

**CONSOLIDATED FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED MARCH 31, 2020
<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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Annual General Meeting of Shareholders: June 25, 2020 (planned)
 Commencement of Dividend Payments: June 26, 2020 (planned)
 Submission date of Annual Securities Report: June 25, 2020 (planned)

Preparing supplementary material on financial results: Yes
 Holding financial results presentation meeting: Yes (for institutional investors, analysts and the media)

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 YEAR ENDED MARCH 31, 2020
(APRIL 1, 2019 to MARCH 31, 2020)**

(1) Consolidated Business Results

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

	Net Sales	Percentage Change	Operating Profit	Percentage Change	Ordinary Profit	Percentage Change
Fiscal year ended March 31, 2020	1,386,503	(6.5)%	60,797	(26.3)%	32,251	(50.9)%
Fiscal year ended March 31, 2019	1,483,442	(6.7)%	82,488	14.1%	65,749	206.9%

	Profit Attributable to Owners of Parent	Percentage Change	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)	Return on Equity	Ordinary Profit to Total Assets	Operating Profit to Net Sales
Fiscal year ended March 31, 2020	12,812	(67.9)%	84.21	84.19	3.8%	1.9%	4.4%
Fiscal year ended March 31, 2019	39,889	381.1%	258.53	258.37	11.8%	4.0%	5.6%

(Note) Comprehensive income
 Fiscal year ended March 31, 2020: ¥8,610 million (78.3)%
 Fiscal year ended March 31, 2019: ¥39,597 million 136.1%

(Reference) Share of profit (loss) of entities accounted for using equity method
 Fiscal year ended March 31, 2020: ¥ (12,991) million
 Fiscal year ended March 31, 2019: ¥ 4,108 million

(2) Consolidated Financial Position

(Millions of yen, except per share figures)

	Total Assets	Net Assets	Equity to Total Assets	Net Assets per Share (Yen)
As of March 31, 2020	1,740,782	353,746	18.7%	2,195.96
As of March 31, 2019	1,664,529	381,692	21.0%	2,263.12

(Reference) Equity at the end of the period (consolidated)

As of March 31, 2020: ¥326,375 million

As of March 31, 2019: ¥349,180 million

(3) Consolidated Cash Flows

(Millions of yen)

	Cash flows from operating Activities	Cash flows from investing Activities	Cash flows from financing Activities	Cash and Cash Equivalents at the End of Period
Fiscal year ended March 31, 2020	14,510	(75,896)	115,264	145,484
Fiscal year ended March 31, 2019	46,402	(79,280)	16,463	92,608

2. DIVIDENDS

(Record Date)	Dividends per Share			Total Amount of Dividend Payment (Millions of yen)	Dividend Payout Ratio (Consolidated)	Dividend to Net Assets Ratio (Consolidated)
	Interim (Yen)	Year-end (Yen)	Annual (Yen)			
Fiscal year ended March 31, 2019	30.00	40.00	70.00	10,814	27.1%	3.2%
Fiscal year ended March 31, 2020	30.00	20.00	50.00	7,616	59.4%	2.2%
Fiscal year ending March 31, 2021 (Forecast)	—	—	—	—	—	—

* Year-end dividend forecast per share for the fiscal year ended March 31, 2020 was changed from ¥40 per share to ¥20 per share. For details, please refer to “Notice Regarding Revision to the Year-End Dividend Forecast for the Fiscal Year Ended March 31, 2020” which was announced on May 12, 2020.

* The dividend forecast for the fiscal year ending March 31, 2021 is undetermined, since it is difficult to calculate the forecasts of results at this point.

3. CONSOLIDATED FORECASTS OF RESULTS FOR THE YEAR ENDING MARCH 31, 2021

The consolidated forecasts of results for the year ending March 31, 2021 are undetermined, since it is difficult to calculate a reasonable impact amount from the spread of the novel coronavirus (COVID-19) at this point.

* NOTES

(1) Changes in significant subsidiaries during the period under review

(Changes in specified subsidiaries accompanying changes in scope of consolidation): Yes

Exclusion: One company (IHI Investment for Aero Engine Leasing LLC)

(Note) For details, please refer to “(5) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS)” of “4. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO” on page 22.

(2) 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 “(5) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CHANGES IN ACCOUNTING POLICIES)” of “4. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO” on page 25.

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

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

As of March 31, 2020 154,679,954 shares

As of March 31, 2019 154,679,954 shares

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

As of March 31, 2020 6,054,574 shares

As of March 31, 2019 388,346 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2020 152,136,569 shares

Fiscal year ended March 31, 2019 154,290,387 shares

(REFERENCE) OVERVIEW OF NON-CONSOLIDATED PERFORMANCE

NON-CONSOLIDATED PERFORMANCE FOR THE YEAR ENDED MARCH 31, 2020

(APRIL 1, 2019 to MARCH 31, 2020)

(1) Non-Consolidated Business Results

(Millions of yen, except per share figures; percentages show the rate of increase or decrease from the fiscal year)

	Net Sales	Percentage Change	Operating Profit	Percentage Change	Ordinary Profit	Percentage Change	Profit	Percentage Change
Fiscal year ended March 31, 2020	620,207	(11.5)%	13,612	(59.5)%	28,282	(28.1)%	(5,720)	–
Fiscal year ended March 31, 2019	700,497	(2.9)%	33,610	(29.8)%	39,355	(21.4)%	20,558	(14.3)%

	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Fiscal year ended March 31, 2020	(37.60)	–
Fiscal year ended March 31, 2019	133.24	133.16

(2) Non-Consolidated Financial Position

(Millions of yen, except per share figures)

	Total Assets	Net Assets	Equity to Total Assets	Net Assets per Share (Yen)
As of March 31, 2020	1,201,832	205,266	17.0%	1,377.51
As of March 31, 2019	1,113,379	238,305	21.3%	1,540.24

(Reference) Equity at the end of the period (non-consolidated)

As of March 31, 2020: ¥204,734 million

As of March 31, 2019: ¥237,646 million

* The Consolidated Financial Report is outside the scope of external audit.

* 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.

(How to obtain supplementary material on financial results)

The supplementary material on financial results shall be posted on IHI's website.

1. SUMMARY OF BUSINESS RESULTS

(1) SUMMARY OF BUSINESS RESULTS AND FINANCIAL POSITION

A. Summary of business results for the fiscal year under review

During the fiscal year under review, the Japanese economy was generally remained stable, supported by moderate increases in capital investment and improvements in situation of employment and income until latter half of the fiscal year. In the global economy, while overall moderate growth continued, business conditions in China and Europe were in a slowdown trend and, in the political side, the unstable situation remained from problems including the trade friction between the U.S. and China, the issue of the U.K. regarding leaving EU, and heightened geopolitical risks.

After January 2020, the global spread of COVID-19 caused temporary shutdowns of manufacturing activity and slumps of consumption by restrictions on the movement of people. As a result, the economies among Japan and the globe have been in a rapid downturn and an extremely severe condition.

Under this business environment, orders received of the IHI Group in the fiscal year under review decreased 1.8% from the previous fiscal year to ¥1,373.9 billion. Net sales decreased 6.5% from the previous fiscal year to ¥1,386.5 billion.

In terms of profit, operating profit decreased by ¥21.6 billion to ¥60.7 billion due mainly to decreased numbers of delivery in Europe in the Vehicular turbochargers Business, in addition to a downturn of sales in the Boilers Business and the Power plants Business, also a downturn of sales caused by making its inspection process stricter in the Civil aero engines Business and additional program costs in this business. Ordinary profit decreased by ¥33.4 billion to ¥32.2 billion, saw a further down of profit margin than operating profit, due mainly to share of loss of entities accounted for using equity method caused by downturn in the operating performance of IHI's affiliate Japan Marine United Corporation. Profit attributable to owners of parent was ¥12.8 billion, a decrease of ¥27.0 billion.

In a situation where the convergence of the spread of COVID-19 cannot be predicted, the IHI Group, while giving top priority to the safety and health of employees, their families and all stakeholders, continues to carry out its business activities with taking measures to prevent the spread of infection, such as thorough implementation of working from home. On the other hand, under such severe circumstance, the Civil aero engines Business will be affected by the drastic decline in demand for aero transportation and the deterioration of airlines and the Vehicular turbochargers Business is expected to be affected by the downturn of demand for automotive and the suspension of factory production at automotive manufacturing companies. Furthermore, related to other businesses, the Group has also a concern to occur delays in construction phase of ongoing projects caused by the impact from prolongation of measures to prevent the spread of infection such as refraining from going out. In order to minimize the impact of the spread of COVID-19, the Group will implement flexible measures to cope with changes of business environment, such as reinforcement of risk management and innovative change in business structure.

The business environments by reportable segment for the fiscal year under review are as follows:

Resources, Energy and Environment

With long-term targets having been set in the Paris Agreement in relation to upper limits on increases in average global temperatures, and the balance between the volume of greenhouse gases emitted and absorbed, the movement to respond to climate change and the world's shift towards carbon-free societies are accelerating more quickly than expected. In accordance with this, the issues facing societies and our customers are becoming more diversified based on the region and the current level of development, and the diffusion of renewable energy and distributed power sources, as well as the movement towards energy management as a means of achieving stable energy supplies, is gaining speed.

In this business area, the IHI Group has undertaken initiatives to put in place the social infrastructure required for stable supply of necessary energy, and to provide optimized and integrated solutions by region and by customer through the promotion of the effective use of exhaustible resources, of the use of renewable and distributed energy, and the utilization of renewable resources in preparation for the shift to carbon-free, recycling societies.

Social Infrastructure and Offshore Facility

In Japan, new demand is expected to be generated by orders related to themes such as regions that are not yet served by expressways, and the Chuo Shinkansen. Whereas, as a result of the recent intensification in disasters and the progressive deterioration of infrastructure, demand for measures to make infrastructure more robust and to extend its life is rising sharply, and the trend toward a maintenance business is accelerating. In addition, regulatory reforms are moving forward as a means of responding to shortages of managers and engineers, and there is a need to improve efficiency and reduce labor requirements in all businesses through the utilization of

ICT/IoT. Overseas, in Europe, the U.S., Asia, and the Middle East, from the twin perspectives of environmental considerations and improved efficiency of investment in infrastructure, concession businesses that take a comprehensive approach to everything from design and construction to operation and maintenance are becoming more common, and projects for road and bridge construction, which includes bridges and tunnels, are moving ahead.

In this business area, the IHI Group is working on initiatives to roll out and expand life-cycle businesses, which include planning, operation, maintenance and conservation, primarily of bridges and tunnels, both in Japan and overseas so as to offer robust and sustainable social infrastructure systems.

Industrial System and General-Purpose Machinery

The significant changes that affect industrial systems in general, such as advances in automation resulting from the growth of digital technology, and the globalization of supply chains, are increasing every year. On the other hand, for the automotive industry, the global slowdown in markets that began in China, and the associated slump in related components industries have resulted in a slowdown in demand for the Vehicular turbochargers Business and the Thermal and surface treatment Business, which are our mainstay field. In addition, due to the prolonged stagnation of economic activity incurred by the spread of COVID-19, there is a concern that our automotive related businesses will also be affected significantly, in a situation where world-wide decreases in demand for automotive is supposed. The IHI Group is working to minimize the impact and making preparations to facilitate a rapid restart when the recovery phase begins.

In this business area, we are realizing the development of sophisticated industrial infrastructure by pursuing, together with the customers, optimized operations throughout the life cycle. Combining the IHI Group's knowledge and track record, we will use business processes flexible to the changes for the foundation from which to address issues in customer businesses, including reducing lead times, labor shortages, and declines in know-how and technical capabilities, by working on automation and electric motorization etc. leveraged digital transformation, and reduction of environmental burdens.

Aero Engine, Space and Defense

The Civil aero engines Business has previously been trying to expand its business scale, responding world-wide growth of demand for aircraft, by advancing its proprietary technology and Monozukuri (manufacturing) capabilities further through participating in development and mass production of wide range of aero engines classes from small size to large sizes. Also, in the civil aero engine maintenance business where inadequate practices occurred, we are thoroughly going forward the recurrence preventive measures and reorganizing robust quality assurance system. On the other hand, the current global spread of COVID-19 evokes the drastic decline in demand for international aero transportation and the deterioration of operating performance and financial position of airlines, and it is supposed that the recovery of the market will take a certain amount of time. In the situation where sales of aero engines and spare parts are expected to decrease and our business will inevitably be affected by the situation significantly, we are reviewing production system to meet the changes of demand and shifting resources. Moreover, our aero engines are mounted on relatively new type aircrafts, and due to their superiority in operating costs such as fuel efficiency, it is expected that operation will be resumed preferentially and earnings in the aftermarket will recover rapidly. Therefore, we will give top priority to strengthening responses to the aftermarket field in order to fully support the resumption of aircraft operations by customers in the recovery period of demand for aero transportation. In addition, as a member in aviation industry, we will contribute for the efforts for reduction of environmental burden through the development of new type engines with high efficiency and low fuel consumption, while preparing for the return to a growth path of the market.

The results by reportable segment for the fiscal year under review amid this business environment are as follows:

(Billions of yen)

Reportable segment	Orders received			Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020		Changes from the previous fiscal year (%)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Changes from the previous fiscal year (%)	Net sales	Operating profit (loss)	Net sales	Operating profit (loss)	Net sales	Operating profit (loss)
Resources, Energy and Environment	285.5	316.9	11.0	377.0	3.3	327.7	4.7	(13.1)	41.3
Social Infrastructure and Offshore Facility	124.4	196.9	58.2	143.1	14.2	152.8	13.4	6.7	(5.2)
Industrial System and General-Purpose Machinery	458.9	420.1	(8.5)	441.0	23.1	406.4	11.4	(7.8)	(50.5)
Aero Engine, Space and Defense	494.3	420.1	(15.0)	492.2	46.4	480.8	40.3	(2.3)	(13.1)
Total Reportable Segment	1,363.2	1,354.1	(0.7)	1,453.5	87.1	1,367.9	70.0	(5.9)	(19.7)
Others	81.4	68.8	(15.5)	79.3	2.3	70.3	3.5	(11.3)	50.7
Adjustment	(45.4)	(49.0)	–	(49.4)	(7.0)	(51.7)	(12.7)	–	–
Total	1,399.2	1,373.9	(1.8)	1,483.4	82.4	1,386.5	60.7	(6.5)	(26.3)

B. Profit Distribution

IHI continuously sets its basic dividend policy as providing stable dividends to shareholders. Also, taking into consideration a broad range of factors, including investments for improvement of corporate value, enhancement and reinforcement of equity capital, IHI aims sustainable increment of dividends according to the growth of the IHI Group.

After taking into consideration the broad range of factors according to the above dividend policy, IHI plans to pay a dividend of ¥50 per share (interim dividend already paid: ¥30, year-end dividend: ¥20) for the fiscal year ended March 31, 2020.

C. Summary of financial position for the fiscal year under review

Assets and liabilities, and net assets

Total assets at the end of the fiscal year under review were ¥1,740.7 billion, up ¥76.2 billion from the end of the previous fiscal year. The items with the most significant increases were cash and deposits, up ¥52.2 billion, notes and accounts receivable – trade, up ¥26.1 billion and investments and other assets including investments in capital, up ¥18.6 billion. The item with the most significant decrease was investment securities, down ¥54.4 billion.

Total liabilities were ¥1,387.0 billion, up ¥104.1 billion from the end of the previous fiscal year. The items with the most significant increases were short-term loans payable, up ¥73.8 billion and commercial papers, ¥56.0 billion. The item with the most significant decreases was notes and accounts payable - trade, down ¥27.4 billion. The balance on interest-bearing liabilities, including lease obligations, was ¥488.1 billion, up ¥133.0 billion from the end of the previous fiscal year.

Net assets were ¥353.7 billion, down ¥27.9 billion compared with the end of the previous fiscal year. This decrease of ¥27.9 billion included decreases by repurchase of treasury shares of ¥14.8 billion and dividends of surplus of ¥10.8 billion, also of profit attributable to owners of parent of ¥12.8 billion.

As a result of the above, the ratio of equity to total assets decreased from 21.0% at the end of the previous fiscal year to 18.7%.

Cash flows

At the end of the fiscal year under review, the outstanding balance of cash and cash equivalents (hereinafter, “cash”) was ¥145.4 billion, up ¥52.8 billion from the end of the previous fiscal year. This was mainly due to securing sufficient liquidity in order to cope with the impact of the spread of COVID-19.

Net cash provided by operating activities was ¥14.5 billion. This was due mainly to profit excluding the impact of items such as non-cash expenses including depreciation and share of loss of entities accounted for using equity method, in spite of an increase in notes and accounts receivable - trade and a decrease of notes and accounts payable - trade.

Net cash used in investing activities was ¥75.8 billion. This was due mainly to purchase of property, plant and equipment and intangible assets of ¥66.3 billion and purchase of short-term and long-term investment securities of ¥23.1 billion.

Net cash provided by financing activities was ¥115.2 billion. This was due mainly to increases in short-term loans payable of ¥84.0 billion and commercial papers of ¥56.0 billion, which were prepared for the deterioration of the business environment caused by the spread of COVID-19.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Equity to total assets	18.6%	18.8%	19.9%	21.0%	18.7%
Market value equity ratio	21.4%	32.0%	31.2%	24.6%	10.8%
Debt redemption period	3.9 years	5.7 years	3.3 years	7.7 years	33.6 years
Interest coverage ratio	23.1	21.0	31.7	14.6	3.8

Notes 1. The calculation method for each indicator is shown below:

- Equity to total assets: $\text{Equity} / \text{Total assets}$
- Market value equity ratio: $\text{Market capitalization} / \text{Total assets}$
- Debt redemption period: $\text{Interest-bearing liabilities} / \text{Cash flows from operating activities}$
- Interest coverage ratio: $\text{Cash flows from operating activities} / \text{Interest payments}$

2. All indicators are calculated using financial figures on a consolidated basis.

Major management indicators

The IHI Group moves forward with initiatives based on its “Group Management Policies 2019,” a three-year medium-term management plan with fiscal year 2019 as the first year and seeks to reform to a direction in which it creates new value by directly tackling the issues faced by society and its customers. In terms of specific numerical targets, the IHI Group is aiming for ROIC (after tax) of 10% or more, an operating profit margin of 8%, and a CCC of 80 days in fiscal year 2021. The major management indicators over time are as follows.

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
ROIC	2.3%	5.0%	7.7%	8.7%	5.7%
Operating profit margin	1.4%	3.2%	4.5%	5.6%	4.4%
Cash conversion cycle	97 days	87 days	83 days	97 days	120 days
D/E ratio	1.12 times	1.10 times	0.92 times	0.93 times	1.38 times
ROE	0.5%	1.6%	2.6%	11.8%	3.8%

Note: The calculation method for each indicator is shown below:

- ROIC: (Operating profit + Interest income and dividend income) after tax / (Equity + Interest bearing liabilities)
- CCC: Working capital / Net sales * 365 days
- D/E ratio: Interest bearing liabilities / Net assets
- ROE: Profit attributable to owners of parent / Equity

(2) FUTURE OUTLOOK

A. Forecasts of consolidated results

Priority issues going forward will be minimizing the impact of the spread of COVID-19 in corporate management. IHI will implement timely, appropriate, and expeditious measures to that end.

On the other hand, there are elements of concern that point to uncertainty regarding the economic outlook, such as the continued trade problems caused by the antagonism between the U.S. and China and geopolitical tension, which are likely to affect commercial activities in emerging countries that are promising markets, therefore enough attention must be paid.

In addition, in response to the social issues that face the IHI Group, such as climate change on a global scale, large-scale natural disasters, global population increase, and resource depletion, we will continue to accelerate initiatives aimed at realizing a sustainable society with a long-term outlook. Under the “Group Management Policies 2019” medium-term management plan, which is beginning its second year, we will strive to contribute to the realization of a sustainable society, engage head on with the problems faced by society and by customers from a life-cycle perspective, and seek to implement a major transformation whereby IHI becomes a company that creates new value. Also, due to the spread of COVID-19, values previously held are likely to change, resulting in a transformation of society and the behavior of citizens and an expecting further acceleration in trends such as the rebuilding of the business foundations of companies, and the advance of digitalization. Regarding the vision set in the “Group Management Policies 2019”, we will reconfirm the ideal way of being as a sustainable company that responds to the new normal situation of “after corona”, and work to identify the direction of the business and promote structural reform and portfolio management.

Regarding the impact upon operating performance caused by the spread of COVID-19, in the Civil aero engines Business, the situation will cause an inevitable significant impact on the operating performance including decreases in sales of aero engines and spare parts due to the drastic decline of demand for aero transportation and the deterioration of airlines. Also, while there is an expectation for markets in China of automotive industry to recover in an early period, the delivery numbers in the Vehicular turbochargers Business are expected to decrease owing to the impact of the downturn in demand for automotive and the suspension of factory production at automotive manufacturing companies on a global scale. However, the consolidated forecasts of results for the year ending March 31, 2021 are undetermined, since it is difficult to calculate a reasonable impact amount. Hereafter, once it become possible to determine the forecast, we will announce it promptly.

B. Profit distribution

The dividend forecast for the fiscal year ending March 31, 2021 is undetermined, since it is difficult to calculate the consolidated forecasts of results.

2. OVERVIEW OF THE CORPORATE GROUP

	○Production	□Sale	●Engineering	▲Installation	■Service
	IHI Corporation				
Resources, Energy & Environment	Kotobuki Iron Works Co., Ltd./ IHI Power Systems Co.,Ltd.				
	NICO Precision Co., Inc./ PT Cilegon Fabricators/ IHI SOLID BIOMASS MALAYSIA SDN.BHD.		Aomori Plant Co., Ltd.(○) and other 1 company		
	NIIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD. (■)		IHI Plant Services Corporation / ISHI POWER SDN.BHD./ Steinmüller Engineering GmbH and its 1 subsidiary/ JURONG ENGINEERING LIMITED and its 22 subsidiaries/ IHI E&C International Corporation and its 2 subsidiaries		Kanamachi Purification Plant Energy Service Co., Ltd./ IHI POWER SYSTEM MALAYSIA SDN.BHD./ IHI Southwest Technologies, Inc. / NitroCision, LLC / IHI Terrasun Solutions Inc./ IHI Power Generation Corporation and its 6 subsidiaries
	IHI Power System (Thailand) Co., Ltd.				
Social Infrastructure & Offshore Facilities	IHI Infrastructure Systems Co., Ltd./ IHI Construction Service Co., Ltd./ IHI INFRASTRUCTURE ASIA CO., LTD./ JIM Technology Corporation/ I&H Engineering Co.,Ltd./ Terratec Limited and its 4 subsidiaries				
	Niigata Transys Co., Ltd.(■)			Chiba Warehouse Co., Ltd./ San-Etsu Co., Ltd./ Japan Tunnel Systems Corporation	
	IHI CONSTRUCTION MATERIALS Co., Ltd.			IHI California Inc.	
	Livecon Engineering Co., Ltd.(■)				
Industrial Systems & General - Purpose Machinery	IHI Transport Machinery Co., Ltd./ IHI Machinery and Furnace Co., Ltd./ IHI Hauzer Techno Coating B.V. and its 5 subsidiaries/ Jiangsu IHI Fengdong Vacuum Technology Co., Ltd / IHI Rotating Machinery Engineering Co.,Ltd./ IHI-Sullair Compression Technology (Suzhou) Co., Ltd./ IHI Logistics & Machinery Corporation/ CENTRAL CONVEYOR COMPANY, LTD./ Voith IHI Paper Technology Co., Ltd/ IHI DALGAKIRAN MAKINA SANAYI VE TICARET A.Ş./ IHI PACKAGED BOILER CO., LTD.				
	IHI Turbo Co., Ltd.	IHI ASIA PACIFIC (Thailand) Co., Ltd.			
	IHI Fuso Engineering Co., Ltd.			IHI Press Technology America, Inc. / Indigo TopCo Ltd. and its 23 subsidiaries/ IHI Technical Training Institution / IHI VTN GmbH and its 3 subsidiaries	
	IHI Agri-Tech Corporation(■)/ Clover Turbo Co., Ltd.(■)/ IHI Turbo America Co./ IHI Charging Systems International GmbH and its 2 subsidiaries/ SHANGHAI STAR MODERN AGRICULTURE EQUIPMENT CO., LTD.(■)				
	IHI TURBO (THAILAND) CO., LTD./ Changchun FAWER-IHI Turbo Co., Ltd. and its 1 subsidiary/ IHI Transport Machinery Taiwan Corporation(■)		Nishi-nihon Sekkei Engineering Co., Ltd.		
Aero Engine, Space & Defense	IHI CASTINGS CO., LTD./ IHI MASTER METAL Co., Ltd./ IHI Aero Manufacturing Co., Ltd.		IHI Jet Service Co., Ltd./ INC Engineering Co., Ltd.		
	IHI AEROSPACE CO., LTD.		IHI AEROSPACE ENGINEERING CO., LTD.		IHI - ICR, LLC./ IHI Aero Engines US Co., Ltd.
Others	IHI Trading, Inc./ IHI Europe Ltd./ IHI do Brasil Representações Ltda./ Soma I Grid Limited Liability Company(■)/ IHI (CANADA) LTD.		IHI INC.(■)/ IHI (Shanghai) Management Co., Ltd.(■)/ IHI ASIA PACIFIC PTE. LTD.(■)/ IHI Americas Inc. (■)		
	IHI ENGINEERING AUSTRALIA PTY. LTD.				
	Meisei Electric Co., Ltd.(★) and its 1 subsidiary/ Takashima Giken Co., Ltd.				
	IHI Inspection & Instrumentation Co., Ltd.				

*The consolidated subsidiaries comprising the segments are shown in the above table. The functions fulfilled by each consolidated subsidiary in the segments are divided into the five categories of Production, Sale, Engineering, Installation, and Service and shown above.

*For subsidiaries that fulfill multiple functions, the following marks are shown to the right of the company name for those companies for which the functions cannot be listed: ○, □, ●, ▲, and ■.

*The consolidated subsidiaries in the above table are current as of March 31, 2020, and subsidiaries listed on the Tokyo Stock Exchange Second Section are noted with the “★” mark.

3. SELECTION OF ACCOUNTING STANDARDS

The IHI Group prepares its consolidated financial statements in accordance with the generally accepted accounting principles and accounting standards in Japan (Japanese GAAP). The IHI Group is preparing to adopt international financial reporting standards (IFRS) from the point of view of improving the quality of the Group's corporate management and strengthening the Group's corporate governance, while receiving advice from external professionals.

4. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
ASSETS		
Current assets:		
Cash and deposits	94,951	147,228
Notes and accounts receivable - trade	377,695	403,832
Securities	–	21
Finished goods	23,084	18,417
Work in process	276,238	289,277
Raw materials and supplies	142,588	137,848
Other	77,351	83,410
Allowance for doubtful accounts	(4,043)	(4,024)
Total current assets	987,864	1,076,009
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	137,156	154,217
Machinery, equipment and vehicles, net	76,697	76,183
Land	99,217	96,579
Leased assets, net	15,962	26,288
Construction in progress	10,100	11,706
Other, net	28,262	32,522
Total property, plant and equipment	367,394	397,495
Intangible assets:		
Goodwill	10,032	7,456
Software	18,060	19,837
Other	5,992	4,869
Total intangible assets	34,084	32,162
Investments and other assets:		
Investment securities	117,967	63,514
Deferred tax assets	116,802	112,440
Net defined benefit asset	31	7
Other	41,763	60,410
Allowance for doubtful accounts	(1,376)	(1,255)
Total investments and other assets	275,187	235,116
Total non-current assets	676,665	664,773
Total assets	1,664,529	1,740,782

(1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	290,043	262,587
Short-term loans payable	111,785	185,600
Commercial papers	–	56,000
Current portion of bonds	20,000	10,000
Accrued expenses	88,520	88,082
Income taxes payable	7,384	6,012
Advances received	157,546	151,790
Provision for bonuses	28,089	26,672
Provision for construction warranties	47,968	42,759
Provision for loss on construction contracts	21,212	19,929
Other provision	1,079	1,141
Other	49,483	58,433
Total current liabilities	823,109	909,005
Non-current liabilities:		
Bonds payable	30,000	50,000
Long-term loans payable	175,813	159,223
Lease obligations	14,307	22,089
Deferred tax liabilities for land revaluation	4,953	4,950
Net defined benefit liability	160,244	166,193
Provision for loss on business of subsidiaries and affiliates	1,212	1,249
Other provision	1,132	1,068
Other	72,067	73,259
Total non-current liabilities	459,728	478,031
Total liabilities	1,282,837	1,387,036
NET ASSETS		
Shareholders' equity:		
Capital stock	107,165	107,165
Capital surplus	53,410	51,780
Retained earnings	184,092	186,170
Treasury shares	(1,170)	(15,899)
Total shareholders' equity	343,497	329,216
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,063	(679)
Deferred gains or losses on hedges	(190)	(252)
Revaluation reserve for land	5,321	5,321
Foreign currency translation adjustment	2,808	(2,067)
Remeasurements of defined benefit plans	(3,319)	(5,164)
Total accumulated other comprehensive income	5,683	(2,841)
Share acquisition rights	659	533
Non-controlling interests	31,853	26,838
Total net assets	381,692	353,746
Total liabilities and net assets	1,664,529	1,740,782

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

(Millions of yen)

	April 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2020
Net sales	1,483,442	1,386,503
Cost of sales	1,205,713	1,131,775
Gross profit	277,729	254,728
Selling, general and administrative expenses	195,241	193,931
Operating profit	82,488	60,797
Non-operating income		
Interest income	913	703
Dividend income	1,133	1,168
Share of profit of entities accounted for using equity method	4,108	–
Foreign exchange gains	5	–
Reversal of accrued expenses for compensation for damage	–	1,340
Other income	5,199	3,334
Total non-operating income	11,358	6,545
Non-operating expenses		
Interest expenses	3,227	3,963
Share of loss of entities accounted for using equity method	–	12,991
Foreign exchange losses	–	2,083
Burden share of losses for delayed construction of SPB tanks	6,679	–
Other expenses	18,191	16,054
Total non-operating expenses	28,097	35,091
Ordinary profit	65,749	32,251
Extraordinary income		
Gain on sales of non-current assets	–	4,409
Gain on transfer of intellectual property assets	–	3,837
Gain on transfer of equity interest of subsidiaries and associates	–	2,200
Gain on insurance claims	–	1,108
Gain on sales of shares of subsidiaries and associates	4,199	236
Gain on transfer of business	1,108	–
Total extraordinary income	5,307	11,790
Extraordinary losses		
Loss on valuation of investment securities	–	4,836
Impairment loss	1,610	426
Total extraordinary losses	1,610	5,262
Profit before income taxes	69,446	38,779
Income taxes – current	16,925	14,970
Income taxes for prior periods	4,304	–
Income taxes – deferred	2,977	5,759
Total income taxes	24,206	20,729
Profit	45,240	18,050
Profit attributable to non-controlling interests	5,351	5,238
Profit attributable to owners of parent	39,889	12,812

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	April 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2020
Profit	45,240	18,050
Other comprehensive income:		
Valuation difference on available-for-sale securities	(808)	(1,741)
Deferred gains or losses on hedges	(163)	(75)
Revaluation reserve for land	(12)	–
Foreign currency translation adjustment	(605)	(6,183)
Remeasurements of defined benefit plans, net of tax	(3,612)	(2,031)
Share of other comprehensive income of entities accounted for using equity method	(443)	590
Total other comprehensive income	(5,643)	(9,440)
Comprehensive income	39,597	8,610
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	34,405	4,487
Comprehensive income attributable to non-controlling interests	5,192	4,123

(3) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

April 1, 2018 to March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	107,165	53,406	153,564	(879)	313,256
Changes of items during period					
Dividends of surplus			(9,267)		(9,267)
Profit attributable to owners of parent			39,889		39,889
Purchase of treasury shares				(424)	(424)
Disposal of treasury shares				133	133
Change in ownership interest of parent due to transactions with non-controlling interests		4			4
Net decrease from newly consolidated subsidiaries			(126)		(126)
Reversal of revaluation reserve for land			32		32
Net changes of items other than shareholders' equity					
Total changes of items during period	-	4	30,528	(291)	30,241
Balance at end of current period	107,165	53,410	184,092	(1,170)	343,497

(Millions of yen)

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,034	(286)	5,359	3,679	559	11,345	792	24,824	350,217
Changes of items during period									
Dividends of surplus									(9,267)
Profit attributable to owners of parent									39,889
Purchase of treasury shares									(424)
Disposal of treasury shares									133
Change in ownership interest of parent due to transactions with non-controlling interests									4
Net decrease from newly consolidated subsidiaries									(126)
Reversal of revaluation reserve for land									32
Net changes of items other than shareholders' equity	(971)	96	(38)	(871)	(3,878)	(5,662)	(133)	7,029	1,234
Total changes of items during period	(971)	96	(38)	(871)	(3,878)	(5,662)	(133)	7,029	31,475
Balance at end of current period	1,063	(190)	5,321	2,808	(3,319)	5,683	659	31,853	381,692

April 1, 2019 to March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	107,165	53,410	184,092	(1,170)	343,497
Changes of items during period					
Dividends of surplus			(10,816)		(10,816)
Profit attributable to owners of parent			12,812		12,812
Purchase of treasury shares				(14,851)	(14,851)
Disposal of treasury shares		4		122	126
Change in ownership interest of parent due to transactions with non-controlling interests		(1,634)			(1,634)
Net increase from newly consolidated subsidiaries			82		82
Reversal of revaluation reserve for land					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(1,630)	2,078	(14,729)	(14,281)
Balance at end of current period	107,165	51,780	186,170	(15,899)	329,216

(Millions of yen)

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,063	(190)	5,321	2,808	(3,319)	5,683	659	31,853	381,692
Changes of items during period									
Dividends of surplus									(10,816)
Profit attributable to owners of parent									12,812
Purchase of treasury shares									(14,851)
Disposal of treasury shares									126
Change in ownership interest of parent due to transactions with non-controlling interests									(1,634)
Net increase from newly consolidated subsidiaries									82
Reversal of revaluation reserve for land									–
Net changes of items other than shareholders' equity	(1,742)	(62)	–	(4,875)	(1,845)	(8,524)	(126)	(5,015)	(13,665)
Total changes of items during period	(1,742)	(62)	–	(4,875)	(1,845)	(8,524)	(126)	(5,015)	(27,946)
Balance at end of current period	(679)	(252)	5,321	(2,067)	(5,164)	(2,841)	533	26,838	353,746

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	April 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2020
Cash flows from operating activities		
Profit before income taxes	69,446	38,779
Depreciation	53,200	57,659
Depreciation and amortization on other	8,413	7,497
Impairment loss	1,610	426
Increase (decrease) in allowance for doubtful accounts	(587)	(102)
Increase (decrease) in provision for bonuses	2,161	(1,265)
Increase (decrease) in provision for construction warranties	(5,505)	(4,913)
Increase (decrease) in provision for loss on construction contracts	(6,517)	(1,162)
Increase (decrease) in net defined benefit liability	909	2,447
Interest and dividend income	(2,046)	(1,871)
Interest expenses	3,227	3,963
Foreign exchange losses (gains)	21	(244)
Loss (gain) on sales of short-term and long-term investment securities	(37)	722
Loss (gain) on valuation of short-term and long-term investment securities	540	5,544
Share of loss (profit) of entities accounted for using equity method	(4,108)	12,991
Loss (gain) on disposal of property, plant and equipment	3,728	(2,734)
Loss (gain) on transfer of intellectual property assets	–	(3,837)
Loss (gain) on transfer of business	(664)	–
Loss (gain) on sales of shares of subsidiaries and associates	(4,199)	(236)
Loss (gain) on transfer of equity interest of subsidiaries and associates	–	(2,200)
Gain on insurance claims	–	(1,108)
Decrease (increase) in notes and accounts receivable - trade	25,842	(31,439)
Increase (decrease) in advances received	(19,507)	(4,845)
Decrease (increase) in advance payments	(7,611)	2,139
Decrease (increase) in inventories	(14,794)	(8,704)
Increase (decrease) in notes and accounts payable - trade	(15,813)	(23,024)
Increase (decrease) in accrued expenses	178	35
Decrease (increase) in other current assets	(8,715)	(10,418)
Increase (decrease) in other current liabilities	(5,374)	(7,042)
Decrease (increase) in consumption taxes refund receivable	(3,309)	1,058
Other, net	(1,243)	3,253
Subtotal	69,246	31,369
Interest and dividend income received	2,520	2,107
Interest expenses paid	(3,179)	(3,826)
Proceeds from insurance income	–	1,737
Income taxes paid	(22,185)	(16,877)
Net cash provided by (used in) operating activities	46,402	14,510

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	April 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2020
Cash flows from investing activities		
Decrease (increase) in time deposits	(652)	529
Purchase of short-term and long-term investment securities	(18,272)	(23,182)
Proceeds from sales and redemption of short-term and long-term investment securities	7,081	6,469
Purchase of property, plant and equipment and intangible assets	(64,195)	(66,351)
Gain (loss) on sales or disposal of property, plant and equipment and intangible assets	(393)	6,614
Proceeds from transfer of intellectual property rights	–	1,898
Proceeds from transfer of business	2,834	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,003)	–
Proceeds from transfer of equity interest of subsidiaries resulting in change in scope of consolidation	–	7,352
Decrease (increase) in short-term loans receivable	188	(38)
Payments of long-term loans receivable	(1,147)	(22)
Collection of long-term loans receivable	37	248
Decrease (increase) in other investments	(9,739)	(11,707)
(Decrease) increase in other non-current liabilities	5,968	2,303
Other, net	13	(9)
Net cash provided by (used in) investing activities	(79,280)	(75,896)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	36,733	84,004
Net increase (decrease) in commercial papers	–	56,000
Proceeds from long-term loans payable	52,614	47,055
Repayments of long-term loans payable	(58,186)	(49,527)
Proceeds from issuance of bonds	–	30,000
Redemption of bonds	–	(20,000)
Proceeds from sales and leasebacks	1,459	436
Repayments of lease obligations	(6,709)	(5,276)
Decrease (increase) in treasury shares	(5)	(14,490)
Payments made to trust account for acquisition of treasury shares	(419)	(361)
Purchase of treasury shares of subsidiaries	(1)	(1)
Cash dividends paid	(9,241)	(10,791)
Proceeds from share issuance to non-controlling shareholders	3,855	1,299
Dividends paid to non-controlling interests	(3,623)	(3,084)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(14)	–
Net cash provided by (used in) financing activities	16,463	115,264
Effect of exchange rate change on cash and cash equivalents	1,743	(1,301)
Net increase (decrease) in cash and cash equivalents	(14,672)	52,577
Cash and cash equivalents at beginning of period	107,323	92,608
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	523	299
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(566)	–
Cash and cash equivalents at end of period	92,608	145,484

(5) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON PREMISE OF GOING CONCERN

Not applicable.

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of Consolidation

Number and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 155

Names of major consolidated subsidiaries: IHI Aerospace Co., Ltd. and others

In the fiscal year under review, changes to consolidated subsidiaries were as follows. Four subsidiaries were added by new establishment, one subsidiary was added by acquisition, two subsidiaries were added due to their increased materiality, one subsidiary was removed due to partial transfer of equity interest, three subsidiaries were removed due to merger and one subsidiary was removed due to its decreased materiality.

IHI partially transferred its equity interest of IHI Investment for Aero Engine Leasing LLC (hereafter, IHI-IAEL), which had been a specified subsidiary of IHI in the previous fiscal year.

Accordingly, IHI-IAEL has been excluded from the consolidation subsidiaries and included in the affiliates accounted for by the equity method.

2. Application of the Equity Method

Number and names of major non-consolidated subsidiaries and affiliates accounted for by the equity method

Number of non-consolidated subsidiaries and affiliates accounted for by the equity method: 26

Names of companies: (Non-consolidated subsidiaries) ALPHA Automotive Technologies LLC

(Affiliates) Japan Marine United Corporation and others

In the fiscal year under review, changes to affiliates accounted for by the equity method were as follows. One affiliate was added due to the change in equity from the partial transfer of IHI's equity interest in its subsidiary, and one affiliate of the subsidiary was removed according to this partial transfer. One affiliate was removed due to liquidation, and one affiliate was removed due to termination of capital relationship.

3. Significant Accounting Policies

(1) Securities

Securities to be held until maturity are stated at amortized cost (by the straight-line method). Other securities with market prices available are stated at fair market value as of the balance sheet date. The related valuation differences are directly included into net assets and the sale price is computed by the moving-average method. Other securities without market prices available are stated at cost by the moving-average method.

(2) Derivatives

Derivatives are stated at fair market value.

(3) Inventories

Finished goods and work in process are stated principally at identified cost. (For amounts shown on balance sheet, the book value write-down method based on decreased profitability is used.)

Raw materials and supplies are stated at cost determined by the moving-average method. (For amounts shown on balance sheet, the book value write-down method based on decreased profitability is used.)

(4) Depreciation and amortization

- Property, plant and equipment (except for leased assets)
These assets are depreciated principally by the straight-line method.
- Intangible assets (except for leased assets)
These assets are amortized by the straight-line method. Software used internally is amortized using the straight-line method over a useful life of the assets, estimated by IHI (five years).
- Leased assets
Leased assets related to finance lease transactions that transfer ownership are depreciated using the same method as that applied to property, plant and equipment.

Leased assets related to finance leases transactions that do not transfer its ownership are depreciated over the lease period as useful period using the straight-line method with no residual value. IHI uses the operating lease accounting method for finance lease transactions that do not transfer ownership contracted on or before March 31, 2008.

(5) Basis for significant reserves

- Allowance for doubtful accounts
To provide for losses on bad debts, estimated uncollectable amounts are recorded based on historical default rates for normal receivables, as well as considering the collectability of specific uncollectible receivables on an individual basis.
- Provision for bonuses
For payment of employee bonuses, the provision for bonuses is provided for in the amount that is expected to be paid.
- Provision for directors' bonuses
To prepare for the transfer of money and shares to the directors, etc., an amount is recognized based on the estimated amount of the liability for transfer of money and shares at the end of the fiscal year under review.
- Provision for construction warranties
To provide for guaranteed project expenses, the provision for construction warranties is recorded as an estimate of future expenditures based on historical experience.
- Provision for loss on construction contracts
Provision for loss on construction contracts is provided for in the amount of estimated losses for undelivered projects at the end of the fiscal year under review.
- Provision for directors' retirement benefits
The domestic consolidated subsidiaries provided the provision for directors' retirement benefits for the amount required to be paid at the end of the fiscal year under review in accordance with the internal policy.

- Provision for loss on business of subsidiaries and affiliates
Provision for loss on business of subsidiaries and affiliates is provided for in the amount of estimated loss to be borne by IHI in consideration of the contents of assets of subsidiaries and affiliates.

(6) Accounting for retirement benefits

To prepare for employees' retirement benefits, net defined benefit asset and liability are recognized based on estimated amounts of retirement benefit obligations and plan assets at the end of the fiscal year under review. Certain consolidated subsidiaries adopt the simplified method to determine net defined benefit liability.

In the calculation of retirement benefit obligations, the method used to attribute projected benefit obligations in the period up to the fiscal year under review is benefit formula basis.

Past service costs are amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time they are incurred .

Actuarial gains and losses are amortized from the fiscal year following the fiscal year in which they occur using the straight-line method over a certain number of years within the average remaining service period of employees at the time they occur.

(7) Amortization method and period of goodwill

Goodwill is amortized through the estimated effective period of the investment, with the exception that when the amount of goodwill is immaterial, it is charged to expenses as incurred.

(8) Application of consolidated taxation system

The consolidated taxation system has been applied.

(9) Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system

IHI and a part of its domestic subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities according to the tax acts before amended based on the treatment of Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force No. 39, March 31, 2020) instead of applying the provision on Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), regarding the transition to group tax sharing system established in "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020), and items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system.

CHANGES IN ACCOUNTING POLICIES

Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements, etc.

IHI has applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, September 14, 2018) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using Equity Method” (ASBJ Practical Issues Task Force No. 24, September 14, 2018) effective from the beginning of the fiscal year under review.

The resulting effect on consolidated financial statements for the fiscal year under review is nothing.

CHANGES IN PRESENTATION

CONSOLIDATED STATEMENTS OF INCOME

“Expenses for delayed delivery”, which was presented separately under “Non-operating expenses” in the previous fiscal year, was included in “Other expenses” under “Non-operating expenses” in the fiscal year under review since its materiality was diminished.

As a result, ¥838 million presented as “Expenses for delayed delivery” under “Non-operating expenses” in the previous fiscal year was reclassified as “Other expenses” under “Non-operating expenses.”

ADDITIONAL INFORMATION

Recognition of revenue on engine programs

Regarding the engine programs in which IHI participates, we record the revenue amount recorded by its main partners toward airlines etc. in net sales according to the participation rate. Although previously, the net sales were recorded based on the sales notification sent by the main partners on the following month after they had sold, we changed from March 2020 to record net sales within the same month, because it became possible to obtain the sales information earlier.

As a result, net sales of a thirteen-month including March 2020 were recorded in the fiscal year under review and net sales increased by ¥29,300 million.

Impact of the spread of COVID-19

Due to the spread of COVID-19, there is a concern of significant impact mainly on the Civil aero engines Business and the Vehicular turbochargers Business. Therefore, deferred tax assets for the fiscal year under review were calculated on the basis of an estimation of the impact to future taxable income under certain assumptions.

SEGMENT INFORMATION

[Segment information]

1. Overview of reportable segments

The reportable segments are constituent units of the IHI Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and evaluating operating performance.

IHI organizes SBUs by products and services and allocates business areas to control these SBUs. Each business area manages and supervises the SBUs' execution of business strategies, and develops those business activities. Based on the above, the IHI Group consists of segments by these business areas and sets the business areas of "Resources, Energy and Environment," "Social Infrastructure and Offshore Facility," "Industrial System and General-Purpose Machinery," and "Aero Engine, Space and Defense" as its reportable segments.

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

Reportable segment	Main businesses, products and services
Resources, Energy and Environment	Power systems (power systems plants for land use and power systems for ships), boilers, plants (storage facilities, chemical plants and pharmaceutical plants), nuclear power (components for nuclear power plants)
Social Infrastructure and Offshore Facility	Bridges/water gates, transport systems, shield systems, concrete construction materials, urban development (real estate sales and rental)
Industrial System and General-Purpose Machinery	Vehicular turbochargers, parking, rotating machineries (compressors, separation systems, turbochargers for ships), thermal and surface treatment, transport machineries, logistics/industrial systems (logistics systems, industrial machineries), agricultural machineries, paper-making machineries
Aero Engine, Space and Defense	Aero engines, rocket systems/space utilization systems, defense systems

2. Calculation method used for sales, profit or loss, assets and liabilities, and other items by reportable segment

The accounting method used for reportable business segments is generally the same as the method stated in "BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS." Profits from reportable segments are figures based on operating profit.

Intersegment sales and transfers are based on actual market pricing.

Recognition of revenue on engine programs

Regarding the engine programs in which IHI participates, we record the revenue amount recorded by its main partners toward airlines etc. in net sales according to the participation rate. Although previously, the net sales were recorded based on the sales notification sent by the main partners on the following month after they had sold, we changed from March 2020 to record net sales within the same month, because it became possible to obtain the sales information earlier.

As a result, net sales of a thirteen-month including March 2020 were recorded in the fiscal year under review and net sales by segment for the fiscal year under review increased by ¥62 million for Resources, Energy and Environment segment and by ¥29,238 million for Aero Engine, Space and Defense segment.

3. Information about sales, profit or loss, assets and liabilities, and other items by reportable segment

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable Segment					Total	Others (Note 1)	Total	Adjustment	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense						
Net sales:										
(1) Sales to outside customers	374,780	132,761	431,433	490,176	1,429,150	54,292	1,483,442	–	1,483,442	
(2) Intersegment sales and transfers	2,291	10,396	9,649	2,070	24,406	25,015	49,421	(49,421)	–	
Total	377,071	143,157	441,082	492,246	1,453,556	79,307	1,532,863	(49,421)	1,483,442	
Segment profit										
(Operating profit) (Note 2)	3,337	14,236	23,113	46,447	87,133	2,374	89,507	(7,019)	82,488	
Segment assets										
(Note 3)	292,636	231,373	355,630	569,583	1,449,222	101,723	1,550,945	113,584	1,664,529	
Others:										
Depreciation (Note 4)	4,039	5,917	10,805	17,542	38,303	1,054	39,357	3,555	42,912	
Share of profit of entities accounted for using equity method	57	–	478	2,123	2,658	1,902	4,560	(452)	4,108	
Investments in equity method companies	222	–	2,513	54,842	57,577	15,925	73,502	–	73,502	
Increase in property, plant and equipment (Note 5)	5,212	3,853	13,467	35,049	57,581	986	58,567	8,743	67,310	

- 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 ¥118 million and unallocated corporate expenses of negative ¥6,901 million. Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
3. Adjustment of ¥113,584 million for segment assets includes corporate assets unallocated to any reportable segment of ¥236,688 million among cash and deposits, buildings and structures, investment securities and other assets, and eliminations of intersegment receivables and payables of negative ¥99,256 million.
4. Depreciation represents depreciation of property, plant and equipment. Adjustment of depreciation represents unallocated depreciation in property, plant and equipment.
5. Adjustment of increase in property, plant and equipment represents unallocated increase in property, plant and equipment.
6. Segment liabilities are omitted because which is not subject to determine allocation of management resources and assess performance.

	Reportable Segment					Total	Others (Note 1)	Total	Adjustment	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense						
Net sales:										
(1) Sales to outside customers	323,855	142,376	396,009	478,842	1,341,082	45,421	1,386,503	–	1,386,503	
(2) Intersegment sales and transfers	3,896	10,439	10,461	2,033	26,829	24,933	51,762	(51,762)	–	
Total	327,751	152,815	406,470	480,875	1,367,911	70,354	1,438,265	(51,762)	1,386,503	
Segment profit										
(Operating profit) (Note 2)	4,716	13,497	11,448	40,345	70,006	3,577	73,583	(12,786)	60,797	
Segment assets										
(Note 3)	291,830	237,675	341,733	621,043	1,492,281	105,166	1,597,447	143,335	1,740,782	
Others:										
Depreciation (Note 4)	5,216	6,868	12,468	22,038	46,590	1,508	48,098	5,735	53,833	
Share of profit (loss) of entities accounted for using equity method	30	–	403	2,706	3,139	(16,085)	(12,946)	(45)	(12,991)	
Investments in equity method companies	198	–	2,617	26,578	29,393	27,330	56,723	–	56,723	
Increases in property, plant and equipment and intangible assets (Note 5)	5,815	11,760	12,142	42,771	72,488	2,187	74,675	5,974	80,649	

- 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 ¥211 million and unallocated corporate expenses of negative ¥12,575 million. Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
3. Adjustment of ¥143,335 million for segment assets includes corporate assets unallocated to any reportable segment of ¥276,260 million among cash and deposits, buildings and structures, investment securities and other assets, and eliminations of intersegment receivables and payables of negative ¥106,571 million.
4. Depreciation represents depreciation of property, plant and equipment and software. Adjustment of depreciation represents unallocated.
5. Increases in intangible assets represent increases in software. Adjustment of increase in property, plant and equipment and intangible assets represents unallocated increases in property, plant and equipment and intangible assets.
6. Segment liabilities are omitted because which is not subject to determine allocation of management resources and assess performance.

[Related information]

Fiscal year ended March 31, 2019

1. Product and service information

Information has been omitted, as classification is the same as for reportable segments.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	U.S.A.	Asia	Central and South America	Europe	Others	Total
769,848	326,497	260,168	12,118	102,249	12,562	1,483,442

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Asia	Central and South America	Europe	Others	Total
323,932	5,874	20,275	154	17,120	39	367,394

3. Information by major customer

(Millions of yen)

Name of customer or individual	Net sales	Related business segment
Japanese Aero Engines Corporation	205,100	Aero Engine, Space and Defense

Fiscal year ended March 31, 2020

1. Product and service information

Information has been omitted, as classification is the same as for reportable segments.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	U.S.A.	Asia	Central and South America	Europe	Others	Total
723,492	363,914	214,415	9,002	68,601	7,079	1,386,503

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Asia	Central and South America	Europe	Others	Total
348,981	7,933	20,635	268	19,550	128	397,495

3. Information by major customer

(Millions of yen)

Name of customer or individual	Net sales	Related business segment
Japanese Aero Engines Corporation	258,058	Aero Engine, Space and Defense

[Information about impairment loss on non-current assets by reportable segment]

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable Segment				Total	Others	Total	Adjustment	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General-Purpose Machinery	Aero Engine, Space and Defense					
Impairment loss	–	77	1,533	–	1,610	–	1,610	–	1,610

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable Segment				Total	Others (Note)	Total	Adjustment	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General-Purpose Machinery	Aero Engine, Space and Defense					
Impairment loss	–	16	401	–	417	9	426	–	426

Note: 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.

[Information about goodwill amortization amount and year-end balance by reportable segment]

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable Segment				Total	Others (Note)	Total	Adjustment	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General-Purpose Machinery	Aero Engine, Space and Defense					
Amortization for the fiscal year ended March 31, 2019	256	–	2,294	–	2,550	371	2,921	–	2,921
Balance as of March 31, 2019	1,048	866	6,915	–	8,829	1,203	10,032	–	10,032

Note: 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.

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable Segment				Total	Others (Note)	Total	Adjustment	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General-Purpose Machinery	Aero Engine, Space and Defense					
Amortization for the fiscal year ended March 31, 2020	249	95	1,734	–	2,078	370	2,448	–	2,448
Balance as of March 31, 2020	880	755	4,988	–	6,623	833	7,456	–	7,456

Note: 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.

[Information about gain on bargain purchase by reportable segment]

Fiscal year ended March 31, 2019

Not applicable

Fiscal year ended March 31, 2020

Not applicable

PER SHARE INFORMATION

Item	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net assets per share	¥2,263.12	¥2,195.96
Basic earnings per share	¥258.53	¥84.21
Diluted earnings per share	¥258.37	¥84.19

Notes: 1. Shares of IHI owned by a trust account for the Board Benefit Trust (BBT) are included in the number of shares issued at the end of the period, and the number of treasury shares excluded for the calculation of the average number of shares outstanding during the period. For the fiscal year under review, the number of treasury shares at the end of the period excluded for the calculation of net assets per share was 393,900 shares (218,900 shares for the previous fiscal year) and the average number of treasury shares outstanding during the period excluded for the calculation of basic earnings per share and diluted earnings per share was 313,692 shares (178,438 shares for the previous fiscal year.)

2. The basis for calculating basic earnings per share and diluted earnings per share are as follows.

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	39,889	12,812
Amounts for non-common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent regarding common stock (Millions of yen)	39,889	12,812
Average number of shares of common stock (Thousands of shares)	154,290	152,137
Diluted earnings per share		
Adjustment amount of profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of shares of common stock (Thousands of shares)	98	34
(Share acquisition rights of the above) (Thousands of shares)	98	34
Potential shares not included in calculation of diluted earnings per share due to being non-dilutive	Share acquisition rights type 4 (Total number of share acquisition rights: 791 units) Type of shares underlying share acquisition rights: common stock Total number of shares underlying share acquisition rights: 79,100 shares	Share acquisition rights type 5 (Total number of share acquisition rights: 1,102 units) Type of shares underlying share acquisition rights: common stock Total number of shares underlying share acquisition rights: 110,200 shares

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable