IHI

IHI Corporation

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November 4, 2015

CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015 <Japanese GAAP>

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

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Submission of Quarterly Securities Report: November 12, 2015 (planned)
Commencement of Dividend Payments: December 4, 2015
Preparing supplementary material on quarterly financial results: Yes
Holding quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

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

1. CONSOLIDATED PERFORMANCE FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015 (APRIL 1, 2015 to SEPTEMBER 30, 2015)

(1) Consolidated Business Results

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

	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
Six months ended September 30, 2015	**688,271**	**11.7**	**269**	**(99.1)**	**(4,030)**	—
Six months ended September 30, 2014	616,144	12.8	28,934	46.5	32,337	38.4

	Profit Attributable to Owners of Parent	Percentage Change	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Six months ended September 30, 2015	**(3,907)**	—	**(2.53)**	—
Six months ended September 30, 2014	20,946	64.2	13.57	13.55

(Note) Comprehensive income
Six months ended September 30, 2015: ¥(5,399) million —%
Six months ended September 30, 2014: ¥22,515 million (8.2)%

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity to Total Assets
September 30, 2015	**1,727,299**	**348,822**	**19.4**
March 31, 2015	1,690,882	359,595	20.5

(Reference) Equity at the end of the period (consolidated)
September 30, 2015: ¥334,756 million
March 31, 2015: ¥345,794 million

2. DIVIDENDS

(Yen)

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

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

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

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Basic Earnings per Share (Yen)
Full-year	1,580,000	8.5%	50,000	(21.0)%	38,000	(32.8)%	18,000	98.2%	11.66

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

* NOTES

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

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

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

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

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

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

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

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

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

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

As of September 30, 2015	3,095,032 shares
As of March 31, 2015	3,290,432 shares

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

Six months ended September 30, 2015	1,543,542,585 shares
Six months ended September 30, 2014	1,543,499,455 shares

* Indication regarding execution of quarterly review procedures

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

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

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

1. QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

(1) EXPLANATION REGARDING BUSINESS RESULTS

A. Summary of consolidated performance for the six months ended September 30, 2015

During the six months under review, the Japanese economy continued to recover at a moderate pace, despite signs of an impact on exports and production from economic slowdown in emerging countries. The global economy outside of Japan also continued to expand at a moderate pace, led by developed countries, offsetting the slowdown in emerging countries.

Under this business environment, orders received of the IHI Group during the six months decreased 9.9% from the previous corresponding period to ¥707.7 billion. Net sales rose 11.7% to ¥688.2 billion. Operating income deteriorated ¥28.6 billion compared with the previous corresponding period to ¥0.2 billion due to the impact of deterioration of profitability of projects received in the Social Infrastructure and Offshore Facility Business. Also affected by deterioration of foreign exchange losses (gains), ordinary loss of ¥4.0 billion was reported, a deterioration from the previous corresponding period of ¥36.3 billion. Loss attributable to owners of parent was ¥3.9 billion, a deterioration of ¥24.8 billion compared with the previous corresponding period.

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

(Billions of yen)

Reportable segment	Orders received			Six months ended September 30, 2014		Six months ended September 30, 2015		Change from the previous corresponding period (%)	
	Six months ended September 30, 2014	Six months ended September 30, 2015	Change from the previous corre-sponding period (%)	Sales	Operating income (loss)	Sales	Operating income (loss)	Sales	Operating income (loss)
Resources, Energy and Environment	276.3	221.7	(19.8)	166.2	3.2	209.9	5.2	26.3	61.9
Social Infrastructure and Offshore Facility	99.3	74.7	(24.7)	78.1	0.2	66.4	(34.5)	(14.9)	–
Industrial System and General-Purpose Machinery	199.4	220.3	10.5	190.4	5.6	190.2	3.9	(0.1)	(29.8)
Aero Engine, Space and Defense	190.8	182.2	(4.5)	178.9	21.7	216.5	31.0	21.0	42.7
Total Reportable Segment	766.0	699.1	–	613.7	30.8	683.3	5.6	–	–
Others	43.6	32.6	(25.0)	25.0	0.0	25.7	(0.1)	2.5	–
Adjustment	(24.2)	(24.1)	–	(22.7)	(1.9)	(20.7)	(5.2)	–	–
Total	785.4	707.7	(9.9)	616.1	28.9	688.2	0.2	11.7	(99.1)

Resources, Energy and Environment

Orders received declined from the previous corresponding period, reflecting a pullback from large orders secured in the previous corresponding period for Boiler Business and Power systems plants Business, partially offset by an order of a large-scale ultra-supercritical coal-fired boiler for power generation for Kobe Steel, Ltd.
Sales increased from the previous corresponding period owing to increases in the Gas processes Business due to smooth progress at Cove Point natural gas liquefaction facility construction project in the U.S.
Operating income increased from the previous corresponding period partly due to the positive effect of yen depreciation in foreign exchange in addition to the above-mentioned sales increases.

Social Infrastructure and Offshore Facility

Orders received declined from the previous corresponding period, reflecting a pullback from large orders secured in the previous corresponding period for F-LNG/Offshore structure Business and decreases in the Water gate Business, partially offset by an order for a dedicated freight railway bridge construction in India.

Sales decreased from the previous corresponding period owing to the impact of decreased sales from the Izmit Bay Crossing Bridge construction project in Turkey.

Operating income decreased significantly, owing not only to a further increase in expenses for F-LNG/Offshore structure Business but also to recording of construction schedule catch-up expenses related to the Izmit Bay Crossing Bridge construction project in Turkey.

In F-LNG/Offshore structure Business, concerning the drill ship body construction project for Singapore which is in the final stage, the effects of urgent support to Aichi Works such as increases in personnel and stepped up monitoring have clarified issues and risks, and as a result there were additional design expenses and process expenses corresponding to drawing revisions and construction process disruptions. In addition, at the shipbuilding project for FPSO (Floating Production Storage and Offloading Unit) for Norway, procurement costs rose due to an increase in the volume of construction work, and catch-up expenses were recorded to respond to construction process delays. Also, as a consequence of the aforementioned projects delays, provisions were recorded for aluminum SPB tanks being manufactured at Aichi Works, owing to concerns about a shortage of resources such as skilled frontline workers and inspectors available to accomplish the projects.

Industrial System and General-Purpose Machinery

Orders received increased from the previous corresponding period owing to increases in Logistics system Business, Transport machinery Business and Compressor Business.

Sales were at the same level as the previous corresponding period, owing to decreases in Paper-making machinery Business and Logistics system Business, offset by increases in Thermal and surface treatment Business, Transport machinery Business and Parking Business.

Operating income decreased from the previous corresponding period, due to increases in selling, general and administrative expenses such as expenses in taking orders received, and R&D expenses.

Aero Engine, Space and Defense

Orders received decreased from the previous corresponding period owing to decreases in projects for Japan Ministry of Defense in Aero engines Business.

Sales increased from the previous corresponding period, owing to increases in civil aero engines as a result of the effect of yen depreciation in foreign exchange, and a delivery of gas turbines for naval vessels in Defense systems Business.

Operating income increased from the previous corresponding period owing to the above-mentioned effect from sales increases and improved profitability for civil aero engines, partially offset by increases in expenses such as R&D expenses for the “GE9X” aero engine for the next-generation wide-body jet.

B. Current status and outlook of management strategies

Following on from the previous quarter, the IHI Group has focused on rapidly resolving issues related to production disruption at IHI Aichi Works and the accident at the Izmit Bay Crossing Bridge construction project in Turkey.

With respect to the IHI Aichi Works, the IHI Group reinforced existing personnel with engineers and experts from across various divisions in the Group, and is improving the project management structure. The IHI Group will also provide thorough support to ensure sufficient resources available for subsequent projects. In addition, the IHI Group is taking the necessary steps to minimize the risk of downside to earnings by suspending new order activity for the time being and focusing on completing existing work in hand. With respect to the Izmit Bay Crossing Bridge construction project, the IHI Group implemented a range of measures to push the project towards completion, including increasing the number of works supervisors and frontline workers to catch up on lost time on the construction schedule, and increasing and upgrading construction equipment and facilities, and made progress on installing the main cables of the bridge.
With respect to the deteriorating financial position of Brazil's Estaleiro Atlântico Sul S.A., the IHI Group is continuing to take steps to constrain surfacing of losses.

In fiscal year 2015, the final year of "Group Management Policies 2013" which targeted accelerating growth of the Group, the IHI Group is devoting maximum efforts to minimize the aforementioned effects, and boost revenues through concerted group-wide efforts to carry out the following measures:

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

The major achievements from efforts undertaken during the second quarter under review are as follows.

The Resources, Energy and Environment segment has secured an engineering, procurement and construction order from Kobe Steel, Ltd., one of Japan's leading IPPs (independent power producers), related to the installation of a large-scale ultra-supercritical coal-fired boiler (650MW x 2 units) that will achieve world-leading levels of generating efficiency and auxiliary equipment. The boilers to be constructed by the IHI Group will enable the plant to operate at higher efficiency through the use of extremely high steam temperature and pressure, which results in the reduction of fuel consumption and carbon dioxide emissions. Also, to ensure the plant achieves the highest environmental standards in Japan, the IHI Group will also simultaneously deliver SCR (selective catalytic reduction) equipment and other auxiliary equipment, which clean emissions from flue gas, making a major contribution to protecting the atmospheric environment.

In the Aero Engine, Space and Defense segment, cumulative shipments of GEnx engine parts for the Boeing 787 and 747-8 reached the 1,000 unit level. The GEnx engine is 15% more fuel-efficient than previous models, resulting in reduced emissions of carbon dioxide, nitrogen oxide and other gases and lower noise pollution. IHI has approximately a 15% stake in the program, with responsibility for the design and manufacture of the low-pressure turbine module and the aft part of the high-pressure compressor, which are key components in the engine. IHI plans to produce around 300 units in the current fiscal year in response to strong demand of Boeing 787.
The IHI Group has decided to participate in an engine program for the GE9X civil aircraft engine (used in Boeing777X, the next-generation model of Boeing 777) and the development is fully underway.

Notwithstanding the aforementioned efforts, although the IHI Group was expecting to achieve the growth target for business scale under "Group Management Policies 2013," which aims for profit growth by expanding the business scale, it has now become extremely difficult to achieve the profit target. After reflecting on the reasons for this, the IHI Group will take action to strengthen the revenue effectively. With this goal in mind, the IHI Group announces today "Group Management Policies 2016 (Outline)," which puts forward the following policies: 1) Improve effectiveness of business strategies, 2) establish systems to secure stable profits from construction projects, and 3) provide solutions aimed at creating value for customers, and enhance products and services.

(2) EXPLANATION REGARDING CONSOLIDATED FINANCIAL POSITION

A. Assets and liabilities, and net assets

Total assets at the end of the second quarter under review were ¥1,727.2 billion, up ¥36.4 billion compared with the end of the previous fiscal year. The item with the most significant increase was work in process, up ¥51.3 billion, while the item with the most significant decrease was notes and accounts receivable - trade, down ¥19.6 billion.

Total liabilities were ¥1,378.4 billion, an increase of ¥47.1 billion compared with the end of the previous fiscal year. The items with the most significant increases were short-term loans payable, up ¥46.2 billion, and advances received, up ¥32.4 billion, while the item with the most significant decrease was notes and accounts payable - trade, down ¥39.7 billion. The balance on interest bearing liabilities, including lease obligations, was ¥463.6 billion, up ¥52.9 billion compared with the end of the previous fiscal year.

Net assets were ¥348.8 billion, down ¥10.7 billion compared with the end of the previous fiscal year. This includes loss attributable to owners of parent of ¥3.9 billion, dividends of surplus of ¥4.6 billion and a decline of ¥3.5 billion due to valuation difference on available-for-sale securities.

As a result of the above, the ratio of equity to total assets dropped from 20.5% at the end of the previous fiscal year to 19.4%.

B. Cash flows

At the end of the second quarter under review, the outstanding balance of cash and cash equivalents (hereinafter, “cash”) was ¥87.2 billion, a decrease of ¥5.2 billion compared with the end of the previous fiscal year.

Net cash used in operating activities was ¥24.0 billion. The main factors of increase were an increase in advances received of ¥32.3 billion, and recognition of depreciation of ¥26.9 billion, while the main factors of decrease were an increase in inventories of ¥58.8 billion and a decrease in notes and accounts payable - trade of ¥38.5 billion.

Net cash used in investing activities was ¥28.3 billion. This was due mainly to purchase of property, plant and equipment and intangible assets of ¥25.4 billion.

Net cash provided by financing activities was ¥46.0 billion. This was due mainly to an increase in short-term loans payable of ¥32.3 billion, and an increase in commercial papers of ¥28.0 billion.

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

Looking ahead, the Japanese economy is expected to continue to recover moderately by benefiting from improvements in the employment and income environments as well as from the effect of various government measures.

Also, the global economy outside Japan is expected to continue recovering moderately, but as monetary policy in the U.S. normalizes, there is a risk of an economic downturn in Asian emerging countries, including China. Against this backdrop, it is necessary to be cautious concerning the impact of potentially prolonged fluctuations in financial markets.

Based on the above circumstances, as announced on October 21, 2015, after taking into account significant deterioration in the profitability in the F-LNG/Offshore structure Business, IHI Group forecasts for the fiscal year ending March 31, 2016, net sales of ¥1,580.0 billion, operating income of ¥50.0 billion, ordinary income of ¥38.0 billion, and profit attributable to owners of parent of ¥18.0 billion.

Note that a foreign exchange rate of ¥115/US$1 and ¥130/EUR1 has been assumed in the above forecasts from the third quarter ending December 31, 2015.

2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)

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

Not applicable

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

Tax expense calculation

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

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

In the consolidated statements of cash flows for the six months under review, cash flows concerning costs for the purchase of shares and investments of subsidiaries resulting in change in scope of consolidation, as well as costs for the purchase or sale of shares and investments of subsidiaries not resulting in change in scope of consolidation, are classified under cash flows from operating activities.

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

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

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	September 30, 2015	March 31, 2015
Assets		
Current assets		
Cash and deposits	91,259	94,549
Notes and accounts receivable - trade	418,611	438,260
Securities	1,405	205
Finished goods	27,708	24,939
Work in process	300,669	249,362
Raw materials and supplies	129,602	125,000
Other	136,513	127,768
Allowance for doubtful accounts	(5,714)	(6,357)
Total current assets	1,100,053	1,053,726
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	145,380	145,642
Other, net	207,790	211,983
Total property, plant and equipment	353,170	357,625
Intangible assets		
Goodwill	21,917	23,301
Other	25,938	27,200
Total intangible assets	47,855	50,501
Investments and other assets		
Investment securities	163,823	167,138
Other	64,426	63,758
Allowance for doubtful accounts	(2,028)	(1,866)
Total investments and other assets	226,221	229,030
Total non-current assets	627,246	637,156
Total assets	1,727,299	1,690,882

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	September 30, 2015	March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	260,425	300,148
Short-term loans payable	160,413	114,135
Commercial papers	45,000	17,000
Income taxes payable	7,479	23,162
Advances received	157,663	125,170
Provision for bonuses	26,365	26,687
Provision for construction warranties	40,320	36,804
Provision for loss on construction contracts	48,149	28,553
Other provision	156	656
Other	121,392	123,610
Total current liabilities	867,362	795,925
Non-current liabilities		
Bonds payable	70,000	70,000
Long-term loans payable	170,175	192,320
Net defined benefit liability	160,590	157,986
Provision for loss on subsidiaries and affiliates	21,809	22,590
Other provision	1,178	1,186
Other	87,363	91,280
Total non-current liabilities	511,115	535,362
Total liabilities	1,378,477	1,331,287
Net assets		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	54,436	54,438
Retained earnings	143,984	152,563
Treasury shares	(618)	(655)
Total shareholders' equity	304,967	313,511
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,104	16,622
Deferred gains or losses on hedges	(198)	(743)
Revaluation reserve for land	5,169	5,166
Foreign currency translation adjustment	14,624	14,783
Remeasurements of defined benefit plans	(2,910)	(3,545)
Total accumulated other comprehensive income	29,789	32,283
Subscription rights to shares	809	747
Non-controlling interests	13,257	13,054
Total net assets	348,822	359,595
Total liabilities and net assets	1,727,299	1,690,882

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

CONSOLIDATED STATEMENTS OF INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2015 to Sep. 30, 2015	Apr. 1, 2014 to Sep. 30, 2014
Net sales	688,271	616,144
Cost of sales	594,085	503,149
Gross profit	94,186	112,995
Selling, general and administrative expenses	93,917	84,061
Operating income	269	28,934
Non-operating income		
Interest income	435	254
Dividend income	809	1,014
Share of profit of entities accounted for using equity method	1,207	1,277
Foreign exchange gains	–	7,124
Other income	2,170	1,472
Total non-operating income	4,621	11,141
Non-operating expenses		
Interest expenses	2,095	2,076
Foreign exchange losses	2,023	–
Other expenses	4,802	5,662
Total non-operating expenses	8,920	7,738
Ordinary income (loss)	(4,030)	32,337
Income (loss) before income taxes	(4,030)	32,337
Income taxes	(887)	10,945
Profit (loss)	(3,143)	21,392
Profit attributable to non-controlling interests	764	446
Profit (loss) attributable to owners of parent	(3,907)	20,946

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2015 to Sep. 30, 2015	Apr. 1, 2014 to Sep. 30, 2014
Profit (loss)	(3,143)	21,392
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,043)	3,874
Deferred gains or losses on hedges	449	(562)
Revaluation reserve for land	6	–
Foreign currency translation adjustment	182	(3,077)
Remeasurements of defined benefit plans, net of tax	522	942
Share of other comprehensive income of entities accounted for using equity method	(372)	(54)
Total other comprehensive income	(2,256)	1,123
Comprehensive income	(5,399)	22,515
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(6,565)	22,507
Comprehensive income attributable to non-controlling interests	1,166	8

(3) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2015 to Sep. 30, 2015	Apr. 1, 2014 to Sep. 30, 2014
Cash flows from operating activities		
Income (loss) before income taxes	(4,030)	32,337
Depreciation	26,970	24,572
Depreciation and amortization on other	2,131	1,377
Increase (decrease) in allowance for doubtful accounts	(447)	189
Increase (decrease) in provision for bonuses	(333)	(576)
Increase (decrease) in provision for construction warranties	3,571	538
Increase (decrease) in provision for loss on construction contracts	19,606	4,029
Increase (decrease) in net defined benefit liability	3,255	4,061
Interest and dividend income	(1,244)	(1,268)
Interest expenses	2,095	2,076
Foreign exchange losses (gains)	(564)	236
Loss (gain) on sales of short-term and long-term investment securities	(111)	(211)
Loss (gain) on valuation of short-term and long-term investment securities	17	557
Share of (profit) loss of entities accounted for using equity method	(1,207)	(1,277)
Loss (gain) on disposal of property, plant and equipment	341	619
Decrease (increase) in notes and accounts receivable - trade	18,977	19,609
Increase (decrease) in advances received	32,350	25,739
Decrease (increase) in advance payments	(8,033)	4,304
Decrease (increase) in inventories	(58,802)	(67,606)
Increase (decrease) in notes and accounts payable - trade	(38,593)	(19,869)
Increase (decrease) in accrued expenses	1,545	1,961
Decrease (increase) in other current assets	(11,996)	(3,026)
Increase (decrease) in other current liabilities	(1,993)	(5,347)
Decrease (increase) in consumption taxes refund receivable	8,847	(10,826)
Other, net	(909)	979
Subtotal	(8,557)	13,177
Interest and dividend income received	2,810	2,840
Interest expenses paid	(2,117)	(2,223)
Income taxes paid	(16,166)	(15,065)
Net cash provided by (used in) operating activities	(24,030)	(1,271)

(3) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	Apr. 1, 2015 to Sep. 30, 2015	Apr. 1, 2014 to Sep. 30, 2014
Cash flows from investing activities		
Decrease (increase) in time deposits	(1,908)	724
Purchase of short-term and long-term investment securities	(3,247)	(5,638)
Purchase of shares of subsidiaries	–	(926)
Proceeds from sales and redemption of short-term and long-term investment securities	500	4,222
Purchase of property, plant and equipment and intangible assets	(25,456)	(34,507)
Gain (loss) on sales or disposal of property, plant and equipment and intangible assets	228	106
Purchase of shares and investments of subsidiaries resulting in change in scope of consolidation	–	(4,514)
Decrease (increase) in short-term loans receivable	1,540	508
Payments of long-term loans receivable	(34)	(84)
Collection of long-term loans receivable	26	26
Decrease (increase) in other investments	(613)	(4,095)
Increase (decrease) in other non-current liabilities	587	4,573
Other, net	17	(135)
Net cash provided by (used in) investing activities	(28,360)	(39,740)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	32,386	18,324
Net increase (decrease) in commercial papers	28,000	18,000
Proceeds from long-term loans payable	12,261	38,087
Repayments of long-term loans payable	(19,636)	(16,553)
Proceeds from issuance of bonds	–	20,000
Redemption of bonds	–	(20,000)
Proceeds from sales and leasebacks	612	250
Repayments of lease obligations	(1,906)	(1,889)
Decrease (increase) in treasury shares	(4)	(3)
Cash dividends paid	(4,621)	(9,223)
Proceeds from share issuance to non-controlling shareholders	1,061	32
Dividends paid to non-controlling interests	(2,087)	(1,219)
Net cash provided by (used in) financing activities	46,066	45,806
Effect of exchange rate change on cash and cash equivalents	454	(864)
Net increase (decrease) in cash and cash equivalents	(5,870)	3,931
Cash and cash equivalents at beginning of period	92,527	62,604
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	272	317
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	357	–
Cash and cash equivalents at end of period	87,286	66,852

(4) NOTES TO THE QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE PREMISE OF GOING CONCERN

Not applicable

NOTES WHEN THERE IS SIGNIFICANT CHANGES IN AMOUNTS OF EQUITY

Not applicable

SEGMENT INFORMATION

Segment information

I Six months ended September 30, 2014

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

(Millions of yen)

	Reportable Segment					Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the consolidated statements of income
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General-Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	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 negative ¥1,934 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

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

Material impairment loss of non-current assets

Not applicable

Material change in goodwill amount

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

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 ended September 30, 2014.

Material gain on negative goodwill

Not applicable

II Six months ended September 30, 2015

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

(Millions of yen)

	Reportable Segment					Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the consolidated statements of income
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General-Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	207,593	65,278	185,229	214,943	673,043	15,228	688,271	–	688,271
(2) Intersegment sales and transfers	2,372	1,217	5,060	1,635	10,284	10,497	20,781	(20,781)	–
Total	209,965	66,495	190,289	216,578	683,327	25,725	709,052	(20,781)	688,271
Segment profit (loss) (Operating income (loss))	5,230	(34,562)	3,938	31,023	5,629	(157)	5,472	(5,203)	269

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

2. Adjustment of segment profit represents intersegment transactions of negative ¥615 million and unallocated corporate expenses of negative ¥4,588 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

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

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

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

Material impairment loss of non-current assets
Not applicable

Material change in goodwill amount
Not applicable

Material gain on negative goodwill
Not applicable

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

4. SUPPLEMENTARY INFORMATION

(1) ORDERS RECEIVED BY REPORTABLE SEGMENT

(Millions of yen)

Reportable segment	Six months ended September 30, 2014		Six months ended September 30, 2015		Change from the previous corresponding period		Fiscal year ended March 31, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	276,371	35	221,778	31	(54,593)	(19.8)	582,768	35
Social Infrastructure and Offshore Facility	99,365	13	74,780	11	(24,585)	(24.7)	178,791	11
Industrial System and General-Purpose Machinery	199,479	25	220,370	31	20,891	10.5	415,003	25
Aero Engine, Space and Defense	190,875	24	182,217	26	(8,658)	(4.5)	468,090	28
Total Reportable Segment	766,090	–	699,145	–	(66,945)	–	1,644,652	–
Others	43,604	6	32,687	5	(10,917)	(25.0)	75,255	4
Adjustment	(24,263)	(3)	(24,127)	(4)	136	–	(55,520)	(3)
Total	785,431	100	707,705	100	(77,726)	(9.9)	1,664,387	100
Overseas orders received	410,999	52	322,431	46	(88,568)	(21.5)	836,023	50

(2) NET SALES BY REPORTABLE SEGMENT

(Millions of yen)

Reportable segment	Six months ended September 30, 2014		Six months ended September 30, 2015		Change from the previous corresponding period		Fiscal year ended March 31, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	166,245	27	209,965	30	43,720	26.3	415,359	29
Social Infrastructure and Offshore Facility	78,148	13	66,495	10	(11,653)	(14.9)	188,636	13
Industrial System and General-Purpose Machinery	190,442	31	190,289	28	(153)	(0.1)	411,707	28
Aero Engine, Space and Defense	178,933	29	216,578	31	37,645	21.0	434,854	30
Total Reportable Segment	613,768	–	683,327	–	69,559	–	1,450,556	–
Others	25,087	4	25,725	4	638	2.5	62,874	4
Adjustment	(22,711)	(4)	(20,781)	(3)	1,930	–	(57,586)	(4)
Total	616,144	100	688,271	100	72,127	11.7	1,455,844	100
Overseas sales	346,755	56	399,799	58	53,044	15.3	758,038	52

(3) ORDER BACKLOG BY REPORTABLE SEGMENT

(Millions of yen)

Reportable segment	As of March 31, 2015		As of September 30, 2015		Change from the end of the previous fiscal year		As of September 30, 2014	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	760,467	46	783,731	46	23,264	3.1	660,926	43
Social Infrastructure and Offshore Facility	231,993	14	240,711	14	8,718	3.8	257,200	17
Industrial System and General-Purpose Machinery	121,028	7	150,759	9	29,731	24.6	123,364	8
Aero Engine, Space and Defense	510,704	31	486,564	29	(24,140)	(4.7)	455,700	30
Total Reportable Segment	1,624,192	–	1,661,765	–	37,573	–	1,497,190	–
Others	31,215	2	36,340	2	5,125	16.4	34,587	2
Total	1,655,407	100	1,698,105	100	42,698	2.6	1,531,777	100
Overseas order backlog	808,779	49	754,574	44	(54,205)	(6.7)	712,515	47