

**CONSOLIDATED FINANCIAL REPORT  
FOR THE THREE MONTHS ENDED JUNE 30, 2017  
<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 10, 2017 (planned)  
 Preparing supplementary material on quarterly financial results: Yes  
 Holding quarterly financial results presentation meeting: Yes (for institutional investors, analysts and the media)

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, 2017  
(APRIL 1, 2017 to JUNE 30, 2017)**

**(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 Profit	Percentage Change	Ordinary Profit	Percentage Change
<b>Three months ended June 30, 2017</b>	<b>402,405</b>	<b>17.9%</b>	<b>25,463</b>	<b>139.2%</b>	<b>21,831</b>	<b>375.9%</b>
Three months ended June 30, 2016	341,403	0.2%	10,645	–	4,587	–

	Profit Attributable to Owners of Parent	Percentage Change	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
<b>Three months ended June 30, 2017</b>	<b>11,718</b>	<b>–</b>	<b>7.59</b>	<b>7.58</b>
Three months ended June 30, 2016	846	–	0.55	0.55

(Note) Comprehensive income

Three months ended June 30, 2017:	¥14,564 million	–%
Three months ended June 30, 2016:	¥(10,168) million	–%

**(2) Consolidated Financial Position**

(Millions of yen)

	Total Assets	Net Assets	Equity to Total Assets
<b>June 30, 2017</b>	<b>1,668,147</b>	<b>350,706</b>	<b>19.9%</b>
March 31, 2017	1,692,831	337,630	18.8%

(Reference) Equity at the end of the period (consolidated)

June 30, 2017:	¥331,159 million
March 31, 2017:	¥318,163 million

## 2. DIVIDENDS

(Yen)

(Record Date)	Dividends per Share				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-end	Annual
Fiscal year ended March 31, 2017	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2018	—	—	—	—	—
Fiscal year ending March 31, 2018 (Forecast)	—	3.00	—	30.00	—

(Note) Revisions to the dividend forecasts most recently announced: No

IHI plans to conduct 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. Consequently, the impact of this consolidation of shares is factored into the forecast for year-end dividends per share for the fiscal year ending March 31, 2018, and a dash is presented for the annual dividends per share. The forecast for the year-end dividends per share for the fiscal year ending March 31, 2018 without the consolidation of shares factored in would be ¥3.00, and the annual dividends per share would be ¥6.00. For details, please see “Proper use of forecast of results, and other special matters” below.

## 3. CONSOLIDATED FORECASTS OF RESULTS FOR THE YEAR ENDING MARCH 31, 2018

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Basic Earnings per Share (Yen)
Full-year	1,550,000	4.3%	65,000	37.2%	57,000	159.0%	23,000	338.3%	148.94

(Note) Revisions to the forecasts of results most recently announced: No

IHI plans to conduct 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. Consequently, the impact of this consolidation of shares is factored into the full-year consolidated forecasts for basic earnings per share for the fiscal year ending March 31, 2018. For details, please see “Proper use of forecast of results, and other special matters” below.

## \* 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 6.

### (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: Not applicable

(ii) Changes in accounting policies due to other reasons: Yes

(iii) Changes in accounting estimates: Yes

(iv) Restatement of prior period financial statements after error corrections: Not applicable

(Note) From the first quarter under review, IHI and some of its consolidated subsidiaries in Japan have changed the depreciation method and residual value for property, plant and equipment. These changes of the depreciation method correspond to changes in accounting policies which are difficult to distinguish from changes in accounting estimates. 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 6.

### (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, 2017 1,546,799,542 shares

As of March 31, 2017 1,546,799,542 shares

(ii) Number of treasury shares owned at the end of the period	
As of June 30, 2017	2,545,182 shares
As of March 31, 2017	2,562,679 shares
(iii) Average number of shares outstanding during the period (cumulative quarterly period)	
Three months ended June 30, 2017	1,544,245,955 shares
Three months ended June 30, 2016	1,544,071,403 shares

\* Quarterly financial reports are not required to be subjected to quarterly reviews.

\* 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 5.

(Dividends forecast and consolidated forecasts following the consolidation of shares)

IHI obtained approval at the 200th Ordinary General Meeting of Shareholders held on June 23, 2017 to conduct a consolidation of shares with the effective date of October 1, 2017, and it plans to conduct a consolidation of shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares). Dividend forecasts and consolidated forecasts for the fiscal year ending March 31, 2018 calculated without factoring in the consolidation of shares are as follows:

1. Dividend forecasts for fiscal year ending March 31, 2018

Dividends per share Record date of end of 2nd quarter: ¥3.00 Record date of year-end: ¥3.00 Annual: ¥6.00

2. Consolidated forecasts for fiscal year ending March 31, 2018

Basic earnings per share Full-year: ¥14.89

# 1. QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

## (1) EXPLANATION REGARDING BUSINESS RESULTS

Summary of consolidated performance for the three months ended June 30, 2017

During the three months under review, the Japanese economy was 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 three months increased 12.2% from the previous corresponding period to ¥290.3 billion. Net sales increased 17.9% from the previous corresponding period to ¥402.4 billion. In terms of profit, operating profit increased ¥14.8 billion to ¥25.4 billion due mainly to the increase in sales of each reportable segment and solving of the issue of the deterioration of profitability related to F-LNG Business in the previous corresponding period. Ordinary profit increased ¥17.2 billion to ¥21.8 billion due to the positive turn in foreign exchange gains/losses and other factors, despite the recording of expenses for delayed delivery.

Profit attributable to owners of parent was ¥11.7 billion, an increase of ¥10.8 billion, as a result of the reduced increase in the profit caused by the impact of recording the settlement-related expenses related to boiler facilities in customer's commercial operation as extraordinary loss.

This extraordinary loss was related to a lawsuit filed against IHI and consolidated subsidiaries in 2015, regarding liabilities for accidents involving damage to boiler facilities that IHI manufactured and delivered to Malaysia in the past and that were in 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 is now expected to be 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.

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 six-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 three months ended June 30, 2017 are as follows:

Reportable segment	Orders received			Three months ended June 30, 2016		Three months ended June 30, 2017		Change from the previous corresponding period (%)	
	Three months ended June 30, 2016	Three months ended June 30, 2017	Change from the previous corresponding period (%)	Sales	Operating profit (loss)	Sales	Operating profit (loss)	Sales	Operating profit (loss)
	(Billions of yen)								
Resources, Energy and Environment	86.7	73.5	(15.2)	96.3	(2.3)	135.8	(0.7)	41.1	–
Social Infrastructure and Offshore Facility	27.0	32.7	21.0	33.8	(6.5)	29.9	3.3	(11.6)	–
Industrial System and General-Purpose Machinery	109.4	130.6	19.3	101.5	3.2	121.1	4.4	19.3	38.2
Aero Engine, Space and Defense	32.8	46.9	43.1	103.7	16.9	111.7	18.6	7.7	10.4
Total Reportable Segment	256.1	283.8	10.8	335.4	11.2	398.6	25.6	18.8	128.8
Others	14.4	18.4	27.7	14.6	(0.3)	12.9	(0.4)	(12.1)	–
Adjustment	(11.6)	(12.0)	–	(8.7)	(0.1)	(9.1)	0.2	–	–
Total	258.8	290.3	12.2	341.4	10.6	402.4	25.4	17.9	139.2

## **(2) EXPLANATION REGARDING CONSOLIDATED FINANCIAL POSITION**

Assets and liabilities, and net assets

Total assets at the end of the first quarter under review were ¥1,668.1 billion, down ¥24.6 billion compared with the end of the previous fiscal year. The items with the most significant decreases were notes and accounts receivable - trade, down ¥19.7 billion, investment securities, down ¥17.0 billion, and cash and deposits, down ¥6.6 billion. The item with the most significant increase was work in process, up ¥24.9 billion.

Total liabilities were ¥1,317.4 billion, a decrease of ¥37.7 billion compared with the end of the previous fiscal year. The items with the most significant decreases were accrued expenses (“other” under current liabilities), down ¥15.5 billion, short-term loans payable, down ¥10.8 billion, provision for bonuses, down ¥9.7 billion, and provision for loss on construction contracts, down ¥6.0 billion. The item with the most significant increase was notes and accounts payable - trade, up ¥12.3 billion. The balance on interest bearing liabilities, including lease obligations, was ¥352.1 billion, down ¥19.7 billion from the end of the previous fiscal year.

Net assets were ¥350.7 billion, up ¥13.0 billion compared with the end of the previous fiscal year. This includes profit attributable to owners of parent of ¥11.7 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 19.9%.

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

Going forward, the Japanese economy is expected to recover moderately by benefiting from the continuing improvements in the employment and income environments as well as from the effect of various government measures. Meanwhile, the global economy is expected to enjoy a modest recovery trend. However, in addition to there being many risks of economic fluctuation, such as the impact of the normalization of U.S. monetary policy and concerns about the future prospects for the economies of emerging Asian countries, there is heightened uncertainty, including political developments in the U.K. and the U.S., as well as geopolitical risks in the Middle East and East Asia. Consequently, close attention must be paid to future developments.

Under these circumstances, the IHI Group’s consolidated forecasts of results for the full fiscal year ending March 31, 2018, remain unchanged from previous forecasts announced on May 9, 2017.

Note that foreign exchange rates of ¥105/US\$1 and ¥120/EUR1 have been assumed in the above forecasts in and after the second quarter ending September 30, 2017.

Furthermore, in the fiscal year ending March 31, 2018 as well, for certain overseas consolidated subsidiaries, the closing date of the fiscal year has been changed from December 31 to March 31, and the forecast amounts for the consolidated subsidiaries in question in the consolidated forecasts use forecast figures for the 15 months from January 1, 2017 through March 31, 2018.

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 Company LLC, which is undertaking the construction. However, on July 31, 2017, it was announced that construction has been halted at one of those nuclear power plants, located in the state of South Carolina. Valuation of the relevant receivables and inventories was appropriately factored in the financial statements at the end of the previous fiscal year in accordance with Westinghouse Electric Company LLC filing under Chapter 11 of the United States Bankruptcy Code and there are no additional losses in the first three months ended June 30, 2017. Furthermore, the impact on consolidated forecasts of results will be immaterial.

Concerning dividends, in line with the consolidation of shares scheduled for October 1, 2017, the dividends per share amounts are being revised but there will be no change in the amounts received in real terms.

## **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 profit before income taxes for the three months under review are calculated by multiplying profit 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 profit 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 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 three months under review is immaterial.

### **(4) ADDITIONAL INFORMATION**

#### *Changes to the fiscal year, etc. 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 three months ended June 30, 2017, 55 companies including IHI INC. have a six-month accounting period.

In the period from January 1, 2017 through March 31, 2017 included in the three months ended June 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.

### 3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

#### (1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2017	June 30, 2017
Assets		
Current assets		
Cash and deposits	118,909	112,283
Notes and accounts receivable - trade	403,094	383,372
Finished goods	20,719	22,607
Work in process	272,823	297,733
Raw materials and supplies	123,726	122,876
Other	140,016	139,199
Allowance for doubtful accounts	(5,445)	(5,472)
Total current assets	1,073,842	1,072,598
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	136,801	134,870
Other, net	205,607	205,644
Total property, plant and equipment	342,408	340,514
Intangible assets		
Goodwill	16,166	14,864
Other	24,990	24,153
Total intangible assets	41,156	39,017
Investments and other assets		
Investment securities	134,676	117,582
Other	102,433	100,106
Allowance for doubtful accounts	(1,684)	(1,670)
Total investments and other assets	235,425	216,018
Total non-current assets	618,989	595,549
Total assets	1,692,831	1,668,147

**(1) CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

	March 31, 2017	June 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	285,937	298,311
Short-term loans payable	104,111	93,224
Commercial papers	5,000	-
Current portion of bonds	10,000	10,000
Income taxes payable	5,674	9,632
Advances received	208,907	203,587
Provision for bonuses	23,714	13,941
Provision for construction warranties	47,939	48,220
Provision for loss on construction contracts	37,324	31,230
Other provision	248	159
Other	147,394	131,405
Total current liabilities	876,248	839,709
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	182,495	179,689
Net defined benefit liability	150,920	152,692
Provision for loss on business of subsidiaries and affiliates	1,149	1,159
Other provision	1,308	924
Other	93,081	93,268
Total non-current liabilities	478,953	477,732
Total liabilities	1,355,201	1,317,441
<b>Net assets</b>		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	53,510	53,509
Retained earnings	149,832	161,550
Treasury shares	(513)	(510)
Total shareholders' equity	309,994	321,714
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,892	3,148
Deferred gains or losses on hedges	(277)	(61)
Revaluation reserve for land	5,427	5,427
Foreign currency translation adjustment	1,298	2,144
Remeasurements of defined benefit plans	(1,171)	(1,213)
Total accumulated other comprehensive income	8,169	9,445
Subscription rights to shares	843	840
Non-controlling interests	18,624	18,707
Total net assets	337,630	350,706
Total liabilities and net assets	1,692,831	1,668,147

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

**CONSOLIDATED STATEMENTS OF INCOME (Cumulative)**

(Millions of yen)

	April 1, 2016 to June 30, 2016	April 1, 2017 to June 30, 2017
Net sales	341,403	402,405
Cost of sales	285,023	326,965
Gross profit	56,380	75,440
Selling, general and administrative expenses	45,735	49,977
Operating profit	10,645	25,463
Non-operating income		
Interest income	298	465
Dividend income	585	382
Share of profit of entities accounted for using equity method	–	489
Foreign exchange gains	–	411
Reversal of accrued expenses for delayed delivery	3,907	–
Other income	1,633	566
Total non-operating income	6,423	2,313
Non-operating expenses		
Interest expenses	837	827
Share of loss of entities accounted for using equity method	353	–
Foreign exchange losses	8,993	–
Expenses for delayed delivery	–	3,394
Other expenses	2,298	1,724
Total non-operating expenses	12,481	5,945
Ordinary profit	4,587	21,831
Extraordinary losses		
Settlement-related expenses related to boiler facilities in customer's commercial operation	–	2,932
Total extraordinary losses	–	2,932
Profit before income taxes	4,587	18,899
Income taxes	3,142	5,742
Profit	1,445	13,157
Profit attributable to non-controlling interests	599	1,439
Profit attributable to owners of parent	846	11,718

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cumulative)**

(Millions of yen)

	April 1, 2016 to June 30, 2016	April 1, 2017 to June 30, 2017
Profit	1,445	13,157
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,061)	378
Deferred gains or losses on hedges	(93)	9
Foreign currency translation adjustment	(7,938)	1,053
Remeasurements of defined benefit plans, net of tax	(145)	(80)
Share of other comprehensive income of entities accounted for using equity method	(376)	47
Total other comprehensive income	(11,613)	1,407
Comprehensive income	(10,168)	14,564
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(9,429)	12,994
Comprehensive income attributable to non-controlling interests	(739)	1,570

### (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, 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 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				
<b>Sales:</b>									
(1) Sales to outside customers	95,592	32,678	99,608	103,814	331,692	9,711	341,403	–	341,403
(2) Intersegment sales and transfers	713	1,150	1,930	(65)	3,728	4,982	8,710	(8,710)	–
Total	96,305	33,828	101,538	103,749	335,420	14,693	350,113	(8,710)	341,403
Segment profit (loss)	(2,351)	(6,571)	3,216	16,919	11,213	(393)	10,820	(175)	10,645
(Operating profit (loss))									

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 ¥171 million and unallocated corporate expenses of negative ¥4 million.

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

##### 2. Matters about change in reportable segments, etc.

###### *Changes to the fiscal year, etc. for consolidated subsidiaries*

Effective from the fiscal year under review, the closing date of the fiscal year for 31 companies including JURONG ENGINEERING LIMITED has been changed from December 31 to March 31, and six companies including Changchun FAWER-IHI Turbo Co., Ltd. have been consolidated using March 31 as a provisional closing date.

As a result, for the three months ended June 30, 2016, 37 companies including JURONG ENGINEERING LIMITED have a six-month accounting period.

In the period from January 1, 2016 through March 31, 2016 included in the three months ended June 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 profit 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

## II Three months ended June 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 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				
<b>Sales:</b>									
(1) Sales to outside customers	134,875	28,461	119,544	111,207	394,087	8,318	402,405	–	402,405
(2) Intersegment sales and transfers	1,007	1,448	1,579	501	4,535	4,598	9,133	(9,133)	–
Total	135,882	29,909	121,123	111,708	398,622	12,916	411,538	(9,133)	402,405
Segment profit (loss)	(794)	3,337	4,445	18,671	25,659	(467)	25,192	271	25,463
(Operating profit (loss))									

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 ¥213 million and unallocated corporate expenses of ¥58 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 in reportable segments, etc.

#### *Changes to the fiscal year, etc. 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 three months ended June 30, 2017, 55 companies including IHI INC. have a six-month accounting period.

In the period from January 1, 2017 through March 31, 2017 included in the three months ended June 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*

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 three months ended June 30, 2017 decreased by ¥993 million for the Resources, Energy and Environment segment, ¥328 million for the Industrial System and General-Purpose Machinery segment, and increased by ¥1,321 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

## **SIGNIFICANT SUBSEQUENT EVENTS**

Not applicable