

Financial Results for Third Quarter FY2017 (for the year ending March 31, 2018)

IHI

February 6, 2018

IHI Corporation

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1. Consolidated Results for Third Quarter FY2017



1. Consolidated Results for Third Quarter FY2017

Summary of Financial Results

Note: Average exchange rates for FY2017.3Q US\$ 1.00= ¥111.68

(In billion yen)

	FY2016.3Q	FY2017.3Q	Change
Orders received	928.7	977.5	48.8
Net sales	1,038.2	1,131.3	93.0
Operating profit	19.4	51.5	32.0
Ordinary profit	8.7	29.6	20.9
Profit before income taxes	▲ 0.9	28.2	29.1
Profit(loss) attributable to owners of parent	▲ 9.1	9.8	19.0

As same as FY2016, the closing date of the fiscal year of certain overseas consolidated subsidiaries has been changed from December 31 to March 31. As a result, for the nine months ended December 31, 2017, those overseas consolidated subsidiaries have a 12-month accounting period. The impact of these changes was an increase of ¥57.9 billion in net sales and an increase of ¥1.4 billion in operating profit (an increase of ¥25.2 billion in net sales and an increase of ¥2.7 billion in operating profit in previous fiscal year).

1. Consolidated Results for Third Quarter FY2017

Financial Results by Segment



■ Orders received & Order backlog

(In billion yen)

	Orders received			Order backlog		
	FY2016.3Q	FY2017.3Q	Change	FY2016	FY2017.3Q	Change
Resources, Energy and Environment	269.8	265.1	▲ 4.6	752.3	671.4	▲ 80.9
Social Infrastructure and Offshore Facility	91.1	104.5	13.4	196.1	194.9	▲ 1.2
Industrial System and General-Purpose Machinery	318.6	352.6	33.9	148.4	164.2	15.8
Aero Engine, Space and Defense	234.1	235.8	1.7	511.0	435.1	▲ 75.9
Total Reportable Segment	913.7	958.2	44.4	1,608.0	1,465.7	▲ 142.3
Others	50.0	55.4	5.4	17.2	24.3	7.1
Adjustment	▲ 35.0	▲ 36.1	▲ 1.0	-	-	-
Total	928.7	977.5	48.8	1,625.3	1,490.1	▲ 135.1

Overseas orders received / order backlog	403.8	521.8	118.0	591.2	498.3	▲ 92.8
% of Overseas orders received / order backlog	43%	53%	10%	36%	33%	▲ 3%

1. Consolidated Results for Third Quarter FY2017

Financial Results by Segment

■ Net sales & Operating profit

(In billion yen)

	Net sales			Operating profit		
	FY2016.3Q	FY2017.3Q	Change	FY2016.3Q	FY2017.3Q	Change
Resources, Energy and Environment	297.3	351.8	54.4	▲ 15.8	▲ 10.7	5.1
Social Infrastructure and Offshore Facility	107.5	104.6	▲ 2.8	▲ 16.7	8.4	25.1
Industrial System and General-Purpose Machinery	298.5	331.4	32.9	11.2	10.9	▲ 0.3
Aero Engine, Space and Defense	322.6	326.5	3.9	41.6	46.7	5.1
Total Reportable Segment	1,026.1	1,114.6	88.4	20.3	55.4	35.0
Others	48.7	46.3	▲ 2.4	1.0	0.8	▲ 0.1
Adjustment	▲ 36.7	▲ 29.6	7.0	▲ 1.8	▲ 4.7	▲ 2.9
Total	1,038.2	1,131.3	93.0	19.4	51.5	32.0

Please refer to segment information found in the consolidated financial report regarding the impacts to each segment caused by changes to the closing date of the fiscal year of certain overseas consolidated subsidiaries.

1. Consolidated Results for Third Quarter FY2017

Financial Results by Segment

- Analysis of change in operating profit from the previous period

(In billion yen)

	Change in net sales	Change in construction profitability	Change in foreign exchange rate	Change in SG&A	Impact of change of FY period	Total
Resources, Energy and Environment	2.5	1.8	0.5	1.0	▲ 0.7	5.1
Social Infrastructure and Offshore Facility	0.2	24.7	0.5	▲ 0.3		25.1
Industrial System and General-Purpose Machinery	2.8	▲ 0.7		▲ 2.0	▲ 0.4	▲ 0.3
Aero Engine, Space and Defense	0.9	3.7	2.7	▲ 2.2		5.1
Total Reportable Segment	6.4	29.5	3.7	▲ 3.5	▲ 1.1	35.0
Others	▲ 0.2	0.2		0.1	▲ 0.2	▲ 0.1
Adjustment		▲ 2.4		▲ 0.5		▲ 2.9
Total	6.2	27.3	3.7	▲ 3.9	▲ 1.3	32.0

There are cases that the aggregated amount of each segment or factor doesn't match to the total due to rounding off.

1. Consolidated Results for Third Quarter FY2017

Non-operating Income / Expenses



(In billion yen)

	FY2016.3Q	FY2017.3Q	Change	Note
Net interest expense (incl. dividend income)	▲ 0.1	▲ 0.3	▲ 0.1	
Share of profit / loss of entities accounted for using equity method	0.2	▲ 11.0	▲ 11.3	FY2017.3Q Japan Marine United Corporation(JMU) ▲10.9(*)
Foreign exchange gains / losses	▲ 3.9	▲ 0.1	3.8	
Others	▲ 6.9	▲ 10.3	▲ 3.4	FY2017.3Q Payments for contract adjustments for civil aero engines ▲6.4 Expenses for delayed delivery ▲4.5
Non-operating income / expenses	▲ 10.7	▲ 21.9	▲ 11.1	

(*) The construction schedule and costs relating to LNG vessels that IHI's affiliate JMU is currently building have been revised, due to process delays relating to thermal insulation work and so on. As a result, the estimate of construction costs for this project has increased compared with the end of the six months ended September 30, 2017, and the profitability has deteriorated.

Change of the rate(USD) FY2016.3Q +3.81yen (beginning 112.68yen→end 116.49yen)
 FY2017.3Q +0.81yen (beginning 112.19yen→end 113.00yen)

1. Consolidated Results for Third Quarter FY2017

Extraordinary Income / Losses

(In billion yen)

	FY2016.3Q	FY2017.3Q	Change	Note
Gain on sales of investment securities	—	1.5	1.5	Machinery for ships Business, Fire fighting equipment Business.
Reversal of provision for loss on business of subsidiaries and affiliates	1.6	—	▲ 1.6	
Gain on bargain purchase	1.0	—	▲ 1.0	Reorganization of Shield tunneling machine Business.
Gain on transfer of shares of subsidiaries and affiliates	0.7	—	▲ 0.7	Reorganization of Construction machinery Business.
Extraordinary income	3.5	1.5	▲ 1.9	
Settlement-related expenses related to boiler facilities in customer's commercial operation	—	▲ 2.9	▲ 2.9	
Provision for loss on guarantees	▲ 9.8	—	9.8	Estimated recoverable amount is deducted from Provision for loss on guarantees of UNIGEN inc.as of December 31.2016.
Compensation for change of construction contracts	▲ 2.2	—	2.2	Compensation for change of construction contracts in Offshore Structure Business Projects.
Losses on valuation of investment securities	▲ 1.1	—	1.1	
Extraordinary losses	▲ 13.1	▲ 2.9	10.2	
Extraordinary Income / Losses	▲ 9.6	▲ 1.3	8.2	

1. Consolidated Results for Third Quarter FY2017

Balance Sheets



(In billion yen)

	As of March 31, 2017	As of December 31, 2017	Change
Total assets	1,692.8	1,677.1	▲ 15.6
(Trade receivables)	(403.0)	(360.6)	(▲ 42.4)
(Inventories)	(417.2)	(485.3)	(68.1)
Total liabilities	1,355.2	1,326.7	▲ 28.4
(Trade payables)	(285.9)	(297.4)	(11.5)
(Advance received)	(208.9)	(197.3)	(▲ 11.5)
(Interest-bearing debt)	(371.9)	(362.7)	(▲ 9.1)
Total net assets	337.6	350.4	12.7
Shareholders' equity	309.9	314.8	4.8
Accumulated other comprehensive income	8.1	13.0	4.9
Total liabilities and net assets	1,692.8	1,677.1	▲ 15.6
D/E ratio (times)	1.10	1.04	▲ 0.06
Equity ratio	18.8%	19.6%	0.8%

Note: Interest-bearing debt includes the amount of lease obligations.

(as of March 31, 2017: 20.3 billion yen / as of December 31, 2017: 18.7 billion yen)

(1) Cash Flows

(In billion yen)

	FY2016.3Q	FY2017.3Q	Change
Operating activities	14.4	35.3	20.8
Investing activities	▲ 36.5	▲ 24.3	12.2
Free cash flows	▲ 22.0	11.0	33.0
Financing activities	34.6	▲ 18.6	▲ 53.3

1. Consolidated Results for Third Quarter FY2017 Supplementary Information

(2) R&D/CAPEX/Depreciation & Amortization

(In billion yen)

	FY2016.3Q	FY2017.3Q
R&D	22.8	24.2
CAPEX	35.9	38.9
Depreciation & Amortization	34.2	32.9

(3) Overseas Sales by Region

(In billion yen)

	FY2016.3Q	FY2017.3Q
Asia	134.0	118.0
China	62.7	82.3
North America	225.7	286.0
Central and South America	21.0	18.4
Europe	89.1	103.4
Others	26.0	25.6
Total	558.8	633.9
% of overseas sales	54%	56%

2. Forecasts of the Consolidated Results for FY2017

2. Forecasts of the Consolidated Results for FY2017

Summary of Forecasts for FY2017

<assumed exchange rate>

US\$ 1.00 = ¥105 (assumed in Nov., ¥105)

Euro 1.00 = ¥120 (assumed in Nov., ¥120)

(In billion yen)

	FY2017 Forecast		FY2016 Actual	Change
	In November	In February		Vs. Forecast in November
Orders received	1,500.0	1,500.0	1,389.8	0.0
Net sales	1,550.0	1,600.0	1,486.3	50.0
Operating profit	65.0	71.0	47.3	6.0
Ordinary profit	57.0	39.0	22.0	▲ 18.0
Profit attributable to owners of parent	23.0	11.0	5.2	▲ 12.0

The forecast in February remains unchanged from announced on February 1, 2018.

<For reference> Sensitivity to foreign exchange rates by currency

1 yen per US\$ corresponds to 0.2 billion yen, and per Euro, 0.0 billion yen in operating profit.

From FY2016, the IHI Group started to roll out a change to the fiscal-year closing date of overseas consolidated subsidiaries from December 31 to March 31. Also in this fiscal year, certain overseas consolidated subsidiaries will have a fiscal year of fifteen months from January 1, 2017 until March 31, 2018.

Also, from the fiscal year ending March 31, 2018, IHI and some of its consolidated subsidiaries in Japan have changed the depreciation method for property, plant and equipment from the declining-balance method to the straight-line method.

2. Forecasts of the Consolidated Results for FY2017 Forecasts for FY2017 by Segment

■ Orders received

(In billion yen)

	FY2017 Forecast (In November)	FY2017 Forecast (In February)	Change
Resources, Energy and Environment	460.0	440.0	▲ 20.0
Social Infrastructure and Offshore Facility	150.0	150.0	0.0
Industrial System and General-Purpose Machinery	450.0	470.0	20.0
Aero Engine, Space and Defense	440.0	440.0	0.0
Total Reportable Segment	1,500.0	1,500.0	0.0
Others	70.0	70.0	0.0
Adjustment	▲ 70.0	▲ 70.0	0.0
Total	1,500.0	1,500.0	0.0

The forecast in February remains unchanged from announced on February 1, 2018.

2. Forecasts of the Consolidated Results for FY2017

Forecasts for FY2017 by Segment

■ Net sales & Operating profit

(In billion yen)

	FY2017 Forecast (In November)		FY2017 Forecast (In February)		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Resources, Energy and Environment	500.0	5.0	490.0	▲ 2.0	▲ 10.0	▲ 7.0
Social Infrastructure and Offshore Facility	160.0	11.0	160.0	12.0	0.0	1.0
Industrial System and General-Purpose Machinery	440.0	15.0	450.0	16.0	10.0	1.0
Aero Engine, Space and Defense	470.0	46.0	470.0	50.0	0.0	4.0
Total Reportable Segment	1,570.0	77.0	1,570.0	76.0	0.0	▲ 1.0
Others	70.0	2.0	70.0	3.0	0.0	1.0
Adjustment	▲ 90.0	▲ 14.0	▲ 40.0	▲ 8.0	50.0	6.0
Total	1,550.0	65.0	1,600.0	71.0	50.0	6.0

The forecast in February remains unchanged from announced on February 1, 2018.

2. Forecasts of the Consolidated Results for FY2017 Forecasts for FY2017 by Segment

- Analysis of change in operating profit of forecasts(in November VS in February)

(In billion yen)

	Change in net sales	Change in construction profitability	Change in foreign exchange rate	Change in SG&A	Total
Resources, Energy and Environment	▲ 2.0	▲ 5.0			▲ 7.0
Social Infrastructure and Offshore Facility	1.0				1.0
Industrial System and General-Purpose Machinery	1.0				1.0
Aero Engine, Space and Defense		2.0	2.0		4.0
Total Reportable Segment	0.0	▲ 3.0	2.0	0.0	▲ 1.0
Others				1.0	1.0
Adjustment		6.0			6.0
Total	0.0	3.0	2.0	1.0	6.0

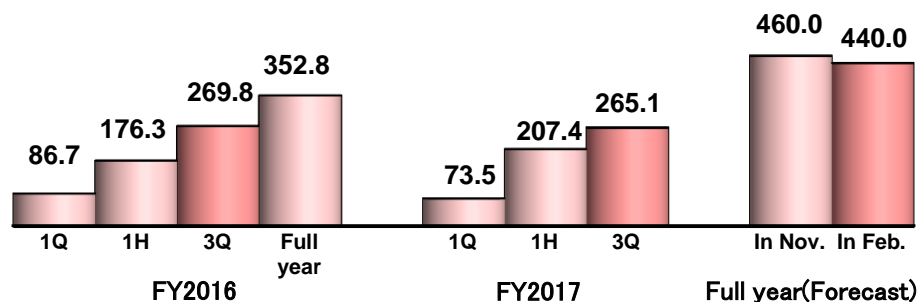
3. Financial Results by Segment

3. Financial Results by Segment

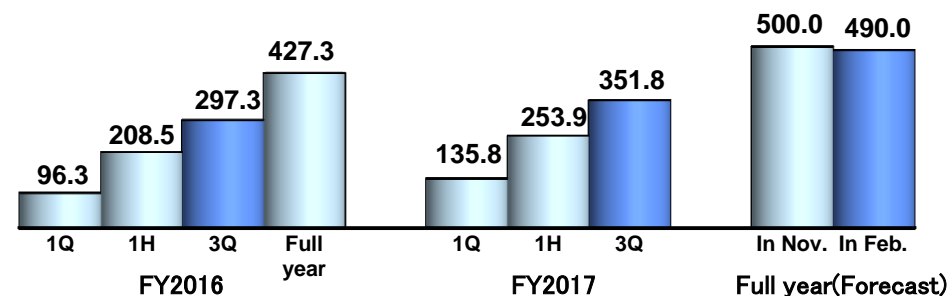
Resources, Energy and Environment

(In billion yen, accumulated amount)

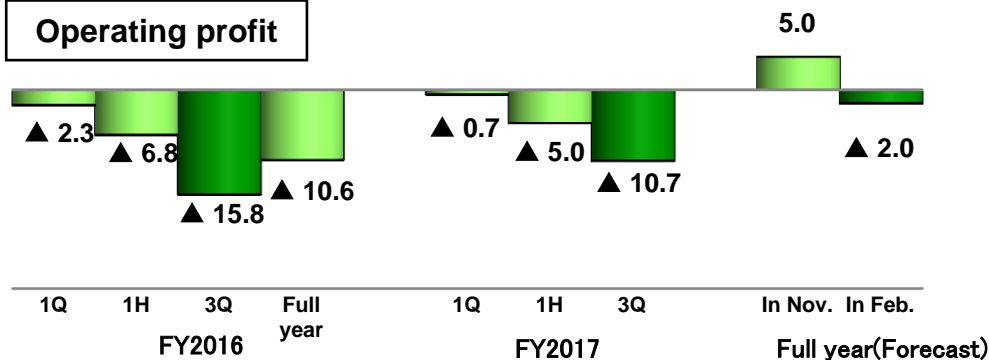
Orders received



Net sales



Operating profit



<Results by business segment>

【 Orders received 】

Orders received declined from the previous corresponding period in the Process plants Business and the Nuclear power Business, while increased in the Boiler Business.

【 Net sales 】

Sales increased owing to the progress of large-scale projects in the Process plants Business, and increased sales in the Boiler Business, the Nuclear power Business and the Power systems for land and marine use Business, and partly from the effect of the financial reporting periods unification (hereinafter “FRPU”).

【 Operating profit 】

There was a reduced deficit from the previous corresponding period due to solving the issue of the deterioration of profitability in the Boiler Business and the above-mentioned increases in sales, despite the deterioration of profitability in the Process plants Business.

<FY2017 Forecast (vs. In November)>

Orders received are expected to decrease in the Process plants Business and the Power systems plants Business. Net sales and operating profit are expected to decrease mainly due to decline in sales resulting from the above-mentioned decline in orders received, as well as the deterioration of profitability in some construction projects in the Process plants Business.

3. Financial Results by Segment

Resources, Energy and Environment

(In billion yen)

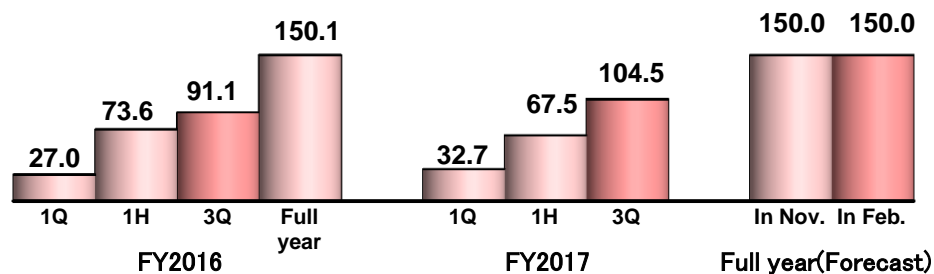
	Orders received		Net sales							
	FY2016 Full year	FY2017 Full year (Forecast)	FY2016				FY2017			
			1Q	1H	3Q	Full year	1Q	1H	3Q	Full year (Forecast)
Boiler	58.3	130.0	24.5	60.9	86.1	112.0	25.4	70.0	99.8	140.0
Power system plants	19.0	43.0	5.8	10.4	14.0	18.9	6.4	11.0	16.7	29.0
Power systems for land and marine use	61.1	62.0	13.3	26.4	38.8	58.3	14.5	28.5	40.9	62.0
Process plants	73.0	79.0	21.5	48.6	62.9	94.3	69.1	99.7	126.3	135.0
Nuclear power	55.6	29.0	2.2	6.9	12.7	30.1	5.2	10.3	16.9	39.0

3. Financial Results by Segment

Social Infrastructure and Offshore Facility

(In billion yen, accumulated amount)

Orders received



<Results by business segment>

【 Orders received】

Orders received increased from the previous corresponding period as a result of receiving an order for the Mumbai Trans Harbour Link project in the Bridge/water gate Business, while declined in the Shield systems Business.

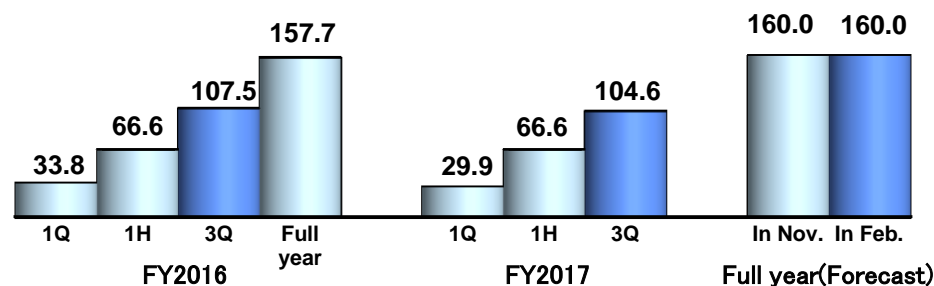
【 Net sales】

Sales declined in the F-LNG/Offshore structure Business and the Transport system Business, despite an increase in sales owing to effects of integration and construction progress in the Shield systems Business.

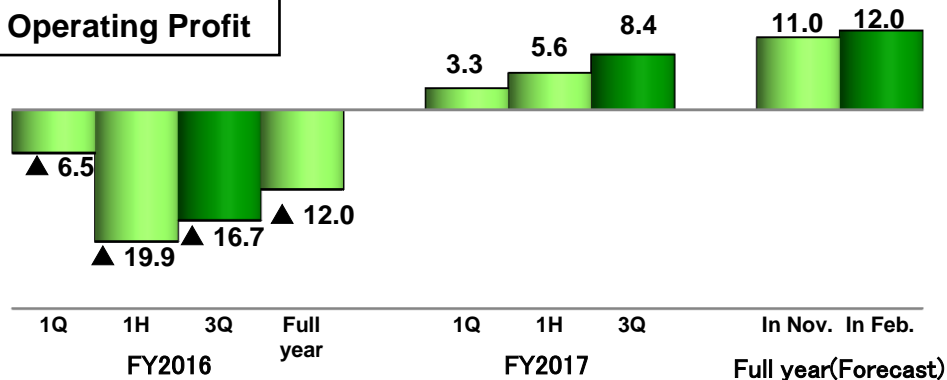
【 Operating profit】

Operating profit was in the black mainly as a result of eliminating the deficit in the F-LNG/Offshore structure Business recorded in the previous corresponding period.

Net sales



Operating Profit



<FY2017 Forecast (vs. In November)>

The forecast of orders received remains unchanged for the segment over all. While increases are expected in Bridge/water gate Business, decreases are also expected in other businesses.

The forecast of net sales remains unchanged.

Operating profit is expected to increase owing to effects of construction progress in the Shield systems Business and other businesses.

3. Financial Results by Segment

Social Infrastructure and Offshore Facility

(In billion yen)

	Orders received		Net sales							
	FY2016	FY2017	FY2016				FY2017			
	Full year	Full year (Forecast)	1Q	1H	3Q	Full year	1Q	1H	3Q	Full year (Forecast)
Bridge/water gate	71.0	96.0	15.0	30.6	44.9	67.2	12.8	26.7	42.7	70.0
F-LNG	▲ 1.7	▲ 1.0	8.0	10.7	14.6	18.4	2.4	9.1	10.3	12.0
Urban development	15.1	16.0	3.4	7.1	10.6	14.2	4.2	8.9	12.5	17.0

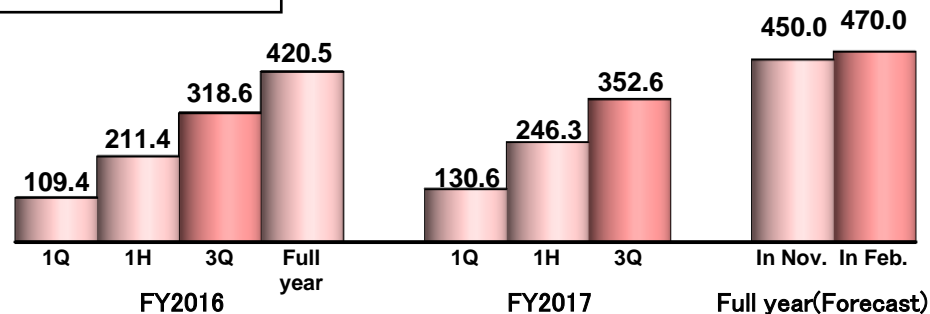
For related information of “Urban development” in Toyosu, please refer to <Appendices> on page 33, 34.

3. Financial Results by Segment

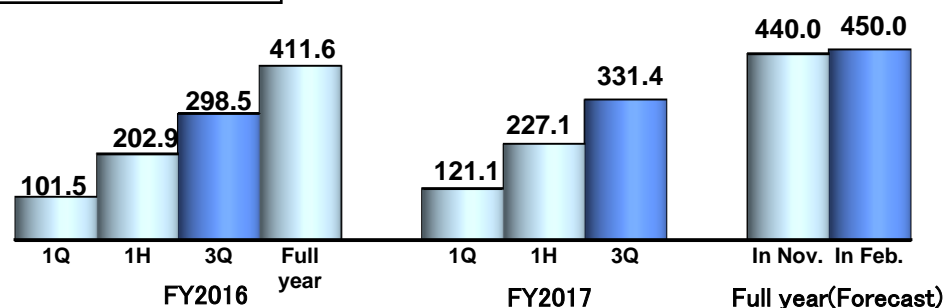
Industrial System and General-Purpose Machinery

(In billion yen, accumulated amount)

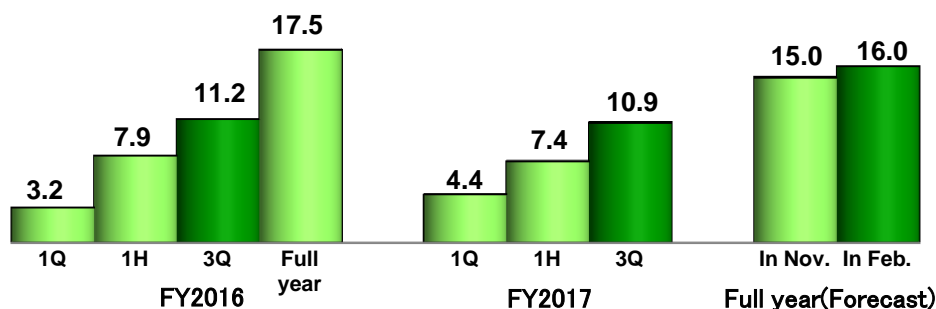
Orders received



Net sales



Operating Profit



<Results by business segment>

【 Orders received】

Orders received increased in the Vehicular turbocharger Business and the Thermal and surface treatment Business.

【 Net sales】

Sales increased owing to increases in the number of units sold in China for the Vehicular turbocharger Business, the effect of FRPU, and so on.

<Number of vehicular turbochargers delivered>

(10,000 Units)

	3Q	Full Year
FY2016	452	610
FY2017	597	780

【 Operating profit 】

Operating profit was at the same level as the previous corresponding period, mainly due to an increase in selling, general and administrative expenses, despite the above-mentioned increases in sales.

<FY2017 Forecast (vs. In November)>

Orders received are expected to increase mainly in the Vehicular turbocharger Business.

Net sales and operating profit are expected to increase mainly due to an increase in sales in the Vehicular turbocharger Business.

3. Financial Results by Segment

Industrial System and General-Purpose Machinery

(In billion yen)

	Orders received		Net sales							
	FY2016	FY2017	FY2016				FY2017			
	Full year	Full year (Forecast)	1Q	1H	3Q	Full year	1Q	1H	3Q	Full year (Forecast)
Transport machinery	31.9	30.0	5.4	11.6	16.5	23.4	3.2	10.5	17.8	28.0
Parking	41.6	50.0	7.5	18.4	29.6	42.8	7.8	17.1	28.9	43.0
Thermal and surface treatment	35.2	49.0	7.8	15.6	23.2	32.3	13.2	23.0	32.6	43.0
Vehicular turbocharger	174.6	210.0	47.4	86.8	129.3	174.6	69.1	117.9	166.4	210.0
Rotating machinery	48.0	46.0	10.3	21.7	33.7	48.2	8.2	18.8	29.8	45.0

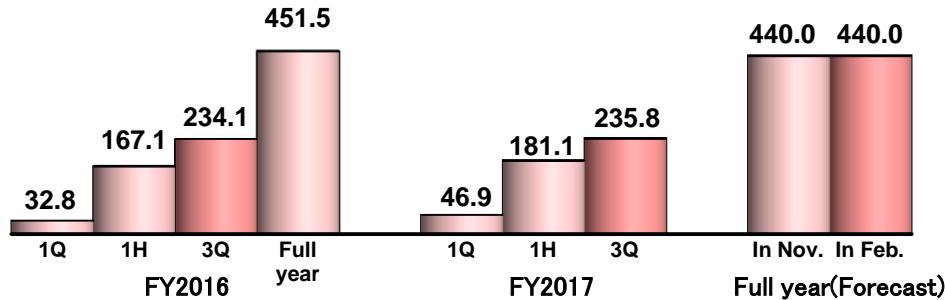
For details of “Vehicular turbocharger”, please refer to <Appendices> on page 32.

3. Financial Results by Segment

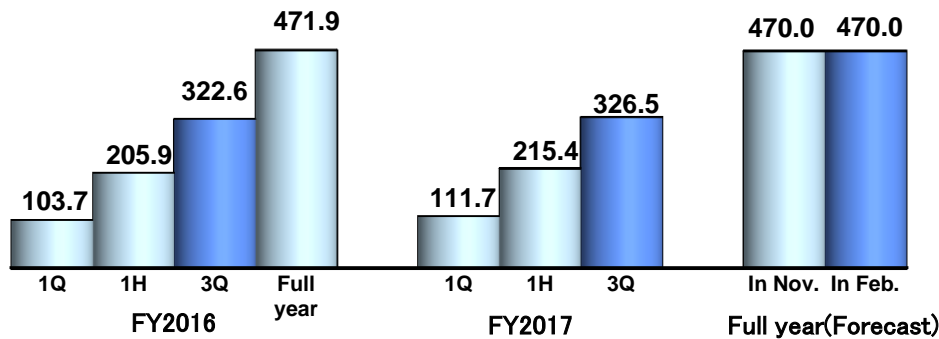
Aero Engine, Space and Defense

(In billion yen, accumulated amount)

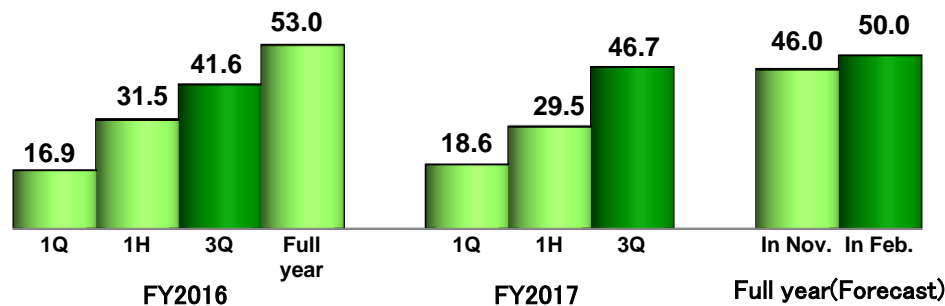
Orders received



Net sales



Operating profit



<Results by business segment>

【 Orders received 】

Orders received were at the same level as the previous corresponding period, due to an increase in the Civil aero engines Business, despite a decline in the Defense systems Business.

【 Net sales 】

Net sales increased from the previous corresponding period for the Civil aero engines Business and the Rocket systems/space utilization systems Business.

< Number of civil aero engines delivered >

	(Units)	
	3Q	Full Year
FY2016	957	1,282
FY2017	983	1,350

【 Operating profit 】

Operating profit increased mainly due to an increase in spare parts and the positive turn in foreign exchange in the Civil aero engines Business, despite the deterioration of profitability resulting from sales increase in the new PW1100G engine and an increase in selling, general and administrative expenses.

<FY2017 Forecast (vs. In November) >

The forecasts of orders received and net sales remain unchanged.

Operating profit is expected to increase, reflecting the profitability improvement and the positive turn in foreign exchange in the Civil aero engines Business.

3. Financial Results by Segment

Aero Engine, Space and Defense

(In billion yen)

	Orders received		Net sales							
	FY2016 Full year	FY2017 Full year (Forecast)	FY2016				FY2017			
			1Q	1H	3Q	Full year	1Q	1H	3Q	Full year (Forecast)
Civil aero engines	263.0	310.0	69.8	135.2	208.3	291.5	69.7	141.3	216.6	290.0

For details of “Civil aero engines”, please refer to <Appendices> on page 31.

<Appendices>

- Progress in large overseas projects
- Topics in the Third quarter under review
- Aero engines
- Vehicular turbocharger
- Urban development

Dominion Energy Cove Point Liquefaction Project



Aerial photo as of Nov. 2017 Gas Turbine-Compressor Running

<Current status (Dec. 2017)>

- Engineering/Procurement/Construction is essentially complete.
- Commissioning/Start-up is on going.
- Overall project is 98.3% complete.
- Feed Gas has been introduced to the Facility.
- LNG Production has begun. (Jan-2018)

<Key milestones>

April 2013:	Contract award
September 2014:	FERC Order received & accepted
March 2015:	Groundbreaking Ceremony held
March 2017:	DCS in Service
Apr - Nov 2017:	Mechanical Completion
Early 2018:	Commencement of operations

<Project Brief>

IHI E&C International Corporation and Kiewit Energy Company have entered into an engineering, procurement and construction contract to develop the Cove Point liquefied natural gas facility located on the Chesapeake Bay in Lusby, Maryland. The IHI/Kiewit joint venture will design, construct, commission and start up the estimated 5.25 million tons per annum liquefaction facility.

Jimah East Power coal fired power plant



Expected Completion Image As of end of Dec 2017

<Status>

As of end of Dec. 2017, foundation works are in progress. The erections of #1 pressure parts and ESP and #2 steel structure and pressure parts are in progress. For boiler portion, 89% of engineering, 80% of procurement and 29% of erection activities were completed. As total 68% was completed.

<Key Milestones>

Aug 2014:	EPC Contract	Oct 2018:	Initial Firing(#1)
Jan 2017:	Boiler Erection Start(#1)	Apr 2019:	Initial Firing(#2)
Jul 2017:	Boiler Erection Start(#2)	Jun 2019:	COD (#1)
Apr 2018:	Hydro Test(#1)	Dec 2019:	COD (#2)
Nov 2018:	Hydro Test(#2)		

<Project Brief>

- Contract: Full turn key contract for ultra-supercritical boiler for Jimah East Power Sdn. Bhd. (IPP)
- Site: Jimah, Negeri Sembilan, Malaysia
- Scope: Engineering, Procurement, Construction and Commissioning of Ultra-supercritical boiler

Completion of Large Gas Turbine Power Plant Equipment for Australian Independent Power Producers

IHI and IHI's Australian subsidiary recently completed a power plant comprising three "LM6000" gas turbine units and auxiliary equipment, which was an order received from TransAlta Energy Australia in 2014.

With increasing global interest in environmental issues, the focus of attention is on power plant equipment using gas turbines that are fueled by natural gas, which produces significantly less CO2 emissions compared to oil and coal. The "LM6000," the core component of the power plant equipment adopted for this project, is an aero-derivative gas turbine which boasts greatest power output and highest efficiency of IHI's lineup of gas turbines for power generation.

The IHI Group will continue to proactively develop sales activities, targeting Southeast Asia, Australia, and other regions as key markets for gas turbine power plant equipment.



< "LM6000" power plant equipment >

IHI Receives Consecutive Orders for Bridge Construction in India and Romania



<Image of completed Mumbai Trans Harbour Link Project>

IHI's group company IHI Infrastructure Systems Co., Ltd. received an order from the Mumbai Metropolitan Region Development Authority for "Mumbai Trans Harbour Link Project (Package-1)." This project is funded through yen loan from the Japanese government's official developmental assistance, and contributes to Quality Infrastructure Partnership Initiative promoted by the Japanese government from the viewpoint that Japanese advanced technology and know-how is being applied.

Also, through a joint venture with Italian construction company Astaldi S.p.A., IHI Infrastructure Systems Co., Ltd. received an order from Romania's National Company for the Administration of Road Infrastructure to build the suspended bridge over the Danube in Braila Area, and the construction agreement was signed on January 15. This is the IHI Group's first project in Romania.

The IHI Group has a wealth of experience with large bridge construction, having been involved in the construction of numerous other large bridges, including Vietnam-Japan Friendship Bridge (the Nhat Tan Bridge) in Vietnam and the Izmit Bay Crossing Bridge (the Osman Gazi Bridge) in Turkey. Going forward, the IHI Group will work even harder to win bridge construction orders overseas, and contribute to the development of various countries through building their social infrastructure.

Development and Launch of World's First Depalletizing System with AI (Deep Learning)

IHI and IHI's Group company IHI Logistics & Machinery Corporation have developed and launched sales in Japan of the "IHI AI Auto Depalletizing System(*)". This depalletizing system, which provides automated unloading of pallet cases at logistic facilities, is the first of its kind in the world to be equipped with AI (deep learning) to deliver greatly enhanced cognitive capabilities.

The newly-launched "IHI AI Auto Depalletizing System" will allow customers to flexibly adapt to their changing logistics needs, and improves processing capability by 30%.

The IHI Group will continue to advance logistics systems and manufacturing through control technologies and robotics technologies based on the IHI Group's know-how in various fields.

*Depalletizing: The operation of unloading goods loaded on a pallet. Generally, the unloading has proved far more demanding than loading. This operation is difficult to automate and many jobsites perform it with manual labor.



<Depalletizing system with AI>



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Launch of the Epsilon-3

Japan Aerospace Exploration Agency's (JAXA) Epsilon-3 was launched on January 18 and the successful separation of the high-performance, compact radar satellite ASNARO-2 was confirmed. The IHI Group company IHI AEROSPACE Co., Ltd. was in charge of the development and manufacture of the launch vehicle system.

This success, which follows the launch of the Epsilon-2 rocket, means that the IHI Group's rocket system-related technology development has yielded reliable results, and demonstrates that the IHI Group is capable of handling all future demand for launches.

The IHI Group will stimulate future technological development of rocket systems and relevant diligent study and work to advance Japanese space development.

(1) Net sales of civil aero engines

(In billion yen)

	Actual													Forecast
	'11	'12	'13	'14	'15	FY2016				FY2017				
						1Q	1H	3Q	Full Year	1Q	1H	3Q	Full Year	
Net sales	143.6	169.8	226.0	267.0	299.1	69.8	135.2	208.3	291.5	69.7	141.3	216.6	290.0	

(2) Number of civil aero engines delivered

(Units)

	Actual (accumulated)												Main loading
	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17/3Q	
V2500	3,154	3,474	3,828	4,168	4,551	4,980	5,468	5,969	6,469	6,896	7,236	7,467	Airbus A319/320/321
GE90	579	742	896	1,071	1,223	1,399	1,589	1,806	2,039	2,257	2,457	2,594	Boeing B777
CF34	1,374	1,802	2,274	2,604	2,919	3,242	3,548	3,820	4,156	4,471	4,821	5,033	For regional jet (70 to 110 seats)
GE _{nx}						118	259	468	751	1,035	1,295	1,491	Boeing B787/B747-8
PW1100G										16	148	346	Airbus A320Neo
Passport20												9	Bombardier Global7000/8000
Total	5,107	6,018	6,998	7,843	8,693	9,739	10,864	12,063	13,415	14,675	15,957	16,940	

(Note) The number of civil aero engine delivered is the number handed over to the airframe maker, and differs from the number of factory shipments.

<Net sales by region>

(In billion yen)

	Actual										Forecast			
	'11	'12	'13	'14	'15	FY2016				FY2017				
						1Q	1H	3Q	Full Year	1Q	1H	3Q	Full Year	
Japan	33.1	33.9	35.3	37.5	34.6	8.5	18.0	27.4	38.9	10.1	19.6	29.6	38.0	
Asia	16.9	24.8	29.8	27.5	21.6	6.6	9.6	12.7	15.8	2.8	5.7	8.7	11.0	
China	14.3	18.1	23.4	24.3	24.9	11.8	20.5	34.3	48.5	21.5	38.3	53.3	67.0	
North America	1.1	1.3	1.6	1.8	2.4	1.3	1.9	2.5	3.3	0.7	1.9	4.9	7.0	
Central and South America	0.0	0.0	0.0	0.7	3.4	2.9	4.3	5.0	6.1	1.1	2.8	5.1	8.0	
Europe	43.7	43.2	60.2	75.6	74.3	16.0	32.2	47.1	61.7	32.7	49.2	64.7	79.0	
Others	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total	109.4	121.6	150.7	167.7	161.6	47.4	86.8	129.3	174.6	69.1	117.9	166.4	210.0	

(1) Lease revenue in Toyosu

(In billion yen)

	Actual													Forecast
	'11	'12	'13	'14	'15	FY2016				FY2017				
						1Q	1H	3Q	Full Year	1Q	1H	3Q	Full Year	
Lease revenue	9.5	9.2	9.1	9.3	10.1	2.3	4.6	7.0	9.3	2.3	4.6	6.9	9.2	


(2) Lease revenue and expense in Toyosu (FY2017.3Q)

(In billion yen)


	Lease revenue	Lease expense		Lease income
		Depreciation	Others	
FY2017.3Q	6.9	2.9	2.2	1.7

Development Plan for Toyosu 1 to 3 chome Area

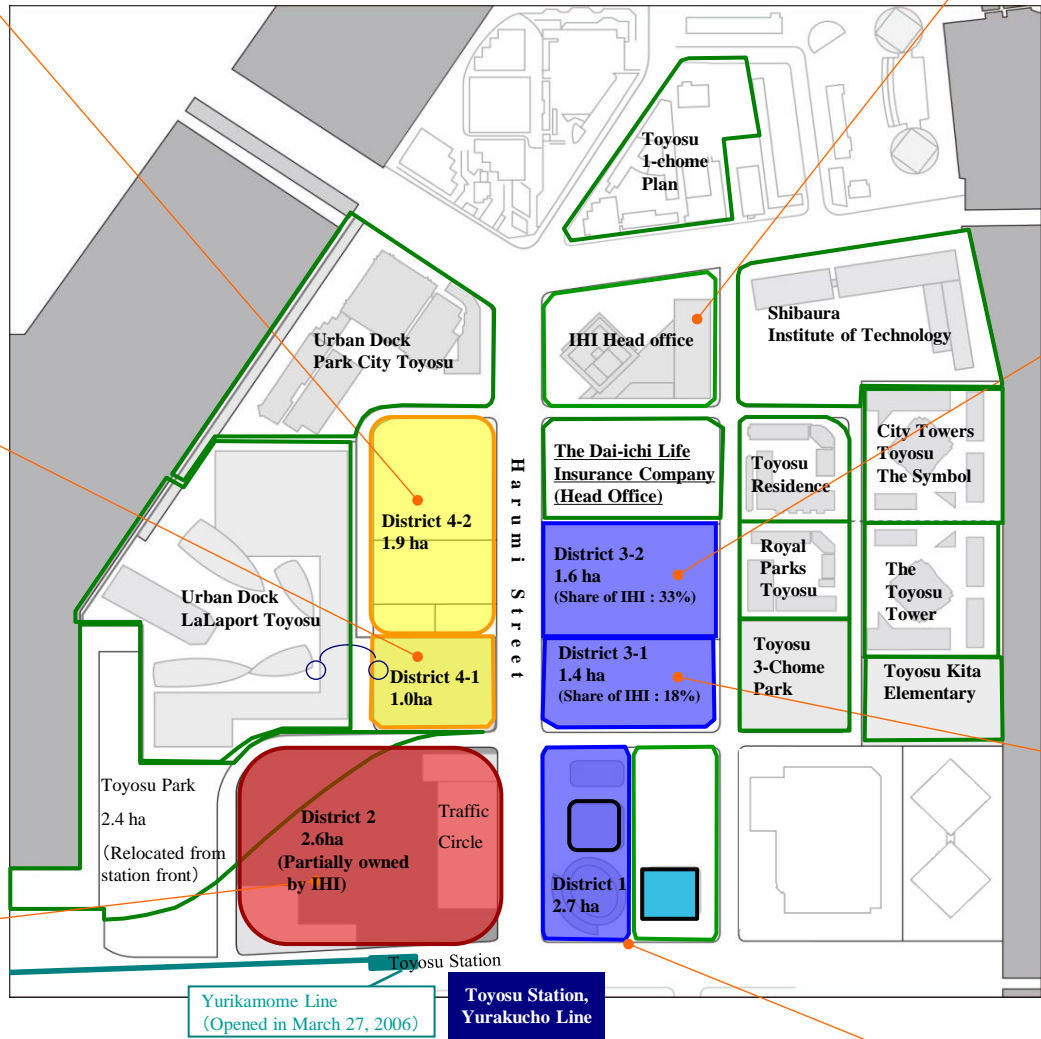
Kindergarten, Nursery school, Café, Marriage ceremonial hall.
(Mitsui Fudosan Co., Ltd.)
 Site area : 19,492㎡
 Completed in March 2010 to February 2011




Urban Dock LaLaport Toyosu ANNEX
(Mitsui Fudosan Co., Ltd.)
 5 floors above ground, Approx. 25m high
 Store floor space : 24,721㎡
 Opened in October 2006




Complex building A・C,
(IHI and Mitsui Fudosan)
 36 floors above ground, Approx. 178m high
 Gross floor area : 185,000㎡
 Scheduled for completion in April 2020


Toyosu IHI Building
 25 floors above ground, Approx. 125m high
 Gross floor area : 97,617㎡
 Completed in February 2006



Toyosu Foresia
(IHI & Mitsubishi Estate Company, Ltd.)
 16 floors above ground, Approx. 75m high,
 Gross floor area : 101,503㎡
 Completed in July 2014




Toyosu Front
(IHI, Mitsubishi Estate Company, Ltd. and Mitsubishi UFJ Trust and Banking Corporation)
 15 floors above ground, Approx. 75m high
 Gross floor area : 106,861㎡
 Completed in August 2010



Toyosu Center Building
 37 floors above ground, Approx. 165m high
 Gross floor area : 100,069㎡
 Completed in October 1992

Toyosu Center Building Annex
 33 floors above ground, Approx. 150m high
 Gross floor area : 105,448㎡
 Completed in August 2006



Property of IHI	Approx. 5ha	Office Leasing
		Land Leasing
		Office Leasing (Leased land)
		Category 1 Urban Redevelopment Project ※1
		Sold, Donated, Exchanged

Civic Center : Opened in September 2015
Fire department office : Completed in June 2016

※1 One of the way to redevelop that was defined by Urban Renewal Act.



Forward-looking figures shown in this material with respect to IHI's performance outlooks and other matters are based on management's assumptions and beliefs in light of the information currently available to it, and therefore contain risks and uncertainties. Consequently, you should not place undue reliance on these performance outlooks in making judgments. IHI cautions you that actual results could differ materially from those discussed in these performance outlooks due to a number of important factors. These important factors include political environments in areas in which IHI operates, general economic conditions, and the yen exchange rate including its rate against the US dollar.