IHI Corporation

Toyosu IHI Bldg.
1-1, Toyosu 3-chome, Koto-ku
Tokyo 135-8710, Japan
February 2, 2016

CONSOLIDATED FINANCIAL REPORT FOR THE NINE MONTHS ENDED DECEMBER 31, 2015 <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.

Representative: President and Chief Executive Officer, Tamotsu Saito
For further information contact: Managing Executive Officer, Mikio Mochizuki,
Finance & Accounting Division
Tel: +81-3-6204-7065
URL: http://www.ihi.co.jp

Submission of Quarterly Securities Report: February 12, 2016 (planned)
Preparing supplementary material on quarterly financial results: Yes
Holding quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

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 NINE MONTHS ENDED DECEMBER 31, 2015 (APRIL 1, 2015 to DECEMBER 31, 2015)

(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 Income	Percentage Change	Ordinary Income	Percentage Change
Nine months ended December 31, 2015	**1,058,195**	**8.6**	**5,550**	**(87.8)**	**1,951**	**(95.7)**
Nine months ended December 31, 2014	974,082	11.8	45,679	33.9	45,833	1.2

	Profit Attributable to Owners of Parent	Percentage Change	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Nine months ended December 31, 2015	**(34,285)**	—	**(22.21)**	—
Nine months ended December 31, 2014	26,890	(14.1)	17.42	17.40

(Note) Comprehensive income
Nine months ended December 31, 2015: ¥(39,640) million —%
Nine months ended December 31, 2014: ¥34,728 million (21.0)%

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity to Total Assets
December 31, 2015	**1,785,961**	**309,947**	**16.6%**
March 31, 2015	1,690,882	359,595	20.5%

(Reference) Equity at the end of the period (consolidated)
December 31, 2015: ¥295,811 million
March 31, 2015: ¥345,794 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, 2015	—	3.00	—	3.00	6.00
Fiscal year ending March 31, 2016	—	3.00	—	——	——
Fiscal year ending March 31, 2016 (Forecast)	——	——	——	0.00	3.00

(Note) Revisions to the dividend forecasts most recently announced: Yes

3. CONSOLIDATED FORECASTS OF RESULTS FOR THE YEAR ENDING MARCH 31, 2016

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Basic Earnings per Share (Yen)
Full-year	1,550,000	6.5%	25,000	(60.5)%	15,000	(73.5)%	(30,000)	—%	(19.43)

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

* NOTES

(1) Changes in significant subsidiaries during the nine 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 8.

(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: Yes
(ii) Changes in accounting policies due to other reasons: Not applicable
(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 8.

(4) Number of shares issued (Common stock):

(i) Number of shares issued at the end of the period (including treasury shares)

As of December 31, 2015	1,546,799,542 shares
As of March 31, 2015	1,546,799,542 shares

(ii) Number of treasury shares owned at the end of the period

As of December 31, 2015	3,015,635 shares
As of March 31, 2015	3,290,432 shares

(iii) Average number of shares outstanding during the period (cumulative quarterly period)

Nine months ended December 31, 2015	1,543,619,399 shares
Nine months ended December 31, 2014	1,543,504,987 shares

* Indication regarding execution of quarterly review procedures

This quarterly financial report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial report, the quarterly review procedures in accordance with the Financial Instruments and Exchange Act are in progress.

* Proper use of forecast of results, and other special matters

Earnings estimates made in this report and other statements that are not historical facts are forward-looking statements about the future performance of 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 7.

1. QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

(1) EXPLANATION REGARDING BUSINESS RESULTS

A. Summary of consolidated performance for the nine months ended December 31, 2015

During the nine months under review, the Japanese economy continued to recover at a moderate pace, despite signs of an impact on exports and production from economic slowdown in emerging countries. The global economy outside of Japan also continued to expand at a moderate pace, led by developed countries, despite observed weakness in countries including the Asian emerging countries.

Under this business environment, orders received of the IHI Group during the nine months decreased 13.8% from the previous corresponding period to ¥986.0 billion. Net sales rose 8.6% to ¥1,058.1 billion. Operating income deteriorated ¥40.1 billion compared with the previous corresponding period to ¥5.5 billion due to recorded repair costs for some boiler projects before delivery contracted by IHI as it was discovered that some welded portions manufactured by IHI local Indonesian subsidiary PT Cilegon Fabricators used welding materials different from those specified in the design drawings (hereinafter “Welding Noncompliant”), increased costs in the F-LNG/Offshore structure Business, which has continued to have deterioration of construction profitability since last year, and the recording of construction schedule catch-up expenses for the Izmit Bay Crossing Bridge construction project in Turkey. Ordinary income deteriorated ¥43.8 billion compared with the previous corresponding period to ¥1.9 billion partly reflecting foreign exchange losses. Loss attributable to owners of parent was ¥34.2 billion, a deterioration of ¥61.1 billion compared with the previous corresponding period, reflecting the recording of extraordinary loss in light of the possibility that the IHI Group companies are to be claimed for expenses for delayed delivery that are stipulated in the contract in some projects received due to above mentioned process delays that have occurred in association with the repair of boiler welded portions and process delays that occurred in association with an accident of a catwalk (CW) falling at the Izmit Bay Crossing Bridge in Turkey.

Results by reportable segment for the nine months ended December 31, 2015 are as follows:

(Billions of yen)

Reportable segment	Orders received			Nine months ended December 31, 2014		Nine months ended December 31, 2015		Change from the previous corresponding period (%)	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015	Change from the previous corre-sponding period (%)	Sales	Operating income (loss)	Sales	Operating income (loss)	Sales	Operating income (loss)
Resources, Energy and Environment	437.2	332.0	(24.1)	268.8	11.8	312.6	(7.4)	16.3	–
Social Infrastructure and Offshore Facility	133.7	104.5	(21.8)	125.2	(0.7)	111.7	(35.7)	(10.8)	–
Industrial System and General-Purpose Machinery	293.6	317.2	8.0	290.8	6.9	289.4	7.2	(0.5)	3.7
Aero Engine, Space and Defense	260.0	224.9	(13.5)	286.4	30.9	334.6	43.4	16.8	40.3
Total Reportable Segment	1,124.7	978.8	–	971.3	49.0	1,048.5	7.4	–	–
Others	58.2	47.8	(17.9)	37.3	0.0	41.5	0.5	11.4	–
Adjustment	(39.5)	(40.6)	–	(34.6)	(3.4)	(31.8)	(2.4)	–	–
Total	1,143.4	986.0	(13.8)	974.0	45.6	1,058.1	5.5	8.6	(87.8)

Resources, Energy and Environment

Orders received declined from the previous corresponding period, reflecting a pullback from the Cove Point natural gas liquefaction facility in the U.S. secured in the previous corresponding period for Gas processes Business.

Sales increased from the previous corresponding period mainly reflecting increases in the Gas processes

Business due to smooth progress at Cove Point natural gas liquefaction facility construction project in the U.S. In terms of operating income/loss, the boiler construction projects (4 projects) that needed repairs such as re-welding due to the Welding Noncompliant caused significant deterioration of profitability, resulting in an operating deficit.

Social Infrastructure and Offshore Facility

Orders received declined from the previous corresponding period, reflecting a pullback from large orders secured in the previous corresponding period for F-LNG/Offshore structure Business, for which order procurement activities have currently been effectively suspended, and decreases in the Water gate Business, partially offset by orders for new bridge construction and existing bridge repair work for Bangladesh received during the third quarter under review.

Sales decreased from the previous corresponding period owing mainly to the impact of decreased sales from the Izmit Bay Crossing Bridge construction project in Turkey.

In terms of operating income/loss, the recording of additional costs in relation to production turmoil at Aichi Works for F-LNG/Offshore structure Business as well as the recording of construction schedule catch-up expenses related to the Izmit Bay Crossing Bridge construction project in Turkey resulted in an operating deficit.

Industrial System and General-Purpose Machinery

Orders received increased from the previous corresponding period owing to increases in Logistics system Business, Transport machinery Business and Compressor Business.

Sales were at the same level as the previous corresponding period, owing to decreases in Paper-making machinery Business, offsetting increases in Thermal and surface treatment Business.

Operating income was at the same level as the previous corresponding period owing to increased revenue from the Thermal and surface treatment Business and improved profitability in Vehicular turbocharger Business offsetting increased selling, general and administrative expenses such as R&D expenses.

Aero Engine, Space and Defense

Orders received decreased from the previous corresponding period due to a decrease in Rocket systems/space utilization system Business and in projects for Japan Ministry of Defense in Aero engines Business.

Sales increased from the previous corresponding period, owing mainly to increases in civil aero engines as a result of the effect of yen depreciation in foreign exchange, and a delivery of gas turbines for naval vessels in Defense systems Business.

Operating income increased from the previous corresponding period owing to the above-mentioned effect from sales increases and improved profitability for civil aero engines, partially offset by increases in expenses such as R&D expenses for the "GE9X" aero engine for the next-generation wide-body jet.

B. Current status and outlook of management strategies

Although the IHI Group was expecting to achieve the growth target for business scale under "Group Management Policies 2013," which aims for profit growth by expanding the business scale, it has now become extremely difficult to achieve the profit target.

For the construction projects that have been the cause of profit deterioration ,the boiler construction projects that needed repairs due to the Welding Noncompliant, F-LNG/Offshore structure Business suffering continued deteriorating profitability with production turmoil at Aichi Works and the Izmit Bay Crossing Bridge construction project in Turkey which is delayed in construction progress in association with an accident of a catwalk falling, the IHI Group is working to ensure these projects will be brought to early completion while taking all measures to ensure the safety and surety of these activities. In light of this situation, the IHI Group will utilize the efforts of all companies to give utmost priority to strengthening quality control by "the company-wide committee on measures for severe quality nonconformity" and the project execution system.

With respect to IHI Group's investment in Brazil's Estaleiro Atlântico Sul S.A., whose management situation is deteriorating, the IHI Group is continuing to take steps to constrain surfacing of losses that were recorded in the previous fiscal year.

In the midterm business policy, "Group Management Policies 2016," whose outline was announced by the IHI Group on November 4, 2015, the IHI Group has put forward the following policies that place the strengthening of revenue as the main theme and will develop concrete measures to steadily achieve the policy targets:
1) improve effectiveness of business strategies, 2) establish systems to secure stable profits from construction projects, and 3) provide solutions aimed at creating value for customers, and enhance products and services.

The major achievements from efforts undertaken during the third quarter under review are as follows.

The Resources, Energy and Environment segment has secured an engineering, procurement, manufacturing, and installation order from Electric Power Development Co., Ltd., Japan's largest electricity wholesalers, related to the installation of a large-scale ultra-supercritical coal-fired boiler (600MW x 1 unit) that will achieve world-leading level of electric power generating efficiency under a world-leading level of high-temperature steam conditions. The boiler to be constructed by the IHI Group will enable the plant to operate at higher efficiency through the use of extremely high steam temperature and pressure, which results in the reduction of fuel consumption and carbon dioxide emissions. Also, by achieving the world-leading level of high-temperature steam conditions, the further improvements in electric power generation efficiency will considerably contribute to reducing carbon emissions and protecting the atmospheric environment.

In the Social Infrastructure and Offshore Facility segment, IHI subsidiary IHI Infrastructure Systems Co., Ltd., formed a joint venture with OBAYASHI CORPORATION, SHIMIZU CORPORATION, and JFE Engineering Corporation and received an order from the Roads and Highways Department, Ministry of Road Transport and Bridges, the People's Republic of Bangladesh for the "Kanchpur, Meghna and Gumti 2nd Bridges Construction and Existing Bridges Rehabilitation Project." Many highly complex technologies are being used in this construction including steel-pipe sheet-pile well foundations and multi-span narrow-width box girders. By completing this project on schedule by using technologies and knowhow thus-far accumulated, we are contributing to the economic development of Bangladesh.

In the Industrial System and General-Purpose Machinery segment, IHI has acquired all shares of VTN Beteiligungsgesellschaft GmbH (currently IHI VTN GmbH; hereinafter "VTN"), a leading general heat treatment job service company headquartered in Germany and operating mainly in that country. In the field of heat treatment the IHI Group is expecting an expansion of the use of heat treatment technologies centered on components in the industrial machinery, automotive and aviation sectors as materials such as metal and non-metal are expected to provide more diverse and advanced function. The IHI Group companies now provide heat and surface treatment technology that is attractive to customers throughout the world. IHI Machinery and Furnace Co., Ltd. is providing manufacturing, sales and service proposals for vacuum heat treatment units such as vacuum furnaces and vacuum carburizing furnaces, IHI Hauzer Techno Coating B.V., manufactures and sells surface treatment units, and Ionbond Group (Indigo TopCo Ltd. and its subsidiaries) provides surface treatment job services globally. The IHI Group plans to become a fully active player in the heat treatment job service business in Europe. By combining the process engineering and service network of VTN with the unit design engineering of IHI Machinery and Furnace Co., Ltd., the IHI Group will provide proposals for units and heat treatment processes that are even more attractive to customers.

In the Aero Engine, Space and Defense segment, the European Aviation Safety Agency and the U.S. Federal Aviation Administration granted type certificates to the Airbus A320neo which is fitted with the PW1100G-JM engine, which IHI, working under the Japanese Aero Engines Corporation, has been jointly developing with U.S. Pratt & Whitney and German MTU Aero Engines AG. On January 20, 2016 the first A320neo was delivered to the Lufthansa by the Airbus. Participating with 15% stake in the PW1100G-JM program, IHI is in charge of the development, design, and production of key components such as fan modules and part of low-pressure compressors utilizing proprietary material and manufacturing technologies centered on composite materials. Already, orders for more than 2,000 units of PW1100G-JM have been received, and the IHI Group expects it to serve as a stable pillar of business. The IHI Group will continue to play a part in the supply chain by providing a wide range of advanced manufacturing technologies, and contribute not only to the development of the aviation industry but also to the operation of safe and comfortable aircraft.

(2) EXPLANATION REGARDING CONSOLIDATED FINANCIAL POSITION

Assets and liabilities, and net assets

Total assets at the end of the third quarter under review were ¥1,785.9 billion, up ¥95.0 billion compared with the end of the previous fiscal year. The items with the most significant increases were work in process, up ¥64.6 billion and other current assets, up ¥42.4 billion.
Total liabilities were ¥1,476.0 billion, an increase of ¥144.7 billion compared with the end of the previous fiscal year. The items with the most significant increases were advances received, up ¥54.4 billion, other current liabilities, up ¥53.1 billion, and commercial papers, up ¥32.0 billion. The balance on interest bearing liabilities, including lease obligations, was ¥474.0 billion, up ¥63.3 billion compared with the end of the previous fiscal year.
Net assets were ¥309.9 billion, down ¥49.6 billion compared with the end of the previous fiscal year. This includes loss attributable to owners of parent of ¥34.2 billion and decrease by dividends of surplus of ¥9.2 billion. As a result of the above, the ratio of equity to total assets dropped from 20.5% at the end of the previous fiscal year to 16.6%.

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

Considering the forecast of the consolidated results for the fiscal year ending March 31, 2016, net sales are expected to be ¥1,550.0 billion, which is ¥30.0 billion lower than the previously announced forecast, due partly to net sales of the Resources, Energy and Environment segment falling below the forecast targets as a result of a different-than-expected schedule for orders received for overseas gas process projects due to the impact of cheaper crude oil, and the impact of delays in the progress of processes in some construction projects.

In terms of profit and loss, after taking into consideration the operating results for the first nine months and such risks as the risk of increased costs that could occur in the future, the IHI Group expects operating income to be ¥25.0 billion, ordinary income to be ¥15.0 billion and loss attributable to owners of parent to be ¥30.0 billion.

Note that a foreign exchange rate of ¥115/US$1 and ¥130/EUR1 has been assumed in the above forecasts for the fourth quarter ending March 31, 2016.

As for the dividend forecast, the IHI Group regrets to revise the year-end dividend forecast for the fiscal year ending March 31, 2016 to ¥0 per share reflecting the full-year forecast.

2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)

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

Not applicable

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

Tax expense calculation

Tax expenses on income before income taxes for the nine months under review are calculated by multiplying income before income taxes for the nine months under review by the reasonably estimated effective tax rate for the fiscal year including the third quarter under review after applying tax effect accounting. Should the estimated effective tax rate be unavailable, however, tax expenses are calculated using the statutory tax rate for income before income taxes for the nine 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

Application of Accounting Standard for Business Combinations and other regulations

Effective from the first quarter ended June 30, 2015, IHI has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in IHI’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of IHI was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter ended June 30, 2015, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period to which the date of business combination belongs. In addition, the presentation method for “Net income” and other related items was changed, and the presentation of “Minority interests” was changed to “Non-controlling interests.” To reflect these changes, IHI has reclassified its quarterly and full-year consolidated financial statements for the first nine months of the previous fiscal year and the previous fiscal year.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. IHI is applying the said standards prospectively from the beginning of the first quarter ended June 30, 2015.

As a result, the impact on operating income, ordinary income and loss before income taxes for the nine months under review is immaterial.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	December 31, 2015	March 31, 2015
Assets		
Current assets		
Cash and deposits	87,055	94,549
Notes and accounts receivable - trade	427,526	438,260
Securities	1,405	205
Finished goods	27,680	24,939
Work in process	313,984	249,362
Raw materials and supplies	134,021	125,000
Other	170,240	127,768
Allowance for doubtful accounts	(5,837)	(6,357)
Total current assets	1,156,074	1,053,726
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	143,748	145,642
Other, net	206,629	211,983
Total property, plant and equipment	350,377	357,625
Intangible assets		
Goodwill	20,300	23,301
Other	24,632	27,200
Total intangible assets	44,932	50,501
Investments and other assets		
Investment securities	165,071	167,138
Other	71,535	63,758
Allowance for doubtful accounts	(2,028)	(1,866)
Total investments and other assets	234,578	229,030
Total non-current assets	629,887	637,156
Total assets	1,785,961	1,690,882

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	December 31, 2015	March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	270,926	300,148
Short-term loans payable	136,362	114,135
Commercial papers	49,000	17,000
Income taxes payable	6,128	23,162
Advances received	179,582	125,170
Provision for bonuses	15,758	26,687
Provision for construction warranties	40,009	36,804
Provision for loss on construction contracts	51,506	28,553
Other provision	216	656
Other	176,737	123,610
Total current liabilities	926,224	795,925
Non-current liabilities		
Bonds payable	70,000	70,000
Long-term loans payable	200,639	192,320
Net defined benefit liability	162,322	157,986
Provision for loss on subsidiaries and affiliates	21,809	22,590
Other provision	1,289	1,186
Other	93,731	91,280
Total non-current liabilities	549,790	535,362
Total liabilities	1,476,014	1,331,287
Net assets		
Shareholders’ equity		
Capital stock	107,165	107,165
Capital surplus	54,432	54,438
Retained earnings	108,975	152,563
Treasury shares	(603)	(655)
Total shareholders’ equity	269,969	313,511
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,386	16,622
Deferred gains or losses on hedges	(182)	(743)
Revaluation reserve for land	5,169	5,166
Foreign currency translation adjustment	10,060	14,783
Remeasurements of defined benefit plans	(2,591)	(3,545)
Total accumulated other comprehensive income	25,842	32,283
Subscription rights to shares	795	747
Non-controlling interests	13,341	13,054
Total net assets	309,947	359,595
Total liabilities and net assets	1,785,961	1,690,882

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

CONSOLIDATED STATEMENTS OF INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2015 to Dec. 31, 2015	Apr. 1, 2014 to Dec. 31, 2014
Net sales	1,058,195	974,082
Cost of sales	910,373	801,426
Gross profit	147,822	172,656
Selling, general and administrative expenses	142,272	126,977
Operating income	5,550	45,679
Non-operating income		
Interest income	703	406
Dividend income	1,869	1,556
Share of profit of entities accounted for using equity method	2,157	–
Foreign exchange gains	–	9,013
Other income	3,641	2,025
Total non-operating income	8,370	13,000
Non-operating expenses		
Interest expenses	3,072	3,147
Share of loss of entities accounted for using equity method	–	682
Foreign exchange losses	2,320	–
Other expenses	6,577	9,017
Total non-operating expenses	11,969	12,846
Ordinary income	1,951	45,833
Extraordinary losses		
Expenses for delayed delivery	47,264	–
Total extraordinary losses	47,264	–
Income (loss) before income taxes	(45,313)	45,833
Income taxes	(12,401)	19,248
Profit (loss)	(32,912)	26,585
Profit (loss) attributable to non-controlling interests	1,373	(305)
Profit (loss) attributable to owners of parent	(34,285)	26,890

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2015 to Dec. 31, 2015	Apr. 1, 2014 to Dec. 31, 2014
Profit (loss)	(32,912)	26,585
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,752)	6,672
Deferred gains or losses on hedges	503	(914)
Revaluation reserve for land	6	–
Foreign currency translation adjustment	(5,023)	1,045
Remeasurements of defined benefit plans, net of tax	791	1,367
Share of other comprehensive income of entities accounted for using equity method	(253)	(27)
Total other comprehensive income	(6,728)	8,143
Comprehensive income	(39,640)	34,728
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(40,890)	34,828
Comprehensive income attributable to non-controlling interests	1,250	(100)

(3) 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 Nine months ended December 31, 2014

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

(Millions of yen)

	Reportable Segment					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	Total				
Sales:									
(1) Sales to outside customers	265,172	122,928	281,146	283,289	952,535	21,547	974,082	–	974,082
(2) Intersegment sales and transfers	3,711	2,330	9,656	3,148	18,845	15,758	34,603	(34,603)	–
Total	268,883	125,258	290,802	286,437	971,380	37,305	1,008,685	(34,603)	974,082
Segment profit (loss) (Operating income (loss))	11,846	(725)	6,960	30,980	49,061	36	49,097	(3,418)	45,679

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 ¥26 million and unallocated corporate expenses of negative ¥3,392 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

2. Information about impairment loss of non-current assets, goodwill and negative goodwill by reportable segment

Material impairment loss of non-current assets

Not applicable

Material change in goodwill amount

In the Resources, Energy and Environment segment, the companies IHI Southwest Technologies, Inc. and NitroCision, LLC have been made consolidated subsidiaries of the IHI Group due to their increased materiality. ¥318 million of gain on goodwill was recognized by this event in the nine months ended December 31, 2014.

Furthermore, in the Resources, Energy and Environment segment, Steinmüller Engineering GmbH became a consolidated subsidiary when it was acquired by IHI. ¥4,706 million of gain on goodwill was recognized by this event in the nine months ended December 31, 2014.

Material gain on negative goodwill

Not applicable

II Nine months ended December 31, 2015

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

(Millions of yen)

	Reportable Segment					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	Total				
Sales:									
(1) Sales to outside customers	308,517	109,093	281,897	332,830	1,032,337	25,858	1,058,195	–	1,058,195
(2) Intersegment sales and transfers	4,143	2,671	7,564	1,807	16,185	15,691	31,876	(31,876)	–
Total	312,660	111,764	289,461	334,637	1,048,522	41,549	1,090,071	(31,876)	1,058,195
Segment profit (loss) (Operating income (loss))	(7,487)	(35,754)	7,219	43,465	7,443	517	7,960	(2,410)	5,550

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 ¥641 million and unallocated corporate expenses of negative ¥1,769 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	Boiler, power systems plants, power systems for land and marine use, large power systems for ships, gas processes (storage facilities and process plants), nuclear power (components for nuclear power plants), environmental response systems, medical and pharmaceutical products (pharmaceutical plants)
Social Infrastructure and Offshore Facility	Bridge, water gate, shield tunneling machines, transport system, urban development (real estate sales and rental), F-LNG (floating LNG storage facilities), offshore structures
Industrial System and General-Purpose Machinery	Machinery for ships, logistics system, transport machinery, parking, steel manufacturing equipment, industrial machinery, thermal and surface treatment, paper-making machinery, vehicular turbocharger, compressor, separation system, turbocharger for ships, construction machinery, agricultural machinery, small power systems
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 negative goodwill by reportable segment

Material impairment loss of non-current assets
Not applicable

Material change in goodwill amount
Not applicable

Material gain on negative goodwill
Not applicable

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

4. SUPPLEMENTARY INFORMATION

(1) ORDERS RECEIVED BY REPORTABLE SEGMENT

(Millions of yen)

Reportable segment	Nine months ended December 31, 2014		Nine months ended December 31, 2015		Change from the previous corresponding period		Fiscal year ended March 31, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	437,265	38	332,097	34	(105,168)	(24.1)	582,768	35
Social Infrastructure and Offshore Facility	133,730	12	104,563	10	(29,167)	(21.8)	178,791	11
Industrial System and General-Purpose Machinery	293,674	25	317,247	32	23,573	8.0	415,003	25
Aero Engine, Space and Defense	260,089	23	224,940	23	(35,149)	(13.5)	468,090	28
Total Reportable Segment	1,124,758	–	978,847	–	(145,911)	–	1,644,652	–
Others	58,218	5	47,806	5	(10,412)	(17.9)	75,255	4
Adjustment	(39,504)	(3)	(40,652)	(4)	(1,148)	–	(55,520)	(3)
Total	1,143,472	100	986,001	100	(157,471)	(13.8)	1,664,387	100
Overseas orders received	599,530	52	432,567	44	(166,963)	(27.8)	836,023	50

(2) NET SALES BY REPORTABLE SEGMENT

(Millions of yen)

Reportable segment	Nine months ended December 31, 2014		Nine months ended December 31, 2015		Change from the previous corresponding period		Fiscal year ended March 31, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	268,883	28	312,660	29	43,777	16.3	415,359	29
Social Infrastructure and Offshore Facility	125,258	13	111,764	11	(13,494)	(10.8)	188,636	13
Industrial System and General-Purpose Machinery	290,802	30	289,461	27	(1,341)	(0.5)	411,707	28
Aero Engine, Space and Defense	286,437	29	334,637	32	48,200	16.8	434,854	30
Total Reportable Segment	971,380	–	1,048,522	–	77,142	–	1,450,556	–
Others	37,305	4	41,549	4	4,244	11.4	62,874	4
Adjustment	(34,603)	(4)	(31,876)	(3)	2,727	–	(57,586)	(4)
Total	974,082	100	1,058,195	100	84,113	8.6	1,455,844	100
Overseas sales	539,565	55	602,155	57	62,590	11.6	758,038	52

(3) ORDER BACKLOG BY REPORTABLE SEGMENT

(Millions of yen)

Reportable segment	As of March 31, 2015		As of December 31, 2015		Change from the end of the previous fiscal year		As of December 31, 2014	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	760,467	46	785,210	49	24,743	3.3	737,732	46
Social Infrastructure and Offshore Facility	231,993	14	222,642	14	(9,351)	(4.0)	250,368	16
Industrial System and General-Purpose Machinery	121,028	7	147,883	9	26,855	22.2	118,440	8
Aero Engine, Space and Defense	510,704	31	414,426	26	(96,278)	(18.9)	450,461	28
Total Reportable Segment	1,624,192	–	1,570,161	–	(54,031)	–	1,557,001	–
Others	31,215	2	33,018	2	1,803	5.8	36,938	2
Total	1,655,407	100	1,603,179	100	(52,228)	(3.2)	1,593,939	100
Overseas order backlog	808,779	49	658,636	41	(150,143)	(18.6)	768,269	48