

**CONSOLIDATED FINANCIAL REPORT
 FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018
 <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 date of Quarterly Securities Report: November 12, 2018 (planned)
 Start date of dividends payment: December 7, 2018(planned)
 Preparing supplementary material on quarterly financial results: Yes
 Holding quarterly financial results presentation meeting: Yes (for institutional investors, analysts and the media)

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. CONSOLIDATED PERFORMANCE FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018
 (APRIL 1, 2018 to SEPTEMBER 30, 2018)**

(1) Consolidated 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 Profit	Percentage Change	Ordinary Profit	Percentage Change
Six months ended September 30, 2018	699,507	(9.6)%	45,217	30.6%	49,173	151.2%
Six months ended September 30, 2017	773,491	11.8%	34,622	189.6%	19,574	283.9%

	Profit Attributable to Owners of Parent	Percentage Change	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Six months ended September 30, 2018	28,429	313.1 %	184.23	184.09
Six months ended September 30, 2017	6,882	–	44.57	44.54

(Note) Comprehensive income

Six months ended September 30, 2018: ¥34,725 million 181.8%
 Six months ended September 30, 2017: ¥12,323 million –%

* IHI conducted a consolidation of common stock on a 10 for 1 basis on October 1, 2017. Basic earnings per share and diluted earnings per share have been calculated under the assumption that this consolidation of common stock was conducted on April 1, 2017.

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity to Total Assets
As of September 30, 2018	1,653,989	379,246	21.2%
As of March 31, 2018	1,633,488	350,217	19.9%

(Reference) Equity at the end of the period (consolidated)

September 30, 2018: ¥350,864 million

March 31, 2018: ¥324,601 million

2. DIVIDENDS

(Yen)

(Record Date)	Dividends per Share				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-end	Annual
Fiscal year ended March 31, 2018	—	3.00	—	30.00	—
Fiscal year ending March 31, 2019	—	30.00	—	—	—
Fiscal year ending March 31, 2019 (Forecast)	—	—	—	30.00	60.00

(Note) Revisions to the dividend forecasts most recently announced: No

*IHI conducted a consolidation of common stock on a 10 for 1 basis on October 1, 2017. Consequently, the effect of this consolidation of stock is factored into the year-end dividends per share for the previous fiscal year ended March 31, 2018. The annual dividends per share calculated on basis of the consolidation of common stock are ¥60.00.

3. CONSOLIDATED FORECASTS OF RESULTS FOR THE YEAR ENDING MARCH 31, 2019

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Basic Earnings per Share (Yen)
Full-year	1,500,000	(5.7)%	85,000	17.6%	65,000	203.4%	32,000	286.0%	207.37

(Note) Revisions to the forecasts of results most recently announced: No

* NOTES

- (1) **Changes in significant subsidiaries during the six months under review**
(Changes in specified subsidiaries accompanying changes in scope of consolidation): Not applicable
- (2) **Application of special accounting for preparing quarterly consolidated financial statements:** Yes
(Note) For details, please refer to “(2) APPLICATION OF SPECIAL ACCOUNTING FOR PREPARING QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS” of “2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)” on page 6.
- (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: Not applicable
 - (ii) Changes in accounting policies due to other reasons: Yes
 - (iii) Changes in accounting estimates: Not applicable
 - (iv) Restatement of prior period financial statements after error corrections: Not applicable
- (Note) For details, please refer to “(3) CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES, AND RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS AFTER ERROR CORRECTIONS” of “2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)” on page 6.
- (4) **Number of shares issued (Common stock):**
- (i) Number of shares issued at the end of the period (including treasury shares)

As of September 30, 2018	154,679,954 shares
As of March 31, 2018	154,679,954 shares
 - (ii) Number of treasury shares owned at the end of the period

As of September 30, 2018	430,453 shares
As of March 31, 2018	344,435 shares
 - (iii) Average number of shares outstanding during the period (cumulative quarterly period)

Six months ended September 30, 2018	154,315,464 shares
Six months ended September 30, 2017	154,398,103 shares

* IHI conducted a consolidation of common stock on a 10 for 1 basis on October 1, 2017. The number of shares issued at the end of the period, number of treasury shares owned at the end of the period and average number of shares outstanding during the period have been calculated under the assumption that this consolidation of common stock was conducted on April 1, 2017.

* The number of treasury shares excluded from the calculation of the “number of treasury shares owned at the end of the period,” and “average number of shares outstanding during the period,” includes shares owned by a trust account for the Board Benefit Trust (BBT).

* Quarterly financial reports are not required to be subjected to quarterly reviews.

* 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 the IHI Group. 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. For preconditions for forecast of results, please refer to “(3) EXPLANATION REGARDING FUTURE PREDICTION INFORMATION SUCH AS CONSOLIDATED FORECASTS OF RESULTS” of “1. QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS” on page 5.

1. QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

(1) EXPLANATION REGARDING BUSINESS RESULTS

Summary of consolidated performance for the six months ended September 30, 2018

During the six months under review of the Japanese economy, corporate earnings maintained on a trend of improvement and remained stable, as there continued to be an increase in capital investment and a pick-up in private consumption. The global economy also continued to exhibit moderate growth overall, bolstered by steady growth in the U.S., despite the uncertain outlook regarding U.S. trade problems and policies in Europe.

Under this business environment, orders received of the IHI Group during the six months under review decreased 9.2% from the previous corresponding period to ¥649.3 billion. Net sales decreased 9.6% from the previous corresponding period to ¥699.5 billion.

In terms of profit, operating profit increased ¥10.5 billion to ¥45.2 billion. Although profitability in the Civil aero engines Business deteriorated owing to increases in the number of new-model engines sold, there was profitability improvement in the Boilers Business, and the issue regarding deterioration of profitability in large projects under way in North America in the Process plants Business is being brought under control. Ordinary profit, increasing by ¥29.5 billion to ¥49.1 billion, saw an expanding of profit margin gain due mainly to a decrease of non-operating expenses and the positive turn in share of profit of entities accounted for using equity method. Profit attributable to owners of parent was ¥28.4 billion, an increase of ¥21.5 billion.

Also effective from the previous fiscal year, the closing date of the fiscal year of certain overseas consolidated subsidiaries has been changed from December 31 to March 31. As a result, those consolidated subsidiaries had a nine-month accounting period in the six months ended September 30, 2017. The effect of these changes was an increase of ¥57.9 billion in net sales and an increase of ¥1.4 billion in operating profit.

Results by reportable segment for the six months under review are as follows:

Reportable segment	Orders received			Six months ended September 30, 2017		Six months ended September 30, 2018		Change from the previous corresponding period (%)	
	Six months ended September 30, 2017	Six months ended September 30, 2018	Change from the previous corresponding period (%)	Sales	Operating profit (loss)	Sales	Operating profit (loss)	Sales	Operating profit (loss)
	(Billions of yen)								
Resources, Energy and Environment	207.4	141.9	(31.6)	253.9	(5.0)	194.6	11.5	(23.4)	–
Social Infrastructure and Offshore Facility	67.5	54.1	(19.8)	66.6	5.6	60.7	4.0	(8.9)	(28.0)
Industrial System and General-Purpose Machinery	246.3	237.2	(3.7)	227.1	7.4	209.9	8.1	(7.5)	9.6
Aero Engine, Space and Defense	181.1	198.1	9.4	215.4	29.5	224.4	23.9	4.2	(19.0)
Total Reportable Segment	702.4	631.5	(10.1)	763.2	37.5	689.7	47.7	(9.6)	27.2
Others	38.4	39.2	2.2	30.1	(0.2)	30.4	0.4	1.3	–
Adjustment	(25.7)	(21.3)	–	(19.8)	(2.6)	(20.7)	(3.0)	–	–
Total	715.1	649.3	(9.2)	773.4	34.6	699.5	45.2	(9.6)	30.6

(2) EXPLANATION REGARDING CONSOLIDATED FINANCIAL POSITION

A. Assets and liabilities, and net assets

Total assets at the end of the second quarter under review were ¥1,653.9 billion, up ¥20.5 billion compared with the end of the previous fiscal year. The items with the most significant increases were inventories including work in process, up ¥31.3 billion, other current assets including advance payments - trade, up ¥23.9 billion and investment securities, up ¥16.3 billion. The items with the most significant decreases were notes and accounts receivable - trade, down ¥42.0 billion and cash and deposits, down ¥7.4 billion.

Total liabilities were ¥1,274.7 billion, down of ¥8.5 billion compared with the end of the previous fiscal year.

The items with the most significant decreases was notes and accounts payable - trade, down ¥29.2 billion, other current liabilities including accrued expenses, down ¥13.8 billion and provision for loss on construction contracts, down ¥5.8 billion. The item with the most significant increase were short-term loans payable, up ¥30.2 billion and long-term loans payable, up ¥13.5 billion. The balance on interest-bearing debt, including lease obligations, was ¥364.6 billion, up ¥42.3 billion from the end of the previous fiscal year.

Net assets were ¥379.2 billion, up ¥29.0 billion compared with the end of the previous fiscal year. This includes profit attributable to owners of parent of ¥28.4 billion and decrease due to payment of dividends of ¥4.6 billion. As a result of the above, the ratio of equity to total assets rose from 19.9% at the end of the previous fiscal year to 21.2%.

B. Cash flows

At the end of the second quarter under review, the outstanding balance of cash and cash equivalents (hereinafter, "cash") was ¥99.8 billion, down ¥7.4 billion compared with the end of the previous fiscal year.

Net cash used in operating activities was ¥2.7 billion. This was mainly due to an increase of inventories and a decrease of notes and accounts payable - trade, and a payment of income taxes including income taxes for prior periods.

Net cash used in investing activities was ¥39.6 billion. This was mainly due to purchase of property, plant and equipment and intangible assets of ¥28.7 billion and purchase of short-term and long-term investment securities of ¥11.8 billion.

Net cash provided by financing activities was ¥31.8 billion. This was mainly due to an increase of short-term loans payable of ¥45.3 billion.

(3) EXPLANATION REGARDING FUTURE PREDICTION INFORMATION SUCH AS CONSOLIDATED FORECASTS OF RESULTS

The global economy is expected to continue on a moderate recovery, centered on steady economic recovery in the U.S. However, there is an increasing level of uncertainty about future prospects, with ongoing downside risks for the economy such as the trends of trade problems with China, which have been triggered by the protectionist trade policies of the U.S. Furthermore, there continues to be a need for caution regarding the rise in global geopolitical risks.

Also in the business environment surrounding the IHI Group, there are escalating risks of occurring sudden changes such as the global increasing interest in responding to environmental regulations including decarbonization and a switch to electric vehicles, and as the innovation of IoT technologies. The Group must accelerate initiatives for responding those changes.

In spite of these circumstances, the IHI Group's consolidated forecasts of results for the full fiscal year ending March 31, 2019 remain unchanged from previous forecasts announced on August 7, 2018.

Note that foreign exchange rates of ¥105/US\$1 and ¥130/EUR1 have been assumed in the above forecasts in and after the third quarter ending December 31, 2018.

Concerning dividends, IHI resolved at a meeting of the Board of Directors held on November 1, 2018 that the interim dividend (¥30 per share) would be paid. No changes have been made to the year-end dividend forecast.

2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)

(1) CHANGES IN SIGNIFICANT SUBSIDIARIES DURING THE SIX MONTHS UNDER REVIEW

Not applicable

(2) APPLICATION OF SPECIAL ACCOUNTING FOR PREPARING QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

Tax expense calculation

Tax expenses on profit before income taxes for the six months under review are calculated by multiplying profit before income taxes for the six months under review by the reasonably estimated effective tax rate for the fiscal year including the second 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 profit before income taxes for the six months under review.

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

(3) CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES, AND RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS AFTER ERROR CORRECTIONS

Changes in accounting policies

Change of principal methods for hedge accounting

Forward foreign exchange rates had been applied for foreign receivables and payables under forward foreign exchange contracts if conditions had been met (the *furiate* method). Also, special treatment had been applied for interest rate swaps if conditions for the special treatment had been met.

As a result of reviewing management methods suitable for global business operation, the IHI Group changed the principal methods for hedge accounting to deferral hedge accounting in order to reflect on its consolidated financial statements more accurately the status of foreign receivables and payables and the status of derivative contracts from the first quarter ended June 30, 2018.

The change in accounting policies are not applied retrospectively, as the effect of this change on past periods was immaterial. Moreover, the effect of this change on operating profit, ordinary profit and profit before income taxes for the six months under review was immaterial.

(4) ADDITIONAL INFORMATION

Reassessment of tax payable, based on the transfer pricing taxation, and policy response going forward

With regard to transactions between IHI and a foreign consolidated subsidiary located in Thailand conducted over the fiscal years ended March 31, 2013 to March 31, 2016, IHI received a reassessment of tax payable, based on the transfer pricing taxation, from the Tokyo Regional Taxation Bureau. In response, IHI recorded penalty taxes, including additional taxes and delinquent taxes, of ¥4,304 million on “Income taxes for prior periods.” Note that the penalty taxes were paid in July 2018.

From IHI’s perspective, with regard to the taxation system on setting of transaction prices within the corporate group (the so-called transfer pricing taxation), it is our perception that we have complied with the laws and regulations of Japan and other countries, have set appropriate transaction prices and have paid an appropriate amount of tax. In relation to this reassessment of tax payable, we made a request for examination to the Tokyo National Tax Tribunal in September 2018 that this reassessment be canceled in its entirety.

Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting” and relevant Guidances

IHI has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter. Accordingly, deferred tax assets were presented under “Investments and other assets” and deferred tax liabilities were presented under “Non-current liabilities.”

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	109,028	101,544
Notes and accounts receivable - trade	400,330	358,308
Finished goods	25,647	26,039
Work in process	282,245	301,208
Raw materials and supplies	120,630	132,607
Other	59,758	83,727
Allowance for doubtful accounts	(4,164)	(4,562)
Total current assets	993,474	998,871
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	131,035	132,969
Other, net	218,011	218,103
Total property, plant and equipment	349,046	351,072
Intangible assets		
Goodwill	12,231	10,885
Other	23,789	22,946
Total intangible assets	36,020	33,831
Investments and other assets		
Investment securities	99,284	115,675
Other	157,388	156,497
Allowance for doubtful accounts	(1,724)	(1,957)
Total investments and other assets	254,948	270,215
Total non-current assets	640,014	655,118
Total assets	1,633,488	1,653,989

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

As of March 31, 2018 As of September 30, 2018

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	304,928	275,650
Short-term loans payable	81,515	111,767
Current portion of bonds	–	10,000
Income taxes payable	8,075	16,556
Advances received	177,819	175,547
Provision for bonuses	26,119	25,379
Provision for construction warranties	53,727	49,594
Provision for loss on construction contracts	27,266	21,416
Other provision	808	551
Other	131,398	117,560
Total current liabilities	811,655	804,020
Non-current liabilities		
Bonds payable	50,000	40,000
Long-term loans payable	172,533	186,055
Net defined benefit liability	154,125	154,018
Provision for loss on business of subsidiaries and affiliates	1,188	1,209
Other provision	1,150	928
Other	92,620	88,513
Total non-current liabilities	471,616	470,723
Total liabilities	1,283,271	1,274,743
Net assets		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	53,406	53,400
Retained earnings	153,564	177,190
Treasury shares	(879)	(1,255)
Total shareholders' equity	313,256	336,500
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,034	2,664
Deferred gains or losses on hedges	(286)	(5)
Revaluation reserve for land	5,359	5,321
Foreign currency translation adjustment	3,679	5,641
Remeasurements of defined benefit plans	559	743
Total accumulated other comprehensive income	11,345	14,364
Subscription rights to shares	792	752
Non-controlling interests	24,824	27,630
Total net assets	350,217	379,246
Total liabilities and net assets	1,633,488	1,653,989

(2) CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**CONSOLIDATED STATEMENTS OF INCOME (Cumulative)**

(Millions of yen)

	April 1, 2017 to September 30, 2017	April 1, 2018 to September 30, 2018
Net sales	773,491	699,507
Cost of sales	640,486	560,680
Gross profit	133,005	138,827
Selling, general and administrative expenses	98,383	93,610
Operating profit	34,622	45,217
Non-operating income		
Interest income	825	519
Dividend income	615	624
Share of profit of entities accounted for using equity method	–	5,107
Foreign exchange gains	393	2,470
Other income	1,155	3,817
Total non-operating income	2,988	12,537
Non-operating expenses		
Interest expenses	1,524	1,506
Share of loss of entities accounted for using equity method	11	–
Expenses for delayed delivery	4,707	424
Payments for contract adjustments for civil aero engines	6,488	–
Other expenses	5,306	6,651
Total non-operating expenses	18,036	8,581
Ordinary profit	19,574	49,173
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	–	4,187
Gain on transfer of business	1,586	–
Total extraordinary income	1,586	4,187
Extraordinary losses		
Impairment loss	–	1,560
Settlement-related expenses related to boiler facilities in customer's commercial operation	2,932	–
Total extraordinary losses	2,932	1,560
Profit before income taxes	18,228	51,800
Income taxes	9,390	16,003
Income taxes for prior periods	–	4,304
Profit	8,838	31,493
Profit attributable to non-controlling interests	1,956	3,064
Profit attributable to owners of parent	6,882	28,429

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cumulative)

(Millions of yen)

	April 1, 2017 to September 30, 2017	April 1, 2018 to September 30, 2018
Profit	8,838	31,493
Other comprehensive income		
Valuation difference on available-for-sale securities	355	404
Deferred gains or losses on hedges	(94)	42
Revaluation reserve for land	–	(12)
Foreign currency translation adjustment	2,754	2,234
Remeasurements of defined benefit plans, net of tax	32	205
Share of other comprehensive income of entities accounted for using equity method	438	359
Total other comprehensive income	3,485	3,232
Comprehensive income	12,323	34,725
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,053	31,606
Comprehensive income attributable to non-controlling interests	2,270	3,119

(3) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	April 1, 2017 to September 30, 2017	April 1, 2018 to September 30, 2018
Cash flows from operating activities		
Profit before income taxes	18,228	51,800
Depreciation	28,173	25,874
Depreciation and amortization on other	2,927	4,176
Impairment loss	–	1,560
Increase (decrease) in allowance for doubtful accounts	44	478
Increase (decrease) in provision for bonuses	844	(808)
Increase (decrease) in provision for construction warranties	6,049	(4,145)
Increase (decrease) in provision for loss on construction contracts	(13,876)	(6,433)
Increase (decrease) in net defined benefit liability	2,998	123
Interest and dividend income	(1,440)	(1,143)
Interest expenses	1,524	1,506
Foreign exchange losses (gains)	(93)	448
Loss (gain) on sales of short-term and long-term investment securities	(5)	(4,199)
Loss (gain) on valuation of short-term and long-term investment securities	–	10
Share of (profit) loss of entities accounted for using equity method	11	(5,107)
Loss (gain) on disposal of property, plant and equipment	576	1,497
Loss (gain) on transfer of business	(1,586)	–
Settlement-related expenses related to boiler facilities in customer's commercial operation	2,932	–
Decrease (increase) in notes and accounts receivable – trade	30,940	43,062
Increase (decrease) in advances received	(11,466)	(3,068)
Decrease (increase) in advance payments	8,688	(4,136)
Decrease (increase) in inventories	(36,323)	(31,736)
Increase (decrease) in notes and accounts payable - trade	4,928	(29,878)
Increase (decrease) in accrued expenses	3,180	(5,464)
Decrease (increase) in other current assets	824	(11,341)
Increase (decrease) in other current liabilities	(2,742)	(5,917)
Decrease (increase) in consumption taxes refund receivable	321	(4,256)
Other, net	(1,155)	(550)
Subtotal	44,501	12,353
Interest and dividend income received	1,585	1,461
Interest expenses paid	(1,466)	(1,517)
Income taxes paid	(1,476)	(15,018)
Net cash provided by (used in) operating activities	43,144	(2,721)

(3) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	April 1, 2017 to September 30, 2017	April 1, 2018 to September 30, 2018
Cash flows from investing activities		
Decrease (increase) in time deposits	897	20
Purchase of short-term and long-term investment securities	(4,447)	(11,842)
Proceeds from sales and redemption of short-term and long-term investment securities	19,311	3,421
Purchase of property, plant and equipment and intangible assets	(24,425)	(28,724)
Gain (loss) on sales or disposal of property, plant and equipment and intangible assets	544	760
Proceeds from transfer of business	2,347	–
Decrease (increase) in short-term loans receivable	(257)	(15)
Payments of long-term loans receivable	(8)	(371)
Collection of long-term loans receivable	10	15
Decrease (increase) in other investments	820	(2,182)
Increase (decrease) in other non-current liabilities	526	(735)
Other, net	(3)	13
Net cash provided by (used in) investing activities	(4,685)	(39,640)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(29,060)	45,348
Net increase (decrease) in commercial papers	(5,000)	–
Proceeds from long-term loans payable	15,964	33,441
Repayments of long-term loans payable	(17,476)	(37,206)
Proceeds from sales and leasebacks	–	893
Repayments of lease obligations	(2,741)	(4,258)
Decrease (increase) in treasury shares	–	(3)
Payments made to trust account for acquisition of treasury shares	(408)	(419)
Cash dividends paid	(8)	(4,620)
Proceeds from share issuance to non-controlling shareholders	688	1,766
Dividends paid to non-controlling interests	(2,104)	(3,099)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(1)
Net cash provided by (used in) financing activities	(40,145)	31,842
Effect of exchange rate change on cash and cash equivalents	543	2,540
Net increase (decrease) in cash and cash equivalents	(1,143)	(7,979)
Cash and cash equivalents at beginning of period	115,911	107,323
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	–	523
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(28)	–
Cash and cash equivalents at end of period	114,740	99,867

(4) NOTES TO THE QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE PREMISE OF GOING CONCERN

Not applicable

NOTES WHEN THERE IS SIGNIFICANT CHANGES IN AMOUNTS OF EQUITY

Not applicable

SEGMENT INFORMATION

Segment information

I Six months ended September 30, 2017

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 Facility	Industrial System and General-Purpose Machinery	Aero Engine, Space and Defense						
Sales:										
(1) Sales to outside customers	252,490	63,718	223,584	214,440	754,232	19,259	773,491	–	773,491	
(2) Intersegment sales and transfers	1,486	2,938	3,517	1,043	8,984	10,841	19,825	(19,825)	–	
Total	253,976	66,656	227,101	215,483	763,216	30,100	793,316	(19,825)	773,491	
Segment profit (loss)	(5,093)	5,663	7,439	29,530	37,539	(291)	37,248	(2,626)	34,622	
(Operating profit (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 ¥365 million and unallocated corporate expenses of negative ¥2,991 million.

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

2. Matters about change in reportable segments, etc.

Changes to the fiscal year, etc. for consolidated subsidiaries

Effective from the previous fiscal year, the closing date of the fiscal year for 47 companies including IHI INC. has been changed from December 31 to March 31, and eight companies including Wuxi IHI Turbo Co., Ltd. have been consolidated using March 31 as a provisional closing date.

As a result, for the six months ended September 30, 2017, 55 companies including IHI INC. had a nine-month accounting period.

In the period from January 1, 2017 through March 31, 2017 included in the six months ended September 30, 2017, sales for each segment were ¥28,902 million for the Resources, Energy and Environment segment, ¥27,800 million for the Industrial System and General-Purpose Machinery segment, and ¥183 million for the Aero Engine, Space and Defense segment. Operating profit was ¥1,616 million for the Industrial System and General-Purpose Machinery segment, and ¥72 million for the Aero Engine, Space and Defense segment. Operating loss was ¥117 million for Resources, Energy and Environment segment, and ¥1 million for the Social Infrastructure and Offshore Facility segment.

3. Information about impairment loss of non-current assets, goodwill and gain on bargain purchase by reportable segment

Material impairment loss of non-current assets

Not applicable

Material change in goodwill amount

Not applicable

Material gain on bargain purchase

Not applicable

II Six months ended September 30, 2018

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 Facility	Industrial System and General-Purpose Machinery	Aero Engine, Space and Defense					
Sales:									
(1) Sales to outside customers	193,474	57,239	206,022	223,372	680,107	19,400	699,507	–	699,507
(2) Intersegment sales and transfers	1,131	3,508	3,951	1,094	9,684	11,093	20,777	(20,777)	–
Total	194,605	60,747	209,973	224,466	689,791	30,493	720,284	(20,777)	699,507
Segment profit (loss)	11,580	4,079	8,155	23,925	47,739	491	48,230	(3,013)	45,217
(Operating profit (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 negative ¥80 million and unallocated corporate expenses of negative ¥2,933 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 plants for land use, power systems for land and marine use, large power systems for ships, process plants (storage facilities and chemical plants), nuclear power (components for nuclear power plants), environmental response systems, pharmaceutical plants
Social Infrastructure and Offshore Facility	Bridges/water gates, shield systems, transport systems, concrete construction materials, urban development (real estate sales and rental), F-LNG (floating LNG storage facilities, offshore structures)
Industrial System and General-Purpose Machinery	Logistics/industrial systems (logistics systems, industrial machineries), transport machineries, parking, thermal and surface treatment, vehicular turbochargers, rotating machineries (compressors, separation systems, turbochargers for ships), agricultural machineries/small power systems, steel manufacturing equipment, paper-making machineries
Aero Engine, Space and Defense	Aero engines, rocket systems/space utilization systems (space-related equipment), defense systems

2. Information about impairment loss of non-current assets, goodwill and gain on bargain purchase by reportable segment

Material impairment loss of non-current assets

In the Social Infrastructure and Offshore Facility segment, impairment loss on business assets was recorded. The amount of such impairment loss recorded was ¥28 million for the six months under review.

Also, in the Industrial System and General-Purpose Machinery segment, impairment loss on business assets was recorded. The amount of such impairment loss recorded was ¥1,532 million for the six months under review.

Material change in goodwill amount

Not applicable

Material gain on bargain purchase

Not applicable

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable