IHI

IHI Corporation

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Tokyo 135-8710, Japan

July 29, 2016

CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS ENDED JUNE 30, 2016 <Japanese GAAP>

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

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Submission of Quarterly Securities Report: August 12, 2016 (planned)
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 THREE MONTHS ENDED JUNE 30, 2016 (APRIL 1, 2016 to JUNE 30, 2016)

(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
Three months ended June 30, 2016	**341,403**	**0.2**	**10,645**	—	**4,587**	—
Three months ended June 30, 2015	340,762	21.2	20	(99.9)	(428)	—

	Profit Attributable to Owners of Parent	Percentage Change	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Three months ended June 30, 2016	**846**	—	**0.55**	**0.55**
Three months ended June 30, 2015	(48)	—	(0.03)	—

(Note) Comprehensive income
Three months ended June 30, 2016: ¥(10,168) million —%
Three months ended June 30, 2015: ¥87 million (98.8)%

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity to Total Assets
June 30, 2016	**1,675,674**	**321,705**	**18.4%**
March 31, 2016	1,715,056	333,359	18.6%

(Reference) Equity at the end of the period (consolidated)
June 30, 2016: ¥308,620 million
March 31, 2016: ¥318,310 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, 2016	—	3.00	—	0.00	3.00
Fiscal year ending March 31, 2017	—	―――	―――	―――	―――
Fiscal year ending March 31, 2017 (Forecast)	―――	3.00	—	3.00	6.00

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

3. CONSOLIDATED FORECASTS OF RESULTS FOR THE YEAR ENDING MARCH 31, 2017

(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)
First Half of the Fiscal Year	700,000	1.7%	23,000	—	16,000	—	9,000	—	5.83
Full-year	1,520,000	(1.3%)	58,000	163.1%	44,000	352.9%	22,000	—	14.25

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

* NOTES

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

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

(Note) For details, please refer to "(2) APPLICATION OF SPECIAL ACCOUNTING FOR PREPARING QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS" of "2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)" on page 7.

(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 7.

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

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

As of June 30, 2016	1,546,799,542 shares
As of March 31, 2016	1,546,799,542 shares

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

As of June 30, 2016	2,665,806 shares
As of March 31, 2016	2,825,606 shares

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

Three months ended June 30, 2016	1,544,071,403 shares
Three months ended June 30, 2015	1,543,508,393 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 6.

1. QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

(1) EXPLANATION REGARDING BUSINESS RESULTS

A. Summary of consolidated performance for the three months ended June 30, 2016

During the three months under review, in the Japanese economy, there have been appreciating yen and weakening private consumption and corporate earnings, which have broadened the scope of uncertainty. In the global economy outside of Japan, although the U.S. economy performed firmly, in addition to a noticeable sentiment of economic slowdown present in China and the Asian emerging countries, there was observed turmoil from factors including rising geopolitical risks and the result of the UK deciding to leave the EU. Such events have had an effect on the U.S. dollar-yen exchange rate, which was at the ¥112 level at end of the previous fiscal year, with the U.S. dollar dropping into the ¥102 level at the end of the three-month period.

Under this business environment, orders received of the IHI Group during the three months decreased 14.0% from the previous corresponding period to ¥258.8 billion. Net sales were at the same level as the previous corresponding period at ¥341.4 billion. Operating income was ¥10.6 billion, an improvement from the previous corresponding period owing mainly to the pullback from the impact of deterioration of profitability of some projects received in the Social Infrastructure and Offshore Facility in the previous corresponding period. Ordinary income improved from the previous corresponding period but it came to ¥4.5 billion after factoring in the effect of yen appreciation, and profit attributable to owners of parent improved from the previous corresponding period, ending at ¥0.8billion.
Effective from the fiscal year under review, the closing date of the fiscal year of certain overseas consolidated subsidiaries has been changed from December 31 to March 31(The Financial Reporting Periods Unification , hereinafter "FRPU"). As a result, for the three months ended June 30, 2016, those overseas consolidated subsidiaries have a six-month accounting period. The impact of these changes was an increase of ¥25.2 billion in net sales and an increase of ¥2.7 billion in operating income.

Results by reportable segment for the three months ended June 30, 2016 are as follows:

(Billions of yen)

Reportable segment	Orders received			Three months ended June 30, 2015		Three months ended June 30, 2016		Change from the previous corresponding period (%)	
	Three months ended June 30, 2015	Three months ended June 30, 2016	Change from the previous corre-sponding period (%)	Sales	Operating income (loss)	Sales	Operating income (loss)	Sales	Operating income (loss)
Resources, Energy and Environment	146.1	86.7	(40.6)	101.1	(0.9)	96.3	(2.3)	(4.8)	–
Social Infrastructure and Offshore Facility	23.3	27.0	15.7	33.8	(13.0)	33.8	(6.5)	0.0	–
Industrial System and General-Purpose Machinery	101.4	109.4	7.9	93.1	0.6	101.5	3.2	9.0	366.1
Aero Engine, Space and Defense	27.9	32.8	17.4	111.1	17.3	103.7	16.9	(6.7)	(2.7)
Total Reportable Segment	298.8	256.1	(14.3)	339.2	4.1	335.4	11.2	(1.1)	171.4
Others	15.8	14.4	(9.3)	10.5	(0.5)	14.6	(0.3)	39.4	–
Adjustment	(13.7)	(11.6)	–	(9.0)	(3.5)	(8.7)	(0.1)	–	–
Total	301.0	258.8	(14.0)	340.7	0.0	341.4	10.6	0.2	–

Resources, Energy and Environment
Orders received significantly decreased from the previous corresponding period, reflecting a pullback from large orders secured in the previous corresponding period for Boiler Business.
Sales decreased from the previous corresponding period, reflecting decreases in Process plants Business and

Power systems for land and marine use Business, partially offset by the effect of FRPU as well as increased revenues from sales from large maintenance construction projects and construction progress in Boiler Business.
In terms of operating income/loss, it resulted in a deficit, owing mainly to the effects of the decreases in revenues from Process plants Business and Power systems for land and marine use Business, partially offset by increased revenue and income in Boiler Business.

Social Infrastructure and Offshore Facility
Orders received increased from the previous corresponding period, reflecting an increase in Bridge/water gate Business, partially offset by decreases in Shield tunneling machine Business and Transport system Business.
Sales were at the same level as the corresponding previous period, owing to decreases in Bridge/water gate Business and Urban development Business, offset by an increase in F-LNG Business owing to construction progress.
In terms of operating income/loss, there was a reduced deficit, reflecting a pullback due to recorded losses related to F-LNG Business and the Izmit Bay Crossing Bridge construction project in Turkey in the corresponding previous period, despite the recording of additional costs in F-LNG Business including additional costs accompanying the increase in the quantities of electrical wiring for drill ships for Singapore, additional costs at the shipbuilding project for FPSO (Floating Production Storage and Offloading Unit) for Norway resulting from the increase in outsourcing expenses at the Singapore Yard due to a review of the volume of construction work, and the increase of on-site supervisors, in addition to additional costs resulting from a decrease in assembly efficiency for aluminum SPB tanks.

Industrial System and General-Purpose Machinery
Orders received increased from the previous corresponding period, owing to increases in Logistics/industrial system Business and Vehicular turbocharger Business, partially offset by decreases in Transport machinery Business and Construction machinery Business.
Sales increased from the previous corresponding period, owing to increases in Vehicular turbocharger Business, Logistics/industrial system Business and Transport machinery Business which were caused partly by the effect of FRPU.
Operating income rose due to the above-mentioned increases in sales and the improvement in profitability in Rotating machinery Business and Parking Business, partially offset by increased selling, general and administrative expenses which were caused by the effect of FRPU.

Aero Engine, Space and Defense
Orders received increased from the previous corresponding period due to increases in Aero engines Business and Defense systems Business.
Sales decreased from the previous corresponding period, owing to a decrease in civil aero engines mainly as a result of the effect of yen appreciation and a pullback from delivery of gas turbines for naval vessels in Defense systems Business in the previous corresponding period.
Operating income decreased from the previous corresponding period, owing to the above-mentioned sales decrease, partially offset by a decrease in selling, general and administrative expenses such as R&D expenses.

B. Current status and outlook of management strategies

The IHI Group has started “Group Management Policies 2016,” a three-year medium-term management plan with fiscal year 2016 as the first year. The policies establish “strengthen earnings foundations” as the main theme, and concrete initiatives are being steadily implemented in line with the following four guidelines: 1) strengthen *Monozukuri* (Manufacturing) capabilities, including product quality, 2) strengthen business strategy implementation, 3) create a system to ensure consistent construction profitability, 4) provide solutions focused on creating customer value and offer more sophisticated products and services.
Furthermore, regarding the production disruption at IHI Aichi Works which occurred in the previous fiscal year, measures led by corporate headquarters have been put in place in the form of such initiatives as the dispatching of engineers and experts from various fields and the strengthening of monitoring, thereby working to resolve the production disruption and minimize losses.
In fiscal year 2016, the IHI Group will sincerely reflect on the deteriorated financial results of fiscal year 2015 and place emphasis on “recovering trust” from all stakeholders through the steady execution of “Group Management Policies 2016.”

(2) EXPLANATION REGARDING CONSOLIDATED FINANCIAL POSITION

Assets and liabilities, and net assets

Total assets at the end of the first quarter under review were ¥1,675.6 billion, down ¥39.3 billion compared with the end of the previous fiscal year. The item with the most significant decrease was notes and accounts receivable - trade, down ¥62.2 billion, and the item with the most significant increase was work in process, up ¥34.3 billion.
Total liabilities were ¥1,353.9 billion, a decrease of ¥27.7 billion compared with the end of the previous fiscal year. The items with the most significant decreases were notes and accounts payable - trade, down ¥15.8 billion, provision for bonuses, down ¥10.0 billion, short-term loans payable, down ¥9.9 billion and provision for loss on construction contracts, down ¥8.4 billion. The item with the most significant increase was advances received, up ¥39.7 billion. The balance on interest bearing liabilities, including lease obligations, was ¥362.5 billion, down ¥11.9 billion compared with the end of the previous fiscal year. Net assets were ¥321.7 billion, down ¥11.6 billion compared with the end of the previous fiscal year. This includes a decrease of ¥6.8 billion in foreign currency translation adjustment and a decrease of ¥3.1 billion in valuation difference on available-for-sale securities.
As a result of the above, the ratio of equity to total assets dropped from 18.6% at the end of the previous fiscal year to 18.4%.

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

Looking ahead, while the Japanese economy is expected to benefit from the development of virtuous cycles through new growth strategies, the current state of uncertainty is expected to persist for the time being, given such factors as the impact of turmoil in the global economy. Meanwhile, in the global economy, there are numerous risks of economic fluctuation that need to be watched, including the impact of the UK deciding to leave the EU, the direction of the U.S. presidential election and concerns over economic slowdown in China and emerging economies.

Under these circumstances, the IHI Group forecasts the following for the six months ending September 30, 2016. Although the forecast for net sales remains unchanged from the previously announced forecast, in terms of profit/loss, the IHI Group now forecasts operating income of ¥23.0 billion, down ¥2.0 billion, ordinary income of ¥16.0 billion, down ¥2.0 billion, and profit attributable to owners of parent of ¥9.0 billion, down ¥1.0 billion after taking into consideration the operating results for the three months under review other factors.
For the fiscal year ending March 31, 2017, the IHI Group forecasts net sales of ¥1,520.0 billion, down ¥80.0 billion from the previously announced forecast, mainly as a result of factoring in the effect of yen appreciation. In terms of profit/loss, the IHI Group now forecasts operating income of ¥58.0 billion, down ¥7.0 billion, ordinary income of ¥44.0 billion, down ¥11.0 billion, and profit attributable to owners of parent of ¥22.0 billion, down ¥8.0 billion, after taking into consideration the operating results for the three months under review, the effect of yen appreciation and other factors.
Note that foreign exchange rates of ¥105/US$1 and ¥115/EUR1 have been assumed in the above forecasts in and after the second quarter ending September 30, 2016.
For certain overseas consolidated subsidiaries, the end of the fiscal year has been changed from December 31 to March 31, and the results for the consolidated subsidiaries in question for the fiscal year under review use forecast figures for the 15 months from January 1, 2016 through March 31, 2017.

2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)

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

Not applicable

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

Tax expense calculation

Tax expenses on profit before income taxes for the three months under review are calculated by multiplying profit before income taxes for the three months under review by the reasonably estimated effective tax rate for the fiscal year including the first quarter under review after applying tax effect accounting. Should the estimated effective tax rate be unavailable, however, tax expenses are calculated using the statutory tax rate for profit before income taxes for the three months under review.

The deferred income taxes amount is shown inclusive of income taxes.

(3) CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES, AND RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS AFTER ERROR CORRECTIONS

Changes in accounting policies

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

Following the revision to the Corporation Tax Act, IHI has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from the first quarter under review, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

As a result, the impact of this change on operating income, ordinary income and profit before income taxes for the three months ended June 30, 2016 was immaterial.

(4) ADDITIONAL INFORMATION

Application of ASBJ Guidance on Recoverability of Deferred Tax Assets

Effective from the first quarter under review, IHI has applied the Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

Changes to the fiscal year for consolidated subsidiaries

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

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

In the period from January 1, 2016 through March 31, 2016 included in the three months ended June 30, 2016, net sales were ¥25,227 million, operating income was ¥2,798 million, ordinary income was ¥2,327 million, and profit before income taxes was ¥2,332 million.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2016	June 30, 2016
Assets		
Current assets		
Cash and deposits	106,536	107,755
Notes and accounts receivable - trade	444,838	382,558
Securities	1,403	3
Finished goods	23,537	26,298
Work in process	254,907	289,235
Raw materials and supplies	131,865	133,821
Other	148,468	140,449
Allowance for doubtful accounts	(11,048)	(4,471)
Total current assets	1,100,506	1,075,648
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	142,597	140,686
Other, net	207,139	203,913
Total property, plant and equipment	349,736	344,599
Intangible assets		
Goodwill	22,043	19,797
Other	27,562	26,250
Total intangible assets	49,605	46,047
Investments and other assets		
Investment securities	139,463	131,949
Other	77,729	79,383
Allowance for doubtful accounts	(1,983)	(1,952)
Total investments and other assets	215,209	209,380
Total non-current assets	614,550	600,026
Total assets	1,715,056	1,675,674

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2016	June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	297,499	281,619
Short-term loans payable	94,550	84,634
Commercial papers	5,000	–
Current portion of bonds	10,000	10,000
Income taxes payable	8,222	4,160
Advances received	180,352	220,127
Provision for bonuses	24,610	14,595
Provision for construction warranties	44,337	42,399
Provision for loss on construction contracts	53,223	44,748
Other provision	379	112
Other	164,597	150,744
Total current liabilities	882,769	853,138
Non-current liabilities		
Bonds payable	60,000	60,000
Long-term loans payable	187,085	191,023
Net defined benefit liability	154,968	156,876
Provision for loss on business of subsidiaries and affiliates	2,805	2,955
Other provision	1,377	1,096
Other	92,693	88,881
Total non-current liabilities	498,928	500,831
Total liabilities	1,381,697	1,353,969
Net assets		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	54,431	54,371
Retained earnings	144,789	145,505
Treasury shares	(565)	(533)
Total shareholders' equity	305,820	306,508
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,580	(1,551)
Deferred gains or losses on hedges	(377)	(662)
Revaluation reserve for land	5,423	5,404
Foreign currency translation adjustment	9,954	3,093
Remeasurements of defined benefit plans	(4,090)	(4,172)
Total accumulated other comprehensive income	12,490	2,112
Subscription rights to shares	758	729
Non-controlling interests	14,291	12,356
Total net assets	333,359	321,705
Total liabilities and net assets	1,715,056	1,675,674

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

CONSOLIDATED STATEMENTS OF INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2015 to Jun. 30, 2015	Apr. 1, 2016 to Jun. 30, 2016
Net sales	340,762	341,403
Cost of sales	294,790	285,023
Gross profit	45,972	56,380
Selling, general and administrative expenses	45,952	45,735
Operating income	20	10,645
Non-operating income		
Interest income	211	298
Dividend income	746	585
Share of profit of entities accounted for using equity method	1,113	–
Foreign exchange gains	972	–
Reversal of accrued expense for delayed delivery	–	3,907
Other income	409	1,633
Total non-operating income	3,451	6,423
Non-operating expenses		
Interest expenses	1,012	837
Share of loss of entities accounted for using equity method	–	353
Foreign exchange losses	–	8,993
Other expenses	2,887	2,298
Total non-operating expenses	3,899	12,481
Ordinary income (loss)	(428)	4,587
Profit (loss) before income taxes	(428)	4,587
Income taxes	(802)	3,142
Profit	374	1,445
Profit attributable to non-controlling interests	422	599
Profit (loss) attributable to owners of parent	(48)	846

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cumulative)

(Millions of yen)

	Apr. 1, 2015 to Jun. 30, 2015	Apr. 1, 2016 to Jun. 30, 2016
Profit	374	1,445
Other comprehensive income		
Valuation difference on available-for-sale securities	3,004	(3,061)
Deferred gains or losses on hedges	155	(93)
Revaluation reserve for land	6	–
Foreign currency translation adjustment	(3,615)	(7,938)
Remeasurements of defined benefit plans, net of tax	246	(145)
Share of other comprehensive income of entities accounted for using equity method	(83)	(376)
Total other comprehensive income	(287)	(11,613)
Comprehensive income	87	(10,168)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(503)	(9,429)
Comprehensive income attributable to non-controlling interests	590	(739)

(3) NOTES TO THE QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE PREMISE OF GOING CONCERN

Not applicable

NOTES WHEN THERE IS SIGNIFICANT CHANGES IN AMOUNTS OF EQUITY

Not applicable

SEGMENT INFORMATION

Segment information

I Three months ended June 30, 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	99,936	33,503	90,511	110,611	334,561	6,201	340,762	–	340,762
(2) Intersegment sales and transfers	1,207	337	2,634	551	4,729	4,341	9,070	(9,070)	–
Total	101,143	33,840	93,145	111,162	339,290	10,542	349,832	(9,070)	340,762
Segment profit (loss) (Operating income (loss))	(911)	(13,040)	690	17,393	4,132	(549)	3,583	(3,563)	20

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 ¥628 million and unallocated corporate expenses of negative ¥2,935 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
Not applicable

Material gain on negative goodwill
Not applicable

II Three months ended June 30, 2016

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

(Millions of yen)

	Reportable Segment					Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the consolidated statements of income
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General-Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	95,592	32,678	99,608	103,814	331,692	9,711	341,403	–	341,403
(2) Intersegment sales and transfers	713	1,150	1,930	(65)	3,728	4,982	8,710	(8,710)	–
Total	96,305	33,828	101,538	103,749	335,420	14,693	350,113	(8,710)	341,403
Segment profit (loss) (Operating income (loss))	(2,351)	(6,571)	3,216	16,919	11,213	(393)	10,820	(175)	10,645

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

2. Adjustment of segment profit represents intersegment transactions of negative ¥171 million and unallocated corporate expenses of negative ¥4 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

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

Reportable segment	Main businesses, products and services
Resources, Energy and Environment	Boiler, power systems plants, power systems for land and marine use, large power systems for ships, process plants (storage facilities and chemical plants), nuclear power (components for nuclear power plants), environmental response systems, pharmaceutical plants
Social Infrastructure and Offshore Facility	Bridge/water gate, shield 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/industrial system (logistics system, industrial machinery, steel manufacturing equipment, paper-making machinery), transport machinery, parking, thermal and surface treatment, vehicular turbocharger, rotating machinery (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. Matters about change in reportable segments, etc.

Changes to the fiscal year for consolidated subsidiaries

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

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

In the period from January 1, 2016 through March 31, 2016 included in the three months ended June 30, 2016, sales for each segment were ¥10,982 million for the Resources, Energy and Environment segment, ¥371 million for the Social Infrastructure and Offshore Facility segment, and ¥11,781 million for the Industrial System and General-Purpose Machinery segment. Operating income was ¥615 million for the Resources, Energy and Environment segment, ¥17 million for the Social Infrastructure and Offshore Facility segment, and ¥2,050 million for the Industrial System and General-Purpose Machinery segment.

3. Information about impairment loss of non-current assets, goodwill and 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	Three months ended June 30, 2015		Three months ended June 30, 2016		Change from the previous corresponding period		Fiscal year ended March 31, 2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	146,101	49	86,794	34	(59,307)	(40.6)	532,733	33
Social Infrastructure and Offshore Facility	23,349	8	27,022	10	3,673	15.7	128,571	8
Industrial System and General-Purpose Machinery	101,441	34	109,465	42	8,024	7.9	421,836	26
Aero Engine, Space and Defense	27,956	9	32,831	13	4,875	17.4	515,611	32
Total Reportable Segment	298,847	100	256,112	99	(42,735)	(14.3)	1,598,751	99
Others	15,893	5	14,421	6	(1,472)	(9.3)	65,748	4
Adjustment	(13,726)	(5)	(11,678)	(5)	2,048	–	(59,176)	(3)
Total	301,014	100	258,855	100	(42,159)	(14.0)	1,605,323	100
Overseas orders received	100,987	34	110,804	43	9,817	9.7	726,352	45

(2) NET SALES BY REPORTABLE SEGMENT

(Millions of yen)

Reportable segment	Three months ended June 30, 2015		Three months ended June 30, 2016		Change from the previous corresponding period		Fiscal year ended March 31, 2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	101,143	30	96,305	28	(4,838)	(4.8)	452,476	29
Social Infrastructure and Offshore Facility	33,840	10	33,828	10	(12)	0.0	168,139	11
Industrial System and General-Purpose Machinery	93,145	27	101,538	30	8,393	9.0	404,767	26
Aero Engine, Space and Defense	111,162	33	103,749	30	(7,413)	(6.7)	500,208	33
Total Reportable Segment	339,290	100	335,420	98	(3,870)	(1.1)	1,525,590	99
Others	10,542	3	14,693	4	4,151	39.4	69,853	5
Adjustment	(9,070)	(3)	(8,710)	(2)	360	–	(56,055)	(4)
Total	340,762	100	341,403	100	641	0.2	1,539,388	100
Overseas sales	208,909	61	206,756	61	(2,153)	(1.0)	796,923	52

(3) ORDER BACKLOG BY REPORTABLE SEGMENT

(Millions of yen)

Reportable segment	As of March 31, 2016		As of June 30, 2016		Change from the end of the previous fiscal year		As of June 30, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Resources, Energy and Environment	843,469	49	807,893	50	(35,576)	(4.2)	813,783	50
Social Infrastructure and Offshore Facility	194,306	11	183,540	11	(10,766)	(5.5)	221,861	14
Industrial System and General-Purpose Machinery	138,036	8	145,885	9	7,849	5.7	128,726	8
Aero Engine, Space and Defense	541,067	31	461,069	29	(79,998)	(14.8)	431,465	26
Total Reportable Segment	1,716,878	99	1,598,387	99	(118,491)	(6.9)	1,595,835	98
Others	24,774	1	21,678	1	(3,096)	(12.5)	34,331	2
Total	1,741,652	100	1,620,065	100	(121,587)	(7.0)	1,630,166	100
Overseas order backlog	757,926	44	621,243	38	(136,683)	(18.0)	715,261	44