

(Translation purposes only)

Quarterly Securities Report

(The First Quarter of 203rd Term)

From April 1, 2019 to June 30, 2019

IHI Corporation

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Cover page

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Filing date	August 13, 2019
Quarterly accounting period	The First Quarter of 203rd term (from April 1, 2019 to June 30, 2019)
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Company name in English	IHI Corporation
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Part 1. Company information

I. Overview of company

1. Summary of business results

Term	202nd term Three months ended June 30, 2018	203rd term Three months ended June 30, 2019	202nd term
Accounting period	From April 1, 2018 To June 30, 2018	From April 1, 2019 To June 30, 2019	From April 1, 2018 To March 31, 2019
Net sales (Millions of yen)	337,156	281,164	1,483,442
Ordinary profit (loss) (Millions of yen)	16,739	(685)	65,749
Profit (loss) attributable to owners of parent (Millions of yen)	6,142	(2,763)	39,889
Comprehensive income (Millions of yen)	7,260	(5,559)	39,597
Net assets (Millions of yen)	351,537	369,081	381,692
Total assets (Millions of yen)	1,627,495	1,645,274	1,664,529
Basic earnings (loss) per share (Yen)	39.80	(17.91)	258.53
Diluted earnings per share (Yen)	39.77	—	258.37
Shareholders' equity ratio (%)	20.01	20.36	20.98

Notes: 1. Summary of business results of the reporting company are not presented, because IHI prepares quarterly consolidated financial statements.

2. Net sales do not include consumption taxes.

3. Diluted earnings per share for the three months ended June 30, 2019 of the 203th term is not presented even though IHI has issued potential shares, because the per share data is a net loss per share.

4. Monetary amounts and ratios less than one unit are rounded off.

2. Description of business

IHI and its affiliated entities (153 consolidated subsidiaries, a non-consolidated subsidiary accounted for equity method and 27 affiliates accounted for using equity method as of June 30, 2019) operate four main businesses, providing a diverse range of products. The four businesses are: Resources, Energy and Environment; Social Infrastructure and Offshore Facility; Industrial System and General-Purpose Machinery; and Aero Engine, Space and Defense.

In the three months ended June 30, 2019, there were no significant changes in the contents of the businesses operated by the IHI Group (IHI and its affiliated entities). Changes in principle affiliated companies are as follows.

(Resources, Energy and Environment)

From the first quarter of the fiscal year ending March 31, 2020, IHI SOLID BIOMASS MALAYSIA SDN.BHD. is included in the scope of consolidation because its materiality within the IHI Group has increased, while IHI Plant Engineering Corporation was absorbed into IHI Plant Services Corporation (formerly IHI Plant Construction Co.,Ltd.)

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II. Overview of business

1. Business risks

There were no new occurrences of business risks in the three months ended June 30, 2019.

There were no significant changes with respect to the business risks stated in the Annual Securities Report for the previous fiscal year.

2. Management's Analysis of financial position, operating results and cash flows

Matters regarding the future stated in this document are based on the judgments as of June 30, 2019.

(1) Overview of business results

During the three months ended June 30, 2019, the Japanese economy remained stable supported by moderate increases in capital investment, robust corporate performance and improvements in situation of employment and income. In the global economy, business conditions in China and Europe are in a slowdown trend, while overall moderate growth continued bolstered by steady growth in the U.S. In addition, in the political side, the unstable situation remained from problems including the trade friction between U.S. and China and the issue of U.K. regarding leaving EU.

Under this business environment, orders received of the IHI Group during the three months ended June 30, 2019 decreased 9.0% from the previous corresponding period to ¥220.0 billion. Net sales decreased 16.6% from the previous corresponding period to ¥281.1 billion.

In terms of profit, operating profit decreased ¥11.7 billion to ¥0.9 billion due mainly to a temporary downturn of sales in the Civil aero engines Business caused by making its inspection process stricter and to the additional program costs in this business, in addition to the deterioration of profitability for some projects received in the Boilers Business and the Power systems Business and decreased numbers of delivery in Europe and China in the Vehicular turbochargers Business. Ordinary profit decreased ¥17.4 billion to a loss of ¥0.6 billion due to the increase in share of loss of entities accounted for using equity method and the increase in foreign exchange losses. Profit attributable to owners of parent decreased ¥8.9 billion to a loss of ¥2.7 billion.

Results by reportable segment for the three months ended June 30, 2019 are as follows:

(Billions of yen)

Reportable segment	Orders received			Three months ended June 30, 2018		Three months ended June 30, 2019		Change from the previous corresponding period (%)	
	Three months ended June 30, 2018	Three months ended June 30, 2019	Change from the previous corresponding period (%)	Sales	Operating Profit (loss)	Sales	Operating Profit (loss)	Sales	Operating Profit (loss)
Resources, Energy and Environment	55.5	47.2	(15.0)	84.3	(0.1)	64.8	(5.7)	(23.1)	–
Social Infrastructure and Offshore Facility	26.5	34.0	28.3	28.5	0.7	32.8	2.5	14.9	221.7
Industrial System and General-Purpose Machinery	115.3	116.0	0.7	104.8	4.0	86.7	0.2	(17.3)	(93.6)
Aero Engine, Space and Defense	38.6	13.5	(65.1)	117.5	9.0	90.2	5.4	(23.2)	(40.5)
Total Reportable Segment	236.0	210.8	(10.7)	335.2	13.7	274.7	2.4	(18.1)	(81.8)
Others	16.1	19.5	21.4	13.5	(0.3)	15.3	0.1	14.0	–
Adjustment	(10.4)	(10.3)	–	(11.6)	(0.6)	(8.9)	(1.7)	–	–
Total	241.6	220.0	(9.0)	337.1	12.7	281.1	0.9	(16.6)	(92.5)

(Translation purposes only)

<Resources, Energy and Environment>

Orders received decreased in the Boilers Business.

Net sales decreased owing to a delay on the progress of projects in the Boilers Business and a pull back from the progress of large-scale projects in the previous corresponding period in the Process plants Business.

Operating loss worsened mainly due to the deterioration of profitability for some projects received in the Boilers Business and the Power systems Business.

<Social Infrastructure and Offshore Facility>

Orders received increased in the Transport systems Business.

Net sales increased in the Bridges/water gates Business.

Operating profit increased in the Bridges/water gates Business and the Transport systems Business.

<Industrial System and General-Purpose Machinery>

Orders received decreased in the Vehicular turbochargers Business, while increased owing to receiving large-scale project in the Transport machines Business.

Net sales decreased due to the effect of transfer of the Small power systems Business, in addition to down in the Vehicular turbochargers Business.

Operating profit decreased in the Vehicular turbochargers Business, the Rotating machineries Business and the Thermal and surface treatment Business.

<Aero Engine, Space and Defense>

Orders received decreased in the aero engines for Japan Ministry of Defense, the Civil aero engines Business and the Rocket systems/space utilization systems Business.

Net sales decreased in the aero engines for Japan Ministry of Defense and the Civil aero engines Business.

Operating profit in the Civil aero engines Business decreased due mainly to a temporary downturn of sales caused by making its inspection process stricter and to the additional program costs.

(2) Analysis of financial position

Total assets at the end of the first quarter ended June 30, 2019 were ¥1,645.2 billion, down ¥19.2 billion compared with the end of the previous fiscal year. The items with the most significant decreases were notes and accounts receivable - trade, down ¥42.6 billion and cash and deposits, down ¥27.7 billion. The item with the most significant increase was inventories including work in process, up ¥43.3 billion.

Total liabilities were ¥1,276.1 billion, down ¥6.6 billion compared with the end of the previous fiscal year. The items with the most significant decreases were provision for bonuses, down ¥12.8 billion and notes and accounts payable - trade, down ¥11.1 billion.

Net assets were ¥369.0 billion, down ¥12.6 billion compared with the end of the previous fiscal year. This decrease of ¥12.6 billion was composed of loss attributable to owners of parent of ¥2.7 billion and a decrease by dividends of surplus of ¥6.1 billion.

As a result of the above, the ratio of equity to total assets fell from 21.0% at the end of the previous fiscal year to 20.4%.

(3) Analysis of capital resources and funding liquidity

At the first quarter ended June 30, 2019, the balance of interest-bearing liabilities, including lease obligations, was ¥382.6 billion, up ¥27.5 billion from the end of the previous fiscal year.

This primarily reflected an increase in working capital by business activities and an increase in investment capital provided by loans from external parties and others.

Regarding funding liquidity, in addition to a diverse range of fund procurement methods, including credit line commitments and overdraft facilities with major banks, as well as commercial papers, the outstanding balance of cash and cash equivalents was ¥65.1 billion at the end of the first quarter ended June 30, 2019. This balance means that the IHI Group has secured sufficient liquidity.

(4) Research and development activities

In the three months ended June 30, 2019, the IHI Group spent ¥7.0 billion on R&D. There were no significant changes in the status of R&D activities of the IHI Group in the three months ended June 30, 2019.

(Translation purposes only)

(5) Results of production, orders received and sales

In the three months ended June 30, 2019, there were significant changes of orders received in the Aero Engine, Space and Defense segment. For details, please refer to “(1) Overview of business results.”

(6) Management Policies, Management strategies, and Issues to be addressed

There were no significant changes with respect to management policies, management strategies, and issues to be addressed in the three months ended June 30, 2019.

The IHI Group formulated and has implemented its “Group Management Policies 2019,” a three-year medium-term management plan with fiscal year 2019 as the first year.

In the business environment surrounding the IHI Group, as social issues such as climate change on a global scale, large-scale natural disasters, global population increase, and resource depletion become increasingly severe, efforts to realize a sustainable society are accelerating with a long-term outlook. In response to these changes in the environment and social issues, the IHI Group, based on the “Group Management Policies 2019” aims for significant reform from its situation where business and products have been centered on supplying hardware to a direction in which it creates new value by directly tackling the issues faced by society and its customers in order to contribute to realizing a sustainable society in the future.

In the “Group Management Policies 2019”, the IHI Group set a theme of “reform businesses in earnest to tackle social and customer issues” and is accelerating business transformation by propelling three initiatives: “Accelerate aftermarket business development with customers from lifecycle perspectives”, “Create a lean and flexible operational structure” and “Transform our business model to create value” .

Note: In the figures presented, figures in billions of yen are rounded down and other figures are rounded off to the nearest unit.

3. Material contracts for operation

(Licensing-in contracts)

Material contracts that have been renewed by extending the contract period in the first quarter ended June30, 2019 are as following.

Name of Contracting Company	Name of Counterparty	Country	Licensed Products	Details	Contract Period
IHI	UNITED TECHNOLOGIES CORPORATION	U.S.A.	F100 turbofan engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From June 27, 1978 to September 30, 2025

Note: In the contract listed above, the original contract period that was to September 30, 2019 was extended to September 30, 2025.

(Translation purposes only)

III. Information about reporting company

1. Information about shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of authorized shares (Shares)
Common stock	300,000,000
Total	300,000,000

(ii) Issued shares

Class	Number of issued shares as of the end of the first quarter (Shares) (June 30, 2019)	Number of issued shares as of the filing date (Shares) (August 13, 2019)	Name of stock exchange on which IHI is listed or names of authorized financial instruments firms associations where IHI is registered	Description
Common stock	154,679,954	154,679,954	First Section of Tokyo Stock Exchange and Nagoya Stock Exchange, Fukuoka Stock Exchange, Sapporo Securities Exchange	The number of shares constituting one unit is 100 shares.
Total	154,679,954	154,679,954	–	–

Note: The “Number of issued shares as of the filing date” column does not include the number of shares issued upon exercise of subscription rights to shares between August 1, 2019 and the filing date of this Quarterly Securities Report.

(2) Subscription rights to shares, etc.

(i) Details of stock option plans

Not applicable

(ii) Description of other matters regarding share acquisition rights, etc

Not applicable

(3) Exercises, etc. of moving strike convertible bonds, etc.

Not applicable

(4) Changes in number of issued shares, capital stock, etc.

Period	Changes in number of issued shares (Thousand shares)	Balance of number of issued shares (Thousand shares)	Changes in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
From April 1, 2019 to June 30, 2019	–	154,679	–	107,165	–	54,520

(5) Major shareholders

The major shareholders are not presented because the current quarterly accounting period is the first quarter period.

(Translation purposes only)

(6) Voting rights

Concerning the information on voting rights below, as IHI was unable to confirm the information stated in the shareholder register as of June 30, 2019, the information is stated not from its register; rather it is stated from the shareholder register of the immediately preceding cut-off date (March 31, 2019).

(i) Issued shares

(As of March 31, 2019)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (others)	–	–	–
Shares with full voting rights (treasury shares, etc.)	(Shares in treasury) Common stock 169,400	–	–
	(Reciprocally held shares) Common stock 15,700	–	
Shares with full voting rights (others)	Common stock 154,273,900	1,542,739	–
Shares less than one unit	Common stock 220,954	–	Shares less than one unit (100 shares)
Number of issued shares	154,679,954	–	–
Total number of voting rights	–	1,542,739	–

- Notes:
1. Common stock in “Shares less than one unit” include 46 shares of treasury shares held by IHI.
 2. Common stock in “Shares with full voting rights (others)” include 700 shares whose ownership has yet not been transferred and which have been registered in the name of Japan Securities Depository Center. These shares constitute seven units of voting rights, which are included in the figure in “Number of voting rights.”
 3. Common stock in “Shares with full voting rights (others)” include 218,900 shares of IHI owned by a trust account for the Board Benefit Trust (BBT).

(ii) Treasury shares, etc.

(As of March 31, 2019)

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
(Shares in treasury) IHI Corporation	1-1, Toyosu 3-chome, Koto-ku, Tokyo	169,400	–	169,400	0.11
(Reciprocally held shares) Kondo Tekko Co., Ltd.	10-5, Yaesu 2-chome, Chuo-ku, Tokyo	14,200	–	14,200	0.01
MINAGAWA NOUKI SEIZOU Co., Ltd.	20-13, Tajima 2-chome, Sanjyo-shi, Niigata	1,500	–	1,500	0.00
Total	–	185,100	–	185,100	0.12

Note: 218,900 shares of IHI owned by a trust account for the Board Benefit Trust (BBT) are not included in shares in treasury above.

(Translation purposes only)

2. Information about directors and auditors

Not applicable

Note: In "III. Information about reporting company," monetary amounts less than one unit are rounded down.

(Translation purposes only)

IV. Financial information

1. Basis of preparation of the consolidated quarterly financial statements

The quarterly consolidated financial statements of IHI are prepared in accordance with the “Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

2. Audit attestation

The quarterly consolidated financial statements for the first quarter of the fiscal year on March 31, 2020 (from April 1, 2019 to June 30, 2019) and three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019) were reviewed by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

(Translation purposes only)

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	94,951	67,164
Notes and accounts receivable - trade	*2 *3 377,695	*2 *3 335,000
Finished goods	23,084	23,644
Work in process	276,238	321,634
Raw materials and supplies	142,588	140,029
Other	77,351	87,212
Allowance for doubtful accounts	(4,043)	(3,890)
Total current assets	987,864	970,793
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	137,156	135,824
Other, net	230,238	233,148
Total property, plant and equipment	367,394	368,972
Intangible assets		
Goodwill	10,032	9,262
Other	24,052	23,194
Total intangible assets	34,084	32,456
Investments and other assets		
Investment securities	117,967	113,718
Other	158,596	160,669
Allowance for doubtful accounts	(1,376)	(1,334)
Total investments and other assets	275,187	273,053
Total non-current assets	676,665	674,481
Total assets	1,664,529	1,645,274
Liabilities		
Current liabilities		
Notes and accounts payable - trade	*3 290,043	*3 278,894
Short-term loans payable	111,785	120,538
Commercial papers	-	30,000
Current portion of bonds	20,000	20,000
Income taxes payable	7,384	3,472
Advances received	157,546	160,977
Provision for bonuses	28,089	15,223
Provision for construction warranties	47,968	45,687
Provision for loss on construction contracts	21,212	22,090
Other provision	1,079	713
Other	138,003	130,738
Total current liabilities	823,109	828,332
Non-current liabilities		
Bonds payable	30,000	20,000
Long-term loans payable	175,813	172,078
Net defined benefit liability	160,244	160,722
Provision for loss on business of subsidiaries and affiliates	1,212	1,212
Other provision	1,132	886
Other	91,327	92,963
Total non-current liabilities	459,728	447,861
Total liabilities	1,282,837	1,276,193

(Translation purposes only)

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Net assets		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	53,410	51,778
Retained earnings	184,092	175,104
Treasury shares	(1,170)	(1,157)
Total shareholders' equity	343,497	332,890
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,063	33
Deferred gains or losses on hedges	(190)	(485)
Revaluation reserve for land	5,321	5,321
Foreign currency translation adjustment	2,808	365
Remeasurements of defined benefit plans	(3,319)	(3,082)
Total accumulated other comprehensive income	5,683	2,152
Subscription rights to shares	659	644
Non-controlling interests	31,853	33,395
Total net assets	381,692	369,081
Total liabilities and net assets	1,664,529	1,645,274

(Translation purposes only)

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
Quarterly consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	337,156	281,164
Cost of sales	278,562	236,219
Gross profit	58,594	44,945
Selling, general and administrative expenses	45,851	43,988
Operating profit	12,743	957
Non-operating income		
Interest income	269	173
Dividend income	420	481
Share of profit of entities accounted for using equity method	3,883	–
Foreign exchange gains	1,616	–
Gain on reversal of accrued expenses for delayed delivery	–	435
Other income	883	1,005
Total non-operating income	7,071	2,094
Non-operating expenses		
Interest expenses	715	909
Share of loss of entities accounted for using equity method	–	682
Foreign exchange losses	–	1,160
Disposal expenses on non-current assets	781	24
Other expenses	1,579	961
Total non-operating expenses	3,075	3,736
Ordinary profit (loss)	16,739	(685)
Profit (loss) before income taxes	16,739	(685)
Income taxes	5,060	686
Income taxes for prior periods	*1 4,304	–
Profit (loss)	7,375	(1,371)
Profit attributable to non-controlling interests	1,233	1,392
Profit (loss) attributable to owners of parent	6,142	(2,763)

(Translation purposes only)

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit (loss)	7,375	(1,371)
Other comprehensive income		
Valuation difference on available-for-sale securities	(149)	(1,007)
Deferred gains or losses on hedges	(76)	(160)
Revaluation reserve for land	(12)	–
Foreign currency translation adjustment	(192)	(3,196)
Remeasurements of defined benefit plans, net of tax	181	240
Share of other comprehensive income of entities accounted for using equity method	133	(65)
Total other comprehensive income	(115)	(4,188)
Comprehensive income	7,260	(5,559)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,074	(6,211)
Comprehensive income attributable to non- controlling interests	1,186	652

(Translation purposes only)

Notes to Consolidated financial statements

(Change in scope of consolidation or scope of application of equity method)

(1) Significant change in scope of consolidation

From the first quarter of the fiscal year ending March 31, 2020, IHI SOLID BIOMASS MALAYSIA SDN.BHD. is newly included in the scope of consolidation because its materiality within the IHI Group has increased.

IHI Plant Engineering Corporation was absorbed into IHI Plant Services Corporation (formerly IHI Plant Construction Co.,Ltd.)

(2) Significant change in scope of application of equity method

Not applicable

(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 first quarter under review.

The resulting effect on quarterly consolidated financial statements for the three months ended June 30, 2019 is nothing.

(Special accounting for preparing quarterly consolidated financial statements)

(Tax expense calculation)

Tax expenses on profit before income taxes for the three months ended June 30, 2019 are calculated by multiplying profit before income taxes for the three months ended June 30, 2019 by the reasonably estimated effective tax rate for the fiscal year including the first quarter ended June 30, 2019 after applying tax effect accounting. Should the estimated effective tax rate be unavailable, however, tax expenses are calculated by using the statutory tax rate for profit before income taxes for the three months ended June 30, 2019.

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

(Quarterly consolidated balance sheet)

1. Contingent liabilities

(1)Guarantees for debt of others (Note)

Guarantees for loans from financial institutions etc. are as follows:

		(Millions of yen)	
As of March 31, 2019		As of June 30, 2019	
Japanese Aero Engines Corporation (“JAEC”)	5,905	JAEC	5,705
ALPHA Automotive Technologies LLC	1,021	ALPHA Automotive Technologies LLC	942
Japan Aeroforge, Ltd	413	Japan Aeroforge, Ltd.	413
Contingent liabilities for employee housing loans.	262	Contingent liabilities for employee housing loans	216
Chubu Segment Co., Ltd.	25	Chubu Segment Co., Ltd.	25
Total	7,626	Total	7,301

(Translation purposes only)

(2)Contingent liabilities arising from guarantees in kind for debts (Note)

(Millions of yen)			
As of March 31, 2019		As of June 30, 2019	
Contingent liabilities for employee housing loans	4,864	Contingent liabilities for employee housing loans	4,739
Total	4,864	Total	4,739

Note: In any of the following cases, the amount represents the amounts for which the IHI Group is liable:

- (1) In the case of joint guarantees and guarantees in kind for debts with protection requirements against creditors, where the IHI Group's liabilities are specifically stated and clarified regardless of the debt capacity of other guarantors in the contract.
- (2) In the case of joint and several guarantees in which there are two or more guarantors, where the percentage or amount of the IHI Group's liabilities is specifically stated and clarified such as in agreement among the guarantors and other joint and several guarantors are considered to have sufficient debt capacity.

(3) Other contingent liabilities

The consolidated subsidiary IHI E&C International Corporation received a letter of claim for payment of 112 million US dollars from a customer on May 2, 2019, for expenses for delayed delivery regarding a process plant project currently underway in North America (hereinafter the "Expenses"). The IHI Group has continuously requested an extension of the delivery date since construction delays occurred due to the customer's circumstances, and maintains its assertion that the claim for the Expenses is unacceptable. Therefore, at this point, it is difficult to reasonably estimate the amount of the effect on the financial position and operating results. Therefore the effect of this matter has not been reflected in the consolidated financial statements.

*2. Notes receivable - trade discounted in the ordinary course of business and notes receivable - trade endorsed in the ordinary course of business

(Millions of yen)		
	As of March 31, 2019	As of June 30, 2019
Notes receivable - trade discounted in the ordinary course of business	51	1
Notes receivable - trade endorsed in the ordinary course of business	1	13

*3. Notes maturing on balance sheet date

Accounting of notes maturing on the last day of quarter is settled on the clearing date.

Because the last day of the first quarter ended June 30, 2019 fell on a bank holiday, the following such notes that matured on the last day of quarter are included in the balance on the last day of the first quarter ended June 30, 2019.

(Millions of yen)		
	As of March 31, 2019	As of June 30, 2019
Notes receivable - trade	1,832	1,661
Notes payable - trade	1,836	1,406

(Translation purposes only)

(Quarterly consolidated statement of income)

*1. Income taxes for prior periods

(Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018))

As a result of receiving a tax investigation on transactions with a foreign consolidated subsidiary located in Thailand and of receiving a notice of reassessment of tax payable, based on transfer pricing taxation, IHI recorded penalty taxes, including additional taxes and delinquent taxes as "Income taxes for prior periods."

(Quarterly consolidated statement of cash flows)

A quarterly consolidated statement of cash flows relating to the three months ended June 30, 2019, has not been prepared. Depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill are as follows.

	(Millions of yen)	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Depreciation	12,023	12,628
Amortization of goodwill	774	619

(Shareholders' equity)

I. Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

1. Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders on June 22, 2018	Common stock	4,633	30	March 31, 2018	June 25, 2018	Retained earnings

Note: Total dividends determined by a resolution of the Ordinary General Meeting of Shareholders held on June 22, 2018 included ¥3 million, which was the value of dividends for shares of IHI owned by a trust account for the Board Benefit Trust (BBT).

2. Dividends whose record date was in the three months ended June 30, 2018 and the effective date of which is after the end of the first quarter of the fiscal year ended March 31, 2019

Not applicable

(Translation purposes only)

II. Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

1. Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders on June 20, 2019	Common stock	6,180	40	March 31, 2019	June 21, 2019	Retained earnings

Note: Total dividends determined by a resolution of the Ordinary General Meeting of Shareholders held on June 20, 2019 included ¥9 million, which was the value of dividends for shares of IHI owned by a trust account for the Board Benefit Trust (BBT).

2. Dividends whose record date was in the three months ended June 30, 2019 and the effective date of which is after the end of the first quarter of the fiscal year ending March 31, 2020

Not applicable

(Translation purposes only)

(Segment information)

Segment information

I. Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

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

(Millions of yen)

	Reportable Segment					Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the quarterly consolidated statements of income
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	82,270	26,670	102,698	116,919	328,557	8,599	337,156	–	337,156
(2) Intersegment sales and transfers	2,098	1,905	2,145	589	6,737	4,906	11,643	(11,643)	–
Total	84,368	28,575	104,843	117,508	335,294	13,505	348,799	(11,643)	337,156
Segment profit (loss) (Operating profit (loss))	(161)	799	4,010	9,074	13,722	(347)	13,375	(632)	12,743

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 ¥236 million and unallocated corporate expenses of negative ¥396 million.

Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

2. Information about impairment loss of non-current assets, goodwill and gain on bargain purchase by reportable segment

(Material impairment loss of non-current assets)

Not applicable

(Material change in goodwill amount)

Not applicable

(Material gain on bargain purchase)

Not applicable

(Translation purposes only)

II. Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

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

(Millions of yen)

	Reportable Segment					Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the quarterly consolidated statements of income
	Resources, Energy and Environment	Social Infrastructu re and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	64,524	30,804	84,581	89,917	269,826	11,338	281,164	–	281,164
(2) Intersegment sales and transfers	326	2,036	2,166	359	4,887	4,054	8,941	(8,941)	–
Total	64,850	32,840	86,747	90,276	274,713	15,392	290,105	(8,941)	281,164
Segment profit (loss) (Operating income (loss))	(5,734)	2,570	256	5,403	2,495	193	2,688	(1,731)	957

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 ¥100 million and unallocated corporate expenses of negative ¥1,631 million.

Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.

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

Reportable segment	Main businesses, products and services
Resources, Energy and Environment	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. Information about impairment loss of non-current assets, goodwill and gain on bargain purchase by reportable segment

(Material impairment loss of non-current assets)

Not applicable

(Material change in goodwill amount)

Not applicable

(Material gain on bargain purchase)

Not applicable

(Translation purposes only)

(Per share information)

Basic earnings per share and diluted earnings per share as well as fundamentals for calculating these items are as follows:

	Three months ended June 30, 2018	Three months ended June 30, 2019
(1) Basic earnings (loss) per share (Yen)	39.80	(17.91)
(Fundamentals)		
Amounts for profit (loss) attributable to owners of parent (Millions of yen)	6,142	(2,763)
Amounts for non-common shareholders (Millions of yen)	–	–
Amounts for profit (loss) attributable to owners of parent regarding common stock (Millions of yen)	6,142	(2,763)
Average number of shares of common stock (Thousands of shares)	154,336	154,294
(2) Diluted earnings per share (Yen)	39.77	–
(Fundamentals)		
Adjustment amount of profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of shares of common stock (Thousands of shares)	113	–
Outline of potential shares which were not included in the calculation of the diluted earnings per share due to no dilutive effects, and which had material changes after the end of the previous fiscal year	–	–

Notes: 1. Diluted earnings per share for the three months ended June 30, 2019 is not presented even though IHI has issued potential shares, because the per share data is a net loss per share.

2. Shares of IHI owned by a trust account for the Board Benefit Trust (BBT) are included in the number of treasury shares excluded from the calculation of the number of the average number of shares. The average number of treasury shares excluded from the calculation of basic earnings per share and diluted earnings per share for the three months ended June 30 of 2018 and 2019 were 111,000 shares and 218,900 shares respectively.

(Significant subsequent events)

Not applicable

2. Others

Not applicable

(Translation purposes only)

Part 2. Information about company which provides guarantee to reporting company

Not applicable