

(Translation purposes only)

# Quarterly Securities Report

(The Second Quarter of 201st Term)

From July 1, 2017 to September 30, 2017

IHI Corporation

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Filing date	November 14, 2017
Quarterly accounting period	The Second Quarter of 201st term (from July 1, 2017 to September 30, 2017)
Company name	株式会社 I H I (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	200th term six months ended September 30, 2016	201st term six months ended September 30, 2017	200th term
Accounting period	From April 1, 2016 To September 30, 2016	From April 1, 2017 To September 30, 2017	From April 1, 2016 To March 31, 2017
Net sales (Millions of yen)	691,799	773,491	1,486,332
Ordinary profit (Millions of yen)	5,099	19,574	22,011
Profit (loss) attributable to owners of parent (Millions of yen)	(5,256)	6,882	5,247
Comprehensive income (Millions of yen)	(20,342)	12,323	4,628
Net assets (Millions of yen)	312,075	348,127	337,630
Total assets (Millions of yen)	1,593,796	1,660,148	1,692,831
Basic earnings (loss) per share (Yen)	(34.04)	44.57	33.98
Diluted earnings per share (Yen)	—	44.54	33.98
Equity ratio (%)	18.70	19.75	18.79
Cash flows from operating activities (Millions of yen)	42,309	43,144	65,373
Cash flows from investing activities (Millions of yen)	(30,416)	(4,685)	(28,961)
Cash flows from financing activities (Millions of yen)	(30,391)	(40,145)	(21,941)
Cash and cash equivalents at end of period (Millions of yen)	77,276	114,740	115,911

Term	200th term Second quarter of the fiscal year ending March 31, 2017	201st term Second quarter of the fiscal year ending March 31, 2018
Accounting period	From July 1, 2016 To September 30, 2016	From July 1, 2017 To September 30, 2017
Basic earnings (loss) per share (Yen)	(39.52)	(31.33)

- Notes:
- Summary of business results of the reporting company are not presented, because IHI prepares quarterly consolidated financial statements.
  - Net sales do not include consumption taxes.
  - Diluted earnings per share for 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.
  - IHI conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) on October 1, 2017. Basic earnings (loss) per share and diluted earnings per share have been calculated under the assumption that this consolidation of common shares was conducted on April 1, 2016.
  - Monetary amounts and ratios less than one unit are rounded off.

(Translation purposes only)

## 2. Description of business

IHI and its affiliated entities (149 consolidated subsidiaries and 30 affiliates accounted for using equity method as of September 30, 2017) 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, 2017, 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.

### (Industrial System and General-Purpose Machinery)

From the first quarter of the fiscal year ending March 31, 2018, one subsidiary of IHI Hauzer Techno Coating B.V. and New Metal Engineering, LLC were excluded from the scope of consolidation because their dissolution and liquidation.

### (Others)

From the first quarter of the fiscal year ending March 31, 2018, IHI New Energy Inc. was excluded from the scope of consolidation because its dissolution and liquidation.

(Translation purposes only)

## II. Overview of business

### 1. Business risks

There were no new occurrences of business risks in the six months ended September 30, 2017.

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, 2017.

(Translation purposes only)

### 3. Analysis of financial position, business results

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, 2017.

#### (1) Overview of business results

During the six months under review, the Japanese economy continued to be on a modest recovery track, as there were pick-ups in both capital investment and private consumption, among other factors. The global economy also continued to grow overall, particularly in the U.S. and Europe, despite rising uncertainties from the trend of U.S. policies and geopolitical risks such as those in East Asia.

Under this business environment, orders received of the IHI Group during the six months increased 11.7% from the previous corresponding period to ¥715.1 billion. Net sales increased 11.8% from the previous corresponding period to ¥773.4 billion. In terms of profit, operating profit increased ¥22.6 billion to ¥34.6 billion, as although there was a deterioration of profitability caused by delayed process schedule in large projects underway in North America in the Process plants Business, the issue of the deterioration of profitability related to the F-LNG/Offshore structure Business and Boiler Business in the previous corresponding period was resolved. Ordinary profit increased ¥14.4 billion to ¥19.5 billion. The reduced increase in ordinary profit was due to factors including the recording of expenses for delayed delivery as well as the posting of payments for contract adjustments for civil aero engines, despite the positive turn in foreign exchange gains/losses. Profit attributable to owners of parent was ¥6.8 billion, an increase of ¥12.1 billion from the previous corresponding period.

Also effective from the fiscal year under review, the closing date of the fiscal year of certain overseas consolidated subsidiaries has been changed from December 31 to March 31. As a result, those consolidated subsidiaries have a nine-month accounting period. The impact of these changes was an increase of ¥57.9 billion in net sales and an increase of ¥1.4 billion in operating profit (an increase of ¥25.2 billion in net sales and an increase of ¥2.7 billion in operating profit in previous fiscal year).

Results by reportable segment for the six months ended September 30, 2017 are as follows:

(Billions of yen)

Reportable segment	Orders received			Six months ended September 30, 2016		Six months ended September 30, 2017		Change from the previous corresponding period (%)	
	Six months ended September 30, 2016	Six months ended September 30, 2017	Change from the previous corresponding period (%)	Sales	Operating Profit (loss)	Sales	Operating Profit (loss)	Sales	Operating Profit (loss)
Resources, Energy and Environment	176.3	207.4	17.7	208.5	(6.8)	253.9	(5.0)	21.8	—
Social Infrastructure and Offshore Facility	73.6	67.5	(8.3)	66.6	(19.9)	66.6	5.6	0.1	—
Industrial System and General-Purpose Machinery	211.4	246.3	16.5	202.9	7.9	227.1	7.4	11.9	(6.1)
Aero Engine, Space and Defense	167.1	181.1	8.4	205.9	31.5	215.4	29.5	4.6	(6.3)
Total Reportable Segment	628.5	702.4	11.8	684.1	12.6	763.2	37.5	11.6	196.6
Others	34.2	38.4	12.2	32.2	0.4	30.1	(0.2)	(6.6)	—
Adjustment	(22.5)	(25.7)	—	(24.5)	(1.1)	(19.8)	(2.6)	—	—
Total	640.2	715.1	11.7	691.7	11.9	773.4	34.6	11.8	189.6

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<Resources, Energy and Environment>

Orders received increased from the previous corresponding period in the Boiler Business, while declined in the Process plants Business and the Nuclear power Business.

Sales increased owing to the progress of large-scale projects in the Process plants Business, and increased sales in the Boiler Business, the Nuclear power Business and the Power systems for land and marine use Business, and partly from the effect of the financial reporting periods unification (hereinafter “FRPU”).

In terms of operating profit/loss, there was a reduced deficit from the previous corresponding period due to solving the issue of the deterioration of profitability in the Boiler Business and the above-mentioned increases in sales, despite the recording of additional costs in projects underway in North America in the Process plants Business.

<Social Infrastructure and Offshore Facility>

Orders received declined from the previous corresponding period in the Shield systems Business and so on.

Sales were at the same level as the previous corresponding period, due to an increase in sales owing to effects of integration and construction progress in the Shield systems Business, offsetting declines in the Bridge/water gate Business.

Operating profit was in the black mainly as a result of eliminating the F-LNG/Offshore structure Business deficit recorded in the previous corresponding period, and so on.

<Industrial System and General-Purpose Machinery>

In terms of orders received, increases in the Vehicular turbocharger Business and the Thermal and surface treatment Business were partially offset by the impact from a transfer of the Construction machinery Business.

Sales increased owing to increases in the number of units sold in China for the Vehicular turbocharger Business, the effect of FRPU, and so on.

Operating profit was at the same level as the previous corresponding period, mainly due to the deterioration of profitability in the Rotating machinery Business, despite the above-mentioned increases in sales

<Aero Engine, Space and Defense>

Orders received increased from the previous corresponding period in the Aero engines Business and the Rocket systems/space utilization systems Business.

Net sales increased from the previous corresponding period for civil aero engines and the Rocket systems/space utilization systems Business.

Operating profit declined mainly due to the effect of an increase in sales of the new PW1100G engine and an increase in selling, general and administrative expenses, despite an increase in spare parts for civil aero engines and the positive turn in foreign exchange.

(2) Analysis of financial position

Total assets at the end of the second quarter under review were ¥1,660.1 billion, down ¥32.6 billion compared with the end of the previous fiscal year. The items with the most significant decreases were notes and accounts receivable - trade, down ¥29.4 billion, other current assets, down ¥15.1 billion, and investment securities, down ¥13.5 billion. The item with the most significant increase was work in process, up ¥30.4 billion.

Total liabilities were ¥1,312.0 billion, a decrease of ¥43.1 billion compared with the end of the previous fiscal year. The items with the most significant decreases were long-term loans payable, down ¥19.7 billion, provision for loss on construction contracts, down ¥13.9 billion, advances received, down ¥11.3 billion, and short-term loans payable, down ¥9.7 billion. The items with the most significant increases were notes and accounts payable - trade, up ¥6.5 billion, and provision for construction warranties, up ¥6.2 billion.

Net assets were ¥348.1 billion, up ¥10.4 billion compared with the end of the previous fiscal year. This includes profit attributable to owners of parent of ¥6.8 billion.

As a result of the above, the ratio of equity to total assets rose from 18.8% at the end of the previous fiscal year to 19.7%.

(3) Cash flows

At the end of the second quarter under review, the outstanding balance of cash and cash equivalents (hereinafter, “cash”) was ¥114.7 billion, a decrease of ¥1.1 billion from the end of the previous fiscal year.

Key factors influencing each cash flow during the six months ended September 30, 2017 are summarized below.



(Translation purposes only)

*Cash flows from operating activities*

Net cash provided by operating activities was ¥43.1 billion (The previous corresponding period: net increase of ¥42.3 billion). The main factors of increase were recognition of profit before income taxes of ¥18.2 billion, and depreciation of ¥28.1 billion, a decrease in notes and accounts receivable - trade of ¥30.9 billion and so on, while the main factors of decrease were an increase in inventories of ¥36.3 billion.

*Cash flows from investing activities*

Net cash used in investing activities was ¥4.6 billion (The previous corresponding period: net use of ¥30.4 billion). This was mainly due to purchase of property, plant and equipment and intangible assets of ¥24.4 billion, proceeds from sales and redemption of short-term and long-term investment securities of ¥19.3 billion, and so on.

*Cash flows from financing activities*

Net cash used in financing activities was ¥40.1 billion (The previous corresponding period: net use of ¥30.3 billion). This was mainly due to repayments of short-term loans payable of ¥29.0 billion, repayments of long-term loans payable of ¥17.4 billion, and so on.

(4) 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 second quarter ended September 30, 2017, the balance of interest bearing liabilities, including lease obligations, was ¥335.6 billion, down ¥36.2 billion from the end of the previous fiscal year. This primarily reflected collected accounts receivable and investments by selling investment securities.

At the end of the second quarter ended September 30, 2017, the outstanding balance of cash and cash equivalents was ¥114.7 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, 2017, the IHI Group spent ¥15.0 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, 2017.

(6) Management Policies, Management strategies, and Issues to be addressed

There were no significant changes with respect to management policies, management strategies, and issues to be addressed in the six months ended September 30, 2017.

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 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.

For the fiscal year under review, working to the slogan “restore trust and drive change,” the IHI Group is striving for the certain achievement of full-year results forecasts and management targets for fiscal 2018 set forth in “Group Management Policies 2016.” While setting up precautions against downside risk in operational performance through thorough risk management, the IHI Group will take measures based on the four policies mentioned above and seek to strengthen earnings foundations. In addition, the IHI Group will promote working style reforms aimed at improving labor productivity and so on.

In addition, in IHI Group’s process plant project underway in North America, due to increased amount of materials from the initial estimation, procurement and construction costs increased. Moreover delayed process schedule came out and it has come to necessitate the review of the whole plan of its construction. After incorporating the cost required to catch up on all the processes connected with these delays into financial results for the six months ended September 30, 2017, and the profitability of the project has deteriorated. Conducting detailed progress management including outsourcing management, IHI Group will reinforce of future project management system by assigning experts who have thorough knowledge of on-site construction in foreign countries, and minimize the risk of deterioration of profitability.

Concerning the IHI Group’s Nuclear power Business, IHI is engaged in the manufacture of equipment for two nuclear power plants located in the United States for major U.S. nuclear power company Westinghouse Electric

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Company LLC. However, for one of those nuclear power plants in South Carolina, construction has been halted, and on August 31, 2017, an application was submitted for the continuation of construction at the other nuclear power plant in Georgia. For a formal decision on this matter, it will be necessary to obtain approval from that state's regulatory authority, but in the meantime, IHI Group is taking all appropriate measures within its scope of work to facilitate the smooth recommencement of the project.

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

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### 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

Note: By resolutions of the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, IHI conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) on October 1, 2017. As a result, the total number of authorized shares is 300,000,000 shares down 3,000,000,000 shares from 3,300,000,000 shares.

##### (ii) Issued shares

Class	Number of issued shares as of the end of the second quarter (Shares) (September 30, 2017)	Number of issued shares as of the filing date (Shares) (November 14, 2017)	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	154,679,954	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 was 1,000 shares at the end of the second quarter, and it is 100 shares at the filing date.
Total	1,546,799,542	154,679,954	—	—

Notes: 1. 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, 2017 and the filing date of this Quarterly Securities Report.

2. By resolution of the meeting of the Board of Directors held on May 19, 2017, IHI has changed the number of shares constituting one unit from 1,000 shares to 100 shares on October 1, 2017.

3. By resolutions of the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, IHI conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) on October 1, 2017. As a result, the total number of issued shares is 154,679,954 shares down 1,392,119,588 shares from 1,546,799,542 shares.

##### (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 July 1, 2017 to September 30, 2017	—	1,546,799	—	107,165	—	54,520

Note: By resolutions of the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, IHI conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) on October 1, 2017. As a result, the total number of issued shares is 154,679,954 shares down 1,392,119,588 shares from 1,546,799,542 shares.

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(6) Major shareholders

(As of September 30, 2017)

Name	Address	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Holder in Trust)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	75,001	4.84
Japan Trustee Services Bank, Ltd. (Holder in Trust)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	72,620	4.69
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
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)	47,544	3.07
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)	37,986	2.45
Japan Trustee Services Bank, Ltd. (Holder in Trust 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	30,155	1.94
Japan Trustee Services Bank, Ltd. (Holder in Trust 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	29,015	1.87
IHI Customer Stock Ownership Association	1-1, Toyosu 3-chome, Koto-ku, Tokyo	25,380	1.64
Total	-	473,163	30.58

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 The Master Trust Bank of Japan, Ltd. (Holder in Trust), Japan Trustee Services Bank, 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., Japan Trustee Services Bank, Ltd. (Holder in Trust 9) and Japan Trustee Services Bank, Ltd. (Holder in Trust 5) are held through trusts.

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(7) Voting rights

(i) Issued shares

(As of September 30, 2017)

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 2,511,000	–	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 1,541,747,000	1,541,747	Same as above
Shares less than one unit	Common shares 2,384,542	–	Shares less than one unit (1,000 shares)
Number of issued shares	1,546,799,542	–	–
Total number of voting rights	–	1,541,747	–

- Notes:
1. Common shares in “Shares less than one unit” include 641 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.”
  3. By resolution of the meeting of the Board of Directors held on May 19, 2017, IHI has changed the number of shares constituting one unit from 1,000 shares to 100 shares on October 1, 2017.
  4. By resolutions of the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, IHI conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) on October 1, 2017. As a result, the total number of issued shares is 154,679,954 shares down 1,392,119,588 shares from 1,546,799,542 shares.
  5. The number of Shares with full voting rights (others) includes 1,110,000 shares of IHI owned by a trust account for the Board Benefit Trust (BBT).

(ii) Treasury shares, etc.

(As of September 30, 2017)

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	2,511,000	–	2,511,000	0.16
(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	–	2,668,000	–	2,668,000	0.17

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Notes: 1,110,000 shares of IHI owned by a trust account for the Board Benefit Trust (BBT) are not included in above shares in treasury.

2. Information about directors and auditors

Not applicable

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

(Translation purposes only)

#### 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, 2018 (from July 1, 2017 to September 30, 2017) and six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017) 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)

	As of March 31, 2017	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	118,909	116,894
Notes and accounts receivable - trade	*2 403,094	*2,*3 373,665
Finished goods	20,719	24,696
Work in process	272,823	303,267
Raw materials and supplies	123,726	125,239
Other	140,016	124,850
Allowance for doubtful accounts	(5,445)	(5,528)
Total current assets	1,073,842	1,063,083
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	136,801	133,548
Other, net	205,607	206,926
Total property, plant and equipment	342,408	340,474
Intangible assets		
Goodwill	16,166	14,133
Other	24,990	23,885
Total intangible assets	41,156	38,018
Investments and other assets		
Investment securities	134,676	121,169
Other	102,433	99,076
Allowance for doubtful accounts	(1,684)	(1,672)
Total investments and other assets	235,425	218,573
Total non-current assets	618,989	597,065
Total assets	1,692,831	1,660,148
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	285,937	*3 292,474
Short-term loans payable	104,111	94,376
Commercial papers	5,000	—
Current portion of bonds	10,000	10,000
Income taxes payable	5,674	12,130
Advances received	208,907	197,586
Provision for bonuses	23,714	24,624
Provision for construction warranties	47,939	54,195
Provision for loss on construction contracts	37,324	23,337
Other provision	248	247
Other	147,394	143,779
Total current liabilities	876,248	852,748
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	182,495	162,760
Net defined benefit liability	150,920	153,595
Provision for loss on business of subsidiaries and affiliates	1,149	1,192
Other provision	1,308	951
Other	93,081	90,775
Total non-current liabilities	478,953	459,273
Total liabilities	1,355,201	1,312,021



(Translation purposes only)

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Net assets		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	53,510	53,508
Retained earnings	149,832	156,714
Treasury shares	(513)	(910)
Total shareholders' equity	309,994	316,477
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,892	3,250
Deferred gains or losses on hedges	(277)	(89)
Revaluation reserve for land	5,427	5,427
Foreign currency translation adjustment	1,298	3,818
Remeasurements of defined benefit plans	(1,171)	(1,066)
Total accumulated other comprehensive income	8,169	11,340
Subscription rights to shares	843	834
Non-controlling interests	18,624	19,476
Total net assets	337,630	348,127
Total liabilities and net assets	1,692,831	1,660,148

(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, 2016	Six months ended September 30, 2017
Net sales	691,799	773,491
Cost of sales	586,987	640,486
Gross profit	104,812	133,005
Selling, general and administrative expenses	*1 92,856	*1 98,383
Operating profit	11,956	34,622
Non-operating income		
Interest income	472	825
Dividend income	856	615
Foreign exchange gains	—	393
Reversal of accrued expenses for delayed delivery	4,014	—
Other income	2,230	1,155
Total non-operating income	7,572	2,988
Non-operating expenses		
Interest expenses	1,637	1,524
Share of loss of entities accounted for using equity method	410	11
Foreign exchange losses	6,481	—
Payments for contract adjustments for civil aero engines	—	*2 6,488
Expenses for delayed delivery	—	4,707
Other expenses	5,901	5,306
Total non-operating expenses	14,429	18,036
Ordinary profit	5,099	19,574
Extraordinary income		
Gain on transfer of business	—	*3 1,586
Total extraordinary income	—	1,586
Extraordinary losses		
Settlement-related expenses related to boiler facilities in customer's commercial operation	—	*4 2,932
Total extraordinary losses	—	2,932
Profit before income taxes	5,099	18,228
Income taxes	9,164	9,390
Profit (loss)	(4,065)	8,838
Profit attributable to non-controlling interests	1,191	1,956
Profit (loss) attributable to owners of parent	(5,256)	6,882

(Translation purposes only)

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit (loss)	(4,065)	8,838
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,727)	355
Deferred gains or losses on hedges	(237)	(94)
Foreign currency translation adjustment	(13,870)	2,754
Remeasurements of defined benefit plans, net of tax	63	32
Share of other comprehensive income of entities accounted for using equity method	(506)	438
Total other comprehensive income	(16,277)	3,485
Comprehensive income	(20,342)	12,323
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(20,008)	10,053
Comprehensive income attributable to non- controlling interests	(334)	2,270

(Translation purposes only)

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,099	18,228
Depreciation	28,057	28,173
Depreciation and amortization on other	2,698	2,927
Increase (decrease) in allowance for doubtful accounts	(1,226)	44
Increase (decrease) in provision for bonuses	(154)	844
Increase (decrease) in provision for construction warranties	(1,685)	6,049
Increase (decrease) in provision for loss on construction contracts	(4,798)	(13,876)
Increase (decrease) in net defined benefit liability	2,842	2,998
Interest and dividend income	(1,328)	(1,440)
Interest expenses	1,637	1,524
Foreign exchange losses (gains)	841	(93)
Loss (gain) on sales of short-term and long-term investment securities	—	(5)
Loss (gain) on valuation of short-term and long-term investment securities	838	—
Share of (profit) loss of entities accounted for using equity method	410	11
Loss (gain) on disposal of property, plant and equipment	98	576
Loss (gain) on transfer of business	—	(1,586)
Decrease (increase) in notes and accounts receivable - trade	98,004	30,940
Increase (decrease) in advances received	23,442	(11,466)
Decrease (increase) in advance payments	5,137	8,688
Decrease (increase) in inventories	(45,323)	(36,323)
Increase (decrease) in notes and accounts payable - trade	(19,029)	4,928
Increase (decrease) in accrued expenses	(39,382)	3,180
Decrease (increase) in other current assets	1,814	824
Increase (decrease) in other current liabilities	(5,722)	(2,742)
Decrease (increase) in consumption taxes refund receivable	(1,975)	321
Other, net	523	1,777
Subtotal	50,818	44,501
Interest and dividend income received	2,112	1,585
Interest expenses paid	(1,466)	(1,466)
Income taxes paid	(9,155)	(1,476)
Net cash provided by (used in) operating activities	42,309	43,144

(Translation purposes only)

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
<b>Cash flows from investing activities</b>		
Decrease (increase) in time deposits	(647)	897
Purchase of short-term and long-term investment securities	(2,972)	(4,447)
Proceeds from sales and redemption of short-term and long-term investment securities	1,412	19,311
Purchase of property, plant and equipment and intangible assets	(23,920)	(24,425)
Gain (loss) on sales or disposal of property, plant and equipment and intangible assets	247	544
Payments for transfer of business	(80)	—
Proceeds from transfer of business	—	2,347
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(1)	—
Decrease (increase) in short-term loans receivable	252	(257)
Payments of long-term loans receivable	(19)	(8)
Collection of long-term loans receivable	16	10
Decrease (increase) in other investments	(5,133)	820
Increase (decrease) in other non-current liabilities	284	526
Other, net	145	(3)
Net cash provided by (used in) investing activities	(30,416)	(4,685)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(9,608)	(29,060)
Net increase (decrease) in commercial papers	(5,000)	(5,000)
Proceeds from long-term loans payable	25,737	15,964
Repayments of long-term loans payable	(38,508)	(17,476)
Proceeds from sales and leasebacks	62	—
Repayments of lease obligations	(1,927)	(2,741)
Payments made to trust account for acquisition of treasury shares	—	(408)
Cash dividends paid	(11)	(8)
Proceeds from share issuance to non-controlling shareholders	840	688
Dividends paid to non-controlling interests	(1,620)	(2,104)
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	(30,391)	(40,145)
Effect of exchange rate change on cash and cash equivalents	(8,598)	543
Net increase (decrease) in cash and cash equivalents	(27,096)	(1,143)
Cash and cash equivalents at beginning of period	103,611	115,911
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	761	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(28)
Cash and cash equivalents at end of period	*1 77,276	*1 114,740

(Translation purposes only)

## 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, 2018, one subsidiary of IHI Hauzer Techno Coating B.V., New Metal Engineering, LLC and IHI New Energy Inc. were excluded from the scope of consolidation because their dissolution and liquidation.

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

Not applicable

(3) Changes to the fiscal year for consolidated subsidiaries

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

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

In the period from January 1, 2017 through March 31, 2017 included in the six months ended September 30, 2017, net sales were ¥57,966 million, operating profit was ¥1,430 million, ordinary profit was ¥1,392 million, and profit before income taxes was ¥1,387 million.

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates and changes in accounting estimates)

(Change in method of depreciation and residual value)

Up until now, IHI and some of its consolidated subsidiaries in Japan have been using the declining-balance method (however, the straight-line method has been used for lend-lease properties, buildings acquired on or after April 1, 1998 [not including facilities attached to buildings], and both facilities attached to buildings and structures acquired on or after April 1, 2016) as the depreciation method for property, plant and equipment. However, IHI and the consolidated subsidiaries have changed the depreciation method for property, plant and equipment to the straight-line method from the first quarter under review.

The IHI Group, in line with the “Group Management Policies 2016,” a three-year medium-term management plan with fiscal 2016 as the first year, is working to secure sources of earnings by concentrating investment in growth fields in order to strengthen its earnings foundations and improve production efficiency through reform of quality systems and operational systems aimed at strengthening manufacturing capabilities and enhancement of shared Group functions.

As part of this, in addition to expansion of production capabilities targeting the launch of mass production of new aero-engine models, in all business areas there has been progress on the establishment of platforms that will enable more efficient production by utilizing ICT. Under these circumstances, based on the fact that long-term, stable operation of domestic production facilities, etc. is expected, in order to appropriately allocate costs the IHI Group has decided that it is more appropriate to use the straight-line method as the depreciation method. Furthermore, in conjunction with the change in the depreciation method, for certain property, plant and equipment, the residual value has been changed to the scrap value based on consideration of the value at the time the asset is retired.

The resulting effect on operating profit, ordinary profit and profit before income taxes for the six months under review is 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)

(Performance-based share remuneration plan)

Through resolutions passed at the 200th Ordinary General Meeting of Shareholders, held on June 23, 2017, and at the Board of Directors meeting held on the same day, IHI introduced a performance-based share remuneration plan (“Board Benefit Trust” or “BBT”) for directors (excluding outside directors). The purpose of the plan is to strengthen the linkage

(Translation purposes only)

between a portion of directors' remuneration and IHI's medium- to long-term performance, and further incentivize directors to contribute to boosting IHI Group's corporate value over the medium to long term. Also, based on a resolution passed at the same Board of Directors meeting, IHI adopted a plan with the same purport of the aforementioned plan for the executive officers of IHI (hereinafter, the aforementioned plan for directors and this plan for the executive officers will be collectively referred to as the "Plan").

Concerning the accounting treatment of the Board Benefit Trust, the gross method has been applied in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015).

#### 1) Overview of the transaction

The Plan is a system by which directors and executive officers satisfying certain requirements will have IHI's shares and money equivalent to the market value of IHI's shares (hereinafter collectively with IHI's shares, the "IHI's shares, etc.") transferred to them in accordance with the rules for transfer of shares prescribed in advance by IHI. Each year, IHI will award points, which will be the basis for transferring the IHI's shares, etc., to directors and executive officers. After the end of three consecutive fiscal years of which the initial year is the fiscal year to which the date of the award belongs, awarded points will be adjusted based on the degree of achievement of designated performance indicators determined by IHI's Board of Directors, and IHI's shares, etc. equivalent to the number of adjusted points will be transferred to directors and executive officers. In order to transfer IHI's shares, etc. to directors and executive officers, IHI has established a trust in advance with funds contributed by IHI, and this trust acquires IHI's shares and manages them separately.

#### 2) Shares remaining in the trust

In conjunction with the adoption of the Plan, during the second quarter under review, Trust & Custody Services Bank, Ltd. acquired 1,110,000 of IHI's shares.

IHI has recorded the IHI shares remaining in the trust as treasury shares in net assets at the book value (excluding the amount of associated expenses) of the trust. At the end of the second quarter under review, there were 1,110,000 treasury shares with a book value of ¥406 million.

In addition, IHI conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) with an effective date of October 1, 2017. The number of IHI shares in the trust following the share consolidation is 111,000.

(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, 2017		September 30, 2017	
Japanese Aero Engines Corporation ("JAEC")	6,766	Japanese Aero Engines Corporation ("JAEC")	7,107
ALPHA Automotive Technologies LLC	1,543	ALPHA Automotive Technologies LLC	1,595
IHI group health insurance society	590	IHI group health insurance society	590
Japan Aeroforge, Ltd.	531	Japan Aeroforge, Ltd.	502
Contingent liabilities for employee housing loans	67	Contingent liabilities for employee housing loans	64
Chubu Segment Co., Ltd.	25	Chubu Segment Co., Ltd.	25
Total	9,522	Total	9,883

(2) Contingent liabilities arising from guarantees in kind for debts (Note: 1)

(Millions of yen)			
March 31, 2017		September 30, 2017	
Contingent liabilities for employee housing loans	6,515	Contingent liabilities for employee housing loans	6,226
IHI group health insurance society	641	IHI group health insurance society	641
Turbo Systems United Co., Ltd.	80		
Total	7,236	Total	6,867

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.



(Translation purposes only)

\*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, 2017	September 30, 2017
Notes receivable - trade discounted in the ordinary course of business	377	22
Notes receivable - trade endorsed in the ordinary course of business	10	65

\*3. Notes maturing on balance sheet date

Accounting of notes maturing on the last day of quarter is settled on the clearing date.

Because the last day of the second quarter ended September 30, 2017 fell on a bank holiday, the following such notes that matured on the last day of quarter are included in the balance on the last day of the second quarter ended September 30, 2017.

	(Millions of yen)	
	March 31, 2017	September 30, 2017
Notes receivable - trade	-	1,608
Notes payable - trade	-	1,439

(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, 2016	Six months ended September 30, 2017
Expenses in taking orders received	7,208	7,872
Provision of allowance for doubtful accounts	(1,097)	283
Salaries for directors and employees (Note)	36,680	37,263
Traveling and transportation expenses	3,449	3,293
Research and development expenses	13,044	14,303
Business consignment expenses	4,034	4,880
Contribution for expenses common to all business segments	2,118	2,083
Depreciation	4,991	5,026

Note: Salaries for directors and employees include provision for bonuses of ¥5,598 million and retirement benefit expenses of ¥2,590 million for the previous fiscal years ended September 30, 2016 and provision for bonuses of ¥6,077 million and retirement benefit expenses of ¥2,220 million for the current fiscal year ended September 30, 2017.

\*2. Payments for contract adjustments for civil aero engines

Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

IHI faces one-time expenses in connection with contracts with customers relating to engine programs in which IHI is participating. These expenses arose from the new requirement to allocate a portion of the engines planned to be delivered to customers for use as spare engines for operational support. Accordingly, IHI expects these program expenses to be ¥6,488 million, and has recorded this amount as non-operating expenses.

\*3. Gain on transfer of business

Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

IHI transferred its Machinery for ships Business to IKNOW MACHINERY CO., LTD. at May 1, 2017. Also, IHI Shibaura Machinery Corporation (now IHI Agri-Tech Corporation), a wholly owned subsidiary of IHI, transferred its Fire fighting equipment Business to New Horizon Capital Co., Ltd.. The gains caused by these transfer have been recorded as gain on transfer of business in extraordinary income.

\*4. Settlement-related expenses related to boiler facilities in customer's commercial operation

Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

Concerning boiler facilities that IHI manufactured and delivered to Malaysia in the past, a lawsuit was filed against IHI and consolidated subsidiaries in 2015, regarding liabilities for accidents involving boilers damage that occurred during customer's commercial operation. IHI determined that the path of reaching an early resolution and reducing legal risks was in IHI's best interest. This case was settled by agreeing to bear a portion of the amount incurred by the accident. As a result, IHI recorded the expected settlement package and lawyer fees, etc. of ¥2,932 million as extraordinary losses.

(Translation purposes only)

(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, 2016	Six months ended September 30, 2017
Cash and deposits	80,355	116,894
Time deposits due in more than three months	(3,071)	(2,152)
Collateral deposits	(8)	(2)
Cash and cash equivalents	77,276	114,740

(Shareholders' equity)

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

1. Dividends paid

Not applicable

2. Dividends which the cutoff date was in the six months ended September 30, 2016 and the effective date of which is after the end of the second quarter of the fiscal year ended March 31, 2017

Not applicable

II. Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

1. Dividends paid

Not applicable

2. Dividends which the cutoff date was in the six months ended September 30, 2017 and the effective date of which is after the end of the second quarter of the fiscal year ended March 31, 2018

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Cutoff date	Effective date	Source of dividends
Meeting of the Board of Directors on November 1, 2017	Common stock	4,633	3	September 30, 2017	December 4, 2017	Retained earnings

- Notes:
1. Total dividends resolved on meeting of the Board of Directors on November 1, 2017 include 3 millions of yen which are dividends for shares of IHI owned by a trust account for the Board Benefit Trust (BBT).
  2. IHI conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) on October 1, 2017. Consequently, dividends per share are calculated without factoring in the consolidation of shares.

(Translation purposes only)

(Segment information)

Segment information

I. 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 Infrastructu re 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.

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 gain on bargain purchase by reportable segment

(Material impairment loss of non-current assets)

Not applicable

(Material change in goodwill amount)

Not applicable

(Material gain on bargain purchase)

Not applicable

(Translation purposes only)

II. Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

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

Notes: 1. The “Others” classification consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations.

2. Adjustment of segment profit represents intersegment transactions of ¥365 million and unallocated corporate expenses of negative ¥2,991 million.

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

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 systems, transport system, concrete construction materials, urban development (real estate sales and rental), F-LNG (floating LNG storage facilities, offshore structures)
Industrial System and General-Purpose Machinery	Logistics/industrial system (logistics system, industrial machinery), transport machinery, parking, thermal and surface treatment, vehicular turbocharger, rotating machinery (compressor, separation system, turbocharger for ships), 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 47 companies including IHI INC. has been changed from December 31 to March 31, and eight companies including Wuxi IHI Turbo Co., Ltd. have been consolidated using March 31 as a provisional closing date.

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

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

(Change in adjustment method of intersegment transactions associated with organizational change)

(Translation purposes only)

In April 2017, the previous business management structure consisting of one business division and eight sectors was abolished and operations were organized into the four business areas of “Resources, Energy and Environment,” “Social Infrastructure and Offshore Facility,” “Industrial System and General-Purpose Machinery” and “Aero Engine, Space and Defense.” As a result of the above, the IHI Group has made these four business areas its reportable segments.

As a result of reviewing the adjustment method for intersegment transactions in order to more appropriately evaluate the earnings of each business area, intersegment sales and transfers for each segment in the six months ended September 30, 2017 decreased by ¥1,775 million for the Resources, Energy and Environment segment, ¥597 million for the Industrial System and General-Purpose Machinery segment, and increased by ¥2,372 million for adjustment. The impact on operating profit/loss was immaterial.

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

(Material impairment loss of non-current assets)

Not applicable

(Material change in goodwill amount)

Not applicable

(Material gain on bargain purchase)

Not applicable

(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.

(Translation purposes only)

(Per share information)

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

	Six months ended September 30, 2016	Six months ended September 30, 2017
(1) Basic earnings(loss) per share (Yen)	(34.04)	44.57
(Fundamentals)		
Amounts for profit(loss) attributable to owners of parent (Millions of yen)	(5,256)	6,882
Amounts for non-common shareholders (Millions of yen)	—	—
Amounts for profit(loss) attributable to owners of parent regarding common stock (Millions of yen)	(5,256)	6,882
Average number of shares of common stock (Thousands of shares)	154,410	154,398
(2) Diluted earnings per share (Yen)	—	44.54
(Fundamentals)		
Adjustment amount of profit (loss) attributable to owners of parent (Millions of yen)	—	—
Increase in number of shares of common stock (Thousands of shares)	—	123
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	—	—

- Notes: 1. Diluted earnings per share for 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.
2. IHI conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) on October 1, 2017. Basic earnings (loss) per share and diluted earnings per share have been calculated under the assumption that this consolidation of common shares was conducted on April 1, 2016.
3. The number of treasury shares excluded from the calculation of the average number of shares, includes shares owned by a trust account for the Board Benefit Trust (BBT). The average number of treasury shares outstanding during the period excluded from the calculation of basic earnings per share at ended September 30, 2017 is 111,000 shares (the number of shares following share consolidation).

(Significant subsequent events)

Not applicable

## 2. Others

At the Board of Directors' meeting held on November 1, 2017, the following details concerning the interim dividend were resolved.

Total amount allocated for the interim dividend 4,633 millions of yen  
Dividends per share 3 yen  
Effective date and payment date December 4, 2017

Note: 1. The interim dividend is paid to shareholders or registered pledgees of shares whose names are written in the shareholder register as of September 30, 2017.

2. "Dividends per share" are the amount calculated without factoring in the consolidation of shares with the effective date of October 1, 2017 because the cutoff date is September 30, 2017.

(Translation purposes only)

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

Not applicable