IHI

IHI Corporation

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Tokyo 135-8710, Japan
August 4, 2015

CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS ENDED JUNE 30, 2015 <Japanese GAAP>

IHI Corporation (IHI) is listed on the First Section of the Tokyo Stock Exchange, Nagoya Stock Exchange, Sapporo Securities Exchange and Fukuoka Stock Exchange with the securities code number 7013.

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Submission of Quarterly Securities Report: August 12, 2015 (planned)
Preparing supplementary material on quarterly financial results: Yes
Holding quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

This consolidated financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures are in Japanese yen rounded to the nearest millions.

1. CONSOLIDATED PERFORMANCE FOR THE THREE MONTHS ENDED JUNE 30, 2015 (APRIL 1, 2015 to JUNE 30, 2015)

(1) Consolidated Business Results

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

	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
Three months ended June 30, 2015	**340,762**	**21.2**	**20**	**(99.9)**	**(428)**	—
Three months ended June 30, 2014	281,272	11.2	15,176	94.7	12,168	(20.0)

	Profit Attributable to Owners of Parent	Percentage Change	Basic earnings per share (Yen)	Diluted earnings per share (Yen)
Three months ended June 30, 2015	**(48)**	—	**(0.03)**	—
Three months ended June 30, 2014	6,530	(28.7)	4.23	4.23

(Note) Comprehensive income
Three months ended June 30, 2015: ¥87 million (98.8)%
Three months ended June 30, 2014: ¥7,362 million (52.1)%

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity to Total Assets
June 30, 2015	**1,702,297**	**354,634**	**20.0**
March 31, 2015	1,690,882	359,595	20.5

(Reference) Equity at the end of the period (consolidated)
June 30, 2015: ¥340,626 million
March 31, 2015: ¥345,794 million

2. DIVIDENDS

(Yen)

	Dividends per Share				
(Record Date)	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-end	Annual
Fiscal year ended March 31, 2015	—	3.00	—	3.00	6.00
Fiscal year ending March 31, 2016	—	―――	―――	―――	―――
Fiscal year ending March 31, 2016 (Forecast)	―――	3.00	—	3.00	6.00

(Note) Revisions to the dividend forecasts most recently announced: Not applicable

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

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Basic earnings per share (Yen)
First Half of the Fiscal Year	700,000	13.6%	20,000	(30.9)%	14,000	(56.7)%	6,000	(71.4)%	3.89
Full-year	1,580,000	8.5%	75,000	18.6%	63,000	11.4%	39,000	329.4%	25.27

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

* NOTES

(1) Changes in significant subsidiaries during the three months under review (Changes in specified subsidiaries accompanying changes in scope of consolidation): Not applicable

(2) Application of special accounting for preparing quarterly consolidated financial statements: Yes

(Note) For details, please refer to “(2) APPLICATION OF SPECIAL ACCOUNTING FOR PREPARING QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS” of “2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)” on page 8.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

(i) Changes in accounting policies due to revisions to accounting standards: Yes
(ii) Changes in accounting policies due to other reasons: Not applicable
(iii) Changes in accounting estimates: Not applicable
(iv) Restatement of prior period financial statements after error corrections: Not applicable

(Note) For details, please refer to “(3) CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES, AND RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS AFTER ERROR CORRECTIONS” of “2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)” on page 8.

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

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

As of June 30, 2015	1,546,799,542 shares
As of March 31, 2015	1,546,799,542 shares

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

As of June 30, 2015	3,292,532 shares
As of March 31, 2015	3,290,432 shares

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

Three months ended June 30, 2015	1,546,799,542 shares
Three months ended June 30, 2014	1,543,479,802 shares

* Indication regarding execution of quarterly review procedures

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

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

Earnings estimates made in this report and other statements that are not historical facts are forward-looking statements about the future performance of the IHI Group. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not place undue reliance on them. IHI cautions that a number of important factors such as political and general economic conditions and currency exchange rates could cause actual results to differ materially from those discussed in the forward-looking statements, etc. For preconditions for forecast of results, please refer to "(3) EXPLANATION REGARDING FUTURE PREDICTION INFORMATION SUCH AS CONSOLIDATED FORECASTS OF RESULTS" of "1. QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS" on page 7.

1. QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

(1) EXPLANATION REGARDING BUSINESS RESULTS

A. Summary of consolidated performance for the three months ended June 30, 2015

In the three months under review, the Japanese economy continued on a track of moderate recovery with capital investment increasing moderately amid improving corporate earnings and private consumption also showing an underlying firmness.
The global economy outside of Japan, moreover, is recovering overall, particularly in the developed countries, despite weakening growth in China and emerging countries.

Under this business environment, orders received of the IHI Group during the three months increased 8.5% from the previous corresponding period to ¥301.0 billion. Net sales rose 21.2% to ¥340.7 billion. Operating income deteriorated ¥15.1 billion compared with the previous corresponding period to ¥20 million due to the impact of deterioration of profitability of some projects received in the Social Infrastructure and Offshore Facility segment. Despite improvements in share of profit (loss) of entities accounted for using equity method and foreign exchange losses (gains), an ordinary loss of ¥428 million was reported, a deterioration from the previous corresponding period of ¥12.5 billion. Loss attributable to owners of parent was ¥48 million, a deterioration of ¥6.5 billion compared with the previous corresponding period.
Effective from the three months under review, the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), etc. are applied, and "Net income" or "Net loss" is now presented as "Profit attributable to owners of parent" or "Loss attributable to owners of parent."

Results by reportable segment during the three months under review are as follows:

(Billions of yen)

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

Resources, Energy and Environment
Orders received increased from the previous corresponding period, owing to an increase in orders for large projects for Boiler Business and for Power systems for land and marine use Business, partially offset by a decrease in orders for Environmental response systems Business.
Sales increased from the previous corresponding period owing to increases in Gas processes Business, and Power systems for land and marine use Business.
The resulting operating loss was a reduced deficit compared with the previous corresponding period, owing to the effects of an increase in sales and yen depreciation in foreign exchange.

Social Infrastructure and Offshore Facility
Orders received decreased from the previous corresponding period, owing to a comparative lull following a large order received in the previous corresponding period for F-LNG/Offshore structure Business, and also a decline in Bridge Business.
Sales decreased from the previous corresponding period owing to decreases in Bridge Business and Urban development Business, partially offset by an increase for F-LNG/Offshore structure Business.
Operating income/loss deteriorated significantly compared with the previous corresponding period owing to poor profitability for some projects received for F-LNG/Offshore structure Business, and the recording of additional costs concerning an accident at the Izmit Bay Crossing Bridge construction project in Turkey that occurred in the previous fiscal year.
In F-LNG/Offshore structure Business, there was an increase in catch-up expenses to respond to construction process delays accompanying repeated drawing revisions for the drill ship for Singapore. Because of the drill ship related process delays, moreover, it became difficult to secure working areas for later construction work. As a result, it became necessary to outsource overseas part of the shipbuilding project for FPSO (Floating Production Storage and Offloading Unit) for Norway, and with the outsourcing expenses and transfer costs increasing, the profitability of the project deteriorated significantly. Currently, F-LNG/Offshore structure Business is taking further steps to prevent the adverse situation from escalating.

Industrial System and General-Purpose Machinery
Orders received increased from the previous corresponding period owing to increases in Transport machinery Business and Vehicular turbocharger Business.
Sales increased from the previous corresponding period, owing to increases in Vehicular turbocharger Business, Thermal and surface treatment Business and Parking Business.
Operating income decreased from the previous corresponding period owing to an increase in selling, general and administrative expenses such as R&D expenses, partially offset by the above-mentioned sales increases.

Aero Engine, Space and Defense
Orders received decreased from the previous corresponding period owing to decreases in Aero engines Business and Rocket systems/space utilization systems Business.
Sales increased from the previous corresponding period, owing to increases in civil aero engines as a result of the effect of yen depreciation in foreign exchange, and a delivery of gas turbines for naval vessels in Defense systems Business.
Operating income increased from the previous corresponding period owing to the above-mentioned effect from sales increases, partially offset by increases in expenses such as R&D expenses for the GE9X aero engine for the next-generation wide-body jet.

B. Current status and outlook of management strategies

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

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

In fiscal year 2015, the IHI Group will strive to minimize the aforementioned effects and improved risk control will be ensured by sharing information to help avoid low-profit projects by learning from and then applying the lessons of past experiences. In addition, we will use this year, which is the final year of "Group Management Policies 2013," to achieve business targets set under this plan and ensure future growth by making Group-wide concerted efforts to implement the following measures:

a. Strengthening Collaboration among Shared Group Functions and Business Fields
b. Increase Value for Customers and Secure Orders Steadily
c. Reform Business Models to Create More Profitable Structures
d. Allocate Management Resources to Achieve Growth
e. Reform Business Processes to Create Value

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

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

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

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

(2) EXPLANATION REGARDING CONSOLIDATED FINANCIAL POSITION

Assets and liabilities, and net assets

Total assets at the end of the first quarter under review were ¥1,702.2 billion, up ¥11.4 billion compared with the end of the previous fiscal year. The item with the most significant increase was work in process, up ¥30.4 billion, while the item with the most significant decrease was notes and accounts receivable - trade, down ¥13.5 billion. Total liabilities were ¥1,347.6 billion, an increase of ¥16.3 billion compared with the end of the previous fiscal year. The items with the most significant increases were advances received, up ¥23.4 billion, and commercial papers, up ¥22.0 billion, while the items with the most significant decreases were income taxes payable, down ¥15.5 billion, and notes and accounts payable - trade, down ¥13.5 billion. The balance on interest bearing liabilities, including lease obligations, was ¥430.5 billion, up ¥19.8 billion compared with the end of the previous fiscal year. Net assets were ¥354.6 billion, down ¥4.9 billion compared with the end of the previous fiscal year. This was the result of a decline of ¥4.6 billion due to dividends of surplus.
As a result of the above, the ratio of equity to total assets dropped from 20.5% at the end of the previous fiscal year to 20.0%.

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

Looking ahead, the Japanese economy is expected to continue to recover moderately by benefiting from improvements in the employment and income environments as well as from the effect of lower oil prices and various government measures.
The global economy outside Japan is expected to recover moderately as well. However, it is necessary to be cautious concerning the impact of trend to the normalization of monetary policy in the U.S., and the future economic situations in Europe, China and other emerging economies.

Under these circumstances, the IHI Group forecasts the following for the six months ending September 30, 2015. Although the forecast for net sales remains unchanged from the previously announced forecast, with respect to profit/loss, taking into consideration a timing difference in the reporting of a portion of selling, general and administrative expenses, the deterioration of profitability in F-LNG/Offshore structure Business and an increase in the additional costs related to the Izmit Bay Crossing Bridge construction project in Turkey, the IHI Group now forecasts operating income of ¥20.0 billion, ¥12.0 billion less than the previously announced forecast, ordinary income of ¥14.0 billion, down by ¥9.0 billion and profit attributable to owners of parent of ¥6.0 billion, down ¥8.0 billion.
For the fiscal year ending March 31, 2016, although the forecast for net sales has not changed from the previously announced forecast, with respect to profit/loss, after considering the impacts of F-LNG/Offshore structure Business, and Izmit Bay Crossing Bridge construction project in Turkey, the IHI Group now forecasts operating income of ¥75.0 billion, ¥15.0 billion less than the previously announced forecast, the ordinary income of ¥63.0 billion, down by ¥12.0 billion, and profit attributable to owners of parent of ¥39.0 billion, down ¥10.0 billion.
Note that a foreign exchange rate of ¥115/US$1 and ¥130/EUR1 has been assumed in the above forecasts from the second quarter ending September 30, 2015.

2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)

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

Not applicable

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

Tax expense calculation

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

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

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

Changes in accounting policies

Application of Accounting Standard for Business Combinations

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

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

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

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	June 30, 2015	March 31, 2015
Assets		
Current assets		
Cash and deposits	94,170	94,549
Notes and accounts receivable - trade	424,706	438,260
Securities	1,605	205
Finished goods	27,082	24,939
Work in process	279,818	249,362
Raw materials and supplies	127,426	125,000
Other	121,095	127,768
Allowance for doubtful accounts	(5,906)	(6,357)
Total current assets	1,069,996	1,053,726
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	143,984	145,642
Other, net	208,101	211,983
Total property, plant and equipment	352,085	357,625
Intangible assets		
Goodwill	22,178	23,301
Other	26,221	27,200
Total intangible assets	48,399	50,501
Investments and other assets		
Investment securities	171,594	167,138
Other	62,276	63,758
Allowance for doubtful accounts	(2,053)	(1,866)
Total investments and other assets	231,817	229,030
Total non-current assets	632,301	637,156
Total assets	1,702,297	1,690,882

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	June 30, 2015	March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	286,635	300,148
Short-term loans payable	116,341	114,135
Commercial papers	39,000	17,000
Income taxes payable	7,592	23,162
Advances received	148,637	125,170
Provision for bonuses	15,464	26,687
Provision for construction warranties	38,676	36,804
Provision for loss on construction contracts	36,035	28,553
Other provision	91	656
Other	131,135	123,610
Total current liabilities	819,606	795,925
Non-current liabilities		
Bonds payable	70,000	70,000
Long-term loans payable	187,805	192,320
Net defined benefit liability	159,361	157,986
Provision for loss on subsidiaries and affiliates	23,143	22,590
Other provision	1,115	1,186
Other	86,633	91,280
Total non-current liabilities	528,057	535,362
Total liabilities	1,347,663	1,331,287
Net assets		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	54,438	54,438
Retained earnings	147,865	152,563
Treasury shares	(656)	(655)
Total shareholders' equity	308,812	313,511
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,547	16,622
Deferred gains or losses on hedges	(494)	(743)
Revaluation reserve for land	5,169	5,166
Foreign currency translation adjustment	10,827	14,783
Remeasurements of defined benefit plans	(3,235)	(3,545)
Total accumulated other comprehensive income	31,814	32,283
Subscription rights to shares	747	747
Non-controlling interests	13,261	13,054
Total net assets	354,634	359,595
Total liabilities and net assets	1,702,297	1,690,882

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

CONSOLIDATED STATEMENTS OF INCOME (Cumulative)

(Millions of yen)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cumulative)

(Millions of yen)

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

(3) NOTES TO THE QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE PREMISE OF GOING CONCERN

Not applicable

NOTES WHEN THERE IS SIGNIFICANT CHANGES IN AMOUNTS OF EQUITY

Not applicable

SEGMENT INFORMATION

Segment information

I Three months ended June 30, 2014

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

(Millions of yen)

	Reportable Segment					Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the consolidated statements of income
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General-Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	71,248	37,412	83,151	83,378	275,189	6,083	281,272	–	281,272
(2) Intersegment sales and transfers	1,222	507	3,012	863	5,604	4,350	9,954	(9,954)	–
Total	72,470	37,919	86,163	84,241	280,793	10,433	291,226	(9,954)	281,272
Segment profit (loss) (Operating income (loss))	(1,245)	1,366	2,231	14,871	17,223	(372)	16,851	(1,675)	15,176

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

2. Adjustment of segment profit represents intersegment transactions of negative ¥99 million and unallocated corporate expenses of negative ¥1,576 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

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

Material impairment loss of non-current assets

Not applicable

Material change in goodwill amount

In the Resources, Energy and Environment segment, the companies IHI Southwest Technologies, Inc. and NitroCision, LLC have been made consolidated subsidiaries of the IHI Group due to their increased materiality. ¥318 million of gain on goodwill was recognized by this event in the three months ended June 30, 2014.

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

Material gain on negative goodwill

Not applicable

II Three months ended June 30, 2015

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

(Millions of yen)

	Reportable Segment					Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the consolidated statements of income
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General-Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	99,936	33,503	90,511	110,611	334,561	6,201	340,762	–	340,762
(2) Intersegment sales and transfers	1,207	337	2,634	551	4,729	4,341	9,070	(9,070)	–
Total	101,143	33,840	93,145	111,162	339,290	10,542	349,832	(9,070)	340,762
Segment profit (loss) (Operating income (loss))	(911)	(13,040)	690	17,393	4,132	(549)	3,583	(3,563)	20

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

2. Adjustment of segment profit represents intersegment transactions of negative ¥628 million and unallocated corporate expenses of negative ¥2,935 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

Main businesses, products and services belonging to each segment are as follows:

Reportable segment	Main businesses, products and services
Resources, Energy and Environment	Boiler, power systems plants, power systems for land and marine use, large power systems for ships, gas processes (storage facilities and process plants), nuclear power (components for nuclear power plants), environmental response systems, medical and pharmaceutical products (pharmaceutical plants)
Social Infrastructure and Offshore Facility	Bridge, water gate, shield tunneling machines, transport system, urban development (real estate sales and rental), F-LNG (floating LNG storage facilities), offshore structures
Industrial System and General-Purpose Machinery	Machinery for ships, logistics system, transport machinery, parking, steel manufacturing equipment, industrial machinery, thermal and surface treatment, paper-making machinery, vehicular turbocharger, compressor, separation system, turbocharger for ships, construction machinery, agricultural machinery, small power systems
Aero Engine, Space and Defense	Aero engines, rocket systems/space utilization systems (space-related equipment), defense systems

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

Material impairment loss of non-current assets
Not applicable

Material change in goodwill amount
Not applicable

Material gain on negative goodwill
Not applicable

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

4. SUPPLEMENTARY INFORMATION

(1) ORDERS RECEIVED BY REPORTABLE SEGMENT

(Millions of yen)

Reportable segment	Three months ended June 30, 2014		Three months ended June 30, 2015		Change from the previous corresponding period		Fiscal year ended March 31, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	101,781	37	146,101	49	44,320	43.5	582,768	35
Social Infrastructure and Offshore Facility	46,015	16	23,349	8	(22,666)	(49.3)	178,791	11
Industrial System and General-Purpose Machinery	95,950	35	101,441	34	5,491	5.7	415,003	25
Aero Engine, Space and Defense	32,293	12	27,956	9	(4,337)	(13.4)	468,090	28
Total Reportable Segment	276,039	–	298,847	–	22,808	–	1,644,652	–
Others	14,306	5	15,893	5	1,587	11.1	75,255	4
Adjustment	(12,792)	(5)	(13,726)	(5)	(934)	–	(55,520)	(3)
Total	277,553	100	301,014	100	23,461	8.5	1,664,387	100
Overseas orders received	121,984	44	100,987	34	(20,997)	(17.2)	836,023	50

(2) NET SALES BY REPORTABLE SEGMENT

(Millions of yen)

Reportable segment	Three months ended June 30, 2014		Three months ended June 30, 2015		Change from the previous corresponding period		Fiscal year ended March 31, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	72,470	26	101,143	30	28,673	39.6	415,359	29
Social Infrastructure and Offshore Facility	37,919	13	33,840	10	(4,079)	(10.8)	188,636	13
Industrial System and General-Purpose Machinery	86,163	31	93,145	27	6,982	8.1	411,707	28
Aero Engine, Space and Defense	84,241	30	111,162	33	26,921	32.0	434,854	30
Total Reportable Segment	280,793	–	339,290	–	58,497	–	1,450,556	–
Others	10,433	4	10,542	3	109	1.0	62,874	4
Adjustment	(9,954)	(4)	(9,070)	(3)	884	–	(57,586)	(4)
Total	281,272	100	340,762	100	59,490	21.2	1,455,844	100
Overseas sales	163,585	58	208,909	61	45,324	27.7	758,038	52

(3) ORDER BACKLOG BY REPORTABLE SEGMENT

(Millions of yen)

Reportable segment	As of March 31, 2015		As of June 30, 2015		Change from the end of the previous fiscal year		As of June 30, 2014	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	760,467	46	813,783	50	53,316	7.0	573,549	42
Social Infrastructure and Offshore Facility	231,993	14	221,861	14	(10,132)	(4.4)	243,850	18
Industrial System and General-Purpose Machinery	121,028	7	128,726	8	7,698	6.4	124,158	9
Aero Engine, Space and Defense	510,704	31	431,465	26	(79,239)	(15.5)	389,496	29
Total Reportable Segment	1,624,192	–	1,595,835	–	(28,357)	–	1,331,053	–
Others	31,215	2	34,331	2	3,116	10.0	20,754	2
Total	1,655,407	100	1,630,166	100	(25,241)	(1.5)	1,351,807	100
Overseas order backlog	808,779	49	715,261	44	(93,518)	(11.6)	598,267	44