(Translation purposes only)

# Quarterly Securities Report

(The First Quarter of 199th Term)

From April 1, 2015 to June 30, 2015

## IHI Corporation

(Translation purposes only)

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| Document title | Quarterly Securities Report |
| Clause of stipulation | Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act |
| Place of filing | Director-General of the Kanto Local Finance Bureau |
| Filing date | August 12, 2015 |
| Quarterly accounting period | The First Quarter of 199th term (from April 1, 2015 to June 30, 2015) |
| Company name | 株式会社ＩＨＩ (Kabushiki Kaisha IHI) |
| Company name in English | IHI Corporation |
| Title and name of representative | Tamotsu Saito, President and Chief Executive Officer |
| Address of registered head office | 1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan |
| Telephone number | +81-3-6204-7065 |
| Name of contact person | Yasuaki Fukumoto, Manager, Accounting Group, Finance & Accounting Div. |
| Nearest place of contact | 1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan |
| Telephone number | +81-3-6204-7065 |
| Name of contact person | Yasuaki Fukumoto, Manager, Accounting Group, Finance & Accounting Div. |
| Place for public inspection | Tokyo Stock Exchange, Inc.<br>(2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)<br>Nagoya Stock Exchange, Inc.<br>(8-20, Sakae 3-chome, Naka-ku, Nagoya-city)<br>Securities Membership Corporation Fukuoka Stock Exchange<br>(14-2, Tenjin 2-chome, Chuo-ku, Fukuoka-city)<br>Securities Membership Corporation Sapporo Securities Exchange<br>(14-1, Minamiichijo-nishi 5-chome, Chuo-ku, Sapporo-city) |

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# Part 1. Company information

## I. Overview of company

### 1. Summary of business results

| Term | 198th term Three months ended June 30, 2014 | 199th term Three months ended June 30, 2015 | 198th term |
|---|---|---|---|
| Accounting period | From April 1, 2014 To June 30, 2014 | From April 1, 2015 To June 30, 2015 | From April 1, 2014 To March 31, 2015 |
| Net sales (Millions of yen) | 281,272 | 340,762 | 1,455,844 |
| Ordinary income (loss) (Millions of yen) | 12,168 | (428) | 56,529 |
| Profit (loss) attributable to owners of parent (Millions of yen) | 6,530 | (48) | 9,082 |
| Comprehensive income (Millions of yen) | 7,362 | 87 | 26,829 |
| Net assets (Millions of yen) | 346,381 | 354,634 | 359,595 |
| Total assets (Millions of yen) | 1,521,854 | 1,702,297 | 1,690,882 |
| Basic earnings (loss) per share (Yen) | 4.23 | (0.03) | 5.88 |
| Diluted earnings per share (Yen) | 4.23 | – | 5.88 |
| Equity ratio (%) | 21.71 | 20.01 | 20.45 |

Notes:
1. Summary of business results of the reporting company are not presented, because IHI prepares quarterly consolidated financial statements.
2. Net sales do not include consumption taxes.
3. Effective from the three months under review, the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), etc. are applied, and “Net income” or “Net loss” is now presented as “Profit attributable to owners of parent” or “Loss attributable to owners of parent.”
4. Diluted earnings per share for the three months ended June 30, 2015 of the 199th term is not noted even though IHI has issued potential shares, because the per share data is a net loss per share.
5. Monetary amounts and ratios less than one unit are rounded off.

## 2. Description of business

IHI and its affiliated entities (155 consolidated subsidiaries and 33 affiliates accounted for using equity method as of June 30, 2015) operate four main businesses, providing a diverse range of products. The four businesses are: Resources, Energy and Environment; Social Infrastructure and Offshore Facility; Industrial System and General-Purpose Machinery; and Aero Engine, Space and Defense.

In the three months ended June 30, 2015, there were no significant changes in the contents of the businesses operated by the IHI Group (IHI and its affiliated entities). Changes in principle affiliated companies are as follows.

(Social Infrastructure and Offshore Facility)

From the first quarter of the fiscal year ending March 31, 2016, Livecon Engineering Co., Ltd., is newly included in the scope of consolidation because its materiality within the IHI Group has increased, while Kanto Segment Co., Ltd. was excluded from the scope of consolidation because it was merged into IHI CONSTRUCTION MATERIALS Co., Ltd. and ceased to exist.

(Others)

From the first quarter of the fiscal year ending March 31, 2016, IHI NeoG Algae LLC., MEISEI MANAGEMENT SERVICE CO., LTD., and IHI ASIA PACIFIC (Thailand) CO., LTD. are newly included in the scope of consolidation because their materiality within the IHI Group have increased.

# II. Overview of business

## 1. Business risks

There were no new occurrences of business risks in the three months ended June 30, 2015.
There were no significant changes with respect to the business risks stated in the Annual Securities Report for the previous fiscal year.

## 2. Material contracts for operation

No important operational contracts were decided or entered into during the first quarter ended June 30, 2015.

## 3. Analysis of financial position, business results, and cash flows

Matters regarding the future stated in this document are based on the judgment of the IHI Group (IHI and its consolidated subsidiaries) as of June 30, 2015.

### (1) Overview of business results

In the three months under review, the Japanese economy continued on a track of moderate recovery with capital investment increasing moderately amid improving corporate earnings and private consumption also showing an underlying firmness.
The global economy outside of Japan is recovering overall, particularly in the developed countries, despite weakening growth in China and emerging countries.
Under this business environment, orders received of the IHI Group during the three months increased 8.5% from the previous corresponding period to ¥301.0 billion. Net sales rose 21.2% to ¥340.7 billion. Operating income deteriorated ¥15.1 billion compared with the previous corresponding period to ¥20 million due to the impact of deterioration of profitability of some projects received in the Social Infrastructure and Offshore Facility segment.
Despite improvements in share of profit (loss) of entities accounted for using equity method and foreign exchange losses (gains), an ordinary loss of ¥428 million was reported, a deterioration from the previous corresponding period of ¥12.5 billion. Loss attributable to owners of parent was ¥48 million, a deterioration of ¥6.5 billion compared with the previous corresponding period.
Effective from the three months under review, the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), etc. are applied, and “Net income” or “Net loss” is now presented as “Profit attributable to owners of parent” or “Loss attributable to owners of parent.”

Results by reportable segment are as follows:

(Billions of yen)

| Reportable segment | Orders received | | | Three months ended June 30, 2014 | | Three months ended June 30, 2015 | | Change from the previous corresponding period (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Three months ended June 30, 2014 | Three months ended June 30, 2015 | Change from the previous corre-sponding period (%) | Sales | Operating income (loss) | Sales | Operating income (loss) | Sales | Operating income (loss) |
| Resources, Energy and Environment | 101.7 | 146.1 | 43.5 | 72.4 | (1.2) | 101.1 | (0.9) | 39.6 | – |
| Social Infrastructure and Offshore Facility | 46.0 | 23.3 | (49.3) | 37.9 | 1.3 | 33.8 | (13.0) | (10.8) | – |
| Industrial System and General-Purpose Machinery | 95.9 | 101.4 | 5.7 | 86.1 | 2.2 | 93.1 | 0.6 | 8.1 | (69.1) |
| Aero Engine, Space and Defense | 32.2 | 27.9 | (13.4) | 84.2 | 14.8 | 111.1 | 17.3 | 32.0 | 17.0 |
| Total Reportable Segment | 276.0 | 298.8 | – | 280.7 | 17.2 | 339.2 | 4.1 | – | – |
| Others | 14.3 | 15.8 | 11.1 | 10.4 | (0.3) | 10.5 | (0.5) | 1.0 | – |
| Adjustment | (12.7) | (13.7) | – | (9.9) | (1.6) | (9.0) | (3.5) | – | – |
| Total | 277.5 | 301.0 | 8.5 | 281.2 | 15.1 | 340.7 | 0.0 | 21.2 | (99.9) |

<Resources, Energy and Environment>

Orders received increased from the previous corresponding period, owing to an increase in orders for large projects for Boiler Business and for Power systems for land and marine use Business, partially offset by a decrease in orders for Environmental response systems Business.

Sales increased from the previous corresponding period owing to increases in Gas processes Business and Power systems for land and marine use Business.

The resulting operating loss was a reduced deficit compared with the previous corresponding period, owing to the effects of an increase in sales and yen depreciation in foreign exchange.

<Social Infrastructure and Offshore Facility>

Orders received decreased from the previous corresponding period, owing to a comparative lull following a large order received in the previous corresponding period for F-LNG/Offshore structure Business, and also a decline in Bridge Business.

Sales decreased from the previous corresponding period owing to decreases in Bridge Business and Urban development Business, partially offset by an increase in F-LNG/Offshore structure Business.

Operating income/loss deteriorated significantly compared with the previous corresponding period owing to poor profitability for some projects received for F-LNG/Offshore structure Business, and the recording of additional costs concerning an accident at the Izmit Bay Crossing Bridge construction project in Turkey that occurred in the previous fiscal year.

In F-LNG/Offshore structure Business, there was an increase in catch-up expenses to respond to construction process delays accompanying repeated drawing revisions for the drill ship for Singapore. Because of the drill ship related process delays, moreover, it became difficult to secure working areas for later construction work. As a result, it became necessary to outsource overseas part of the shipbuilding project for FPSO (Floating Production Storage and Offloading Unit) for Norway, and with the outsourcing expenses and transfer costs increasing, the profitability of the project deteriorated significantly. Currently, F-LNG/Offshore structure Business is taking further steps to prevent the adverse situation from escalating.

<Industrial System and General-Purpose Machinery>

Orders received increased from the previous corresponding period owing to increases in Transport machinery Business and Vehicular turbocharger Business.

Sales increased from the previous corresponding period, owing to increases in Vehicular turbocharger Business, Thermal and surface treatment Business and Parking Business.

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

<Aero Engine, Space and Defense>

Orders received decreased from the previous corresponding period owing to decreases in Aero engines Business and Rocket systems/space utilization systems Business.

Sales increased from the previous corresponding period, owing 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, partially offset by increases in expenses such as R&D expenses for the GE9X aero engine for the next-generation wide-body jet.

(2) Analysis of financial position

Total assets at the end of the first quarter under review were ¥1,702.2 billion, up ¥11.4 billion compared with the end of the previous fiscal year. The item with the most significant increase was work in process, up ¥30.4 billion, while the item with the most significant decrease was notes and accounts receivable - trade, down ¥13.5 billion.

Total liabilities were ¥1,347.6 billion, an increase of ¥16.3 billion compared with the end of the previous fiscal year. The items with the most significant increases were advances received, up ¥23.4 billion, and commercial papers, up ¥22.0 billion, while the items with the most significant decreases were income taxes payable, down ¥15.5 billion, and notes and accounts payable - trade, down ¥13.5 billion.

Net assets were ¥354.6 billion, down ¥4.9 billion compared with the end of the previous fiscal year. This was mainly the result of a decline of ¥4.6 billion due to dividends of surplus.

As a result of the above, the equity ratio dropped from 20.5% at the end of the previous fiscal year to 20.0%.

(3) Analysis of capital resources and funding liquidity

The IHI Group obtains working capital and funds for capital expenditures by means of loans, bonds, and commercial papers, as well as by using internal funding. At the end of the first quarter ended June 30, 2015, the balance of interest bearing liabilities, including lease obligations, was ¥430.5 billion, up ¥19.8 billion from the end of the previous fiscal year. This primarily reflected an increase in working capital provided by business activities combined with procurement of a portion of the Group's investment capital via loans from external parties and others.
At the end of the first quarter ended June 30, 2015, the outstanding balance of cash and cash equivalents was ¥92.2 billion. This balance, in combination with a diverse range of fund procurement methods, including credit line commitments and overdraft facilities with major banks, as well as commercial papers, means that the Group has secured sufficient liquidity.

(4) Research and development activities

In the three months ended June 30, 2015, the IHI Group spent ¥8.4 billion on R&D. There were no significant changes in the status of R&D activities of the IHI Group in the three months ended June 30, 2015.

(5) Current status and outlook of management strategies

The IHI Group is steadily proceeding with initiatives to accelerate growth of the IHI Group based on the three-year midterm business policy, "Group Management Policies 2013" that started from April 2013.

Upon entering fiscal year 2015, the IHI Group has been focusing on quickly resolving the production disruption at IHI Aichi Works, and the accident at the Izmit Bay Crossing Bridge construction project in Turkey, both of which occurred in the previous fiscal year. At Aichi Works, repeated drawing revisions continued to cause production disruption that has significantly caused profitability to deteriorate still in the three months under review. In order to quickly resolve the production disruption, the measures led by corporate headquarter have been put in place in the form of such initiatives as the dispatching of engineers and experts from various fields, and the strengthening of monitoring. At the Izmit Bay Crossing Bridge construction project, where on-site construction is proceeding with careful attention to preventing accident recurrence, initiatives are being carried out to minimize process delays such as efforts to improve working efficiency of on-site welding.
Furthermore, the IHI Group is continuing to make all efforts to minimize surfacing of losses arising from investment in Estaleiro Atlântico Sul S.A., a shipyard in Brazil, which were recorded in the previous fiscal year.

In fiscal year 2015, the IHI Group will strive to minimize the aforementioned effects. By ensuring preventive measures are adopted across all divisions, we will realize further enhancement of its risk control structure. In addition, we will use this year, which is the final year of "Group Management Policies 2013," to achieve business targets set under this plan and ensure future growth by making Group-wide concerted efforts to implement the following measures:
a. Strengthening Collaboration among Shared Group Functions and Business Fields
b. Increase Value for Customers and Secure Orders Steadily
c. Reform Business Models to Create More Profitable Structures
d. Allocate Management Resources to Achieve Growth
e. Reform Business Processes to Create Value

The major initiatives undertaken during the three months under review are as follows.

In the Industrial System and General-Purpose Machinery segment, the IHI Group has entered into a joint-venture agreement with Yuanda China Holdings Limited of Liaoning Province, China (hereinafter "Yuanda") to establish a joint venture company that will operate an agricultural machinery business. The agricultural machinery business of the IHI Group currently involves manufacturing and sales mainly in Japan, carried out by IHI subsidiaries IHI STAR Machinery Corporation and IHI Shibaura Machinery Corporation. Looking to expand into the overseas market where there is plenty of room for future growth, IHI has agreed on a strategy with Yuanda, which is aiming to participate in the agricultural machinery business in China. Based on this agreement, a joint venture business will start with the aim of providing high quality agricultural machinery in the Chinese market.

In the Aero Engine, Space and Defense segment, the IHI Group delivered the initial mass production model of the composite material fan case for the PW1100G-JM engine for Airbus A320neo from Tomioka Works of IHI subsidiary IHI Aerospace Co., Ltd. (hereinafter "IA") and the initial mass production model of the low-pressure compressors from IHI's Mizuho Aero-Engine Works. Concerning the mass production for the PW1100G-JM, a work dedicated to the composite material fan case was newly established at IA as a first for the IHI Group, and new manufacturing lines that adopted IHI's advanced manufacturing technologies are being constructed at each manufacturing site. In order to respond to a sharp increase in production volume that is expected in the future, the IHI Group will continue to progressively implement new capital investment and enhance mass production systems.

As an initiative related to the three links (*Tsunagu*) functions of “Solution & Engineering,” “Intelligent Information Management,” and “Global Marketing,” IHI has received a lump order for 127 units of 3D Laser Radar for level crossing obstacle detection systems for Rete Ferroviaria Italiana (RFI), which manages railway infrastructure for the state owned railway network company Ferrovie dello Stato Italiane. The favorable rating contributing to IHI receiving this order was the result of IHI’s abundant experience inside Japan, and its acquisition of an international safety standard (SIL4) issued by an official certification authority that certifies the highest level of safety in the world. IHI is now aggressively seeking to receive more orders for level crossing obstacle detection devices throughout Europe.

Note: In the figures presented, figures in billions of yen are rounded down and other figures are rounded off to the nearest unit.

# III. Information about reporting company

## 1. Information about shares, etc.

### (1) Total number of shares, etc.

(i) Total number of shares

| Class | Total number of authorized shares (Shares) |
|---|---|
| Common shares | 3,300,000,000 |
| Total | 3,300,000,000 |

(ii) Issued shares

| Class | Number of issued shares as of the end of the first quarter (Shares) (June 30, 2015) | Number of issued shares as of the filing date (Shares) (August 12, 2015) | Name of stock exchange on which IHI is listed or names of authorized financial instruments firms associations where IHI is registered | Description |
|---|---|---|---|---|
| Common shares | 1,546,799,542 | 1,546,799,542 | First Section of Tokyo Stock Exchange and Nagoya Stock Exchange, Fukuoka Stock Exchange, Sapporo Stock Exchange | Shares with full voting rights, in which shareholders have unlimited standard rights. The number of shares constituting one unit is 1,000 shares. |
| Total | 1,546,799,542 | 1,546,799,542 | – | – |

Note: The "Number of issued shares as of the filing date" column does not include the number of shares issued upon exercise of subscription rights to shares between August 1, 2015 and the filing date of this Quarterly Securities Report.

### (2) Subscription rights to shares, etc.

Not applicable.

### (3) Exercises, etc. of moving strike convertible bonds, etc.

Not applicable.

### (4) Description of rights plan

Not applicable.

### (5) Changes in number of issued shares, capital stock, etc.

| Period | Changes in number of issued shares (Thousand shares) | Ending balance of number of issued shares (Thousand shares) | Changes in capital stock (Millions of yen) | Ending balance of capital stock (Millions of yen) | Changes in legal capital surplus (Millions of yen) | Ending balance of legal capital surplus (Millions of yen) |
|---|---|---|---|---|---|---|
| From April 1, 2015 to June 30, 2015 | – | 1,546,799 | – | 107,165 | – | 54,520 |

### (6) Major shareholders

The major shareholders are not presented because the current quarterly accounting period is the first quarter period.

### (7) Voting rights

Concerning the information on voting rights below, as IHI was unable to confirm the information stated in the shareholder register as of June 30, 2015, the information is stated not from its register; rather it is stated from the shareholder register of the immediately preceding cut-off date (March 31, 2015).

#### (i) Issued shares

(As of June 30, 2015)

<table>
<tr><th>Classification</th><th>Number of shares (Shares)</th><th>Number of voting rights (Units)</th><th>Description</th></tr>
<tr><td>Shares without voting rights</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Shares with restricted voting rights (treasury shares, etc.)</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Shares with restricted voting rights (others)</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td rowspan="2">Shares with full voting rights (treasury shares, etc.)</td><td>(Shares in treasury)<br>Common shares<br>3,290,000</td><td>–</td><td>This is IHI’s standard shares whose holders have unlimited rights.</td></tr>
<tr><td>(Reciprocally held shares)<br>Common shares<br>157,000</td><td>–</td><td>Same as above</td></tr>
<tr><td>Shares with full voting rights (others)</td><td>Common shares<br>1,540,805,000</td><td>1,540,805</td><td>Same as above</td></tr>
<tr><td>Shares less than one unit</td><td>Common shares<br>2,547,542</td><td>–</td><td>Shares less than one unit (1,000 shares)</td></tr>
<tr><td>Number of issued shares</td><td>1,546,799,542</td><td>–</td><td>–</td></tr>
<tr><td>Total number of voting rights</td><td>–</td><td>1,540,805</td><td>–</td></tr>
</table>

Notes:
1. Common shares in “Shares less than one unit” include 432 shares of treasury shares held by IHI.
2. Common shares in “Shares with full voting rights (others)” include 7,000 shares whose ownership has yet not been transferred and which have been registered in the name of Japan Securities Depository Center. These shares constitute seven units of voting rights, which are included in the figure in “Number of voting rights.”

#### (ii) Treasury shares, etc.

(As of June 30, 2015)

| Name of shareholders | Address of shareholders | Number of shares held under own name (Shares) | Number of shares held under the names of others (Shares) | Total shares held (Shares) | Ownership percentage to the total number of issued shares (%) |
|---|---|---|---|---|---|
| (Shares in treasury) | | | | | |
| IHI Corporation | 1-1, Toyosu 3-chome, Koto-ku, Tokyo | 3,290,000 | – | 3,290,000 | 0.21 |
| (Reciprocally held shares) | | | | | |
| Kondo Tekko Co., Ltd. | 10-5, Yaesu 2-chome, Chuo-ku, Tokyo | 142,000 | – | 142,000 | 0.01 |
| MINAGAWA NOUKI SEIZOU Co., Ltd. | 20-13, Tajima 2-chome, Sanjyo-shi, Niigata | 15,000 | – | 15,000 | 0.00 |
| Total | – | 3,447,000 | – | 3,447,000 | 0.22 |

## 2. Information about directors and auditors

Not applicable.

Note: In "III. Information about reporting company," monetary amounts less than one unit are rounded down.

# IV. Financial information

1. Basis of preparation of the consolidated quarterly financial statements
   The quarterly consolidated financial statements of IHI are prepared in accordance with the “Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

2. Audit attestation
   The quarterly consolidated financial statements for the first quarter of the fiscal year ending March 31, 2016 (from April 1, 2015 to June 30, 2015) and three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015) were audited by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

(Translation purposes only)

1. Quarterly Consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

| | March 31, 2015 | June 30, 2015 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 94,549 | 94,170 |
| Notes and accounts receivable - trade | *2 438,260 | *2 424,706 |
| Securities | 205 | 1,605 |
| Finished goods | 24,939 | 27,082 |
| Work in process | 249,362 | 279,818 |
| Raw materials and supplies | 125,000 | 127,426 |
| Other | 127,768 | 121,095 |
| Allowance for doubtful accounts | (6,357) | (5,906) |
| Total current assets | 1,053,726 | 1,069,996 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 145,642 | 143,984 |
| Other, net | 211,983 | 208,101 |
| Total property, plant and equipment | 357,625 | 352,085 |
| Intangible assets | | |
| Goodwill | 23,301 | 22,178 |
| Other | 27,200 | 26,221 |
| Total intangible assets | 50,501 | 48,399 |
| Investments and other assets | | |
| Investment securities | 167,138 | 171,594 |
| Other | 63,758 | 62,276 |
| Allowance for doubtful accounts | (1,866) | (2,053) |
| Total investments and other assets | 229,030 | 231,817 |
| Total non-current assets | 637,156 | 632,301 |
| Total assets | 1,690,882 | 1,702,297 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 300,148 | 286,635 |
| Short-term loans payable | 114,135 | 116,341 |
| Commercial papers | 17,000 | 39,000 |
| Income taxes payable | 23,162 | 7,592 |
| Advances received | 125,170 | 148,637 |
| Provision for bonuses | 26,687 | 15,464 |
| Provision for construction warranties | 36,804 | 38,676 |
| Provision for loss on construction contracts | 28,553 | 36,035 |
| Other provision | 656 | 91 |
| Other | 123,610 | 131,135 |
| Total current liabilities | 795,925 | 819,606 |
| Non-current liabilities | | |
| Bonds payable | 70,000 | 70,000 |
| Long-term loans payable | 192,320 | 187,805 |
| Net defined benefit liability | 157,986 | 159,361 |
| Provision for loss on subsidiaries and affiliates | 22,590 | 23,143 |
| Other provision | 1,186 | 1,115 |
| Other | 91,280 | 86,633 |
| Total non-current liabilities | 535,362 | 528,057 |
| Total liabilities | 1,331,287 | 1,347,663 |

(Millions of yen)

| | March 31, 2015 | June 30, 2015 |
|---|---|---|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 107,165 | 107,165 |
| Capital surplus | 54,438 | 54,438 |
| Retained earnings | 152,563 | 147,865 |
| Treasury shares | (655) | (656) |
| Total shareholders' equity | 313,511 | 308,812 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 16,622 | 19,547 |
| Deferred gains or losses on hedges | (743) | (494) |
| Revaluation reserve for land | 5,166 | 5,169 |
| Foreign currency translation adjustment | 14,783 | 10,827 |
| Remeasurements of defined benefit plans | (3,545) | (3,235) |
| Total accumulated other comprehensive income | 32,283 | 31,814 |
| Subscription rights to shares | 747 | 747 |
| Non-controlling interests | 13,054 | 13,261 |
| Total net assets | 359,595 | 354,634 |
| Total liabilities and net assets | 1,690,882 | 1,702,297 |

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
Quarterly consolidated statements of income (cumulative)

(Millions of yen)

| | Three months ended June 30, 2014 | Three months ended June 30, 2015 |
|---|---|---|
| Net sales | 281,272 | 340,762 |
| Cost of sales | 225,503 | 294,790 |
| Gross profit | 55,769 | 45,972 |
| Selling, general and administrative expenses | 40,593 | 45,952 |
| Operating income | 15,176 | 20 |
| Non-operating income | | |
| Interest income | 117 | 211 |
| Dividend income | 786 | 746 |
| Share of profit of entities accounted for using equity method | – | 1,113 |
| Foreign exchange gains | – | 972 |
| Other income | 793 | 409 |
| Total non-operating income | 1,696 | 3,451 |
| Non-operating expenses | | |
| Interest expenses | 1,000 | 1,012 |
| Share of loss of entities accounted for using equity method | 474 | – |
| Foreign exchange losses | 1,526 | – |
| Other expenses | 1,704 | 2,887 |
| Total non-operating expenses | 4,704 | 3,899 |
| Ordinary income (loss) | 12,168 | (428) |
| Income (loss) before income taxes | 12,168 | (428) |
| Income taxes | 5,816 | (802) |
| Profit | 6,352 | 374 |
| Profit (loss) attributable to non-controlling interests | (178) | 422 |
| Profit (loss) attributable to owners of parent | 6,530 | (48) |

(Translation purposes only)

## Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

| | Three months ended June 30, 2014 | Three months ended June 30, 2015 |
|---|---|---|
| Profit | 6,352 | 374 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,414 | 3,004 |
| Deferred gains or losses on hedges | 82 | 155 |
| Revaluation reserve for land | – | 6 |
| Foreign currency translation adjustment | (1,030) | (3,615) |
| Remeasurements of defined benefit plans, net of tax | 479 | 246 |
| Share of other comprehensive income of entities accounted for using equity method | 65 | (83) |
| Total other comprehensive income | 1,010 | (287) |
| Comprehensive income | 7,362 | 87 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 7,874 | (503) |
| Comprehensive income attributable to non-controlling interests | (512) | 590 |

**Notes to Consolidated financial statements**

(Change in scope of consolidation or scope of application of equity method)

(1) Significant change in scope of consolidation

From the first quarter of the fiscal year ending March 31, 2016, Livecon Engineering Co., Ltd., IHI NeoG Algae LLC., MEISEI MANAGEMENT SERVICE CO., LTD., and IHI ASIA PACIFIC (Thailand) CO., LTD. are newly included in the scope of consolidation because their materiality within the IHI Group have increased, while Kanto Segment Co., Ltd. was excluded from the scope of consolidation because it was merged into IHI CONSTRUCTION MATERIALS Co., Ltd. and ceased to exist.

(2) Significant change in application of scope of equity method

Not applicable.

(Changes in accounting policies)

(Application of accounting standard for business combinations)

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 three 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 loss and loss before income taxes for the three months under review is immaterial.

(Special accounting for preparing quarterly consolidated financial statements)

(Tax expense calculation)

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

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

(Quarterly consolidated balance sheet)

1. Contingent liabilities

IHI provides guarantees and guarantees in kind for the debts etc. from financial institutions by the following subsidiaries and affiliates.

(1) Guarantees for debt of others (Note: 1)

(Millions of yen)

| March 31, 2015 | | June 30, 2015 | |
|---|---|---|---|
| Estaleiro Atlântico Sul S.A. (Note: 2) | 19,413 | Estaleiro Atlântico Sul S.A. (Note: 2) | 20,083 |
| Japanese Aero Engines Corporation (“JAEC”) | 7,729 | Japanese Aero Engines Corporation (“JAEC”) | 8,060 |
| UNIGEN Inc. | 6,300 | UNIGEN Inc. | 6,500 |
| ALPHA Automotive Technologies LLC | 1,001 | ALPHA Automotive Technologies LLC | 944 |
| IHI group health insurance society | 787 | IHI group health insurance society | 787 |
| Japan Aeroforge, Ltd. | 590 | Japan Aeroforge, Ltd. | 590 |
| Rio Bravo Fresno (Note: 3) | 421 | Rio Bravo Fresno (Note: 3) | 429 |
| Rio Bravo Rocklin (Note: 3) | 409 | Rio Bravo Rocklin (Note: 3) | 416 |
| IHI Logistics System Technology Shanghai Co., Ltd. | 193 | Contingent liabilities for lease contracts with customers of construction machineries | 77 |
| Contingent liabilities for lease contracts with customers of construction machineries | 82 | Contingent liabilities for employee housing loans | 75 |
| Contingent liabilities for employee housing loans | 76 | Chubu Segment Co., Ltd. | 25 |
| Chubu Segment Co., Ltd. | 25 | | |
| Total | 37,026 | Total | 37,986 |

(2) Contingent liabilities arising from guarantees in kind for debts

(Millions of yen)

| March 31, 2015 | | June 30, 2015 | |
|---|---|---|---|
| Contingent liabilities for employee housing loans | 8,109 | Contingent liabilities for employee housing loans | 7,977 |
| IHI group health insurance society | 837 | IHI group health insurance society | 837 |
| Total | 8,946 | Total | 8,814 |

Notes: 1. In any of the following cases, the amount represents the amounts for which the IHI Group is liable:
(i) In the case of joint guarantees and guarantees in kind for debts with protection requirements against creditors, where the IHI Group’s liabilities are specifically stated and clarified regardless of the debt capacity of other guarantors in the contract.
(ii) In the case of joint and several guarantees in which there are two or more guarantors, where the percentage or amount of the IHI Group’s liabilities is specifically stated and clarified such as in agreement among the guarantors and other joint and several guarantors are considered to have sufficient debt capacity.
2. Provision for loss on subsidiaries and affiliates has been recorded based on guarantee obligations for Estaleiro Atlântico Sul S.A.
3. The contracts are revolving guarantees in which guarantees are provided within certain limits set to guarantee debts on continuous transactions, and the amount represents guarantee facilities.

*2. Notes receivable - trade discounted in the ordinary course of business and notes receivable - trade endorsed in the ordinary course of business

(Millions of yen)

| | March 31, 2015 | June 30, 2015 |
|---|---|---|
| Notes receivable - trade discounted in the ordinary course of business | 200 | 9 |
| Notes receivable - trade endorsed in the ordinary course of business | 1 | – |

(Quarterly consolidated statement of income)
Not applicable.

(Quarterly consolidated statement of cash flows)
A quarterly consolidated statement of cash flows relating to the three months ended June 30, 2015, has not been prepared. Depreciation (including amortization of intangible assets other than goodwill), amortization of goodwill and amortization of negative goodwill are as follows.

(Millions of yen)

| | Three months ended June 30, 2014 | Three months ended June 30, 2015 |
|---|---|---|
| Depreciation | 11,075 | 12,471 |
| Amortization of goodwill | 831 | 925 |
| Amortization of negative goodwill | 26 | – |

(Shareholders' equity)
I. Three months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)
Dividends paid

| Resolution | Type of shares | Total dividends (Millions of yen) | Dividends per share (yen) | Cut off date | Effective date | Source of dividends |
|---|---|---|---|---|---|---|
| Annual general meeting of the shareholders on June 27, 2014 | Common stock | 9,261 | 6 | March 31, 2014 | June 30, 2014 | Retained earnings |

II. Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)
Dividends paid

| Resolution | Type of shares | Total dividends (Millions of yen) | Dividends per share (yen) | Cut off date | Effective date | Source of dividends |
|---|---|---|---|---|---|---|
| Annual general meeting of the shareholders on June 25, 2015 | Common stock | 4,631 | 3 | March 31, 2015 | June 26, 2015 | Retained earnings |

(Segment information)
Segment information

I. Three months ended June 30, 2014 (From April 1, 2014 to June 30, 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 quarterly 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 | 71,248 | 37,412 | 83,151 | 83,378 | 275,189 | 6,083 | 281,272 | – | 281,272 |
| (2) Intersegment sales and transfers | 1,222 | 507 | 3,012 | 863 | 5,604 | 4,350 | 9,954 | (9,954) | – |
| Total | 72,470 | 37,919 | 86,163 | 84,241 | 280,793 | 10,433 | 291,226 | (9,954) | 281,272 |
| Segment profit (loss) (Operating income (loss)) | (1,245) | 1,366 | 2,231 | 14,871 | 17,223 | (372) | 16,851 | (1,675) | 15,176 |

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 ¥99 million and unallocated corporate expenses of negative ¥1,576 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 three months ended June 30, 2014. Furthermore, in the Resources, Energy and Environment segment, Steinmüller Engineering GmbH became a consolidated subsidiary when it was acquired by IHI. ¥4,708 million of gain on goodwill was recognized by this event in the three months ended June 30, 2014.

(Material gain on negative goodwill)

Not applicable.

(Translation purposes only)

II. Three months ended June 30, 2015 (From April 1, 2015 to June 30, 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 quarterly 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 | 99,936 | 33,503 | 90,511 | 110,611 | 334,561 | 6,201 | 340,762 | – | 340,762 |
| (2) Intersegment sales and transfers | 1,207 | 337 | 2,634 | 551 | 4,729 | 4,341 | 9,070 | (9,070) | – |
| Total | 101,143 | 33,840 | 93,145 | 111,162 | 339,290 | 10,542 | 349,832 | (9,070) | 340,762 |
| Segment profit (loss) (Operating income (loss)) | (911) | (13,040) | 690 | 17,393 | 4,132 | (549) | 3,583 | (3,563) | 20 |

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 ¥628 million and unallocated corporate expenses of negative ¥2,935 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.

(Per share information)

Basic earnings (loss) per share and diluted earnings per share as well as fundamentals for calculating these items are as follows:

| | Three months ended June 30, 2014 | Three months ended June 30, 2015 |
|---|---|---|
| (1) Basic earnings (loss) per share (Yen) | 4.23 | (0.03) |
| (Fundamentals) | | |
| Amounts for profit (loss) attributable to owners of parent (Millions of yen) | 6,530 | (48) |
| Amounts for non-common shareholders (Millions of yen) | – | – |
| Amounts for profit (loss) attributable to owners of parent regarding common stock (Millions of yen) | 6,530 | (48) |
| Average number of shares of common stock (Thousands of shares) | 1,543,480 | 1,543,508 |
| (2) Diluted earnings per share (Yen) | 4.23 | – |
| (Fundamentals) | | |
| Adjustment amount of profit (loss) attributable to owners of parent (Millions of yen) | – | – |
| (Interest income of the above, net of taxes) (Millions of yen) | (–) | (–) |
| Increase in number of shares of common stock (Thousands of shares) | 1,675 | – |
| Outline of potential shares which were not included in the calculation of the diluted earnings per share due to no dilutive effects, and which had no material changes after the end of the previous fiscal year | – | – |

Note: Diluted earnings per share for the three months ended June 30, 2015 is not noted even though IHI has issued potential shares, because the per share data is a net loss per share.

(Significant subsequent events)

Not applicable.

2. Others

Not applicable

## Part 2. Information about company which provides guarantee to reporting company

Not applicable.