(Translation purposes only)

Quarterly Securities Report

(The Second Quarter of 200th Term)

From July 1, 2016 to September 30, 2016

IHI Corporation

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Company name	株式会社ＩＨＩ (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
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Part 1. Company information

I. Overview of company

1. Summary of business results

Term	199th term six months ended September 30, 2015	200th term six months ended September 30, 2016	199th term
Accounting period	From April 1, 2015 To September 30, 2015	From April 1, 2016 To September 30, 2016	From April 1, 2015 To March 31, 2016
Net sales (Millions of yen)	688,271	691,799	1,539,388
Ordinary income (loss) (Millions of yen)	(4,030)	5,099	9,716
Profit (loss) attributable to owners of parent (Millions of yen)	(3,907)	(5,256)	1,529
Comprehensive income (Millions of yen)	(5,399)	(20,342)	(15,228)
Net assets (Millions of yen)	348,822	312,075	333,359
Total assets (Millions of yen)	1,727,299	1,593,796	1,715,056
Basic earnings (loss) per share (Yen)	(2.53)	(3.40)	0.99
Diluted earnings per share (Yen)	—	—	0.99
Equity ratio (%)	19.38	18.70	18.56
Cash flows from operating activities (Millions of yen)	(24,030)	42,309	95,338
Cash flows from investing activities (Millions of yen)	(28,360)	(30,416)	(35,513)
Cash flows from financing activities (Millions of yen)	46,066	(30,391)	(47,530)
Cash and cash equivalents at end of period (Millions of yen)	87,286	77,276	103,611

Term	199th term Second quarter of the fiscal year ended March 31, 2016	200th term Second quarter of the fiscal year ending March 31, 2017
Accounting period	From July 1, 2015 To September 30, 2015	From July 1, 2016 To September 30, 2016
Basic earnings (loss) per share (Yen)	(2.50)	(3.95)

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. Diluted earnings per share for the six months ended September 30,2015 of the 199th term and the six months ended September 30, 2016 of the 200th term is not noted even though IHI has issued potential shares, because the per share data is a net loss per share.
4. Monetary amounts and ratios less than one unit are rounded off.

2. Description of business

IHI and its affiliated entities (155 consolidated subsidiaries and 31 affiliates accounted for using equity method as of September 30, 2016) 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 six months ended September 30, 2016, 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.

(Resources, Energy and Environment)

From the first quarter of the fiscal year ending March 31, 2017, IHI Power System (Thailand)Co.,Ltd. is newly included in the scope of consolidation because its materiality within the IHI Group has increased.

(Industrial System and General-Purpose Machinery)

From the first quarter of the fiscal year ending March 31, 2017, Jiangsu IHI Fengdong Vacuum Technology Co.,Ltd and IHI Transport Machinery Taiwan Corporation are newly included in the scope of consolidation because their materiality within the IHI Group has increased. In addition, one subsidiary of Indigo TopCo Limited and one subsidiary of IHI Hauzer Techno Coating B.V. were newly established and are newly included in the scope of consolidation.

(Aero Engine, Space and Defense)

From the second quarter of the fiscal year ending March 31, 2017, IHI Investment for Aero Engine Leasing LLC was newly established and is newly included in the scope of consolidation.

(Others)

From the first quarter of the fiscal year ending March 31, 2017, IHI Shibaura Technical Service Corporation was excluded from the scope of consolidation because it was merged into IHI Business Support Corporation and ceased to exist. In addition, Algae Systems,LLC. was excluded from the scope of consolidation because its whole equity interests were transferred.

II. Overview of business

1. Business risks

There were no new occurrences of business risks in the six months ended September 30, 2016.
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 second quarter ended September 30, 2016.

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 September 30, 2016.

(1) Overview of business results

During the six months under review, in the Japanese economy the yen appreciation and weakening capital investment and corporate earnings led to an expanded scope of uncertainty. In the global economy outside of Japan, although the U.S. economy performed strongly, in addition to palpable sentiment of economic slowdown present in China and the emerging countries of Asia, uncertainty is rising from factors including growing geopolitical risks and the results of the UK decision to leave the EU.

Under this business environment, orders received of the IHI Group during the six months decreased 9.5% from the previous corresponding period to ¥640.2 billion. Net sales rose 0.5% to ¥691.7 billion. Operating income increased ¥11.6 billion to ¥11.9 billion, owing to the effect of significant deterioration of profitability that occurred in the Social Infrastructure and Offshore Facility segment in the previous corresponding period. Ordinary income stayed at just ¥5.0 billion, a ¥9.1 billion increase from the previous corresponding period, partly because of deterioration in foreign exchange losses. Loss attributable to owners of parent was ¥5.2 billion, a deterioration of ¥1.3 billion compared with the previous corresponding period, due to the impact of increased tax expenses caused partly by the revision of the recoverability of deferred tax assets.

Results by reportable segment for the six months ended September 30, 2016 are as follows:

(Billions of yen)

Reportable segment	Orders received			six months ended September 30, 2015		six months ended September 30, 2016		Change from the previous corresponding period (%)	
	Six months ended September 30, 2015	Six months ended September 30, 2016	Change from the previous corre-sponding period (%)	Sales	Operating income (loss)	Sales	Operating income (loss)	Sales	Operating income (loss)
Resources, Energy and Environment	221.7	176.3	(20.5)	209.9	5.2	208.5	(6.8)	(0.7)	–
Social Infrastructure and Offshore Facility	74.7	73.6	(1.5)	66.4	(34.5)	66.6	(19.9)	0.2	–
Industrial System and General-Purpose Machinery	220.3	211.4	(4.0)	190.2	3.9	202.9	7.9	6.7	101.1
Aero Engine, Space and Defense	182.2	167.1	(8.3)	216.5	31.0	205.9	31.5	(4.9)	1.6
Total Reportable Segment	699.1	628.5	(10.1)	683.3	5.6	684.1	12.6	0.1	124.8
Others	32.6	34.2	4.7	25.7	(0.1)	32.2	0.4	25.2	–
Adjustment	(24.1)	(22.5)	–	(20.7)	(5.2)	(24.5)	(1.1)	–	–
Total	707.7	640.2	(9.5)	688.2	0.2	691.7	11.9	0.5	–

<Resources, Energy and Environment>

Orders received declined, reflecting a pullback from large orders secured in the previous corresponding period for Boiler Business, and decreases in orders secured for Power systems for land and marine use Business, affected by the low crude oil prices.

Sales decreased because of the impact of large construction projects of LNG storage facilities in Japan and Asia that were ongoing in the previous corresponding period having now reached the final phase of construction in Process plants Business, and decreased sales in Power systems for land and marine use Business, partially offset by increased revenues owing to progress in major construction projects in Boiler Business.

An operating loss was recorded mainly due to the impact of a decrease in revenues as per the above, and deterioration in profitability from some boiler projects.

<Social Infrastructure and Offshore Facility>

Orders received were at the same level as the previous corresponding period, owing to decreases in Transport system Business and Shield tunneling machine Business, offset by an increase in Bridge/water gate Business.

Sales were at the same level as the previous corresponding period, owing to increased revenues from construction progress of F-LNG Business (floating LNG storage facilities, offshore structures), offset by a decrease in Bridge/water gate Business, due to the decline in sales from the Izmit Bay Crossing Bridge construction project in Turkey, for which an opening ceremony was held on June 30, 2016.

In terms of operating loss, there was a reduced deficit, due to the improved profitability in Bridge/water gate Business and the impact of drastic deterioration of profitability related to F-LNG Business in the previous corresponding period. However, there was further profit deterioration* in the second quarter under review.

<Industrial System and General-Purpose Machinery>

Orders received decreased from the previous corresponding period, owing to decreases in Transport machinery Business and Construction machinery Business, partially offset by increases in Vehicular turbocharger Business and Parking Business.

Sales increased from the previous corresponding period, owing to progress in large construction in Logistics/industrial system Business and increases in Vehicular turbocharger Business and Rotating machinery Business.

Operating income rose from the previous corresponding period, owing to the effect of the aforementioned revenue i ncreases and improvement in profitability in Logistics/industrial system Business, Rotating machinery Business and Parking Business.

<Aero Engine, Space and Defense>

Orders received decreased from the previous corresponding period due to a decrease in civil aero engines.

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

Operating income was at the same level as the previous corresponding period, owing to a decrease in R&D expenses related to the "GE9X" aero engine for the next-generation wide-body jets being promoted to the preparatory stage for mass production, offset by the impact of yen appreciation.

* Concerning profit deterioration in the F-LNG Business in the six months under review

Further setbacks in the profitability of the following three F-LNG Business projects occurred:

1) Drill ship construction for Singapore
2) FPSO (Floating Production Storage and Offloading Unit) shipbuilding project for Norway
3) Construction of SPB tanks for Japanese LNG carriers (four tanks × four ships)

These projects were principal factors in downward revisions to consolidated results forecasts since the previous fiscal year. The IHI Group undertook concerted efforts to deploy support systems and drive forward with work. After having announced the forecasts of results in July, however, new matters, which are described below according to project, arose and came to the attention of management, regretfully causing management to project additional costs.

1) Drill ship construction for Singapore

   Construction status:

   Having finished hull assembly IHI transferred the vessels in April this year from the Aichi Works dock to the quay, where it is installing electrical cables (electrical work) and equipment (outfitting work) in vessels in the final phase of construction.

   New issues:

   Electrical cable installation work in vessels progressed and entered the customers' inspection phase commencing July this year. During that process, there was an increase in the issues identified by the customer

with relation to the quality of electrical engineering work. After reviewing the engineering, IHI needed to re-lay cables and add or re-install cable trays, which management projected would significantly delay electrical work. Such delays in electrical work led to falling behind with painting, commissioning and other later stages, necessitating further deployment of resources to get back on track. Management had to post massive additional costs due to the delivery, originally planned to be within this year, unavoidably being extended to March 2017 under the above-mentioned situation.
IHI jointly assessed concerns with the customer and confirmed that there should be no further expenses or issues that affect the project.

2) FPSO (Floating Production Storage and Offloading Unit) shipbuilding project for Norway
Construction status:
IHI transported hull blocks manufactured at the Aichi Works and other facilities in Japan and abroad to a subcontractor shipyard in Singapore that completed hull assembly in August this year. Outfitting and electrical work is proceeding on the vessel in that shipyard's quay.
New issues:
Revisions to yard plan drawings were finished in September this year. In the final confirmation stage, IHI reviewed the engineering to prevent interference between piping. It thereby became evident that there would be significantly more piping and cabling materials required for the process of outfitting and electrical cable installation work and that backtracking work would also be necessary. After recalibrating future work volumes with the shipyard, IHI pushed back the projected delivery by two months to July 2017, resulting in significantly higher costs.
In addition, IHI incurred expenses to post and extend the stays of engineers required to manage engineering, construction, and quality control and to more rigorously manage project progress at the subcontractor shipyard in Singapore.

3) Construction of SPB tanks for Japanese LNG carriers (four tanks × four ships)
Construction status:
Of the total of 16 tanks (four tanks × four ships), IHI fitted two tanks for the first vessel in August and October this year. It plans to fit the remaining two tanks for that vessel to complete delivery for it by December this year.
New issues:
The task of fitting the tanks entails assembling giant upper and lower blocks and joining them on board vessels, and these later construction stages are very challenging for aluminum SPB tanks in terms of precision control and welding quality.
Despite the suitably intensive deployment of skilled workers, the process was more difficult than envisaged. Frequent backtracking work made it impossible to attain planned work efficiency levels, and it became clear that there were no beneficial effects from improved proficiencies normally obtainable from continuous production. With work falling significantly behind, measures to regain lost ground became necessary.
Under such situation, to catch up, management therefore decided to expand the area for assembling final blocks. Management also reviewed work volumes for constructing subsequent tanks based on results with the first two tanks fitted, as it concluded that proficiency gains were unlikely to materialize. Estimated costs thus soared, with the projected completion being pushed back one or two months. IHI now expects to hand over the fourth ship in December 2017.
Management will pursue a range of improvement measures, including the implementation of an optimization plan for deploying welders.

The IHI Group is doing its utmost to complete these three projects.

(2) Analysis of financial position

Total assets at the end of the second quarter under review were ¥1,593.7 billion, down ¥121.2 billion compared with the end of the previous fiscal year. The items with the most significant decreases were notes and accounts receivable - trade, down ¥107.5 billion, and cash and deposits, down ¥26.1 billion, and the item with the most significant increase was work in process, up ¥36.0 billion.
Total liabilities were ¥1,281.7 billion, a decrease of ¥99.9 billion compared with the end of the previous fiscal year. The items with the most significant decreases were accrued expenses, down ¥42.1 billion, short-term loans payable, down ¥33.9 billion and notes and accounts payable - trade, down ¥24.7 billion. The item with the most significant increase was advances received, up ¥17.3 billion.
Net assets were ¥312.0 billion, down ¥21.2 billion compared with the end of the previous fiscal year. This includes the recording of loss attributable to owners of parent of ¥5.2 billion and a decrease of ¥12.9 billion in foreign currency translation adjustment.
As a result of the above, although equity decreased, the ratio of equity to total assets rose from 18.6% at the end of the previous fiscal year to 18.7%, due to a considerable reduction in total assets.

(3) Cash flows

At the end of the second quarter under review, the outstanding balance of cash and cash equivalents (hereinafter, "cash") was ¥77.2 billion, a decrease of ¥26.3 billion from the end of the previous fiscal year.
Key factors influencing each cash flow during the six months ended September 30, 2016 are summarized below.

Cash flows from operating activities

Net cash provided by operating activities was ¥42.3 billion (The previous corresponding period: net use of ¥24.0 billion). The main factors of increase were a decrease in notes and accounts receivable - trade of ¥98.0 billion, recognition of depreciation of ¥28.0 billion and an increase in advances received of ¥23.4 billion, while the main factors of decrease were an increase in inventories of ¥45.3 billion, a decrease in accrued expenses of ¥39.3 billion and a decrease in notes and accounts payable - trade of ¥19.0 billion.

Cash flows from investing activities

Net cash used in investing activities was ¥30.4 billion (The previous corresponding period: net use of ¥28.3 billion). This was due mainly to purchase of property, plant and equipment and intangible assets of ¥23.9 billion.

Cash flows from financing activities

Net cash used in financing activities was ¥30.3 billion (The previous corresponding period: net increase of ¥46.0 billion). This was due mainly to repayments of long-term loans payable of ¥38.5 billion.

(4) Analysis of capital resources and funding liquidity

The IHI Group obtains working capital and funds for capital expenditures by means of loans, bonds, as well as by using internal funding. At the end of the second quarter ended September 30, 2016, the balance of interest bearing liabilities, including lease obligations, was ¥342.4 billion, down ¥32.1 billion from the end of the previous fiscal year. This primarily reflected an increase in advances received and collected accounts receivable provided by business activities.
At the end of the second quarter ended September 30, 2016, the outstanding balance of cash and cash equivalents was ¥77.2 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 IHI Group has secured sufficient liquidity.

(5) Research and development activities

In the six months ended September 30, 2016, the IHI Group spent ¥14.6 billion on R&D. There were no significant changes in the status of R&D activities of the IHI Group in the six months ended September 30, 2016.

(6) Current status and outlook of management strategies

The IHI Group has started "Group Management Policies 2016," a three-year medium-term management plan with fiscal year 2016 as the first year. In order to realize "strengthen earnings foundations" indicated as the main theme in the Policies, a variety of initiatives are being implemented in line with the following four guidelines: 1) strengthen Monozukuri (Manufacturing) capabilities, including product quality, 2) strengthen business strategy implementation, 3) create a system to ensure consistent construction profitability, 4) provide solutions focused on creating customer value and offer more sophisticated products and services. By steadily developing efforts for realization of management goals, the IHI Group will place emphasis on "recovering trust" from all stakeholders.

In addition, as effort for concentration and selection by new portfolio management, in the Shield tunneling machine Business, IHI's consolidated subsidiary Japan Tunnel Systems Corporation and Mitsubishi Heavy Industries Mechatronics Systems, Ltd. integrated their respective shield tunneling machine businesses, which resulted in the establishment of a new company called JIM Technology Corporation on October 1, 2016. Furthermore, in the Construction machinery Business, IHI executed an agreement to transfer all of the shares of IHI's consolidated subsidiary IHI Construction Machinery Limited, which is engaged in manufacturing and sales of construction machinery such as mini excavators, cranes and crawler carriers, with Kato Works Co., Ltd. on October 25, 2016.

Concerning the F-LNG Business, which includes the three projects that have been the primary factors for the downward revision of the results forecasts of the IHI Group since the previous fiscal year, as stated in previous disclosure materials, IHI has already stopped accepting new orders in view of their profitability deteriorating significantly from the previous fiscal year. Management is now looking into transforming the business structure to focus on aluminum SPB tanks, and will also explore the need for drastic countermeasures in light of prospects for the offshore market, reaching a decision by the end of this fiscal year.

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 second quarter (Shares) (September 30, 2016)	Number of issued shares as of the filing date (Shares) (November 11, 2016)	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 November 1, 2016 and the filing date of this Quarterly Securities Report.

(2) Subscription rights to shares, etc.

Subscription rights to shares issued by IHI during the second quarter of the fiscal year ending March 31, 2017 are as follows.

Date of resolution	July 25, 2016
Number of subscription rights to shares (Units)	491
Number of treasury subscription rights to shares included in subscription rights to shares (Units)	–
Class of shares underlying subscription rights to shares	Common shares Number of shares per unit: 1,000 shares
Number of shares underlying subscription rights to shares (Shares)	491,000
Amount to be paid in to exercise subscription rights to shares (Yen)	1
Period for exercising subscription rights to shares	From August 10, 2016 to August 9, 2046
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 279 Additional paid-in capital per share: 140
Conditions for exercising subscription rights to shares	(Note 1)
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI’s Board of Directors.
Matters relating to substitute payment	–
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)

Notes: 1. Conditions for exercising subscription rights to shares

(1) Subscription rights to shares shall be exercisable for five years from the date one year after a director or an executive officer lost its position (in the event that such individual assumes the position of corporate auditor within one year after he/she resigns as director or executive officer, the date he/she lost its position as corporate auditor) (“Exercise Start Date”).

(2) Notwithstanding the above (1), in the event of the following (a) or (b), subscription rights to shares shall be exercisable for the period stipulated below. (However, (b) does not apply to subscription rights to shares issued by a reorganized company.)

(a) In the event that the Exercise Start Date does not become effective by August 9, 2045:
From August 10, 2045 to August 9, 2046

(b) In the event that a merger agreement (under which IHI becomes an absorbed company) or an equity-swap agreement and/or an equity transfer plan (under which IHI becomes a wholly-owned subsidiary of another company) is approved at a General Meeting of Shareholders of IHI (or at a Board of Director meeting or by the representative executive Officer if a decision at a general meeting of shareholders is not necessary):

Fifteen days from the following day of such decision

(3) A holder of subscription rights to shares who relinquishes his/her subscription rights to shares shall not be able to exercise such rights.

2. Matters relating to granting subscription rights to shares in association with acts of organizational restructuring

In cases where IHI merges (limited to cases where IHI is to be extinguished as a result of the merger), splits and absorbs or splits and incorporates (limited to cases where IHI becomes the split company in either case), or equity swaps or transfers (limited to cases where IHI becomes a wholly-owned subsidiary in either case) (collectively, hereinafter, “Reorganization”), IHI shall, in each case, grant subscription rights to shares of the companies as listed in Article 236, paragraph 1, item (viii), sub-items (a) to (e) of the Companies Act (hereinafter, the “Company Subject to Reorganization”) to holders of subscription rights to shares that have subscription rights to shares existing immediately before the effective date of the Reorganization, which is either the effective date of absorption-type merger when it is an absorption-type merger, the consolidation date of a company as a result of the consolidated-type merger when it is a consolidated-type merger, the effective date of absorption-type company split when it is an absorption-type company split, the incorporation date of a company as a result of the incorporation-type company split when it is an incorporation-type company split, the effective date of equity swap when it is an equity swap, or the incorporation date of a wholly-owning parent company as a result of the equity transfer when it is an equity transfer (hereinafter, “Remaining Subscription Rights to Shares”). In this event, the Remaining Subscription Rights to Shares shall be become null and void, and the Company Subject to Reorganization shall newly issue subscription rights to shares. However, it is subject to a condition that the provision that the subscription rights to shares of the Company Subject to Reorganization shall be delivered pursuant to the provisions of the items below is specified in the absorption-type merger contract, consolidated-type merger contract, absorption-type company split contract, incorporation-type company split plan, equity swap contract or equity transfer plan.

(1) Number of subscription rights to shares of the Company Subject to Reorganization to be granted

The same number of subscription rights to shares as that of Remaining Subscription Rights to Shares held by a holder of subscription rights to shares.

(2) Class of shares of the Company Subject to Reorganization underlying subscription rights to shares

Common shares of the Company Subject to Reorganization.

(3) Number of shares of the Company Subject to Reorganization underlying subscription rights to shares

To be determined in the same manner as the matters set forth in the number of Remaining Subscription Rights to Shares, taking into consideration the terms and conditions of Reorganization.

(4) Value of property to be contributed when subscription rights to shares are exercised

The value of the property to be contributed when each subscription right to shares to be granted is exercised shall be the amount obtained by multiplying the paid-in amount after Reorganization as specified below by the number of shares of the Company Subject to Reorganization underlying each subscription right to shares, which is decided pursuant to (3) above. The paid-in amount after Reorganization shall be ¥1 per share of the shares of the Company Subject to Reorganization that would be granted by exercising the granted subscription rights to shares.

(5) Period during which subscription rights to shares can be exercised

From the latter of the start date of the period during which subscription rights to shares can be exercised as specified in the above table and the effective date of Reorganization, until the expiry date of the period during which such subscription rights to shares can be exercised as specified in the above table.

(6) Matters relating to capital stock and legal capital surplus that will be increased in the event of issuance of shares upon exercise of subscription rights to shares

To be determined in accordance with the matters set forth for the Remaining Subscription Rights to Shares.

(7) Restrictions on transferring of subscription rights to shares

Transfer and acquisition of subscription rights to shares shall require the approval by resolution of the Board of Directors of the Company Subject to Reorganization.

(8) Provisions for acquiring subscription rights to shares

To be determined in accordance with the matters set forth for the Remaining Subscription Rights to Shares.

(9) Other conditions for exercising subscription rights to shares

To be determined in the same manner as Note 1. above.

(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 July 1, 2016 to September 30, 2016	–	1,546,799	–	107,165	–	54,520

(6) Major shareholders

(As of September 30, 2016)

Name	Address	Number of shares held (Thousand shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Holder in Trust)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	67,360	4.35
The Master Trust Bank of Japan, Ltd. (Holder in Trust)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	63,224	4.08
Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	55,422	3.58
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	54,060	3.49
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	8-12, Harumi 1-chome, Chuo-ku, Tokyo	45,979	2.97
State Street Bank And Trust Company 505223 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	38,895	2.51
State Street Bank And Trust Company 505001 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	31,704	2.04
Japan Trustee Services Bank, Ltd. (Holder in Trust 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	28,866	1.86
IHI Customer Stock Ownership Association	1-1, Toyosu 3-chome, Koto-ku, Tokyo	25,752	1.66
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	24,897	1.60
Total	–	436,161	28.19

Notes: 1. The figures of "Number of shares held" and "Shareholding ratio (%)" in the above table are rounded down to one unit.

2. Shares held by Japan Trustee Services Bank, Ltd.(Holder in Trust), The Master Trust Bank of Japan, Ltd. (Holder in Trust), Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited), Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd., and Japan Trustee Services Bank, Ltd. (Holder in Trust 9) are held through trusts.

3. Effective October 1, 2016 "The Dai-ichi Life Insurance Company, Limited" was renamed to "Dai-ichi Life Holdings, Inc."

4. In the Report of Possession of Large Volume provided for public viewing on June 6, 2016, the following shareholdings are respectively attributed to BlackRock Japan Co., Ltd. and its seven joint holders as of June 6, 2016. However, since IHI is unable to confirm the actual number of shares held as of September 30, 2016, they are not included in major shareholders above.

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
BlackRock Japan Co., Ltd.	24,314	1.57
BlackRock Investment Management LLC	1,547	0.10
BlackRock (Luxembourg) S.A.	3,192	0.21
BlackRock Life Limited	3,877	0.25
BlackRock Asset Management Ireland Limited	5,558	0.36
BlackRock Fund Advisors	17,853	1.15
BlackRock Institutional Trust Company, N.A.	20,952	1.35
BlackRock Investment Management (UK) Limited	3,027	0.20
計	80,322	5.19

(7)Voting rights

(i) Issued shares

(As of September 30, 2016)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (others)	–	–	–
Shares with full voting rights (treasury shares, etc.)	(Shares in treasury) Common shares 2,661,000	–	This is IHI's standard shares whose holders have unlimited rights.
	(Reciprocally held shares) Common shares 157,000	–	Same as above
Shares with full voting rights (others)	Common shares 1,541,482,000	1,541,482	Same as above
Shares less than one unit	Common shares 2,499,542	–	Shares less than one unit (1,000 shares)
Number of issued shares	1,546,799,542	–	–
Total number of voting rights	–	1,541,482	–

Notes: 1. Common shares in "Shares less than one unit" include 805 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 September 30, 2016)

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	2,661,000	–	2,661,000	0.17
(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	–	2,818,000	–	2,818,000	0.18

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 second quarter of the fiscal year ending March 31, 2017 (from July 1, 2016 to September 30, 2016) and six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016) were reviewed 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, 2016		September 30, 2016
Assets				
Current assets				
Cash and deposits		106,536		80,355
Notes and accounts receivable - trade	*2	444,838	*2	337,257
Securities		1,403		3
Finished goods		23,537		26,558
Work in process		254,907		290,950
Raw materials and supplies		131,865		134,965
Other		148,468		130,658
Allowance for doubtful accounts		(11,048)		(4,209)
Total current assets		1,100,506		996,537
Non-current assets				
Property, plant and equipment				
Buildings and structures, net		142,597		140,571
Other, net		207,139		204,765
Total property, plant and equipment		349,736		345,336
Intangible assets				
Goodwill		22,043		17,516
Other		27,562		25,164
Total intangible assets		49,605		42,680
Investments and other assets				
Investment securities		139,463		134,540
Other		77,729		76,648
Allowance for doubtful accounts		(1,983)		(1,945)
Total investments and other assets		215,209		209,243
Total non-current assets		614,550		597,259
Total assets		1,715,056		1,593,796
Liabilities				
Current liabilities				
Notes and accounts payable - trade		297,499		272,707
Short-term loans payable		94,550		60,611
Commercial papers		5,000		—
Current portion of bonds		10,000		10,000
Income taxes payable		8,222		6,184
Advances received		180,352		197,746
Provision for bonuses		24,610		24,094
Provision for construction warranties		44,337		42,199
Provision for loss on construction contracts		53,223		48,425
Other provision		379		138
Other		164,597		115,286
Total current liabilities		882,769		777,390
Non-current liabilities				
Bonds payable		60,000		60,000
Long-term loans payable		187,085		195,176
Net defined benefit liability		154,968		157,421
Provision for loss on business of subsidiaries and affiliates		2,805		3,681
Other provision		1,377		1,133
Other		92,693		86,920
Total non-current liabilities		498,928		504,331
Total liabilities		1,381,697		1,281,721

(Millions of yen)

	March 31, 2016	September 30, 2016
Net assets		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	54,431	54,346
Retained earnings	144,789	139,407
Treasury shares	(565)	(532)
Total shareholders' equity	305,820	300,386
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,580	(175)
Deferred gains or losses on hedges	(377)	(668)
Revaluation reserve for land	5,423	5,422
Foreign currency translation adjustment	9,954	(3,029)
Remeasurements of defined benefit plans	(4,090)	(3,901)
Total accumulated other comprehensive income	12,490	(2,351)
Subscription rights to shares	758	863
Non-controlling interests	14,291	13,177
Total net assets	333,359	312,075
Total liabilities and net assets	1,715,056	1,593,796

(Translation purposes only)

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

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	688,271	691,799
Cost of sales	594,085	586,987
Gross profit	94,186	104,812
Selling, general and administrative expenses	*1 93,917	*1 92,856
Operating income	269	11,956
Non-operating income		
Interest income	435	472
Dividend income	809	856
Share of profit of entities accounted for using equity method	1,207	—
Reduction of accrued expenses for delayed delivery	—	4,014
Other income	2,170	2,230
Total non-operating income	4,621	7,572
Non-operating expenses		
Interest expenses	2,095	1,637
Share of loss of entities accounted for using equity method	—	410
Foreign exchange losses	2,023	6,481
Other expenses	4,802	5,901
Total non-operating expenses	8,920	14,429
Ordinary income (loss)	(4,030)	5,099
Profit (loss) before income taxes	(4,030)	5,099
Income taxes	(887)	9,164
Loss	(3,143)	(4,065)
Profit attributable to non-controlling interests	764	1,191
Loss attributable to owners of parent	(3,907)	(5,256)

(Translation purposes only)

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Loss	(3,143)	(4,065)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,043)	(1,727)
Deferred gains or losses on hedges	449	(237)
Revaluation reserve for land	6	—
Foreign currency translation adjustment	182	(13,870)
Remeasurements of defined benefit plans, net of tax	522	63
Share of other comprehensive income of entities accounted for using equity method	(372)	(506)
Total other comprehensive income	(2,256)	(16,277)
Comprehensive income	(5,399)	(20,342)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(6,565)	(20,008)
Comprehensive income attributable to non-controlling interests	1,166	(334)

(Translation purposes only)

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit (loss) before income taxes	(4,030)	5,099
Depreciation	26,970	28,057
Depreciation and amortization on other	2,131	2,698
Increase (decrease) in allowance for doubtful accounts	(447)	(1,226)
Increase (decrease) in provision for bonuses	(333)	(154)
Increase (decrease) in provision for construction warranties	3,571	(1,685)
Increase (decrease) in provision for loss on construction contracts	19,606	(4,798)
Increase (decrease) in net defined benefit liability	3,255	2,842
Interest and dividend income	(1,244)	(1,328)
Interest expenses	2,095	1,637
Foreign exchange losses (gains)	(564)	841
Loss (gain) on sales of short-term and long-term investment securities	(111)	―
Loss (gain) on valuation of short-term and long-term investment securities	17	838
Share of (profit) loss of entities accounted for using equity method	(1,207)	410
Loss on disposal of property , plant and equipment	341	98
Decrease (increase) in notes and accounts receivable - trade	18,977	98,004
Increase (decrease) in advances received	32,350	23,442
Decrease (increase) in advance payments	(8,033)	5,137
Decrease (increase) in inventories	(58,802)	(45,323)
Increase (decrease) in notes and accounts payable - trade	(38,593)	(19,029)
Increase (decrease) in accrued expenses	1,545	(39,382)
Decrease (increase) in other current assets	(11,996)	1,814
Increase (decrease) in other current liabilities	(1,993)	(5,722)
Decrease (increase) in consumption taxes refund receivable	8,847	(1,975)
Other, net	(909)	523
Subtotal	(8,557)	50,818
Interest and dividend income received	2,810	2,112
Interest expenses paid	(2,117)	(1,466)
Income taxes paid	(16,166)	(9,155)
Net cash provided by (used in) operating activities	(24,030)	42,309

(Translation purposes only)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from investing activities		
Decrease (increase) in time deposits	(1,908)	(647)
Purchase of short-term and long-term investment securities	(3,247)	(2,972)
Proceeds from sales of short-term and long term investment securities	500	1,412
Purchase of property, plant and equipment and intangible assets	(25,456)	(23,920)
Gain (loss) on sales or disposal of property,plant and equipment and intangible assets	228	247
Payments for transfer of business	―	(80)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	―	(1)
Decrease (increase) in short-term loans receivable	1,540	252
Payments of long-term loans receivable	(34)	(19)
Collection of long-term loans receivable	26	16
Decrease (increase) in other investments	(613)	(5,133)
Increase (decrease) in other non-current liabilities	587	284
Other, net	17	145
Net cash provided by (used in) investing activities	(28,360)	(30,416)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	32,386	(9,608)
Net increase (decrease) in commercial papers	28,000	(5,000)
Proceeds from long-term loans payable	12,261	25,737
Repayments of long-term loans payable	(19,636)	(38,508)
Proceeds from sales and leasebacks	612	62
Repayments of lease obligations	(1,906)	(1,927)
Decrease (increase) in treasury shares	(4)	―
Cash dividends paid	(4,621)	(11)
Proceeds from share issuance to non-controlling shareholders	1,061	840
Dividends paid to non-controlling interests	(2,087)	(1,620)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	―	(356)
Net cash provided by (used in) financing activities	46,066	(30,391)
Effect of exchange rate change on cash and cash equivalents	454	(8,598)
Net increase (decrease) in cash and cash equivalents	(5,870)	(27,096)
Cash and cash equivalents at beginning of period	92,527	103,611
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	272	761
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	357	―
Cash and cash equivalents at end of period	*1 87,286	*1 77,276

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, 2017, IHI Power System (Thailand)Co.,Ltd., Jiangsu IHI Fengdong Vacuum Technology Co.,Ltd and IHI Transport Machinery Taiwan Corporation are newly included in the scope of consolidation because their materiality within the IHI Group has increased. In addition, one subsidiary of Indigo TopCo Limited and one subsidiary of IHI Hauzer Techno Coating B.V. were newly established and are newly included in the scope of consolidation.

On the other hand, IHI Shibaura Technical Service Corporation was excluded from the scope of consolidation because it was merged into IHI Business Support Corporation and ceased to exist. In addition, Algae Systems,LLC. was excluded from the scope of consolidation because its whole equity interests were transferred.

From the second quarter of the fiscal year ending March 31, 2017, IHI Investment for Aero Engine Leasing LLC was newly established and is newly included in the scope of consolidation.

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

From the first quarter of the fiscal year ending March 31, 2017, Nanatsujima Biomass Power Limited Liability Company was newly established and is newly included in the scope of application of equity method.

(3) Changes to the fiscal year for consolidated subsidiaries

Effective from the fiscal year under review, the closing date of the fiscal year for 31 companies including JURONG ENGINEERING LIMITED has been changed from December 31 to March 31, and six companies including Changchun FAWER-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, 2016, 37 companies including JURONG ENGINEERING LIMITED have a nine-month accounting period.

In the period from January 1, 2016 through March 31, 2016 included in the six months ended September 30, 2016, net sales were ¥25,227 million, operating income was ¥2,798 million, ordinary income was ¥2,327 million, and profit before income taxes was ¥2,332 million.

(Changes in accounting policies)

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, IHI has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the first quarter ended June 30, 2016, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

As a result, the impact of this change on operating income, ordinary income and profit before income taxes for the six months ended September 30, 2016 was immaterial.

(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.

(Additional information)

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the first quarter ended June 30, 2016, IHI has applied the Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

(Translation purposes only)

(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, 2016		September 30, 2016	
UNIGEN Inc. (Note:2)	10,600	UNIGEN Inc. (Note:2)	11,000
Japanese Aero Engines Corporation ("JAEC")	6,406	Japanese Aero Engines Corporation ("JAEC")	5,255
ALPHA Automotive Technologies LLC	1,812	ALPHA Automotive Technologies LLC	1,621
IHI group health insurance society	689	IHI group health insurance society	689
Japan Aeroforge, Ltd.	590	Japan Aeroforge, Ltd.	560
Rio Bravo Fresno (Note: 3)	395	Contingent liabilities for employee housing loans	65
Rio Bravo Rocklin (Note: 3)	382	Contingent liabilities for lease contracts with customers of construction machineries	42
Contingent liabilities for employee housing loans	70	Chubu Segment Co., Ltd.	25
Contingent liabilities for lease contracts with customers of construction machineries	50		
Chubu Segment Co., Ltd.	25		
Total	21,019	Total	19,257

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

(Millions of yen)

March 31, 2016		September 30, 2016	
Contingent liabilities for employee housing loans	7,294	Contingent liabilities for employee housing loans	6,893
IHI group health insurance society	741	IHI group health insurance society	741
Total	8,035	Total	7,634

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. UNIGEN Inc. is an affiliated company of IHI whose main business is manufacturing drug substances for influenza vaccine. IHI guarantees a part of the debt related to cash for manufacturing facilities and working capital. In addition, research and development of the influenza vaccine has been carried out by Astellas Pharma Inc. and UMN Pharma Inc., parent company of UNIGEN Inc. Astellas Pharma Inc. made an application for manufacturing and marketing authorization to the Ministry of Health, Labour and Welfare in May, 2014, and it is under deliberation with reviewing authority.

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, 2016	September 30, 2016
Notes receivable - trade discounted in the ordinary course of business	264	628
Notes receivable - trade endorsed in the ordinary course of business	141	6

(Quarterly consolidated statement of income)

*1 Major selling general and administrative expense

The major items and amounts in selling general and administrative expense are as follows:

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Expenses in taking orders received	7,300	7,208
Provision of allowance for doubtful accounts	(384)	(1,097)
Salaries for directors and employees (Note)	35,083	36,680
Traveling and transportation expenses	3,512	3,449
Research and development expenses	16,339	13,044
Business consignment expenses	3,875	4,034
Contribution for expenses common to all business segments	2,249	2,118
Depreciation	4,594	4,991

Note: Salaries for directors and employees, included in provision for bonuses are ¥6,454 million and ¥5,598 million and retirement benefit expense, are ¥2,361 million and ¥2,590 million for the six months ended September 30, 2015 and 2016, respectively.

(Quarterly consolidated statement of cash flows)

*1 A reconciliation of cash and cash equivalents to the amounts shown in the quarterly consolidated balance sheet

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash and deposits	91,259	80,355
Time deposits due in more than three months	(3,842)	(3,071)
Collateral deposits	(136)	(8)
Investment trusts included in marketable securities	5	-
Cash and cash equivalents	87,286	77,276

(Shareholders' equity)

I. Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)

1. Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Cut off date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders on June 25, 2015	Common stock	4,631	3	March 31, 2015	June 26, 2015	Retained earnings

2. Dividends which the cut off date was in the six months ended September 30, 2015 and the effective date of which is after the end of the second quarter of the fiscal year ended March 31, 2016

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Cut off date	Effective date	Source of dividends
Meeting of the Board of Directors on November 4, 2015	Common stock	4,631	3	September 30, 2015	December 4, 2015	Retained earnings

II. Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Dividends paid

Not applicable

(Segment information)
Segment information

I. Six months ended September 30, 2015 (From April 1, 2015 to September 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	207,593	65,278	185,229	214,943	673,043	15,228	688,271	–	688,271
(2) Intersegment sales and transfers	2,372	1,217	5,060	1,635	10,284	10,497	20,781	(20,781)	–
Total	209,965	66,495	190,289	216,578	683,327	25,725	709,052	(20,781)	688,271
Segment profit (loss) (Operating income (loss))	5,230	(34,562)	3,938	31,023	5,629	(157)	5,472	(5,203)	269

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 ¥615 million and unallocated corporate expenses of negative ¥4,588 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)
Not applicable

(Material gain on negative goodwill)
Not applicable

(Translation purposes only)

II. Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)

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	205,890	63,120	197,811	204,424	671,245	20,554	691,799	—	691,799
(2) Intersegment sales and transfers	2,682	3,495	5,153	1,539	12,869	11,665	24,534	(24,534)	—
Total	208,572	66,615	202,964	205,963	684,114	32,219	716,333	(24,534)	691,799
Segment profit (loss) (Operating income (loss))	(6,853)	(19,926)	7,921	31,514	12,656	411	13,067	(1,111)	11,956

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 ¥67 million and unallocated corporate expenses of negative ¥1,044 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, process plants (storage facilities and chemical plants), nuclear power (components for nuclear power plants), environmental response systems, 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/industrial system (logistics system, industrial machinery), transport machinery, parking, thermal and surface treatment, vehicular turbocharger, rotating machinery (compressor, separation system, turbocharger for ships), construction machinery, agricultural machinery/small power systems, steel manufacturing equipment, paper-making machinery
Aero Engine, Space and Defense	Aero engines, rocket systems/space utilization systems (space-related equipment), defense systems

2. Matters about change and others in reportable segments

(Changes to the fiscal year for consolidated subsidiaries and others)

Effective from the fiscal year under review, the closing date of the fiscal year for 31 companies including JURONG ENGINEERING LIMITED has been changed from December 31 to March 31, and six companies including Changchun FAWER-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, 2016, 37 companies including JURONG ENGINEERING LIMITED have a nine-month accounting period.

In the period from January 1, 2016 through March 31, 2016 included in the six months ended September 30, 2016, sales for each segment were ¥10,982 million for the Resources, Energy and Environment segment, ¥371 million for the Social Infrastructure and Offshore Facility segment, and ¥11,781 million for the Industrial System and General-Purpose Machinery segment. Operating income was ¥615 million for the Resources, Energy and Environment segment, ¥17 million for the Social Infrastructure and Offshore Facility segment, and ¥2,050 million for the Industrial System and General-Purpose Machinery segment.

3. 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

(Financial instruments)

There are no significant changes to the amounts recorded in the quarterly consolidated balance sheet and other amounts associated with financial instruments, compared with the last day of the previous fiscal year.

(Securities)

There are no significant changes to the amounts recorded in the quarterly consolidated balance sheet and other amounts associated with securities, compared with the last day of the previous fiscal year.

(Derivatives)

There are no significant changes to the notional amount and amounts of other items of derivatives at the end of the quarter under review, compared with the last day of the previous fiscal year.

(Per share information)

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

	Six months ended September 30, 2015	Six months ended September 30, 2016
(1) Basic loss per share (Yen)	(2.53)	(3.40)
(Fundamentals)		
Amounts for loss attributable to owners of parent (Millions of yen)	(3,907)	(5,256)
Amounts for non-common shareholders (Millions of yen)	–	–
Amounts for loss attributable to owners of parent regarding common stock (Millions of yen)	(3,907)	(5,256)
Average number of shares of common stock (Thousands of shares)	1,543,542	1,544,105
(2) Diluted earnings per share (Yen)	–	–
(Fundamentals)		
Adjustment amount of loss attributable to owners of parent (Millions of yen)	–	–
Increase in number of shares of common stock (Thousands of shares)	–	–
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 material changes after the end of the previous fiscal year	–	–

Note: Diluted earnings per share for the six months end September 30 2015 and the six months ended September 30, 2016 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