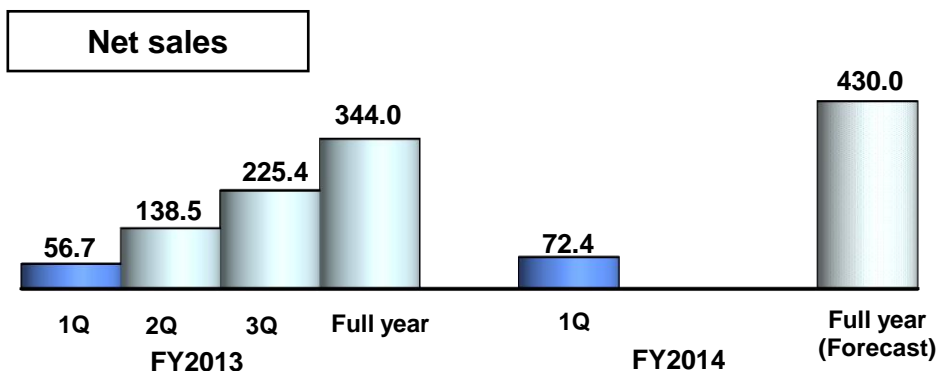
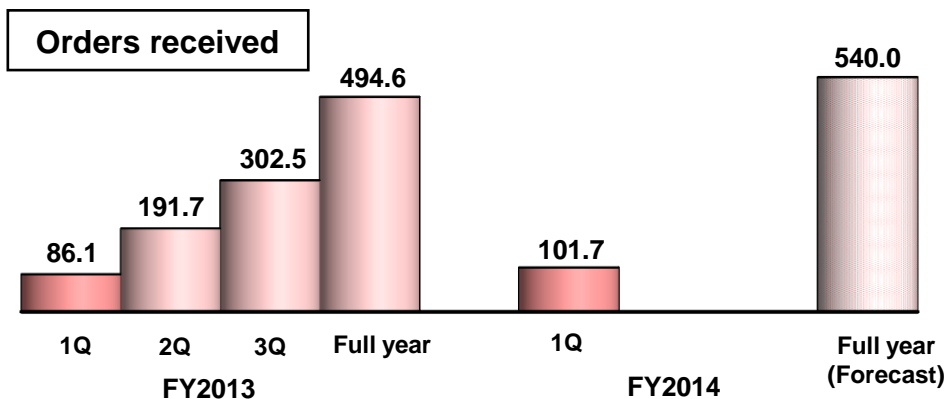
(In billion yen)

	FY2014 Forecast (In April)		FY2014 Forecast (In August)		Change	
	Net sales	Ordinary income	Net sales	Ordinary income	Net sales	Ordinary income
Resources, Energy and Environment	430.0	22.0	430.0	22.0	0.0	0.0
Social Infrastructure and Offshore Facilities	200.0	10.0	200.0	10.0	0.0	0.0
Industrial Systems and General-Purpose Machinery	400.0	10.0	400.0	10.0	0.0	0.0
Aero Engine, Space and Defense	400.0	28.0	400.0	28.0	0.0	0.0
Total Reportable Segment	1,430.0	70.0	1,430.0	70.0	0.0	0.0
Others	60.0	1.0	60.0	1.0	0.0	0.0
Adjustment	▲ 50.0	▲ 6.0	▲ 50.0	▲ 6.0	0.0	0.0
Total	1,440.0	65.0	1,440.0	65.0	0.0	0.0

3. Financial Results by Segment

Resources, Energy and Environment

(In billion yen, accumulated amount)



<Results by business segment>

【 Orders received】

Orders received increased by 18.2% from the same period of the previous fiscal year to ¥101.7 billion owing to increase in boilers.

【 Net sales】

Sales increased by 27.8% from the same period of the previous fiscal year to ¥72.4 billion owing to increases in boilers and gas processes.

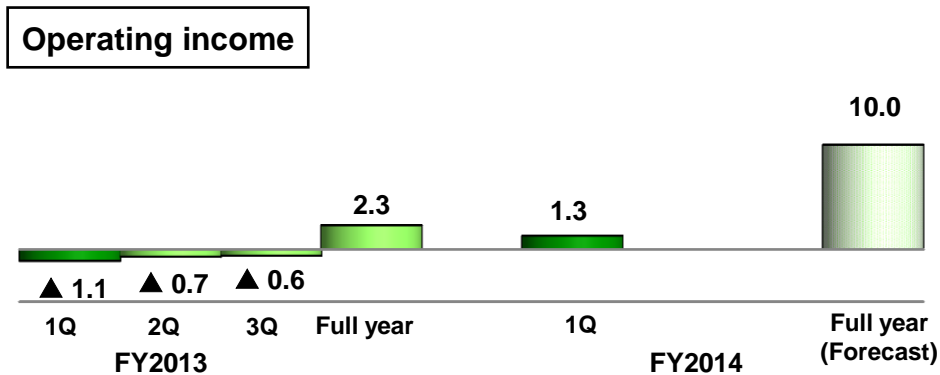
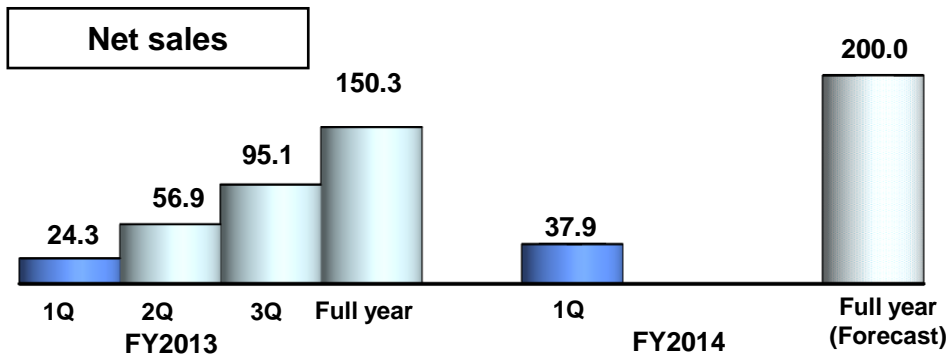
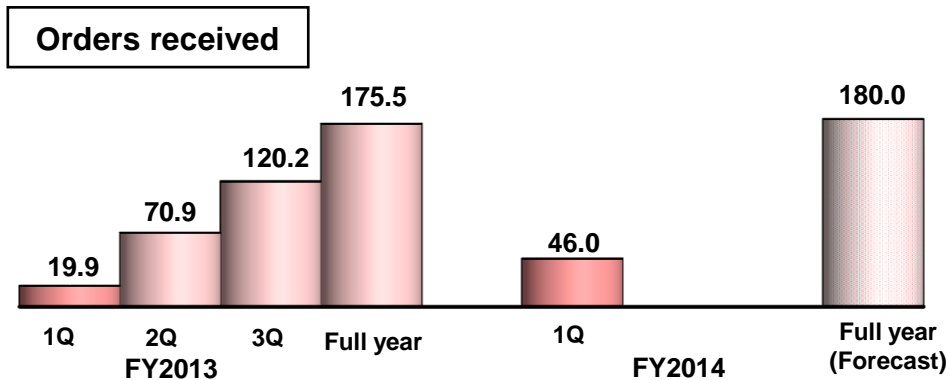
【 Operating income】

Operating income/loss deteriorated ¥1.2 billion from the same period of the previous year, resulting in operating loss of ¥1.2 billion. Although the sales increased as the above, project with low profitability has caused the loss.

3. Financial Results by Segment

Social Infrastructure and Offshore Facilities

(In billion yen, accumulated amount)



<Results by business segment>

【 Orders received 】

Orders received increased by 130.3% from the same period of the previous fiscal year to ¥46.0 billion owing to increase in offshore structures.

【 Net sales 】

Sales increased by 56.0% from the same period of the previous fiscal year to ¥37.9 billion owing to increase in bridges and real estate subdivision in urban development.

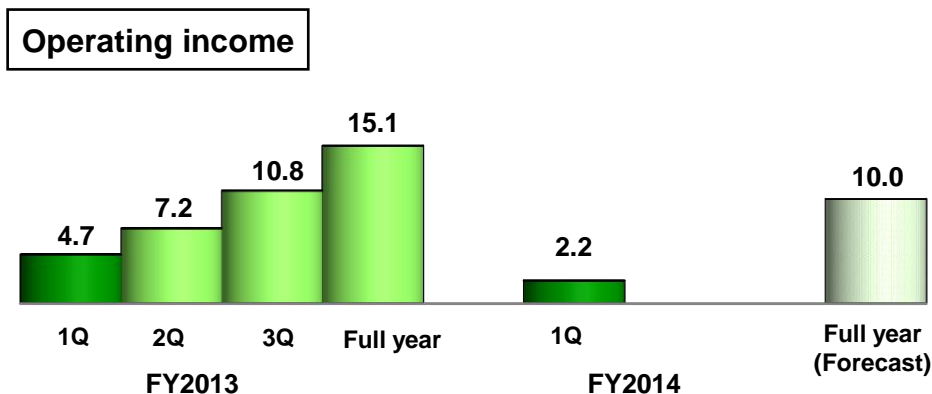
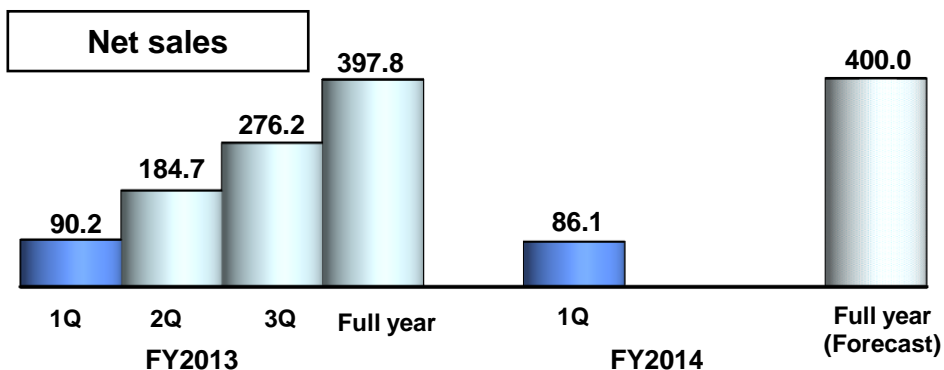
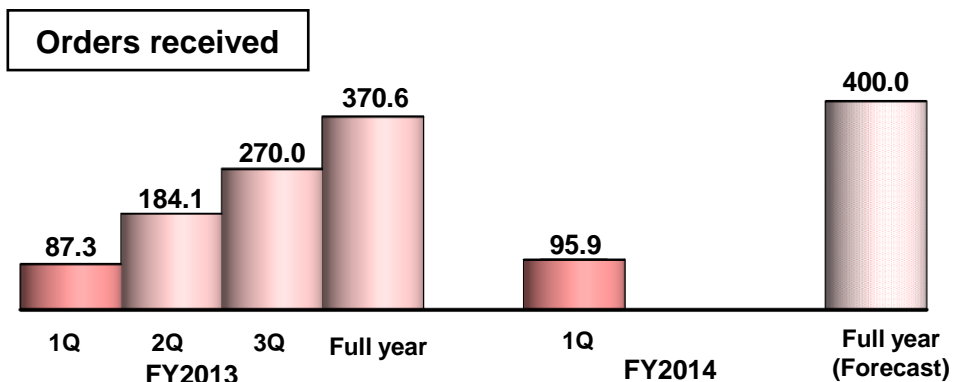
【 Operating income 】

Operating income/loss improved ¥2.5 billion from the same period of the previous fiscal year, resulting in operating income of ¥1.3 billion. Steady performance in overseas bridge projects and increased sales from urban development has contributed in the improvement.

3. Financial Results by Segment

Industrial Systems and General-Purpose Machinery

(In billion yen, accumulated amount)



<Results by business segment>

【 Orders received 】

Orders received increased by 9.8% from the same period of the previous fiscal year to ¥95.9 billion owing to increase in vehicular turbochargers.

【 Net sales 】

Sales decreased by 4.6% from the same period of the previous fiscal year to ¥86.1 billion. This has been caused by the decrease in transport machinery and the impact of the divestiture of the business related to the rolling mills of IHI Metaltech Co., Ltd. in October last year, offset by increase in vehicular turbochargers and papermaking machinery.

<Number of vehicular turbochargers delivered>

	(10,000 Units)
FY2013.1Q	137
FY2014.1Q	145

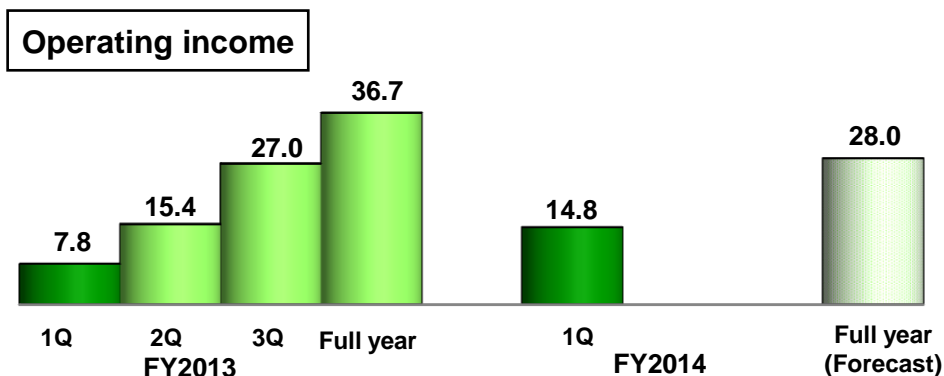
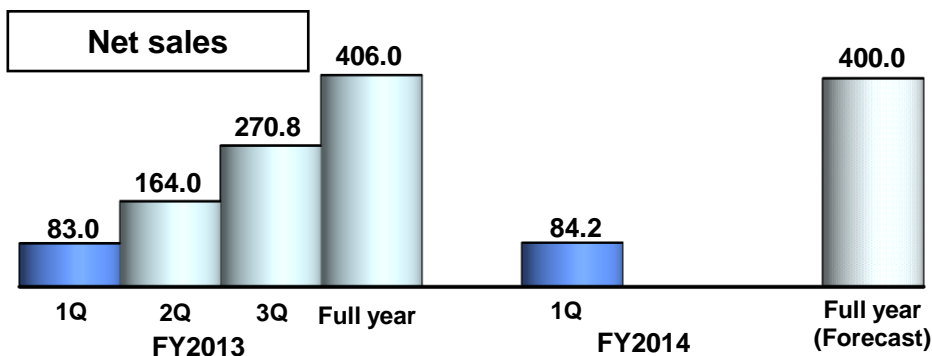
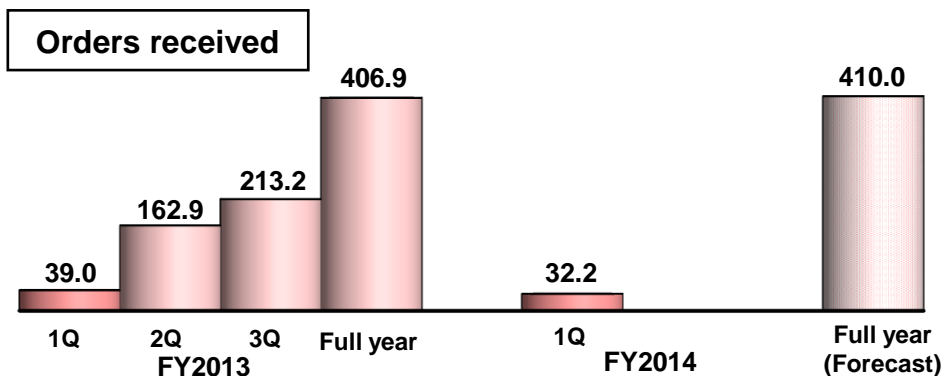
【 Operating income 】

Operating income decreased by 52.9% from the same period of the previous fiscal year to ¥2.2 billion. There was an increase in selling, general and administrative expenses in addition to the above-mentioned decrease in sales.

3. Financial Results by Segment

Aero Engine, Space and Defense

(In billion yen, accumulated amount)



<Results by business segment>

【 Orders received 】

Orders received decreased by 17.4% from the same period of the previous fiscal year to ¥32.2 billion owing to decrease in rocket systems/space utilization systems and defense systems.

【 Net sales 】

Sales increased by 1.5% from the same period of the previous fiscal year to ¥84.2 billion. Delivery increased in civil aero engines, despite sales from defense systems decreased reflecting the absence of a delivery that occurred in the same period of the previous fiscal year involving gas turbines for naval vessels.

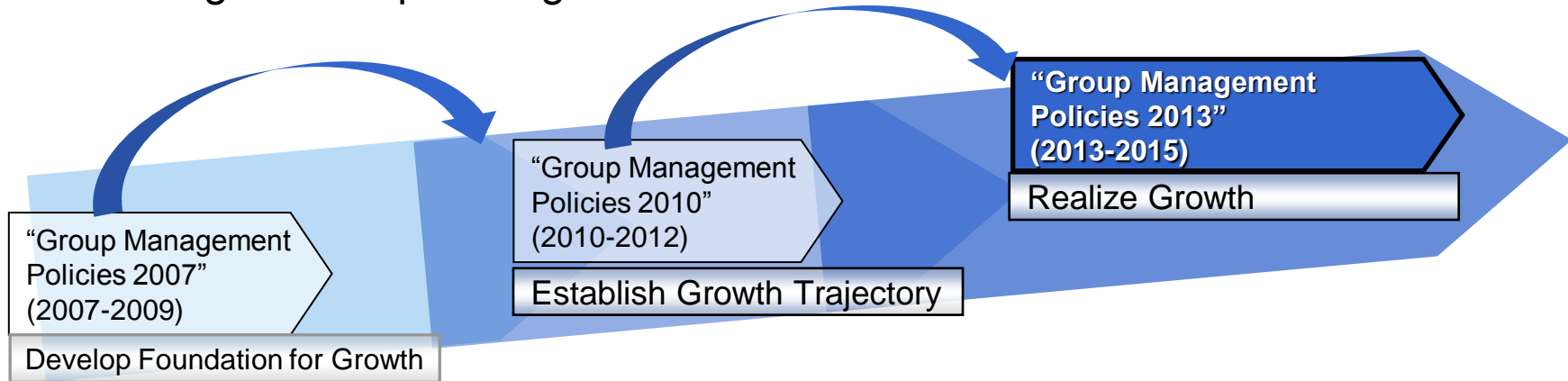
< Number of civil aero engines delivered >

	(Units)
FY2013.1Q	261
FY2014.1Q	345

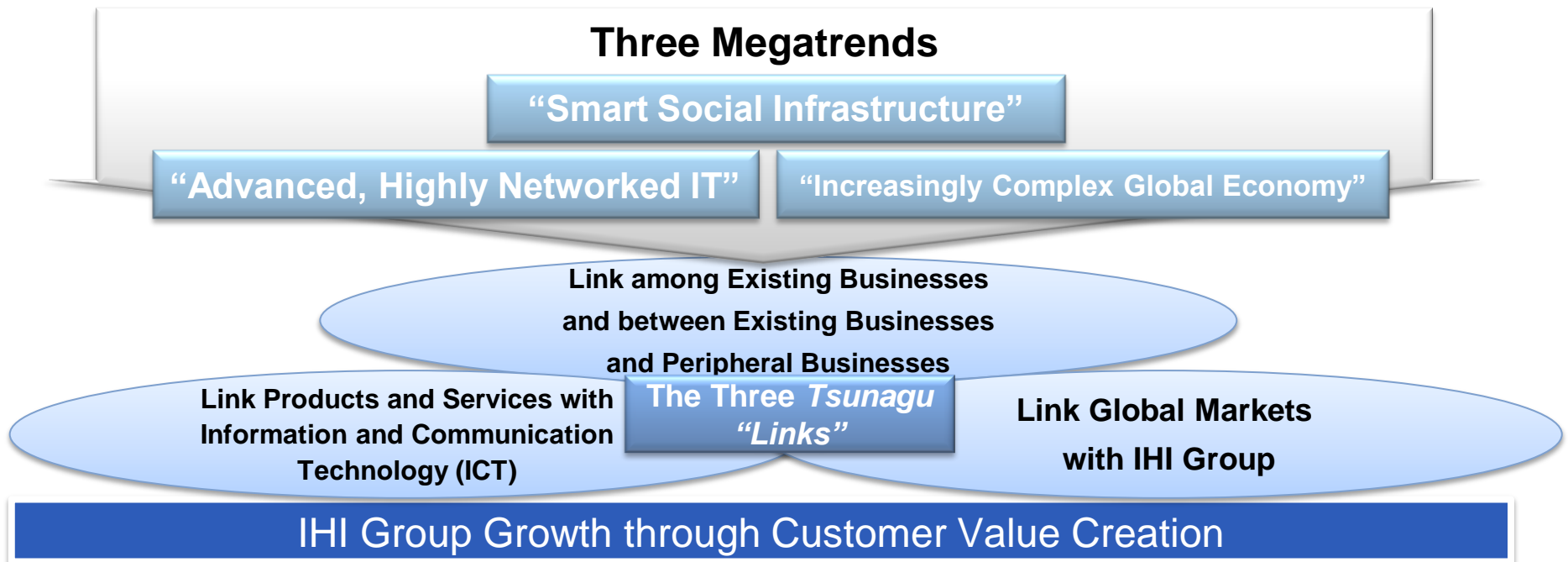
【 Operating income 】

Operating income increased by 89.1% from the same period of the previous fiscal year to ¥14.8 billion. Sales increase in aero engines, improved profitability and the postponement of recording costs has contributed.

■ Positioning of “Group Management Policies 2013”



■ Trend of Environment and Path toward Growth in “Group Management Policies 2013”



Progress of Group Management Policies 2013

■ Numerical Targets for Group Management Policies 2013

	Targets		<Ref> Outlook
Net sales	1,400 Billion Yen	(FY2015)	1,530 Billion Yen
Operating income	70 Billion Yen		90 Billion Yen
Total investment	400 Billion Yen	(FY2013–2015)	—
D/E ratio	1.2 Times or Less	(End of FY2015)	—
ROIC	6.5%		—

Note:

Targets of net sales and operating are estimated with assumed exchange rate of US\$ 1.00 = ¥80

Reference outlook of net sales and operating income is estimated with assumed exchange rate of US\$ 1.00 = ¥100

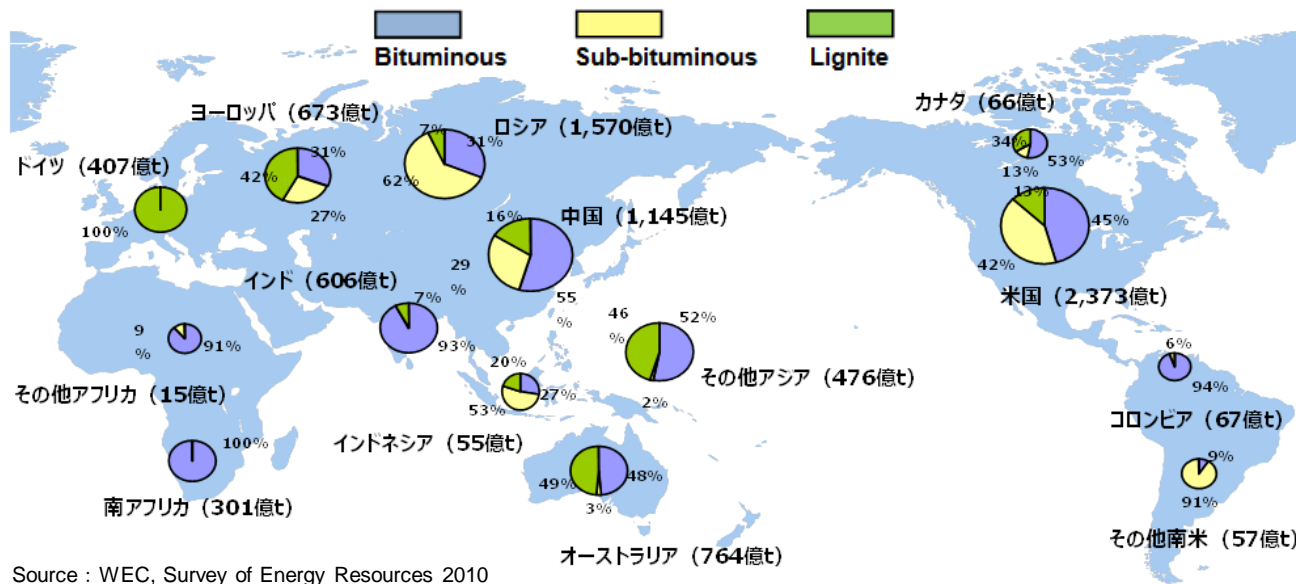
■ Progress of Group Management Policies 2013 by Segment

Resources, Energy and Environment

Working jointly with SHIMIZU CORPORATION, IHI commenced construction of an above-ground LNG storage tank for the Soma LNG Receiving Terminal, which is a development project of Japan Petroleum Exploration Co., Ltd. (JAPEX). This project involves the construction of an LNG receiving terminal at Soma Port and a connecting pipeline to the existing Niigata and Sendai lines to secure a stable supply of natural gas to the North-eastern Pacific Coast region. This project is expected to contribute to post-earthquake-disaster reconstruction and the creation of local employment.

Furthermore, in June, IHI acquired German engineering company Steinmüller Engineering GmbH (SE) from German company Siemens AG. SE possesses abundant knowledge on thermal power boilers that use lignite coal, an unused energy. Lignite coal boilers have been identified as a future growth market, and by accelerating the development of the boilers, the IHI Group plans on entering this market in the near future.

<Coal proved recoverable reserves>



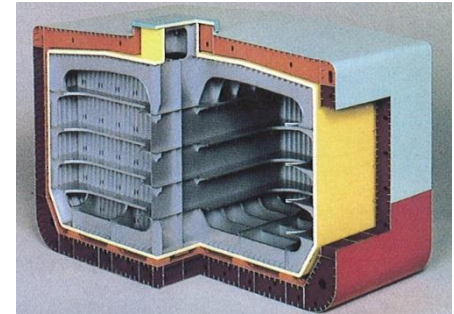
Source : WEC, Survey of Energy Resources 2010

■ Progress of Group Management Policies 2013 by Segment

Social Infrastructure and Offshore Facilities

IHI has received orders from the Wison Group, China's largest privately operated EPC contractor, for two SPB (Self-supporting, Prismatic shape, IMO type B) tanks, which will be constructed on the Floating LNG Storage & Regasification Unit (FSRU). The unique technology of the SPB tank was developed by the IHI Group. Because the tank contains a wall-partitioning construction that gives the tank independence from the hull of a ship, its superior design provides greater protection against collision damage caused by the slushing of LNG, thus enabling the housing of tanks in cargo holds and allowing LNG plants to be designed more easily on decks.

Furthermore, IHI received an order from Norwegian company BW Offshore Limited for a comprehensive hull construction project concerning an FPSO (Floating Production Storage and Offloading Unit), which is a floating marine structure used for offshore petroleum production. BW Offshore Limited will lease the FPSO to U.K. company Premier Oil plc, which plans to start operation of the facility in the North Sea in the middle of 2017.



SPB tank



SPB tank

Industrial Systems and General-Purpose Machinery

The IHI Group company IHI Machinery and Furnace Co., Ltd. concluded an agreement in June concerning the establishment of a joint venture with Jiangsu Fengdong Thermal Technology Co., Ltd., a leading company in the heat treatment facility field in China. Continued growth is expected in China for this business, and the joint venture will be engaged in manufacturing and sales of vacuum heat treatment facilities. The IHI Group's vacuum furnace and vacuum carburizing furnace businesses are presently growing steadily in line with expanded production, particularly in the automobile industry, and considering the trend toward light-weight and higher-function materials, the Group expects this growth to continue.

■ Progress of Group Management Policies 2013 by Segment

Aero Engine, Space and Defense

IHI made the decision to construct two works at Soma Headquarters Representative's Office and the IHI Group company IHI Aerospace Co., Ltd.'s Tomioka Headquarters Representative's Office. As a first for the IHI Group, the new works will be dedicated to composite material parts for aircraft engines to meet increased global demand for aircraft IHI plans at both locations perform all processing from layering and cutting to shaping, adhering and coating on a single production line. By doing so, IHI will be able to greatly shorten lead time and enable mass production of composite material parts that have conventionally proved difficult to mass produce. The scheduled completion dates for these works are in the first half of fiscal year 2014 for the Tomioka Works and the first half of fiscal year 2016 for the Soma Works.



New works of IHI Aerospace Co., Ltd



Fan case of PW1100G-JM, to be produced at the Tomioka Works, IHI Aerospace Co., Ltd. (provided by Japanese Aero Engines Corporation)

Moreover, in June, IHI decided to participate in an engine program of GE9X civil aircraft engine (used in Boeing777X) being developed by U.S. company General Electric Company. The GE9X is the engine that will succeed the GE90 used in the current Boeing777 in operation. Just as for the GE90, the IHI Group will take charge of low-pressure turbine parts and other parts. With a thrust in the 100,000 pound class, the GE9X will be the most powerful class in civil aircraft engines, and with 10% better fuel efficiency compared with the GE90.

IHI

Realize your dreams

Forward-looking figures shown in this material with respect to IHI's performance outlooks and other matters are based on management's assumptions and beliefs in light of the information currently available to it, and therefore contain risks and uncertainties. Consequently, you should not place undue reliance on these performance outlooks in making judgments. IHI cautions you that actual results could differ materially from those discussed in these performance outlooks due to a number of important factors. These important factors include political environments in areas in which IHI operates, general economic conditions, and the yen exchange rate including its rate against the US dollar.