

Financial Results for Second Quarter FY2020 (for the year ending March 31, 2021)

IHI

November 10, 2020

IHI Corporation

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1. Consolidated Results for Second Quarter FY2020



1. Consolidated Results for Second Quarter FY2020

Summary of Financial Results

Japanese GAAP

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Note: Average exchange rates for FY2020.2Q US\$ 1.00= ¥107.24

(In billion yen)

	FY2019.2Q	FY2020.2Q	Change
Orders received	616.0	426.8	▲ 189.1
Net sales	594.9	▲ 22.5 482.8	▲ 112.1
Operating profit	10.5	▲ 1.1 ▲ 6.1	▲ 16.6
Ordinary profit	3.5	0.7 ▲ 10.0	▲ 13.6
Profit before income taxes	3.6	▲ 8.4	▲ 12.1
Profit attributable to owners of parent	▲ 4.8	▲ 9.5	▲ 4.6

The figures on the left side of net sales, operating profit, and ordinary profit for FY2020.2Q show the effect of applying Accounting Standard for Revenue Recognition(ASBJ Statement No. 29, March 31, 2020).

We have changed the calculation method of orders received in the Civil aero engines Business, in preparation for the adoption of International Financial Reporting Standards (IFRS) starting from the year-end financial results for the fiscal year ending March 31, 2021. (For the details, please refer to on page 6.)

1. Consolidated Results for Second Quarter FY2020

Financial Results by Segment

Japanese GAAP

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■ Orders received & Order backlog

(In billion yen)

	Orders received			Order backlog		
	FY2019.2Q	FY2020.2Q	Change	FY2019	FY2020.2Q	Change
Resources, Energy and Environment	164.2	100.5	▲ 63.7	521.2	482.9	▲ 38.2
Social Infrastructure and Offshore Facility	61.1	65.6	4.5	229.6	226.6	▲ 3.0
Industrial System and General-Purpose Machinery	226.6	159.3	▲ 67.2	190.8	167.3	▲ 23.4
Aero Engine, Space and Defense	146.7	* 86.5	▲ 60.2	493.6	* 216.0	▲ 277.5
Total Reportable Segment	598.9	412.2	▲ 186.7	1,435.4	1,093.0	▲ 342.4
Others	38.6	37.7	▲ 0.8	26.6	37.5	10.9
Adjustment	▲ 21.5	▲ 23.1	▲ 1.5	-	-	-
Total	616.0	426.8	▲ 189.1	1,462.0	1,130.5	▲ 331.4

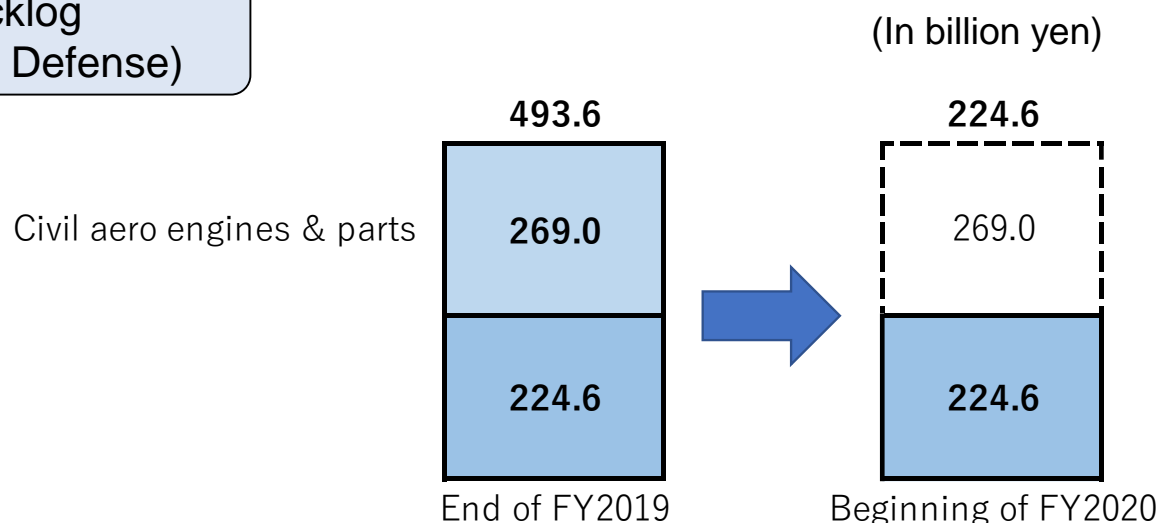
Overseas orders received / order backlog	296.0	166.2	▲ 129.8	605.5	326.6	▲ 278.9
% of Overseas orders received / order backlog	48%	39%	▲ 9%	41%	29%	▲ 12%

* We have changed the calculation method of orders received and order backlog in the Civil aero engines Business, in preparation for the adoption of IFRS starting from the year-end financial results for the fiscal year ending March 31, 2021. (For the details, please refer to on page 6.)

Change of how to calculate orders received and order backlog in the Civil aero engines Business

- Previous method (Japanese GAAP) :
 - Optional disclosure items
 - Calculate amounts of orders received and order backlog based on customer production plans, etc.
- New method (IFRS to be adopted from the end of FY2020) :
 - Disclose amounts of recognized performance obligations, and transaction price allocated to remaining performance obligations (IFRS 15).
 - Calculation method of orders received has been changed to better represent remaining performance obligations (order backlog).

Impact on order backlog
(Aero Engine, Space and Defense)



1. Consolidated Results for Second Quarter FY2020

Financial Results by Segment

Japanese GAAP

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■ Net sales & Operating profit

(In billion yen)

	Net sales			Operating profit		
	FY2019.2Q	FY2020.2Q	Change	FY2019.2Q	FY2020.2Q	Change
Resources, Energy and Environment	140.2	142.4	2.2	▲7.2	4.1	11.4
Social Infrastructure and Offshore Facility	68.1	65.4	▲2.6	5.1	4.8	▲0.2
Industrial System and General-Purpose Machinery	185.7	172.7	▲13.0	2.1	2.0	▲0.1
Aero Engine, Space and Defense	187.6	96.8	▲90.7	13.3	▲15.5	▲28.9
Total Reportable Segment	581.7	477.6	▲104.1	13.3	▲4.4	▲17.8
Others	33.7	24.8	▲8.9	0.8	0.2	▲0.6
Adjustment	▲20.6	▲19.6	0.9	▲3.6	▲1.8	1.7
Total	594.9	482.8	▲112.1	10.5	▲6.1	▲16.6

Overseas sales	293.8	187.3	▲106.4
% of overseas sales	49%	39%	▲10%

The figures on the left side of net sales and operating profit for FY2020.2Q show the effect of applying Accounting Standard for Revenue Recognition.

1. Consolidated Results for Second Quarter FY2020

Financial Results by Segment

Japanese GAAP

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■ Analysis of change in operating profit from the previous period

(In billion yen)

	Impact of the spread of COVID-19	Change in net sales	Change in construction profitability	Change in foreign exchange rate	Change in SG&A	Effect of applying Accounting Standard for Revenue Recognition	Total
Resources, Energy and Environment		4.2	6.8		1.2	▲ 0.8	11.4
Social Infrastructure and Offshore Facility		▲ 0.5	▲ 0.3		0.4	0.2	▲ 0.2
Industrial System and General-Purpose Machinery	▲ 3.0	▲ 0.1			2.1	0.9	▲ 0.1
Aero Engine, Space and Defense	* ▲ 31.0	▲ 1.0	0.7	▲ 0.3	4.1	▲ 1.4	▲ 28.9
Total Reportable Segment	▲ 34.0	2.6	7.2	▲ 0.3	7.9	▲ 1.1	▲ 17.7
Others		▲ 1.2	▲ 0.4		1.0		▲ 0.6
Adjustment					1.7		1.7
Total	▲ 34.0	1.4	6.8	▲ 0.3	10.7	▲ 1.1	▲ 16.6

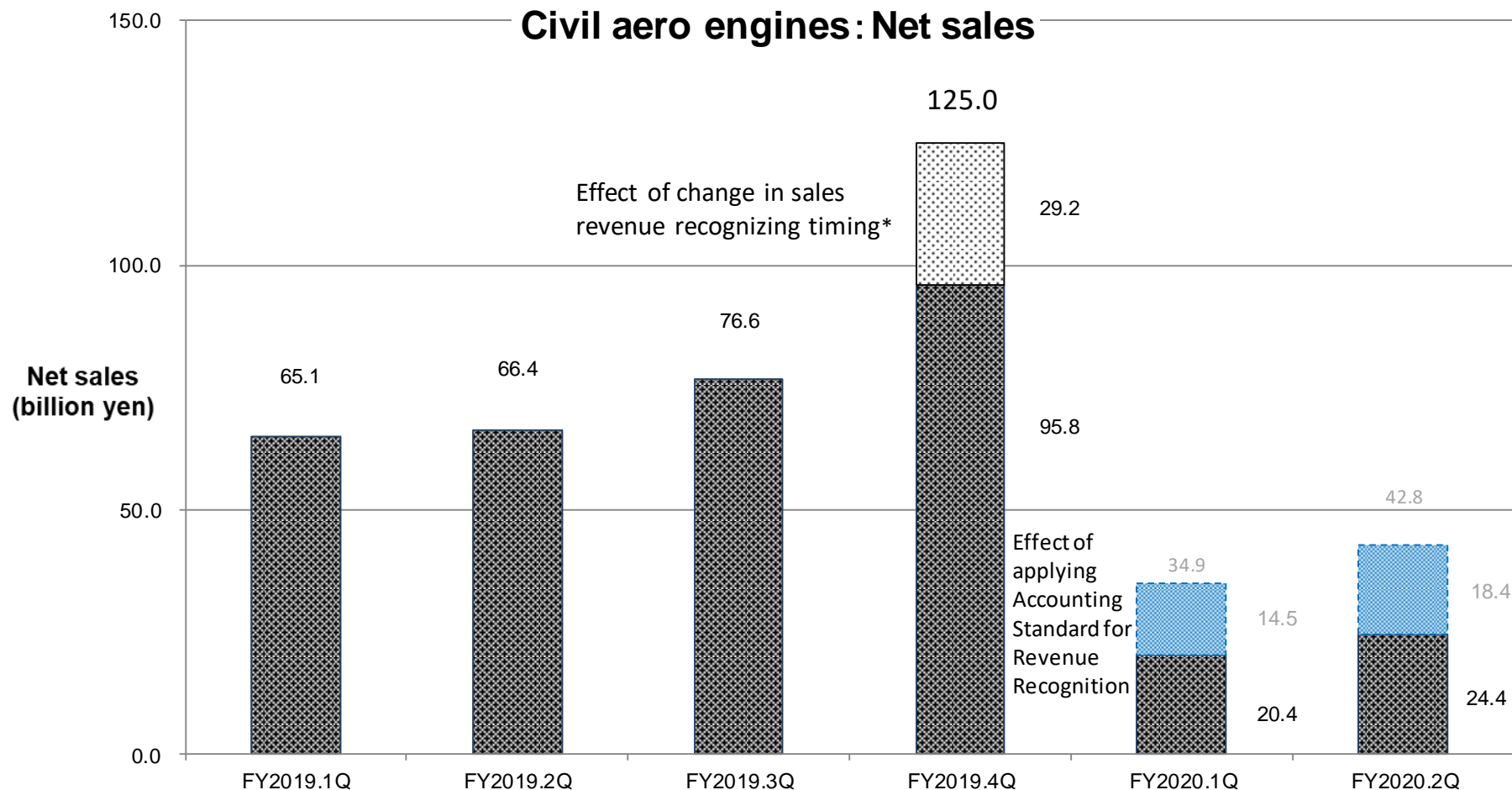
There are cases that the aggregated amount of each segment or factor doesn't match to the total due to rounding off.

*In addition to P/L impact of ▲¥31.0 billion, ▲¥5.0 billion is recorded in inventories as cost variance.

1. Consolidated Results for Second Quarter FY2020

Financial Results by Segment (Impact of the spread of COVID-19)

Japanese GAAP



While net sales decreased 40.9% due to a decrease in sales of engines and spare parts compared to the same period in the previous year, that is recovering from FY2020.1Q.

*The effect of change of revenue recognition timing from the month following the sale to the same month as the sale.

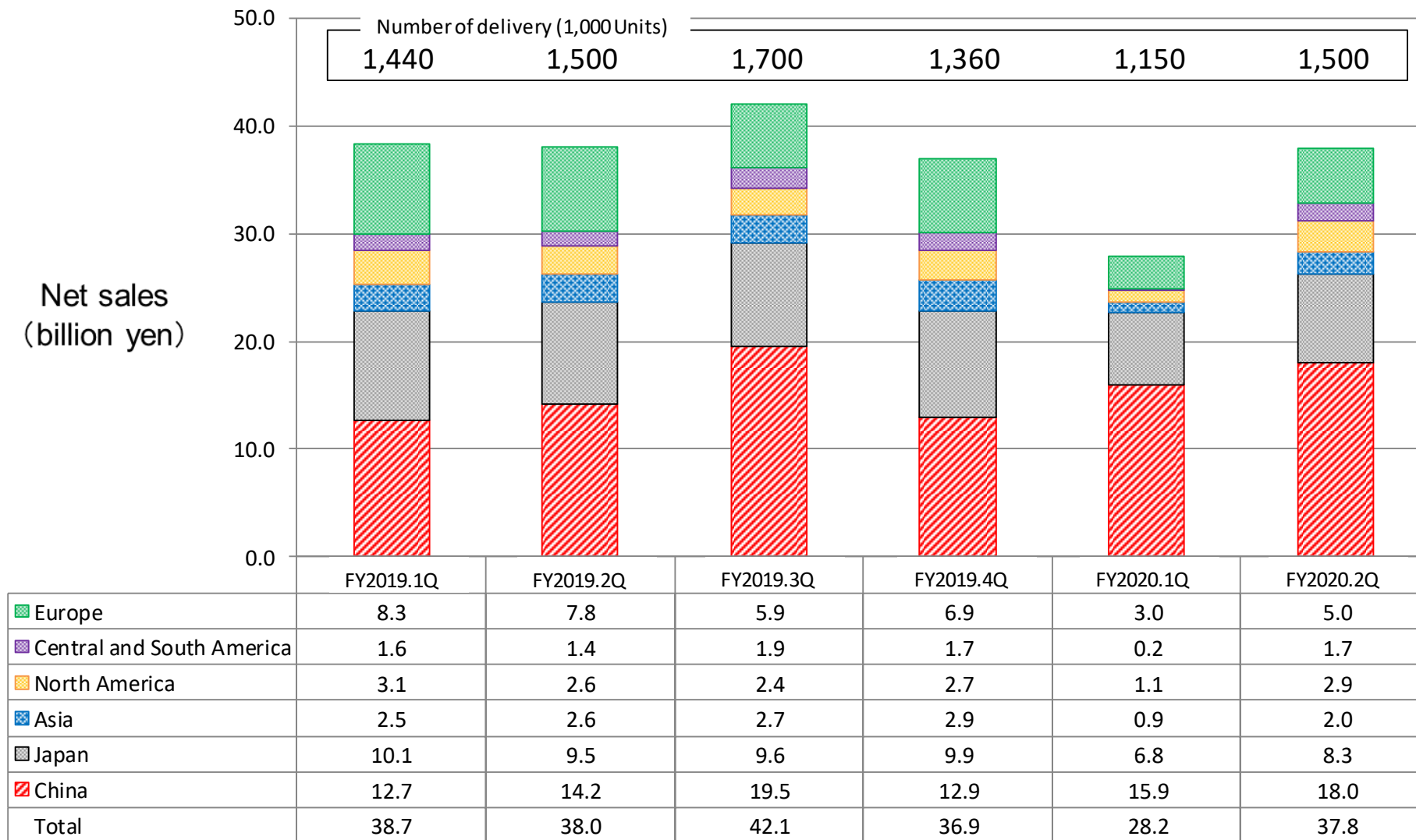
1. Consolidated Results for Second Quarter FY2020

Financial Results by Segment (Impact of the spread of COVID-19)

Japanese GAAP



Vehicular turbochargers : The number of delivery and net sales by region



The number of delivery and net sales in China increased compared to the same period in the previous year. In other regions, that recovered from FY2020.1Q.

1. Consolidated Results for Second Quarter FY2020

Non-operating Income / Expenses

Japanese GAAP

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(In billion yen)

	FY2019.2Q	FY2020.2Q	Change
Net interest expenses (incl. dividend income)	▲ 1.0	▲ 0.8	0.2
Share of profit/loss(▲) of entities accounted for using equity method	▲ 2.4	0.4	2.8
Foreign exchange gains / losses (▲)	▲ 1.0	▲ 2.0	▲ 1.0
Others	▲ 2.4	▲ 1.5	0.8
Non-operating Income / Expenses (▲)	▲ 6.9	▲ 3.9	3.0

Change of the rate(US\$) FY2019.2Q ▲3.07yen (beginning 110.99yen→end 107.92yen)
 FY2020.2Q ▲3.05.yen (beginning 108.83yen→end 105.78yen)

1. Consolidated Results for Second Quarter FY2020

Extraordinary Income / Losses

Japanese GAAP

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(In billion yen)

	FY2019.2Q	FY2020.2Q	Change
Gain on sales of non-current assets	4.5	1.6	▲ 2.9
Gain on insurance claims	1.1	—	▲ 1.1
Extraordinary Income	5.6	1.6	▲ 4.0
Impairment loss	▲ 0.1	0.0	0.0
Loss on valuation of investment securities	▲ 5.5	—	5.5
Extraordinary Losses	▲ 5.6	0.0	5.5
Extraordinary Income / Losses (▲)	0.0	1.5	1.5

1. Consolidated Results for Second Quarter FY2020

Balance Sheets

Japanese GAAP

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(In billion yen)

	As of March 31, 2020	As of September 30, 2020	Change
Total assets	1,740.7	1,666.4	▲ 74.3
(Cash and deposits)	(147.2)	(86.2)	(▲ 60.9)
(Trade receivables & contract assets)	(403.8)	(374.2)	(▲ 29.6)
(Inventories)	(445.5)	(455.5)	(9.9)
Total liabilities	1,387.0	1,296.2	▲ 90.7
(Trade payables)	(262.5)	(213.3)	(▲ 49.2)
(Contract liabilities)	(151.7)	(162.8)	(11.0)
(Interest-bearing liabilities)	(488.1)	(521.7)	(33.5)
Total net assets	353.7	370.1	16.3
Shareholders' equity	329.2	344.4	15.2
Accumulated other comprehensive income	▲ 2.8	▲ 2.7	0.1
Non-controlling interests and others	27.3	28.3	1.0
Total liabilities and net assets	1,740.7	1,666.4	▲ 74.3
D/E ratio(times) (*2)	1.38	1.41	0.03
Equity ratio	18.7%	20.5%	1.8%

Interest-bearing liabilities includes the amount of lease obligations.
(as of March 31, 2020: ¥27.3 billion / as of September 30, 2020: ¥30.5 billion)

* D/E ratio = Interest-bearing liabilities / net assets

Shareholders' equity (retained earnings) at the beginning of FY2020 increased by ¥27.4 billion by applying
Accounting Standard for Revenue Recognition

1. Consolidated Results for Second Quarter FY2020

Cash Flows

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(In billion yen)

	FY2019.2Q	FY2020.2Q	Change
Cash flows from operating activities	▲ 32.8	▲ 55.7	▲ 22.8
Cash flows from investing activities	▲ 39.6	▲ 26.9	12.6
Free cash flows	▲ 72.4	▲ 82.7	▲ 10.2
Cash flows from financing activities	41.6	20.9	▲ 20.7

1. Consolidated Results for Second Quarter FY2020 Supplementary Information

Japanese GAAP

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

< Results >

(In billion yen)

	FY2019.2Q	FY2020.2Q
R&D	15.4	11.0
CAPEX	38.4	17.2
Depreciation & Amortization	25.2	28.6

*

“CAPEX” and “Depreciation & Amortization” consist of amounts related to tangible fixed assets and software.

* Decreased due to the temporary freezing / reduction of CAPEX and R&D

< FY2020 Forecast >

(In billion yen)

	IFRS	(Reference) Japanese GAAP
R&D	29.0	26.0
CAPEX	54.0	48.0
Depreciation & Amortization	70.0	58.0

*₁

*₂

*1 Accounting for grants with repayment conditions after completion of development are changed from net amount basis to financial transactions (recording as a financial liability).

*2 Including operating leases based on Japanese GAAP.

(2) Overseas Sales by Region

(In billion yen)

	FY2019.2Q	FY2020.2Q
Asia	55.6	52.1
China	41.5	48.9
North America	155.8	57.5
Central and South America	4.1	2.8
Europe	34.5	22.1
Others	2.1	3.6
Total	293.8	187.3
% of overseas sales	49%	39%

*

* Decreased mainly in the Civil aero engines Business

2. Forecasts of the Consolidated Results for FY2020

2. Forecasts of the Consolidated Results for FY2020

Summary of Forecasts

IFRS

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Forecasts are based on IFRS due to the adoption of IFRS from the end of FY2020.

Assumption of Exchange Rate (after FY2020.3Q)

US\$: 105yen

EUR : 120yen

(In billion yen)

	IFRS			(Reference) Japanese GAAP
	FY2019 Results ^(*2)	FY2020 Forecast	Change	FY2020 Forecast
Orders received	1,280.0	1,100.0	▲ 180.0	1,100.0
Revenue	1,259.0	1,150.0	▲ 109.0	1,150.0
Operating profit^(*1)	48.0	20.0	▲ 28.0	8.0
Ordinary profit	-	-	-	▲ 5.0
Profit attributable to owners of parent	7.0	1.0	▲ 6.0	0.0

(Reference)

Exchange rate sensitivity (impact amount on operating profit by change of 1 yen) : US\$ ¥0.3 billion

*1 Operating profit on IFRS = Gross profit – Selling, general and administrative expenses +
(on Japanese GAAP) Non-operating income / expenses & Extraordinary income / losses - Financial income / expenses

*2 Results for FY2019 based on IFRS are unaudited, provisional calculations, and are therefore approximate figures.

2. Forecasts of the Consolidated Results for FY2020

IFRS

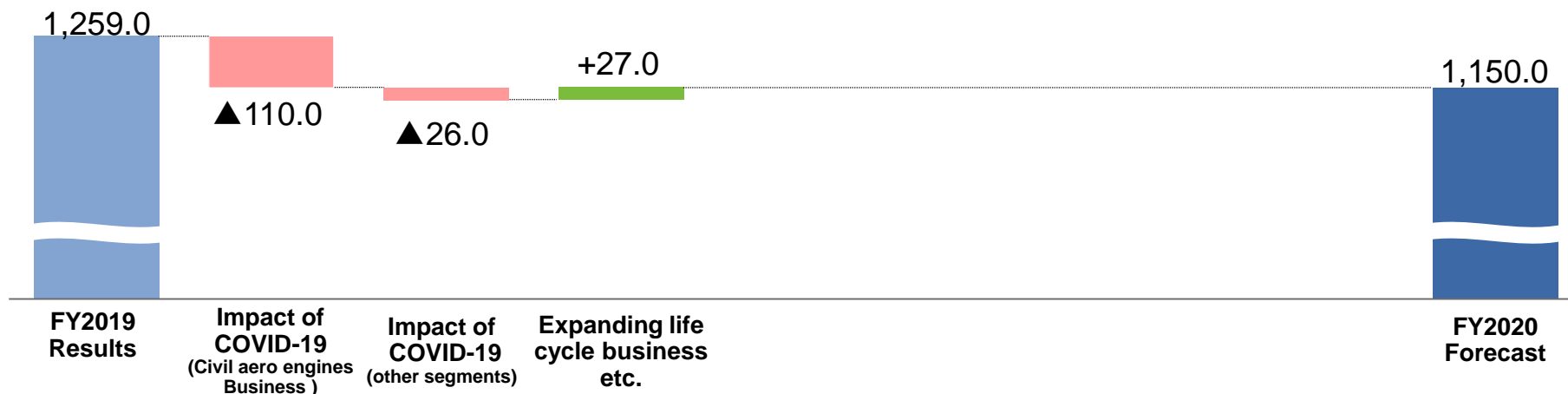
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Analysis of change in net sales and operating profit from the previous period

- Significant decrease of revenue and profits in the Civil aero engines Business due to the impact of the spread of COVID-19.
- Promoting reduction of SG&A in response to declining sales and strengthening cost structure for transform our corporate structure into lean and flexible.

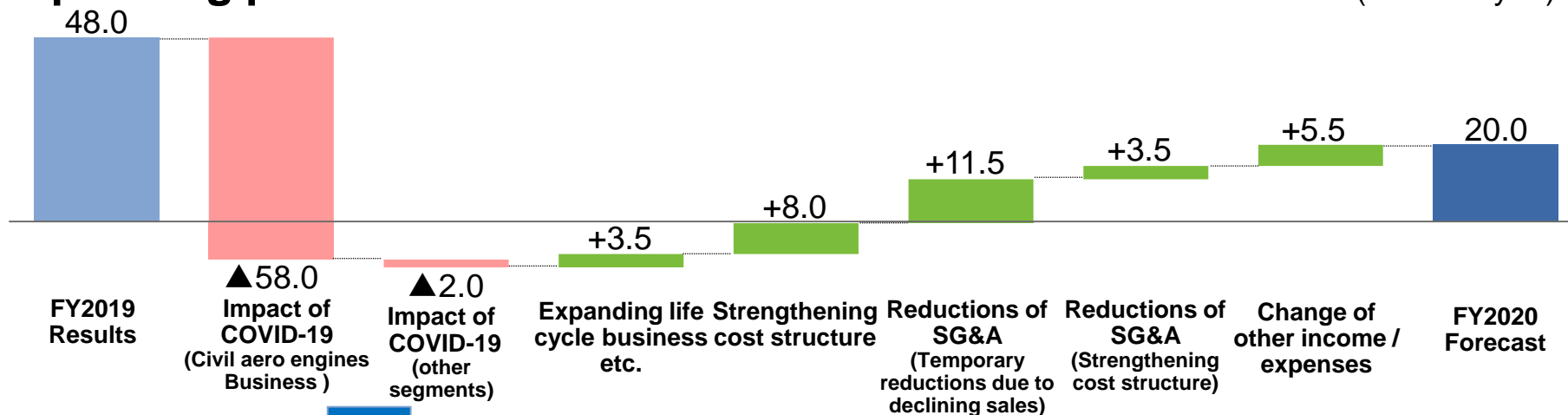
(1) Revenue

(In billion yen)



(2) Operating profit

(In billion yen)



Details of impact of the spread of COVID-19 are described in following pages.

2. Forecasts of the Consolidated Results for FY2020

IFRS

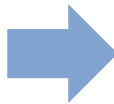
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Details of impact of the spread of COVID-19

(In billion yen)

	Revenue	Operating profit
① Civil aero engines Business (Aero Engine, Space and Defense)	▲110.0	▲58.0

Sharp and significant decline of aero transportation demand



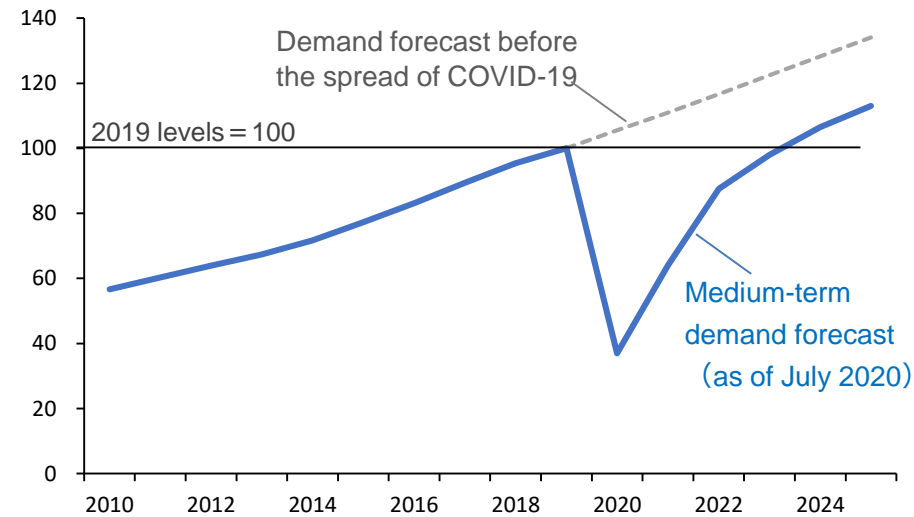
- Revenue of the Civil aero engines Business almost halved year-on-year.
- In particular, operating profit declined significantly due to a decline in revenue of profitable aftermarkets (spare parts).
- Loss from volume variance of operation due to a decrease in the number of newly made engines.

Assumptions of forecast

- Calculated the forecast based on the demand forecast by International Air Transport Association (IATA) and the information obtained from the business partners.

【Demand forecast by IATA】

- ✓ The global aero transportation demand in 2020 will decrease 66% year-on-year (**down 3 points** from the July 2020 forecast) .
- ✓ Demand will recover to 2019 levels by 2024.



(provenance) IATA, 28th July 2020

* Forecast figure is RPK (revenue passenger kilometers) based.

2. Forecasts of the Consolidated Results for FY2020

IFRS

IHI

Details of impact of the spread of COVID-19

(In billion yen)

	Revenue	Operating profit
② Others	▲26.0	▲2.0
<ul style="list-style-type: none"> ● Vehicular turbochargers Business (Industrial System and General-Purpose Machinery) 	▲14.0	-
<div style="border: 1px solid blue; border-radius: 15px; padding: 5px; display: inline-block;">Decline in automobile-related demand</div> ➔ <ul style="list-style-type: none"> ● Delivery decline in all regions except China. ● However, overall profit is expected to increase due to the effect of increased delivery from the recovery of the Chinese market and reduced fixed costs. 		
<ul style="list-style-type: none"> ● Thermal and surface treatment Business (Industrial System and General-Purpose Machinery) 	▲7.0	▲2.0
<div style="border: 1px solid blue; border-radius: 15px; padding: 5px; display: inline-block;">Mainly decline in automobile-related demand</div> ➔ <ul style="list-style-type: none"> ● Decrease in revenue of contract processing services for automotive parts 		
<ul style="list-style-type: none"> ● Others than the above (Some subsidiaries in Southeast Asia) 	▲5.0	-

In other businesses than the above, orders and sales are expected to decrease to a certain extent due to customers' postponement and revision of their capital investment plans, but the impact on profit is expected to be immaterial.

2. Forecasts of the Consolidated Results for FY2020

Forecasts by Segments

IFRS

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Orders received

(In billion yen)

	IFRS			(Reference) Japanese GAAP
	FY2019 Results ^(*1)	FY2020 Forecast	Change	FY2020 Forecast
Resources, Energy and Environment	317.0	320.0	3.0	320.0
Social Infrastructure and Offshore Facility	197.0	140.0	▲ 57.0	140.0
Industrial System and General-Purpose Machinery	420.0	370.0	▲ 50.0	370.0
Aero Engine, Space and Defense	322.0	^{*2} 250.0	▲ 72.0	250.0
Total Reportable Segment	1,256.0	1,080.0	▲ 176.0	1,080.0
Others	73.0	70.0	▲ 3.0	70.0
Adjustment	▲ 49.0	▲ 50.0	▲ 1.0	▲ 50.0
Total	1,280.0	1,100.0	▲ 180.0	1,100.0

*1 Results for FY2019 based on IFRS are unaudited, provisional calculations, and are therefore approximate figures.

*2 Calculation method of orders received for Civil aero engines Business is reviewed from FY2020, but this has only an immaterial impact on the amount in FY2019.

2. Forecasts of the Consolidated Results for FY2020

Forecasts by Segments

IFRS

IHI

■ Revenue & Operating profit

(In billion yen)

	IFRS						(Reference) Japanese GAAP	
	Revenue			Operating profit			Net sales	Operating profit
	FY2019 Results ^(*)	FY2020 Forecast	Change	FY2019 Results ^(*)	FY2020 Forecast	Change	FY2020 Forecast	FY2020 Forecast
Resources, Energy and Environment	325.0	350.0	25.0	4.0	16.0	12.0	350.0	16.0
Social Infrastructure and Offshore Facility	149.0	150.0	1.0	13.0	15.0	2.0	150.0	16.0
Industrial System and General-Purpose Machinery	404.0	380.0	▲24.0	13.0	12.0	▲1.0	380.0	11.0
Aero Engine, Space and Defense	365.0	250.0	▲115.0	21.0	▲34.0	▲55.0	250.0	▲33.0
Total Reportable Segment	1,243.0	1,130.0	▲113.0	51.0	9.0	▲42.0	1,130.0	10.0
Others	67.0	70.0	3.0	7.0	3.0	▲4.0	70.0	3.0
Adjustment	▲51.0	▲50.0	1.0	▲10.0	8.0	18.0	▲50.0	▲5.0
Total	1,259.0	1,150.0	▲109.0	48.0	20.0	▲28.0	1,150.0	8.0

*1 Results for FY2019 based on IFRS are unaudited, provisional calculations, and are therefore approximate figures.

2. Forecasts of the Consolidated Results for FY2020

Forecasts by Segments

IFRS

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- Analysis of change in operating profit from the previous period

(In billion yen)

	Impact of the spread of COVID-19	Change in revenue	Change in construction profitability	Change in SG&A	Change in Other income / expenses	Total
Resources, Energy and Environment		3.0	7.0	2.5	▲ 0.5	12.0
Social Infrastructure and Offshore Facility		0.5	1.5			2.0
Industrial System and General-Purpose Machinery	▲ 2.0		0.5	2.5	▲ 2.0	▲ 1.0
Aero Engine, Space and Defense	▲ 58.0		▲ 1.0	5.0	▲ 1.0	▲ 55.0
Total Reportable Segment	▲ 60.0	3.5	8.0	10.0	▲ 3.5	▲ 42.0
Others					▲ 4.0	▲ 4.0
Adjustment				5.0	* 13.0	18.0
Total	▲ 60.0	3.5	8.0	15.0	5.5	▲ 28.0

*This figure includes the effect of the sale of assets in order to secure funds for investments in business portfolio reform and a buffer against the risk of performance volatility.

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

IHI shall follow its basic policy to pay out stable dividends and determine the amount of dividends after taking into account a broad range of factors, including investments for improvement of corporate value and enhancement and reinforcement of equity capital with a target consolidated dividend payout ratio of around 30%.

However, after considering the level of profit of the forecasts of results for the current fiscal year, the forecast for year-end dividends of surplus for FY2020 has been regrettably decided to be zero yen.

	Dividends per Share			(Yen)
	Interim	Year-end	Annual	
FY2019 Results	30	20	50	
FY2020 Forecast	0(Results)	0	0	

3. Financial Results by Segment

3. Financial Results by Segment

Resources, Energy and Environment

Japanese GAAP

IFRS

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(In billion yen, accumulated amount)
 (Reference) FY2020 forecasts based on Japanese GAAP

Main Businesses : Power systems, Boilers, Plants and Nuclear power

Results (vs FY2019.2Q)

Japanese GAAP

< Orders received >

Decreased in the Boilers Business due to the reverse effect of large-scale project received in the previous corresponding period.

< Net sales >

Increased in the Boilers Business.

< Operating profit >

Became profitable due to increases in net sales in the Boilers Business and convergence of deterioration of profitability in the Power systems, Boilers and Plants Businesses in the previous corresponding period.

Full year forecasts (vs FY2019)

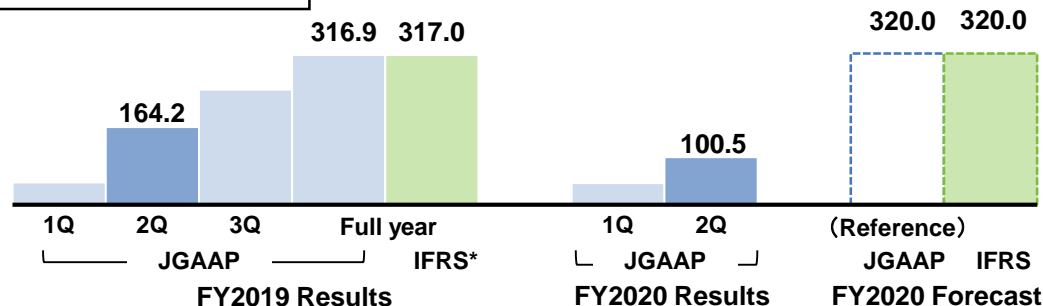
IFRS

- Revenue is expected to increase in the Power systems and Boilers Businesses.
- Operating profit significantly are expected to increase due to the above impact and convergence of deterioration of profitability in the Power systems and Plants Businesses in previous year.

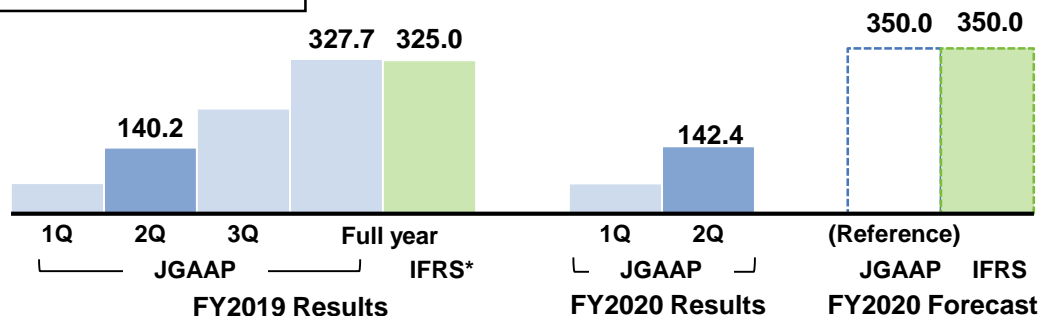
< Impact of the spread of COVID-19 >

- At some subsidiaries in Southeast Asia, orders received and revenue are expected to decrease due to the postponement of customers' projects, etc. (The profit impact will be immaterial).

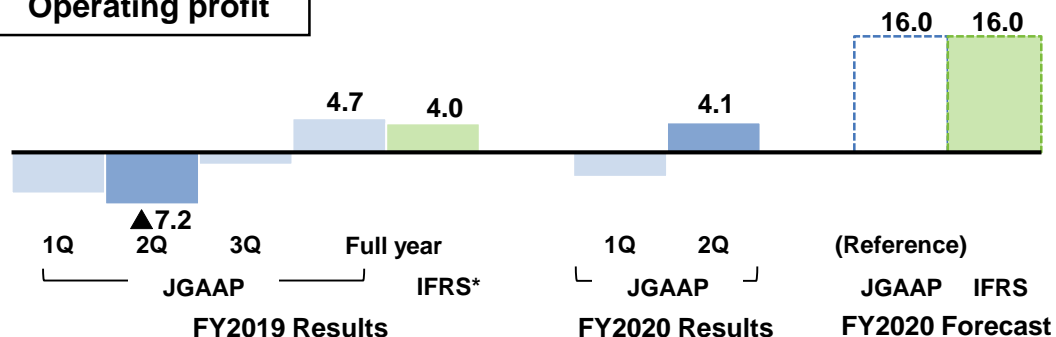
Orders received



Net sales (Revenue)



Operating profit



3. Financial Results by Segment Resources, Energy and Environment

Japanese GAAP

IFRS

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(In billion yen)

	Orders received				Net sales (Revenue)								
	FY2019		FY2020		FY2019				FY2020				
	Full year	Full year	Full year	Full year	1Q	2Q	3Q	Full year	Full year	1Q	2Q	Full year	Full year
	JGAAP	IFRS	JGAAP	IFRS				JGAAP	IFRS			JGAAP	IFRS
Power Systems	82.6	83.0	77.0	77.0	17.9	36.0	53.4	86.1	83.0	18.8	38.3	95.0	95.0
Boilers	95.6	96.0	72.0	72.0	16.8	44.8	70.2	98.4	95.0	20.0	51.9	109.0	109.0
Plants	32.1	32.0	56.0	56.0	13.8	26.6	39.2	56.4	57.0	9.5	20.2	44.0	44.0
Nuclear power	36.2	36.0	44.0	44.0	4.8	8.9	13.5	27.9	32.0	5.2	10.0	36.0	36.0

3. Financial Results by Segment

Social Infrastructure and Offshore Facility

Japanese GAAP

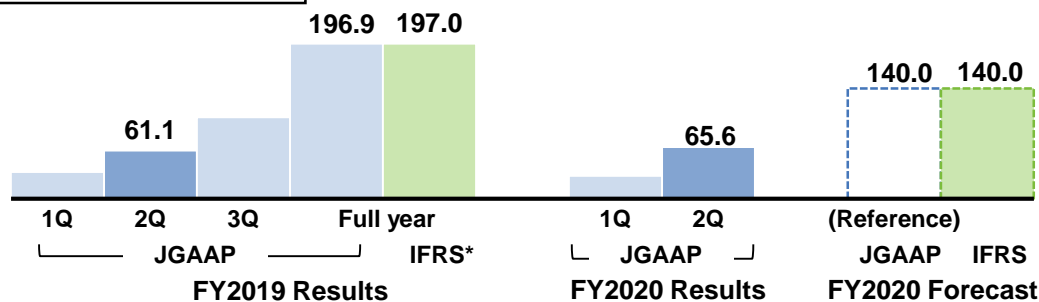
IFRS

IHI

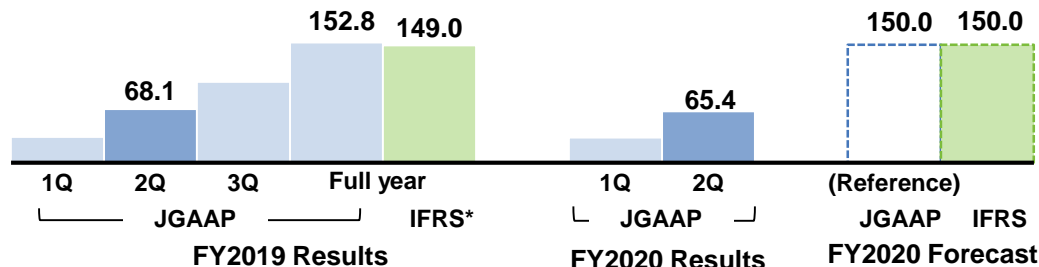
(In billion yen, accumulated amount)
 (Reference) FY2020 forecasts based on Japanese GAAP

Main Businesses : Bridges/water gates, Transport systems, Shield systems, Concrete construction materials and Urban development

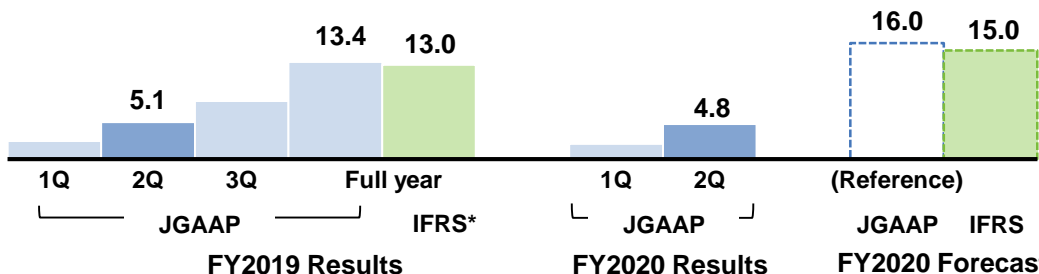
Orders received



Net sales (Revenue)



Operating profit



Results (vs FY2019.2Q)

Japanese GAAP

< Orders received >

Decreased in the Transport systems Business.
 Increased in the Bridges/water gates and the Urban development Businesses.

< Net sales >

Decreased in the Bridges/water gates Business due to delivery of large-scale projects in the previous corresponding period, despite the increase in the Urban development Business.

< Operating profit >

Decreased due to decreases in sales in the Bridges/water gates Business, despite the increase due to increase in sales in the Urban development Business.

Full year forecasts (vs FY2019)

IFRS

- Orders received are expected to decrease in the Bridges/water gates Business due to the reverse effect of large-scale overseas projects received in the previous fiscal year.
 - Operating profit are expected to increase in the Transport systems Business due to improvement of profitability, etc.
- < Impact of the spread of COVID-19 >
- Impact is expected to be limited, although there is risk of postponement of orders received and operating profit in the Bridges/water gates Business to the next fiscal year or later.

3. Financial Results by Segment

Social Infrastructure and Offshore Facility

Japanese GAAP

IFRS

IHI

(In billion yen)

	Orders received				Net sales (Revenue)								
	FY2019		FY2020		FY2019				FY2020				
	Full year JGAAP	Full year IFRS	Full year JGAAP	Full year IFRS	1Q	2Q	3Q	Full year JGAAP	Full year IFRS	1Q	2Q	Full year JGAAP	Full year IFRS
Bridges/water gates	111.1	111.0	64.0	64.0	19.2	38.2	57.5	83.5	80.0	15.1	31.2	72.0	72.0
Shield systems	23.6	24.0	17.0	17.0	4.6	9.7	12.0	15.5	16.0	3.5	9.1	18.0	18.0
Urban development	16.5	17.0	22.0	22.0	3.9	7.9	11.8	16.5	17.0	6.6	11.4	22.0	22.0

For related information of “Urban development” in Toyosu, please refer to <Appendices> on page 42, 43.

3. Financial Results by Segment

Industrial System and General-Purpose Machinery

Japanese GAAP

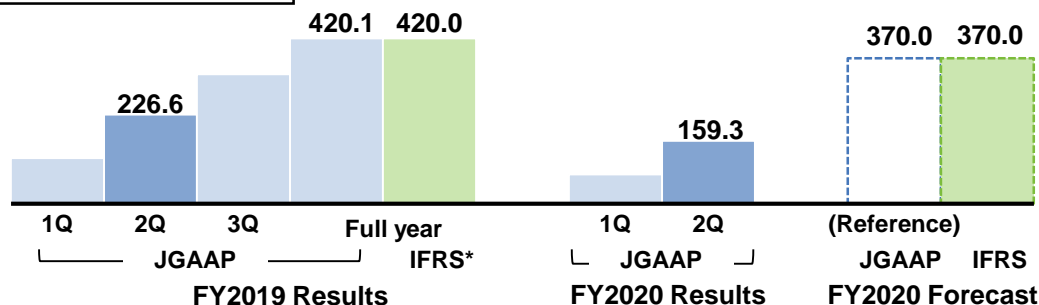
IFRS

IHI

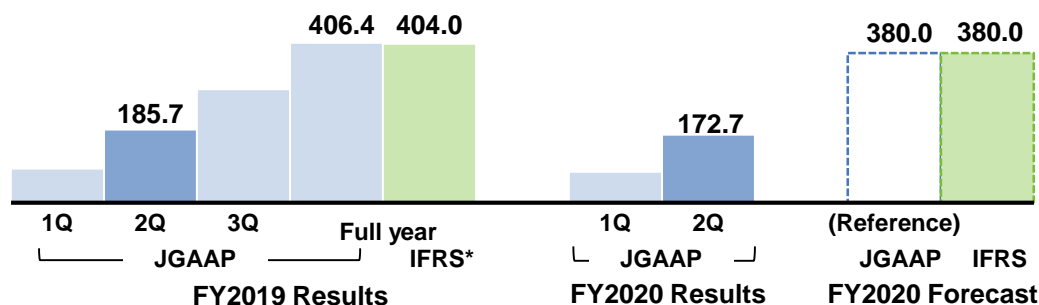
(In billion yen, accumulated amount)
(Reference) FY2020 forecasts based on Japanese GAAP

Main Businesses : Vehicular turbochargers, Parking, Rotating machineries, Thermal and surface treatment, Transport machineries and Logistics/industrial systems

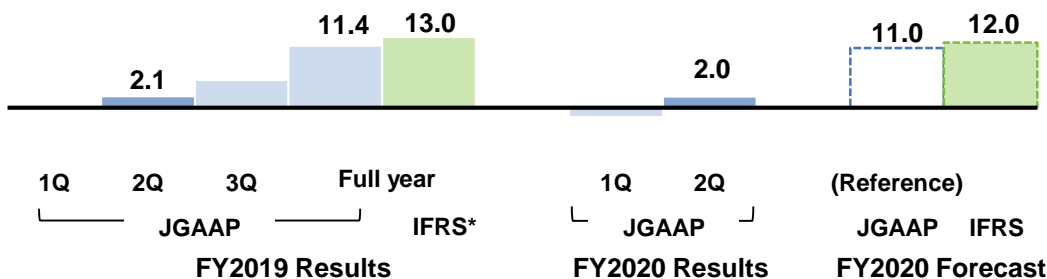
Orders received



Net sales (Revenue)



Operating profit



Results (vs FY2019.2Q)

Japanese GAAP

< Orders received >

Decreased in the Transport machineries Business due to the reverse effect of large-scale projects received in the previous corresponding period and decreased in the Vehicular turbochargers and Thermal and surface treatment Businesses.

< Net sales >

Decreased in the Vehicular turbochargers and Thermal and surface treatment Businesses, despite the increase in the Transport machineries Business.

< Operating profit >

Increased in the Transport machineries Business and decreased in the Thermal and surface treatment Businesses due to changes in net sales. The Vehicular turbochargers Business is same level as the previous corresponding period due to effect of reduced fixed costs despite decreased net sales.

Full year forecasts (vs FY2019)

IFRS

- Orders are expected to decrease in the Transport Business due to the reverse effect of large-scale projects received in the previous year, as well as the Vehicular turbochargers and Thermal and surface treatment Businesses.
- Operating profit are expected same level as previous year due to decrease in revenue and increase in operating profit in the Vehicular turbochargers Business, despite the decrease in revenue and operating profit in the Thermal and surface treatment Business.

< Impact of the spread of COVID-19 >

- Revenue and operating profit are expected to decrease due to declining demand in the Thermal and surface treatment Business whose main business is contracted processing service for automotive and aircraft parts.
- Number of delivery in the Vehicular turbochargers Business is expected to decrease in all regions except China. However overall profit is expected to increase as a result of increased sales and fixed cost reduction due to the recovery of the Chinese market.

3. Financial Results by Segment

Industrial System and General-Purpose Machinery

Japanese GAAP

IFRS

IHI

(In billion yen)

	Orders received				Net sales (Revenue)								
	FY2019		FY2020		FY2019				FY2020				
	Full year JGAAP	Full year IFRS	Full year JGAAP	Full year IFRS	1Q	2Q	3Q	Full year JGAAP	Full year IFRS	1Q	2Q	Full year JGAAP	Full year IFRS
Vehicular turbochargers	155.5	156.0	140.0	140.0	38.7	76.7	118.8	155.7	154.0	28.2	66.0	140.0	140.0
Parking	53.4	53.0	47.0	47.0	10.0	22.0	33.9	53.0	53.0	9.4	20.5	49.0	49.0
Rotating machineries	51.3	51.0	44.0	44.0	10.4	21.1	33.5	49.0	48.0	10.3	23.0	48.0	48.0
Thermal and surface treatment	32.2	32.0	31.0	31.0	9.8	19.7	29.1	37.7	38.0	6.7	13.7	31.0	31.0
Transport machineries	61.2	61.0	30.0	30.0	3.7	9.2	17.7	29.0	31.0	10.2	20.0	42.0	42.0

For details of “Vehicular turbochargers”, please refer to <Appendices> on page 41.

< Number of vehicular turbochargers delivered > (1,000 Units)

	2Q	Full Year
FY2019	2,940	6,000
FY2020	2,650	5,400

3. Financial Results by Segment Aero Engine, Space and Defense

Japanese GAAP

IFRS

IHI

(In billion yen, accumulated amount)
(Reference) FY2020 forecasts based on Japanese GAAP

Main Businesses : Aero engines, Rocket systems/space utilization systems and Defense systems

Results (vs FY2019.2Q)

Japanese GAAP

< Orders received >

Decreased in the Civil aero engines Business.

< Net sales >

Significantly decreased in the Civil aero engines Business due to decline of aero transportation demand by the impact of the spread of COVID-19 and effect of applying Accounting Standard for Revenue Recognition.

< Operating profit >

Recorded profit loss due to decreased net sales despite the efforts such as reduction of fixed costs.

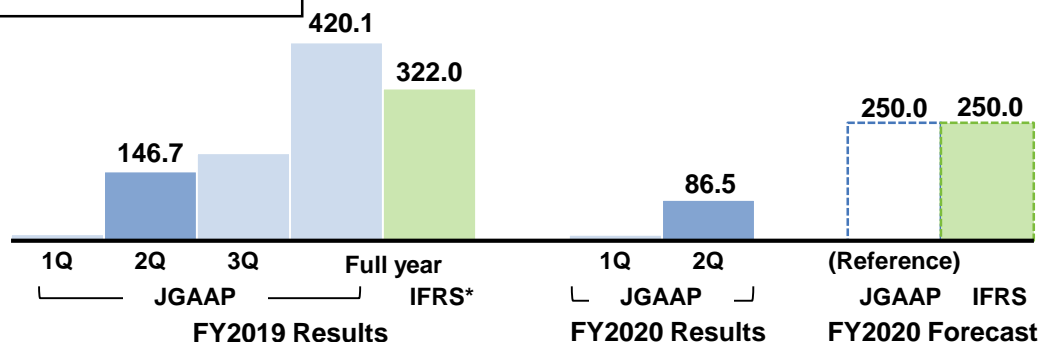
Compared to FY2020.1Q, profit loss became bigger owing to increased number of newly made engines delivered whose burden is larger in the initial stage of mass production, accompanied with the gradual recovery trend of the Civil aero engines Business.

Full year forecasts (vs FY2019)

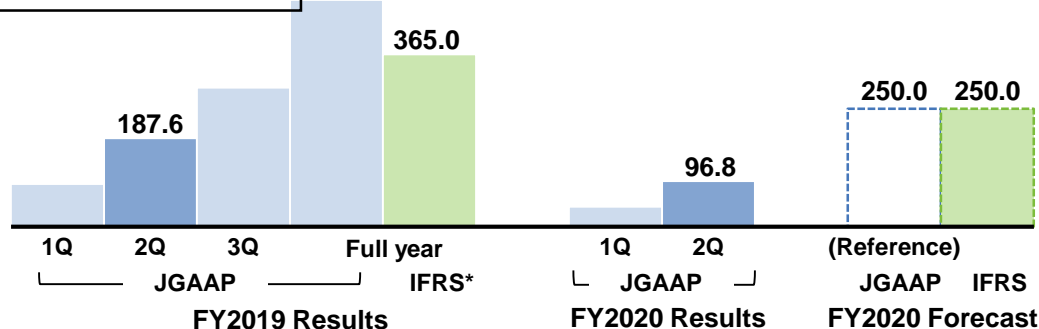
IFRS

- Revenue is expected to significantly decrease in the Civil aero engines Business due to decline of aero transportation demand by the impact of the spread of COVID-19.
- Operating profit are expected to significantly decrease in the Civil aero engines Business mainly due to decline in sales of spare parts for civil aero engines.

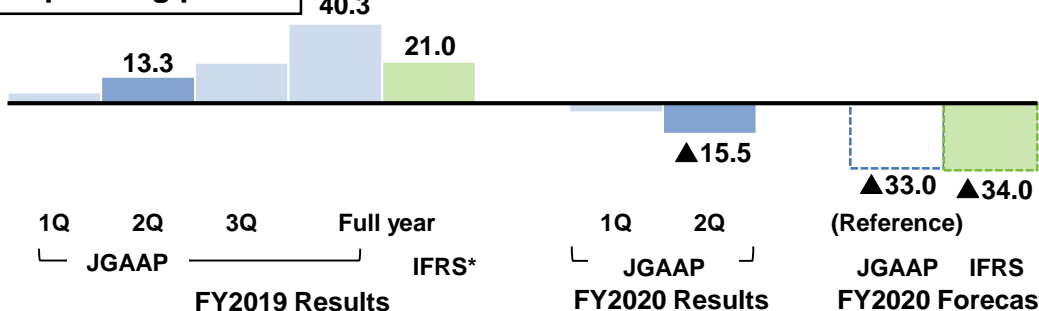
Orders received



Net sales (Revenue)



Operating profit



3. Financial Results by Segment Aero Engine, Space and Defense

(In billion yen)

	Orders received				Net sales (Revenue)								
	FY2019		FY2020		FY2019				FY2020				
	Full year JGAAP	Full year IFRS	Full year JGAAP	Full year IFRS	1Q	2Q	3Q	Full year JGAAP	Full year IFRS	1Q	2Q	Full year JGAAP	Full year IFRS
Civil aero engines	308.2	218.0	100.0	100.0	65.1	131.5	208.1	333.1	218.0	20.4	44.8	100.0	100.0
(Reference)Results excluding the effect of applying Accounting Standard for Revenue Recognition :										34.9	77.7		

For details of “Civil aero engines”, please refer to <Appendices> on page 40.

<Number of civil aero engines delivered>

(Units)

	2Q	Full Year
FY2019	700	1,571
FY2020	403	850

<Appendices>

- Financial Performance
- Progress in large-scale overseas projects
- Topics in the Second Quarter under review
- Aero engines
- Vehicular turbochargers
- Urban development

	Japanese GAAP					(In billion yen)
	FY2016	FY2017	FY2018	FY2019	FY2020.2Q	IFRS FY2020 (Forecast)
Net sales (Revenue)	1,468.3	1,590.3	1,483.4	1,386.5	482.8	1,150.0
Operating margin	3.2%	4.5%	5.6%	4.4%	▲1.3%	1.7%
Operating profit	47.3	72.2	82.4	60.7	▲6.1	20.0
Ordinary profit	22.0	21.4	65.7	32.2	▲10.0	
Profit attributable to owners of parent	5.2	8.2	39.8	12.8	▲9.5	1.0
ROIC (*1)	5.0%	7.7%	8.7%	5.7%		
CCC (*2)	87days	83days	97days	120days		
D/E ratio(times)(*3)	1.10	0.92	0.93	1.38	1.41	
ROE (*4)	1.6%	2.6%	11.8%	3.8%		
Dividends per share (yen)	0	Interim 3 Year-end 30 (*5)	70 Interim 30 Year-end 40	50 Interim 30 Year-end 20	0	0
Exchange rate	¥108.27/\$	¥111.00/\$	¥111.09/\$	¥109.16/\$	¥107.24/\$	

*1 : ROIC (Return On Invested Capital)

= (Operating profit + Interest income and dividend income) after tax / (Equity + Interest-bearing liabilities)

*2 : CCC = Working capital / Net sales * 365days

*3 : D/E ratio = Interest-bearing liabilities / Net assets

*4 : ROE (Return on Equity) = Profit attributable to owners of parent / (Average of equity for previous fiscal year end and current period end)

*5 : Year-end dividend for FY2017 reflects the consolidation of stock.

Elba Liquefaction Project



Actual Construction Completion

<Project Brief>

- Contract: Lump Sum Turnkey EPC Agreement for the Elba Island Natural Gas Liquefaction Facility and the Southern LNG Expansion Facility
- Job Site: Elba Island, Chatham County, Savannah, Georgia, USA
- Scope: Engineering, Procurement, Construction, and Commissioning of 2.5 MTPA Liquefaction facility

<Key milestones>

- March 2016: Contract Award
- November 2016: FERC Approval for the commencement of construction
- February 2017: Delivery commencement of MMLS#1 module
- September 2019: Commercial in Service of MMLS#1
- August 26, 2020: Substantial completion of all facilities**

MMLS: Movable Modular Liquefaction System

This project has totally 10 MMLSs and 1 MMLS consists 79 modules.

<Status as of September 30, 2020>

On August 26, 2020, Substantial Completion of all facilities was finished and fully commercial in-service.

MMLS No.	#1	#2	#3	#4	#5	#6	#7	#8	#9	#10
Mechanical Completion	○	○	○	○	○	○	○	○	○	○
Commissioning (Progress)	○	○	○	○	○	○	○	○	○	○
In-Service	○	○	○	○	○	○	○	○	○	○

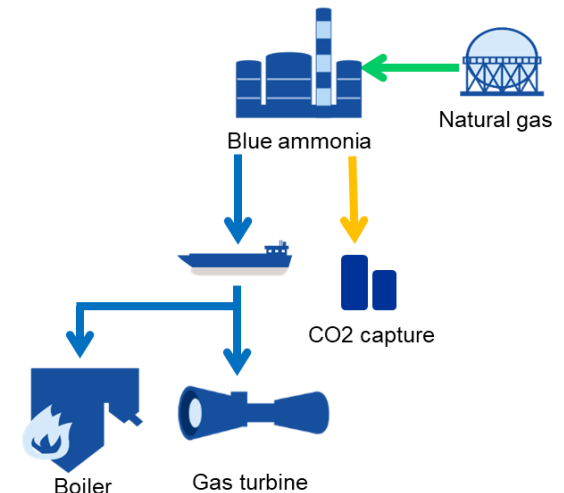
Red text : Progress after FY2020.1Q

IHI conducts world's first-ever co-firing testing using carbon-neutral "blue ammonia"

IHI is cooperating with demonstration testing of the supply chain for blue ammonia proposed by Saudi Arabian Oil Company and The Institute of Energy Economics, Japan. Blue ammonia is a carbon-neutral fuel. Any CO₂ emitted during the manufacture of blue ammonia from natural gas is separated and captured.

In a project commissioned by the New Energy and Industrial Technology Development Organization (NEDO), IHI is working to advance co-fired ammonia technology by utilizing gas turbines and coal-fired boilers. We recently began co-firing testing in a gas turbine using blue ammonia with the aim of achieving an ammonia co-firing ratio (calorie ratio) of at least 50%. We also conducted co-firing tests in a coal-fired boiler using pulverized coal in high-capacity combustion testing facilities. They are the first co-firing tests using blue ammonia to be conducted anywhere in the world.

These latest tests are an important step forward that connects the combustion manufacturing side with the user side. IHI will continue to push development forward with the aim of contributing to a carbon-free society through the use of ammonia energy.



< Overview of blue ammonia co-firing test >

IHI opens "Soma Lab" carbon-free hydrogen research building in Soma city, Fukushima prefecture



< Appearance of "Soma Lab" >

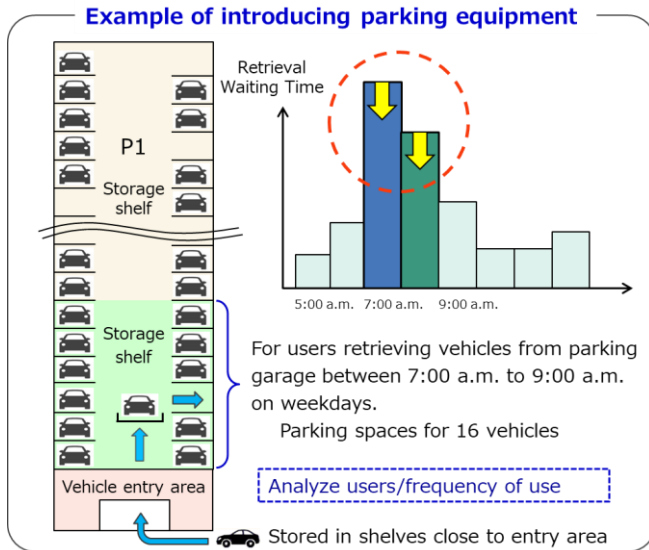
In 2018 IHI launched the Soma IHI Green Energy Center ("SIGC"), where it has been operating Smart Community businesses that utilize renewable energy. At the SIGC, the Company recently opened the Soma Lab research building for the promotion of hydrogen research utilizing Carbon-free hydrogen.

At the Soma Lab, hydrogen manufactured using electricity from solar power generated at SIGC will be used for conversion technology research into and demonstration testing of chemical products and hydrogen usage, in preparation for a future hydrogen-based society. In addition to opening it to research agencies and companies as a space for open innovation, we will also offer the Soma Lab to local schools as a venue for experience-based learning, and will conduct activities to make science and energy a more familiar presence.

IHI will use this business to enable the local production and consumption of renewable energy, while working to create a new autonomous business model led by the region. The aim is to promote business development in order to assist the planning of new urban areas.

IHI begins sales of the industry's first elevator parking system to use AI and 3D sensors for improved comfort

IHI Transport Machinery Co., Ltd. ("IUK") develops and sells the "Elevator Parking Gran Series" of mechanical parking systems, which offer improved comfort.



- **Feature (1): reduced retrieval waiting time through use of AI**
By learning the daily usage patterns of its customers and predicting the times of peak retrieval activity, the system automatically arranges vehicles on storage shelves in the most effective way to achieve the shortest retrieval waiting time.
- **Feature (2): functions for checking safety within the parking tower using 3D sensors**
Because it uses a proprietary 3D sensor system to perform safety checks within the parking tower before automatically closing shutters, it prevents problems caused by people forgetting to close the shutters.
- **Feature (3): a comfortable parking space**
Maximum size of stored vehicle has been increased with the aim of "allowing any vehicle to be parked."

Going forward, IUK will continue to pursue the ideal parking system while working on initiatives to provide optimal solutions in response to the diverse needs for such products.

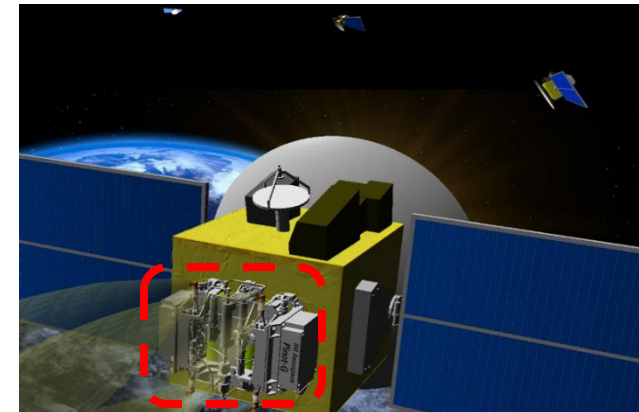
Development of propulsion device for small satellites that is kind to the space environment and to users of artificial satellites

IHI AEROSPACE Co., Ltd. is developing a propulsion device, called "Pinot-G", to make the use of small satellites simpler and safer for their operators.

In recent years the reduction in size and cost of artificial satellites has led to a broadening in their use by business. In the decade beginning in 2020 it is forecasted at approximately 10,000 such devices will be launched, but on the other hand the risk of destruction of satellites due to collisions with space debris is also rising.

This Pinot-G is used to change or maintain the orbital trajectory of satellites, and enables them to avoid collisions with space debris at short notice. A key feature is that because it uses a low-toxicity fuel developed in-house, it can be transported by air even when fueled, and can be launched without being pressurized on the surface and pressurized later. This means that it is not subject to high-pressure gas regulations, which in turn improves operational efficiency.

Businesses that use satellites hope to employ them to resolve social problems such as climate change and disaster prevention. Going forward, we will continue to leverage rocket and satellite propulsion technology to contribute to the realization of a sustainable society.



< Image of mounted propulsion device for small satellites >

(1) Net sales of civil aero engines

(In billion yen)

	Results									Forecast
	'13	'14	'15	'16	'17	'18	FY2019		FY2020	
							2Q	Full Year	2Q	Full Year
Net sales	226.0	267.0	299.1	291.5	281.0	318.5	131.5	333.1	44.8	100.0
(Reference)Results excluding the effect of applying Accounting Standard for Revenue Recognition									77.7	

(2) Number of civil aero engines delivered

(Units)

	Results (accumulated)										Main loading
	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20/2Q	
V2500	4,980	5,468	5,969	6,469	6,896	7,236	7,508	7,688	7,735	7,735	Airbus A319/320/321
GE90	1,399	1,589	1,806	2,039	2,257	2,457	2,617	2,715	2,824	2,854	Boeing B777
CF34	3,242	3,548	3,820	4,156	4,471	4,821	5,085	5,331	5,611	5,691	For regional jet (70 to 110 seats)
GEnx	118	259	468	751	1,035	1,295	1,542	1,826	2,159	2,261	Boeing B787/B747-8
PW1100G					16	148	398	1,058	1,784	1,958	Airbus A320Neo
Passport20							13	66	142	159	Bombardier Global7500
Total	9,739	10,864	12,063	13,415	14,675	15,957	17,163	18,684	20,255	20,658	

(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)

	Results										Forecast	
	'12	'13	'14	'15	'16	'17	'18	'19		'20		
								2Q	Full year	2Q	Full Year	
Japan	33.9	35.3	37.5	34.6	38.9	39.8	44.6	19.6	39.1	15.1	34.0	
Asia	24.8	29.8	27.5	21.6	15.8	11.7	11.0	5.1	10.7	2.9	8.0	
China	18.1	23.4	24.3	24.9	48.5	71.9	63.1	26.9	59.3	33.9	62.0	
North America	1.3	1.6	1.8	2.4	3.3	8.4	11.6	5.7	10.8	4.0	10.0	
Central and South America	0.0	0.0	0.7	3.4	6.1	7.4	7.5	3.0	6.6	1.9	6.0	
Europe	43.2	60.2	75.6	74.3	61.7	81.1	51.3	16.1	28.9	8.0	20.0	
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	
Total	121.6	150.7	167.7	161.6	174.6	220.5	189.5	76.7	155.7	66.0	140.0	

(1) Lease revenue in Toyosu

(In billion yen)

	Results										Forecast	
	'12	'13	'14	'15	'16	'17	'18	FY2019		FY2020		
								2Q	Full year	2Q	Full year	
Lease revenue	9.2	9.1	9.3	10.1	9.3	9.2	9.3	4.6	9.4	6.1	12.3	

(2) Lease revenue and expense in Toyosu (FY2020.2Q)

(In billion yen)

	Lease revenue	Lease expense		Lease income
		Depreciation	Others	
FY2020.2Q	6.1	2.0	1.6	2.4

Development Plan for Toyosu 1 to 3 chome Area

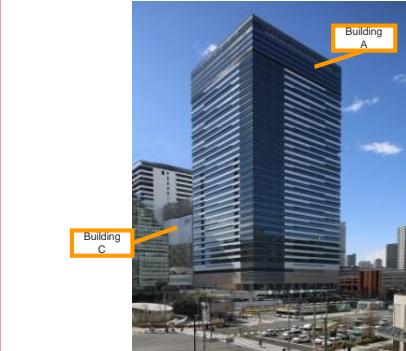
Kindergarten, Nursery school, Café, Marriage ceremonial hall.
 Site area : 19,492m²
 Completed in March 2010 to February 2011




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




Complex building A-C, (IHI and Mitsui Fudosan)
 36 floors above ground, Approx. 178m high
 Gross floor area : 185,000m²
 Completed in March 2020



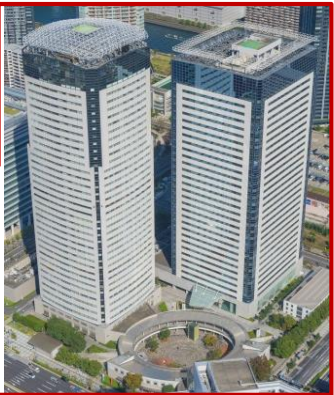
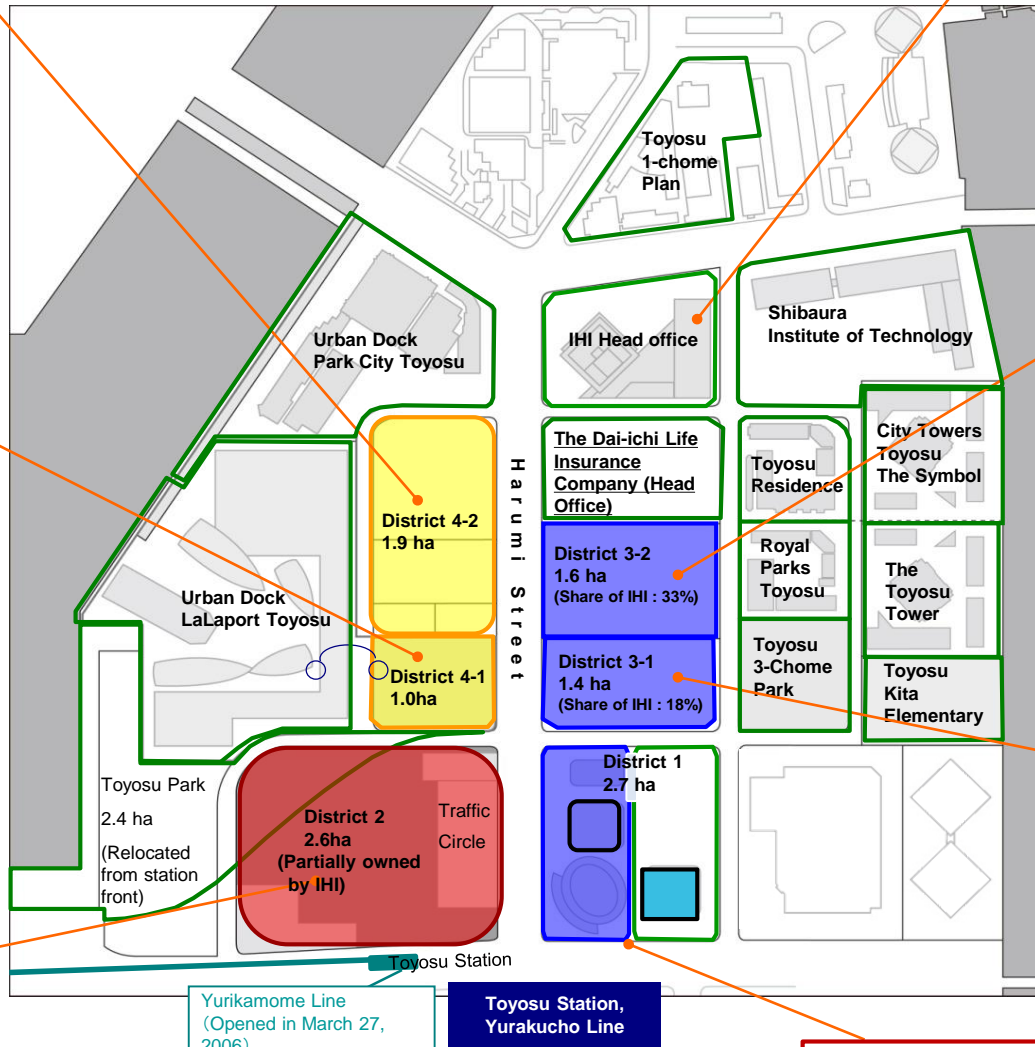
Toyosu IHI Building
 25 floors above ground, Approx. 125m high
 Gross floor area : 97,617m²
 Completed in February 2006



Toyosu Foresia (IHI & Mitsubishi Estate Company, Ltd.)
 16 floors above ground, Approx. 75m high,
 Gross floor area : 101,503m²
 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 : 106,861m²
 Completed in August 2010

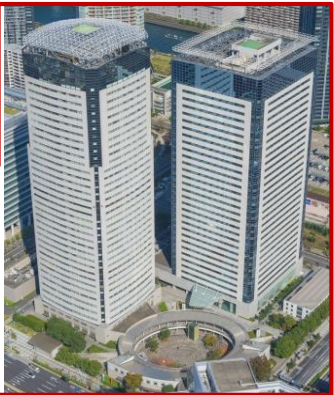
Civic Center : Opened in September 2015
 Fire department office : Completed in June 2016

Property of IHI	Approx. Sha

- Office Leasing
- Land Leasing
- Office Leasing (Leased land)
- Category 1 Urban Redevelopment Project*
- Sold, Donated, Exchanged

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

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



* 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.