IHI

IHI Corporation

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Tokyo 135-8710, Japan
November 5, 2014

CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED SEPTEMBER 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: November 13, 2014 (planned)
Commencement of Dividend Payments: December 4, 2014 (planned)
Preparing supplementary material on quarterly financial results: Yes
Holding quarterly financial results presentation meeting: Yes

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 change from the previous corresponding period)

	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
Six months ended September 30, 2014	**616,144**	**12.8%**	**28,934**	**46.5%**	**32,337**	**38.4%**
Six months ended September 30, 2013	546,305	(3.3)%	19,755	36.0%	23,364	100.8%

	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Six months ended September 30, 2014	**20,946**	**64.2%**	**13.57**	**13.55**
Six months ended September 30, 2013	12,753	7.7%	8.72	8.23

(Note) Comprehensive income
Six months ended September 30, 2014: ¥22,515 million (8.2)%
Six months ended September 30, 2013: ¥24,528 million 117.3%

(2) Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity to Total Assets
September 30, 2014	**1,574,727**	**360,675**	**21.9%**
March 31, 2014	1,496,361	362,555	23.1%

(Reference) Shareholders' equity at the end of the period (consolidated)
September 30, 2014: ¥344,952 million
March 31, 2014: ¥345,236 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, 2014	—	0.00	—	6.00	6.00
Fiscal year ending March 31, 2015	—	3.00	―――	―――	―――
Fiscal year ending March 31, 2015 (Forecast)	―――	―――	—	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 change from the previous corresponding period)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
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: None

4. NOTES

(1) Changes in significant subsidiaries during the six 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 8.

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

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

As of September 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 September 30, 2014	3,282,099 shares
As of March 31, 2014	3,369,103 shares

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

Six months ended September 30, 2014	1,543,499,455 shares
Six months ended September 30, 2013	1,463,305,752 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 7.

QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

1. Explanation Regarding Business Results

A. Summary of consolidated performance

During the six months under review, the Japanese economy continued to follow a trend of moderate recovery supported by increases in capital investment on the back of improved corporate earnings as well as public investment, despite weak consumption and production owing to diminished consumer confidence amid a reduction in real income and to the effect of a temporary lull in demand following a rise in consumption tax. Outside of Japan, despite weakening growth in certain emerging countries and geopolitical risks, the economy as a whole continued to show moderate growth led by the strongly performing U.S. economy.

Under this business environment, orders received of the IHI Group during the six months increased 27.7% from the previous corresponding period to ¥785.4 billion. Net sales rose 12.8% to ¥616.1 billion. Operating income rose 46.5% to ¥28.9 billion, ordinary income rose 38.4% to ¥32.3 billion and net income rose 64.2% to ¥20.9 billion. (Ordinary income and net income were at record highs for the six months ended September 30.)

Results by business segment are as follows:

Resources, Energy and Environment

Orders received increased by 44.2% from the previous corresponding period to ¥276.3 billion owing to order increases in Boiler business, partially offset by order decreases in Gas process business reflecting a large project in Gas process business in the previous corresponding period.
Sales increased by 20.0% from the previous corresponding period to ¥166.2 billion owing to increases in Gas process business and Boiler business.
Operating income decreased by 8.4% from the previous corresponding period to ¥3.2 billion, owing mainly to boiler projects with low profitability, the recognition of additional costs in certain projects and an increase in selling, general and administrative expenses, partially offset by the above-mentioned increased sales and the positive effect of yen depreciation.

Social Infrastructure and Offshore Facilities

Orders received increased by 40.0% from the previous corresponding period to ¥99.3 billion owing to increases in Water gate business and Shield tunneling machine business.
Sales increased by 37.2% from the previous corresponding period to ¥78.1 billion owing to increase in Bridge business, Offshore structure business and Urban development business.
Operating income/loss improved by ¥0.9 billion from the previous corresponding period, resulting in operating income of ¥0.2 billion, owing to mostly steady performance in overseas bridge projects and increased sales from Urban development business.

Industrial Systems and General-Purpose Machinery

Orders received increased by 8.3% from the previous corresponding period to ¥199.4 billion owing to increases in Vehicular turbochargers business and Transport machinery business, partially offset by the impact of the divestiture of the business related to the rolling mills of IHI Metaltech Co., Ltd. in October last year.
Sales increased by 3.1% from the previous corresponding period to ¥190.4 billion. This has been caused by the increases in Vehicular turbochargers business and Papermaking machinery business, partially offset by the decrease in Transport machinery business and the impact of the above-mentioned divestiture of the business.
Operating income decreased by 23.1% from the previous corresponding period to ¥5.6 billion, owing to an increase in selling, general and administrative expenses, partially offset by the increase in revenues.

Aero Engine, Space and Defense

Orders received increased by 17.1% from the previous corresponding period to ¥190.8 billion owing to increase in Aero engine business, partially offset by decreases in Defense system business, Rocket systems/space utilization system business.
Sales increased by 9.1% from the previous corresponding period to ¥178.9 billion. This has been caused by a positive effect of yen depreciation, and delivery increased in civil aero engines, partially offset by a decrease in sales from Defense system business due to a delivery of gas turbines for naval vessels in the previous corresponding period.
Operating income increased by 40.5% from the previous corresponding period to ¥21.7 billion owing to sales increase in Aero engine business , improved profitability and the postponement of recording costs.

B. Current status and outlook of management strategies

Looking ahead, the IHI Group is expecting the Japanese economy to continue moderate growth by benefiting from various economic measures, despite causes for concern such as a long-lasting impact from the temporary lull in demand following the rise in consumption tax.
Outside of Japan, the global economy is expected to show moderate recovery overall, reflecting the rising pace of growth accompanying improvements in the employment and income environments in the U.S., continuing growth in the emerging countries on the back of a moderate recovery in exports to developed countries and firm domestic demand. On the other hand, there are several factors with the potential to cause economic weakness, including concerns about the effect of the contraction of monetary easing in the U.S., economic slowdown in Europe, as well as China and certain other emerging countries, and heightened geopolitical risks. Therefore, it is necessary to pay close attention to how these situations develop.

Facing such an environment, the IHI Group has steadily proceeded with initiatives to accelerate growth of the IHI Group based on the three-year medium-term management plan, “Group Management Policies 2013” that started from April 2013.

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

In the Resources, Energy and Environment business, the IHI Group as the leader of a consortium received an order from Jimah East Power Sdn. Bhd. to perform engineering, procurement and construction of a power plant in Malaysia, where the Group is strengthening marketing activities emphasizing the country’s status as global priority country. When finished, the power plant will produce the largest electricity output (2,000 megawatt) from ultra super-critical coal-fired power in that country. The ultra super-critical coal-fired power plant of this current order raises the electricity generation efficiency by using extremely high steam temperature and pressure, which results in reduction of fuel consumption and carbon dioxide emissions. The power plant will be constructed in Mukim Jimah in Negeri Sembilan, approximately 60 km south of Kuala Lumpur, and its commercial operation is scheduled in 2018 for Unit 1 and 2019 for Unit 2 respectively. In Malaysia, demand for electric power is continuing to increase due to the country’s high rate of economic growth. Accordingly, the Group will continue to supply electricity generation equipment and systems, mainly including boiler with high efficiency and low emission, in Malaysia and other markets in Southeast Asia with the potential for further dramatic growth in the future.

In the Social Infrastructure and Offshore Facilities business, a joint-venture comprised of IHI Group company IHI Infrastructure Systems Co., Ltd. (“IIS”) and KAWADA INDUSTRIES, INK. (“Kawada Industries”) proceeded with construction of the “Tsukiji Bridge” project that is being newly constructed on the Sumida River as part of the Ring Road No. 2 Rinkai Section (Shiodome, Minato-ku, Tokyo to Ariake, Koto-ku, Tokyo). The Tsukiji Bridge is an arch bridge 245 meters long and 48 meters wide. In May this year, the construction of its girder was completed. In this bridge construction project, to meet the requirement for “minimum period of shipping route closure on the Sumida River,” single blocks were manufactured and erected into three large blocks at the IIS Sakai Works and Kawada Industries Shikoku Plant in a base assembly stage. These were transported by sea on a large barge and then onsite construction was performed all at once. The bridge is scheduled for completion in fiscal year 2015. Ahead of the Tokyo Olympics, there are demands for smart social infrastructure in urban areas, and the Group will make use of its manufacturing technology to meet these demands.

In the Industrial Systems and General-Purpose Machinery business, the Group received firm orders for Vehicular turbocharger business in the global market. The Group will now further increase orders in the future by expanding the turbo production developed in Europe for European customers into China and North America. The vehicular turbocharger market is continuing to grow amid tightening of automobile fuel consumption regulations around the world. In view of this, the Group will expand its supply of turbochargers that bring greater fuel efficiency to countries around the world, based on the Group’s advanced technological capabilities and global production structure.

In the Aero Engine, Space and Defense business, the Group achieved a cumulative total shipment of 4,000 modules of the CF34 civil aircraft engine used in regional jet planes of the 70 to 110 seating class in August this year. Furthermore, in October, cumulative shipments of parts for the GE90, the world’s most powerful civil aircraft engine (used in Boeing 777), came to the 2,000 level. In June, the Group decided to participate in an engine program for the GE9X civil aircraft engine (used in Boeing777X, the next-generation model of Boeing 777). Going forward, the Group will continue working to expand its civil aircraft engine business in view of firm aircraft demand.

As an initiative related to the three links (*Tsunagu*) functions of "Solution & Engineering," "Intelligent Information Management," and "Global Marketing," in September this year, the IHI Group held the "4th Ishikawajima Technology Forum" at Rio de Janeiro, Brazil, which was attended by Brazilian companies, research institutes and other interested parties. At the forum, the IHI Group presented its technologies related to oil and gas, shipbuilding and ocean industries, which are driving growth in Brazil. In Brazil, the Group will continue to contribute to the revitalization of Brazil's shipbuilding and ocean industries. Its initiatives in this area include the development of human resources in the shipbuilding and ocean industries through collaboration with a university and its investment in Estaleiro Atlântico Sul S.A. Furthermore, in October the Group held the "IHI Forum 2014" in Vietnam with the aim of emphasizing to relevant parties the Group's ability to provide a wide range of solutions to address issues associated with the country's development. The Group will work on leveraging the brand it has build up in Vietnam in its bridge business and use it to facilitate business development in other fields.

Furthermore, in October this year, the IHI Group opened the "IHI Tsunagu Lab" inside Yokohama Headquarters Representative's Office (Isogo-ku, Yokohama-shi, Kanagawa) as a center to promote new innovation in collaboration with customers. Conceived as a place for the IHI Group to link (in Japanese "*Tsunagu*") with customers, cooperatively share ideas, and create new value, the IHI Tsunagu Lab is made up of three areas: "Exhibition Area," "Idea Sharing Area" and "Cafe Area." The IHI Group aims for the IHI Tsunagu Lab to be a center to actually "see," "hear," and "touch" the products and technologies of the IHI Group, to share ideas in front of these actual examples, realize solutions to customer problems and achieve "co-creation" from which new ideas can emerge.

The Group will continue working to achieve the fiscal year 2015 management goals. To do this, the Group will have standout products and services that transcend the boundaries of existing businesses, secure high-quality orders in a stable manner and boost cost competitiveness by strengthening and using the three links (*Tsunagu*) functions, which are key initiatives for the current fiscal year. The Group will also reform its profit structure by transforming its business model. Furthermore, the Group will create management resources by such means as selection and concentration of businesses, and accelerate growth by allocating such resources with a priority on growth and focus businesses and core businesses.

2. Explanation Regarding Consolidated Financial Position

A. Assets and liabilities, and net assets

Total assets at the end of the quarter under review were ¥1,574.7 billion, up ¥78.3 billion compared with the end of the previous fiscal year. The item with the most significant increase was work in process, up ¥65.0 billion, while the item with the most significant decrease was notes and accounts receivable - trade, down ¥20.7 billion.
Total liabilities were ¥1,214.0 billion, an increase of ¥80.2 billion compared with the end of the previous fiscal year. The items with the most significant increases were advances received, up ¥26.0 billion and net defined benefit liability, up ¥24.5 billion. The balance on interest bearing liabilities, including lease obligations, was ¥414.2 billion, up ¥56.4 billion compared with the end of the previous fiscal year.
Net assets were ¥360.6 billion, down ¥1.8 billion compared with the end of the previous fiscal year. This was the result of net income of ¥20.9 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 21.9%.

B. Cash flows

At the end of the quarter under review, the outstanding balance of cash and cash equivalents (hereinafter, "cash") was ¥66.8 billion, an increase of ¥4.2 billion compared with the end of the previous fiscal year.
Net cash used in operating activities was ¥1.2 billion. The main factors of increase were recognition of income before income taxes and minority interests of ¥32.3 billion, an increase in advances received of ¥25.7 billion, and recognition of depreciation of ¥24.5 billion, while the main factors of decrease were an increase in inventories of ¥67.6 billion and a decrease in notes and accounts payable - trade of ¥19.8 billion.
Net cash used in investing activities was ¥39.7 billion. This was due mainly to purchase of property, plant and equipment and intangible assets of ¥34.5 billion and purchase of short-term and long-term investment securities of ¥5.6 billion.
Net cash provided by financing activities was ¥45.8 billion. This was due mainly to proceeds from long-term loans payable of ¥38.0 billion, repayments of long-term loans payable of ¥16.5 billion, an increase in short-term loans payable of ¥18.3 billion, and an increase in commercial papers of ¥18.0 billion.

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

Considering the forecast of the consolidated results for the fiscal year ending March 31, 2015, while current results are firm, it is also true that the future directions of the global economy and, by extension, exchange rates are clouded by uncertainties. In light of this situation, no revisions have been made to net sales, operating income, ordinary income, or net income since the previous forecast announcement.

Regarding net sales and operating income forecasts for each business segment, while increased sales in the Aero Engine, Space and Defense business due to factors such as yen depreciation have been taken into account, we have also factored in developments in the Resources, Energy and Environment business and the Social Infrastructure and Offshore Facilities business including delays to launches of some construction projects.

Note that a foreign exchange rate of ¥100/US$1 and ¥135/EUR1 has been assumed in the above forecasts for the third quarter ending December 31, 2014 and later periods. As a consequence, a projection that the current foreign exchange valuation gains will not apply to the full fiscal year is factored into the forecasts for ordinary income and net income.

MATTERS REGARDING SUMMARY INFORMATION (NOTES)

1. Changes In Significant Subsidiaries During The Six 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 six months under review are calculated by multiplying income before income taxes and minority interests for the six 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 six 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 the first quarter ended June 30, 2014, 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 six month under review.

As a result of the change, as of the beginning of the six months 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 six months under review was immaterial.

QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	September 30, 2014	March 31, 2014
Assets		
Current assets		
Cash and deposits	68,440	63,236
Notes and accounts receivable - trade	374,264	395,037
Securities	205	1,528
Finished goods	26,028	20,665
Work in process	287,312	222,237
Raw materials and supplies	109,994	112,983
Other	98,391	91,642
Allowance for doubtful accounts	(6,256)	(6,127)
Total current assets	958,378	901,201
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	141,538	133,148
Other, net	201,214	203,300
Total property, plant and equipment	342,752	336,448
Intangible assets		
Goodwill	25,596	22,958
Other	18,342	19,182
Total intangible assets	43,938	42,140
Investments and other assets		
Investment securities	168,158	162,165
Other	64,328	57,240
Allowance for doubtful accounts	(2,827)	(2,833)
Total investments and other assets	229,659	216,572
Total non-current assets	616,349	595,160
Total assets	1,574,727	1,496,361

1. CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	September 30, 2014	March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	259,860	280,900
Short-term loans payable	130,962	110,340
Commercial papers	32,000	14,000
Current portion of bonds	–	20,000
Income taxes payable	12,187	16,692
Advances received	129,307	103,237
Provision for bonuses	24,057	24,590
Provision for construction warranties	26,269	25,485
Provision for loss on construction contracts	22,409	18,389
Other provision	200	566
Other	101,021	112,050
Total current liabilities	738,272	726,249
Non-current liabilities		
Bonds payable	50,000	30,000
Long-term loans payable	183,933	165,143
Net defined benefit liability	154,471	129,893
Other provision	2,888	3,112
Other	84,488	79,409
Total non-current liabilities	475,780	407,557
Total liabilities	1,214,052	1,133,806
Net assets		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	54,438	54,439
Retained earnings	169,019	171,318
Treasury shares	(650)	(665)
Total shareholders' equity	329,972	332,257
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,397	8,424
Deferred gains or losses on hedges	(610)	36
Revaluation reserve for land	4,665	4,665
Foreign currency translation adjustment	2,452	4,912
Remeasurements of defined benefit plans	(3,924)	(5,058)
Total accumulated other comprehensive income	14,980	12,979
Subscription rights to shares	747	621
Minority interests	14,976	16,698
Total net assets	360,675	362,555
Total liabilities and net assets	1,574,727	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 Sep. 30, 2014	Apr. 1, 2013 to Sep. 30, 2013
Net sales	616,144	546,305
Cost of sales	503,149	446,506
Gross profit	112,995	99,799
Selling, general and administrative expenses	84,061	80,044
Operating income	28,934	19,755
Non-operating income		
Interest income	254	333
Dividend income	1,014	847
Share of profit of entities accounted for using equity method	1,277	5,605
Foreign exchange gains	7,124	543
Other income	1,472	4,126
Total non-operating income	11,141	11,454
Non-operating expenses		
Interest expenses	2,076	2,013
Other expenses	5,662	5,832
Total non-operating expenses	7,738	7,845
Ordinary income	32,337	23,364
Extraordinary losses		
Impairment loss	—	20
Total extraordinary losses	—	20
Income before income taxes and minority interests	32,337	23,344
Income taxes	10,945	9,586
Income before minority interests	21,392	13,758
Minority interests in income	446	1,005
Net income	20,946	12,753

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2014 to Sep. 30, 2014	Apr. 1, 2013 to Sep. 30, 2013
Income before minority interests	21,392	13,758
Other comprehensive income		
Valuation difference on available-for-sale securities	3,874	3,113
Deferred gains or losses on hedges	(562)	629
Foreign currency translation adjustment	(3,077)	6,029
Remeasurements of defined benefit plans, net of tax	942	–
Share of other comprehensive income of entities accounted for using equity method	(54)	999
Total other comprehensive income	1,123	10,770
Comprehensive income	22,515	24,528
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,507	22,865
Comprehensive income attributable to minority interests	8	1,663

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	April 1, 2014 to September 30, 2014	April 1, 2013 to September 30, 2013
Cash flows from operating activities:		
Income before income taxes and minority interests	32,337	23,344
Depreciation	24,572	23,192
Depreciation and amortization on other	1,377	1,665
Impairment loss	–	20
Increase (decrease) in allowance for doubtful accounts	189	(501)
Increase (decrease) in provision for bonuses	(576)	(99)
Increase (decrease) in provision for construction warranties	538	1,817
Increase (decrease) in provision for loss on construction contracts	4,029	(6,217)
Increase (decrease) in provision for retirement benefits	–	3,443
Increase (decrease) in net defined benefit liability	4,061	–
Interest and dividend income	(1,268)	(1,180)
Interest expenses	2,076	2,013
Foreign exchange losses (gains)	236	179
Loss (gain) on sales of short-term and long-term investment securities	(211)	144
Loss (gain) on valuation of short-term and long-term investment securities	557	–
Share of (profit) loss of entities accounted for using equity method	(1,277)	(5,605)
Loss (gain) on disposal of property, plant and equipment	619	273
Decrease (increase) in notes and accounts receivable - trade	19,609	58,614
Increase (decrease) in advances received	25,739	13,125
Decrease (increase) in advance payments	4,304	(6,171)
Decrease (increase) in inventories	(67,606)	(47,704)
Increase (decrease) in notes and accounts payable - trade	(19,869)	(28,070)
Increase (decrease) in accrued expenses	1,961	3,853
Decrease (increase) in other current assets	(3,026)	(1,492)
Increase (decrease) in other current liabilities	(5,347)	(5,690)
Decrease (increase) in consumption taxes refund receivable	(10,826)	1,071
Other, net	979	604
Subtotal	13,177	30,628
Interest and dividend income received	2,840	1,120
Interest expenses paid	(2,223)	(2,110)
Income taxes paid	(15,065)	(8,057)
Net cash provided by (used in) operating activities	(1,271)	21,581

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	April 1, 2014 to September 30, 2014	April 1, 2013 to September 30, 2013
Cash flows from investing activities:		
Decrease (increase) in time deposits	724	494
Purchase of short-term and long-term investment securities	(5,638)	(6,059)
Purchase of shares of subsidiaries	(926)	–
Proceeds from sales of short-term and long term investment securities	4,222	1,018
Purchase of property, plant and equipment and intangible assets	(34,507)	(23,822)
Gain (loss) on sales or disposal of property, plant and equipment and intangible assets	106	690
Purchase of shares and investments of subsidiaries resulting in change in scope of consolidation	(4,514)	–
Purchase of trust beneficiary right	–	(5,140)
Decrease (increase) in short-term loans receivable	508	(1,729)
Payments of long-term loans receivable	(84)	(190)
Collection of long-term loans receivable	26	35
Decrease (increase) in other investments	(4,095)	1,819
(Decrease)increase in other fixed liabilities	4,573	1,349
Other, net	(135)	515
Net cash provided by (used in) investing activities	(39,740)	(31,020)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	18,324	(10,609)
Net increase (decrease) in commercial papers	18,000	14,000
Proceeds from long-term loans payable	38,087	30,685
Repayments of long-term loans payable	(16,553)	(31,690)
Proceeds from issuance of bonds	20,000	10,000
Redemption of bonds	(20,000)	–
Proceeds from sales and leasebacks	250	–
Repayments of lease obligations	(1,889)	(1,957)
Decrease (increase) in treasury shares	(3)	(3)
Cash dividends paid	(9,223)	(7,262)
Proceeds from share issuance to minority shareholders	32	–
Cash dividends paid to minority shareholders	(1,219)	(850)
Net cash provided by (used in) financing activities	45,806	2,314
Effect of exchange rate change on cash and cash equivalents	(864)	1,732
Net increase (decrease) in cash and cash equivalents	3,931	(5,393)
Cash and cash equivalents at beginning of period	62,604	72,070
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	317	855
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	91
Cash and cash equivalents at end of period	66,852	67,623

4. 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 Six months ended September 30, 2013

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 Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	134,699	54,751	180,290	162,236	531,976	14,329	546,305	–	546,305
(2) Intersegment sales and transfers	3,873	2,196	4,486	1,841	12,396	8,413	20,809	(20,809)	–
Total	138,572	56,947	184,776	164,077	544,372	22,742	567,114	(20,809)	546,305
Segment profit (loss) (Operating income (loss))	3,527	(728)	7,296	15,477	25,572	(384)	25,188	(5,433)	19,755

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 ¥76 million and unallocated corporate expenses of ¥-5,509 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

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

Material impairment loss of non-current assets
None

Material change in goodwill amount
None

Material gain on negative goodwill
None

II Six months ended September 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	163,568	76,873	184,355	176,970	601,766	14,378	616,144	–	616,144
(2) Intersegment sales and transfers	2,677	1,275	6,087	1,963	12,002	10,709	22,711	(22,711)	–
Total	166,245	78,148	190,442	178,933	613,768	25,087	638,855	(22,711)	616,144
Segment profit (loss) (Operating income (loss))	3,231	263	5,610	21,741	30,845	(7)	30,838	(1,904)	28,934

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 ¥30 million and unallocated corporate expenses of ¥-1,934 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 non-current assets, goodwill and negative goodwill by reportable segment

Material impairment loss of non-current 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 six months under review. Furthermore, in the Resources, Energy and Environment segment, Steinmüller Engineering GmbH became a consolidated subsidiary when it was acquired by IHI. ¥4,706 million of gain on goodwill was recognized by this event in the six months under review.

Material gain on negative goodwill
None

SIGNIFICANT SUBSEQUENT EVENTS

None

SUPPLEMENTARY INFORMATION

Orders received by reportable segment

(Millions of yen)

Reportable segment	Six months ended September 30, 2014		Six months ended September 30, 2013		Change from the previous corresponding period		Fiscal year ended March 31, 2014	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	276,371	35	191,716	31	84,655	44.2	494,635	34
Social Infrastructure and Offshore Facilities	99,365	13	70,956	12	28,409	40.0	175,573	12
Industrial Systems and General-Purpose Machinery	199,479	25	184,121	30	15,358	8.3	370,691	26
Aero Engine, Space and Defense	190,875	24	162,972	26	27,903	17.1	406,968	28
Total Reportable Segment	766,090	–	609,765	–	156,325	–	1,447,867	–
Others	43,604	6	28,902	5	14,702	50.9	62,332	4
Adjustment	(24,263)	(3)	(23,831)	(4)	(432)	–	(51,215)	(4)
Total	785,431	100	614,836	100	170,595	27.7	1,458,984	100
Overseas orders received	410,999	52	304,844	50	106,155	34.8	676,146	46

Net sales by reportable segment

(Millions of yen)

Reportable segment	Six months ended September 30, 2014		Six months ended September 30, 2013		Change from the previous corresponding period		Fiscal year ended March 31, 2014	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	166,245	27	138,572	25	27,673	20.0	344,093	26
Social Infrastructure and Offshore Facilities	78,148	13	56,947	11	21,201	37.2	150,313	12
Industrial Systems and General-Purpose Machinery	190,442	31	184,776	34	5,666	3.1	397,820	30
Aero Engine, Space and Defense	178,933	29	164,077	30	14,856	9.1	406,098	31
Total Reportable Segment	613,768	–	544,372	–	69,396	–	1,298,324	–
Others	25,087	4	22,742	4	2,345	10.3	58,953	5
Adjustment	22,711	(4)	(20,809)	(4)	(1,902)	–	(53,239)	(4)
Total	616,144	100	546,305	100	69,839	12.8	1,304,038	100
Overseas sales	346,755	56	280,185	51	66,570	23.8	618,599	47

Order backlog by reportable segment

(Millions of yen)

Reportable segment	As of September 30, 2014		As of March 31, 2014		Change from the end of the previous year		As of September 30, 2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	660,926	43	535,230	40	125,696	23.5	426,267	34
Social Infrastructure and Offshore Facilities	257,200	17	235,241	18	21,959	9.3	216,467	17
Industrial Systems and General-Purpose Machinery	123,364	8	108,773	8	14,591	13.4	155,334	12
Aero Engine, Space and Defense	455,700	30	440,324	33	15,376	3.5	420,293	34
Total Reportable Segment	1,497,190	–	1,319,568	–	177,622	–	1,218,361	–
Others	34,587	2	19,305	1	15,282	79.2	33,935	3
Total	1,531,777	100	1,338,873	100	192,904	14.4	1,252,296	100
Overseas order backlog	712,515	47	628,173	47	84,342	13.4	570,488	46