IHI Corporation
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May 8, 2014

CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 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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Annual General Meeting of Shareholders: June 27, 2014 (planned)
Commencement of Dividend Payments: June 30, 2014 (planned)
Submission of Annual Securities Report: June 27, 2014 (planned)

Preparing supplementary material on financial results: Yes
Holding 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. 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
Fiscal year ended March 31, 2014	**1,304,038**	**3.8%**	**53,271**	**26.4%**	**53,235**	**47.0%**
Fiscal year ended March 31, 2013	1,256,049	2.8%	42,141	(2.8)%	36,219	(13.2)%

	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
Fiscal year ended March 31, 2014	**33,133**	**(0.8)%**	**22.51**	**21.31**	**10.5%**	**3.7%**	**4.1%**
Fiscal year ended March 31, 2013	33,386	40.1%	22.81	21.58	12.4%	2.7%	3.4%

(Note) Comprehensive income
Fiscal year ended March 31, 2014: ¥49,571 million 10.2%
Fiscal year ended March 31, 2013: ¥44,964 million 156.0%

(Reference) Share of profit of entities accounted for using equity method
Fiscal year ended March 31, 2014: ¥5,397 million
Fiscal year ended March 31, 2013: ¥4,333 million

(2) Financial Position

(Millions of yen, except per share figures)

	Total Assets	Net Assets	Shareholders' Equity to Total Assets	Net Assets per Share of Common Stock (Yen)
March 31, 2014	**1,496,361**	**362,555**	**23.1%**	**223.68**
March 31, 2013	1,364,239	299,282	21.1%	197.08

(Reference) Shareholders' equity at the end of the period (consolidated)

March 31, 2014: ¥345,236 million

March 31, 2013: ¥288,384 million

(3) Cash Flows

(Millions of yen)

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at the End of Period
Fiscal year ended March 31, 2014	**39,220**	**(62,282)**	**11,395**	**62,604**
Fiscal year ended March 31, 2013	74,347	(61,033)	(3,150)	72,070

2. DIVIDENDS

	Dividends per Share			Total Amount of Dividend Payment (Millions of yen)	Dividend Payout Ratio (Consolidated)	Dividend to Net Assets Ratio (Consolidated)
(Record Date)	Interim (Yen)	Year-end (Yen)	Annual (Yen)			
Fiscal year ended March 31, 2014	**0.00**	**6.00**	**6.00**	**9,261**	**26.7%**	**2.9%**
Fiscal year ended March 31, 2013	0.00	5.00	5.00	7,317	21.9%	2.7%
Fiscal year ending March 31, 2015 (Forecast)	3.00	3.00	6.00	—	26.5%	—

3. FORECAST OF 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	660,000	20.8%	26,000	31.6%	21,000	(10.1)%	11,000	(13.7)%	7.13
Full-year	1,440,000	10.4%	65,000	22.0%	57,000	7.1%	35,000	5.6%	22.68

4. NOTES

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

(2) 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

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

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

As of March 31, 2014	1,546,799,542 shares
As of March 31, 2013	1,467,058,482 shares

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

As of March 31, 2014	3,369,103 shares
As of March 31, 2013	3,748,665 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2014	1,471,758,026 shares
Fiscal year ended March 31, 2013	1,463,400,943 shares

* Indication regarding execution of audit procedures

At the time of disclosure of this financial report, the audit 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.

QUALITATIVE INFORMATION

1. Business Results

Overview

A. Summary of consolidated performance

In Japan during the fiscal year under review, the economy was on a moderate recovery trend, partly reflecting expectations regarding “Abenomics” and stability in foreign exchange rates. The yen generally stayed in the range of ¥95 to ¥104 against the dollar as the currency entered a period of correction from its previous strong levels in line with the Bank of Japan’s monetary easing policy.

Outside of Japan, despite concerns about slowdown in most emerging countries, the U.S. economy staged a moderate recovery and the European economy bottomed out. Consequently, overseas economies as a whole continued to show moderate growth.

Amid this economic environment, the IHI Group carried out business activities in four business fields, which have been reconfigured in accordance with market characteristics, under Group Management Policies 2013, a management plan started in April 2013. Also under this plan, the Group accelerated the creation of value for customers by strengthening its approach to the three common Group functions of “Solutions/Engineering,” “Intelligent Information Management” and “Global Business,” thus taking a first step toward realizing growth for the Group.

In the fiscal year under review, orders received increased 19.0% from the previous fiscal year to ¥1,458.9 billion while net sales rose 3.8% to ¥1,304.0 billion. Although IHI Marine United Inc. and its three subsidiaries, which made up the Ships & Offshore Facilities Operations segment until the previous fiscal year, becoming equity method associates, caused decreases in both orders received and sales, all other reportable segments posted increases in orders received and sales.

Profits also increased in the fiscal year under review. Despite the impact from the exclusion of the Ships & Offshore Facilities Operations segment and a decline in the Resources, Energy and Environment segment, profits were higher in the Aero Engine, Space and Defense segment. As a result, operating income increased 26.4% from the previous fiscal year to ¥53.2 billion and ordinary income rose 47.0% to a record high of ¥53.2 billion. Net income declined despite the recording of gain on transfer from business divestitures in relation to an absorption-type company split in which rolling mills and related business operations of IHI Metaltech Co., Ltd., of the IHI Group, were taken over by Mitsubishi-Hitachi Metals Machinery, Inc. Specifically, net income was down 0.8% from the previous fiscal year to ¥33.1 billion, partly reflecting recognition of extraordinary income including gain on sales of non-current assets recorded in the previous fiscal year and the impact of an increase in tax expenses.

The major initiatives undertaken by the IHI Group during the fiscal year under review are as follows.

In the Resources, Energy and Environment business, the Group aggressively has tackled activities for order received against a background of global demand for natural gas. As a result in the field of gas processes, GSPC LNG Limited awarded the Group a contract to construct India’s largest LNG storage tanks at the Mundra LNG Terminal in the State of Gujarat, India, in December 2013. In the same field, Petronet LNG Limited awarded the Group a contract to construct LNG storage tanks at that company’s Dahej LNG Terminal in the State of Gujarat in January 2014. Through this contract, the Group’s share of LNG tanks in India is now approximately 70%. In addition, at the Cove Point natural gas liquefaction facility of the EPC business in the U.S., engineering is progressing smoothly and the main components have been ordered. At present, construction planning is underway with a view to commencement of construction in the local area once authorization has been received.

With respect to the Social Infrastructure and Offshore Facilities business, the Group is strengthening its business for the overseas infrastructure projects and offshore related business. In the field of bridges, in November 2013 Group company IHI Infrastructure Systems Co., Ltd. was awarded a contract for the 1st and 2nd Bosphorus Bridge Rehabilitation Project by the Republic of Turkey’s General Directorate of Highways, jointly with MAKYOL İnşaat Sanayi Turizm ve Ticaret A.Ş, a leading general construction company in Turkey. Through this contract, in combination with the Izmit Bay Crossing Bridge Project that is currently underway, the Group is contributing to the development of Turkey’s road transport infrastructure. Furthermore, in the F-LNG (floating LNG) field, the LNG Fueled Large Container Vessels of Japan Marine United Corporation (JMU), for which it received orders, were equipped with SPB tanks. The SPB tanks, which utilize JMU and IHI’s proprietary technology, are very efficient in terms of storage and location because they can be designed in any shape and capacity to fit the hull form and complicated space in vessels as required. In preparation for future growth in demand, the Group is pushing ahead with investment in SPB tank construction facilities at the Aichi Works, and expects to achieve a construction capacity of one tank a month once the investment is complete.

In the Industrial Systems and General-Purpose Machinery business, the Group is accelerating its response to growth in demand in global markets. In the field of vehicular turbochargers, with a view to achieving business expansion in South Korea, where this field is expected to continue growing, IHI established a vehicular turbocharger joint venture with Hyundai WIA Corporation, a major subsidiary of Hyundai-Kia Motor Group. In addition, the Group is pushing ahead with global development in the field of heat / surface treatment machinery with an emphasis on serving customers in the market for automobile parts, which is set to show rapid growth. In this field, the Group received an award for “EvaCryo,” a vacuum vapor degreaser developed by Group company IHI Machinery and Furnace Co., Ltd. and used in the heat treatment of metal parts. On the basis of positive evaluations of the machine’s advanced cleaning power and its significantly improved environmental performance, “EvaCryo” was awarded the “Minister of Economy, Trade and Industry Award,” the top prize in The Japan Machinery Federation’s “2013 Fiscal Year (34th) Awards for Excellence in Energy-Saving Machinery,” in January 2014. Sales volume of this machine have been growing steadily.

In the Aero Engine, Space and Defense business, on the back of worldwide growth in air cargo volume, the Group undertakes the setting up a system to boost the production capacity and the development of new-type aero engines. Furthermore, the aero engine aftermarket is showing strength in March 2014, the cumulative number of V2500 engines repaired reached 1,500. The V2500 is an aircraft engine used in such aircraft as medium-sized passenger planes carrying 120 to 200 passengers. Since it was first used in commercial flights in 1989, the V2500 has been used by at least 190 aircraft companies in 70 countries worldwide, mainly in Airbus S.A.S.’ A320 series, with cumulative orders exceeding 7,000 engines. Furthermore, the Group has a 40% share of the market for V2500 repairs in the regions of Asia, with Mizuho Aero-Engine Works as its base for these operations.

In addition, the Group is also accelerating its global business operations. As part of these efforts, the IHI Forum was held in Indonesia and Brazil in November 2013 with the aim of contributing to the economic development of both countries. Participants invited to the forum included local companies, government officials and research institutions.

Furthermore, regarding Brazil’s Estaleiro Atlântico Sul S.A., in which IHI Group companies took stakes in August 2013, personnel were temporarily assigned to the company to provide management and technological guidance, and this work is steadily yielding results.

IHI works to hire and develop human resources in accordance with Group Human Resource Management Policies established in March 2013. With regard to the utilization of female employees, in March 2014 IHI was one of 26 companies listed on the first section of the Tokyo Stock Exchange (TSE) selected by the TSE and the Ministry of Economy, Trade and Industry as a “Nadeshiko Brand” that is proactively utilizing female employees.

B. Summary of consolidated performance by segment

The IHI Group has reconfigured its business fields under Group Management Policies 2013. As a result, effective from the fiscal year under review, the seven reportable segments of Energy & Resources Operations; Ships & Offshore Facilities Operations; Social Infrastructure Operations; Logistics Systems & Industrial Machinery Operations; Rotating Equipment & Mass-Production Machinery Operations; Aero Engine & Space Operations; and Others, have been changed to four segments. The four current segments are Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense. In line with this change, the figures for the previous fiscal year have been restated in the following year-on-year comparisons by segment.

Resources, Energy and Environment
Orders received increased by 64.7% from the previous fiscal year to ¥494.6 billion owing to order increases in gas processes and boilers.

Sales increased by 7.0% from the previous fiscal year to ¥344.0 billion because of sales increases in power systems, boilers, motors for land and marine use and gas processes, in addition to a sales boost from the correction in the yen’s strength, despite a decrease in nuclear power.

Operating income decreased by 28.3% from the previous fiscal year to ¥11.6 billion owing to increases in costs for some boiler projects and in selling, general and administrative expenses such as inquiry expenses, despite the effects of the above-mentioned increase in sales.

Social Infrastructure and Offshore Facilities

Orders received increased by 55.9% from the previous fiscal year to ¥175.5 billion owing to order increases in offshore structures and floating LNG storage facilities.

Sales increased by 27.5% from the previous fiscal year to ¥150.3 billion because of a sales increase in bridges despite a decrease in offshore structures.

Operating income increased by 52.0% from the previous fiscal year to ¥2.3 billion, mainly reflecting a steady performance in overseas bridge projects and a profit increase in urban development, despite a deterioration in profitability in domestic bridge projects.

Industrial Systems and General-Purpose Machinery

Orders received increased by 3.5% from the previous fiscal year to ¥370.6 billion owing to order increases in vehicular turbochargers and heat / surface treatment machinery, despite a decrease in materials handling equipment.

Sales increased by 4.0% from the previous fiscal year to ¥397.8 billion because of sales increases in vehicular turbochargers and heat / surface treatment machinery, despite a decrease in steel manufacturing equipment.

Operating income increased by 10.8% from the previous fiscal year to ¥15.1 billion despite an increase in selling, general and administrative expenses, mainly reflecting a profit increase due to the sales increase in vehicular turbochargers and improved profitability in construction machinery.

Aero Engine, Space and Defense

Orders received increased by 18.0% from the previous fiscal year to ¥406.9 billion because of an order increase in aero engines.

Sales increased by 20.0% from the previous fiscal year to ¥406.0 billion owing to a sales increase in civil aero engines mainly on the back of the correction in the yen’s strength.

Operating income increased by 138.1% from the previous fiscal year to ¥36.7 billion, owing to a sales increase in civil aero engines reflecting cost improvements and a significant sales boost from the correction in the yen’s strength.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2014	March 31, 2013
ASSETS		
Current assets:		
Cash and deposits	63,236	73,032
Notes and accounts receivable - trade	395,037	348,350
Securities	1,528	395
Finished goods	20,665	19,741
Work in process	222,237	190,594
Raw materials and supplies	112,983	105,968
Deferred tax assets	34,632	31,358
Other	57,010	52,083
Allowance for doubtful accounts	(6,127)	(6,735)
Total current assets	901,201	814,786
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	133,148	132,416
Machinery, equipment and vehicles, net	67,124	58,191
Land	90,175	88,370
Leased assets, net	16,929	16,537
Construction in progress	13,425	11,323
Other, net	15,647	14,220
Total property, plant and equipment	336,448	321,057
Intangible assets:		
Goodwill	22,958	22,608
Software	12,647	12,184
Other	6,535	4,351
Total intangible assets	42,140	39,143
Investments and other assets:		
Investment securities	162,165	128,879
Deferred tax assets	32,489	36,383
Other	24,751	26,248
Allowance for doubtful accounts	(2,833)	(2,257)
Total investments and other assets	216,572	189,253
Total non-current assets	595,160	549,453
Total assets	1,496,361	1,364,239

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2014	March 31, 2013
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	280,900	266,299
Short-term loans payable	110,340	114,927
Commercial papers	14,000	6,000
Current portion of bonds	20,000	-
Accrued expenses	73,339	56,851
Income taxes payable	16,692	11,984
Advances received	103,237	106,377
Provision for bonuses	24,590	22,443
Provision for construction warranties	25,485	18,948
Provision for loss on construction contracts	18,389	21,510
Other provision	566	740
Other	38,711	39,373
Total current liabilities	726,249	665,452
Non-current liabilities:		
Bonds payable	30,000	63,335
Long-term loans payable	165,143	151,449
Lease obligations	14,697	14,431
Deferred tax liabilities for land revaluation	6,312	6,312
Provision for retirement benefits	-	115,408
Net defined benefit liability	129,893	-
Other provision	3,112	4,217
Other	58,400	44,353
Total non-current liabilities	407,557	399,505
Total liabilities	1,133,806	1,064,957
NET ASSETS		
Shareholders' equity:		
Capital stock	107,165	95,762
Capital surplus	54,439	43,047
Retained earnings	171,318	144,675
Treasury shares	(665)	(736)
Total shareholders' equity	332,257	282,748
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	8,424	6,158
Deferred gains or losses on hedges	36	(810)
Revaluation reserve for land	4,665	4,665
Foreign currency translation adjustment	4,912	(4,377)
Remeasurements of defined benefit plans	(5,058)	-
Total accumulated other comprehensive income	12,979	5,636
Subscription rights to shares	621	563
Minority interests	16,698	10,335
Total net assets	362,555	299,282
Total liabilities and net assets	1,496,361	1,364,239

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Net sales	1,304,038	1,256,049
Cost of sales	1,081,630	1,059,279
Gross profit	222,408	196,770
Selling, general and administrative expenses	169,137	154,629
Operating income	53,271	42,141
Non-operating income:		
Interest income	640	724
Dividend income	3,389	2,147
Share of profit of entities accounted for using equity method	5,397	4,333
Foreign exchange gains	4,244	4,571
Other income	6,653	5,295
Total non-operating income	20,323	17,070
Non-operating expenses:		
Interest expenses	4,020	4,438
Expenses for delayed delivery	4,019	6,062
Other expenses	12,320	12,492
Total non-operating expenses	20,359	22,992
Ordinary income	53,235	36,219

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Extraordinary income:		
Gain on transfer from business divestitures	7,500	–
Gain on sales of non-current assets	–	14,137
Gain on change in equity	–	11,848
Total extraordinary income	7,500	25,985
Extraordinary losses:		
Impairment loss	245	1,260
Loss on valuation of investment securities	–	1,432
Cost of environment conservation measures	–	1,280
Provision for loss on subsidiaries and affiliates	–	987
Total extraordinary losses	245	4,959
Income before income taxes and minority interests	60,490	57,245
Income taxes - current	22,385	19,166
Income taxes - deferred	2,608	3,280
Total income taxes	24,993	22,446
Income before minority interests	35,497	34,799
Minority interests in income	2,364	1,413
Net income	33,133	33,386

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Income before minority interests	35,497	34,799
Other comprehensive income:		
Valuation difference on available-for-sale securities	2,549	5,876
Deferred gains or losses on hedges	550	(924)
Foreign currency translation adjustment	10,080	4,260
Share of other comprehensive income of entities accounted for using equity method	895	953
Total other comprehensive income	14,074	10,165
Comprehensive income	49,571	44,964
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	46,099	43,028
Comprehensive income attributable to minority interests	3,472	1,936

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

April 1, 2012 to March 31, 2013

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	95,762	43,044	116,083	(547)	254,342
Changes of items during period					
Conversion of convertible bonds					–
Dividends of surplus			(5,857)		(5,857)
Net income			33,386		33,386
Purchase of treasury shares				(212)	(212)
Disposal of treasury shares		3		23	26
Net increase from newly consolidated subsidiaries			1,063		1,063
Net changes of items other than shareholders' equity					
Total changes of items during period	–	3	28,592	(189)	28,406
Balance at end of current period	95,762	43,047	144,675	(736)	282,748

	Accumulated other comprehensive income						Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(361)	(55)	4,665	(8,452)	–	(4,203)	462	7,874	258,475
Changes of items during period									
Conversion of convertible bonds									–
Dividends of surplus									(5,857)
Net income									33,386
Purchase of treasury shares									(212)
Disposal of treasury shares									26
Net increase from newly consolidated subsidiaries									1,063
Net changes of items other than shareholders' equity	6,519	(755)	–	4,075	–	9,839	101	2,461	12,401
Total changes of items during period	6,519	(755)	–	4,075	–	9,839	101	2,461	40,807
Balance at end of current period	6,158	(810)	4,665	(4,377)	–	5,636	563	10,335	299,282

April 1, 2013 to March 31, 2014

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	95,762	43,047	144,675	(736)	282,748
Changes of items during period					
Conversion of convertible bonds	11,403	11,390		7	22,800
Dividends of surplus			(7,317)		(7,317)
Net income			33,133		33,133
Purchase of treasury shares				(8)	(8)
Disposal of treasury shares		2		72	74
Net increase from newly consolidated subsidiaries			827		827
Net changes of items other than shareholders' equity					
Total changes of items during period	11,403	11,392	26,643	71	49,509
Balance at end of current period	107,165	54,439	171,318	(665)	332,257

	Accumulated other comprehensive income						Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other compre-hensive income			
Balance at beginning of current period	6,158	(810)	4,665	(4,377)	–	5,636	563	10,335	299,282
Changes of items during period									
Conversion of convertible bonds									22,800
Dividends of surplus									(7,317)
Net income									33,133
Purchase of treasury shares									(8)
Disposal of treasury shares									74
Net increase from newly consolidated subsidiaries									827
Net changes of items other than shareholders' equity	2,266	846	–	9,289	(5,058)	7,343	58	6,363	13,764
Total changes of items during period	2,266	846	–	9,289	(5,058)	7,343	58	6,363	63,273
Balance at end of current period	8,424	36	4,665	4,912	(5,058)	12,979	621	16,698	362,555

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Cash flows from operating activities:		
Income before income taxes and minority interests	60,490	57,245
Depreciation	49,479	48,315
Depreciation and amortization on other	3,620	3,641
Gain on transfer from business divestitures	(7,500)	–
Gain on change in equity	–	(11,848)
Impairment loss	245	1,260
Cost of environment conservation measures	–	1,280
Increase (decrease) in allowance for doubtful accounts	(294)	(408)
Increase (decrease) in provision for bonuses	1,859	(307)
Increase (decrease) in provision for construction warranties	6,441	4,170
Increase (decrease) in provision for loss on construction contracts	(3,182)	(1,990)
Increase (decrease) in provision for retirement benefits	(115,484)	(1,179)
Increase (decrease)in net defined benefit liability	123,345	—
Interest and dividend income	(4,029)	(2,871)
Interest expenses	4,020	4,438
Foreign exchange losses (gains)	146	(596)
Loss (gain) on sales of short-term and long-term investment securities	134	188
Loss (gain) on valuation of short-term and long-term investment securities	211	2,447
Share of (profit) loss of entities accounted for using equity method	(5,397)	(4,333)
Loss (gain) on disposal of property, plant and equipment	1,453	(10,414)
Decrease (increase) in notes and accounts receivable - trade	(40,020)	(38,011)
Increase (decrease) in advances received	(3,389)	4,684
Decrease (increase) in advance payments	(3,135)	1,427
Decrease (increase) in inventories	(33,319)	29,192
Increase (decrease) in notes and accounts payable - trade	8,266	(8,821)
Increase (decrease) in accrued expenses	14,386	15,698
Decrease (increase) in other current assets	(2,679)	(1,843)
Increase (decrease) in other current liabilities	(1,415)	3,119
Decrease (increase) in consumption taxes refund receivable	1,192	1,704
Other, net	200	(267)
Subtotal	55,644	95,920
Interest and dividend income received	4,522	3,028
Interest expenses paid	(4,142)	(4,531)
Income taxes paid	(16,804)	(20,070)
Net cash provided by (used in) operating activities	39,220	74,347

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Cash flows from investing activities:		
Decrease (increase) in time deposits	266	23
Purchase of short-term and long-term investment securities	(16,117)	(5,862)
Purchase of shares of subsidiaries	–	(868)
Purchase of investments in capital of subsidiaries	–	(3,538)
Proceeds from sales and redemption of short-term and long-term investment securities	1,191	3,722
Purchase of property, plant and equipment and intangible assets	(49,382)	(53,231)
Gain (loss) on sales or disposal of property plant and equipment and intangible assets	1,444	16,145
Payments for transfer of business	–	(735)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(15,263)
Purchase of trust beneficiary right	(5,140)	–
Decrease (increase) in short-term loans receivable	(2,497)	(758)
Payments of long-term loans receivable	(366)	(381)
Collection of long-term loans receivable	436	85
Decrease (increase) in other investments	(1,939)	(4,185)
(Decrease)increase in other fixed liabilities	9,346	4,007
Other, net	476	(194)
Net cash provided by (used in) investing activities	(62,282)	(61,033)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(1,968)	10,254
Net increase (decrease) in commercial papers	8,000	6,000
Proceeds from long-term loans payable	53,181	60,805
Repayments of long-term loans payable	(49,184)	(69,449)
Proceeds from issuance of bonds	10,000	10,000
Redemption of bonds	(200)	(10,000)
Repayments of lease obligations	(3,994)	(3,773)
Decrease (increase) in treasury shares	(8)	(212)
Cash dividends paid	(7,288)	(5,829)
Proceeds from share issuance to minority shareholders	4,252	52
Cash dividends paid to minority shareholders	(1,396)	(998)
Net cash provided by (used in) financing activities	11,395	(3,150)
Effect of exchange rate change on cash and cash equivalents	2,979	4,083
Net increase (decrease) in cash and cash equivalents	(8,688)	14,247
Cash and cash equivalents at beginning of period	72,070	63,498
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	855	598
Decline in cash and cash equivalents due to reclassification of consolidated subsidiaries as equity-method affiliates	–	(6,340)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	91	67
Decline in cash and cash equivalents due to business divestitures of consolidated subsidiaries	(1,724)	–
Cash and cash equivalents at end of period	62,604	72,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of Consolidation

Number and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 148

Names of major consolidated subsidiaries: IHI Aerospace Co., Ltd. and others

In the fiscal year under review, changes to consolidated subsidiaries were as follows. Four companies were added by new establishment, three companies were added due to their increased materiality, and two subsidiaries were removed due to mergers.

2. Application of the Equity Method

Number and names of major associated companies accounted for by the equity method

Number of associated companies accounted for by the equity method: 35

Names of major equity method associates: Japan Marine United Corporation and others

In the fiscal year under review, three companies were added due to our additional acquisition of shares, one company was added due to its increased materiality, and one company was removed due to liquidation.

3. Significant Accounting Policies

(1) Securities

Securities to be held until maturity are stated at amortized cost (by the straight-line method). Other securities with market prices available are stated at fair market value as of the balance sheet date. The related valuation differences are directly included into net assets and the sale price is computed by the moving-average method. Other securities without market prices available are stated at cost by the moving-average method.

(2) Derivatives

Derivatives are stated at fair market value.

(3) Inventories

Raw materials and supplies are stated at cost by the moving-average method, and finished goods and work in process are stated principally at identified cost. (For figures shown on balance sheet, the book value write-down method based on decreased profitability is used.)

(4) Depreciation and amortization

- Property, plant and equipment (except for leased assets)

  These assets are depreciated by the declining-balance method. However, depreciation of lend-lease properties, assets of certain consolidated subsidiaries and buildings (excluding building fixtures) acquired on and after April 1, 1998, are computed by the straight-line method.

- Intangible assets (except for leased assets)

  These assets are amortized by the straight-line method. Software used internally is amortized using the straight-line method over the useful life of the assets, estimated by IHI (within five years).

- Leased assets

  Leased assets related to ownership transfer finance lease transactions are depreciated using the same method as that applied to property, plant and equipment.

  Leased assets related to non-ownership transfer finance leases are depreciated over the lease period as useful period using the straight-line method with no residual value. IHI uses the method for ordinary rental transactions for non-ownership transfer finance leases for which lease agreements were concluded on and before March 31, 2008.

(5) Significant allowances and provisions

- Allowance for doubtful accounts

  To provide for losses on bad debts, the allowance for doubtful accounts is provided based on historical default rates for general receivables, plus individually estimated amounts for specific uncollectible receivables.
- Provision for bonuses

  For payment of employee bonuses, the provision for bonuses is provided for in the amount that is expected to be paid.
- Provision for directors' bonuses

  For payment of directors' bonuses, the provision for directors' bonuses is provided for in the amount that is expected to be paid.
- Provision for construction warranties

  To provide for guaranteed project expenses, the provision for construction warranties is recorded as an estimate of future expenditures based on historical experience.
- Provision for loss on construction contracts

  Provision for loss on construction contracts is provided for in the amount of estimated losses for undelivered projects at the end of the fiscal year.
- Provision for directors' retirement benefits

  For payment of retirement benefits to directors and corporate auditors, the provision for directors' retirement benefits is provided for at consolidated subsidiaries in Japan in the amount that would be required to pay, based on the internal policy, if all eligible directors and corporate auditors retired at the end of the fiscal year.

- Provision for loss on subsidiaries and associates
  Provision for loss on subsidiaries and associates is provided for in the amount of estimated loss to be borne by IHI in consideration of the contents of assets of subsidiaries and associates.

(6) Accounting method for retirement benefits

To prepare for employees’ retirement benefits, net defined benefit liability is recognized as the difference between projected benefit obligations and pension fund assets based on estimated amounts at the end of the fiscal year under review. Some consolidated subsidiaries adopt the conventional method to determine net defined benefit liability.

In the calculation of defined benefit liability, the method used to attribute projected benefit obligations in the period up to the fiscal year under review is straight-line attribution.

Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.

Actuarial gain or loss is amortized starting in the fiscal year following the fiscal year in which it occurs using the straight-line method over a certain number of years within the average remaining service period of employees.

(7) Amortization method and period of goodwill

Goodwill is amortized through the estimated effective period of the investment, with the exception that when the amount of goodwill is immaterial, it is charged to income as incurred.

CHANGES IN ACCOUNTING POLICIES

Application of Accounting Standard for Retirement Benefits

IHI has applied 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) effective from the fiscal year under review (except for the provisions of 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). Accordingly, IHI has changed its accounting policy to one that recognizes the difference between projected benefit obligations and pension fund assets as net defined benefit liability and has recorded unrecognized actuarial gain or loss and unrecognized past service cost under net defined benefit liability.

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. In accordance with such measures, the effect of the change has been added to or deducted from remeasurements of defined benefit plans under accumulated other comprehensive income at the end of the fiscal year under review.

As a result of the change, at the end of the fiscal year under review, net defined benefit liability of ¥129,893 million was recorded, while accumulated other comprehensive income decreased by ¥5,058 million and minority interests increased by ¥11 million.

Net assets per share decreased by ¥3.27.

Changes to Presentation

Consolidated statements of cash flows

“Proceeds from sales of property, plant and equipment and intangible assets” and “Payments for retirement of property, plant and equipment” under “Cash flows from investing activities,” which were separately presented in the previous fiscal year, have been presented as “Gain (loss) on sales or disposal of property plant and equipment and intangible assets” in the fiscal year under review due to their decreased materiality. To reflect this change to presentation, the consolidated financial statements of the previous fiscal year have been reclassified.

As a result, ¥17,850 million presented as “Proceeds from sales of property, plant and equipment and intangible assets” and negative ¥1,705 million presented as “Payments for retirement of property, plant and equipment” under “Cash flows from investing activities” in the consolidated statements of cash flows of the previous fiscal year have been reclassified as “Gain (loss) on sales or disposal of property plant and equipment and intangible assets” of ¥16,145 million.

SEGMENT INFORMATION

a. Segment information

1. Overview of reportable segments

The reportable segments are constituent units of the IHI Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and evaluating operating performance.

IHI organizes operation divisions by products and services and the operation divisions deploy business activities formulating both domestic and overseas strategies for each product and service comprehensively.

Effective from the first quarter ended June 30, 2013, the IHI Group has carried out an entity conversion in line with a review of its four business fields based on Group Management Policies 2013. In accordance with this change, the IHI Group's reportable segments have been changed on the basis of their business fields, from the seven segments of Energy & Resources Operations; Ships & Offshore Facilities Operations; Social Infrastructure Operations; Logistics Systems & Industrial Machinery Operations; Rotating Equipment & Mass-Production Machinery Operations; Aero Engine & Space Operations; and Others, to four segments. The four new segments are Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense.

Segment information for the fiscal year ended March 31, 2013 has been presented based on the reportable segments after the entity conversion.

Main businesses, products and services belonging to each segment

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, materials handling equipment, 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. Calculation method used for sales, profit or loss, assets and liabilities, and other items by reportable segment

The accounting method used for reportable business segments is the same as the method stated in "BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS." Profits from reportable segments are figures based on operating income. Intersegment income and transfers are based on actual market pricing.

3. Information about sales, profit or loss, assets and liabilities, and other items by reportable segment

Fiscal year ended March 31, 2013

(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)	Total	Adjustment (Note 2)	Consolidated
Sales:									
(1) Sales to outside customers	299,124	109,195	369,617	328,447	1,106,383	149,666	1,256,049	–	1,256,049
(2) Intersegment sales and transfers	22,405	8,664	12,951	10,034	54,054	28,540	82,594	(82,594)	–
Total	321,529	117,859	382,568	338,481	1,160,437	178,206	1,338,643	(82,594)	1,256,049
Segment profit (Operating income)	16,206	1,559	13,651	15,423	46,839	8,085	54,924	(12,783)	42,141
Others:									
Depreciation (Note 4)	6,197	6,017	7,988	14,643	34,845	3,527	38,372	3,404	41,776
Share of profit of entities accounted for using equity method	301	–	653	–	954	3,356	4,310	23	4,333
Increase in property, plant and equipment (Note 5)	5,930	6,070	16,393	16,241	44,634	3,801	48,435	6,611	55,046

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. It should be noted that this classification includes ¥117,358 million of sales, ¥6,535 million of segment profit (operating income), ¥2,752 million of depreciation, ¥3,577 million of share of profit of entities accounted for using equity method and ¥2,639 million of increase in property, plant and equipment, which were attributable to the Ships & Offshore Facilities Operations segment before the change in reportable segments.
2. Adjustment of segment profit represents intersegment transactions of ¥62 million and unallocated corporate expenses of negative ¥12,845 million.
   Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
3. Reportable segment assets and liabilities have not been shown, as they are not used as the basis for deciding the allocation of management resources or evaluating operating performance.
4. Depreciation represents depreciation of property, plant and equipment. Adjustment of depreciation represents unallocated depreciation in property, plant and equipment.
5. Adjustment of increase in property, plant and equipment represents unallocated increase in property, plant and equipment.

Fiscal year ended March 31, 2014 (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)	Total	Adjustment (Note 2)	Consolidated
Sales:									
(1) Sales to outside customers	333,392	144,560	386,110	401,607	1,265,669	38,369	1,304,038	–	1,304,038
(2) Intersegment sales and transfers	10,701	5,753	11,710	4,491	32,655	20,584	53,239	(53,239)	–
Total	344,093	150,313	397,820	406,098	1,298,324	58,953	1,357,277	(53,239)	1,304,038
Segment profit (Operating income)	11,617	2,369	15,130	36,723	65,839	1,930	67,769	(14,498)	53,271
Others:									
Depreciation (Note 4)	5,776	6,086	10,616	14,174	36,652	795	37,447	2,982	40,429
Share of profit (loss) of entities accounted for using equity method	325	–	552	(72)	805	4,612	5,417	(20)	5,397
Increase in property, plant and equipment (Note 5)	8,137	9,177	14,615	17,277	49,206	984	50,190	4,379	54,569

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 ¥88 million and unallocated corporate expenses of negative ¥14,586 million.
   Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
3. Reportable segment assets and liabilities have not been shown, as they are not used as the basis for deciding the allocation of management resources or evaluating operating performance.
4. Depreciation represents depreciation of property, plant and equipment. Adjustment of depreciation represents unallocated depreciation in property, plant and equipment.
5. Adjustment of increase in property, plant and equipment represents unallocated increase in property, plant and equipment.

b. Related information

Fiscal year ended March 31, 2013

1. Product and service information

Information has been omitted, as classification is the same as for reportable segments.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	U.S.A.	Asia	Central and South America	Europe	Others	Total
769,746	147,153	173,598	52,895	93,004	19,653	1,256,049

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Asia	Central and South America	Europe	Others	Total
292,640	1,522	9,612	91	17,053	139	321,057

3. Information by major customer

(Millions of yen)

Name of customer or individual	Net sales	Related business segment
Japan Ministry of Defense	149,914	Aero Engine, Space and Defense, Others

Fiscal year ended March 31, 2014

1. Product and service information

Information has been omitted, as classification is the same as for reportable segments.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	U.S.A.	Asia	Central and South America	Europe	Others	Total
685,439	212,710	221,468	18,521	152,220	13,680	1,304,038

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Asia	Central and South America	Europe	Others	Total
295,945	2,804	13,037	106	24,506	50	336,448

3. Information by major customer

(Millions of yen)

Name of customer or individual	Net sales	Related business segment
Japan Ministry of Defense	130,427	Aero Engine, Space and Defense

c. Information about impairment loss on non-current assets by reportable segment

Fiscal year ended March 31, 2013

(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)	Total	Adjustment	Consolidated
Impairment loss	–	710	424	–	1,134	126	1,260	–	1,260

Note: 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.

Fiscal year ended March 31, 2014

(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	Total	Adjustment	Consolidated
Impairment loss	–	20	225	–	245	–	245	–	245

d. Information about goodwill amortization amount and year-end balance by reportable segment

Fiscal year ended March 31, 2013

(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)	Total (Note 2)	Adjustment	Consolidated
Amount for the fiscal year under review	100	–	678	–	778	290	1,068	14	1,082
Balance at the end of the fiscal year under review	1,066	1	17,832	–	18,899	3,654	22,553	55	22,608

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 represents unallocated goodwill amortization and year-end balance.

Fiscal year ended March 31, 2014

(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)	Total (Note 2)	Adjustment	Consolidated
Amount for the fiscal year under review	193	1	2,449	–	2,643	421	3,064	14	3,078
Balance at the end of the fiscal year under review	1,106	–	18,509	–	19,615	3,302	22,917	41	22,958

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 represents unallocated goodwill amortization and year-end balance.

e. Information about gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2013

Disclosure is omitted since there is no significant necessity.

Fiscal year ended March 31, 2014

None

PER SHARE INFORMATION

Item	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013
Net assets per share	¥223.68	¥197.08
Net income per share	¥22.51	¥22.81
Diluted net income per share	¥21.31	¥21.58

Note: The basis for calculating net income per share and diluted net income per share are as follows.

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013
Net income per share		
Net income (Millions of yen)	33,133	33,386
Amounts for non-common shareholders (Millions of yen)	–	–
Net income regarding common stock (Millions of yen)	33,133	33,386
Average number of shares of common stock (Thousand of shares)	1,471,758	1,463,401

Diluted net income per share		
Adjustment amount of net income (Millions of yen)	(208)	(71)
(Interest income of the above, net of taxes) (Millions of yen)	(208)	(71)
Increase in number of shares of common stock (Thousand of shares)	73,548	80,574
(Convertible bonds of the above) (Thousand of shares)	71,749	80,139
(Subscription rights to shares of the above) (Thousand of shares)	1,799	434
Potential shares not included in calculation of diluted net income per share due to being non-dilutive	Subscription rights to shares type 1 (Total number of subscription rights to shares: 76 units) Type of shares underlying subscription rights to shares: common stock Total number of shares underlying subscription rights to shares: 76,000 shares	Subscription rights to shares type 1 (Total number of subscription rights to shares: 117 units) Type of shares underlying subscription rights to shares: common stock Total number of shares underlying subscription rights to shares: 117,000 shares

OMISSION OF DISCLOSURE

Disclosure of explanations regarding the following matters is omitted since there is no significant necessity of such disclosure in the summary report on financial results:

- Consolidated balance sheets
- Consolidated statements of income
- Consolidated statements of comprehensive income
- Consolidated statements of changes in equity
- Consolidated statements of cash flows
- Lease transactions
- Financial instruments
- Securities
- Derivative transactions
- Retirement benefits
- Stock options, etc.
- Tax effect accounting
- Business combinations, etc.
- Asset retirement obligations
- Rental property
- Transactions with parties concerned
- SPC