

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

November 5, 2014

IHI Corporation

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1. Consolidated Results for Second Quarter FY2014

1. Consolidated Results for Second Quarter FY2014

Summary of Financial Results

Note: Average exchange rates for FY2014.1H US\$ 1.00= ¥101.90

August 4,2014 Forecast

(In billion yen)

	FY2013.1H		FY2014.1H	Change
Orders received	614.8		785.4	170.5
Net sales	546.3	670	616.1	▲ 53.9 69.8
Operating income	19.7	29	28.9	▲ 0.1 9.1
Ordinary income	23.3	24	32.3	8.3 8.9
Income before income taxes and minority interests	23.3		32.3	8.9
Net income	12.7	14	20.9	6.9 8.1

1. Consolidated Results for Second Quarter FY2014

Financial Results by Segment

■ Orders received & Order backlog

(In billion yen)

	Orders received			Order backlog		
	FY2013.1H	FY2014.1H	Change	FY2013	FY2014.1H	Change
Resources, Energy and Environment	191.7	276.3	84.6	535.2	660.9	125.6
Social Infrastructure and Offshore Facilities	70.9	99.3	28.4	235.2	257.2	21.9
Industrial Systems and General-Purpose Machinery	184.1	199.4	15.3	108.7	123.3	14.5
Aero Engine, Space and Defense	162.9	190.8	27.9	440.3	455.7	15.3
Total Reportable Segment	609.7	766.0	156.3	1,319.5	1,497.1	177.6
Others	28.9	43.6	14.7	19.3	34.5	15.2
Adjustment	▲ 23.8	▲ 24.2	▲ 0.4	-	-	-
Total	614.8	785.4	170.5	1,338.8	1,531.7	192.9
Overseas orders received / order backlog	304.8	410.9	106.1	628.1	712.5	84.3
% of Overseas orders received / order backlog	50%	52%	2%	47%	47%	0%

1. Consolidated Results for Second Quarter FY2014

Financial Results by Segment

■ Net sales & Operating income

(In billion yen)

	Net sales			Operating income		
	FY2013.1H	FY2014.1H	Change	FY2013.1H	FY2014.1H	Change
Resources, Energy and Environment	138.5	166.2	27.6	3.5	3.2	▲ 0.2
Social Infrastructure and Offshore Facilities	56.9	78.1	21.2	▲ 0.7	0.2	0.9
Industrial Systems and General-Purpose Machinery	184.7	190.4	5.6	7.2	5.6	▲ 1.6
Aero Engine, Space and Defense	164.0	178.9	14.8	15.4	21.7	6.2
Total Reportable Segment	544.3	613.7	69.3	25.5	30.8	5.2
Others	22.7	25.0	2.3	▲ 0.3	0.0	0.3
Adjustment	▲ 20.8	▲ 22.7	▲ 1.9	▲ 5.4	▲ 1.9	3.5
Total	546.3	616.1	69.8	19.7	28.9	9.1

1. Consolidated Results for Second Quarter FY2014

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	3.4	▲ 3.3	1.4	▲ 1.7	▲ 0.2
Social Infrastructure and Offshore Facilities	1.6	▲ 0.8	0.3	▲ 0.2	0.9
Industrial Systems and General-Purpose Machinery	0.9	▲ 0.5	0.1	▲ 2.1	▲ 1.6
Aero Engine, Space and Defense	2.5	3.0	1.7	▲ 1.0	6.2
Total Reportable Segment	8.4	▲ 1.6	3.5	▲ 5.0	5.2
Others	0.9	0.4		▲ 1.0	0.3
Adjustment		1.5		2.0	3.5
Total	9.3	0.3	3.5	▲ 4.0	9.1

1. Consolidated Results for Second Quarter FY2014

Non-operating Income / Expenses and Extraordinary Income / Losses

(In billion yen)

	FY2013.1H	FY2014.1H	Change
Net interest expense (incl. dividend income)	▲ 0.8	▲ 0.8	0.0
Share of profit / losses of entities accounted for using equity method	5.6	1.2	▲ 4.3
Foreign exchange gains / losses	0.5	7.1	6.5
Others	▲ 1.7	▲ 4.1	▲ 2.4
Non-operating income / expenses	3.6	3.4	▲ 0.2
Extraordinary income / losses	0.0	—	0.0

1. Consolidated Results for Second Quarter FY2014

Balance Sheets

(In billion yen)

	As of March 31, 2014	As of September 30, 2014	Change
Total assets	1,496.3	1,574.7	78.3
(Trade receivables)	(395.0)	(374.2)	(▲ 20.7)
(Inventories)	(355.8)	(423.3)	(67.4)
Total liabilities	1,133.8	1,214.0	80.2
(Trade payable)	(280.9)	(259.8)	(▲ 21.0)
(Advance received)	(103.2)	(129.3)	(26.0)
(Interest-bearing debt)	(357.8)	(414.2)	(56.4)
Total net assets	362.5	360.6	▲ 1.8
Shareholders' equity	332.2	329.9	▲ 2.2
Accumulated other comprehensive income	12.9	14.9	2.0
Total liabilities and net assets	1,496.3	1,574.7	78.3
D/E ratio (times)	0.99	1.15	0.16

Note:1. Interest-bearing debt includes the amount of lease obligations .
(as of March 31, 2014: 18.3 billion yen / as of September 30, 2014: 17.3 billion yen)

2. Shareholders' equity as of September 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 Second Quarter FY2014

Cash Flows

(In billion yen)

	FY2013.1H	FY2014.1H	Change
Operating activities	21.5	▲ 1.2	▲ 22.8
Investing activities	▲ 31.0	▲ 39.7	▲ 8.7
Free cash flows	▲ 9.4	▲ 41.0	▲ 31.5
Financing activities	2.3	45.8	43.4

1. Consolidated Results for Second Quarter FY2014

Supplementary Information

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

(In billion yen)

	FY2013.1H	FY2014.1H
R&D	13.4	13.9
CAPEX	23.1	28.0
Depreciation & Amortization	18.8	19.7

(2) Overseas Sales by Region

(In billion yen)

	FY2013.1H	FY2014.1H
Asia	71.3	79.7
China	30.3	36.1
North America	92.6	123.8
Central and South America	7.5	15.5
Europe	73.2	84.1
Others	5.0	7.3
Total	280.1	346.7
% of overseas sales	51.3%	56.3%

2. Forecast of the Consolidated Results for FY2014

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
	Initial (※)	In November		Vs. Initial forecast
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

(※) Figures of Initial forecast is as of May 8, 2014.

<For reference> Sensitivity to foreign exchange rates by currency

1 yen per US\$ corresponds to 0.9 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 (Initial)	FY2014 Forecast (In November)	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)

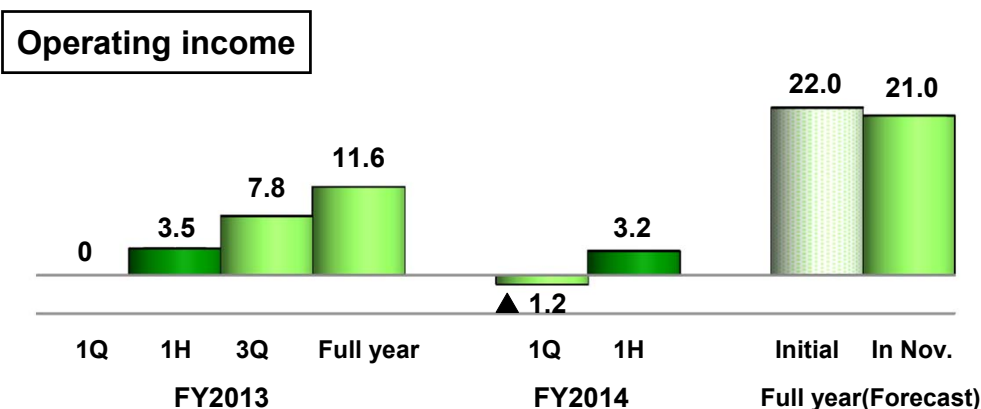
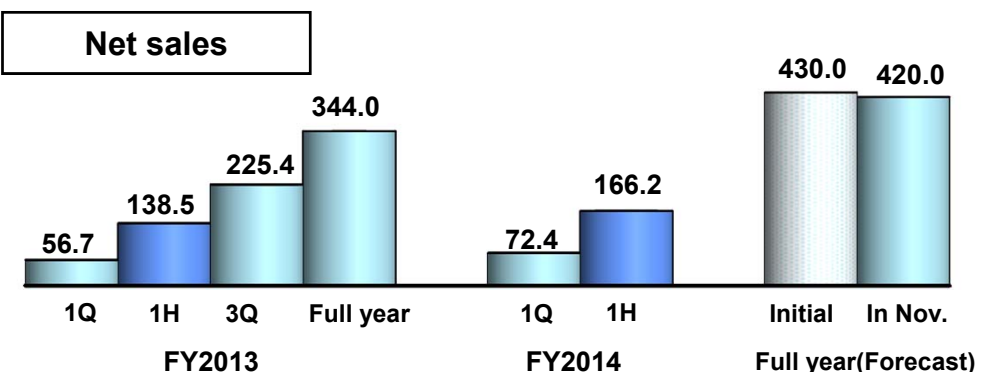
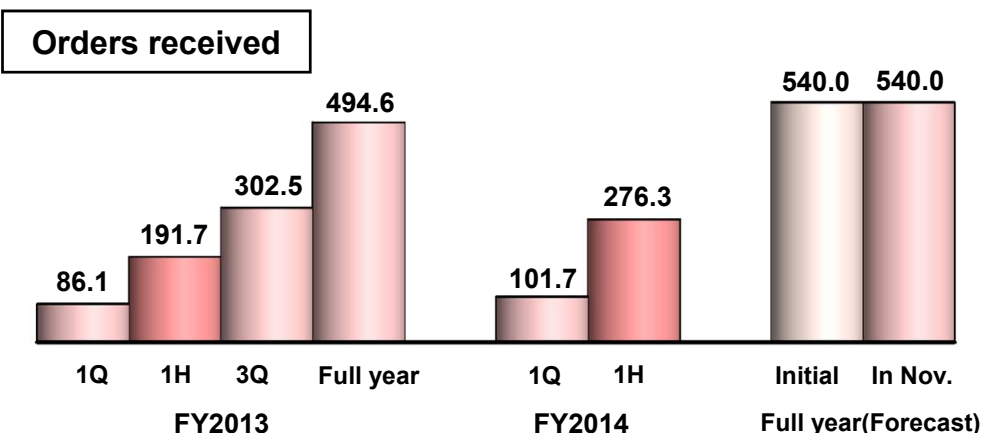
	FY2014 Forecast (Initial)		FY2014 Forecast (In November)		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Resources, Energy and Environment	430.0	22.0	420.0	21.0	▲ 10.0	▲ 1.0
Social Infrastructure and Offshore Facilities	200.0	10.0	200.0	8.0	0.0	▲ 2.0
Industrial 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	410.0	31.0	10.0	3.0
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

3. Financial Results by Segment

Resources, Energy and Environment

(In billion yen, accumulated amount)



<Results by business segment>

【 Orders received】

Orders received increased by 44.2% from the previous corresponding period to ¥276.3 billion owing to order increases in Boiler business, partially offset by order decreases in Gas process business reflecting a large project in Gas process business in the previous corresponding period.

【 Net sales】

Sales increased by 20.0% from the previous corresponding period to ¥166.2 billion owing to increases in Gas process business and Boiler business.

【 Operating income】

Operating income decreased by 8.4% from the previous corresponding period to ¥3.2 billion, owing mainly to boiler projects with low profitability, the recognition of additional costs in certain projects and an increase in selling, general and administrative expenses, partially offset by the above-mentioned increased sales and the positive effect of yen depreciation.

<FY2014 Forecast (vs. Initial forecast)>

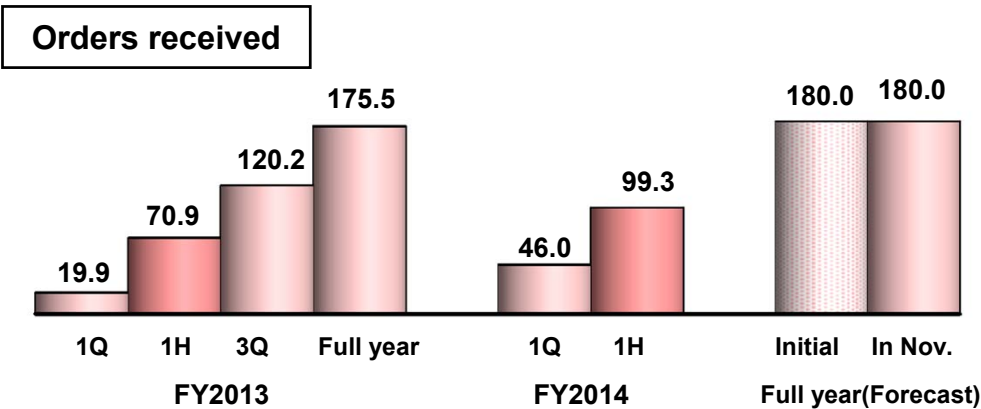
Sales revised down by ¥10.0 billion, and operating income revised down by ¥1.0 billion, due to including delays to launches of some construction projects in Gas process business. Orders received had no revision.

3. Financial Results by Segment

Social Infrastructure and Offshore Facilities

(In billion yen, accumulated amount)

<Results by business segment>

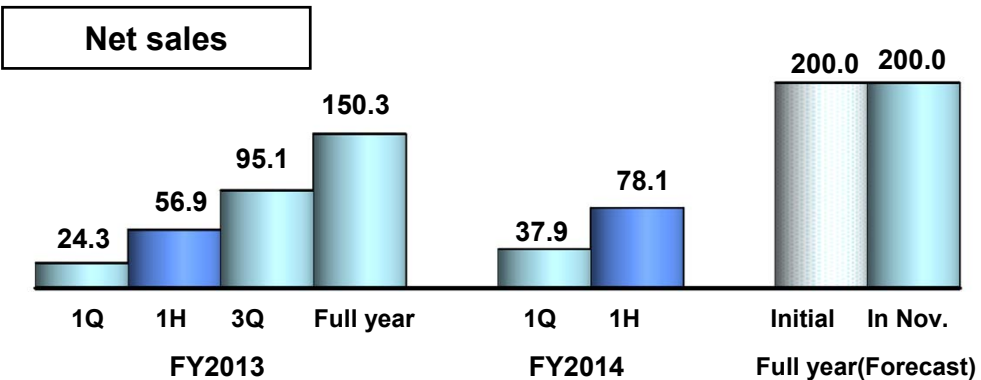


【 Orders received】

Orders received increased by 40.0% from the previous corresponding period to ¥99.3 billion owing to increases in Water gate business and Shield tunneling machine business.

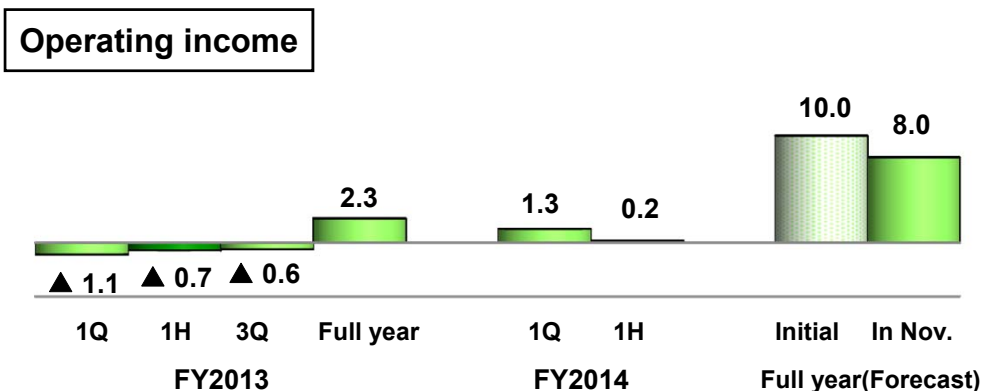
【 Net sales】

Sales increased by 37.2% from the previous corresponding period to ¥78.1 billion owing to increase in Bridge business, Offshore structure business and Urban development business.



【 Operating income】

Operating income/loss improved by ¥0.9 billion from the previous corresponding period, resulting in operating income of ¥0.2 billion, owing to mostly steady performance in overseas bridge projects and increased sales from Urban development business.



<FY2014 Forecast (vs. Initial forecast)>

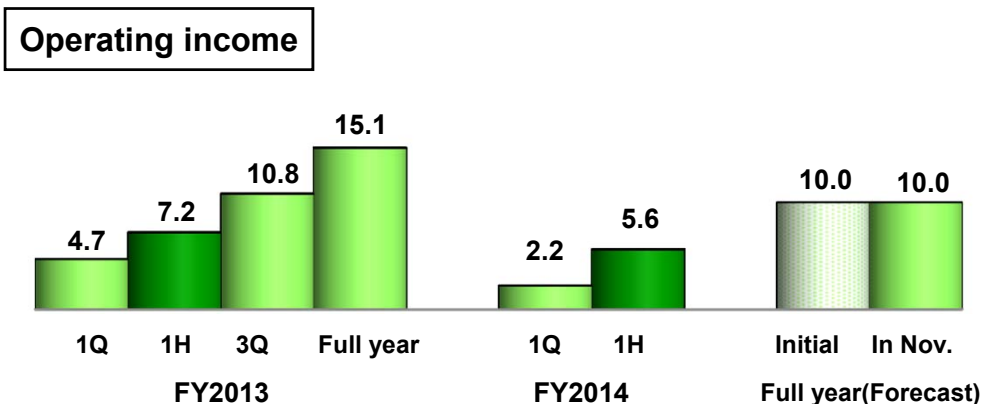
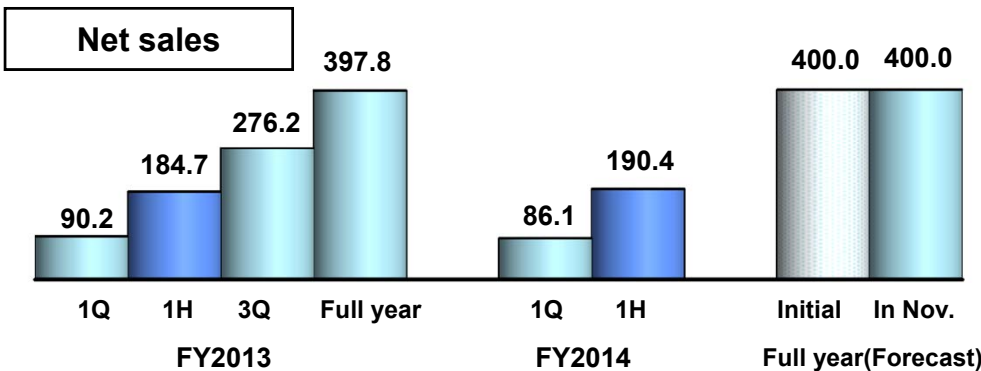
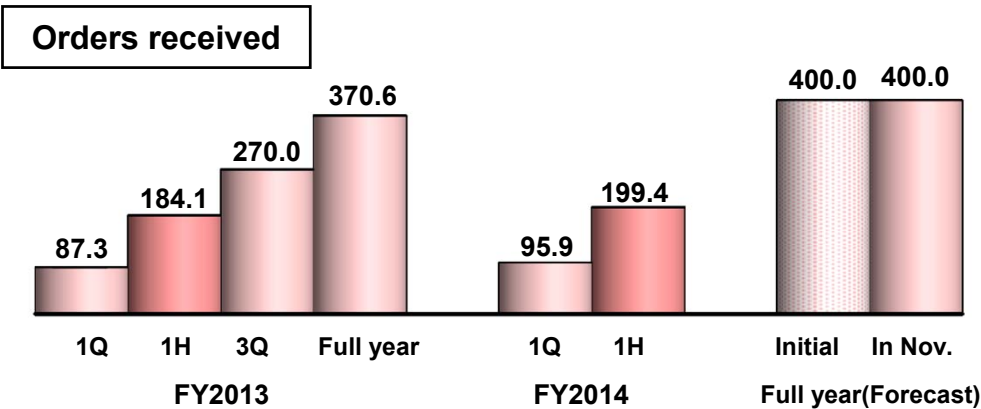
Operating income revised down by ¥2.0 billion due to including delays to launches of some construction projects in Offshore structure business.

Order received and sales had no revisions.

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 8.3% from the previous corresponding period to ¥199.4 billion owing to increases in Vehicular turbochargers business and Transport machinery business, partially offset by the impact of the divestiture of the business related to the rolling mills of IHI Metaltech Co., Ltd. in October last year.

【 Net sales】

Sales increased by 3.1% from the previous corresponding period to ¥190.4 billion. This has been caused by the increases in Vehicular turbochargers business and Papermaking machinery business, partially offset by the decrease in Transport machinery business and the impact of the above-mentioned divestiture of the business.

< Number of vehicular turbochargers delivered >

(10,000 Units)

	1H	Full Year
FY2013	275	554
FY2014	293	603

【 Operating income】

Operating income decreased by 23.1% from the previous corresponding period to ¥5.6 billion, owing to an increase in selling, general and administrative expenses, partially offset by the increase in revenues.

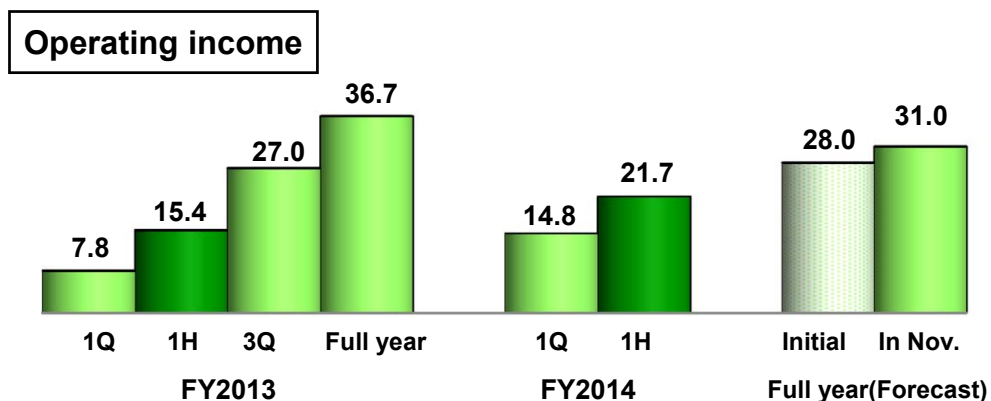
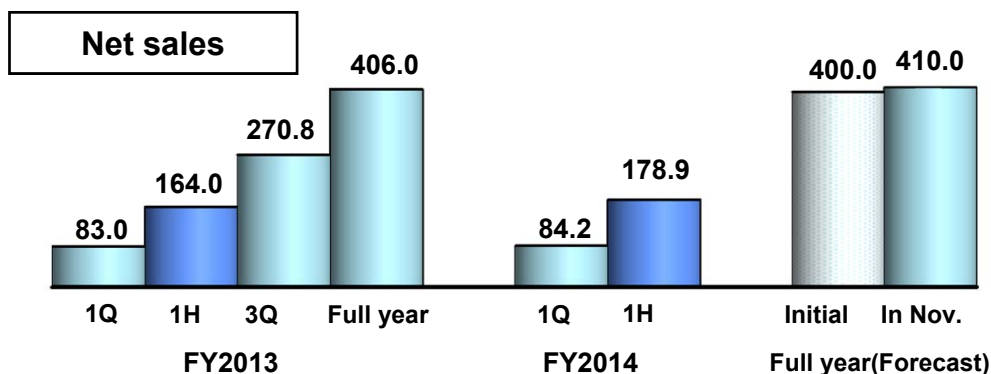
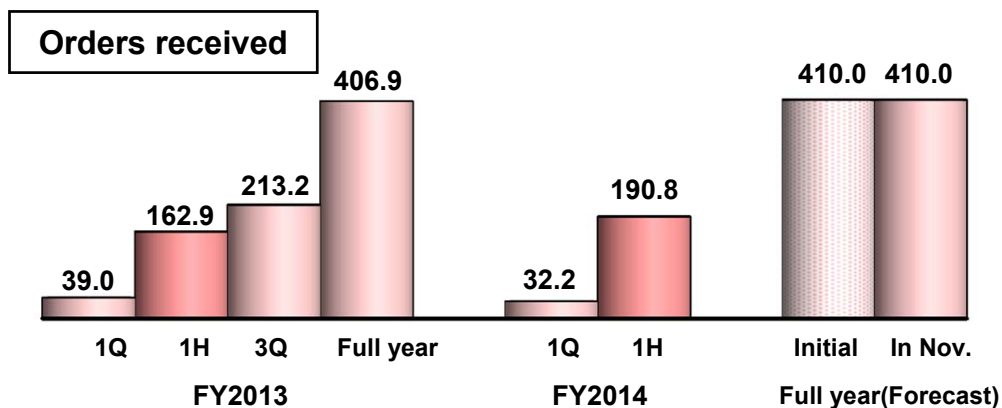
<FY2014 Forecast (vs. Initial forecast)>

Orders received, sales, and operating income had no revisions.

3. Financial Results by Segment

Aero Engine, Space and Defense

(In billion yen, accumulated amount)



<Results by business segment>

【 Orders received】

Orders received increased by 17.1% from the previous corresponding period to ¥190.8 billion owing to increase in Aero engine business, partially offset by decreases in Defense system business, Rocket systems/space utilization system business.

【 Net sales】

Sales increased by 9.1% from the previous corresponding period to ¥178.9 billion. This has been caused by a positive effect of yen depreciation, and delivery increased in civil aero engines, partially offset by a decrease in sales from Defense system business due to a delivery of gas turbines for naval vessels in the previous corresponding period.

<Number of civil aero engines delivered>

	(Units)	
	1H	Full Year
FY2013	520	1,199
FY2014	695	1,389

【 Operating income 】

Operating income increased by 40.5% from the previous corresponding period to ¥21.7 billion owing to sales increase in Aero engine business, improved profitability and the postponement of recording costs.

<FY2014 Forecast (vs. Initial forecast)>

Sales revised up by ¥10.0 billion, and operating income revised up by ¥3.0 billion, due to factors such as yen depreciation have been taken into account.

Orders received had no revision.

<For Reference>

- Aero Engines
- Vehicular Turbochargers
- Urban Developments

(1) Net sales of civil aero engines

(In billion yen)

	Actual									Forecast
	'10	'11	'12	FY2013			FY2014			
				1Q	1H	Full Year	1Q	1H	Full Year	
Net sales	134.8	143.6	169.8	48.7	101.0	226.0	62.5	126.7	243.4	

(2) Number of civil aero engines delivered

(Units)

	Actual (accumulated)											Main loading
	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14.1H	
V2500	2,510	2,850	3,154	3,474	3,828	4,168	4,551	4,980	5,468	5,969	6,231	Airbus A319/320/321
GE90	387	464	579	742	896	1,071	1,223	1,399	1,589	1,806	1,923	Boeing B777
CF34	668	1,027	1,374	1,802	2,274	2,604	2,919	3,242	3,548	3,820	3,984	For regional jet (70 to 110 seats)
GENx								118	259	468	620	Boeing B787/B747-8
Total	3,565	4,341	5,107	6,018	6,998	7,843	8,693	9,739	10,864	12,063	12,758	

(Note) The number of civil aero engines delivered is the number handed over to the airframe maker, and differs from the number of factory shipments.

Vehicular Turbochargers

<Net sales by region>

(In billion yen)

	Actual									Forecast
	'10	'11	'12	FY2013			FY2014			
				1Q	1H	Full Year	1Q	1H	Full Year	
Japan	30.2	33.1	33.9	8.5	16.9	35.3	9.0	18.4	36.7	
Asia	17.0	16.9	24.8	8.0	16.3	29.8	7.2	13.7	27.0	
China	4.2	14.3	18.1	5.6	11.5	23.4	6.3	12.8	23.9	
North America	1.4	1.1	1.3	0.4	0.8	1.6	0.4	0.9	2.3	
Europe	34.8	43.7	43.2	13.5	28.3	60.2	17.6	37.2	77.0	
Others	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	
Total	87.9	109.4	121.6	36.2	73.9	150.7	40.7	83.2	167.1	

(1) Lease revenue in Toyosu

(In billion yen)

	Actual								Forecast
	'10	'11	'12	FY2013			FY2014		
				1Q	1H	Full Year	1Q	1H	Full Year
Lease revenue	5.2	9.5	9.2	2.2	4.6	9.1	2.2	4.6	9.3

(2) Lease revenue and expense in Toyosu (FY2014.1H)

(In billion yen)

	Lease revenue	Lease expense		Lease income
		Depreciation	Others	
FY2014.1H	4.6	1.8	1.0	1.7

Development Plan for Toyosu 1 to 3 chome Area

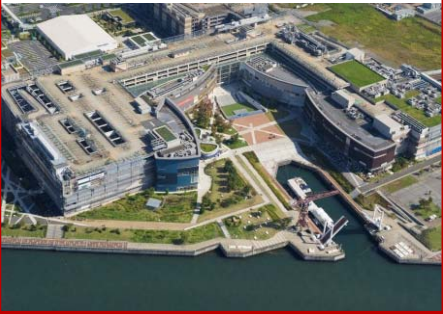
Toyosu IHI Building
 25 floors above ground, Approx. 125m high
 Gross floor area : 97,617㎡
 Completed in February 2006



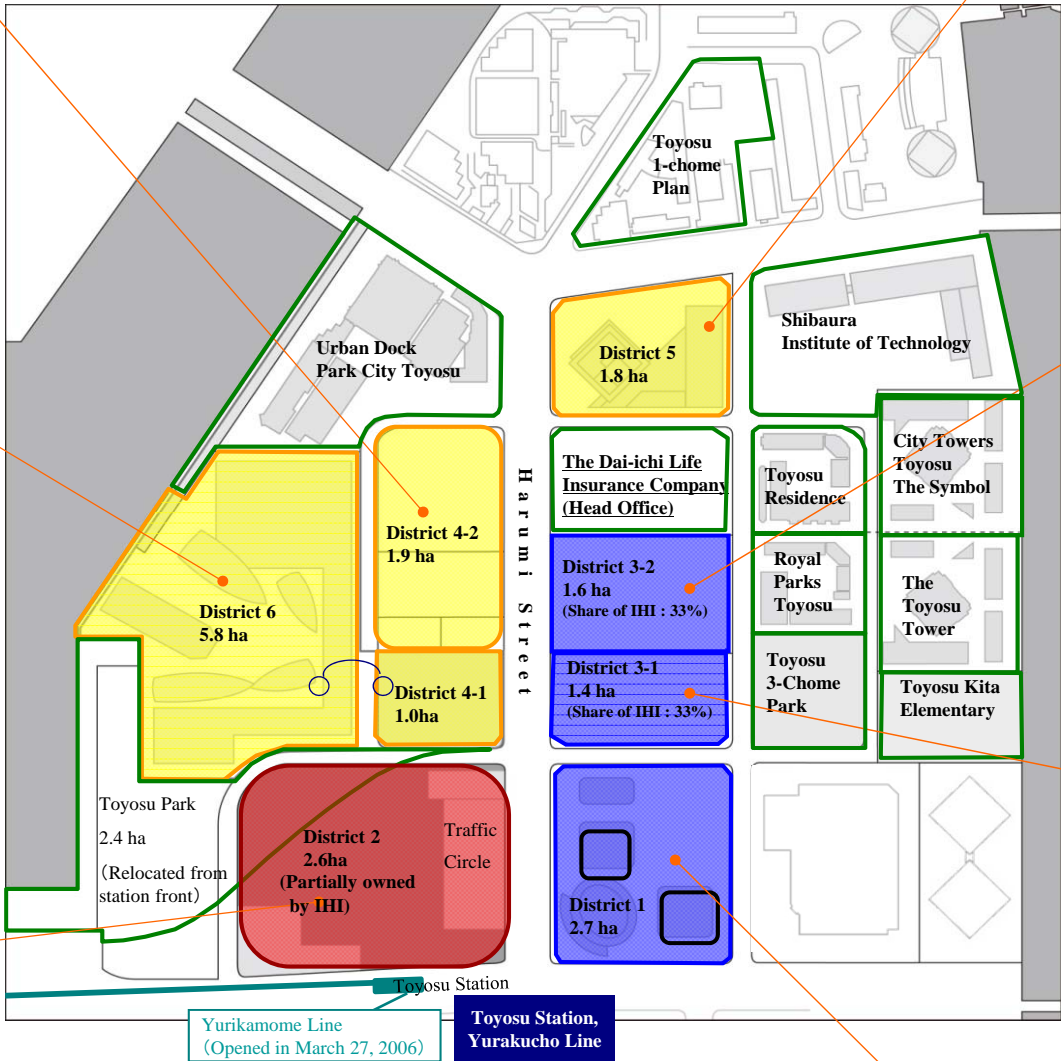
Kindergarten, Nursery school, Café, Marriage ceremonial hall.
 Site area : 19,492㎡
 Completed in March 2010 to February 2011



Urban Dock LaLaport Toyosu (Mitsui Fudosan Co., Ltd.)
 5 floors above ground, Approx. 25m high
 Store floor space : 62,000㎡
 Opened in October 2006



Offices building, Civic Center and a fire department.
 (IHI, Mitsui Fudosan and Koto Ward)
 Planning to redevelop



Toyosu Foresia (IHI & Mitsubishi Estate Company, Ltd.)
 16 floors above ground, Approx. 75m high,
 Gross floor area : 101,503㎡
 Completed in July 2014



Toyosu Front (IHI, Mitsubishi Estate Company, Ltd. and Mitsubishi UFJ Trust and Banking Corporation)
 15 floors above ground, Approx. 75m high
 Gross floor area : 106,861㎡
 Completed in August 2010



Toyosu Center Building
 37 floors above ground, Approx. 165m high
 Gross floor area : 100,069㎡
 Completed in October 1992

Toyosu Center Building Annex
 33 floors above ground, Approx. 150m high
 Gross floor area : 105,448㎡
 Completed in August 2006

Property of IHI	Approx. 14ha
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- Office Leasing
- Land Leasing
- Category 1 Urban Redevelopment Project ※1
- Sold, Donated, Exchanged

※1 One of the way to redevelop that was defined by Urban Renewal Act.

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.