IHI

IHI Corporation

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August 4, 2014

CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS ENDED JUNE 30, 2014 <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 13, 2014 (planned)
Preparing supplementary material on quarterly financial results: Yes
Holding quarterly financial results presentation meeting: None

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. PERFORMANCE

(1) 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, 2014	**281,272**	**11.2%**	**15,176**	**94.7%**	**12,168**	**(20.0)%**
Three months ended June 30, 2013	252,959	(7.3)%	7,795	(23.9)%	15,216	53.2%

	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Three months ended June 30, 2014	**6,530**	**(28.7)%**	**4.23**	**4.23**
Three months ended June 30, 2013	9,163	110.5%	6.26	5.92

(Note) Comprehensive income
Three months ended June 30, 2014: ¥7,362 million (52.1)%
Three months ended June 30, 2013: ¥15,356 million 147.8%

(2) Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity to Total Assets
June 30, 2014	**1,521,854**	**346,381**	**21.7%**
March 31, 2014	1,496,361	362,555	23.1%

(Reference) Shareholders' equity at the end of the period (consolidated)
June 30, 2014: ¥330,333 million
March 31, 2014: ¥345,236 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, 2014	—	0.00	—	6.00	6.00
Fiscal year ending March 31, 2015	—	———	———	———	———
Fiscal year ending March 31, 2015 (Forecast)	———	3.00	—	3.00	6.00

(Note) Revisions to the dividend forecasts most recently announced: None

3. FORECAST OF CONSOLIDATED RESULTS FOR THE YEAR ENDING MARCH 31, 2015

(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		Net Income		Net Income per Share (Yen)
First Half of the Fiscal Year	670,000	22.6%	29,000	46.8%	24,000	2.7%	14,000	9.8%	9.07
Full-year	1,440,000	10.4%	65,000	22.0%	57,000	7.1%	35,000	5.6%	22.68

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

4. NOTES

(1) Changes in significant subsidiaries during the three months under review (Changes in specified subsidiaries accompanying changes in scope of consolidation): None

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

(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: None
(iii) Changes in accounting estimates: None
(iv) Restatement of prior period financial statements after error corrections: None

(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 “MATTERS REGARDING SUMMARY INFORMATION (NOTES)” on page 7.

(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, 2014	1,546,799,542 shares
As of March 31, 2014	1,546,799,542 shares

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

As of June 30, 2014	3,278,577 shares
As of March 31, 2014	3,369,103 shares

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

Three months ended June 30, 2014	1,543,479,802 shares
Three months ended June 30, 2013	1,463,307,387 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 IHI. 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 Forecast Of Consolidated Results” of “QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS” on page 6.

QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

1. Explanation Regarding Business Results

A. Summary of consolidated performance

During the three months under review, the Japanese economy continued to follow an overall trend of gradual recovery despite the effect of a temporary slowdown, caused by the rise in the consumption tax.
Outside of Japan, despite ongoing political unrest in certain emerging countries and geopolitical risks, the economy as a whole continued to show moderate growth led by the developed countries.

Under this business environment, orders received of the IHI Group during the three months increased 18.9% from the same period of the previous fiscal year to ¥277.5 billion. Net sales rose 11.2% to ¥281.2 billion. Although operating income rose 94.7% to ¥15.1 billion, ordinary income fell 20.0% to ¥12.1 billion due to impacts from deteriorations in share of profit (loss) of entities accounted for using equity method and foreign exchange losses (gains) and net income also fell by 28.7% from the same period of the previous fiscal year to ¥6.5 billion.

Results by business segment are as follows:

Resources, Energy and Environment
Orders received increased by 18.2% from the same period of the previous fiscal year to ¥101.7 billion owing to increase in boilers.
Sales increased by 27.8% from the same period of the previous fiscal year to ¥72.4 billion owing to increase in boilers and gas processes.
Operating income/loss deteriorated ¥1.2 billion from the same period of the previous year, resulting in operating loss of ¥1.2 billion. Although the sales increased as the above, project with low profitability has caused the loss.

Social Infrastructure and Offshore Facilities
Orders received increased by 130.3% from the same period of the previous fiscal year to ¥46.0 billion owing to increase in offshore structures.
Sales increased by 56.0% from the same period of the previous fiscal year to ¥37.9 billion owing to increase in bridges and real estate subdivision in urban development.
Operating income/loss improved ¥2.5 billion from the same period of the previous fiscal year, resulting in operating income of ¥1.3 billion. Steady performance in overseas bridge projects and increased sales from urban development has contributed in the improvement.

Industrial Systems and General-Purpose Machinery
Orders received increased by 9.8% from the same period of the previous fiscal year to ¥95.9 billion owing to increase in vehicular turbochargers.
Sales decreased by 4.6% from the same period of the previous fiscal year to ¥86.1 billion. This has been caused by the decrease in transport machinery and the impact of the divestiture of the business related to the rolling mills of IHI Metaltech Co., Ltd. in October last year, offset by increase in vehicular turbochargers and papermaking machinery.
Operating income decreased by 52.9% from the same period of the previous fiscal year to ¥2.2 billion. There was an increase in selling, general and administrative expenses in addition to the above-mentioned decrease in sales.

Aero Engine, Space and Defense
Orders received decreased by 17.4% from the same period of the previous fiscal year to ¥32.2 billion owing to decrease in rocket systems/space utilization systems and defense systems.
Sales increased by 1.5% from the same period of the previous fiscal year to ¥84.2 billion. Delivery increased in civil aero engines, despite sales from defense systems decreased reflecting the absence of a delivery that occurred in the same period of the previous fiscal year involving gas turbines for naval vessels.
Operating income increased by 89.1% from the same period of the previous fiscal year to ¥14.8 billion. Sales increase in aero engines, improved profitability and the postponement of recording costs has contributed.

B. Current status and outlook of management strategies

Looking ahead, the IHI Group is expecting the Japanese economy to sustainable growth on the back of domestic demand underpinned by economic measures, after the lull effect from the rise in consumption tax runs its course.
As for the overseas economies, despite the negative impact of the contraction of quantitative monetary easing in the U.S. and concerns of an economic slowdown in certain emerging countries, including China, a steady

growth of consumption and capital investment in the U.S. has been observed, and signs of recovery in consumption and investment in Europe have been seen due to monetary easing. The moderate recovery in overseas economies, led by the developed countries, is expected to continue.

Facing such an environment, the IHI Group has proceeded with initiatives based on the three-year medium-term management plan, Group Management Policies 2013 that started from April 2013. In fiscal year 2014, which is the middle fiscal year of Group Management Policies 2013, the IHI Group aims to accelerate growth to achieve the fiscal year 2015 management goals by further strengthening its ability to coordinate the four business fields of *Resources, Energy and Environment*; *Social Infrastructure and Offshore Facilities*; *Industrial Systems and General-Purpose Machinery*; and *Aero Engine, Space and Defense* with the three *Tsunagu* “links” functions of “Solution & Engineering,” “Intelligent Information Management,” and “Global Maketing.”

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

In the Resources, Energy and Environment business, the IHI Group is experiencing a growth trend for LNG (liquid natural gas) storage tanks and construction of receiving terminals due to expanding global demand for natural gas. In the quarter under review, working jointly with SHIMIZU CORPORATION, IHI commenced construction of an above-ground LNG storage tank for the Soma LNG Receiving Terminal, which is a development project of Japan Petroleum Exploration Co., Ltd. (JAPEX). This project involves the construction of an LNG receiving terminal at Soma Port and a connecting pipeline to the existing Niigata and Sendai lines to secure a stable supply of natural gas to the North-eastern Pacific Coast region. As this project is expected to contribute to post-earthquake-disaster reconstruction and the creation of local employment, it is recognized by the Reconstruction Agency as a Reconstruction Promotion Plan based on the Act on Special Districts for Reconstruction after the Great East Japan Earthquake. Furthermore, in June, IHI acquired German engineering company Steinmüller Engineering GmbH (SE) from German company Siemens AG. SE possesses abundant knowledge on thermal power boilers that use lignite coal, an unused energy. Lignite coal boilers have been identified as a future growth market, and by accelerating the development of these boilers, the IHI Group plans on entering this market in the near future.

In the Social Infrastructure and Offshore Facilities business, IHI has received orders from the Wison Group, China’s largest privately operated EPC contractor, for two SPB (Self-supporting, Prismatic shape, IMO type B) tanks, which will be constructed on the Floating LNG Storage & Regasification Unit (FSRU). The unique technology of the SPB tank was developed by the IHI Group. Because the tank contains a wall-partitioning construction that gives the tank independence from the hull of a ship, its superior design provides greater protection against collision damage caused by the slushing of LNG, thus enabling the housing of tanks in cargo holds and allowing LNG plants to be designed more easily on decks. Furthermore, IHI received an order from Norwegian company BW Offshore Limited for a comprehensive hull construction project concerning an FPSO (Floating Production Storage and Offloading Unit), which is a floating marine structure used for offshore petroleum production. BW Offshore Limited will lease the FPSO to U.K. company Premier Oil plc, which plans to start operation of the facility in the North Sea in the middle of 2017.

In the Industrial Systems and General-Purpose Machinery business, the IHI Group company IHI Machinery and Furnace Co., Ltd. concluded an agreement in June concerning the establishment of a joint venture with Jiangsu Fengdong Thermal Technology Co., Ltd., a leading company in the heat treatment facility field in China. Continued growth is expected in China for this business, and the joint venture will be engaged in manufacturing and sales of vacuum heat treatment facilities. The IHI Group’s vacuum furnace and vacuum carburizing furnace businesses are presently growing steadily in line with expanded production, particularly in the automobile industry, and considering the trend toward light-weight and higher-function materials, the Group expects this growth to continue.

In the Aero Engine, Space and Defense business, IHI made the decision to construct two works at Soma Headquarters Representative’s Office and the IHI Group company IHI Aerospace Co., Ltd.’s Tomioka Headquarters Representative’s Office. As a first for the IHI Group, the new works will be dedicated to composite material parts for aircraft engines to meet increased global demand for aircraft IHI plans at both locations perform all processing from layering and cutting to shaping, adhering and coating on a single production line. By doing so, IHI will be able to greatly shorten lead time and enable mass production of composite material parts that have conventionally proved difficult to mass produce. The scheduled completion dates for these works are in the first half of fiscal year 2014 for the Tomioka Works and the first half of fiscal year 2016 for the Soma Works. Moreover, in June, IHI decided to participate in an engine program of GE9X civil aircraft engine (used in Boeing777X) being developed by U.S. company General Electric Company. The GE9X is the engine that will succeed the GE90 used in the current Boeing777 in operation. Just as for the GE90, the IHI Group will take charge of low-pressure turbine parts and other parts. With a thrust in the

100,000 pound class, the GE9X will be the most powerful class in civil aircraft engines, and with 10% better fuel efficiency compared with the GE90.

Moreover, regarding the three *Tsunagu* “links” functions, “Solution & Engineering” is currently strengthening solution sales to expand business areas from projects accomplished in previous fiscal year. “Intelligent Information Management” is leveraging sensing technologies and ICT to provide our customers more advanced, integrated products and services, along with the expanded application of control systems. “Global Marketing” will strengthen marketing function and promote IHI group’s business to global priority countries and regions.

Furthermore, as part of initiatives to realize the Group Management Policies 2013, the head office of IHI Corporation has been recognized as the IHI Group Headquarters. Since fiscal year 2013, IHI has been conducting operational reform at the head office to strengthen its function as a headquarters so that it can better contribute to the growth of the IHI Group. As part of these efforts, IHI established the “Group Business Process Platform Division” on April 1, 2014. The intended function of the Group Business Process Platform Division is to consolidate and standardize administrative and service related business processes of the IHI Group to maximize the business efficiency of head office functions.

2. Explanation Regarding Consolidated Financial Position

Assets and liabilities, and net assets

Total assets at the end of the quarter under review were ¥1,521.8 billion, up ¥25.4 billion compared with the end of the previous fiscal year. The items with the most significant increases were work in process, up ¥48.2 billion and cash and deposits, up ¥11.4 billion, while the item with the most significant decrease was notes and accounts receivable - trade, down ¥51.0 billion.

Total liabilities were ¥1,175.4 billion, an increase of ¥41.6 billion compared with the end of the previous fiscal year. The items with the most significant increases were net defined benefit liability, up ¥23.6 billion and advances received, up ¥20.7 billion. The balance on interest bearing liabilities, including lease obligations, was ¥380.0 billion, up ¥22.2 billion compared with the end of the previous fiscal year.

Net assets were ¥346.3 billion, down ¥16.1 billion compared with the end of the previous fiscal year. This was the result of net income of ¥6.5 billion, a decline of ¥9.2 billion due to dividends of surplus, and a decline of ¥14.6 billion in retained earnings accompanying changes in the accounting standard for retirement benefits, etc.

As a result of the above, the ratio of shareholders’ equity to total assets dropped from 23.1% at the end of the previous fiscal year to 21.7%.

3. Explanation Regarding Future Prediction Information Such As Forecast Of Consolidated Results

Concerning our forecast of the consolidated results for the first six months, the IHI Group forecasts net sales of ¥670.0 billion, an increase of ¥10.0 billion from the previous forecast announcement. This takes into account an expected increase due to increased revenue from foreign exchange translations and an increase in sales of spare parts for aircraft engines in the Aero Engine, Space and Defense business. With respect to profits, the IHI Group forecasts operating income of ¥29.0 billion and ordinary income of ¥24.0 billion, both up ¥3.0 billion from the previous forecast announcement, after taking into consideration increased profit from the effect of the aforementioned increased revenues in the Aero Engine, Space and Defense business, a timing difference in the reporting of expenses such as research and development expenses, and a decrease in profits in the Resources, Energy and Environment business. Furthermore, giving consideration to a revision of the estimate for the effective income tax rate, the IHI Group has increased its forecast for net income by ¥3.0 billion to ¥14.0 billion.

Concerning its forecast of the consolidated results for the fiscal year ending March 31, 2015, no changes have been made to net sales, operating income, ordinary income, or net income since the previous forecast announcement.

Note that a foreign exchange rate of ¥100/US$1 and ¥135/EUR1 has been assumed in the above forecasts for the second quarter ending September 30, 2014 and later periods.

MATTERS REGARDING SUMMARY INFORMATION (NOTES)

1. **Changes in significant subsidiaries during the three months under review**

   None

2. **Application of special accounting for preparing quarterly consolidated financial statements**

   Tax expense calculation
   Tax expenses on income before income taxes and minority interests for the three months under review are calculated by multiplying income before income taxes and minority interests for the three months under review by the reasonably estimated effective tax rate for the fiscal year including the 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 and minority interests 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 Retirement Benefits and its Guidance
   For the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), IHI has additionally applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits effective from this first quarter, and reviewed the determination of retirement benefit obligations and current service cost. Accordingly, IHI changed the method of attributing expected benefit to periods from the straight-line basis to mainly the benefit formula basis as well as amended the determination of discount rate from that based on a maturity period of bonds decided depending on a period of years approximate to the expected average remaining working lives of employees mainly to one that uses a single weighted average discount rate reflecting the estimated timing of retirement benefit payment and the estimated amount of each retirement benefit payments.
   Application of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the revision to the calculation method for retirement benefit obligations and current service cost has been added to or deducted from retained earnings as of the beginning of the quarter under review.
   As a result of the change, as of the beginning of the quarter under review, net defined benefit liability increased by ¥22,053 million and retained earnings decreased by ¥14,625 million. In addition, the impact of this change on operating income, ordinary income and income before income taxes and minority interests for the three months under review was immaterial.

QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	June 30, 2014	March 31, 2014
Assets		
Current assets		
Cash and deposits	74,698	63,236
Notes and accounts receivable - trade	343,990	395,037
Securities	27	1,528
Finished goods	23,771	20,665
Work in process	270,528	222,237
Raw materials and supplies	114,348	112,983
Other	95,603	91,642
Allowance for doubtful accounts	(6,015)	(6,127)
Total current assets	916,950	901,201
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	131,713	133,148
Other, net	203,010	203,300
Total property, plant and equipment	334,723	336,448
Intangible assets		
Goodwill	26,819	22,958
Other	18,637	19,182
Total intangible assets	45,456	42,140
Investments and other assets		
Investment securities	164,465	162,165
Other	63,039	57,240
Allowance for doubtful accounts	(2,779)	(2,833)
Total investments and other assets	224,725	216,572
Total non-current assets	604,904	595,160
Total assets	1,521,854	1,496,361

1. CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	June 30, 2014	March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	271,105	280,900
Short-term loans payable	114,191	110,340
Commercial papers	28,000	14,000
Current portion of bonds	–	20,000
Income taxes payable	8,507	16,692
Advances received	124,006	103,237
Provision for bonuses	13,970	24,590
Provision for construction warranties	25,071	25,485
Provision for loss on construction contracts	22,933	18,389
Other provision	154	566
Other	111,633	112,050
Total current liabilities	719,570	726,249
Non-current liabilities		
Bonds payable	50,000	30,000
Long-term loans payable	169,963	165,143
Net defined benefit liability	153,522	129,893
Other provision	2,777	3,112
Other	79,641	79,409
Total non-current liabilities	455,903	407,557
Total liabilities	1,175,473	1,133,806
Net assets		
Shareholders’ equity		
Capital stock	107,165	107,165
Capital surplus	54,438	54,439
Retained earnings	154,603	171,318
Treasury shares	(648)	(665)
Total shareholders’ equity	315,558	332,257
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,019	8,424
Deferred gains or losses on hedges	50	36
Revaluation reserve for land	4,665	4,665
Foreign currency translation adjustment	4,474	4,912
Remeasurements of defined benefit plans	(4,433)	(5,058)
Total accumulated other comprehensive income	14,775	12,979
Subscription rights to shares	604	621
Minority interests	15,444	16,698
Total net assets	346,381	362,555
Total liabilities and net assets	1,521,854	1,496,361

2. CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2014 to Jun. 30, 2014	Apr. 1, 2013 to Jun. 30, 2013
Net sales	281,272	252,959
Cost of sales	225,503	206,581
Gross profit	55,769	46,378
Selling, general and administrative expenses	40,593	38,583
Operating income	15,176	7,795
Non-operating income		
Interest income	117	166
Dividend income	786	691
Share of profit of entities accounted for using equity method	–	5,196
Foreign exchange gains	–	655
Other	793	2,804
Total non-operating income	1,696	9,512
Non-operating expenses		
Interest expenses	1,000	1,017
Share of loss of entities accounted for using equity method	474	–
Foreign exchange losses	1,526	–
Other	1,704	1,074
Total non-operating expenses	4,704	2,091
Ordinary income	12,168	15,216
Extraordinary losses		
Impairment loss	–	20
Total extraordinary losses	–	20
Income before income taxes and minority interests	12,168	15,196
Income taxes	5,816	5,609
Income before minority interests	6,352	9,587
Minority interests in income / loss	(178)	424
Net income	6,530	9,163

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2014 to Jun. 30, 2014	Apr. 1, 2013 to Jun. 30, 2013
Income before minority interests	6,352	9,587
Other comprehensive income		
Valuation difference on available-for-sale securities	1,414	1,558
Deferred gains or losses on hedges	82	(117)
Foreign currency translation adjustment	(1,030)	3,573
Remeasurements of defined benefit plans, net of tax	479	–
Share of other comprehensive income of entities accounted for using equity method	65	755
Total other comprehensive income	1,010	5,769
Comprehensive income	7,362	15,356
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,874	14,450
Comprehensive income attributable to minority interests	(512)	906

3. NOTES TO THE QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE PREMISE OF GOING CONCERN

None

NOTES WHEN THERE IS SIGNIFICANT CHANGES IN AMOUNTS OF EQUITY

None

SEGMENT INFORMATION

Segment information

I Three months ended June 30, 2013

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

(Millions of yen)

	Reportable Segment								
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total	Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the consolidated statements of income
Sales:									
(1) Sales to outside customers	54,001	23,439	87,995	82,176	247,611	5,348	252,959	–	252,959
(2) Intersegment sales and transfers	2,724	864	2,301	847	6,736	3,260	9,996	(9,996)	–
Total	56,725	24,303	90,296	83,023	254,347	8,608	262,955	(9,996)	252,959
Segment profit (loss) (Operating income (loss))	(42)	(1,177)	4,732	7,864	11,377	(757)	10,620	(2,825)	7,795

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 ¥23 million and unallocated corporate expenses of negative ¥2,802 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

2. Information about impairment loss of noncurrent assets, goodwill and negative goodwill by reportable segment

Material impairment loss of noncurrent assets

None

Material change in goodwill amount

None

Material gain on negative goodwill

None

II Three months ended June 30, 2014

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

(Millions of yen)

	Reportable Segment								
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total	Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the consolidated statements of income
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.

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

Reportable segment	Main businesses, products and services
Resources, Energy and Environment	Boilers, power systems, motors for land and marine use, large marine motors, gas processes (storage facilities and process plants), nuclear power (components for nuclear power plants), environmental systems, pharmaceuticals (pharmaceutical plants)
Social Infrastructure and Offshore Facilities	Bridges, water gates, shield tunneling machines, transportation systems, urban development (real estate sales and rental), F-LNG (floating LNG storage facilities), offshore structures
Industrial Systems and General-Purpose Machinery	Marine machinery, logistics systems, transport machinery, parking systems, steel manufacturing equipment, industrial machinery, heat / surface treatment machinery, papermaking machinery, vehicular turbochargers, compressors, separation equipment, marine turbochargers, construction machinery, agricultural machinery, small motors
Aero Engine, Space and Defense	Aero engines, rocket systems/space utilization systems (space-related equipment), defense systems

2. Information about impairment loss of noncurrent assets, goodwill and negative goodwill by reportable segment

Material impairment loss of noncurrent assets

None

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 under review. 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 under review.

Material gain on negative goodwill

Disclosure is omitted since there is no significant necessity.

SIGNIFICANT SUBSEQUENT EVENTS

None

SUPPLEMENTARY INFOMATION

Orders received by business segment

(Millions of yen)

	Three months ended June 30, 2014		Three months ended June 30, 2013		Increase or decrease from the same period of the previous year		Fiscal year ended March 31, 2014	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	101,781	37	86,121	37	15,660	18.2	494,635	34
Social Infrastructure and Offshore Facilities	46,015	16	19,984	9	26,031	130.3	175,573	12
Industrial Systems and General-Purpose Machinery	95,950	35	87,397	37	8,553	9.8	370,691	26
Aero Engine, Space and Defense	32,293	12	39,098	17	(6,805)	(17.4)	406,968	28
Total Reportable Segment	276,039	–	232,600	–	43,439	–	1,447,867	–
Other	14,306	5	13,760	6	546	4.0	62,332	4
Adjustment	(12,792)	(5)	(12,872)	(6)	80	–	(51,215)	(4)
Total	277,553	100	233,488	100	44,065	18.9	1,458,984	100
Overseas orders received	121,984	44	99,718	43	22,266	22.3	676,146	46

Net sales by business segment

(Millions of yen)

	Three months ended June 30, 2014		Three months ended June 30, 2013		Increase or decrease from the same period of the previous year		Fiscal year ended March 31, 2014	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	72,470	26	56,725	22	15,745	27.8	344,093	26
Social Infrastructure and Offshore Facilities	37,919	13	24,303	10	13,616	56.0	150,313	12
Industrial Systems and General-Purpose Machinery	86,163	31	90,296	36	(4,133)	(4.6)	397,820	30
Aero Engine, Space and Defense	84,241	30	83,023	33	1,218	1.5	406,098	31
Total Reportable Segment	280,793	–	254,347	–	26,446	–	1,298,324	–
Other	10,433	4	8,608	3	1,825	21.2	58,953	5
Adjustment	(9,954)	(4)	(9,996)	(4)	42	–	(53,239)	(4)
Total	281,272	100	252,959	100	28,313	11.2	1,304,038	100
Overseas sales	163,585	58	127,765	51	35,820	28.0	618,599	47

Order backlog by business segment

(Millions of yen)

	As of June 30, 2014		As of March 31, 2013		Increase or decrease from the end of the previous year		As of June 30, 2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	573,549	42	535,230	40	38,319	7.2	395,496	35
Social Infrastructure and Offshore Facilities	243,850	18	235,241	18	8,609	3.7	193,089	17
Industrial Systems and General-Purpose Machinery	124,158	9	108,773	8	15,385	14.1	147,453	13
Aero Engine, Space and Defense	389,496	29	440,324	33	(50,828)	(11.5)	376,989	33
Total Reportable Segment	1,331,053	–	1,319,568	–	11,485	–	1,113,027	–
Other	20,754	2	19,305	1	1,449	7.5	21,876	2
Total	1,351,807	100	1,338,873	100	12,934	1.0	1,134,903	100
Overseas order backlog	598,267	44	628,173	47	(29,906)	(4.8)	508,874	45