

Financial Results for First Quarter FY2016 (for the year ending March 31, 2017)

July 29, 2016

I H I Corporation

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1. Consolidated Results for First Quarter FY2016

1. Consolidated Results for First Quarter FY2016

Summary of Financial Results

Note: Average exchange rates for FY2016.1Q US\$ 1.00= ¥108.95

(In billion yen)

| | FY2015.1Q | FY2016.1Q | Change |
|------------------------------------------------|-----------|-----------|--------|
| Orders received | 301.0 | 258.8 | ▲ 42.1 |
| Net sales | 340.7 | 341.4 | 0.6 |
| Operating income | 0.0 | 10.6 | 10.6 |
| Ordinary income | ▲ 0.4 | 4.5 | 5.0 |
| Profit (loss) before income taxes | ▲ 0.4 | 4.5 | 5.0 |
| Profit (loss) attributable to owners of parent | 0.0 | 0.8 | 0.8 |

Effective from the fiscal year under review, the closing date of the fiscal year of certain overseas consolidated subsidiaries has been changed from December 31 to March 31. As a result, for the three months ended June 30, 2016, those overseas consolidated subsidiaries have a six-month accounting period. The impact of these changes was an increase of ¥25.2 billion in net sales and an increase of ¥2.7 billion in operating income.

1. Consolidated Results for First Quarter FY2016

Financial Results by Segment

■ Orders received & Order backlog

(In billion yen)

| | Orders received | | | Order backlog | | |
|-------------------------------------------------|-----------------|--------------|---------------|----------------|----------------|----------------|
| | FY2015.1Q | FY2016.1Q | Change | FY2015 | FY2016.1Q | Change |
| Resources, Energy and Environment | 146.1 | 86.7 | ▲ 59.3 | 843.4 | 807.8 | ▲ 35.5 |
| Social Infrastructure and Offshore Facility | 23.3 | 27.0 | 3.6 | 194.3 | 183.5 | ▲ 10.7 |
| Industrial System and General-Purpose Machinery | 101.4 | 109.4 | 8.0 | 138.0 | 145.8 | 7.8 |
| Aero Engine, Space and Defense | 27.9 | 32.8 | 4.8 | 541.0 | 461.0 | ▲ 79.9 |
| Total Reportable Segment | 298.8 | 256.1 | ▲ 42.7 | 1,716.8 | 1,598.3 | ▲ 118.4 |
| Others | 15.8 | 14.4 | ▲ 1.4 | 24.7 | 21.6 | ▲ 3.0 |
| Adjustment | ▲ 13.7 | ▲ 11.6 | 2.0 | - | - | - |
| Total | 301.0 | 258.8 | ▲ 42.1 | 1,741.6 | 1,620.0 | ▲ 121.5 |

| | | | | | | |
|-----------------------------------------------|-------|-------|-----|-------|-------|---------|
| Overseas orders received / order backlog | 100.9 | 110.8 | 9.8 | 757.9 | 621.2 | ▲ 136.6 |
| % of Overseas orders received / order backlog | 34% | 43% | 9% | 44% | 38% | ▲ 6% |

1. Consolidated Results for First Quarter FY2016

Financial Results by Segment

■ Net sales & Operating income

(In billion yen)

| | Net sales | | | Operating income | | |
|-------------------------------------------------|--------------|--------------|--------------|------------------|-------------|-------------|
| | FY2015.1Q | FY2016.1Q | Change | FY2015.1Q | FY2016.1Q | Change |
| Resources, Energy and Environment | 101.1 | 96.3 | ▲ 4.8 | ▲ 0.9 | ▲ 2.3 | ▲ 1.4 |
| Social Infrastructure and Offshore Facility | 33.8 | 33.8 | 0.0 | ▲ 13.0 | ▲ 6.5 | 6.4 |
| Industrial System and General-Purpose Machinery | 93.1 | 101.5 | 8.3 | 0.6 | 3.2 | 2.5 |
| Aero Engine, Space and Defense | 111.1 | 103.7 | ▲ 7.4 | 17.3 | 16.9 | ▲ 0.4 |
| Total Reportable Segment | 339.2 | 335.4 | ▲ 3.8 | 4.1 | 11.2 | 7.0 |
| Others | 10.5 | 14.6 | 4.1 | ▲ 0.5 | ▲ 0.3 | 0.1 |
| Adjustment | ▲ 9.0 | ▲ 8.7 | 0.3 | ▲ 3.5 | ▲ 0.1 | 3.3 |
| Total | 340.7 | 341.4 | 0.6 | 0.0 | 10.6 | 10.6 |

The impact of sales by the change of closing date of the fiscal year of certain overseas consolidated subsidiaries were ¥10.9 billion for the Resources, Energy and Environment segment, ¥0.3 billion for the Social Infrastructure and Offshore Facility segment, and ¥11.7 billion for the Industrial System and General-Purpose Machinery segment. Segment profit was ¥0.6 billion for the Resources, Energy and Environment segment, and ¥2.0 billion for the Industrial System and General-Purpose Machinery segment.

1. Consolidated Results for First Quarter FY2016

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 | ▲ 0.2 | 0.5 | ▲ 1.0 | ▲ 0.7 | ▲ 1.4 |
| Social Infrastructure and Offshore Facility | ▲ 0.2 | 7.0 | ▲ 0.5 | 0.1 | 6.4 |
| Industrial System and General-Purpose Machinery | 2.4 | 1.6 | ▲ 0.3 | ▲ 1.2 | 2.5 |
| Aero Engine, Space and Defense | ▲ 0.3 | ▲ 0.3 | ▲ 1.8 | 2.0 | ▲ 0.4 |
| Total Reportable Segment | 1.7 | 8.8 | ▲ 3.6 | 0.2 | 7.0 |
| Others | 0.4 | ▲ 0.1 | | ▲ 0.2 | 0.1 |
| Adjustment | | 3.1 | | 0.2 | 3.3 |
| Total | 2.1 | 11.8 | ▲ 3.6 | 0.2 | 10.6 |

There are cases that the aggregated amount of each segment or factor doesn't match to the total due to rounding off.

1. Consolidated Results for First Quarter FY2016

Financial Results by Segment(F-LNG Business)

Reasons for profitability deterioration that occurred in the first quarter FY2016

Drill ship hull construction for Singapore

- At the end of April, completed shift to outfitting quay from the dock at Aichi Works.
- Carried out remaining work involving outfitting and electrical equipment installation, started some commissioning.
- Factored in increased costs due to higher quantities of electrical wiring.

FPSO hull construction for Norway

- Reviewed volume due to completion of transport of large-scale front and aft hull blocks from Aichi Works and South Korea Yard to Singapore Yard by the end of June.
- Factored in higher workloads at the Singapore Yard and higher costs stemming from increased numbers of on-site supervisors dispatched in order to ensure thorough quality and delivery management.

Construction of SPB tanks for LNG ships

- Progressed well with construction of the tanks for the first and second ships. Started installation on LNG ships of tanks for the first ship.
- Started work on the third ship in June.
- Incurred additional costs with the first ship due to diminishing efficiency during the final assembly stage of tanks for that vessel, and also applied same to subsequent ships.

Countermeasure: Take action to further enhance design and management functions through continuing the policy of dispatching engineers and experts from various fields, and strengthening monitoring, as corporate support on a company-wide basis.

1. Consolidated Results for First Quarter FY2016

Non-operating Income / Expenses and Extraordinary Income / Losses

■ Non-operating Income / Expenses

(In billion yen)

| | FY2015.1Q | FY2016.1Q | Change |
|---------------------------------------------------------------------------|--------------|--------------|--------------|
| Net interest expense (incl. dividend income) | 0.0 | 0.0 | 0.1 |
| Share of profit / losses of entities accounted for using equity method | 1.1 | ▲ 0.3 | ▲ 1.4 |
| Foreign exchange gains / losses | 0.9 | ▲ 8.9 | ▲ 9.9 |
| Others | ▲ 2.4 | 3.2 | 5.7 |
| Non-operating income / expenses | ▲ 0.4 | ▲ 6.0 | ▲ 5.6 |
| Extraordinary income / losses | — | — | — |

Change of the rate(USD) FY2015.1Q +2.28yen (beginning 120.17yen→end 122.45yen)
FY2016.1Q ▲9.77yen (beginning 112.68yen→end 102.91yen)

1. Consolidated Results for First Quarter FY2016

Balance Sheets

(In billion yen)

| | As of March 31, 2016 | As of June 30, 2016 | Change |
|-------------------------------------------|-------------------------|------------------------|---------------|
| Total assets | 1,715.0 | 1,675.6 | ▲ 39.3 |
| (Trade receivables) | (444.8) | (382.5) | (▲ 62.2) |
| (Inventories) | (410.3) | (449.3) | (39.0) |
| Total liabilities | 1,381.6 | 1,353.9 | ▲ 27.7 |
| (Trade payables) | (297.4) | (281.6) | (▲ 15.8) |
| (Advance received) | (180.3) | (220.1) | (39.7) |
| (Interest-bearing debt) | (374.5) | (362.5) | (▲ 11.9) |
| Total net assets | 333.3 | 321.7 | ▲ 11.6 |
| Shareholders' equity | 305.8 | 306.5 | 0.6 |
| Accumulated other comprehensive income | 12.4 | 2.1 | ▲ 10.3 |
| Total liabilities and net assets | 1,715.0 | 1,675.6 | ▲ 39.3 |
| D/E ratio (times) | 1.12 | 1.13 | 0.01 |

Note: Interest-bearing debt includes the amount of lease obligations.

(as of March 31, 2016: 17.9 billion yen / as of June 30, 2016: 16.9 billion yen)

1. Consolidated Results for First Quarter FY2016

Supplementary Information

(1) Cash Flows

(In billion yen)

| | FY2015.1Q | FY2016.1Q | Change |
|----------------------|-----------|-----------|--------|
| Operating activities | 0.6 | 33.0 | 32.4 |
| Investing activities | ▲ 16.0 | ▲ 16.6 | ▲ 0.5 |
| Free cash flows | ▲ 15.4 | 16.4 | 31.8 |
| Financing activities | 16.2 | ▲ 11.1 | ▲ 27.4 |

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

(In billion yen)

| | FY2015.1Q | FY2016.1Q |
|-----------------------------|-----------|-----------|
| R&D | 8.4 | 6.9 |
| CAPEX | 7.9 | 9.2 |
| Depreciation & Amortization | 10.6 | 11.1 |

1. Consolidated Results for First Quarter FY2016

Supplementary Information

(3) Overseas Sales by Region

(In billion yen)

| | FY2015.1Q | FY2016.1Q |
|----------------------------------|------------------|------------------|
| Asia | 49.5 | 59.2 |
| China | 24.7 | 22.9 |
| North America | 84.5 | 76.3 |
| Central and South America | 6.9 | 8.1 |
| Europe | 37.3 | 30.7 |
| Others | 5.9 | 9.3 |
| Total | 208.9 | 206.7 |
| % of overseas sales | 61.3% | 60.6% |

2. Forecast of the Consolidated Results for FY2016

2. Forecast of the Consolidated Results for FY2016

Summary of Forecast for FY2016

<assumed exchange rate>

US\$ 1.00 = ¥105 (assumed in May, ¥110)

Euro 1.00 = ¥115 (assumed in May, ¥125)

(In billion yen)

| | FY2016 Forecast | | FY2015 Actual | Change |
|--------------------------------------------|--------------------|---------|------------------|------------------------|
| | In May | In July | | Vs. Forecast in May |
| Orders received | 1,500.0 | 1,450.0 | 1,605.3 | ▲ 50.0 |
| Net sales | 1,600.0 | 1,520.0 | 1,539.3 | ▲ 80.0 |
| Operating income | 65.0 | 58.0 | 22.0 | ▲ 7.0 |
| Ordinary income | 55.0 | 44.0 | 9.7 | ▲ 11.0 |
| Profit attributable to owners of parent | 30.0 | 22.0 | 1.5 | ▲ 8.0 |

<For reference> Sensitivity to foreign exchange rates by currency

1 yen per US\$ corresponds to 0.8 billion yen, and per Euro, 0.0 billion yen in operating income.

The IHI Group forecasts decreased net sales from the previously announced forecast, mainly as a result of factoring in the effect of yen appreciation.

In terms of profit/loss, the IHI Group now forecasts deteriorating operating income, ordinary income, and profit attributable to owners of parent respectively after taking into consideration the operating results for the three months under review, the effect of yen appreciation and other factors.

2. Forecast of the Consolidated Results for FY2016

Summary of Forecast for First Half of FY2016

<assumed exchange rate>

US\$ 1.00 = ¥105 (assumed in May, ¥110)

Euro 1.00 = ¥115 (assumed in May, ¥125)

(In billion yen)

| | First Half of FY2016 Forecast | | First Half of FY2015 Actual | Change |
|--------------------------------------------|----------------------------------|---------|-----------------------------------|------------------------|
| | In May | In July | | Vs. Forecast in May |
| Net sales | 700.0 | 700.0 | 688.2 | 0.0 |
| Operating income | 25.0 | 23.0 | 0.2 | ▲ 2.0 |
| Ordinary income | 18.0 | 16.0 | ▲ 4.0 | ▲ 2.0 |
| Profit attributable to owners of parent | 10.0 | 9.0 | ▲ 3.9 | ▲ 1.0 |

Although the forecast for net sales remains unchanged from the previously announced forecast, in terms of profit/loss, the IHI Group now forecasts deteriorating operating income, ordinary income, and profit attributable to owners of parent respectively after taking into consideration the operating results for the three months under review and other factors.

2. Forecast of the Consolidated Results for FY2016

Forecast for FY2016 by Segment

■ Orders received

(In billion yen)

| | FY2016 Forecast (In May) | FY2016 Forecast (In July) | Change |
|-------------------------------------------------|-----------------------------|------------------------------|---------------|
| Resources, Energy and Environment | 500.0 | 470.0 | ▲ 30.0 |
| Social Infrastructure and Offshore Facility | 120.0 | 120.0 | 0.0 |
| Industrial System and General-Purpose Machinery | 450.0 | 430.0 | ▲ 20.0 |
| Aero Engine, Space and Defense | 420.0 | 420.0 | 0.0 |
| Total Reportable Segment | 1,490.0 | 1,440.0 | ▲ 50.0 |
| Others | 70.0 | 70.0 | 0.0 |
| Adjustment | ▲ 60.0 | ▲ 60.0 | 0.0 |
| Total | 1,500.0 | 1,450.0 | ▲ 50.0 |

2. Forecast of the Consolidated Results for FY2016

Forecast for FY2016 by Segment

■ Net sales & Operating income

(In billion yen)

| | FY2016 Forecast (In May) | | FY2016 Forecast (In July) | | Change | |
|-------------------------------------------------|-----------------------------|------------------|------------------------------|------------------|---------------|------------------|
| | Net sales | Operating income | Net sales | Operating income | Net sales | Operating income |
| Resources, Energy and Environment | 530.0 | 16.0 | 480.0 | 14.0 | ▲ 50.0 | ▲ 2.0 |
| Social Infrastructure and Offshore Facility | 160.0 | 3.0 | 160.0 | ▲ 1.0 | 0.0 | ▲ 4.0 |
| Industrial System and General-Purpose Machinery | 440.0 | 15.0 | 410.0 | 12.0 | ▲ 30.0 | ▲ 3.0 |
| Aero Engine, Space and Defense | 460.0 | 36.0 | 460.0 | 36.0 | 0.0 | 0.0 |
| Total Reportable Segment | 1,590.0 | 70.0 | 1,510.0 | 61.0 | ▲ 80.0 | ▲ 9.0 |
| Others | 70.0 | 3.0 | 70.0 | 3.0 | 0.0 | 0.0 |
| Adjustment | ▲ 60.0 | ▲ 8.0 | ▲ 60.0 | ▲ 6.0 | 0.0 | 2.0 |
| Total | 1,600.0 | 65.0 | 1,520.0 | 58.0 | ▲ 80.0 | ▲ 7.0 |

2. Forecast of the Consolidated Results for FY2016

Forecast for FY2016 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 | ▲ 2.0 | | ▲ 2.0 | 2.0 | ▲ 2.0 |
| Social Infrastructure and Offshore Facility | | ▲ 4.0 | | | ▲ 4.0 |
| Industrial System and General-Purpose Machinery | ▲ 3.0 | | ▲ 1.0 | 1.0 | ▲ 3.0 |
| Aero Engine, Space and Defense | | 2.0 | ▲ 2.0 | | 0.0 |
| Total Reportable Segment | ▲ 5.0 | ▲ 2.0 | ▲ 5.0 | 3.0 | ▲ 9.0 |
| Others | | | | | 0.0 |
| Adjustment | | | | 2.0 | 2.0 |
| Total | ▲ 5.0 | ▲ 2.0 | ▲ 5.0 | 5.0 | ▲ 7.0 |

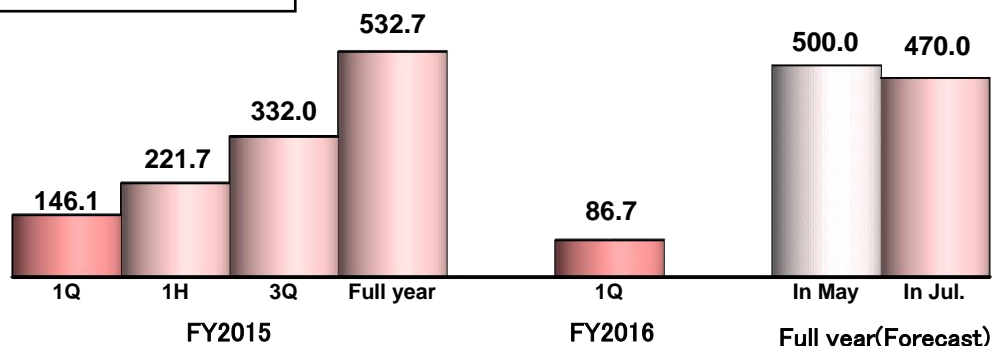
3. Financial Results by Segment

3. Financial Results by Segment

Resources, Energy and Environment

(In billion yen, accumulated amount)

Orders received



<Results by business segment>

【 Orders received】

Orders received significantly decreased from the previous corresponding period, reflecting a pullback from large orders secured in the previous corresponding period for Boiler Business.

【 Net sales】

Sales decreased from the previous corresponding period, reflecting decreases in Process plants Business and Power systems for land and marine use Business, partially offset by the effect of the financial reporting periods unification (hereinafter "FRPU") as well as increased revenues from sales from large maintenance construction projects and construction progress in Boiler Business.

【 Operating income 】

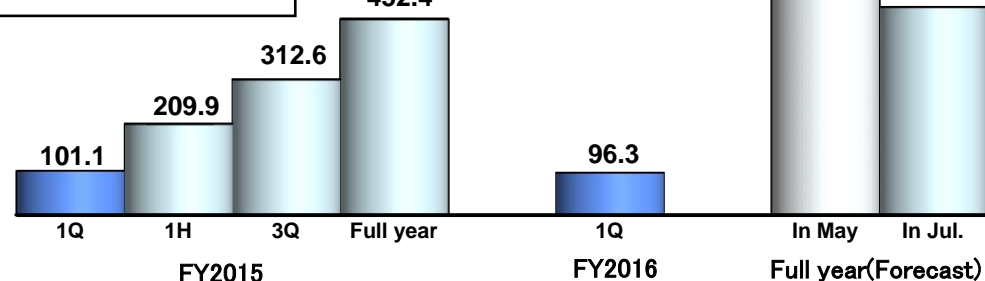
In terms of operating income/loss, it resulted in a deficit, owing mainly to the effects of the decreases in revenues from Process plants Business and Power systems for land and marine use Business, partially offset by increased revenue and income in Boiler Business.

<FY2016 Forecast (vs. In May)>

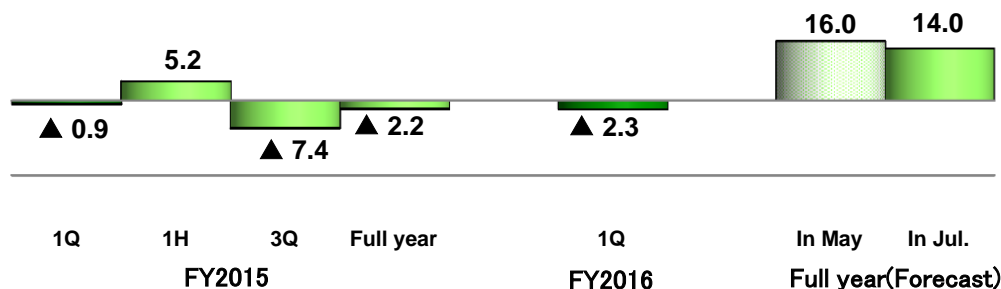
Orders received and sales are revised down owing to the effect of yen appreciation and the deterioration of external environment such as cheaper crude oil mainly in Process plant Business.

Operating income is revised down owing to the above-mentioned decrease in sales amount partially offset by reduction of SG&A expenses.

Net sales



Operating income



3. Financial Results by Segment

Resources, Energy and Environment

(In billion yen)

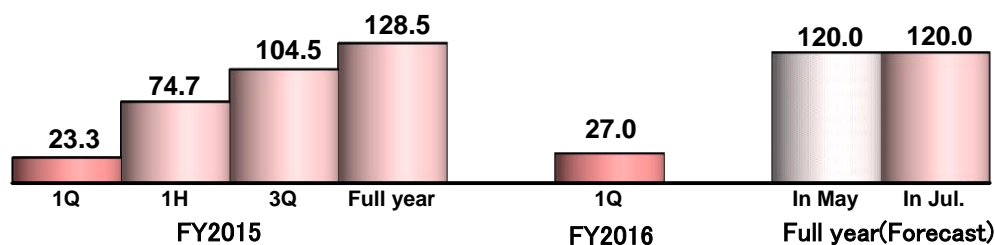
| | Orders received | | Net sales | | | | | |
|------------------------------------------|---------------------|-----------------------------------|-----------|------|------|-----------|--------|-------------------------|
| | FY2015 Full yaer | FY2016 Full yaer (Forecast) | FY2015 | | | | FY2016 | |
| | | | 1Q | 1H | 3Q | Full yaer | 1Q | Full yaer (Forecast) |
| Boiler | 170.1 | 90.0 | 18.2 | 44.7 | 56.9 | 80.8 | 24.5 | 120.0 |
| Power system plants | 22.1 | 45.0 | 4.3 | 9.0 | 19.8 | 31.8 | 5.8 | 25.0 |
| Power systems for land and marine use | 81.1 | 70.0 | 20.9 | 37.6 | 57.7 | 77.8 | 13.3 | 60.0 |
| Process plants | 107.1 | 125.0 | 30.6 | 63.4 | 95.1 | 123.1 | 21.5 | 125.0 |
| Nuclear power | 38.6 | 40.0 | 3.8 | 11.0 | 14.7 | 32.5 | 2.2 | 35.0 |

3. Financial Results by Segment

Social Infrastructure and Offshore Facility

(In billion yen, accumulated amount)

Orders received



<Results by business segment>

【 Orders received】

Orders received increased from the previous corresponding period, reflecting an increase in Bridge/water gate Business, partially offset by decreases in Shield tunneling machine Business and Transport system Business.

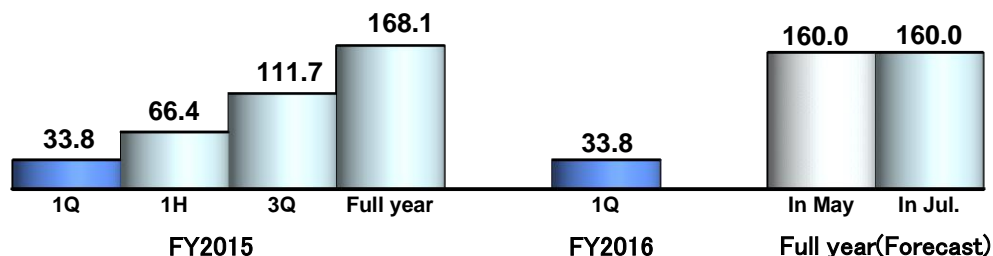
【 Net sales】

Sales were at the same level as the previous corresponding period, owing to decreases in Bridge/water gate Business and Urban development Business, offset by an increase in F-LNG Business owing to construction progress.

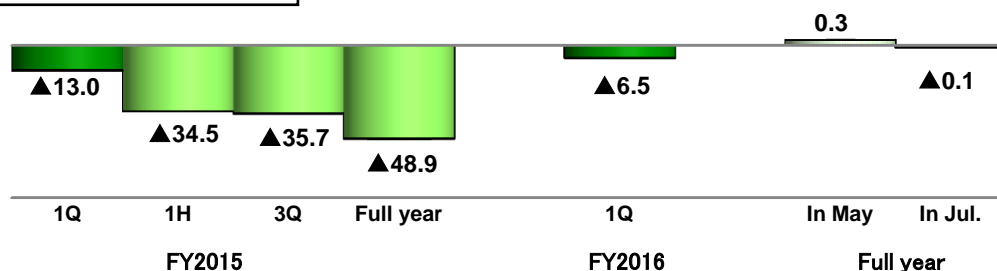
【 Operating income】

In terms of operating income/loss, there was a reduced deficit, reflecting a pullback due to recorded losses related to F-LNG Business and the Izmit Bay Crossing Bridge construction project in Turkey in the previous corresponding period, partially offset by recording additional costs in F-LNG Business.

Net sales



Operating income



<FY2016 Forecast (vs. In May)>

Operating income is revised down reflecting the deteriorated profitability of F-LNG Business in the three months under review.

The forecasts of Orders received and Sales remain unchanged.

3. Financial Results by Segment

Social Infrastructure and Offshore Facility

(In billion yen)

| | Orders received | | Net sales | | | | | |
|-------------------|---------------------|-----------------------------------|-----------|------|------|-----------|--------|-------------------------|
| | FY2015 Full yaer | FY2016 Full yaer (Forecast) | FY2015 | | | | FY2016 | |
| | | | 1Q | 1H | 3Q | Full yaer | 1Q | Full yaer (Forecast) |
| Bridge/Water gate | 76.6 | 65.0 | 17.5 | 33.7 | 53.3 | 76.0 | 15.0 | 60.0 |
| F-LNG | ▲ 15.5 | 0.0 | 3.6 | 6.8 | 14.4 | 21.4 | 8.0 | 30.0 |
| Urban development | 16.2 | 15.0 | 5.1 | 8.8 | 12.7 | 17.6 | 3.4 | 15.0 |

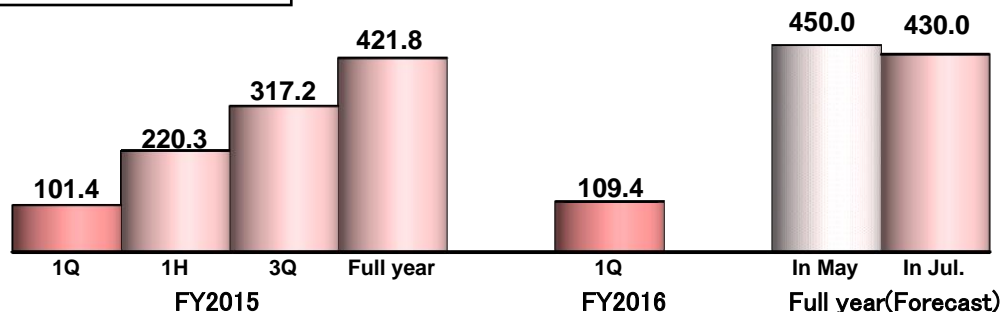
For related information of “Urban development” in Toyosu,
please refer to <Appendices> on page 33, 34.

3. Financial Results by Segment

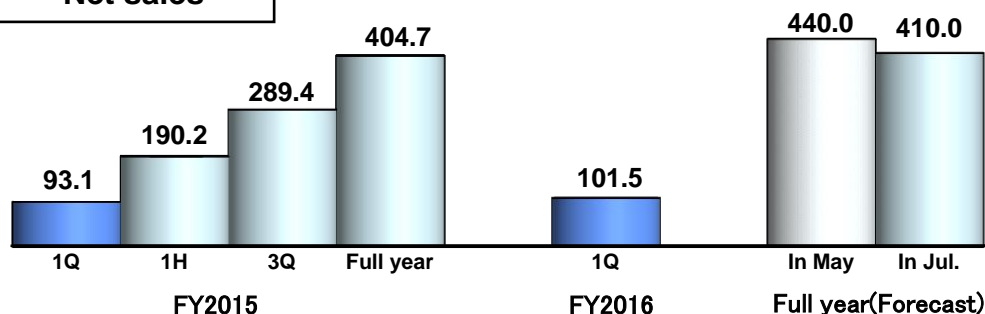
Industrial System and General-Purpose Machinery

(In billion yen, accumulated amount)

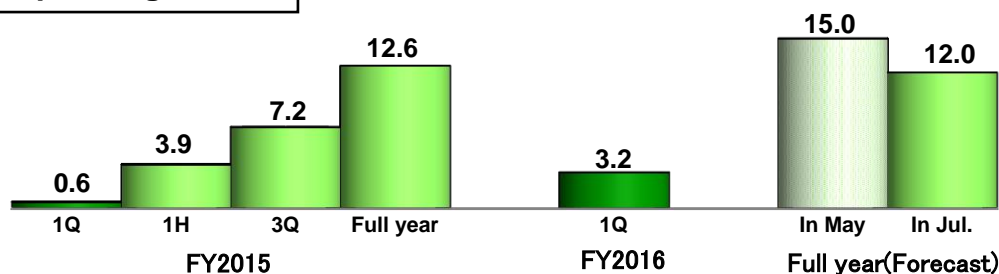
Orders received



Net sales



Operating income



<Results by business segment>

【 Orders received】

Orders received increased from the previous corresponding period, owing to increases in Logistics/industrial system Business and Vehicular turbocharger Business, partially offset by decreases in Transport machinery Business and Construction machinery Business.

【 Net sales】

Sales increased from the previous corresponding period, owing to increases in Vehicular turbocharger Business, Logistics/industrial system Business and Transport machinery Business which are caused partly by the effect of FRPU.

< Number of vehicular turbochargers delivered >

| | (10,000 Units) | |
|--------|----------------|-----------|
| | 1Q | Full Year |
| FY2015 | 145 | 536 |
| FY2016 | 155 | 626 |

【 Operating income 】

Operating income rose due to the above-mentioned increases in sales and the improvement in profitability in Rotating machinery Business and Parking Business, partially offset by increased selling, general and administrative expenses which are caused by the effect of FRPU.

<FY2016 Forecast (vs. In May)>

Orders received and sales are revised down owing to effect of yen appreciation and overseas economic slowdown mainly in Vehicular turbocharger Business.

Operating income is revised down owing to above-mentioned decrease in sales partially offset by reduction of SG&A expenses.

3. Financial Results by Segment

Industrial System and General-Purpose Machinery

(In billion yen)

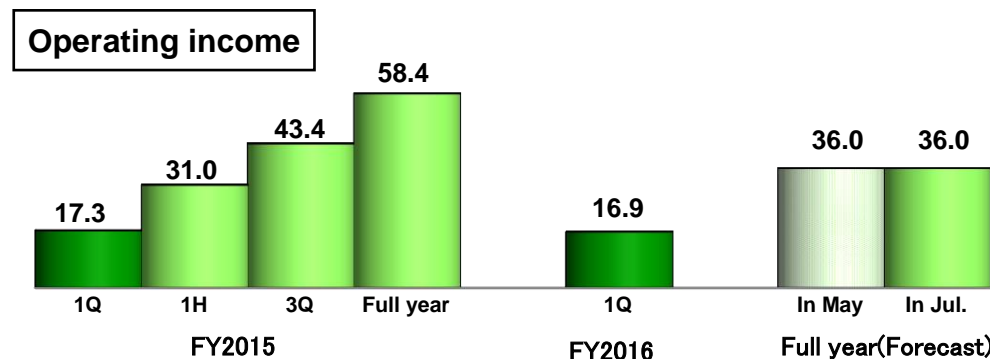
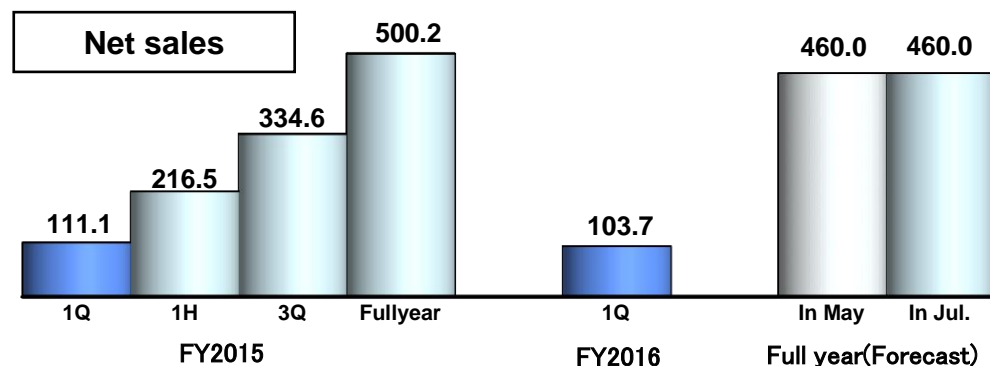
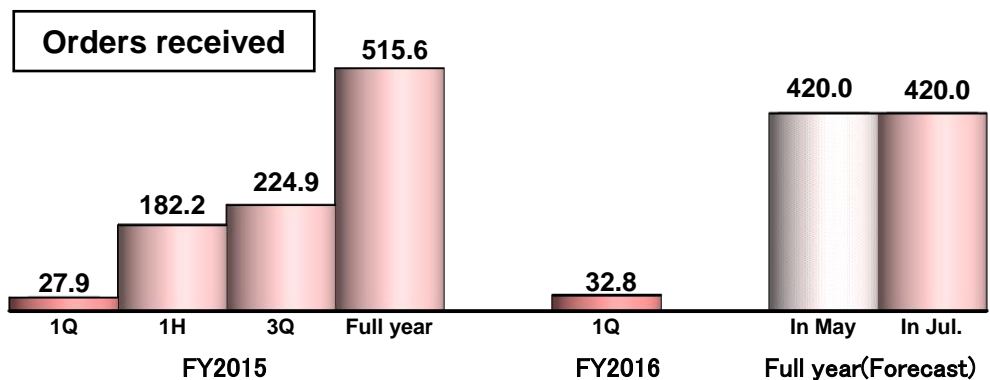
| | Orders received | | Net sales | | | | | |
|----------------------------------|---------------------|-----------------------------------|-----------|------|-------|-----------|--------|-------------------------|
| | FY2015 Full yaer | FY2016 Full yaer (Forecast) | FY2015 | | | Full yaer | FY2016 | |
| | | | 1Q | 1H | 3Q | | 1Q | Full yaer (Forecast) |
| Transport machinery | 35.8 | 35.0 | 3.5 | 9.8 | 15.6 | 21.8 | 5.4 | 30.0 |
| Parking | 39.6 | 40.0 | 8.7 | 19.5 | 29.8 | 42.6 | 7.5 | 40.0 |
| Thermal and surface treatment | 29.8 | 33.0 | 7.0 | 14.5 | 23.1 | 31.7 | 7.8 | 35.0 |
| Vehicular turbocharger | 162.0 | 170.0 | 44.0 | 82.8 | 121.8 | 161.6 | 47.4 | 170.0 |
| Rotating machinery | 48.7 | 50.0 | 8.4 | 19.4 | 29.5 | 46.4 | 10.3 | 50.0 |

For details of "Vehicular turbocharger", please refer to <Appendices> on page 32.

3. Financial Results by Segment

Aero Engine, Space and Defense

(In billion yen, accumulated amount)



<Results by business segment>

【 Orders received】

Orders received increased from the previous corresponding period due to increases in Aero engines Business and Defense systems Business.

【 Net sales】

Sales decreased from the previous corresponding period, owing to a decrease in civil aero engines mainly as a result of the effect of yen appreciation and a pullback from delivery of gas turbines for naval vessels in Defense systems Business in the previous corresponding period.

< Number of civil aero engines delivered >

| | (Units) | |
|--------|---------|-----------|
| | 1Q | Full Year |
| FY2015 | 336 | 1,260 |
| FY2016 | 334 | 1,450 |

【 Operating income 】

Operating income decreased from the previous corresponding period, owing to the above-mentioned sales decrease, partially offset by a decrease in selling, general and administrative expenses such as R&D expenses.

<FY2016 Forecast (vs. In May)>

In orders received, net sales and operating income, there is an effect of yen appreciation, offsetting improving profitability, hence the forecast remains unchanged.

3. Financial Results by Segment

Aero Engine, Space and Defense

(In billion yen)

| | Orders received | | Net sales | | | | | |
|-----------------------|-----------------|-------------------------|-----------|-------|-------|-----------|--------|-------------------------|
| | FY2015 | FY2016 | FY2015 | | | | FY2016 | |
| | Full yaer | Full yaer (Forecast) | 1Q | 1H | 3Q | Full yaer | 1Q | Full yaer (Forecast) |
| Civil aircraft engine | 276.1 | 290.0 | 77.8 | 149.0 | 224.2 | 299.1 | 69.8 | 300.0 |

For details of “Civil aircraft engine”, please refer to <Appendices> on page 31.

<Appendices>

- Progress in Large Overseas Projects
- Topics in three months under review
- Aero engines
- Vehicular turbocharger
- Urban development

Progress in Large Overseas Projects

Dominion Cove Point Liquefaction Project



Aerial photo as of Jun 2016 Acid Gas Absorbers installation

<Current status (Jun. 2016)>

- Engineering is approximately 99.8% complete.
- Procurement of equipment is 99.7% complete.
- Construction is 41.1% complete.
- Major equipment in Pre-Treatment area has been installed.
- Fabrication of structural steel is essentially completed.
- Fabrication of piping is underway.

<Key milestones>

| | |
|-----------------|--------------------------------|
| April 2013: | Contract award |
| September 2014: | FERC Order received & accepted |
| March 2015: | Groundbreaking Ceremony held |
| Late 2016: | DCS in Service |
| Mid 2017: | Mechanical Completion |
| Q4-2017: | Commencement of operations |

<Project Brief>

IHI E&C International Corporation and Kiewit Energy Company have entered into an engineering, procurement and construction contract to develop the Cove Point liquefied natural gas facility located on the Chesapeake Bay in Lusby, Maryland. The IHI/Kiewit joint venture will design, construct, commission and start up the estimated 5.25 million tons per annum liquefaction facility.

Jimah East Power coal fired power plant



Expected Completion Image



As of end of Jun 2016

<Status>

As of end of Jun 2016, reclamation & marine works (Other Party's Scope) were completed and piling work for boiler & TG area has been started. For boiler portion, 60% of engineering and 20% of procurement activity were completed. As total 15% was completed.

<Key Milestones>

| | | | |
|-----------|---------------------------|-----------|--------------------|
| Aug 2014: | EPC Contract | Oct 2018: | Initial Firing(#1) |
| Jan 2017: | Boiler Erection Start(#1) | Apr 2019: | Initial Firing(#2) |
| Jul 2017: | Boiler Erection Start(#2) | Jun 2019: | COD (#1) |
| Apr 2018: | Hydro Test(#1) | Dec 2019: | COD (#2) |
| Nov 2018: | Hydro Test(#2) | | |

<Project Brief>

- Contract: Full turn key contract for ultra-supercritical boiler for Jimah East Power Sdn. Bhd. (IPP)
- Site: Jimah, Negeri Sembilan, Malaysia
- Scope: Engineering, Procurement, Construction and Commissioning of Ultra-supercritical boiler

Ultra-supercritical coal-fired boiler in Indonesia

The IHI was awarded a contract of one ultra-supercritical (hereinafter “USC”) coal-fired boiler unit from Sumitomo Corporation. This boiler is for the construction of a 4th Unit at the Lontar power station, being developed by PT.PLN, an Indonesian state owned electricity company. The unit is being built next to existing Units 1 to 3, and is expected to start operations in 2019. The USC boiler adopted for this project will enable the plant to achieve high efficiency through extremely high steam pressure and temperature, resulting in the reduction of fuel consumption as well as CO2 emissions.

To realize stable and efficient electricity supply in the global market and countries expecting economic growth over the coming years, such as Indonesia, IHI will continue to supply power generation equipment and systems, primarily consisting of boilers boasting high efficiency and quality as well as superior environmental performance.

<Planned delivery site>



Izmit Bay Crossing Bridge in Turkey

A ceremony was held on June 30 to open the Izmit Bay Crossing Bridge (Turkish name: Osman Gazi Bridge, hereinafter “The Bridge”), which was constructed in Turkey by IHI subsidiary IHI Infrastructure Systems Co., Ltd. The Bridge is the longest overseas bridge for IHI Group as a contractor and the fourth-longest suspension bridge in the world, and forms part of a highway project to link Istanbul, Turkey’s biggest city, with Izmir, the nation’s third-most populous city.

IHI Group has contributed significantly to Turkey’s road transportation infrastructure development over the years, building the Golden Horn Bridge, the New Golden Horn Bridge, the Second Bosphorus Bridge, and participating in the Seismic Reinforcement Project for Large Scale Bridges in Istanbul. IHI Group will continue to cultivate its Bridge Business worldwide, contributing to the development of various countries through building their social infrastructure.



Izmit Bay Crossing Bridge (Osman Gazi Bridge)

(1) Net sales of civil aircraft engine

(In billion yen)

| | Actual | | | | | | | | Forecast | |
|-----------|--------|-------|-------|-------|--------|-------|-------|-----------|----------|-----------|
| | '11 | '12 | '13 | '14 | FY2015 | | | | FY2016 | |
| | | | | | 1Q | 1H | 3Q | Full Year | 1Q | Full Year |
| Net sales | 143.6 | 169.8 | 226.0 | 267.0 | 77.8 | 149.0 | 224.2 | 299.1 | 69.8 | 300.0 |

(2) Number of civil aircraft engine delivered

(Units)

| | Actual (accumulated) | | | | | | | | | | | | Main loading |
|---------|----------------------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|------------------------------------|
| | '05 | '06 | '07 | '08 | '09 | '10 | '11 | '12 | '13 | '14 | '15 | '16/1Q | |
| V2500 | 2,850 | 3,154 | 3,474 | 3,828 | 4,168 | 4,551 | 4,980 | 5,468 | 5,969 | 6,469 | 6,896 | 7,000 | Airbus A319/320/321 |
| GE90 | 464 | 579 | 742 | 896 | 1,071 | 1,223 | 1,399 | 1,589 | 1,806 | 2,039 | 2,257 | 2,312 | Boeing B777 |
| CF34 | 1,027 | 1,374 | 1,802 | 2,274 | 2,604 | 2,919 | 3,242 | 3,548 | 3,820 | 4,156 | 4,471 | 4,570 | For regional jet (70 to 110 seats) |
| GE9x | | | | | | | 118 | 259 | 468 | 751 | 1,035 | 1,100 | Boeing B787/B747-8 |
| PW1100G | | | | | | | | | | | 16 | 27 | Airbus A320Neo |
| Total | 4,341 | 5,107 | 6,018 | 6,998 | 7,843 | 8,693 | 9,739 | 10,864 | 12,063 | 13,415 | 14,675 | 15,009 | |

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

<Net sales by region>

(In billion yen)

| | Actual | | | | | | | | Forecast | |
|---------------------------|--------|-------|-------|-------|--------|------|-------|-----------|----------|-----------|
| | '11 | '12 | '13 | '14 | FY2015 | | | | FY2016 | |
| | | | | | 1Q | 1H | 3Q | Full Year | 1Q | Full Year |
| Japan | 33.1 | 33.9 | 35.3 | 37.5 | 8.4 | 17.2 | 25.5 | 34.6 | 8.4 | 33.0 |
| Asia | 16.9 | 24.8 | 29.8 | 27.5 | 7.8 | 12.9 | 16.6 | 21.6 | 6.6 | 17.0 |
| China | 14.3 | 18.1 | 23.4 | 24.3 | 7.1 | 11.8 | 17.9 | 24.9 | 11.8 | 47.0 |
| North America | 1.1 | 1.3 | 1.6 | 1.8 | 0.5 | 1.2 | 1.8 | 2.4 | 1.3 | 2.0 |
| Central and South America | 0.0 | 0.0 | 0.0 | 0.7 | 0.8 | 1.6 | 2.4 | 3.4 | 2.9 | 7.0 |
| Europe | 43.7 | 43.2 | 60.2 | 75.6 | 19.2 | 37.8 | 57.3 | 74.3 | 16.0 | 64.0 |
| Others | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 109.4 | 121.6 | 150.7 | 167.7 | 44.0 | 82.8 | 121.8 | 161.6 | 47.3 | 170.0 |

(1) Lease revenue in Toyosu

(In billion yen)

| | Actual | | | | | | | | Forecast | |
|---------------|--------|-----|-----|-----|--------|-----|-----|-----------|----------|-----------|
| | '11 | '12 | '13 | '14 | FY2015 | | | | FY2016 | |
| | | | | | 1Q | 1H | 3Q | Full Year | 1Q | Full Year |
| Lease revenue | 9.5 | 9.2 | 9.1 | 9.3 | 2.5 | 5.0 | 7.6 | 10.1 | 2.3 | 9.2 |

(2) Lease revenue and expense in Toyosu (FY2016.1Q)

(In billion yen)

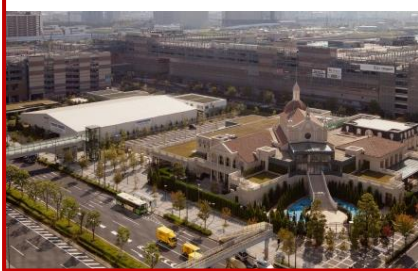
| | Lease revenue | Lease expense | | Lease income |
|-----------|---------------|---------------|--------|--------------|
| | | Depreciation | Others | |
| FY2016.1Q | 2.3 | 0.8 | 0.5 | 0.8 |

Development Plan for Toyosu 1 to 3 chome Area

Kindergarten, Nursery school, Café, Marriage ceremonial hall.

Site area : 19,492㎡

Completed in March 2010 to February 2011



Urban Dock LaLaport Toyosu ANNEX (Mitsui Fudosan Co., Ltd.)

5 floors above ground, Approx. 25m high
Store floor space : 24,721㎡
Opened in October 2006



Offices building, (IHI and Mitsui Fudosan)

Planning to redevelop

Civic Center : Opened in September 2015

Fire department office : Completed in June 2016

Toyosu IHI Building

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



Toyosu Foresia

(IHI & Mitsubishi Estate Company, Ltd.)

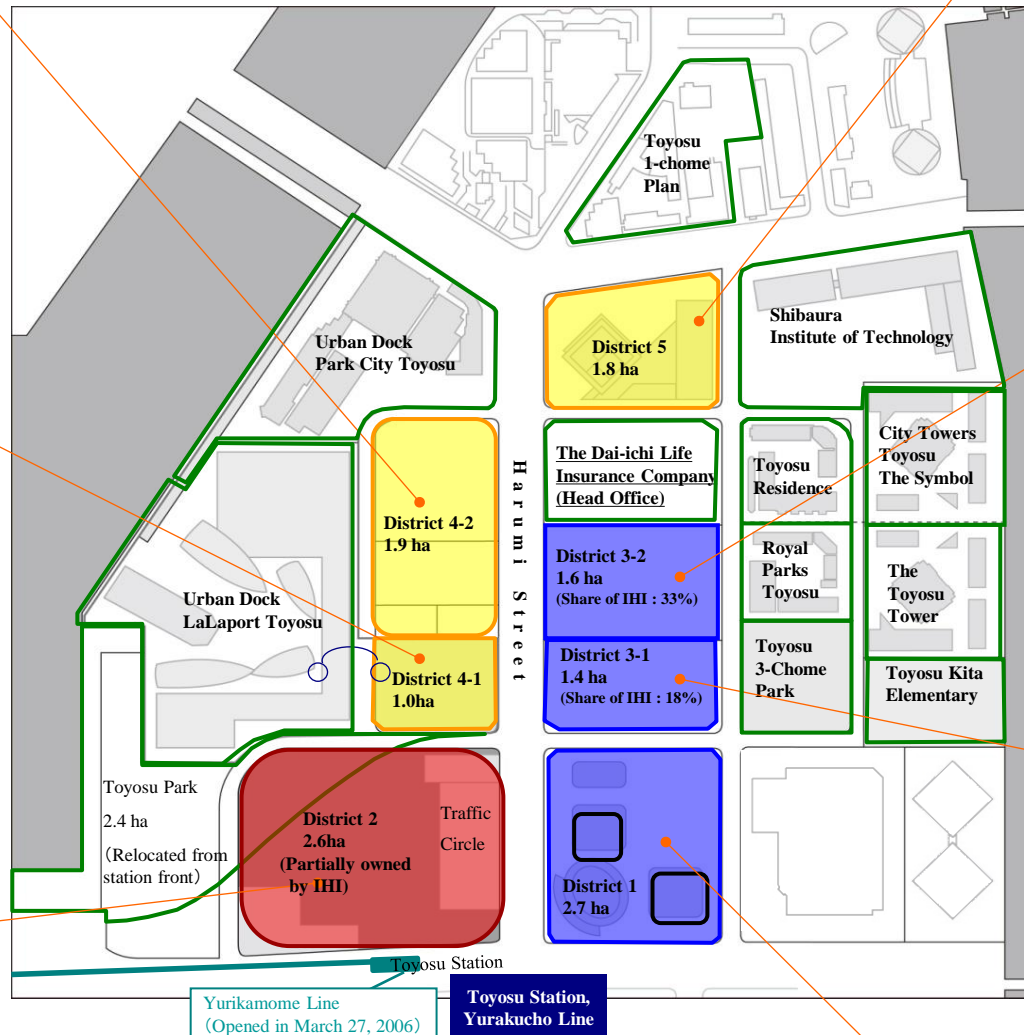
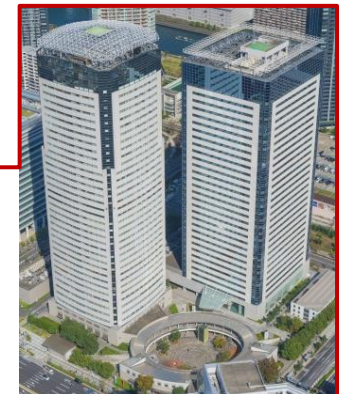
16 floors above ground, Approx. 75m high,
Gross floor area : 101,503㎡
Completed in July 2014



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



Property of IHI

Approx. 8ha

Office Leasing

Land Leasing

Category 1 Urban Redevelopment Project ※1

Sold, Donated, Exchanged

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

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



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.