

202nd term (from April 1, 2018 to March 31, 2019)

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# Annual Securities Report

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1. This is an English translation of the Annual Securities Report (“Yukashoken Hokokusho”) pursuant to Article 24, paragraph 1 of the Financial Instruments and Exchange Act of Japan filed on June 20, 2019, via the Electronic Disclosure for Investors’ Network (“EDINET”) system as set forth in Article 27-30-2 of the same Act. The translation includes a table of contents and pagination that are not included in the electronic filing.
2. This report does not contain the attachments to the Annual Securities Report (“Yukashoken Hokokusho”) submitted via the above method, however English translations of the Independent Auditors’ Report, Confirmation Letter and Internal Control Report have been appended to the back of this report.

IHI Corporation

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(Translation purposes only)

Cover page

Document title	Annual Securities Report
Clause of stipulation	Article 24, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	June 20, 2019
Fiscal year	202nd term (from April 1, 2018 to March 31, 2019)
Company name	株式会社 I H I (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
Title and name of representative	Tsugio Mitsuoka, President and Chief Executive Officer
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Name of contact person	Takashi Koumi, General Manager, Accounting Group, Finance & Accounting Div.
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya-city) Securities Membership Corporation Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka-city) Securities Membership Corporation Sapporo Securities Exchange (14-1, Minamiichijo-nishi 5-chome, Chuo-ku, Sapporo-city)

(Translation purposes only)

## Part 1. Company information

### I. Overview of company

#### 1. Summary of business results

##### (1) Business results of group (Consolidated)

Term	198th term	199th term	200th term	201st term	202nd term
Fiscal year ended	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Net sales (Millions of yen)	1,455,844	1,539,388	1,486,332	1,590,333	1,483,442
Ordinary profit (Millions of yen)	56,529	9,716	22,011	21,425	65,749
Profit attributable to owners of parent (Millions of yen)	9,082	1,529	5,247	8,291	39,889
Comprehensive income (Millions of yen)	26,829	(15,228)	4,628	16,774	39,597
Net assets (Millions of yen)	359,595	333,359	337,630	350,217	381,692
Total assets (Millions of yen)	1,690,882	1,715,056	1,692,831	1,633,488	1,664,529
Net assets per share (Yen)	2,240.31	2,061.63	2,060.33	2,103.22	2,263.12
Basic earnings per share (Yen)	58.84	9.90	33.98	53.71	258.53
Diluted earnings per share (Yen)	58.77	9.90	33.96	53.67	258.37
Shareholders' equity ratio (%)	20.45	18.56	18.79	19.87	20.98
Return on equity (ROE) (%)	2.63	0.46	1.65	2.58	11.84
Price earnings ratio (PER) (Times)	95.75	240.40	103.24	61.53	10.29
Cash flows from operating activities (Millions of yen)	63,589	95,338	65,373	99,018	46,402
Cash flows from investing activities (Millions of yen)	(74,611)	(35,513)	(28,961)	(47,977)	(79,280)
Cash flows from financing activities (Millions of yen)	33,443	(47,530)	(21,941)	(57,326)	16,463
Cash and cash equivalents at end of period (Millions of yen)	92,527	103,611	115,911	107,323	92,608
Number of employees (Persons)	28,533	29,494	29,659	29,706	29,286

Notes: 1. Net sales do not include consumption taxes.

2. Due to the fact that the number of temporary employees is less than 10% the total number of employees, the average number of temporary employees are not shown.

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

4. IHI conducted a consolidation of common stock on a 10 for 1 basis on October 1, 2017.

Net assets per share, basic earnings per share and diluted earnings per share have been calculated under the assumption that this consolidation of common stock was conducted on April 1, 2014.

5. IHI has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidance effective from the beginning of the current fiscal year and the summary of business results of the previous fiscal year are those after retrospective application of the relevant accounting standards.

(Translation purposes only)

(2) Business results of reporting company

Term	198th term	199th term	200th term	201st term	202nd term
Fiscal year ended	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Net sales (Millions of yen)	689,269	734,807	719,889	721,739	700,497
Ordinary profit (Millions of yen)	36,392	9,987	15,752	50,076	39,355
Profit (loss) (Millions of yen)	232	31,698	(6,246)	23,978	20,558
Capital stock (Millions of yen)	107,165	107,165	107,165	107,165	107,165
Total number of issued shares (Thousands of shares)	1,546,799	1,546,799	1,546,799	154,679	154,679
Net assets (Millions of yen)	206,340	214,783	209,864	227,855	238,305
Total assets (Millions of yen)	1,132,586	1,179,799	1,138,039	1,117,334	1,113,379
Net assets per share (Yen)	1,331.98	1,386.20	1,353.55	1,471.23	1,540.24
Dividends per share	6.00	3.00	—	60.00	70.00
[Interim dividends per share] (Yen)	[3.00]	[3.00]	[-]	[30.00]	[30.00]
Basic earnings (loss) per share (Yen)	1.50	205.34	(40.45)	155.33	133.24
Diluted earnings per share (Yen)	1.50	205.14	—	155.22	133.16
Shareholders' equity ratio (%)	18.15	18.14	18.37	20.32	21.34
Return on equity (ROE) (%)	0.11	15.11	(2.95)	11.00	8.85
Price earnings ratio (PER) (Times)	3,753.33	11.59	—	21.28	19.96
Payout ratio (%)	3,991.83	14.61	—	38.63	52.54
Number of employees (Persons)	8,458	8,571	8,630	8,256	8,011
Total shareholder return (%)	131.11	56.91	82.95	79.61	66.34
(Reference index : TOPIX including dividends) (%)	[130.69]	[116.55]	[133.67]	[154.88]	[147.08]
Highest stock price (Yen)	637	610	362	4,145 (436)	4,565
Lowest stock price (Yen)	377	154	191	3,155 (332)	2,580

Notes: 1. Net sales do not include consumption taxes.

2. Due to the fact that the number of temporary employees is less than 10% the total number of employees, the average number of temporary employees is not shown.

3. Monetary amounts and number of shares less than one unit are rounded down and ratios less than one unit are rounded off.

4. Diluted earnings per share for the 200th term is not shown even though IHI has issued potential shares, because the per share figure is a net loss.

(Translation purposes only)

5. Price earnings ratio (PER) for the 200th term is not shown, because the per share figure is a net loss.
6. IHI conducted a consolidation of common stock on a 10 for 1 basis on October 1, 2017.  
Net assets per share, basic earnings (loss) per share and diluted earnings per share have been calculated under the assumption that this consolidation of common stock was conducted on April 1, 2014.  
Dividends per share have been calculated under the assumption that this consolidation of common stock was conducted on April 1, 2017.
7. IHI has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidance effective from the beginning of the current fiscal year and the summary of business results of the previous fiscal year are those after retrospective application of the relevant accounting standards.
8. The highest and lowest stock prices are in the first section of the Tokyo Stock Exchange. For the stock price in the 201st term, the stated highest and lowest stock prices are after the consolidation of common stock, and the highest and lowest stock prices before the consolidation of common stock are stated in parentheses.

## 2. Company history

Month / Year	Major Event
January 1889	IHI was founded in Ishikawajima at the mouth of the Sumida River by order of the government in 1853 in response to the arrival of Commodore Perry. In 1876, the shipyard came under the private management of Tomiji Hirano, was renamed the Ishikawajima Hirano Shipyard and embarked as a civil shipyard. In 1889 the Shipyard was reorganized to incorporate Ishikawajima Shipbuilding & Engineering Co., Ltd.
September 1893	Changed IHI name to Tokyo Ishikawa Shipbuilding Co., Ltd. with the enforcement of Commercial Code.
February 1939	Established Tokyo No. 1 Works to expand the Shipbuilding Division, and started operations related to shipbuilding and boiler manufacturing.
September 1943	Established Tokyo No. 2 Works to meet growing demand for marine and land-based machinery, and started marine machinery and casting operations.
June 1945	Changed IHI name to Ishikawajima Heavy Industries Co., Ltd.
May 1949	Listed on Tokyo Stock Exchange and Nagoya Stock Exchange. From that time through May 1958, listed on Osaka Securities Exchange (Osaka Securities Exchange integrated its cash-equity market with Tokyo Stock Exchange in July 2013), Kyoto Stock Exchange (absorbed by Osaka Securities Exchange in March 2001), Fukuoka Stock Exchange, Niigata Stock Exchange (absorbed by Tokyo Stock Exchange in March 2000), Sapporo Securities Exchange and Hiroshima Stock Exchange (absorbed by Tokyo Stock Exchange in March 2000).
March 1957	Established Tanashi Aero-Engine Plant to manufacture jet engines for aircraft.
January 1959	Jointly established Ishikawajima do Brasil Estaleiros in Rio de Janeiro with Brazilian government.
December 1960	Merged with Harima Shipbuilding & Engineering Co., Ltd. and changed IHI name to Ishikawajima-Harima Heavy Industries Co., Ltd.
November 1962	Merged with Ishikawajima-Shibaura Seiki Co., Ltd. and Shibaura Sewing Machine Co., Ltd.
April 1963	Jointly established Jurong Shipyard Ltd. with Singapore Economic Development Board to build and repair ships.
February 1964	Established Yokohama No. 2 Works as a heavy machinery plant.
May 1964	Merged with Nagoya Shipbuilding Co., Ltd. and Nagoya Heavy Industries Co., Ltd.
July 1964	Established Yokohama Repair Works to cope with increasing size of ships.
October 1967	Merged with Shibaura United Engineering Co., Ltd.
March 1968	Merged with Kure Shipbuilding & Engineering Co., Ltd.
April 1969	Established Yokohama No. 1 Works as a heavy container plant.
October 1970	Established Mizuho Aero-Engine Works as a plant for jet engines for aircraft.
May 1973	Established Aichi Works to manufacture large-scale ships.
March 1988	ISHIKAWAJIMA CONSTRUCTION MATERIALS Co., Ltd. (currently IHI CONSTRUCTION MATERIALS Co., Ltd.) listed on the Second Section of Tokyo Stock Exchange.
October 1992	Completed construction of Toyosu Center Building (a rental office building).
November 1995	Registered shares of Ishikawajima Hanyoki Service Co., Ltd. (currently IHI Rotating Machinery Engineering Co., Ltd.) as an over-the-counter issue registered with the Japan Securities Dealers Association.
November 1996	Ishikawajima Transport Machinery Co., Ltd. (currently IHI Transport Machinery Co., Ltd.) listed on the Second Section of Tokyo Stock Exchange.
November 1998	Established Soma Aero-Engine Plant as a plant for jet engines for aircraft.
July 2000	Acquired Nissan Motor's Aerospace and Defense Divisions and commenced operations as IHI Aerospace Co., Ltd. (currently IHI AEROSPACE CO., LTD.)
October 2002	Spun off Shipbuilding & Offshore Operations as a separate company and commenced operations as IHI Marine United Inc. (currently Japan Marine United Corporation).
February 2003	Took over the engines and turbines business and transportation system and vehicle business of Niigata Engineering Co., Ltd. and commenced operations as Niigata Power Systems Co., Ltd. (engines and turbines business) and Niigata Transys Co., Ltd. (transportation system and vehicle business).
June 2003	Conducted management structure reforms, primarily to reform the Board of Directors and introduce the executive officer system.
February 2006	Completed construction of the new head office building, Toyosu IHI Building, in Toyosu 3-chome, Koto-ku, Tokyo. Registered the relocation of head office.
September 2006	Completed construction of Toyosu Center Building Annex (a rental office building).
October 2006	Made Ishikawajima Hanyoki Service Co., Ltd. (currently IHI Rotating Machinery Engineering Co., Ltd.) a wholly owned subsidiary through a share exchange.
July 2007	Changed IHI name from Ishikawajima-Harima Heavy Industries Co., Ltd. to IHI Corporation.
March 2008	Acquired the shares of Hauzer Techno Coating B.V. (currently IHI Hauzer Techno Coating B.V.) in the Netherlands to expand and develop the industrial furnace-related business.

(Translation purposes only)

Month / Year	Major Event
August 2009	Acquired the shares of Kurimoto Bridge, Ltd. (currently IHI Infrastructure Systems Co., Ltd.) and made it a wholly owned subsidiary.
October 2009	Acquired the shares of Matsuo Bridge Co., Ltd. (currently IHI Infrastructure Systems Co., Ltd.) and made it a wholly owned subsidiary.
November 2009	Transferred the bridge, water gate, and other steel structures business to Matsuo Bridge Co., Ltd. and merged Kurimoto Bridge Co., Ltd. with Matsuo Bridge Co., Ltd. by an absorption-type merger. At the same time, changed the name of Matsuo Bridge Co., Ltd. to IHI Infrastructure Systems Co., Ltd.
January 2010	IHI Infrastructure Systems Co., Ltd. took over the water gate business from Kurimoto, Ltd.
January 2010	Transferred the shield machine and other tunneling machine businesses to Japan Tunnel Systems Corporation (established jointly as a subsidiary with JFE Engineering Corporation in November 2009) by an absorption-type company split.
August 2010	Completed construction of TOYOSU FRONT (a rental office building).
January 2012	Acquired the shares of Fuso Engineering Co., Ltd. (currently IHI Fuso Engineering Co., Ltd.) and made it a wholly owned subsidiary.
June 2012	Conducted a tender offer for the shares of MEISEI ELECTRIC CO., LTD., which has a business base in fields including environmental measurement, disaster prevention systems, space-related and control systems, and made it a subsidiary.
July 2012	Established IHI E&C International Corporation and acquired the on-shore EPC operation of Kvaerner Americas in order to participate in the North American oil and gas related plant business.
August 2012	Made IHI Transport Machinery Co., Ltd. and ISHIKAWAJIMA CONSTRUCTION MATERIALS Co., Ltd. (currently IHI CONSTRUCTION MATERIALS Co., Ltd.) wholly owned subsidiaries (conducted a tender offer in March 2012).
November 2012	Established a joint corporation for steel making machines, Paul Wurth IHI Co., Ltd., with Paul Wurth S.A. of Luxembourg.
December 2012	Acquired entire shares of the Ionbond Group (Switzerland), which conducts the wear protection coating business for metallic and non-metallic materials, and made Indigo TopCo Ltd. and its subsidiaries group companies.
January 2013	Conducted management integration by merging IHI Marine United Inc., a specified subsidiary, with Universal Shipbuilding Corporation and established Japan Marine United Corporation (JMU) to enhance competitiveness and earning capabilities in the shipbuilding business.
June 2013	Jointly established JAPAN EAS INVESTIMENTOS E PARTICIPAÇÕES LTDA (hereafter JEI) with JGC CORPORATION and Japan Marine United Corporation, and made an equity investment in Brazilian shipbuilder Estaleiro Atlântico Sul S.A. through JEI in August 2013.
August 2013	Established IHI Aero Engines US Co., Ltd. to expand the aero engines business and made an equity investment in GE Passport, LLC.
October 2013	Transferred rolling mill business and related operations of IHI Metaltech Co., Ltd. to Mitsubishi-Hitachi Metals Machinery, Inc.
June 2014	Acquired Steinmüller Engineering GmbH (German) and made it a wholly owned subsidiary in order to enter the lignite-fired boilers market at an early date.
August 2014	Completed construction of TOYOSU FORESIA (a rental office building).
December 2015	Acquired VTN Beteiligungsgesellschaft GmbH (currently IHI VTN GmbH), a Germany general heat treatment job service company, and made it a wholly owned subsidiary.
February 2016	JEI agreed to transfer its whole equity interest in EAS to the Camargo Corrêa Group and the Queiroz Galvão Group, which are shareholders of EAS. (Transferred in April 2016)
May 2016	Jointly established Nanatsujima Biomass Power Limited Liability Company for operating the woody biomass power plant with eight investment-partner companies.
October 2016	Conducted management integration by merging with Mitsubishi Heavy Industries Mechatronics Systems, Ltd. and commenced operations as JIM Technology Corporation to enhance competitiveness and earning capabilities in Shield tunneling machine Business.
November 2016	Transferred all the shares of IHI Construction Machinery Limited to Kato Works Co., Ltd.
May 2017	Transferred machinery for ships business to IKNOW MACHINERY CO., LTD.
October 2017	IHI Shibaura Machinery Corporation absorbed IHI STAR Machinery Corporation and changed its company name to IHI Agri-Tech Corporation.
October 2017	Transferred the rotating machinery business to IHI Compressor and Machinery Co., Ltd. by means of a corporate split, and IHI Compressor and Machinery Co., Ltd. changed its company name to IHI Rotating Machinery Engineering Co., Ltd.
November 2018	Ended the Aichi Works' function as a production base of the F-LNG business.
December 2018	Transferred the small power systems business of IHI Agri-Tech Corporation to U.S.-based Caterpillar Inc.
April 2019	Transferred the plants business to IHI Plant Construction Co., Ltd. by means of a corporate split, as well as IHI Plant Construction Co., Ltd. conducted an absorption-type merger of IHI Plant Engineering Corporation. At the same time, IHI Plant Construction Co., Ltd. changed its company name to IHI Plant Services Corporation.



(Translation purposes only)

### 3. Description of business

IHI and its affiliated companies (153 consolidated subsidiaries, a non-consolidated subsidiary accounted for equity method and 27 affiliates accounted for using equity method as of March 31, 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. Descriptions of the main activities within each business and the roles assigned to individual group companies are as follows.

The four businesses below are the same as the segment categories described in “Notes to Consolidated Financial Statements” in the “Financial information” section of this Annual Securities Report.

#### (Resources, Energy and Environment)

Activities within this business include manufacturing, sales, and provision of services relating to boilers, power systems plants for land use, power systems for land and marine use, large power systems for ships, process plants (storage facilities and chemical plants), nuclear power (components for nuclear power plants), environmental response systems, and pharmaceutical plants.

[Major Subsidiaries and Affiliates]

IHI Plant Engineering Corporation, IHI Plant Construction Co., Ltd., Kanamachi Purification Plant Energy Service Co., Ltd., Kotobuki Iron Works Co., Ltd., Niigata Power Systems Co., Ltd., NICO Precision Co., Inc., Aomori Plant Co., Ltd., IHI Enviro Corporation, Diesel United, Ltd., JURONG ENGINEERING LIMITED and its 21 subsidiaries, ISHI POWER SDN. BHD., PT Cilegon Fabricators, NIIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD., IHI E&C International Corporation and its two subsidiaries, IHI POWER SYSTEM MALAYSIA SDN.BHD., Steinmüller Engineering GmbH, IHI Southwest Technologies, Inc. and its one subsidiary, IHI Power System (Thailand) Co., Ltd., and other one company. (Note (i))

#### (Social Infrastructure and Offshore Facility)

Activities within this business include manufacturing, sales, and provision of services relating to bridges/water gates, shield systems, transport systems, concrete construction materials, urban development (real estate sales and rental), and F-LNG (floating-LNG storage facilities, offshore structures).

[Major Subsidiaries and Affiliates]

IHI Infrastructure Systems Co., Ltd., IHI Construction Service Co., Ltd., IHI CONSTRUCTION MATERIALS Co., Ltd., Japan Tunnel Systems Corporation, Chiba Warehouse Co., Ltd., San-Etsu Co., Ltd., Niigata Transys Co., Ltd., Livecon Engineering Co.,Ltd, JIM Technology Corporation, IHI INFRASTRUCTURE ASIA CO., LTD., and IHI California Inc. I&H Engineering Co.,Ltd. (Note (ii)), Terratec Limited and other three companies. (Note (iii))

#### (Industrial System and General-Purpose Machinery)

Activities within this business include manufacturing, sales, and provision of services relating to logistics/industrial system (logistics system, industrial machinery), transport machineries, parking, thermal and surface treatment, vehicular turbochargers, rotating machineries(compressor, separation system, turbocharger for ships), agricultural machineries/small power systems, steel manufacturing equipment, and paper-making machineries

[Major Subsidiaries and Affiliates]

IHI Transport Machinery Co., Ltd., IHI Fuso Engineering Co., Ltd., Nishi-nihon Sekkei Engineering Co., Ltd., IHI Machinery and Furnace Co., Ltd., Voith IHI Paper Technology Co., Ltd., IHI Logistics & Machinery Corporation, CENTRAL CONVEYOR COMPANY, LTD., IHI Rotating Machinery Engineering Co., Ltd., IHI Turbo Co., Ltd., IHI Technical Training Institution, IHI Agri-Tech Corporation, Clover Turbo Co., Ltd., IHI PACKAGED BOILER CO., LTD., IHI Hauzer Techno Coating B.V. and its five subsidiaries (Note (iv)), IHI Press Technology America, Inc., IUK (HK) LIMITED, Indigo TopCo Ltd. and its 23 subsidiaries (Note (v)), IHI Charging Systems International GmbH and its two subsidiaries, IHI-Sullair Compression Technology (Suzhou) Co., Ltd., Changchun FAWER-IHI Turbo Co., Ltd., IHI Turbo America Co., IHI TURBO (THAILAND) CO., LTD., Wuxi IHI Turbo Co., Ltd., Shanghai Star Modern Agriculture Equipment Co., Ltd. IHI VTN GmbH and its three subsidiaries, IHI Transport Machinery Taiwan Corporation, and Jiangsu IHI Fengdong Vacuum Technology Co., Ltd., IHI DALGAKIRAN MAKİNA SANAYİ VE TİCARET A.Ş. (Note (vi)) (Note (vii))

#### (Aero Engine, Space and Defense)

Activities within this business include manufacturing, sales, and provision of services relating to aero engines, rocket systems/space utilization systems (space-related equipment), and defense systems.

[Major Subsidiaries and Affiliates]

IHI AEROSPACE CO., LTD., IHI AEROSPACE ENGINEERING CO., LTD., IHI Aero Manufacturing Co., Ltd.,

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IHI CASTINGS CO., LTD., IHI Jet Service Co., Ltd., IHI MASTER METAL Co., Ltd., INC Engineering Co., Ltd., IHI-ICR, LLC., IHI Aero Engines US Co., Ltd., and IHI Investment for Aero Engine Leasing LLC.

(Others)

Activities within these businesses include manufacturing, sales, and provision of services relating to communication, electronic, electric measuring, information processing machines and other instruments and equipment, in addition to offering other services.

[Major Subsidiaries and Affiliates]

IHI Scube Co., Ltd., IHI Trading, Inc., IHI Business Support Corporation, MEISEI ELECTRIC CO., LTD. and its one subsidiary, IHI Inspection & Instrumentation Co., Ltd., Takashima Giken Co., LTD., Toyosu Energy Service Co., Ltd., Soma I Grid Limited Liability Company(Note (viii))

IHI do Brasil Representações Ltda., IHI ENGINEERING AUSTRALIA PTY. LTD., IHI Europe Ltd., IHI INC.,

IHI Power Generation Corporation and its 6 subsidiaries, IHI (Shanghai) Management Co., Ltd., IHI ASIA PACIFIC PTE. LTD. and IHI ASIA PACIFIC(Thailand)CO.,LTD.

- Notes: (i) TOSHIBA IHI Power Systems Corporation(Resources, Energy and Environment), was excluded from the scope of consolidation because its liquidation was completed.
- (ii) Newly included in the scope of consolidation to reflect increasing importance within the IHI Group.
- (iii) Newly included in the scope of consolidation due to acquisition by JIM Technology Corporation.
- (iv) Of the subsidiaries of IHI Hauzer Techno Coating B.V. (Industrial System and General-Purpose Machinery), one subsidiary was newly established and is newly included in the scope of consolidation.
- (v) One subsidiary of Indigo TopCo Ltd. (Industrial System and General-Purpose Machinery) was excluded from the scope of consolidation due to the transfer of equity interests.
- (vi) Newly included in the scope of consolidation to reflect increasing importance within the IHI Group.
- (vii) ISM America Inc. (Industrial System and General-Purpose Machinery) is already proceeding with its liquidation process, and as its importance has diminished, it was excluded from the scope of consolidation.
- (viii) Newly included in the scope of consolidation to reflect increasing importance within the IHI Group.

(Translation purposes only)

[Overview of the corporate group]

The roles of IHI and its main affiliated companies within each business are as follows.

	○Production	□Sale	●Engineering	▲Installation	■Service
	IHI Corporation				
Resources, Energy & Environment	Kotobuki Iron Works Co., Ltd./ Niigata Power Systems Co., Ltd./ IHI Enviro Corporation				
	NICO Precision Co., Inc./ PT Cilegon Fabricators		IHI Plant Engineering Corporation / Aomori Plant Co., Ltd.(○) and other 1 company		
	NIIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD. (■)		IHI Plant Construction Co.,Ltd./ ISHI POWER SDN.BHD./ Steinmüller Engineering GmbH / JURONG ENGINEERING LIMITED and its 21 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. and its 1 subsidiary
	Diesel United, Ltd.(■)			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 other three companies				
	Niigata Transys Co., Ltd.(■)			Chiba Warehouse Co., Ltd./ San-Etsu Co., Ltd./ Japan Tunnel Systems Corporation	
	IHI CONSTRUCTION MATERIALS Co., Ltd.				
	Livecon Engineering Co., Ltd.(■)			IHI California Inc.	
Industrial Systems & General - Purpose Machinery	IHI Transport Machinery Co., Ltd./ IHI Machinery and Furnace Co., Ltd./ IHI Hauzer Techno Coating B.V. and its 4 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 Fuso Engineering Co., Ltd.		
	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./ Wuxi IHI Turbo Co., Ltd./ IHI Transport Machinery Taiwan Corporation(■)		Nishi-nihon Sekkei Engineering Co., Ltd.		
	IHI Press Technology America, Inc. / Indigo TopCo Ltd. and its 23 subsidiaries / IUK (HK) LIMITED / IHI Technical Training Institution / IHI VTN GmbH and its 3 subsidiaries				
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 ENGINEERING CO., LTD.		IHI - ICR, LLC./ IHI Aero Engines US Co., Ltd./ IHI Investment for Aero Engine Leasing LLC		
Others	IHI Trading, Inc./ IHI Europe Ltd./ IHI do Brasil Representações Ltda.		IHI Scube Co., Ltd./ IHI Business Support Corporation/Toyosu Energy Service Co., Ltd./ IHI Power Generation Corporation and its 6 subsidiaries		
	IHI INC.(■) / IHI (Shanghai) Management Co., Ltd.(■) / IHI ASIA PACIFIC PTE. LTD.(■)				
	IHI ENGINEERING AUSTRALIA PTY. LTD./ IHI ASIA PACIFIC (Thailand) CO., 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 IHI 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, 2019, and subsidiaries listed on the Tokyo Stock Exchange Second Section are noted with the “★” mark.

(Translation purposes only)

#### 4. Overview of affiliated companies

Name	Address	Capital (Millions of yen)	Main business	Voting rights holding [or held] (%)	Nature of relationship
(Consolidated subsidiaries)					
IHI AEROSPACE CO., LTD.	Koto-ku, Tokyo	5,000	Aero Engine, Space and Defense	100.0	Conducts manufacture, sale, and repair of space development equipment and rocket vehicles. Interlocking officers, etc.: Yes
Niigata Power Systems Co., Ltd.	Chiyoda-ku, Tokyo	3,000	Resources, Energy and Environment	100.0	Conducts manufacture and sale of internal combustion engines, gas turbine engines and marine equipment. Interlocking officers, etc.: Yes
MEISEI ELECTRIC CO., LTD. (Note 4)	Isesaki-city, Gunma	2,996	Others	51.0	Conducts manufacture and sale of communication, electronic, electric measuring, information processing machines and other instruments and equipment, in addition to construction design and construction work and other incidental services. Interlocking officers, etc.: Yes
IHI Transport Machinery Co., Ltd.	Chuo-ku, Tokyo	2,647	Industrial System and General-Purpose Machinery	100.0	Conducts design, manufacture, sale, installation, maintenance, and repair of parking systems, materials handling equipment, and transport and distribution plants. Interlocking officers, etc.: Yes
IHI Agri-Tech Corporation	Chitose-city, Hokkaido	1,111	Industrial System and General-Purpose Machinery	100.0	Conducts development, manufacture and sale of agricultural machinery, turf-grass · lawn maintenance equipment, engines, disinfecting/deodorizing equipment, forged/cast materials, and electronic control units Interlocking officers, etc.: Yes
IHI Rotating Machinery Engineering Co., Ltd.	Koto-ku, Tokyo	1,033	Industrial System and General-Purpose Machinery	100.0	Conducts design, manufacture, sale, installation, maintenance and repair of compressors, separators and superchargers for ships etc. Interlocking officers, etc.: Yes
IHI Infrastructure Systems Co., Ltd.	Sakai-city, Osaka	1,000	Social Infrastructure and Offshore Facility	100.0	Conducts design, manufacture, sale, maintenance and repair of bridges and water gates etc. Interlocking officers, etc.: Yes
Niigata Transys Co., Ltd.	Chiyoda-ku, Tokyo	1,000	Social Infrastructure and Offshore Facility	100.0	Conducts manufacture and sale of rolling stock, industrial vehicles and machines for snow removal. Interlocking officers, etc.: Yes
IHI Turbo Co., Ltd.	Koto-ku, Tokyo	1,000	Industrial System and General-Purpose Machinery	100.0	Conducts manufacture of vehicular turbochargers Interlocking officers, etc.: Yes
IHI Logistics & Machinery Corporation	Koto-ku, Tokyo	1,000	Industrial System and General-Purpose Machinery	100.0	Conducts sale, design, manufacture, procurement, construction, installation, conversion and repair related to logistics equipment, FA equipment and industrial equipment, in addition to repair and maintenance services for parts and equipment Interlocking officers, etc.: Yes
IHI Plant Construction Co., Ltd.	Koto-ku, Tokyo	500	Resources, Energy and Environment	100.0	Conducts design, manufacture, installation and repair of boiler facilities, nuclear power facilities, environmental and storage plant facilities, and industrial machinery facilities. Interlocking officers, etc.: Yes
IHI Investment for Aero Engine Leasing LLC. (Note 5)	New York, U.S.A.	Thousands of US\$ 163,267 (Note 6)	Aero Engine, Space and Defense	65.0	Conducts investment in specialist engine leasing company. Interlocking officers, etc.: Yes
IHI INC.	New York, U.S.A.	Thousands of US\$ 92,407	Others	100.0	Conducts sale and order procurement of various plant, machinery and maintenance of aircraft engine, etc. (regional headquarters) Interlocking officers, etc.: Yes
IHI Power Generation Corporation	New York, U.S.A.	Thousands of US\$ 38,250	Others	100.0 (100.0)	Conducts investment in biomass power generation business, etc. The indirectly owned portion is held by IHI INC. Interlocking officers, etc.: Yes

(Translation purposes only)

Name	Address	Capital (Millions of yen)	Main business	Voting rights holding [or held] (%)	Nature of relationship
JURONG ENGINEERING LIMITED	Singapore	Thousands of SGD 51,788	Resources, Energy and Environment	95.6 (15.0)	Conducts installation of various types of plants and facilities/equipment, engineering and consulting of architectural work and civil engineering and plants. The indirectly owned portion is held by IHI Plant Construction Co., Ltd. Interlocking officers, etc.: Yes
IHI INFRASTRUCTURE ASIA CO., LTD.	Haiphong, Vietnam	Millions of VND 542,638	Social Infrastructure and Offshore Facility	100.0	Conducts manufacture, installation, and maintenance of steel structures and concrete structures, and manufacture and installation of construction and industrial machinery. Interlocking officers, etc.: Yes
IHI E&C International Corporation	Texas, U.S.A.	Thousands of US\$ 21,257	Resources, Energy and Environment	100.0 (100.0)	Conducts FS (feasibility study)/FEED (front end engineering design) and EPC (engineering, procurement and construction) business in oil and gas field. The indirectly owned portion is held by IHI INC. Interlocking officers, etc.: Yes
Changchun FAWER-IHI Turbo Co., Ltd.	Jilin, China	Thousands of RMB 158,300	Industrial System and General-Purpose Machinery	57.2 (7.8)	Conducts manufacture and sale of vehicular turbochargers. The indirectly owned portion is held by IHI Turbo Co., Ltd. Interlocking officers, etc.: Yes
IHI Charging Systems International GmbH	Heidelberg, Germany	Thousands of EUR 15,000	Industrial System and General-Purpose Machinery	100.0	Conducts design, development, manufacture and sale of vehicular turbochargers. Interlocking officers, etc.: Yes
IHI Turbo America Co.	Illinois, U.S.A.	Thousands of US\$ 7,700	Industrial System and General-Purpose Machinery	100.0	Conducts manufacture and sale of vehicular turbochargers. Interlocking officers, etc.: Yes
IHI ASIA PACIFIC PTE. LTD.	Singapore	Thousands of SGD 22,459	Others	100.0	Conducts order procurement, business support, purchase and sale agent (regional headquarters). Interlocking officers, etc.: Yes
I&H Engineering Co.,Ltd.	Yangon Myanmar	Thousands of US\$ 12,238	Social Infrastructure and Offshore Facility	60.0 (60.0)	Conducts design, engineering, manufacture, construction services of concrete products. The indirectly owned portion is held by IHI ASIA PACIFIC PTE. LTD. Interlocking officers, etc.: Yes
Wuxi IHI Turbo Co., Ltd.	Jiangsu, China	Thousands of US\$ 11,800	Industrial System and General-Purpose Machinery	100.0	Conducts manufacture and sale of vehicular turbochargers. Interlocking officers, etc.: Yes
IHI DALGAKIRAN MAKİNA SANAYİ VE TİCARET A.Ş.	KOCAELİ Turkey	Thousands of TRY 33,155	Industrial System and General-Purpose Machinery	51.0 (51.0)	Conducts development, design, manufacture, sales and service of general-purpose turbo compressors. The indirectly owned portion is held by IHI Rotating Machinery Engineering Co., Ltd. Interlocking officers, etc.: Yes
IHI Transport Machinery Taiwan Corporation	Taipei, Taiwan	Thousands of TWD 250,000	Industrial System and General-Purpose Machinery	100.0 (100.0)	Conducts manufacture, sale, and maintenance of large-scale transport machineries. The indirectly owned portion is held by IHI Transport Machinery Co., Ltd. Interlocking officers, etc.: Yes
IHI TURBO (THAILAND) CO., LTD.	Chonburi, Thailand	Thousands of THB 260,000	Industrial System and General-Purpose Machinery	90.0 (10.0)	Conducts manufacture and sale of vehicular turbochargers. The indirectly owned portion is held by IHI Turbo Co., Ltd. Interlocking officers, etc.: Yes
IHI-Sullair Compression Technology (Suzhou) Co., Ltd.	Jiangsu, China	Thousands of RMB 55,465	Industrial System and General-Purpose Machinery	51.0 (51.0)	Conducts manufacture, sale and service of general-purpose turbo compressors. The indirectly owned portion is held by IHI Rotating Machinery Engineering Co., Ltd. Interlocking officers, etc.: Yes
IHI Southwest Technologies, Inc.	Texas, U.S.A.	Thousands of US\$ 5,800	Resources, Energy and Environment	100.0 (6.7)	Conducts nondestructive testing services for nuclear power plants, petrochemical plants, and thermal power plants, etc. The indirectly owned portion is held by IHI Inspection & Instrumentation Co., Ltd. Interlocking officers, etc.: Yes
IHI Europe Ltd.	London, U.K.	Thousands of STG 2,500	Others	100.0	Conducts sale and mediation of various types of plants, machineries, ships/vessels and aero engines. Interlocking officers, etc.: Yes

(Translation purposes only)

Name	Address	Capital (Millions of yen)	Main business	Voting rights holding [or held] (%)	Nature of relationship
Jiangsu IHI Fengdong Vacuum Technology Co., Ltd	Jiangsu, China	Thousands of RMB 30,000	Industrial System and General-Purpose Machinery	50.0 (50.0)	Conducts design, manufacture, sale, and after-sales support of vacuum heat treatment furnace The indirectly owned portion is held by IHI Machinery and Furnace Co.,Ltd. Interlocking officers, etc.: Yes
IHI (Shanghai) Management Co., Ltd.	Shanghai, China	Thousands of US\$ 2,100	Others	100.0	Conducts sale, order procurement and purchase of various industrial equipment, technical support including maintenance and engineering, provision of shared services (regional headquarters). Interlocking officers, etc.: Yes
IHI Aero Engines US Co., Ltd.	New York, U.S.A.	Thousands of US\$ 0	Aero Engine, Space and Defense	100.0	Conducts investment in civil aero engines program. Interlocking officers, etc.: Yes
Other 121 companies					
Total of 153 companies					
(Entities accounted for using equity method)					
Japan Marine United Corporation	Yokohama - city, Kanagawa	25,000	Others	45.9	Conducts design, manufacture, and sale of ships/vessels, warships, offshore and floating structures, etc. Interlocking officers, etc.: Yes
PW1100G-JM Engine Leasing,LLC (Note 7)	Connecticut U.S.A	Thousands of US\$ 0	Aero Engine, Space and Defense	—	Conducts lease business of PW1100G-JM engine. Interlocking officers, etc.: No
GE Passport, LLC	Ohio, U.S.A.	Thousands of US\$ 472,262 (Note 6)	Aero Engine, Space and Defense	30.0 (30.0)	Conducts manufacture and sale of the GE Passport20 engine, and provides maintenance, parts supply and other services. The indirectly owned portion is held by IHI Aero Engines US Co., Ltd. Interlocking officers, etc.: Yes
Other 25 companies					
Total of 28 companies					

- Notes:
1. The segment names are shown in the main business column.
  2. The figures in parentheses in the voting rights holding column indicate indirectly owned portions included in the figures outside the parentheses.
  3. The monetary amounts of capital less than one unit are rounded down, and ratios of voting rights holding less than one unit are rounded off.
  4. This company files Annual Securities Report.
  5. This company is classified as a specified subsidiary.
  6. This company has changed the amount of its capital.
  7. Although the ownership of voting rights is less than 20%, it has been an equity-method affiliate because IHI has substantial influence on it.

(Translation purposes only)

## 5. Information about employees

### (1) Information about the IHI Group

As of March 31, 2019

Segment name	Number of employees (Persons)
Resources, Energy and Environment	6,467
Social Infrastructure and Offshore Facility	2,359
Industrial System and General-Purpose Machinery	10,220
Aero Engine, Space and Defense	6,660
Reportable segment total	25,706
Others	2,619
Corporate (company-wide)	961
Total	29,286

Note: The number of employees is the number of persons actually at work (excludes persons seconded from the IHI Group to companies outside the IHI Group, and includes persons seconded from outside the IHI Group to companies within the IHI Group). The average number of temporary employees is not shown due to the fact that the number of temporary employees is less than 10% the number of employees.

### (2) Information about reporting company

As of March 31, 2019

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
8,011	39.9	14.9	7,627,119

Segment name	Number of employees (Persons)
Resources, Energy and Environment	2,155
Social Infrastructure and Offshore Facility	81
Industrial System and General-Purpose Machinery	616
Aero Engine, Space and Defense	4,198
Reportable segment total	7,050
Others	—
Corporate (company-wide)	961
Total	8,011

- Notes:
1. The number of employees is the number of persons actually at work (excludes persons seconded from IHI to companies outside IHI, and includes persons seconded from companies outside IHI to IHI). The average number of temporary employees is not shown due to the fact that the number of temporary employees is less than 10% the number of employees.
  2. Average annual salary includes bonuses and extra wages.

(Translation purposes only)

(3) Relationship with labor unions

IHI's labor union is called the IHI Labor Union, which forms the IHI Labor Union Federation with the labor unions of seven consolidated subsidiaries. The labor unions have their branches in nine regions in Japan. The IHI Labor Union Federation is a member of the Japanese Trade Union Confederation through its umbrella organization, the Japan Federation of Basic Industry Worker's Unions.

As of March 31, 2019, there were 10,154 members (7,564 members of the IHI Labor Unions (including seconded employees to other companies) and 2,590 members of the labor unions of 7 consolidated subsidiaries) in the IHI Labor Union Federation. IHI has concluded a labor agreement with the labor unions based on a relationship of trust rooted in mutual understanding. In addition to this labor agreement, there is a Health and Safety Committee, a Management Council, and a Production Council, where both sides engage in frank discussions, thereby improving the workplace environment and establishing stable labor-management relations.

There are labor unions at 10 of the 49 domestic consolidated subsidiaries (4,863 members, excluding the seven consolidated subsidiaries which belong to the IHI Labor Union Federation discussed above) and 7 non-consolidated subsidiaries (589 members), and its umbrella organization is the Japan Federation of Basic Industry Worker's Unions.

In addition, the IHI Group Labor Union Federation (15,606 members) is made up of 17 labor unions by the IHI Labor Union and each of the consolidated subsidiaries' labor unions.



## II. Overview of business

### 1. Management Policies, Business environment and Issues to be addressed

#### (1) IHI's basic policy for management

The IHI Group positions being a good corporate citizen who develops together with society as our primary objective. And, through the below visions based on our management philosophies of "Contribute to the development of society through technology" and "Human resources are our single most valuable asset," the IHI Group aims to be the global enterprise group which solves the various environmental, energy, industrial and social infrastructure problems of the 21st century, through using engineering expertise to focus on "Monozukuri" technology, and offering the safety and security for the benefit of both the environment and humanity.

To realize these management policies, IHI Group employees are being encouraged to work as distinguished professionals, striving to excel as a global company in "Monozukuri" and engineering technologies with world-renowned product quality. And the IHI Group will aim to become a trusted corporate group by increasing profitability through the provision of more advanced products and services that contribute to the development of society, realizing a level of capital efficiency and shareholders' returns expected by the capital markets and creating sustainable corporate value.

#### (2) Business environment and Issues to be addressed

The IHI Group formulated a three-year medium-term management plan "Group Management Policies 2019" whose first fiscal year was the fiscal year 2019, and announced it in May 2019.

##### i. Review of "Group Management Policies 2016"

In "Group Management Policies 2016," the IHI Group set a theme of "strengthening earnings foundations" and propelled three initiatives: "pursuing concentration and selection through new portfolio management approaches," "bolstering profitability by strengthening project implementation structure" and "transform business model by employing shared Group functions." Although the management targets of "Group Management Policies 2016" (operating margin of 7%, ROIC of 10% and a D/E ratio of 0.7 times or less) were not achieved due to factors including worse than expected market conditions, ongoing downturns in certain projects, and foreign exchange fluctuations, earnings foundations were steadily improved through methods such as comprehensive risk management and the timely allocation of resources to priority and highly profitable businesses through concentration and selection undertaken following the introduction of the business area structure.

##### ii. Changes to the social environment around the IHI Group

The social environment around the IHI Group is changing rapidly. While dramatic technological innovation, such as IoT, ICT, AI, and the like, and the spread of digitalization are acting as driving forces that are accelerating change throughout the world, social issues, including environmental issues such as climate change on a global scale, large-scale natural disasters, global population increase, and resource depletion, are escalating. As these social issues become increasingly severe, movement with a long-term outlook, such as the implementation of the Paris Agreement and the adoption of Sustainable Development Goals (SDGs) at a UN summit, demonstrates a shared future vision of a sustainable society, and all of society is accelerating its efforts to realize this.

##### iii. Long-term approach under "Group Management Policies 2019"

In response to these changes in the environment and social issues, in the long term the IHI Group needs to aim 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 order to realize this target, the IHI Group will further evolve and develop the three initiatives it has been advancing under "Group Management Policies 2016" and accelerate initiatives that contribute to solving issues faced by customers and enhancing value. The IHI Group firmly believes that pursuing these initiatives will lead to the realization of the social contributions the IHI Group is aiming to make with customers, will raise the IHI Group's corporate value, and will achieve sustainable growth for society, customers, and the IHI Group alike.

##### iv. Initiatives under three years of "Group Management Policies 2019"

In order to realize the long-term approach, the theme of "Group Management Policies 2019" has been set as "reform businesses in earnest to tackle social and customer issues."

The three years of "Group Management Policies 2019" are being positioned as a period for responding to environmental change and demands of society by flexibly and accurately reorganizing businesses in keeping with the earnings foundations put in place under "Group Management Policies 2016," building new value for society and customers, and accelerating reform into a company that can enhance its own value in earnest. And the IHI Group will undertake initiatives to reform centering the following three pillars over the three years of "Group Management Policies 2019."

- Accelerate aftermarket business development with customers from lifecycle perspectives

From a perspective of the overall lifecycle of business activities, the IHI Group will strengthen business foundations by further

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pursuing and evolving the strengths it has cultivated by supplying hardware and steadily accelerating development of aftermarket business that fully takes into account customer operations.

- Create a lean and flexible operational structure

The IHI Group will build a robust operating structure by earnestly carrying out the optimal allocation of resources into priority areas, such as business model transformation aimed at developing aftermarket business and creating value.

- Transform our business model to create value

The IHI Group will accelerate the promotion of business model transformation as preparations for tomorrow with the aim of creating value that contributes to the long-term approach of realizing a sustainable society.

The most robust foundation in order to steadily implement these three initiatives and realize reform should be “safety and quality” and “risk management.” “Safety and quality” will continue to be thoroughly implemented to ensure it remains an unchangeable top priority and “risk management” will continue to be thoroughly implemented to guarantee profitability and business stability.

Additionally, investment in developing human resources will be made in an appropriate and timely manner to promote the cultivation of human resources as change drivers in order to respond flexibly and swiftly to changes in the environment.

#### v. IHI Group business area direction

The long-term directions for each IHI Group business area along with utilizing the technology and know-how cultivated by supplying hardware, which are based on the IHI Group approach, are set out below. As part of this, each business area will be striving to create new value needed for a sustainable society by linking up its activities with the respective “Sustainable Development Goals (SDGs)” that are deeply related to the direction of that business area.

- Resource, Energy and Environment Business

The IHI Group will contribute to carbon-free and recycling societies by providing optimal integrated solutions for each region and customer.

- Social Infrastructure and Offshore Facility Business Area

The IHI Group will contribute globally and across life cycles to materialize safe and secure social infrastructures, centered on bridges and tunnels.

- Industrial System and General-Purpose Machinery Business Area

The IHI Group will contribute to industrial infrastructure progress by thoroughly optimizing operational lifecycles with customers.

- Aero Engine, Space and Defense Business Area

The IHI Group will leverage advanced technology to open new vistas for air transportation, defense systems, and space utilization, and help materialize social affluence and safety.

#### vi. Management targets

The target for 10 years hence is to “generate ¥2 trillion in net sales and an operating margin that consistently exceeds 10%,” and to realize this, the following management targets have been set for FY2021. In order to further enhance return on invested capital (ROIC), the IHI Group are aiming at further improvement of profitability (consolidated operating margin) and cash generation capabilities (CCC).

Financial targets	FY2021
ROIC(After-tax)	10% or more
Consolidated operating margin	8%
CCC	80 days

(Note) The calculation method for each indicator is shown below.

- ROIC:  $(1 - \text{“Effective statutory tax rate”}) \times (\text{“Operating profit”} + \text{“Interest income”} + \text{“Dividend income”}) \div (\text{“Total shareholders’ equity”} + \text{“Total accumulated other comprehensive income”} + \text{Amount of interest-bearing liabilities})$
- CCC:  $(\text{“Notes and accounts receivable – trade”} + \text{“Inventories”} - \text{“Notes and account payable – trade”}) \div \text{“Net sales”} \times 365 \text{ days}$

(Reference) Net sales: ¥1,500 billion, Investments over three years: ¥420 billion

Note that forward looking statements are based on the Group’s judgments as of the end of the current fiscal year (March 31, 2019).

## 2. Business risks

With regard to matters included in the “Overview of business,” “Information about facilities,” and “Financial information” sections of this Annual Securities Report, the items below are some of the main risks that could potentially impact on the operating results, share price, or financial position of the IHI Group. Note that forward-looking statements are based on the Group’s judgments as of the end of the current fiscal year (March 31, 2019). In light of the risks described below, the Group has put in place the necessary risk management system, making every possible effort to avoid the occurrence of risks and to minimize the impact when risks do occur.

During the months March to April 2019, IHI announced that inadequate inspections had been carried out in its civil aero engine maintenance business, and it received administrative disposition from the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism pursuant to the respective laws under their jurisdiction. In May 2019, IHI submitted improvement measures in response to the business improvement orders it received from the Ministry of Land, Infrastructure, Transport and Tourism. In relation to the matter, IHI issued a voluntary recall on some delivered items from the perspective of long-term continual use, and has otherwise been working to regain trust by thoroughly implementing recurrence prevention measures in response to recommendations from external experts that include: (i) re-emphasizing safety awareness and compliance education, (ii) sweeping revisions to the safety management system, (iii) revisions to the work implementation system.

### (1) Competitive environment and business strategy

In the global economy going forward, although the slowdown in Chinese business conditions is expected to continue, it seems likely that the tone of moderate recovery will continue, centered on steady economic growth in the U.S. However, as global economic downward risks mainly in China are increasing from intensification of trade friction, plenty of awareness needs to be paid regarding outlook. Also, attention is continuously required to factors including heightened geopolitical risks at the global level.

Under this business environment, the IHI Group is taking steps to concentrate and select its businesses and to focus its investment of management resources, as well as to expedite the establishment of global business operations. However, risks include continuation of the domestic market’s intensely competitive environment, a slowdown in the global economy’s growth, or sudden changes in the competitive environment as a result of industry consolidation. If such risks materialize, and the Group’s products and services become unable to have adequate competitive advantages compared with competitors in terms of performance, quality, or price, the Group’s operating results and financial position could be adversely affected.

In addition, under the continuous severe market condition in the shipbuilding business, IHI’s equity method affiliate Japan Marine United Corporation (JMU) are keeping on undertaking concrete initiatives such as improvement of profitability mainly by cost reduction through streamlining of design works, standardization of manufacturing, unification of specification, etc., prevention of downturn due to foreign exchange risk reduction and operational structure review of its business location. For the time being, since a recovery in the shipbuilding market cannot be expected, the IHI Group will provide support so that JMU can accelerate its efforts for structural reform.

### (2) Partnerships, M&A, and business integration

The IHI Group conducts joint business activities with numerous other companies in the form of joint ventures and cooperation in marketing, technology, and production. The Group also makes effective use of M&A in order to expedite business expansion into growth markets, supplement its underlying technologies, and generate synergies, among other purposes. However, such activities may not deliver the benefits originally expected due to changes in the economic environment, legal regulations, unforeseen cost increases, or other factors. Moreover, if the Group judges that the benefits originally expected cannot be obtained, it may decide to suspend or terminate business integration based on a partnership with another company. The Group’s operating results and financial position could be adversely affected as a result.

### (3) Country risk

The IHI Group conducts its activities including procurement, production, export, sales, and construction on a global basis, including in the Americas, Europe, and the Asia Pacific region. Each country and region presents country risks that include political or economic turmoil and a resulting freeze on currency exchange transactions, or debt defaults, or seizure of investment assets, and also the occurrence of unforeseen acts of terrorism or labor disputes. Moreover, the continuation of business activities or the operation of business sites could become difficult as a result of political instability, defaults, or other factors. The Group endeavors to ensure that it is fully covered by trade insurance, and strives to gather information regarding country risks and to raise awareness among Group employees. However, if such risks materialize, the Group’s operating results and financial position could be adversely affected.

(Translation purposes only)

(4) Procurement of materials

Whilst the IHI Group endeavors to manufacture key components within the Group, it also takes delivery of raw materials, components, and services from multiple external suppliers. The Group strives to ensure reliable procurement by working to constantly gather information on market trends for its key raw materials and components. In addition, the Group takes steps to reduce risk, such as rigorously monitoring suppliers' product quality and delivery dates, and diversifying procurement sources to avoid excessive concentration or dependency on particular suppliers. However, if supply shortages or other problems occur as a result of factors such as sudden changes in the prices for crude oil or material and equipment, or in the demand and supply balance of special steel and others, as well as in the international situation, they may cause problems including increased costs, quality control issues, or delayed deliveries. These problems could lead to deterioration in the Group's operating results.

(5) Loan guarantees

The IHI Group issues guarantees and takes other appropriate measures with regard to loans it has confirmed as necessary and rational in order to conduct its business activities. However, if the debtor's financial position deteriorates as a result of a prolonged downturn in the economic environment or a business failure, the creditors may demand that the Group fulfill these guarantees. Information regarding loan guarantees and related measures is included in Notes of "consolidated balance sheets" under "Financial information" in this Annual Securities Report.

(6) Order contracts

The IHI Group often manufactures its products after executing individual order contracts with its customers, and for construction work involving large contract amounts, the Group conducts internal reviews from multiple perspectives before executing contracts. However, such factors as unanticipated changes in the economic environment, inadequate prior investigation, unexpected complications, or a business downturn at a joint venture partner or other partner may cause construction work that exceeds the original estimate, payment of penalties if the Group is unable to achieve the level of performance or delivery date required by the customer, or additional costs or other financial liabilities, leading to deterioration in the Group's operating results. In addition, the Group makes every possible effort to avoid risks associated with cancellation of an order contract at the request of a customer, including insertion of a penalty clause in the terms of its order contracts, but it may not always be possible to fully recover costs disbursed.

In the IHI Group's process plant project underway in North America, additional expenses were recorded owing to factors such as defects in construction and installation work leading to process delays, which in turn increased the number of employees involved in commissioning. The Group will continue to carry out detailed progress management by strengthening project implementation structure in order to prevent the occurrence of further additional expenses. Information regarding the payment of penalties for delayed delivery is included in Notes of "consolidated balance sheets" under "Financial information" in this Annual Securities Report.

(7) Technology license contracts

The IHI Group handles a broad range of equipment types and technological fields both in Japan and overseas, and it therefore often executes contracts relating to technology licensing out to or in from other companies. Before executing such contracts, the Group endeavors to conduct full internal reviews to check whether any of the contract terms are disadvantageous, or impossible to perform, as well as to ensure that no necessary terms have been omitted, among other matters. However, inadequate prior investigation, inadequate understanding of the contract terms, or other omissions may result in the Group incurring liability for guarantees, compensation, or penalties beyond the plan, or becoming subject to operational or other restrictions. Such eventualities could lead to deterioration in the Group's operating results.

(8) Production and manufacturing

As described in "2. Major facilities" under "III. Information about facilities" in this Annual Securities Report, the IHI Group owns production sites in a variety of locations. A natural disaster affecting the Group's production facilities, a power outage, an inability to obtain materials or equipment resulting in an unavoidable slowdown in production activities, or a power restriction could occur on a greater scale than anticipated in their business continuity plans. Moreover, adjustment of production capacity may not be able to keep pace if production volume were to fluctuate more suddenly than anticipated. Such eventualities could lead to deterioration in the Group's operating results.

Regarding the civil aero engine maintenance business which has been subject to voluntary suspension of operations responding to the occurrence of inadequate inspection, IHI thoroughly implement recurrence prevention measures and aims to swiftly normalize the capability of maintenance through resolving bottle neck of work process by increasing the numbers of inspectors and so on.

(Translation purposes only)

(9) Quality assurance

The IHI Group endeavors to ensure the quality of its products including preventing procurement items from incurring quality defect or other defects, and in order that customers can use them safely, the Group is taking steps to ensure the safety of both products and machinery by conducting rigorous risk assessment at the design stage and increasing its provision of warnings and information to customers. Moreover, as the Group's products are subject to restrictions under a variety of legal regulations relating to quality and safety, the Group endeavors to comply with these regulations, and also takes out product liability insurance, among other measures. However, the occurrence of a major incident or complaint, or a product defect that could require payment of product liability compensation might be expected to lead to sizable costs, as well as seriously affecting the Group's reputation within society. Such eventualities may adversely affect the Group's operating results and financial position.

Regarding the inadequate inspection occurred in the civil aero engine maintenance business, after the problem was identified, all inspection work was voluntarily suspended, and IHI has been investigating the cause and considering measures to prevent recurrence with the cooperation of external experts. Most recently, as one of the measures to prevent recurrence, IHI is re-emphasizing safety awareness and revising the safety management system and work implementation system, in the Aero Engine, Space and Defense Business Area including the field of the business concerned. The entire Group also, in order to strengthen the quality assurance systems, advances initiatives including new establishment of a quality control division which formulates and develops strategies for strengthening the quality assurance system of the Group, in addition to issuance and deployment of the "IHI Group Quality Declaration."

(10) Intellectual property

The IHI Group endeavors to appropriately safeguard its intellectual property (by obtaining patents, utility models, or rights of prior use). However, the equipment types and technological fields handled by the Group are broad-ranging, and it can sometimes prove difficult to completely prevent attempts by third parties to surpass the Group technologically by means such as imitating or analyzing the Group's products or technologies.

Moreover, the products and technologies the Group is developing for the future could potentially infringe on the intellectual property rights of other companies and organizations, or the Group could fail to handle an employee's invention appropriately, resulting in a claim for compensation or other redress being made against the Group. Such eventualities could adversely affect the Group's operating results.

(11) Research and development

Information relating to the IHI Group's research and development activities is included in "5. Research and development activities" under "II. Overview of business" and in this Annual Securities Report. Due to the nature of the Group's business, these research and development activities are characterized by the fact that they require large financial investments and long development periods. Research and development could therefore fail to lead to satisfactory outcomes because opportunities for practical application are lost, timings are inconsistent with the Group's business strategies or market trends, or for other reasons. Such eventualities could adversely affect the Group's operating results.

(12) Laws and regulations

In the course of conducting its businesses on a global basis, the IHI Group is subject to restrictions it endeavors to comply with under a variety of laws and regulations, governmental permits and licenses, and regulatory restrictions, not only in Japan, but in each country and region of operation. However, the Group could be judged to have violated such laws or regulations if, for instance, it fails to understand them adequately or is unable to respond appropriately to unforeseen legislative changes. This could result in financial losses due to fines or surcharges, or administrative disposition such as mandatory business suspension that could lead to the Group suffering loss of opportunities or consequent deterioration of its reputation within society. Such eventualities could adversely affect the Group's operating results and financial position.

Of the legal proceedings under way, there is no case recognized that has the potential to exert a significant adverse effect on the operation of the Group. However, unanticipated legal proceedings of which the Group is currently unaware could arise. If this risk materializes, the Group's operating results and financial position could be adversely affected.

Regarding the inadequate inspection occurred in the civil aero engine maintenance business, as one of the measures to prevent recurrence, IHI is re-emphasizing compliance education, in the Aero Engine, Space and Defense Business Area including the field of the business concerned.

The entire Group also, in order to strengthen the compliance system, advances initiatives including revising the operation rules of the whistleblower system and strengthening the response system, in addition to formulation and deployment of the "IHI Group Code of Conduct" that all executives and employees of the Group must comply with in their business operations.

(13) Computer systems

The IHI Group makes large financial investments in the processing of technological and administrative data. When operating,

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installing, or updating the relevant computer systems, the Group takes every possible measure to avoid system malfunctions or leakage of data outside the Group. However, circumstances such as system failure and suspension of business, or leakage of data outside the Group, could occur as a result of a variety of causes, including infection by a computer virus or hacking originating externally; failure, loss, or theft of host computers, servers, or network devices; or software defects. Such eventualities could adversely affect the Group's operating results.

(14) Health and safety

The IHI Group takes all possible measures to manage health and safety at its business offices and construction sites. However, in the unlikely event of an unexpected accident, disaster, or other incident, production activities could be impeded, leading to an adverse effect on the Group's operating results and financial position. The Group takes out a range of property and casualty insurance policies, among other measures, but if a major accident or disaster were to occur, the Group may not be able to make insurance claims to cover all its losses.

(15) Environmental conservation

Within its manufacturing process, the IHI Group has business offices, subsidiaries, and other entities using substances that could cause adverse effects including pollution of the atmosphere, water, or soil. The Group takes the utmost care in managing these substances, and even in the unlikely event of substances leaking outside the Group's facilities, the Group has measures in place to minimize their spread. However, an unanticipated situation could arise, leading to deterioration in the Group's reputation within society, as well as liability for damages. If this risk materializes, the Group's operating results and financial position could be adversely affected.

(16) Disasters and computer system failures

Situations that could prevent the execution of business operations include the worldwide spread of an infectious disease or epidemic (a pandemic), a major disaster such as an earthquake or flood, a criminal act such as terrorism, or a computer system failure. The IHI Group has taken measures to minimize any impact even if such an event should occur by putting in place business continuity plans (BCPs) and conducting drills and other training to prepare for any emergency situation. However, a disaster or system failure on an unanticipated scale could make it impossible to execute business operations appropriately. Such eventualities could adversely affect the Group's operating results and financial position.

(17) Currency movements

Currency movements have impacts on the IHI Group's operating results. For example, when the yen appreciates against foreign currencies, the Group's income from construction work for export denominated in foreign currencies decreases in value after conversion into yen, and when the yen depreciates it leads to increases in the yen values of expenditures for overseas procurement denominated in local currencies. The Group therefore endeavors to hedge against the risk of imbalance in its position with regard to assets and liabilities denominated in foreign currencies by ensuring full use of forward exchange contracts, and marry and netting, based on a set policy. However, exchange rates may fluctuate more than anticipated, and if this risk materializes, the Group's operating results and financial position could be adversely affected.

(18) Interest rate movements

If interest rates rise, the IHI Group's interest expenses increase and its financial balance deteriorates. Moreover, the Group may be subject to less favorable financing terms when taking out loans or issuing bonds, adversely affecting its fund procurement. As a consequence, therefore, the Group's operating results and financial position could also be adversely affected.

(19) Fund procurement and credit ratings

The IHI Group's loans include syndicated loans with associated financial covenants relating to shareholders' equity and profits. If the Group were to violate these covenants as a result of deterioration in business performance or any other cause, the terms of the loan in question could be revised, or an obligation to repay the loan before the due date could arise, leading to an adverse effect on the Group's operating results and financial position.

Moreover, if a credit rating agency downgrades the Group's credit rating, the Group could be forced to execute its financing transactions under disadvantageous terms, or it could become unable to execute certain transactions, adversely affecting its fund procurement. As a consequence, therefore, the Group's operating results and financial position could also be adversely affected.

(Translation purposes only)

(20) Taxation

To calculate its deferred tax assets, the IHI Group books or reverses individual assets, including forecasts and assumptions regarding future taxable income. However, if forecasts and assumptions regarding future taxable income change and the Group judges that part or all of the deferred tax assets cannot be recovered, the Group's deferred tax assets could be decreased. The Group's operating results and financial position could be adversely affected as a result.

Furthermore, when transaction prices are determined between group companies across national borders, the IHI Group makes every effort to comply with the transfer pricing taxation system that is applicable. However, in the event that the IHI Group receives a statement from a tax authority pointing out that a transaction price is inappropriate, the penalty tax or double taxation that arises could adversely affect the Group's operating results and financial position.

(21) Management of credit exposure

The IHI Group supplies products and services to customers worldwide, and most of its sales transactions employ credit or promissory notes. With regard to these transactions, the Group as a whole endeavors to bolster its system for management of credit exposure and to ensure rigorous protection of receivables. Despite such measures, however, a key customer could fall into bankruptcy, making it impossible to recover receivables from that customer. If this risk materializes, the Group's operating results and financial position could be adversely affected.

(22) Human resource training

The IHI Group's growth prospects and internal transmission of skills are largely dependent on the ability of employees, and one of the business challenges facing the Group is how to secure employees with strong technical capabilities and skills and transmit their skills to others. However, it could prove impossible to secure or train personnel capable of playing such key roles. If this risk materializes, the Group's growth prospects, operating results, and financial position could be adversely affected.

(Translation purposes only)

### 3. Management's analysis of financial position, operating results and cash flows

(1) Overview of operating results, etc.

i. Financial position and operating results

a. Operating results

During the current fiscal year, the Japanese economy remained stable supported by increases in capital investment, robust corporate performance and improvements in situation of employment and income. In the global economy, overall moderate growth continued, with partial offset by a slowdown in business conditions in China, bolstered by steady growth in the U.S. On the other hand, 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 in the fiscal year decreased 7.0% from the previous fiscal year to ¥1,399.2 billion. Net sales decreased 6.7% from the previous fiscal year to ¥1,483.4 billion.

In terms of profit, operating profit increased by ¥10.2 billion to ¥82.4 billion. Although profitability in the Civil aero engines Business deteriorated owing to increases in the number of new-model engines sold, the issue regarding deterioration of profitability in large projects under way in North America in the Process plants Business is being brought under control on the whole. Ordinary profit, increasing by ¥44.3 billion to ¥65.7 billion, saw an expanding of profit margin gain due mainly to the positive turn in share of profit of entities accounted for using equity method and in foreign exchange gains and losses. Profit attributable to owners of parent was ¥39.8 billion, an increase of ¥31.5 billion.

Regarding the inadequate inspections occurred in the Civil aero engines Business, the Aero Engine, Space and Defense Business Area is working on prevention of recurrence centered on such measures as 1.Re-emphasizing safety awareness and compliance education, 2. Sweeping revisions to the safety management system, and 3.Revisions to the work implementation system. In addition, the whole IHI Group is also advancing of further reinforcement of compliance system, quality assurance system and risk management initiatives. Moreover, impacts of work suspension caused by this issue and compensation that can be estimated at present are recorded on cost of sales and non-operating expenses.

Also effective from the previous fiscal year, the closing date of the fiscal year of certain overseas consolidated subsidiaries has been changed from December 31 to March 31. As a result, those consolidated subsidiaries had a 15-month accounting period in the previous fiscal year. The effect of these changes was an increase of ¥57.9 billion in net sales and an increase of ¥1.4 billion in operating profit.

Results by reportable segment for the current fiscal year are as follows:

(Billions of yen)

Reportable segment	Orders received			Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019		Changes from the previous fiscal year (%)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Changes from the previous fiscal year (%)	Sales	Operating profit (loss)	Sales	Operating profit (loss)	Sales	Operating profit (loss)
Resources, Energy and Environment	378.0	285.5	(24.5)	490.4	(14.8)	377.0	3.3	(23.1)	–
Social Infrastructure and Offshore Facility	163.9	124.4	(24.1)	154.5	13.9	143.1	14.2	(7.4)	2.2
Industrial System and General-Purpose Machinery	474.0	458.9	(3.2)	459.0	18.9	441.0	23.1	(3.9)	22.3
Aero Engine, Space and Defense	463.8	494.3	6.6	463.7	60.1	492.2	46.4	6.1	(22.8)
Total Reportable Segment	1,479.9	1,363.2	(7.9)	1,567.7	78.1	1,453.5	87.1	(7.3)	11.5
Others	74.1	81.4	9.8	73.5	2.7	79.3	2.3	7.9	(13.9)
Adjustments	(49.0)	(45.4)	–	(50.9)	(8.6)	(49.4)	(7.0)	–	–
Total	1,505.0	1,399.2	(7.0)	1,590.3	72.2	1,483.4	82.4	(6.7)	14.1

<Resources, Energy and Environment>



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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, moves to deal with climate change have begun to accelerate. Accordingly, it has been required to respond flexibly to such issues faced by societies and customers that are diversified by each region and by each stage of development.

From this trend of the shift to carbon-free societies, the uncertainty of outlook toward large-scale new construction projects such as in the Boilers Business is increasing and the shift to the distributed energy such as renewable energy including solar energy is accelerating. Also currently, the intensively competitive environment continues despite such certain demands are expected as for renovation on existing equipment providing high efficiency for stable energy supply, and for gas related equipment (storage facilities and gas power generation equipment) along with the gas shift.

Under this business environment, orders received decreased owing to a reverse effect of receiving large-scale projects in the Boilers Business and the Power systems plants for land use Business in the previous fiscal year.

Net sales decreased owing to a pull back from the progress of large-scale projects in the Process plants Business in the previous fiscal year, in addition to the effect of the financial reporting periods unification (hereinafter "FRPU") in the previous fiscal year. Operating profit increased mainly because the issue regarding deterioration of profitability in the Process plants Business in the previous fiscal year is being brought under control on the whole and a decrease in selling, general and administrative expenses.

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

#### <Social Infrastructure and Offshore Facility>

While infrastructure development in accordance with economic expansion is vigorous in developing countries, the progressive deterioration of infrastructure in developed countries also requires a response. In addition, in order to prepare the way for sustainable cities and enriched lifestyles, there are demands to build robust social infrastructure systems that deal with intensifying climate change and natural disasters.

In the current domestic market, though new construction projects of roads and tunnels etc. in the Bridges/water gates Business will decrease, growth of demands is expected for refreshment and renovation or maintenance to deal with aging of bridges. In the Shield systems Business and the Concrete construction materials Business, demands for large-scale projects are expected due to orders including the Chuo Shinkansen using the superconducting maglev. Also in the global market, the expansion of demands is expected along with intensifying infrastructure investment mainly in Southeast Asia.

Under this business environment, orders received decreased owing to a reverse effect of receiving large-scale overseas project in the Bridges/water gates Business in the previous fiscal year.

Net sales decreased in the F-LNG/Offshore structures Business and the Shield systems Business, while increased in the Bridges/water gates Business.

Operating profit increased in the Bridges/water gates Business, while decreased in the F-LNG/Offshore structures Business and the Shield systems Business.

In this business area, the IHI Group will pivot around bridges and tunnels, moving from a business dominated by infrastructure construction to develop and expand a life-cycle business that includes planning, operations maintenance and conservation. In addition, the Group will take initiatives to provide social infrastructure systems that contribute to the realization of an optimal future urban environment.

#### <Industrial System and General-Purpose Machinery>

Due to developments in various automation caused by the extension of the world-wide digital technologies, the current capital investment remains steady. Also in automotive industry, the market is on a steady trend with the world-wide pursuit of fuel consumption efficiency as a backdrop.

On the other hand, changes in the business environment for the industrial machineries and logistics industries are being accelerated by such factors as responses to automation and electric motorization etc., initiatives for environmental load reduction, and progress in digital transformation. Also, there is the emergence at customers of issues such as cutting lead times, labor shortages, and deterioration in know-how and technical ability, and swift and appropriate responses to these problems are required.

Under this business environment, orders received decreased due to the effect of FRPU in the previous fiscal year. Without the effect, the orders received increased in the Transport machineries Business and so on.

Net sales decreased due to the effect of FRPU in the previous fiscal year. Without the effect, the net sales increased in the Parking Business and the Rotating machineries Business.

Operating profit increased due to the above-mentioned increases in sales and the improvement of profitability in the Thermal and surface treatment Business, despite the effect of FRPU in the previous fiscal year.

In this business area, as well as resolving various societal issues that arise from the inefficiencies by maximizing the efficiency of "people," "energy," and "assets" of the society and customers, we will contribute to the development of sophisticated industrial infrastructure by pursuing, together with the customers, optimized operations throughout the life cycle.

#### <Aero Engine, Space and Defense>

In the context of the acceleration in the efficient use of resources and energy, which is aimed at reducing environmental load, flexible responses to improvement of the safety and reliability of aero transportation and to climate change etc. are required, with the aim of realizing safe, secure and comfortable lifestyles.

In the Civil aero engines Business, the aviation demand growth keeps on steady and expectation toward new type aero engines with high efficiency and fuel economy is rising up. Also according to an increase in the number of aircrafts under operation, stable growth of aftermarket is expected.

Under this business environment, orders received increased in the Civil aero engines Business and the Rocket Systems and Space

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Exploration Business.

Net sales increased in the Civil aero engines Business.

Operating profit decreased in the Civil aero engines Business due mainly to the effect of handover increase in the new PW1100G engine, despite the decrease of the cost of dealing with defects on the new engine.

In this business area, the IHI Group, mainly in the Civil aero engines Business where inadequate practices occurred, is reorganizing robust quality assurance systems by means of thorough implementation of recurrence preventive measures. Moreover, through providing aero engines which enable safe, environment-friendly and economical aero transportation and propelling the space development business in accordance with the needs of society, in order to contribute to realize the society where both the conservation of the global environment and the affluent, safe and secure human livings are able to coexist, the Group keeps on untiring challenges for technological innovation and work to advance our proprietary technology and Monozukuri(manufacturing) capabilities further.

Note that forward-looking statements are based on the Group's judgments as of the end of the current fiscal year (March 31, 2019).

b. Assets and liabilities, and net assets

Total assets at the end of the current fiscal year were ¥1,664.5 billion, up ¥31.0 billion from the end of the previous fiscal year. The items with the most significant increases were raw materials and supplies, up ¥21.9 billion, investment securities, up ¥18.6 billion, and other current assets including advance payments - trade, up ¥17.5 billion. The item with the most significant decrease was notes and accounts receivable - trade, down ¥22.6 billion.

Total liabilities were ¥1,282.8 billion, as almost the same level compared with the end of the previous fiscal year. The item with the most significant increase was short-term loans payable, up ¥30.2 billion. The items with the most significant decreases were advances received, down ¥20.2 billion and notes and accounts payable - trade, down ¥14.8 billion. The balance on interest-bearing liabilities, including lease obligations, was ¥355.0 billion, up ¥32.8 billion from the end of the previous fiscal year. Net assets were ¥381.6 billion, up ¥31.4 billion compared with the end of the previous fiscal year. This increase of ¥31.4 billion is composed of profit attributable to owners of parent of ¥39.8 billion and a decrease by dividends of surplus of ¥9.2 billion. As a result of the above, the ratio of equity to total assets increased from 19.9% at the end of the previous fiscal year to 21.0%.

ii. Cash flows

At the end of the current fiscal year, the outstanding balance of cash and cash equivalents (hereinafter, "cash") was ¥92.6 billion, down ¥14.7 billion from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥46.4 billion (the previous fiscal year: gain of ¥99.0 billion). This was due mainly to a decrease in notes and accounts receivable - trade and profit before income taxes, in spite of an increase in inventories, a decrease in notes and accounts payable - trade and a payment of income taxes including income taxes for prior periods.

(Cash flows from investing activities)

Net cash used in investing activities was ¥79.2 billion (the previous fiscal year: use of ¥47.9 billion). This was due mainly to purchase of property, plant and equipment and intangible assets of ¥64.1 billion and purchase of short-term and long-term investment securities of ¥18.2 billion.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥16.4 billion (the previous fiscal year: use of ¥57.3 billion). This was due mainly to an increase in short-term loans payable of ¥36.7 billion.

Note: In this section, monetary amounts less than one unit are rounded down, and ratios less than one unit are rounded off.

(Translation purposes only)

iii. Results of production, orders received and sales

a. Production

Production volume by segment for the current fiscal year is as follows:

Segment name	Amount (Millions of yen)	Year-on-year change (%)
Resources, Energy and Environment	375,400	(22.4)
Social Infrastructure and Offshore Facility	135,127	(6.8)
Industrial System and General-Purpose Machinery	441,671	(3.2)
Aero Engine, Space and Defense	426,409	(2.5)
Reportable segment total	1,378,607	(9.5)
Others	59,950	(5.2)
Total	1,438,557	(9.3)

- Notes:
1. The amounts are represented by selling prices and inter-segment transactions have been eliminated.
  2. The amounts stated above do not include consumption taxes.
  3. Monetary amounts and ratios less than one unit are rounded off.

b. Orders received

Orders received by segment for the current fiscal year are as follows:

Segment name	Orders received (Millions of yen)	Year-on-year change (%)	Order backlog at the end of the period (Millions of yen)	Change from the end of the previous fiscal year
Resources, Energy and Environment	285,587	(24.5)	523,193	(19.3)
Social Infrastructure and Offshore Facility	124,440	(24.1)	191,659	(7.0)
Industrial System and General-Purpose Machinery	458,970	(3.2)	180,340	12.0
Aero Engine, Space and Defense	494,300	6.6	562,613	5.5
Reportable segment total	1,363,297	(7.9)	1,457,805	(5.9)
Others	81,441	9.8	20,454	10.9
Adjustments	(45,496)	—	—	—
Total	1,399,242	(7.0)	1,478,259	(5.7)

- Notes:
1. Orders received in each segment includes intersegment transactions, and the total amount of intersegment transactions has been eliminated with adjustments amounts.
  2. Intersegment transactions have been eliminated in calculating order backlogs for each segment.
  3. The amounts stated above do not include consumption taxes.
  4. Monetary amounts and ratios less than one unit are rounded off.

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c. Sales

Sales revenue by segment for the current fiscal year is as follows:

Segment name	Amount (Millions of yen)	Year-on-year change (%)
Resources, Energy and Environment	377,071	(23.1)
Social Infrastructure and Offshore Facility	143,157	(7.4)
Industrial System and General-Purpose Machinery	441,082	(3.9)
Aero Engine, Space and Defense	492,246	6.1
Reportable segment total	1,453,556	(7.3)
Others	79,307	7.9
Adjustments	(49,421)	—
Total	1,483,442	(6.7)

- Notes:
1. Sales revenue amounts shown represent net sales, and do not include consumption taxes.
  2. Segment sales include intersegment transactions, and the total amount of intersegment transactions has been eliminated with the adjustments amounts.
  3. Sales revenue to key customers and the corresponding percentage of overall sales are shown below.

Counterparty	The previous fiscal year		The current fiscal year	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Japanese Aero Engines Corporation	161,258	10.1	205,100	13.8

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

(2) Management's analysis of financial position, operating results and cash flows

i. Significant accounting policies and estimates

The IHI Group's consolidated financial statements are prepared according to the accounting principles generally accepted in Japan (Japanese GAAP). When preparing its consolidated financial statements, the Group is required to make judgments and estimates that affect the amounts recorded for assets and liabilities on the consolidated balance sheet and for income and expenses on the consolidated statement of income. Among the Group's significant accounting policies, those that frequently require judgments or estimates include the recording of allowances and provisions such as the allowance for doubtful accounts and the provision for loss on construction contracts, estimate of the net defined benefit liability, as well as judgments relating to the probability of recovering the deferred tax assets. The Group uses rational methods to make its judgments and estimates, but estimates are inherently subject to uncertainties, and those uncertainties may influence the Group's operating results and financial position as recognized in future. Significant uncertainties affecting the Group are detailed under "2. Business risks" in the "II. Overview of business" section of this Annual Securities Report.

ii. Details of recognition, analysis and examination of operating results, etc.

The IHI Group's operating results and results by segment are as presented in "i. Financial position and operating results" of "(1) Overview of operating results, etc."

The IHI Group moved forward with operations geared to strengthening its earnings foundations, based on its "Group Management Policies 2016," a three-year medium-term management plan with fiscal year 2016 as the first year. In fiscal year 2018, the plan's final fiscal year, the Group did not achieve the initial management targets due to factors such as continuous deterioration in profitability of specific projects, a downturn in new construction market mainly in the Resources, Energy and Environment Business Area and foreign exchange volatility. On the other hand, the Group deems that certain results have been achieved in terms of strengthening its earnings foundations amid a trend of improvement in operating margins and ROIC mainly as a result of reinforcing risk management and advancing business concentration and selection.

On the basis of the earnings foundations developed under the "Group Management Policies 2016," the IHI Group will accelerate reform of its management structure and business model, with the aim of achieving the management targets of its "Group Management Policies 2019" (FY2021: ROIC of more than 10%, operating margin of 8%, Cash Conversion Cycle of 80 days) while reorganizing the content of its business to address changes in the business environment.

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	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	“Group Management Policies 2016” Management Targets for the fiscal year ended 31, 2019
Consolidated operating margin	1.4%	3.2%	4.5%	5.6%	7%
ROIC	2.3%	5.0%	7.7%	8.7%	10%
D/E ratio	1.12 times	1.10 times	0.92 times	0.93 times	0.7 times or less

(Note) The calculation method for each indicator is shown below.

- ROIC:  $(1 - \text{“Effective statutory tax rate”}) \times (\text{“Operating profit”} + \text{“Interest income”} + \text{“Dividend income”}) \div (\text{“Total shareholders’ equity”} + \text{“Total accumulated other comprehensive income”} + \text{Amount of interest-bearing liabilities}).$
- D/E ratio:  $\text{Amount of interest-bearing liabilities} \div \text{Total amount of net assets}$

Progress made in achieving the management targets (consolidated operating margin) on a per-segment basis and challenges going forward are described as follows.

#### <Resources, Energy and Environment>

The operating margin was 0.9%, thereby falling significantly below the 6.8% target as a result of deteriorating profitability of the process plant project underway in North America and a downturn in the new construction market that was greater than anticipated. On the other hand, the IHI Group has achieved positive outcomes such as an increase in orders for after-sales services with respect to the Boilers Business partially as a result of having flexibly reallocated in-house resources to address changes in the business environment.

In this business area, the IHI Group will focus on capturing upgrade and replacement demand in Japan and abroad, while persisting with initiatives that involve strengthening its risk management and stepping up efforts to prevent deterioration in profitability.

#### <Social Infrastructure and Offshore Facility>

The operating margin was 9.9%, thereby achieving the management target of 7.5% as a result of having fully withdrawn from the F-LNG Business, having bolstered project management and having improved profitability in bridges, shield tunneling and other businesses.

In this business area, the IHI Group will steadily develop its overseas operations while striving to provide greater added value with respect to the increasing need for maintenance work including bridges in Japan.

#### <Industrial System and General Purpose Machinery>

The operating margin was 5.2%, thereby falling below the 5.9% target despite a trend of improving financial results amid efforts to promote portfolio management according to the “Group Management Policies 2016”.

In this business area, the IHI Group will strive to expand its business operations in part by providing services that involve proposing customer-centric value and also by more swiftly entering overseas markets, while continuing to press forward with business concentration and selection.

#### <Aero Engine, Space and Defense>

The operating margin was 9.4%, thereby generally achieving the management target of 9.6% largely due to increased sales of spare parts and spare engines, along with effects of delays in handover of the new PW1100G engine, despite factors such as effects of foreign exchange fluctuations (exchange rate assumption of ¥115 to the U.S. dollar under the “Group Management Policies 2016”) and a shortfall in cost reductions due to surging prices of materials.

In this business area, the IHI Group will persist with efforts geared to steadily enhancing its competitive strengths, giving top priority to the task of addressing quality issues.

#### iii. Analysis of capital resources and funding liquidity

As described in “i. Financial position and operating results” under “(1) Overview of operating results, etc.” in this Annual Securities Report, at the end of the current fiscal year, the balance of interest-bearing liabilities, including lease obligations, was ¥355.0 billion, up ¥32.8 billion from the end of the previous fiscal year.

This is due to an increase of working capital mainly for payment for debts of the process plant project underway in North America recorded in the previous fiscal year and an increase of investment expenditure by capital investment along with ramping up production of the new PW1100G engine.

At the end of the current fiscal year, the outstanding balance of cash and cash equivalents was ¥92.6 billion. This balance, in combination with a diverse range of fund procurement methods, including credit line commitments and overdraft facilities with major banks, as well as commercial papers, means that the Group has secured sufficient liquidity.

(Translation purposes only)

Note: In this section, monetary amounts less than one unit are rounded down.

(Translation purposes only)

#### 4. Material contracts for operation

##### (1) Licensing-in contracts

Name of Contracting Company	Name of Counterparty	Country	Licensed Products	Details	Contract Period
IHI	GEAE TECHNOLOGY, INC.	U.S.A.	T700-401C, T700-701C turboshaft engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From September 26, 1989 to April 30, 2023
IHI	GEAE TECHNOLOGY, INC.	U.S.A.	F110-129 turbofan engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From September 27, 1996 to April 30, 2024
IHI	GEAE TECHNOLOGY, INC.	U.S.A.	J79 turbo jet engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From March 18, 2002 to December 31, 2022
IHI	ROLLS-ROYCE CORPORATION	U.S.A.	T56-A turboprop engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From November 7, 2008 to October 31, 2028
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, 2019
IHI	UNITED TECHNOLOGIES CORPORATION	U.S.A.	F135 turbofan engine	Non-exclusive manufacturing rights in Japan	From October 17, 2013 to September 30, 2027
Diesel United, Ltd. (Consolidated subsidiary)	MAN Diesel & Turbo France SAS	France	General-purpose medium-speed diesel engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From November 14, 1995 to December 31, 2019
Diesel United, Ltd. (Consolidated subsidiary)	Winterthur Gas & Diesel Ltd.	Switzerland	General-purpose low-speed diesel engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From January 1, 2009 to December 31, 2024
IHI AEROSPACE CO., LTD. (Consolidated subsidiary)	LOCKHEED MARTIN CORP.	U.S.A.	Multiple launch rocket system	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From January 20, 1993 to August 31, 2023
IHI Rotating Machinery Engineering Co., Ltd. (Consolidated subsidiary)	ABB TURBO SYSTEMS LTD.	Switzerland	Turbocharger	Exclusive manufacturing rights in Japan	From September 24, 1998 until date that JV ends

##### (2) Licensing-out contracts

Name of Contracting Company	Name of Counterparty	Country	Licensed Products	Details	Contract Period
IHI Agri-Tech Corporation (Consolidated subsidiary)	Perkins Shibaura Engines (Wuxi) Co., Ltd.	China	Diesel engine	Licensing of exclusive implementation rights for technologies related to licensed product	From January 1, 2009 to March 31, 2020

(Translation purposes only)

## 5. Research and development activities

The IHI Group (IHI and its consolidated subsidiaries) tirelessly pursues basic and commercialization research aimed at bolstering product competitiveness, future growth and innovation in each business segment. The business areas and relevant units of consolidated subsidiaries work closely with Corporate Research & Development. In addition, the IHI Group pursues joint research through industry-academia partnerships with Japanese and overseas universities and research institutions.

In the current fiscal year, the IHI Group spent ¥36.5 billion on R&D.

The research and development achievements of each segment, and R&D expenses, are discussed below.

### (1) Resources, Energy and Environment

Resources, Energy and Environment Business Area and Corporate Research & Development are engaged in research and development related to boilers, power systems plants for land use, process plants, nuclear power, and other fields.

The subsidiaries primarily include Niigata Power Systems Co., Ltd.

Key achievements in the current fiscal year included engaging in a full-scale solid biomass fuel business utilizing palm waste material, assessing plant status and developing predictive technology using digital twin simulation and developing the world's first ozone hydrate that can be used for sterilization and deodorization. R&D expenses in this segment totaled ¥5.6 billion.

In the current fiscal year, the Group commenced construction on an additional above-ground LNG storage tank, applying a proprietary construction method, and construction is planned to be finished early due to the construction period being greatly reduced. Furthermore, the highly efficient woody biomass combustion technology has been positively evaluated, and the Group has been receiving orders for construction to convert boilers from combusting heavy oil and crude oil to woody biomass fuel.

### (2) Social Infrastructure and Offshore Facility

Social Infrastructure and Offshore Facility Business Area and Corporate Research & Development are engaged in research and development related to bridges/water gates, transport systems and other fields.

The subsidiaries primarily include IHI Infrastructure Systems Co., Ltd., Niigata Transys Co., Ltd. and IHI Construction Service Co., Ltd.

Key achievements in the current fiscal year included attaining heightened productivity and sophisticated quality control using technology that links bridge model data with cloud computing, augmented reality (AR) devices and surveying equipment, completing the water gate inspection support system (GBRAIN<sup>TM</sup>) for streamlining the task of inspection, development and sales of a lighter and more compact damping system for long-period ground motion. R&D expenses in this segment totaled ¥0.8 billion.

In the current fiscal year, the Group engaging in ongoing research involving steel bridge construction technology tailored to various construction requirements.

### (3) Industrial System and General-Purpose Machinery

Industrial System and General-Purpose Machinery Business Area and Corporate Research & Development are engaged in research and development related to vehicular turbochargers, transport machineries, thermal and surface treatment, rotating machineries, parking, agricultural machineries and small power systems, and other fields.

The subsidiaries primarily include IHI Charging Systems International GmbH, IHI Agri-Tech Corporation, IHI Transport Machinery Co., Ltd., IHI Rotating Machinery Engineering Co., Ltd., IHI Logistics & Machinery Corporation and IHI Hauzer Techno Coating BV.

Key achievements in the current fiscal year included developing the world's first horizontal sliding crane capable of handling methods of construction that involve installing all-weather covering on structures, continuing with development of robotic logistics systems equipped with artificial intelligence (AI), developing various technologies that make it possible to provide IoT platforms which help bring about a more expansive sharing economy, developing a new sterilization method that substantially reduces volume usage of hydrogen peroxide, and developing a state-of-the-art ozone-water endoscope sterilization device with additional cleaning process functionality. Furthermore, we embarked on joint research with Keio University to gain technology necessary for developing parking facilities designed for vehicles equipped with automated driving systems amid the scenario of remarkable technological innovation being achieved in recent years. R&D expenses in this segment totaled ¥9.4 billion.

In the current fiscal year, the Group entered into a technical partnership agreement involving power unit development and supply with Honda Motor Co., Ltd. and Honda R&D Co., Ltd. for Formula 1 racing.

### (4) Aero Engine, Space and Defense

Aero Engine, Space and Defense Business Area and Corporate Research & Development are engaged in research and development of aero engines, rocket and space-utilization systems, defense systems and other fields.



(Translation purposes only)

The subsidiaries primarily include IHI AEROSPACE CO., LTD. and IHI CASTINGS CO., LTD.

Key achievements in the current fiscal year included delivering the XF9-1 jet engine prototype for use in future combat aircraft, and developing additive manufacturing technology which has been drawing attention as a next-generation manufacturing process. Furthermore, the fourth Epsilon Rocket with the additional capability of simultaneously launching multiple satellites was successfully launched, thereby demonstrating its capacity to meet extensive launch demand. R&D expenses in this segment totaled ¥10.0 billion.

(5) Others

Head office divisions and Corporate Research & Development are engaged in research and development of a new technology platform, as well as new technologies business fields. The subsidiaries primarily include IHI Inspection & Instrumentation Co., Ltd., IHI Scuba Co., Ltd., and MEISEI ELECTRIC CO., LTD.

Key achievements in the current fiscal year included engaging in research on AI technologies utilized in the IHI Group's products and services, introducing an energy management system for the sustainable local generation and local consumption smart community project, successfully generating one kilowatt of electricity with a fuel cell system that uses ammonia as fuel, demonstrating the world's first ammonia co-fired 2,000 kilowatt-class gas turbine, and developing catalytic technology for recycling carbon dioxide (CO<sub>2</sub>) with potential to help combat global warming. R&D expenses in this segment totaled ¥10.5 billion.

(Note: In this section, monetary amounts are rounded down.)

(Translation purposes only)

### III. Information about facilities

#### 1. Overview of capital expenditures, etc.

The IHI Group (IHI and its consolidated subsidiaries) invested a total of ¥67.3 billion during the current fiscal year. These investments were focused on the increase of production capacity, improvements to production systems, as well as the streamlining of production and other measures to enhance competitiveness. Investments by segment were follows:

In Resources, Energy and Environment, ¥5.2 billion was invested to increase production capacity.

In Social Infrastructure and Offshore Facility, ¥3.8 billion was invested to maintain and upgrade assets for lease.

In Industrial System and General-Purpose Machinery, ¥13.4 billion was invested to increase production capacity, improve production systems, as well to streamline and labor intensive production.

In Aero Engine, Space and Defense, ¥35.0 billion was invested to increase production capacity, improve production systems, as well to maintain and upgrade existing facilities.

In others, ¥9.7 billion was invested to increase capacity for research and development.

Own capital was the primary source of funds for the investments.

Note: In this section, monetary amounts less than one unit are rounded down.

#### 2. Major facilities

The IHI Group's (IHI and its consolidated subsidiaries) major facilities as of the end of the current fiscal year are shown below:

Note: In the below table, monetary amounts less than one unit have been rounded off.

##### (1) Reporting company

Office/works (Location)	Segment name	Facilities	Book value (Millions of yen)					Total	Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area; Thousands of m <sup>2</sup> )	Leased assets	Others (Note 1)		
Aioi Works (Aioi-city, Hyogo)	Resources, Energy and Environment	Production facilities for boilers and storage facilities	1,029	1,778	208 (245)	1	147	3,163	427
Yokohama Works (Yokohama-city, Kanagawa)	Resources, Energy and Environment	Production facilities for components for nuclear power plants	1,982	1,689	1,106 (227)	93	189	5,059	216
Mizuho Aero-Engine Works (Nishitama-gun, Tokyo)	Aero Engine, Space and Defense	Production facilities for aero engines and space-related equipment	4,968	5,733	2,224 (200)	1,361	1,913	16,200	1,701
Soma Aero-Engine Works (Soma-city, Fukushima)	Aero Engine, Space and Defense	Production facilities for aero engines and space-related equipment	7,485	12,103	3,398 (374)	4,498	15,716	43,200	974
Kure Aero-Engine & Turbo Machinery Works (Kure-city, Hiroshima)	Aero Engine, Space and Defense	Production facilities for aero engines	1,684	2,469	57 (48)	146	225	4,581	460
Tsurugashima (Tsurugashima-city, Saitama)	Aero Engine, Space and Defense	Factory site	–	–	7,105 (136)	–	344	7,449	–
Head Office (Koto-ku, Tokyo, etc.) (Notes 2 and 3)	Others	Other facilities	79,378	9,830	39,647 (133,641)	2,277	5,026	136,158	4,233

- Notes:
- The "Book value - Others" column represents the total amount of tools, furniture and fixtures, as well as construction in progress.
  - The book value of the Head Office land includes land located in Chita-city of Aichi, land located in Kagoshima-city, land owned in Brazil, and other land.
  - The book value includes book value of ¥91,672 million of assets (mainly assets for lease) belonging to the Social Infrastructure and Offshore Facility segment.

(Translation purposes only)

(2) Domestic subsidiaries

Company name	Office or works (Location)	Segment name	Facilities	Book value (Millions of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (Area; Thousands of m <sup>2</sup> )	Leased assets	Others (Note)	Total	
Niigata Power Systems Co., Ltd.	Ota Works (Ota-city, Gunma)	Resources, Energy and Environment	Production facilities	872	696	2,152 (152)	75	81	3,876	316
	Niigata engine Works (Niigata-city, Niigata)	Resources, Energy and Environment	Production facilities	1,001	882	1,050 (55)	2	86	3,021	218
IHI Infrastructure Systems Co., Ltd.	Sakai Works (Sakai-city, Osaka)	Social Infrastructure and Offshore Facility	Production facilities	2,160	1,567	5,686 (83)	70	813	10,296	494
IHI Transport Machinery Co., Ltd.	Numazu Works (Numazu-city, shizuoka)	Industrial System and General-Purpose Machinery	Production facilities	1,179	198	1,607 (105)	105	19	3,108	125
IHI Turbo Co., Ltd.	Kiso Works (Kiso-gun, Nagano)	Industrial System and General-Purpose Machinery	Production facilities	853	1,036	94 (65)	400	455	2,838	418
	Shinmachi Works (Kamiina-gun, Nagano)	Industrial System and General-Purpose Machinery	Production facilities	1,592	1,603	194 (25)	456	364	4,209	113
IHI AEROSPACE CO., LTD.	Tomioka Works (Tomioka-city, Gunma)	Aero Engine, Space and Defense	Production facilities	4,659	4,191	2,388 (490)	338	1,755	13,331	905

Note: The "Book value - Others" column represents the total amount of tools, furniture and fixtures, as well as construction in progress.

(3) Foreign subsidiaries

Company name	Office or works (Location)	Segment name	Facilities	Book value (Millions of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (Area; Thousands of m <sup>2</sup> )	Leased assets	Others (Note 1)	Total	
Indigo TopCo Ltd. (Note 2)	Switzerland, etc.	Industrial System and General-Purpose Machinery	Production facilities	1,097	5,789	414 (35)	20	1,521	8,841	1,007
IHI Charging Systems International GmbH (Note 2)	Germany and Italy	Industrial System and General-Purpose Machinery	Production facilities	1,264	4,870	220 (12)	1,856	1,326	9,536	900
IHI Turbo America Co.,	U.S.A	Industrial System and General-Purpose Machinery	Production facilities	643	1,225	12 (65)	—	1,554	3,434	132
IHI TURBO (THAILAND) CO., LTD.	Thailand	Industrial System and General-Purpose Machinery	Production facilities	1,112	1,621	358 (54)	905	519	4,515	836
Changchun FAWER-IHI Turbo Co., Ltd.	China	Industrial System and General-Purpose Machinery	Production facilities	1,144	2,818	—	—	461	4,423	450

- Notes: 1. The "Book value - Others" column represents the total amount of tools, furniture and fixtures, as well as construction in progress.
2. For Indigo TopCo Ltd. and IHI Charging Systems International GmbH, figures shown represent the values upon the consolidation of each company's subsidiaries.

(Translation purposes only)

### 3. Planned additions, retirements, etc. of facilities

The IHI Group (IHI and its consolidated subsidiaries) plans to invest ¥88.0 billion in initiatives aimed at increasing production capacity, improving production systems, making production more streamlined and less labor intensive, and maintaining and upgrade existing facilities during the one-year period following the end of the current fiscal year. The breakdown of capital expenditure by segment is shown below.

#### (1) Additions and repairs

Segment name	Expected amount for FY 2019 (Millions of yen)	Facilities
Resources, Energy and Environment	7,900	Production facilities for boilers, power systems for land and marine use, etc.
Social Infrastructure and Offshore Facility	10,600	Production facilities for bridges and water gates, upgrades to real estate lease properties, etc.
Industrial System and General-Purpose Machinery	13,800	Thermal and surface treatment facilities, vehicular turbochargers, rotating machineries, etc.
Aero Engine, Space and Defense	47,500	Production facilities and facilities for the maintenance business of aero engines such as PW1100G, production facilities for space-related equipment, etc.
Reportable segment total	79,800	
Others (Note 3)	8,200	
Total	88,000	

- Notes:
1. The amounts stated above do not include consumption taxes.
  2. The IHI Group plans to primarily allot its own capital to pay for the investment plans.
  3. Others include the amount of company-wide capital expenditure not belonging to any of the reportable segments.

#### (2) Sale and scrap

As of March 31, 2019, there is no plan to sell or scrap any of the IHI Group's important facilities.

With regard to Aichi Works, IHI has ended its function as a production base as of the end of November 2018 after the completion of projects for which orders had already been received. In addition to the gradual implementation of the sale and scrap of F-LNG/Offshore structure production facilities which Aichi Works has held, the Group reached basic agreement on sale for parts of land and buildings. The Group is also continuing to examine ways to utilize the other land and buildings associated with Aichi Works.

(Translation purposes only)

#### IV. Information about reporting company

##### 1. Information about shares, etc.

###### (1) Total number of shares, etc.

###### (i) Total number of shares

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

###### (ii) Issued shares

Type	Number of issued shares as of the end of the fiscal year (Shares) (March 31, 2019)	Number of issued shares as of the filing date (Shares) (June 20, 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 June 1, 2019 and the filing date of this Annual Securities Report.

(Translation purposes only)

(2) Subscription rights to shares, etc.

(i) Details of stock option plans

IHI issues subscription rights to shares in accordance with the Companies Act.

IHI has changed the number of shares constituting one unit from 1,000 shares to 100 shares and conducted a consolidation of common stock on a 10 for 1 basis with an effective date of October 1, 2017. As a result, “number of shares underlying share acquisition rights” and “share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights to share” have been adjusted.

(a) Resolution made at the Board of Directors’ meeting held on July 23, 2007  
(1st Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2019)	As of the end of the month previous to the filing month (May 31, 2019)
Category and number of grantees	13 directors and 13 executive officers of IHI	Same as left
Number of subscription rights to shares (Units)	16	16
Type and detail of shares underlying subscription rights to shares	Common stock Number of shares per unit: 100 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	1,600	1,600
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 10, 2007 to August 9, 2037	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 4,621 Additional paid-in capital per share: 2,311	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI’s Board of Directors.	Same as left
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(Translation purposes only)

(b) Resolution made at the Board of Directors' meeting held on July 22, 2008  
(2nd Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2019)	As of the end of the month previous to the filing month (May 31, 2019)
Category and number of grantees	13 directors and 11 executive officers of IHI	Same as left
Number of subscription rights to shares (Units)	82	82
Type and detail of shares underlying subscription rights to shares	Common stock Number of shares per unit: 100 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	8,200	8,200
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 19, 2008 to August 18, 2038	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 1,851 Additional paid-in capital per share: 926	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(c) Resolution made at the Board of Directors' meeting held on July 21, 2009  
(3rd Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2019)	As of the end of the month previous to the filing month (May 31, 2019)
Category and number of grantees	13 directors and 14 executive officers of IHI	Same as left
Number of subscription rights to shares (Units)	107	107
Type and detail of shares underlying subscription rights to shares	Common stock Number of shares per unit: 100 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	10,700	10,700
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 6, 2009 to August 5, 2039	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 1,651 Additional paid-in capital per share: 826	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(Translation purposes only)

(d) Resolution made at the Board of Directors' meeting held on July 23, 2010  
(4th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2019)	As of the end of the month previous to the filing month (May 31, 2019)
Category and number of grantees	13 directors and 13 executive officers of IHI	Same as left
Number of subscription rights to shares (Units)	210	200
Type and detail of shares underlying subscription rights to shares	Common stock Number of shares per unit: 100 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	21,000	20,000
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 10, 2010 to August 9, 2040	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 1,541 Additional paid-in capital per share: 771	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(e) Resolution made at the Board of Directors' meeting held on July 25, 2011  
(5th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2019)	As of the end of the month previous to the filing month (May 31, 2019)
Category and number of grantees	13 directors and 14 executive officers of IHI	Same as left
Number of subscription rights to shares (Units)	297	297
Type and detail of shares underlying subscription rights to shares	Common stock Number of shares per unit: 100 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	29,700	29,700
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 18, 2011 to August 17, 2041	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 1,781 Additional paid-in capital per share: 891	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left



(Translation purposes only)

(f) Resolution made at the Board of Directors' meeting held on July 23, 2012  
(6th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2019)	As of the end of the month previous to the filing month (May 31, 2019)
Category and number of grantees	13 directors and 15 executive officers of IHI	Same as left
Number of subscription rights to shares (Units)	498	476
Type and detail of shares underlying subscription rights to shares	Common stock Number of shares per unit: 100 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	49,800	47,600
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 17, 2012 to August 16, 2042	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 1,591 Additional paid-in capital per share: 796	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(g) Resolution made at the Board of Directors' meeting held on July 22, 2013  
(7th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2019)	As of the end of the month previous to the filing month (May 31, 2019)
Category and number of grantees	13 directors and 14 executive officers of IHI	Same as left
Number of subscription rights to shares (Units)	266	266
Type and detail of shares underlying subscription rights to shares	Common stock Number of shares per unit: 100 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	26,600	26,600
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 22, 2013 to August 21, 2043	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 3,761 Additional paid-in capital per share: 1,881	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(Translation purposes only)

(h) Resolution made at the Board of Directors' meeting held on July 22, 2014  
(8th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2019)	As of the end of the month previous to the filing month (May 31, 2019)
Category and number of grantees	13 directors and 17 executive officers of IHI	Same as left
Number of subscription rights to shares (Units)	293	285
Type and detail of shares underlying subscription rights to shares	Common stock Number of shares per unit: 100 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	29,300	28,500
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 12, 2014 to August 11, 2044	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 4,401 Additional paid-in capital per share: 2,201	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(i) Resolution made at the Board of Directors' meeting held on July 21, 2015  
(9th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2019)	As of the end of the month previous to the filing month (May 31, 2019)
Category and number of grantees	12 directors and 18 executive officers of IHI	Same as left
Number of subscription rights to shares (Units)	216	214
Type and detail of shares underlying subscription rights to shares	Common stock Number of shares per unit: 100 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	21,600	21,400
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 11, 2015 to August 10, 2045	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 4,131 Additional paid-in capital per share: 2,066	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

(Translation purposes only)

(j) Resolution made at the Board of Directors' meeting held on July 25, 2016  
(10th Subscription Rights to Shares)

	As of the end of the fiscal year (March 31, 2019)	As of the end of the month previous to the filing month (May 31, 2019)
Category and number of grantees	10 directors and 18 executive officers of IHI	Same as left
Number of subscription rights to shares (Units)	491	491
Type and detail of shares underlying subscription rights to shares	Common stock Number of shares per unit: 100 shares	Same as left
Number of shares underlying subscription rights to shares (Shares)	49,100	49,100
Amount to be paid in to exercise subscription rights to shares (Yen)	1	Same as left
Period for exercising subscription rights to shares	From August 10, 2016 to August 9, 2046	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of subscription rights to shares (Yen)	Issue price: 2,781 Additional paid-in capital per share: 1,391	Same as left
Conditions for exercising subscription rights to shares	(Note 1)	Same as left
Matters relating to transfer of subscription rights to shares	Acquisition of the subscription rights to shares by transfer shall be subject to approval of IHI's Board of Directors.	Same as left
Matters relating to granting of subscription rights to shares in association with acts of organizational restructuring	(Note 2)	Same as left

Notes: 1. Conditions for exercising subscription rights to shares

- (1) Subscription rights to shares shall be exercisable for five (5) years from the date one (1) year after a director or an executive officer lost its position (in the event that such individual assumes the position of audit & supervisory board members within one (1) year after he/she resigns a director or an executive officer, the date he/she lost its position as audit & supervisory board members) ("Exercise Start Date").
- (2) Notwithstanding the above (1), in the event of the following (a) or (b), subscription rights to shares shall be exercisable for the period stipulated below. (However, (b) does not apply to subscription rights to shares issued by a reorganized company.)
  - (a) In the event that the Exercise Start Date does not become effective by the dates indicated below for each of the subscription rights to shares (the "Due Date"):

Round	Due Date	Exercise period of subscription rights to shares
1st Subscription Rights to Shares	August 9, 2036	From August 10, 2036 to August 9, 2037
2nd Subscription Rights to Shares	August 18, 2037	From August 19, 2037 to August 18, 2038
3rd Subscription Rights to Shares	August 5, 2038	From August 6, 2038 to August 5, 2039
4th Subscription Rights to Shares	August 9, 2039	From August 10, 2039 to August 9, 2040
5th Subscription Rights to Shares	August 17, 2040	From August 18, 2040 to August 17, 2041
6th Subscription Rights to Shares	August 16, 2041	From August 17, 2041 to August 16, 2042
7th Subscription Rights to Shares	August 21, 2042	From August 22, 2042 to August 21, 2043
8th Subscription Rights to Shares	August 11, 2043	From August 12, 2043 to August 11, 2044
9th Subscription Rights to Shares	August 10, 2044	From August 11, 2044 to August 10, 2045
10th Subscription Rights to Shares	August 9, 2045	From August 10, 2045 to August 9, 2046

(Translation purposes only)

- (b) In the event that a merger agreement (under which IHI becomes an absorbed company) or an equity-swap agreement and/or an equity transfer plan (under which IHI becomes a wholly-owned subsidiary of another company) is approved at a General Meeting of Shareholders of IHI (or at a Board of Directors' meeting or by the Chief Executive Officer if a decision at a shareholders' meeting is not necessary):  
Fifteen (15) days from the following day of such decision
- (3) A holder of subscription rights to shares who relinquishes his/her subscription rights to shares shall not be able to exercise such rights.

(Translation purposes only)

2. Matters relating to granting subscription rights to shares in association with acts of organizational restructuring

In cases where IHI merges (limited to cases where IHI is to be extinguished as a result of the merger), splits and absorbs or splits and incorporates (limited to cases where IHI becomes the split company in either case), or equity swaps or transfers (limited to cases where IHI becomes a wholly-owned subsidiary in either case) (collectively, hereinafter, “Reorganization”), IHI shall, in each case, grant subscription rights to shares of the companies as listed in Article 236, paragraph 1, item (viii), sub-items (a) to (e) of the Companies Act (hereinafter, the “Company Subject to Reorganization”) to holders of subscription rights to shares that have subscription rights to shares existing immediately before the effective date of the Reorganization, which is either the effective date of absorption-type merger when it is an absorption-type merger, the consolidation date of a company as a result of the consolidated-type merger when it is a consolidated-type merger, the effective date of absorption-type company split when it is an absorption-type company split, the incorporation date of a company as a result of the incorporation-type company split when it is an incorporation-type company split, the effective date of equity swap when it is an equity swap, or the incorporation date of a wholly-owning parent company as a result of the equity transfer when it is an equity transfer (hereinafter, “Remaining Subscription Rights to Shares”). In this event, the Remaining Subscription Rights to Shares shall be become null and void, and the Company Subject to Reorganization shall newly issue subscription rights to shares. However, it is subject to a condition that the provision that the subscription rights to shares of the Company Subject to Reorganization shall be delivered pursuant to the provisions of the items below is specified in the absorption-type merger contract, consolidated-type merger contract, absorption-type company split contract, incorporation-type company split plan, equity swap contract or equity transfer plan.

(1) Number of subscription rights to shares of the Company Subject to Reorganization to be granted

The same number of subscription rights to shares as that of Remaining Subscription Rights to Shares held by a holder of subscription rights to shares

(2) Type of shares of the Company Subject to Reorganization underlying subscription rights to shares

Common stock of the Company Subject to Reorganization

(3) Number of shares of the Company Subject to Reorganization underlying subscription rights to shares

To be determined in the same manner as the matters set forth in the number of Remaining Subscription Rights to Shares, taking into consideration the terms and conditions of Reorganization.

(4) Value of property to be contributed when subscription rights to shares are exercised

The value of the property to be contributed when each subscription right to shares to be granted is exercised shall be the amount obtained by multiplying the paid-in amount after Reorganization as specified below by the number of shares of the Company Subject to Reorganization underlying each subscription right to shares, which is decided pursuant to (3) above. The paid-in amount after Reorganization shall be ¥1 per share of the shares of the Company Subject to Reorganization that would be granted by exercising the granted subscription rights to shares.

(5) Period during which subscription rights to shares can be exercised

From the latter of the start date of the period during which subscription rights to shares can be exercised as specified in the above table and the effective date of Reorganization, until the expiry date of the period during which such subscription rights to shares can be exercised as specified in the above table.

(6) Matters relating to capital stock and legal capital surplus that will be increased in the event of issuance of shares upon exercise of subscription rights to shares

To be determined in accordance with the matters set forth for the Remaining Subscription Rights to Shares.

(7) Restrictions on transferring of subscription rights to shares

Transfer and acquisition of subscription rights to shares shall require the approval by resolution of the Board of Directors of the Company Subject to Reorganization.

(8) Provisions for acquiring subscription rights to shares

To be determined in accordance with the matters set forth for the Remaining Subscription Rights to Shares.

(9) Other conditions for exercising subscription rights to shares

To be determined in the same manner as Note 1. above.

(ii) Description of rights plan

Not applicable

(iii) Other matters regarding share acquisition rights, etc

Not applicable

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

Not applicable

(Translation purposes only)

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

Date	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)
October 1, 2017 (Note 1)	(1,392,119)	154,679	-	107,165	-	54,520

- Notes: 1. By resolutions of the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, IHI conducted a consolidation of common stock (ratio of 1 new share for every 10 old shares) on October 1, 2017. As a result, the total number of issued shares is 154,679,954 shares, down 1,392,119,588 shares from 1,546,799,542 shares.
2. There were no changes in capital stock between April 1, 2019, and the filing date of this Annual Securities Report (June 20, 2019).

(5) Shareholding by shareholder category

(As of March 31, 2019)

Classification	Status of shares (one unit = 100shares)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders		Individuals and other	Total	
					Foreign shareholders other than individuals	Individuals			
Number of shareholders (Persons)	-	81	60	829	570	53	68,691	70,284	-
Number of shares held (Units)	-	630,802	58,300	56,064	491,712	639	307,073	1,544,590	220,954
Ratio (%)	-	40.84	3.77	3.63	31.84	0.04	19.88	100	-

- Notes: 1. 169,446 shares of treasury shares held by IHI are included in "Individuals and other" and "Share less than one unit" in the above table. These amounts are 1,694 units and 46 shares, respectively.
2. The shares registered in the name of the Japan Securities Depository Center are included in "Other corporations" in the above table. The amount is seven units.

(Translation purposes only)

(6) Major shareholders

(As of March 31, 2019)

Name	Address	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Holder in Trust)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	10,503	6.79
Japan Trustee Services Bank, Ltd. (Holder in Trust)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	7,879	5.09
Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	5,542	3.58
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	5,406	3.49
State Street Bank And Trust Company 505001 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	4,634	2.99
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	8-12, Harumi 1-chome, Chuo-ku, Tokyo	4,597	2.97
Japan Trustee Services Bank, Ltd. (Holder in Trust 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	3,813	2.46
Japan Trustee Services Bank, Ltd. (Holder in Trust 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	3,015	1.95
State Street Bank And Trust Company 505223 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	2,844	1.84
IHI Customer Stock Ownership Association	1-1, Toyosu 3-chome, Koto-ku, Tokyo	2,545	1.64
Total	-	50,782	32.86

- Notes:
- The figures of "Number of shares held" and "Shareholding ratio (%)" in the above table are rounded down to one unit.
  - From the above, the following owned shares are held through trusts.
    - The Master Trust Bank of Japan, Ltd. (Holder in Trust)
    - Japan Trustee Services Bank, Ltd. (Holder in Trust)
    - Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)
    - Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by - Mizuho Trust and Banking Co., Ltd.
    - Japan Trustee Services Bank, Ltd. (Holder in Trust 9)
    - Japan Trustee Services Bank, Ltd. (Holder in Trust 5)
  - From the above, the following shareholders are performing custodial management services for shares owned by foreign institutional investors and the names of the shares owned by the institutional investors in question.
    - State Street Bank And Trust Company 505001
    - State Street Bank And Trust Company 505223.
  - In the Change Report pertaining to Report of Possession of Large Volume provided by Mizuho Bank, Ltd. for public viewing on October 5, 2018, the following shareholdings are respectively attributed to Mizuho Bank, Ltd. and its four joint holders as of September 28, 2018. However, since IHI is unable to confirm the actual number of shares held as of March 31, 2019, they are not included in major shareholders above.

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
Mizuho Bank, Ltd.	4,597	2.97
Mizuho Securities Co., Ltd.	324	0.21
Mizuho Trust and Banking Co., Ltd.	218	0.14
Asset Management One Co., Ltd.	6,682	4.32
Asset Management One International Ltd.	228	0.15
Total	12,051	7.79

(Translation purposes only)

5. In the Change Report pertaining to Report of Possession of Large Volume provided by Sumitomo Mitsui Trust Bank, Limited for public viewing on February 21, 2019, the following shareholdings are respectively attributed to Sumitomo Mitsui Trust Bank, Limited and its two joint holders as of February 15, 2019. However, since IHI is unable to confirm the actual number of shares held as of March 31, 2019, they are not included in major shareholders above.

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Bank, Limited	995	0.64
Sumitomo Mitsui Trust Asset Management Co., Ltd.	3,999	2.59
Nikko Asset Management Co., Ltd.	2,756	1.78
Total	7,751	5.01

(7) Voting rights

(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 right (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 and 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).



(Translation purposes only)

(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.

(8) Director and Employee share ownership program

IHI introduced a performance-based share remuneration plan [Board Benefit Trust (BBT)] for directors (excluding outside directors) of IHI (hereinafter, the “Plan” in this section ) by resolutions at the 200th Ordinary General Meeting of Shareholders, held on June 23, 2017, and at the Board of Directors meeting held on the same day. Also at the same Board of Directors meeting, IHI resolved to adopt the same system as the Plan for the executive officers of IHI.

(i) Overview of the Plan

The Plan is a system by which the directors and the executive officers (hereinafter “Directors, etc.” in this section) will have shares of IHI’s common stock (hereinafter the “IHI’s shares” in this section) and money equivalent to the market value of IHI’s shares (hereinafter collectively with IHI’s shares, the “IHI’s shares, etc.” in this section) transferred to them through a trust set up by IHI (hereinafter the trust to be established based on the Plan shall be referred to as the “Trust” in this section).

(a) Acquisition of IHI’s shares by the Trust

The Trust will acquire IHI’s shares with money contributed by IHI as funds to transfer IHI’s shares, etc. to Directors, etc.

(b) Awarding of points to Directors, etc.

IHI will award Directors, etc. points, which will become the base for transferring IHI’s shares, etc. in accordance with the rules for transfer of shares prescribed by IHI.

(c) Adjustment of points

After the end of the three consecutive fiscal years of which the initial fiscal year will be the year when points will be awarded, such awarded points will be adjusted based on the degree of achievement of performance indicators (consolidated ROIC [return on invested capital]) predetermined by the Board of Directors of IHI.

(d) Transfer of IHI’s shares, etc. to Directors, etc.

The Trust will transfer IHI’s shares, etc. equivalent to the number of such adjusted points to Directors, etc. (including those who were eligible for receiving points as stated in above (b) but who retired from IHI in subsequent years ).

(ii) Number of IHI’s shares to be acquired by the Trust and method of acquisition

In the fiscal year ending March 31, 2020, IHI will award a total of 56,925 points to directors and a total of 59,756 points to executive officers, and it is planned that the Trust will acquire a number of shares equivalent to the number of these points multiplied by 150% (1 point will be calculated as 1 share). However, as of the filing date of this Annual Securities Report, the details such as when the Trust will be established, when the shares will be acquired, and the total amount of the shares to be acquired have not been determined.

(iii) Scope of persons eligible to receive beneficiary rights for the Trust and other rights

Such persons shall be those with the status of director of IHI (excluding outside director) or the status of executive officer of IHI during any fiscal year corresponding to a date on which points are awarded as referred to in (i) (b) above.

(Translation purposes only)

## 2. Acquisitions, etc. of treasury shares

Type of shares, etc.

Acquisition of common stock by demand for purchase of shares less than one unit, which falls under Article 155, item (vii) of the Companies Act of Japan.

(1) Acquisitions by a resolution of the General Meeting of Shareholders

Not applicable

(2) Acquisitions by a resolution of the Board of Directors

Not applicable

(3) Acquisitions not based on a resolution of the General Meeting of Shareholders or the Board of Directors

Acquisition of common stock by demand for purchase of shares less than one unit, which falls under Article 155, item (vii) of the Companies Act of Japan

Classification	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the current fiscal year	1,361	4,934,445
Treasury shares acquired during the current period	265	710,183

Note: Treasury shares acquired during the current period does not include shares acquired by purchase of shares less than one unit during the period from June 1, 2019 to the filing date of this Annual Securities Report.

(4) Disposals or holding of acquired treasury shares

Classification	During the current fiscal year		During the current period	
	Number of shares (Shares)	Total disposal amount (Yen)	Number of shares (Shares)	Total disposal amount (Yen)
Acquired treasury shares that was offered to subscribers for subscription	-	-	-	-
Acquired treasury shares that was canceled	-	-	-	-
Acquired treasury shares that was transferred due to merger, equity swap, or corporate split	-	-	-	-
Acquired treasury shares that was disposed of in other ways (the exercise of subscription rights to shares, the sale due to the request for sale of shares less than one unit) (Note)	65,350	132,900,104	4,275	8,711,807
Number of treasury shares held	169,446	-	165,436	-

Notes: The line of Acquired treasury shares that was disposed of in other ways in the current period does not include shares due to the exercise of subscription rights to shares or sale of shares less than one unit during the period from June 1, 2019 to the filing date of this Annual Securities Report. Breakdown for the current fiscal year is the disposal of due to the exercise of subscription rights to shares (65,300 shares, total disposal amount of ¥132,798,663), the sale of shares less than one unit (50 shares, total disposal amount of ¥101,441).

(Translation purposes only)

### 3. Dividend policy

IHI sets its management policy as it contributes to realize the sustainable society through aiming at improvement of corporate value by taking initiatives with customers to resolve various social issues.

Under this management policy, IHI aims sustainable increment of dividends according to the growth of the IHI Group, in addition to continuous provision of dividends to shareholders

Also, IHI sets its target consolidated dividend payout ratio as around 30%, taking into consideration a broad range of factors, including investments for improvement of corporate value, enhancement and reinforcement of equity capital.

It is a fundamental policy of IHI to pay an interim dividend and year-end dividend annually, with the former determined by the Board of Directors and the latter by the Ordinary General Meeting of Shareholders. IHI's Articles of Incorporation stipulate that "IHI may, upon resolution of the Board of Directors, pay interim dividends on the basis of September 30 each year as the record date."

The annual dividend for the current fiscal year in consideration of the year's operating results, future business development, and other aspects is interim dividend of ¥30 per share and year-end dividends of ¥40 per share to shareholders. IHI strives to effectively use retained earnings to further bolster and enhance the business base and for future business development, as part of an overall effort to increase shareholder profits over the long term.

Dividends for the current fiscal year are as follows:

Date of resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
November 1, 2018 Resolution of the Board of Directors	4,634	30
June 20, 2019 Resolution of the Ordinary General Meeting of Shareholders	6,180	40

Note: Monetary amounts less than one unit have been rounded off.

(Translation purposes only)

#### 4. Corporate governance, etc.

##### (1) Outline about corporate governance

##### (i) Corporate governance system

##### (a) Overview

IHI defines corporate governance as a system that assures sustainable growth and maximization of corporate value by enhancing management efficiency so that IHI can leverage its innate capabilities to the fullest extent possible. To achieve this, IHI targets efficient and appropriate internal decision-making by clearly separating management monitoring and supervisory functions from functions related to their execution of duties. Furthermore, by establishing the relevant internal rules and building a system to administer them, IHI ensures appropriate operations across the entire IHI Group.

IHI promotes constant improvement of its corporate governance, aiming to earn the trust and support of its shareholders and other stakeholders over the long term.

IHI works to enhance its corporate governance in line with the following basic policies.

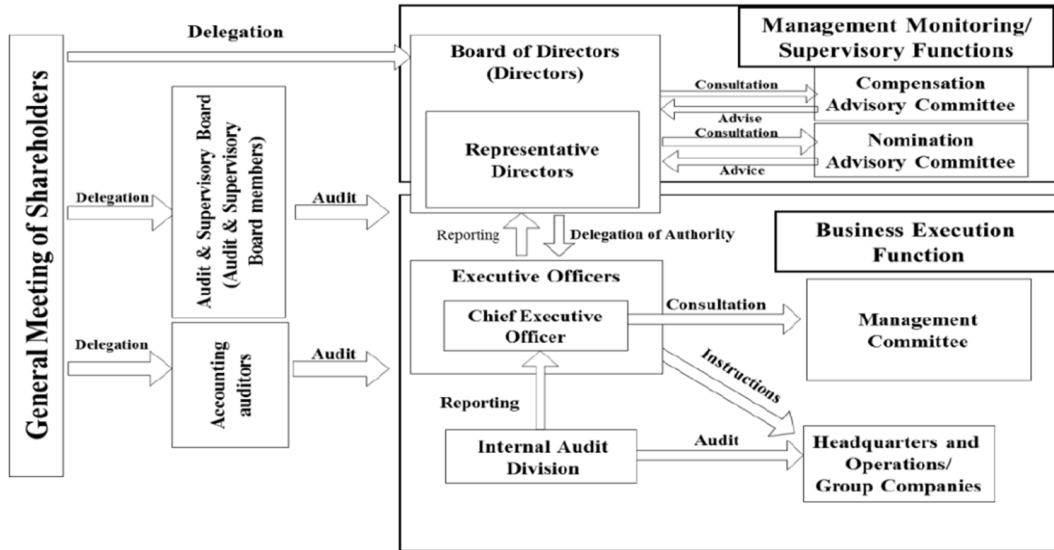
- Respect shareholders' rights and ensure equal treatment
- Strive to cooperate appropriately with shareholders and other stakeholders
- Fulfill our responsibility to be accountable to stakeholders and ensure transparency by appropriately and proactively disclosing information relating to IHI
- Clarify the roles and responsibilities of the Board of Directors, the audit & supervisory board members and the Audit & Supervisory Board to enable them to adequately fulfill their management-monitoring and supervisory functions
- Conduct constructive dialogues with shareholders whose investment policies accord with the medium-to long-term interests of shareholders

##### (b) Overview

- IHI has an Audit & Supervisory Board, which comprises five audit & supervisory board members (three from outside) who audit the duties executed by directors. The chairperson of Audit & Supervisory Board is Shigeru Uesugi who is a standing audit & supervisory board member. Name of each audit & supervisory board member is stated in “(2) Information about directors and audit & supervisory board members.”
- The Board of Directors, which consists of 11 directors (three from outside), makes decisions related to all important matters concerning the management of the IHI Group, in addition to overseeing directors in the operation of business. The outside directors, who are elected from among individuals with extensive experience and broad insight as management, or with a high degree of specialist knowledge and diverse experience, participate in the Board of Directors' decision-making process, offer advice and make recommendations independently of internal directors who have been delegated the authority to handle day-to-day operations. The chairperson of the Board of Directors is Tamotsu Saito who is the chairman of the Board of IHI. Name of each director is stated in “(2) Information about directors and audit & supervisory board members.”
- IHI has an executive officer system to facilitate and strengthen the decision-making and supervisory functions of the Board of Directors, as well as to improve the efficiency of business operations. The executive officers are appointed by resolution of the Board of Directors. (There are 23 executive officers, seven of which concurrently serve as directors.) The Chief Executive Officer (CEO) manages the duties of the executive officers, giving directions and supervision. The executive officers follow the CEO's directions to execute their assigned duties. Name of each executive officer are stated in “(2) Information about directors and audit & supervisory board members.”
- The Management Committee, which consists of members appointed by the CEO, supports the CEO's decision-making and operation of IHI business.
- To ensure that director remuneration is appropriate, IHI has established a Compensation Advisory Committee comprising six members: three outside directors (Taketsugu Fujiwara, Hiroshi Kimura, Kazuhiko Ishimura) and one outside audit & supervisory board member (Toshio Iwamoto), the director in charge of human resources (Tsugio Mitsuoka), and the director in charge of finance and accounting (Takeshi Yamada), with an outside director (Taketsugu Fujiwara) serving as the committee chairperson.
- To provide supervision and advice on nomination of directors and audit & supervisory board members by the representative director, IHI has established a Nomination Advisory Committee, comprising four members: the president and CEO, and three outside directors (Taketsugu Fujiwara, Hiroshi Kimura, Kazuhiko Ishimura), with the president and CEO serving as the committee chairperson.
- The corporate governance management structure shown below is a visual representation of IHI's corporate governance system.

(Translation purposes only)

## Corporate Governance Management Structure



(c) Reason for adoption of corporate governance system

- IHI adopted the corporate governance management structure shown above to optimize the auditing and overseeing of every aspect of corporate management while also ensuring management efficiency.

(d) Internal controls and risk management

- The Compliance Group in Legal Division is tasked with advancing compliance activities and the Compliance Committee sets and carries out Group-wide action plans for each fiscal year. In addition, the IHI compliance system promotes internal reporting and training aimed at deepening the understanding of and compliance with all relevant laws and regulations.

The Financial Instruments and Exchange Act require companies to have an internal control system that includes a body that has complete independence to evaluate organizational units within IHI. IHI's Internal Audit Division, which reports directly to the President, is an independent body tasked with overall planning, organizing and studying of evaluations, and determining the effectiveness of internal controls for the entire Group. In addition, internal-control evaluation units are in the Finance & Accounting Division and the four business areas, the primary subjects of evaluations. Intelligent Information Management Headquarters has an IT-controls evaluation unit.

- The IHI Group is constantly working to improve its risk management system, including mechanisms for managing and evaluating this system. The Risk Management Conference chaired by the CEO meets regularly to ascertain risks and consider key initiatives, as well as prevent risks and minimize the impact of any risk that occurs.
- The Basic Regulations for Crisis Management stipulate how to handle any crisis that has the potential to significantly impact the IHI Group. The crisis management system includes placing an executive officer in charge of crisis management, establishing a crisis management secretariat and formulating measures to handle any crisis. In addition, each division prepares a business continuity plan to prepare for possible emergencies.
- On April 1, 2017, the screening and monitoring functions for large-scale project orders and large-scale investment projects, which had previously been distributed throughout the corporate headquarters, were drawn together in one place to start the new Project Risk Management Division. This division will work in concert with the individual business areas, seeking to understand risks and respond promptly to them by means of communication that puts a high priority on information from on site.
- IHI reviews large-scale project orders and large-scale investment projects that could have a significant impact on the IHI Group performance as follows.

(Large-scale Project Orders)

The IHI Group has established the Important Project Review Meeting and the Review Subcommittee to examine the required technology, resources and contractual conditions at the project examination stage, thereby enhancing our system for reviewing various risks that must be reflected in the cost estimations, such as technical risks including contracts and prototype elements before receiving orders. To maintain the profitability of projects, each business areas strives to enhance project management in terms of work processes, costs and quality, and then accurately assess profitability by implementing reviews by experts at each stage, including design, procurement and construction, etc.

(Large-scale Investment Projects)

The Investment Review Meeting and the Investment Review Subcommittee review the significance of the investment, the soundness of related plans, investment efficiency, maximum potential loss and the establishment of tollgates. Once an

(Translation purposes only)

investment has been initiated, the monitoring begins, which entails confirmation that the tollgate criteria have been met for advancing to the next phase, and tracking to confirm what degree the results deviate from the investment plan.

- For each business, order volume is stringently controlled and risks and profitability are rigorously evaluated through regular meetings of the Finance & Accounting Division and managers of each Business Areas /SBU. In addition, cost operations are consolidated in the Finance & Accounting Division for enhanced control, and intermediate cost procedures are stipulated and standardized.

(e) Limited liability contract

- In accordance with Article 427, paragraph 1 of the Companies Act, outside directors and audit & supervisory board members enter into contracts with IHI to limit their liability for damages stipulated in Article 423, paragraph 1 of the same act. The amount of the limitation of their liability for damages under the said contract shall be the amount stipulated by laws and regulations.

(2) Information about directors and audit & supervisory board members

(i) List of directors and audit & supervisory board members

Men: 13 Women: 3 (Percentage of women among directors and audit & supervisory board members: 18.75%)

Position and responsibilities	Name	Date of Birth	Brief Personal History		Term of Office	No. of IHI's shares owned (Shares)
Chairman of the Board	Tamotsu Saito	July 13, 1952	Apr. 1975	Joined IHI	(Note 6)	13,600
			Jun. 2006	Executive Officer; Vice President of Aero-Engine & Space Operations, IHI		
			Jan. 2008	Executive Officer; President of Aero-Engine & Space Operations, IHI		
			Apr. 2008	Director; Executive Officer, President of Aero-Engine & Space Operations, IHI		
			Apr. 2009	Director; Managing Executive Officer, President of Aero-Engine & Space Operations, IHI		
			Apr. 2010	Director, IHI		
			Apr. 2011	Executive Vice President, IHI		
			Apr. 2012	President; Chief Executive Officer, IHI		
			Apr. 2016	Chairman of the Board; Chief Executive Officer, General Manager of <i>Monozukuri</i> System Strategy Planning Headquarters, IHI		
Apr. 2017	Chairman of the Board, IHI (incumbent)					
President, Chief Executive Officer	Tsugio Mitsuoka	October 13, 1954	Apr. 1980	Joined IHI	(Note 6)	8,100
			Apr. 2008	Vice President of Aero-Engine & Space Operations, IHI		
			Apr. 2010	Executive Officer; Vice President of Aero-Engine & Space Operations, IHI		
			Apr. 2013	Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, IHI		
			Jun. 2014	Director; Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, IHI		
			Apr. 2016	President; Chief Operating Officer, IHI		
Apr. 2017	President; Chief Executive Officer, IHI (incumbent)					

(Translation purposes only)

Executive Vice President, Senior Executive Officer	Hiroyuki Otani	October 8, 1955	Apr. 1978	Joined IHI	(Note 6)	5,000
			Apr. 2010	Vice President of Aero-Engine & Space Operations, IHI		
			Apr. 2011	Executive Officer; President of Power Systems Operations, IHI		
			Apr. 2012	Executive Officer; Vice President of Energy Operations, IHI		
			Apr. 2013	Executive Officer; Vice President of Machinery & Logistics Systems Operations, IHI		
			Apr. 2014	Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters, IHI		
			Jun. 2014	Director; Managing Executive Officer; President of Machinery & Logistics Systems Operations and Deputy General Manager of Intelligent Information Management Headquarters, IHI		
			Apr. 2016	Director, IHI		
			Apr. 2017	Director; Managing Executive Officer; President of Resources, Energy and Environment Business Area, IHI		
			Apr. 2018	Executive Vice President; Senior Executive Officer; President of Resources, Energy & Environment Business Area, IHI		
Apr. 2019	Executive Vice President; Senior Executive Officer, IHI (incumbent)					
Executive Vice President, Senior Executive Officer	Takeshi Yamada	July 14, 1958	Apr. 1981	Joined IHI	(Note 6)	1,500
			Apr. 2006	Manager of Budgeting Group, Finance & Accounting Division, IHI		
			Jul. 2011	Manager of Planning Group, Corporate Planning Division, IHI		
			Apr. 2014	Executive Officer; Deputy General Manager of Finance & Accounting Division, IHI		
			Apr. 2017	Executive Officer; General Manager of Finance & Accounting Division, IHI		
			Jun. 2017	Director; Executive Officer; General Manager of Finance & Accounting Division, IHI		
			Apr. 2018	Director; Managing Executive Officer; General Manager of Finance & Accounting Division, IHI		
Apr. 2019	Executive Vice President; Senior Executive Officer, IHI (incumbent)					
Director, Managing Executive Officer	Tomoharu Shikina	February 4, 1958	May 1980	Joined IHI	(Note 6)	3,800
			Apr. 2011	Vice President of Aero-Engine & Space Operations, IHI		
			Apr. 2013	Executive Officer; Vice President of Aero-Engine & Space Operations and Division Director of Civil Aero-Engine Division, IHI		
			Apr. 2016	Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, IHI		
			Jun. 2016	Director; Managing Executive Officer; President of Aero-Engine & Space Operations and Deputy General Manager of Intelligent Information Management Headquarters, IHI		
			Apr. 2017	Director; Managing Executive Officer; President of Aero-Engine, Space & Defense Business Area, IHI (incumbent)		

(Translation purposes only)

Director, Managing Executive Officer	Nobuko Mizumoto	March 31,1957	Apr. 1982 Jul. 2004 Apr. 2006 Oct. 2008 Apr. 2012 Apr. 2014 Apr. 2016 Apr. 2017 Apr. 2018 Jun. 2018	Joined IHI General Manager of TX Preparation Division, IHI Manager of Corporate Business Development Group, Corporate Planning Division, IHI Manager of Recruit Group, Human Resources Division, IHI General Manager of Corporate Social Responsibility Division., IHI Executive Officer; General Manager of Group Business Process Platform Division., IHI Executive Officer; General Manager of Procurement Strategy Planning Division, IHI Managing Executive Officer; General Manager of Procurement Strategy Planning Headquarters, IHI Managing Executive Officer; General Manager of Intelligent Information Management Headquarters, IHI Director; Managing Executive Officer; General Manager of Intelligent Information Management Headquarters, IHI (incumbent)	(Note 6)	2,600
Director, Managing Executive Officer	Masafumi Nagano	November 27,1958	Apr. 1982 Mar. 2006 Apr. 2009 Apr. 2012 Apr. 2014 Apr. 2016 Apr. 2018 Jun. 2018	Joined IHI Manager of Labor & Safety Planning Group, Human Resources Division, IHI General Manager of Kyushu Branch, Sales Headquarters, IHI General Manager of Human Resources Division, IHI Executive Officer; General Manager of Human Resources Division, IHI Executive Officer; General Manager of Corporate Planning Division, IHI Managing Executive Officer; President of Industrial Systems & General-Purpose Machinery Business Area, IHI Director; Managing Executive Officer; President of Industrial Systems & General- Purpose Machinery Business Area, IHI (incumbent)	(Note 6)	3,500
Director, Managing Executive Officer	Kouichi Murakami	January 19, 1960	Apr. 1985 Apr. 2009 Apr. 2012 Apr. 2013 Apr. 2015 Apr. 2016 Apr. 2017 Apr. 2018 Jun. 2018	Joined IHI Manager of Administration Department, Corporate Research & Development, IHI General Manager of Products Development Center, Corporate Research & Development, IHI Deputy General Manager of Corporate Research & Development and General Manager of Research Laboratory, Corporate Research & Development, IHI Vice President of Rotating Machinery Operations and Assistant General Manager of Corporate Research & Development, IHI Executive Officer; General Manager of Rotating Machinery Operations,IHI. Executive Officer; General Manager of Corporate Research & Development, IHI Managing Executive Officer; General Manager of Corporate Research & Development, IHI Director; Managing Executive Officer; General Manager of Corporate Research & Development, IHI (incumbent)	(Note 6)	4,500



(Translation purposes only)

Director	Taketsugu Fujiwara	February 19, 1947	<p>Apr. 1969 Jun. 2000 Jun. 2003 Oct. 2003 Apr. 2009 Jun. 2009 Apr. 2010 Apr. 2014 Jun. 2014 Jun. 2015 Jun. 2018</p>	<p>Joined Asahi Chemical Industry Co., Ltd. (currently Asahi Kasei Corporation) Director, Asahi Kasei Corporation Senior Executive Officer, Asahi Kasei Corporation Presidential Executive Officer, Asahi Kasei Chemicals Corporation Vice-Presidential Executive Officer, Asahi Kasei Corporation Director, Vice-Presidential Executive Officer, Asahi Kasei Corporation President and Representative Director, Presidential Executive Officer, Asahi Kasei Corporation Vice Chairman and Director, Asahi Kasei Corporation Vice Chairman, Asahi Kasei Corporation Director, IHI (incumbent) Standing Counsellor, Asahi Kasei Corporation Counsellor, Asahi Kasei Corporation (incumbent)</p>	(Note 6)	-
Director	Hiroshi Kimura	April 23, 1953	<p>Apr. 1976 Jan. 1999 May 1999 Jun. 1999 Jun. 2001 Jun. 2005 May 2006 Jun. 2006 Jun. 2012 Jun. 2014 Jun. 2016 Jul. 2016 Mar. 2018</p>	<p>Joined Japan Tobacco and Salt Public Corporation (currently Japan Tobacco Inc.) President of Corporate Planning Division, Japan Tobacco Inc. Executive Vice President, Assistant to the CEO, JT International SA, Geneva Director, Japan Tobacco Inc. Retired from Director, Japan Tobacco Inc. Director, Japan Tobacco Inc. Retired from Executive Vice President, Assistant to the CEO, JT International SA, Geneva President and CEO, Japan Tobacco Inc. Chairman of the Board, Japan Tobacco Inc. Executive Corporate Advisor, Japan Tobacco Inc. Director, IHI (incumbent) Advisor, Japan Tobacco Inc. Executive Alumnus, Japan Tobacco Inc. (incumbent)</p>	(Note 6)	2,000
Director	Kazuhiko Ishimura	September 18, 1954	<p>Apr. 1979 Jan. 2006 Jan. 2007 Mar. 2008 Jan. 2010 Jan. 2015 Jun. 2017 Jan. 2018</p>	<p>Joined Asahi Glass Co., Ltd (currently AGC Inc.) Executive Officer; General Manager of Kansai Plant, Asahi Glass Co., Ltd Senior Executive Officer and General Manager of Electronics &amp; Energy General Division, Asahi Glass Co., Ltd Representative Director and President &amp; COO, Asahi Glass Co., Ltd. Representative Director and President &amp; CEO, Asahi Glass Co., Ltd. Representative Director and Chairman, Asahi Glass Co., Ltd. Director, IHI (incumbent) Director and Chairman, AGC Inc. (incumbent)</p>	(Note 6)	600

(Translation purposes only)

Standing audit & supervisory board member	Shigeru Uesugi	July 12, 1958	Apr. 1981 Apr. 2005  Apr. 2006 Apr. 2010 Apr. 2013 Jun. 2016	Joined IHI Deputy General Manager of Planning & Control Department, Aero-Engine & Space Operations, IHI General Manager of Planning & Control Department, Aero-Engine & Space Operations, IHI General Manager, Group Business Management Section, Corporate Planning Division, IHI Vice President of Aero-Engine & Space Operations, IHI Standing audit & supervisory board member, IHI (incumbent)	(Note 7)	1,300
Standing audit & supervisory board member	Taizo Suga	June 23, 1955	Apr. 1978 Jul. 2004  Apr. 2007 Apr. 2010 Apr. 2012 Apr. 2013  Apr. 2014  Apr. 2017 Jun. 2017	Joined IHI Manager of Finance Group, Finance & Accounting Division, IHI Manager of Group Business Management Section, Corporate Planning Division, IHI General Manager of Corporate Business Development Division, IHI General Manager of Corporate Business Development Division and Lithium-Ion Battery Business Development, IHI Executive Officer; President of Urban Development Operations and General Manager of Intelligent Information Management Headquarters, IHI Executive Officer, IHI; President and Chief Executive Officer, IHI ASIA PACIFIC PTE. LTD. General Advisor, IHI Standing audit & supervisory board member, IHI (incumbent)	(Note 8)	1,100
Audit & supervisory board member	Yoko Hatta	June 8, 1952	Aug. 1988  Aug. 1997 Sep. 2002 Jun. 2008 Jun. 2016	Joined Peat Marwick Main & CO. (currently KPMG LLP New York) Partner, KPMG Peat Marwick LLP (currently KPMG LLP New York) Partner, KPMG Peat Marwick LLP (currently KPMG LLP) Auditor, International Christian University (incumbent) Audit & supervisory board member, IHI (incumbent)	(Note 7)	-
Audit & supervisory board member	Tomomi Yatsu	May 30, 1960	Apr. 1983  Oct. 1986 Sep. 1990 Oct. 2001  Apr. 2015 Jun. 2017	Joined Tokyo Electron Limited Joined Sanwa Tohmatsu Aoki & Co (currently Deloitte Touche Tohmatsu LLC) Registered as Certified Public Accountant Registered as Attorney at Law Joined New Tokyo international Law Office (subsequently consolidated with Bingham, Sakai, Mimura & Aizawa Law Office (foreign law joint enterprise)) Partner, TMI Associates (incumbent) Audit & supervisory board member, IHI (incumbent)	(Note 8)	-

(Translation purposes only)

Audit & supervisory board member	Toshio Iwamoto	January 5, 1953	Apr. 1976	Joined NIPPON TELEGRAPH AND TELEPHONE PUBLIC CORPORATION (now NIPPON TELEGRAPH AND TELEPHONE CORPORATION)	(Note 9)	-
			Jun. 2004	Director; Senior Executive Manager of Payment Solutions Sector, NTT DATA Corporation		
			Jun. 2007	Director; Executive Vice President; Senior Executive Manager of financial business sector, NTT DATA Corporation		
			Jun. 2008	Director; Executive Vice President; In charge of financial sector, NTT DATA Corporation		
			Jun. 2009	Representative Director; Senior Executive Vice President, NTT DATA Corporation		
			Jul. 2009	Representative Director; Senior Executive Vice President; Company President of Public & Financial IT Services Company, NTT DATA Corporation		
			Jun. 2011	Representative Director; Senior Executive Vice President; In charge of sales management; In charge of technology management, NTT DATA Corporation		
			Jun. 2012	President and CEO, NTT DATA Corporation		
			Jun. 2018	Principal Executive Advisor, NTT DATA Corporation (incumbent)		
			Jun. 2019	Audit & supervisory board member, IHI (incumbent)		
Total						47,600

- Notes:
1. Chief executive officer, Senior Executive Officer and Managing executive officer are executive officer ranks.
  2. Directors: Taketsugu Fujiwara, Hiroshi Kimura and Kazuhiko Ishimura are outside directors. IHI has registered directors Taketsugu Fujiwara, Hiroshi Kimura and Kazuhiko Ishimura with domestic financial instrument exchanges (where IHI is listed) as independent directors respectively.
  3. Audit & supervisory board members: Yoko Hatta, Tomomi Yatsu and Toshio Iwamoto are outside audit & supervisory board members. IHI has registered audit & supervisory board members Yoko Hatta, Tomomi Yatsu and Toshio Iwamoto with domestic financial instrument exchanges (where IHI is listed) as independent audit & supervisory board members, respectively.
  4. Number of IHI's shares owned less than one unit are rounded down.
  5. IHI has instituted an executive officer system for the purpose of establishing a clear delineation between the management monitoring and oversight system and the business execution system, and to enhance both the governance and management functions in the management system. The executive officers in office as of the filing date of this Annual Securities Report are shown in the table below.
  6. The term of office shall expire at the end of the ordinary general meeting of shareholders for the last business term ending within one year after the election in the ordinary general meeting of shareholders held on June 20, 2019.
  7. The term of office shall expire at the end of the ordinary general meeting of shareholders for the last business term ending within four years after the election in the ordinary general meeting of shareholders held on June 24, 2016.
  8. The term of office shall expire at the end of the ordinary general meeting of shareholders for the last business term ending within four years after the election in the ordinary general meeting of shareholders held on June 23, 2017.
  9. The term of office shall expire at the end of the ordinary general meeting of shareholders for the last business term ending within four years after the election in the ordinary general meeting of shareholders held on June 20, 2019.

(Translation purposes only)

Executive Officers as of the filing date of this Annual Securities Report

Men: 22 Women:1 (Percentage of women among Executive Officers : 4.3%)

	Position	Name	Main Areas of Responsibility
*	Chief Executive Officer	Tsugio Mitsuoka	
*	Senior Executive Officer	Hiroyuki Otani	
*	Senior Executive Officer	Takeshi Yamada	
*	Managing Executive Officer	Tomoharu Shikina	President of Aero Engine, Space & Defense Business Area
*	Managing Executive Officer	Nobuko Mizumoto	General Manager of Intelligent Information Management Headquarters
*	Managing Executive Officer	Masafumi Nagano	President of Industrial System & General-Purpose Machinery Business Area
*	Managing Executive Officer	Kouichi Murakami	General Manager of Corporate Research & Development
	Managing Executive Officer	Kazuki Awai	General Manager of Administration Division
	Managing Executive Officer	Yoshinori Kawasaki	Vice President of Industrial System & General-Purpose Machinery Business Area
	Managing Executive Officer	Yutaka Kunisada	General Manager of Corporate Business Development & Solution & Engineering Headquarters
	Managing Executive Officer	Hiroshi Ide	President of Resources, Energy & Environment Business Area
	Executive Officer	Takashi Niimura	General Manager of Global Marketing & Sales Headquarters
	Executive Officer	Yoshio Yonezawa	President of IHI INC.(Regional Headquarters in the Americas)
	Executive Officer	Syunichi Takayanagi	Vice President of Social Infrastructure & Offshore Facility Business Area
	Executive Officer	Naoshi Matsumoto	Vice President of Aero Engine, Space & Defense Business Area
	Executive Officer	Mitsutoyo Yoshida	General Manager of Project Risk Management Division
	Executive Officer	Masato Shida	General Manager of Human Resources Division
	Executive Officer	Hideo Morita	Vice President of Aero Engine, Space & Defense Business Area
	Executive Officer	Takeshi Kawakami	President of Social Infrastructure & Offshore Facility Business Area
	Executive Officer	Yoshinori Komiya	Vice President of Resources, Energy & Environment Business Area
	Executive Officer	Kouji Takeda	Vice President of Resources, Energy & Environment Business Area, President of IHI Plant Services Corporation
	Executive Officer	Yasuhiro Shigegaki	Vice President of Industrial System & General-Purpose Machinery Business Area
	Executive Officer	Tetsuji Fujimura	Vice President of Aero Engine, Space & Defense Business Area

Note: \* means director.

(Translation purposes only)

(ii) Outside directors and audit & supervisory board members

- Three outside directors and three outside audit & supervisory board members provide IHI with objective advice about its business and help to ensure effective auditing and oversight.
- IHI sets up independence standards for outside directors and outside audit & supervisory board members. These standards are based on the requirements for independent directors/ audit & supervisory board members stipulated by the Tokyo Stock Exchange and their emphasis is to assure that outside directors and outside audit & supervisory board members are genuinely independent.
- The outside directors and outside audit & supervisory board members are required to adhere to these same standards, including having no conflict of interest with any general shareholder. They are reported as independent directors/audit & supervisory board members to any stock exchange where IHI is listed.
- Attributes of independent directors/audit & supervisory board members of outside directors and outside audit & supervisory board members, as well as the reasons for their election, are noted below.

Name	Attributes of independent directors/audit & supervisory board members	Reason for Election
Taketsugu Fujiwara	<p>Taketsugu Fujiwara served as President and Representative Director, and Presidential Executive Officer of Asahi Kasei Corporation until March 2014. He serves currently as Standing Counsellor of the company mentioned above.</p> <p>The IHI Group has a business relationship involving the sale and purchase of defense business with Asahi Kasei Corporation, where Taketsugu Fujiwara previously served as a business executive. However, the relationship mentioned above is as insignificant as it generates 0.03% of IHI's consolidated net sales and 0.03% of Asahi Kasei Corporation's consolidated net sales (for the fiscal year ended March 31, 2019). Therefore, this has no impact on his independence.</p>	<p>Taketsugu Fujiwara reflects in the management of IHI his extensive experience and broad insight gained at the helm of a general chemicals manufacturer, where he has implemented diversified management. In addition, he carries out management oversight and monitoring functions from an independent perspective. Therefore, IHI has elected him as an outside director.</p> <p>Taketsugu Fujiwara does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. IHI has therefore elected him as an independent director.</p>
Hiroshi Kimura	<p>Hiroshi Kimura served as President and CEO, and Chairman of the Board of Japan Tobacco Inc. until June 2014. He serves currently as Executive Alumnus of the company mentioned above.</p> <p>The IHI's subsidiaries has a business relationship involving sales of products related to industrial machinery, etc. with Japan Tobacco Inc., where Hiroshi Kimura previously served as a business executive. However, the relationship mentioned above is as insignificant as it generates less than 0.01% of IHI's consolidated net sales and there is no result of order etc. (for the fiscal year ended March 31, 2019). Therefore, this has no impact on his independence.</p>	<p>Hiroshi Kimura reflects in the management of IHI his extensive experience and broad insight gained at the helm of business manager who has led aggressive globalization in response to changes in business environment. In addition, he carries out management oversight and monitoring functions from an independent perspective. Therefore, IHI has elected him as an outside director.</p> <p>Hiroshi Kimura does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. IHI has therefore elected him as an independent director.</p>
Kazuhiko Ishimura	<p>Kazuhiko Ishimura served as Representative Director and Chairman of Asahi Glass Co., Ltd (currently AGC Inc.) until December 2017. He serves currently as Director and Chairman of the company mentioned above.</p> <p>The IHI Group has a business relationship involving the sale, purchase and maintenance of industrial machinery with AGC Inc., where Kazuhiko Ishimura served as a business executive. However, the relationship mentioned above is as insignificant as it generates 0.04% of IHI's consolidated net sales and there is no result of order etc. (for the fiscal year ended March 31, 2019). Therefore, this has no impact on his independence.</p>	<p>Kazuhiko Ishimura reflects in the management of IHI his extensive experience and broad insight at the helm of a comprehensive materials manufacturer. In addition, he carries out management oversight and monitoring functions from an independent perspective. Therefore, IHI has elected him as an outside director.</p> <p>Kazuhiko Ishimura does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. IHI has therefore elected him as an independent director.</p>

(Translation purposes only)

Name	Attributes of independent directors/audit & supervisory board members	Reason for Election
Yoko Hatta	Not applicable	<p>Yoko Hatta reflects in the management auditing operations of IHI her extensive experience and insight in global business operations, notably international taxation from an independent perspective. Therefore, IHI has elected her as an outside audit &amp; supervisory board member.</p> <p>Yoko Hatta does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. IHI has therefore elected her as an independent audit &amp; supervisory board member.</p>
Tomomi Yatsu	<p>Tomomi Yatsu serves currently as a partner of TMI Associates.</p> <p>IHI has a business relationship involving commission of legal research etc. with TMI Associates, where Tomomi Yatsu serves as a business executive. However, the relationship mentioned above is as insignificant as it generates less than 0.01% of total fee in TMI Associates and there is no result of sales etc. (for the fiscal year ended March 31, 2019). Therefore, this has no impact on his independence.</p>	<p>Tomomi Yatsu reflects in the management auditing operations of IHI her extensive experience and insight by responding to various corporate issues as an attorney at law and certified public accountant from an independent perspective. Therefore, IHI has elected her as an outside audit &amp; supervisory board member.</p> <p>Tomomi Yatsu does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. IHI has therefore elected her as an independent audit &amp; supervisory board member.</p>
Toshio Iwamoto	<p>Toshio Iwamoto served as president and CEO of NTT DATA Corporation until June 2018. He serves currently as Principal Executive Advisor, NTT DATA Corporation.</p> <p>The IHI's subsidiaries has a business relationship involving consignment of system introduction support, etc. with NTT DATA Corporation, where Toshio Iwamoto previously served as a business executive. However, the relationship mentioned above is as insignificant as it generates less than 0.01% of IHI's consolidated net sales and less than 0.01% of consolidated net sales of NTT DATA Corporation (for the fiscal year ended March 31, 2019). Therefore, this has no impact on his independence.</p>	<p>Toshio Iwamoto reflects in the management auditing operations of IHI his extensive experience and broad insight of business manager in a leading IT company from an independent perspective. Therefore, IHI has elected her as an outside audit &amp; supervisory board member.</p> <p>Toshio Iwamoto does not contravene the standards for independence stipulated by the Tokyo Stock Exchange and is judged unlikely to have a conflict of interests with general shareholders. IHI has therefore elected him as an independent audit &amp; supervisory board member.</p>

(iii) Mutual cooperation between supervision or internal audit by outside directors and outside audit & supervisory board members and internal audit, audit & supervisory board members audit and accounting audit, and relationship with internal control division

- IHI provides outside directors and outside audit & supervisory board members with as-needed reports on internal audit implementation from the Internal Audit Divisions as reported to the Board of Directors and Audit & Supervisory Board, and also gives them briefings in advance and shares information on a continual basis.
- Outside audit & supervisory board members work closely with the accounting auditor, including regularly sharing information and opinions and receiving reports on audit results in the Audit & Supervisory Board.

(Translation purposes only)

(3) Information about audit

(i) Audit & supervisory board members audit

IHI has an Audit & Supervisory Board, which comprises five audit & supervisory board members (three from outside) who audit the duties executed by directors.

Audit & supervisory board members, in accordance with policies defined at the Audit & Supervisory Board meetings, attend the Board of Directors and other important meetings. They also audit the execution of duties by directors through reviews of reports received from the directors and employees, and they investigate IHI operations and finances. Moreover, the audit & supervisory board members work closely with the accounting auditor and internal audit divisions to receive reports on the implementation and results of audits from them and to hold regular meetings. Furthermore, four full-time staffers assist the audit & supervisory board members in the execution of their duties.

Taizo Suga, the standing audit & supervisory board member, possesses considerable knowledge of financial and accounting matters based on his years of experience working in the Finance & Accounting Division.

Yoko Hatta, the outside audit & supervisory board member, possesses considerable knowledge of financial and accounting matters based on her years of experience working in a tax accounting firm.

Tomomi Yatsu, the outside audit & supervisory board member, is qualified as a certified public accountant and possesses considerable knowledge of financial and accounting matters.

(ii) Internal audit

The Internal Audit Division (27 members) is an internal audit division that reports directly to the President. It carries out audits of the business execution at all business divisions of IHI and its affiliates on an ongoing basis and while providing inspection and guidance at IHI's headquarters' divisions, it works to enhance internal control functions in conjunction with the internal audits of affiliates carried out by the affiliates' internal audit divisions.

The internal audit divisions work closely with audit & supervisory board members and the accounting auditor to report on the implementation and results of audits and to hold regular meetings.

(iii) Accounting audit

(a) Name of accounting auditor

Ernst & Young ShinNihon LLC

(b) The certified public accountants belonging to who executed the accounting audit

Hideyuki Inoue (four years)

Hironori Oya (two years)

Yoichi Takanashi (three years)

(c) Assistants for the accounting audit

Certified Public Accountants: 21 persons

Others: 48 persons

Note: Others include people who have passed the Certified Public Accountants Examination, persons in charge of systems audits, and others.

(d) Policy and reason for selection of accounting auditor

At the Audit & Supervisory Board held on May 20, 2015, IHI resolved on the policies for decisions on dismissal or non-reappointment of accounting auditors. The policies are as follows:

- In the case where it is deemed that the accounting auditor has fallen under any of the reasons for dismissal prescribed in Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the accounting auditor based on the consent of all audit & supervisory board members.
- In cases where the accounting auditor is deemed to have difficulty in conducting audit operations appropriately, based on the resolution of the Audit & Supervisory Board, the dismissal or non-reappointment of the accounting auditor shall be decided.

On the basis of the above policy, the judgment of reappointment of accounting auditor is made every period.

(Translation purposes only)

As a result of discussing the reappointment of the accounting auditor, Ernst & Young ShinNihon LLC, at the Audit & Supervisory Board meetings in the current fiscal year, there is no reason of non-reappointment and dismissal from the auditor and they are reappointed.

(e) Evaluation on accounting auditor by audit & supervisory board members and Audit & Supervisory Board

The accounting auditor is evaluated regularly by the audit & supervisory board members and the Audit & Supervisory Board of IHI. The evaluation is conducted on various aspects with items such as the accounting auditor's quality management, the audit team, the audit remuneration, etc., communication with the audit & supervisory board members and others, relationships with business managers and others, the audit for IHI's consolidated subsidiaries, fraud risks and so on. There are no reasons for non-reappointment or dismissal in any of the items.

(f) Changes of accounting auditor

Not Applicable

(iv) Details of audit remuneration, etc.

(a) Details of remuneration to Certified Public Accountants, etc.

Classification	Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
	Remuneration for audit or attestation services (millions of yen)	Remuneration for non-audit services (millions of yen)	Remuneration for audit or attestation services (millions of yen)	Remuneration for non-audit services (millions of yen)
Reporting company	188	16	196	25
Consolidated subsidiaries	201	13	182	13
Total	389	29	378	38

The non-audit services IHI entrusts the accounting auditor are advice and support for issues arising from implementation of IFRSs (International Financial Reporting Standards) and guidance on accounting for subsidiaries and affiliates.

The non-audit services consolidated subsidiaries entrust the accounting auditor are consultation and guidance on accounting.

(b) Details of remuneration to organization which belongs to the same network as IHI's Certified Public Accountants, etc. (Ernst & Young Group) (excluding (a))

Classification	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Remuneration for audit or attestation services (millions of yen)	Remuneration for audit or attestation services (millions of yen)
Reporting company	–	–
Consolidated subsidiaries	123	109
Total	123	109

The remuneration for non-audit services is omitted since it is not material.

(c) Other material remuneration for audit or attestation services

The fiscal year ended March 31, 2018 and 2019

Not applicable

(d) Policy on determining audit remuneration

There is no particular policy on determining audit remuneration. The remuneration is decided with the consent of the Audit & Supervisory Board, taking into consideration factors such as the number of days of the audit and the remuneration unit price.



(Translation purposes only)

(e) Reasons for which the Audit & Supervisory Board agreed to the accounting auditor's remuneration, etc.

For the remuneration for accounting auditor proposed by representative directors, the Audit & Supervisory Board of IHI confirmed the adequacy and appropriateness of the audit plan submitted by the accounting auditor and examined the calculation basis the calculation details such as audit time and remuneration unit price. As a result, since the remuneration was confirmed to be appropriate, they agreed in accordance with Article 399, Paragraph 1 of the Companies Act.

(4) Remuneration, etc. of directors and audit & supervisory board members

(i) Information about the policy on determining the amount and calculation method of remuneration, etc. of directors and audit & supervisory board members

(a) Date of resolution and resolution details about the remuneration of directors and audit & supervisory board members

The date of resolution at Ordinary General Meeting of Shareholders about the remuneration of IHI's directors was on June 23, 2017, and maximum total amount of that was resolved as ¥1,090 million or below (excluding salaries for working as employees) per year. Also, the date of resolution at Ordinary General Meeting of Shareholders about the remuneration of IHI's audit & supervisory members was on June 27, 2014, and maximum total amount of that was resolved as ¥120 million or below.

Regarding the performance-based share remuneration, it was resolved at the Ordinary General Meeting of Shareholders held on June 23, 2017 to contribute up to ¥450 million as a separate frame from the total remuneration of directors, for the purpose of providing directors with shares of IHI and money equivalent to the market value of them through the trust set up by IHI.

(b) Basic policy on determining remuneration of directors (excluding outside directors)

1. Basic policy on determining remuneration of directors (excluding outside directors)

(1) Remuneration shall be aimed at fully encouraging directors and executive officers to perform their duties in line with management philosophy, Group vision, and Group management policy, and strongly motivating them toward the achievement of specific management goals to bring IHI's and IHI Group's sustainable growth and improve the medium- and long-term corporate value.

(2) Remuneration shall be structured with the appropriate allocation of an annual incentive (performance-based bonuses), which is linked to the operating performance of each fiscal year, and a medium- and long-term incentive (performance-based share remuneration), which is linked to medium- and long-term operating performance and corporate value aimed at broadly sharing a sense of value with stakeholders, and thereby shall contribute to performing with a sound entrepreneurial spirit.

(3) Under the management philosophy, "Human resources are our single most valuable asset," appropriate treatment shall be provided to officers of IHI in consideration of IHI's management environment, and social roles and liabilities IHI undertakes.

2. Remuneration level and allocated ratios of remuneration

(1) IHI shall regularly survey objective market data on remuneration researched by an external specialized institution and set an appropriate remuneration level.

(2) In consideration of IHI's business characteristics, effectiveness of incentive remuneration, etc., total amount of remuneration shall be allocated at approximate proportions of 60%: 20%: 20% respectively to (i) a fixed base amount, (ii) an annual incentive (performance-based bonuses) to be provided upon the achievement of the targeted performance, and (iii) a medium- and long-term incentive (performance-based share remuneration) provided upon the achievement of the targeted performance.

3. Framework of incentive remuneration

(1) The monetary amount of an annual incentive to be provided every fiscal year shall vary, depending on the achievement level, within an approximate range of from 0 to 200 under the assumption of providing the amount of 100 upon the achievement of the targeted performance. Performance evaluation indicators shall be those such as profit attributable to owners of parent (hereinafter, "consolidated profit" in (4) Remuneration, etc. of directors and audit & supervisory board members), which is aimed at sharing the interests of shareholders, profitability which is emphasized in "Group Management Policies 2019" (consolidated operating profit margin and consolidated operating profit margin of business areas in charge), and individuals evaluation indicators corresponding to tasks assigned to each executive, and be reviewed as necessary upon changes in management environment, executives' roles, etc.

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- (2) The number of shares to be delivered every fiscal year as a medium- and long-term incentive shall vary, depending on the achievement level, within an approximate range of from 0 to 150 under the assumption of providing 100 shares upon the achievement of the targeted performance. The Performance Evaluation Period shall be three fiscal coming years, and performance goals for the final fiscal year of the Performance Evaluation Period shall be established in the initial fiscal year of the Performance Evaluation Period. The performance evaluation indicator shall be consolidated ROIC, as emphasized in “Group Management Policies 2019”, and changes in the indicator, if necessary, shall be taken into consideration when reviewing the Group management policies.

#### 4. Procedures for determining remuneration

To ensure appropriateness and objectivity in determining the remuneration of directors and executive officers, IHI has an optional body, the Remuneration Advisory Committee which is organized by six members of three outside directors, one outside audit & supervisory board member, one director in charge of human resources, and one director in charge of finance and accounting under the chair of an outside director. The Committee shall examine and report remuneration related to directors and executive officers, and the Board of Directors shall make decisions.

(c) Basic policy on determining remuneration of outside directors and audit & supervisory board members

Remuneration of outside directors shall consist only of a base amount in the light of their responsibilities.

Remuneration of audit & supervisory board members shall consist only of a base amount, as compensation for responsibilities for auditing the execution of duties throughout the IHI Group. The amount shall be determined through discussions among the audit & supervisory board members.

(d) Details of activities of the Board of Directors and committees, etc. in the process of determining the amount of remuneration for the current fiscal year

In the process of determining the amount of remuneration, etc. of directors and executive officers of IHI in the current fiscal year, the Remuneration Advisory Committee was held four times a year, and the progress and results of that discussion were reported back to the Board of Directors.

(e) Calculation method of money, etc. to be provided as performance-based remuneration for the fiscal year ending March 31, 2020

1. Calculation method for the monetary amount to be provided as performance-based bonuses

At a meeting of the Board of Directors of IHI held on June 20, 2019, it was resolved that a sum of money determined in accordance with objective calculation methods based on indicators showing the profit situation (hereinafter in this section, “profit indicators”) for the fiscal year ending March 31, 2020 (hereinafter, “fiscal year 2019”) would be provided to all of those directors of IHI present on June 20, 2019 (excluding outside directors), in consideration for their execution of duties in fiscal year 2019.

[a] The details of the calculation method are as below

The monetary amount to be provided*	=	Standard payment	×	Performance	+	Payments based on individuals’ performance evaluations
		amount corresponding to titles and positions and type of profit indicators used for reference		evaluation payout rates proportionate to the profit indicators		

[b] Profit indicators corresponding to titles and positions and weight of profit indicators are as below.

- For representative directors, the consolidated profit and the consolidated operating profit margin are both 50%.
- For directors excluding representative directors and for executive officers, the consolidated profit, the consolidated operating profit margin or consolidated operating margin of the business area in charge and the individuals’ performance evaluation are 30%, 50% and 20%, respectively.

[c] Performance evaluation payout rates proportionate to the profit indicators are as below.

- Performance evaluation payout rate of consolidated profit is 100% when the target of consolidated profit is achieved. The performance evaluation payment rate fluctuates according to the degree of achievement of the target,

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and the upper limit is 200% (when consolidated profit increases by ¥ 15.0 billion or more from the target) and the lower limit is 25% (when consolidated profit decreases by ¥ 15.0 billion from the target), and when it falls below the target by more than 15 billion yen, it will be 0%. (Calculation method for the performance evaluation payment rate of consolidated profit for the fiscal year ending March 31, 2019 is as described in [a] of “(f) Calculation method of money, etc. provided as performance-based remuneration for the fiscal year ended March 31, 2019 and result”.)

- Performance evaluation payout rate of consolidated operating profit margin is 100% when the target of consolidated operating profit margin is achieved. The performance evaluation payment rate fluctuates according to the degree of achievement of the target, and the upper limit is 200% (when consolidated profit increases by 2.0% or more from the target), and the lower limit is 25% (when consolidated profit decreases by 2.0% from the target), and when it falls below the target by more than 2.0%, it will be 0%. (Calculation method for the performance evaluation payment rate of consolidated operating profit margin for the fiscal year ending March 31, 2019 is as described in [a] of “(f) Calculation method of money, etc. provided as performance-based remuneration for the fiscal year ended March 31, 2019 and result”.)
- For the consolidated operating margin of the business area in charge, the upper and lower are set by each business area in charge and converted to performance evaluation payout rates, on the basis of the same concept as the case of referring to above-mentioned consolidated operating profit margin.
- The Remuneration Advisory Committee shall examine and report changes of details of the target. The Board of Directors shall make decisions.

[d] Payments based on individuals’ performance evaluations are decided by the chief executive officer (CEO) mainly based on the evaluations for execution of duties related to medium- and long-term measures. The performance evaluation payout rate fluctuates and the upper and lower limit is 150% and 0%, respectively.

[e] In addition, regardless of the calculation results, if no dividend is paid, the performance-based bonuses is not paid to directors and executive officers.

[f] In the case that loss attributable to owners of parent for the current fiscal year or unanticipated major change for management in politics, economics, social circumstances and the initial plan (including scandal to damage the corporate value) occur, the Remuneration Advisory Committee shall examine and report changes of details of performance-based share remuneration. The Board of Directors shall make decisions.

## 2. Calculation method for the number of IHI’s shares to be provided as performance-based share remuneration

At a meeting of the Board of Directors of IHI held on June 20, 2019, it was resolved that a number of shares (hereinafter, “the Shares”) determined in accordance with objective calculation methods based on indicators showing the profit situation (hereinafter in this section, “profit indicators”) for the fiscal year ending March 31, 2022 (hereinafter, “fiscal year 2021”) would be provided to all of those directors of IHI present on June 20, 2019 (excluding outside directors), in consideration for their execution of duties in fiscal year 2019.

The details of the calculation method are as given below, and IHI has received written acknowledgement from all audit & supervisory board members to the effect that said calculation method is fair. These shares are scheduled to be provided within two months of the day following the day on which is held the Ordinary General Meeting of Shareholders pertaining to fiscal year 2021, for which the profit indicators will be finalized.

$$\begin{array}{l}
 \text{IHI's shares to be} \\
 \text{provided}
 \end{array}
 =
 \begin{array}{l}
 \text{Base points} \\
 \text{corresponding} \\
 \text{to titles and} \\
 \text{positions}
 \end{array}
 \times
 \begin{array}{l}
 \text{Performance} \\
 \text{evaluation} \\
 \text{payout rates}
 \end{array}
 \times
 \begin{array}{l}
 \text{The ratio obtained by} \\
 \text{dividing the months} \\
 \text{of service in fiscal} \\
 \text{year 2019 by the} \\
 \text{directors of IHI by 12}
 \end{array}
 \times
 50\%$$

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(a) Base points corresponding to titles and positions are as below.

Titles and positions	Base points
Chairman of the Board	11,018
President and Chief Executive Officer	11,853
Executive Vice President	7,011
Directors excluding above *	5,008

(b) Performance evaluation payout rates shall be determined by the consolidated ROIC in fiscal year 2021 as below.

(Figures below a decimal point shall be omitted.)

March 31, 2022 year-end Consolidated ROIC * (%)	Performance evaluation payout rates (%)
Less than 5	0
Equal or more than 5 but less than 8	25
Equal or more than 8 but less than 10	$=25 + 12.5 \times (\text{Consolidated ROIC} - 8)$
10	50
More than 10 but less than 12	$=50 + 25 \times (\text{Consolidated ROIC} - 10)$
12	100
More than 12 but less than 15	$=100 + \frac{50}{3} \times (\text{Consolidated ROIC} - 12)$
Equal or more than 15	150

\* : Consolidated ROIC shall be calculated as the ratio calculated by  $(1 - \text{“Effective statutory tax rate”}) \times (\text{“Operating profit”} + \text{“Interest income”} + \text{“Dividend income”}) \div (\text{“Total shareholders’ equity”} + \text{“Total accumulated other comprehensive income”} + \text{Amount of interest-bearing liabilities})$ . (However, this shall be the ratio after rounding off to one decimal place.) Hereinafter the same shall apply.

\* : “Effective statutory tax rate” shall be the ratio shown in the notes to the consolidated financial statements of IHI.

\* : “Operating Profit”, “Interest income” and “Dividend income” shall be amounts shown in the Consolidated statement of income of IHI. (They shall be rounded off to the nearest million yen.)

\* : “Total shareholders’ equity” and “Total accumulated other comprehensive income” shall be the average of the amounts shown on IHI’s consolidated balance sheets for the previous fiscal year, and for the current fiscal year (they shall be rounded off to the nearest million yen.)

\* : The amount of interest-bearing liabilities shall be the average of the sum of the amounts shown in the breakdown of bonds and the breakdown of loans etc. in IHI’s consolidated supplementary schedule at the beginning of the fiscal year and of the same figure at the end of the current fiscal year. (However, this shall be rounded off to the nearest million yen.)

(c) For newly elected directors, the “ratio obtained by dividing the months of service in fiscal year 2019 by the directors of IHI by 9” shall be used for calculation. In addition, the “months of service in fiscal year 2019 by the directors of IHI” shall be calculated according to the calendar, with any fractions of less than one month that arise rounded up to one month. However, the period of service between June 20, 2019 and June 30, 2019 shall be discarded for calculation purposes.

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- (d) In the event of fractions of less than one unit of shares occurring in the number obtained from (a) to (c) above (with fractions of less than one point discarded; hereinafter “number of finalized points”), said fraction shall be discarded, after which the number shall be multiplied by 50% to calculate the number of shares to be provided.

As a result of the above, the maximum number of shares to be provided to directors of IHI shall be limited to the number calculated and finalized in cases where the months of service is 12 (or in cases where the months of service is 9 for newly elected directors) and when based on the highest performance evaluation payout rate.

- Notes : 1. The number of IHI’s shares to be provided as performance-based share remuneration shall be calculated based on the titles and positions determined at the meeting of the Board of Directors of IHI held on June 20, 2019. Moreover, shares shall not be provided to directors who died before the end of June 2022 (if the end of June is not a business day, then the directly preceding business day).
2. Regarding directors of IHI, the number of finalized points of the director shall be zero, if the following reasons arise before the date when the number of finalized points are calculated (hereinafter “calculation date of number of finalized points”).
- (1) If a director (or an audit & supervisory board member when the director assume the position of an audit & supervisory board member) agrees to take office as an officer or employee with a company whose main business contains such business as in the business categories of the IHI Group, within three years after resigning the position.
- (2) If a director violate laws or regulations.
- (3) If a director (or an audit & supervisory board member when a director assume the position of an audit & supervisory board member) violate his/her own duty of obligation for fiduciary duty or fidelity.
3. At the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, IHI received approval to contribute to the trust set up by IHI (hereinafter “the Trust”) for the purpose of providing performance-based share remuneration, up to a maximum of ¥450 million every fiscal year. However, in cases where the total number of finalized points of each director is greater than the number of shares of IHI bought and held by the Trust ( hereinafter “number of shares held in trust”) under the upper limit, the number of shares held in trust shall be divided proportionately according to the number of finalized points owned by each director, and the obtained number shall be deemed the number of finalized points of each director, and then the number of shares to be provided to each director shall be calculated.
4. In the event of IHI’s shares undergoing an event such as a share split, gratis allotment of shares, or consolidation of shares, etc., the number of shares to be provided shall be adjusted to reasonable levels, corresponding to the level of the ratio, etc. used in such events.
5. Directors of IHI who receive performance-based share remuneration shall be “executive officers” as defined by Article 34 paragraph 1, item 3 of the Corporation Tax Act.
6. The “indicators on profits” of Article 34 paragraph 1, item 3(a) of the Corporation Tax Act shall be the consolidated ROIC. The amounts of this shall be listed in the annual securities report of IHI for fiscal year 2021.
7. During the period from the calculation date of number of finalized points to the end of June 2023, in the case that a fact (including the occurrence of errors in performance indicators and of such reasons as described in Note 2) is found out that the number of the finalized points (hereinafter “the modified number of the finalized points”) should be calculated smaller than the number of finalized points calculated on the calculation date of number of finalized points (hereinafter “calculated number of finalized points”), the IHI Group will put it into practice as below.
- (1) If the transfer of shares (hereinafter “the transfer”) has not yet been implemented at the point the above fact is found out, IHI will implement the transfer with the modified number of the finalized points.
- (2) If the transfer has already been implemented at the point the above fact is found out or is implemented with the calculated number of finalized points since it could not be stopped, the receiver of the transfer will return the difference between the money and/or shares that are transferred by the transfer with the modified number of the finalized points and with the calculated number of the finalized points back to IHI.
8. In the event of fractions of less than one unit of shares occurring in the number of shares to be provided, said fractions shall be discarded.

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3. Calculation method for the monetary amount to be provided as performance-based share remuneration

At a meeting of the Board of Directors of IHI held on June 20, 2019, it was resolved that a sum of money determined in accordance with objective calculation methods based on indicators showing the profit situation (hereinafter in this section, “profit indicators”) for fiscal year 2021 would be provided to all of those directors of IHI present on June 20, 2019 (excluding outside directors), in consideration for their execution of duties in fiscal year 2019.

The details of the calculation method are as given below, and IHI has received written acknowledgement from all audit & supervisory board members to the effect that said calculation method is fair. These monies are scheduled to be provided along with the Shares that have the same applicable period for the execution of duties, within two months of the day following the day on which is held the Ordinary General Meeting of Shareholders pertaining to fiscal year 2021, for which the profit indicators will be finalized.

$$\begin{array}{l} \text{The monetary} \\ \text{amount to be} \\ \text{provided} \end{array} = \begin{array}{l} \text{(Number of finalized points -} \\ \text{Number of the Shares to be provided)} \end{array} \times \begin{array}{l} \text{The market price of IHI's shares on the} \\ \text{last day of June 2022 (or if that day is} \\ \text{not a business day, the business day} \\ \text{directly before that)} \end{array}$$

The market price of IHI’s shares shall be the closing price or quote at the Tokyo Stock Exchange on the day needed to calculate the market price of IHI’s shares, and in situations where there is no closing price or quote published on that day, the closing price or quote on the most recent day for which a closing price or quote can be obtained shall be used.

The maximum monetary amount to be provided to the directors of IHI shall be finalized corresponding to titles and positions as below.

Titles and positions	The maximum monetary amount (Yen)
Chairman of the Board	83,270,000
President and Chief Executive Officer	89,790,000
Executive Vice President	53,160,000
Directors excluding above *	38,120,000

Notes : 1. The content of notes 1, 2, 3, 4, 5, 6 and 7 to “2. Calculation method for the number of the IHI’s shares to be provided as performance-based share remuneration” apply equally to “3. Calculation method for the monetary amount to be provided as performance-based share remuneration”.

2. In the event that fractions of less than ¥1 occur in the monetary amount to be provided, fractions shall be discarded.

(f) Calculation method of money, etc. provided as performance-based remuneration for the fiscal year ended March 31, 2019 and result

1. Calculation method for the monetary amount to be provided as performance-based bonuses

At a meeting of the Board of Directors of IHI held on June 22, 2018, it was resolved that a sum of money determined in accordance with objective calculation methods based on indicators showing the profit situation (hereinafter in this section, “profit indicators”) for the fiscal year ending March 31, 2019 (hereinafter, “fiscal year 2018”) would be provided to all of those directors of IHI present on June 22, 2018 (excluding outside directors), in consideration for their execution of duties in fiscal year 2018.

The content of the calculation method and profit indicators corresponding to titles and positions, weight of each profit

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indicator apply equally to “[a] The details of the calculation method are as below” of “1. Calculation method for the monetary amount to be provided as performance-based bonuses” in “(e) Calculation method of money, etc. to be provided as performance-based remuneration for the fiscal year ending March 31, 2020”.

[a] Performance evaluation payout rates proportionate to the profit indicators calculated by the frame of “[c] Performance evaluation payout rates proportionate to the profit indicators” of “1. Calculation method for the monetary amount to be provided as performance-based bonuses” in “(e) Calculation method of money, etc. to be provided as performance-based remuneration for the fiscal year ending March 31, 2020” is as below.

- Performance evaluations payout rates in the case referring to consolidated profit

Consolidated profit of the fiscal year 2018 (billions of yen)	Performance evaluation payout rates (%)
Less than 28.6	0
Equal or more than 28.6 but less than 43.6	$=25 + \frac{1}{2} \times \frac{(\text{Consolidated profit} - \text{¥28.6 billion})}{\text{¥0.1 billion}}$
43.6	100
More than 43.6 but less than 58.6	$=100 + \frac{2}{3} \times \frac{(\text{Consolidated profit} - \text{¥43.6 billion})}{\text{¥0.1 billion}}$
Equal or more than 58.6	200

- Performance evaluations payout rates in the case referring to consolidated profit margin

Consolidated operating profit margin of the fiscal year 2018 (%)	Performance evaluation payout rates (%)
Less than 4.2	0
Equal or more than 4.2 but less than 6.2	$=25 + 37.5 \times (\text{Consolidated operating profit margin} - 4.2)$
6.2	100
More than 6.2 but less than 8.2	$=100 + 50 \times (\text{Consolidated operating profit margin} - 6.2)$
Equal or more than 8.2	200

Performance evaluation payout rates proportionate to the profit indicators referring to consolidated profit of each business area is calculated by the frame of “[c] Performance evaluation payout rates proportionate to the profit indicators” of “1. Calculation method for the monetary amount to be provided as performance-based bonuses” in “(e) Calculation method of money, etc. to be provided as performance-based remuneration for the fiscal year ending March 31, 2020”.

[b] Directors (excluding representative directors and outside directors) and executive officers shall be provided bonuses separately based on individuals’ performance evaluation.(The details are shown on “(d) Details of activities of the Board of Directors and committees, etc. in the process of determining the amount of remuneration for the current fiscal year” of “1. Calculation method for the monetary amount to be provided as performance-based bonuses” in “(e) Calculation method of money, etc. to be provided as performance-based remuneration for the fiscal year ending March 31, 2020”).

[c] In addition, regardless of the calculation results, if no dividend is paid, the performance-based bonuses are not paid to directors and executive officers.

[d] In the case that loss attributable to owners of parent for the current fiscal year or unanticipated major change for management in politics, economics, social circumstances and the initial plan (including scandal to damage the corporate value) occur, the Remuneration Advisory Committee shall examine and report changes of details of performance-based remuneration. The Board of Directors shall make decisions.

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2. Result of the monetary amount provided as performance-based bonuses

- The result of performance evaluations payout rates based on the consolidated profit as the profit indicator for the fiscal year 2018 was 81%, and the result of performance evaluations rates based on the consolidated operating margin was 51.5%.
- The results of performance evaluations payout rates based on the consolidated operating profit margin of the business area in charge were minimum 0% and maximum 120%.
- The results of consolidated operating profit margin and consolidated operating profit margin of business area in charge are treated by making an adjustment on the premise of foreign exchange rate in the plan.
- The results of individuals' performance evaluations payout rates (value of 0 to 150%) were minimum 0% and maximum 80%.
- Due to the practices occurred for the current fiscal year, the Remuneration Advisory Committee examined and reported, and a part of performance-based bonuses was adjusted for the relevant directors.

3. Result of the number of IHI's shares and the monetary amount provided as performance-based share remuneration

Since the performance-based share remuneration was introduced from the fiscal year ended March 31, 2018 and the final year of the first Performance Evaluation Period is the fiscal year ending March 31, 2020, there were no the results for the current fiscal year.

(iii) Remuneration, etc. of directors and audit & supervisory board member and number of recipients

Position of directors and audit & supervisory board members	Total Amount Paid (Millions of yen)	Breakdown (Millions of yen)			Number of recipients
		Base amount	Performance-based share remuneration	Performance-based bonus	
Directors (excluding outside directors)	632	402	134	95	13
Audit & supervisory board members(excluding outside audit & supervisory board members)	72	72	—	—	2
Outside directors and outside audit & supervisory board members	84	84	—	—	7

- Notes:
1. Remuneration of directors does not include salaries as employees of directors who are also employees.
  2. Maximum total amount of directors' remuneration is set at ¥1,090 million or below (excluding salaries for working as employees) per year as resolved at the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, and maximum total amount of audit & supervisory board members' remuneration is set at ¥120 million or below as resolved at the 197th Ordinary General Meeting of Shareholders held on June 27, 2014.
  3. Since IHI has introduced performance-based share remuneration plan [Board Benefit Trust (BBT)], the total amount of performance-based share remuneration is the amount of the provision that was recorded in the current fiscal year for acquisition of IHI's shares corresponding to the point awarded in the period and it may be different from the total amount that is actually paid.
  4. The total amount of performance based bonus is the amount of the provision that was recorded for the current fiscal year, and it may be different from the total amount that is actually paid
  5. The numbers of directors and audit & supervisory board members as of March 31, 2019 are respectively 12 (including four outside directors) and five (including three outside audit & supervisory board members). The reason for the discrepancy from the above is that figures in the chart include five directors who retired at the conclusion of the 201st Ordinary General Meeting of Shareholders held on June 22, 2018.



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(iii) Remuneration paid, etc. of directors and audit & supervisory board members, whose total amount paid to each position of directors and audit & supervisory board members, equaled or exceeded ¥100 million

Name	Position of directors and audit & supervisory board members	Company classification	Total amount paid (Millions of yen)	Breakdown (Millions of yen)		
				Base remuneration	Performance-based share remuneration	Performance-based bonuses
Tamotsu Saito	Director	Reporting company	121	79	25	17
Tsugio Mitsuoka	Director	Reporting company	119	73	27	18

Note The total amount of performance-based share remuneration and performance-based bonus is the amount of the provision that was recorded for the current fiscal year, and it may be different from the total amount that is actually paid.

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(v) Shareholdings

(a) Standard and concept of classification of Investment shares

Regarding investment shares held for pure investment and investment shares held for purpose other than pure investment, shares that aim to gain profits solely from fluctuations in the value of the shares or dividends on shares are classified into share held for pure investment, and shares which contribute to the growth and corporate value of the IHI over the medium to long term in addition to the aim are classified into shares held for purpose other than pure investment.

(b) Investment shares held for purpose other than pure investment

[a] Method of examining holding policy and rationality and details of examination in the Board of Directors concerning the propriety of holding individual shares.

In principle, IHI seeks to reduce the number of cross-shareholdings after conducting a sufficient discussion with the held company. However, IHI may hold shares of strategic partners such as business alliances and joint research and development for the purpose of improving medium- and long-term growth and corporate value.

Moreover, the propriety of holding individual shares is assessed in the Board of Directors by confirming the mid - and long - term significance based on the holding policy and examining the rationality from the perspective whether the benefits and risks from each holding cover the cost of capital.

[b] Number of stock names and total amount on the balance sheet

	Number of stocks	Total amount on the balance sheet (Millions of yen)
Unlisted stocks	96	13,809
Stocks other than unlisted stocks	31	14,109

(Stock increased for the current fiscal year)

	Number of stocks	Total amount of acquisition cost for increase of stocks (Millions of yen)	Reason of stock increase (Millions of yen)
Unlisted stocks	—	—	—
Stocks other than unlisted stocks	—	—	—

(Stock decreased for the current fiscal year)

	Number of stocks	Total amount of acquisition cost for decrease of stocks (Millions of yen)
Unlisted stocks	1	100
Stocks other than unlisted stocks	2	426

[c] Information about number of stocks, amount on the balance sheet for each stock name of Specified investment shares and deemed share holdings

Specified investment shares

Stock name	The current fiscal year	The previous fiscal year	Holding purpose, quantitative effects from holdings and reason of share increase	IHI's shares held by the company
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on the balance sheet (Millions of yen)	Amount on the balance sheet (Millions of yen)		

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Mizuho Financial Group, Inc.	23,332,777	23,332,777	Crucial to facilitate smooth financial transactions such as financing and to collect domestic and overseas information	Yes
	3,996	4,465		
TOSHIBA CORPORATION	875,100	8,751,000	Crucial to a strategy for growth in the nuclear power business, etc.	Yes
	3,084	2,695		
Mitsui Fudosan Co., Ltd.	402,000	402,000	Crucial to a strategy for growth in the urban development business, etc.	Yes
	1,118	1,037		
NIPPON STEEL & SUMITOMO METAL CORPORATION	540,886	540,886	Crucial to a strategy for growth in the procurement of steel materials and the boilers business, etc.	Yes
	1,056	1,263		
China Steel Structure Co., Ltd	11,061,690	11,061,690	Crucial to establish the brand of IHI in Taiwan	No
	1,048	1,049		
The Kansai Electric Power Company, Incorporated	520,300	520,300	Crucial to a strategy for growth in the boilers business, etc.	No
	849	711		
Electric Power Development Co., Ltd.	217,500	217,500	Crucial to a strategy for growth in the boilers business, etc.	No
	586	583		
The Chugoku Electric Power Co., Inc.	309,000	309,000	Crucial to a strategy for growth in the boilers business, etc.	No
	426	396		
NISHISHIBA ELECTRIC CO., LTD.	2,741,860	2,741,860	Crucial to a strategy for growth in the power systems business, etc.	No
	359	471		
Sumitomo Mitsui Financial Group, Inc.	73,200	146,300	Crucial to facilitate smooth financial transactions such as financing and to collect domestic and overseas information	Yes
	283	652		
NACHI-FUJIKOSHI CORP.	43,700	437,000	Intend to reduce	Yes
	194	282		
Tokyo Electric Power Company Holdings, Incorporated	275,139	275,139	Crucial to a strategy for growth in the boilers business, etc.	No
	192	112		
DAIO PAPER CORPORATION	119,000	119,000	Crucial to a strategy for growth in the paper-making machineries business, etc.	No
	161	178		
The Hachijuni Bank, Ltd.	294,000	294,000	Crucial to facilitate smooth financial transactions such as financing and to collect local information	Yes
	134	167		
The 77 Bank, Ltd.	79,050	79,050	Crucial to facilitate smooth financial transactions such as financing and to collect local information	Yes
	122	198		
EF-ON INC.	96,000	80,000	Crucial to a strategy for growth in the power system plants business, etc.	No
	73	108		
SAIBUGAS Co., Ltd.	29,900	29,900	Crucial to a strategy for growth in the process plants business, etc.	No
	71	82		

(Translation purposes only)

Hokkaido Electric Power Co., Inc.	96,611	96,611	Crucial to a strategy for growth in the boilers business, etc.	No
	61	67		
Tokuyama Corporation	21,600	21,600	Crucial to a strategy for growth in the boilers business, etc.	No
	56	73		
Mitsui Chemicals, Inc.	19,600	19,600	Crucial to a strategy for growth in the boilers business, etc.	No
	52	65		
Nishi-Nippon Financial Holdings, Inc.	50,200	50,200	Crucial to facilitate smooth financial transactions such as financing and to collect domestic and overseas information	Yes
	47	61		
Nippon Paper Industries Co., Ltd.	18,600	18,600	Crucial to a strategy for growth in the paper-making machinery, etc.	No
	42	36		
Sumitomo Mitsui Construction Co., Ltd.	27,720	27,720	Crucial to a strategy for growth in the bridges business	No
	21	17		
Nippon Telegraph and Telephone Corporation	4,000	4,000	Crucial to a strategy for growth in the whole business of IHI	No
	18	19		
Penta-Ocean Construction Co., Ltd.	33,275	33,275	Crucial to a strategy for growth in the social infrastructures and cargo-handling machineries business, etc.	No
	17	25		
Hokuriku Electric Power Company	17,069	17,069	Crucial to a strategy for growth in the boilers business, etc.	No
	14	15		
Mitsubishi Paper Mills Limited	15,600	15,600	Crucial to a strategy for growth in the paper-making machineries business, etc.	No
	8	10		
Rinko Corporation	3,000	3,000	Crucial to implement business strategies in Niigata Prefecture	No
	6	5		
Chubu Electric Power Co., Inc.	100	100	Crucial to a strategy for growth in the boilers business, etc.	No
	0	0		
Tohoku Electric Power Co., Inc.	100	100	Crucial to a strategy for growth in the boilers business, etc.	No
	0	0		
Kyushu Electric Power Co., Inc.	100	100	Crucial to a strategy for growth in the boilers business, etc.	No
	0	0		
JFE Holdings, Inc.	—	55,846	—	No
	—	119		

Notes: 1. “—” indicates that IHI does not own the relevant shares.

2. Though description of quantitative effects from holding for each stock name is difficult, annually in the Board of Directors, the mid - and long - term significance is confirmed and the rationality is examined from the perspective whether the benefit and risk associated with holding is worth capital cost.

(Translation purposes only)

Deemed share holdings

Stock name	The current fiscal year	The previous fiscal year	Holding purpose, quantitative effects from holdings and reason of share increase	IHI's shares held by the company
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on the balance sheet (Millions of yen)	Amount on the balance sheet (Millions of yen)		
MITSUI & CO., LTD.	1,709,255	1,709,255	Has authority to direct the exercise of voting rights	Yes
	2,937	3,115		
The Shizuoka Bank, Ltd.	2,364,500	2,364,500	Has authority to direct the exercise of voting rights	Yes
	1,993	2,378		
Sumitomo Mitsui Trust Holdings, Inc.	404,474	404,474	Has authority to direct the exercise of voting rights	Yes
	1,608	1,742		
Tosoh Corporation	578,000	578,000	Has authority to direct the exercise of voting rights	Yes
	994	1,206		
Toho Gas Co., Ltd.	177,050	177,050	Has authority to direct the exercise of voting rights	Yes
	879	578		
The Chugoku Bank, LTD.	800,000	800,000	Has authority to direct the exercise of voting rights	Yes
	831	1,002		
Mitsubishi UFJ Financial Group, Inc.	1,374,780	1,374,780	Has authority to direct the exercise of voting rights	No
	756	958		
IBJ Leasing Company, Limited	240,000	240,000	Has authority to direct the exercise of voting rights	No
	627	720		
KYOKUTO BOEKI KAISHA, LTD.	385,580	1,927,904	Has authority to direct the exercise of voting rights	Yes
	620	923		
Yamaguchi Financial Group, Inc.	537,000	537,000	Has authority to direct the exercise of voting rights	Yes
	503	691		
Dai-ichi Life Holdings, Inc.	324,400	324,400	Has authority to direct the exercise of voting rights	Yes
	498	630		
Tokyo Gas Co., Ltd.	159,750	159,750	Has authority to direct the exercise of voting rights	No
	478	450		
Kajima Corporation	257,132	514,265	Has authority to direct the exercise of voting rights	Yes
	420	507		
The Iyo Bank, Ltd.	539,782	539,782	Has authority to direct the exercise of voting rights	Yes
	316	432		
The Gunma Bank, Ltd.	742,000	742,000	Has authority to direct the exercise of voting rights	Yes
	310	448		

(Translation purposes only)

JGC CORPORATION	194,000	194,000	Has authority to direct the exercise of voting rights	Yes
	285	448		
ANA HOLDINGS INC.	64,242	64,242	Has authority to direct the exercise of voting rights	No
	260	264		
OBAYASHI CORPORATION	220,000	220,000	Has authority to direct the exercise of voting rights	Yes
	245	256		
SHIMIZU CORPORATION	250,000	250,000	Has authority to direct the exercise of voting rights	Yes
	240	237		
Taisei Corporation	42,000	42,000	Has authority to direct the exercise of voting rights	Yes
	215	226		
THE SAN-IN GODO BANK, LTD.	241,000	241,000	Has authority to direct the exercise of voting rights	Yes
	191	227		
SHIZUOKA GAS Co., Ltd.	200,000	200,000	Has authority to direct the exercise of voting rights	Yes
	168	191		
The Shibusawa Warehouse Co.,Ltd.	80,000	80,000	Has authority to direct the exercise of voting rights	Yes
	134	144		
Osaka Gas Co., Ltd.	61,300	61,300	Has authority to direct the exercise of voting rights	No
	133	128		
Mitsubishi Estate Co., Ltd.	64,723	64,723	Has authority to direct the exercise of voting rights	No
	129	116		
Fujikura Ltd.	250,000	250,000	Has authority to direct the exercise of voting rights	No
	104	180		

Note: 1. The number of shares subject to the authority to exercise voting rights is stated.

2. The amount is calculated by multiplying the fair value at the end of the fiscal year of the deemed shareholdings by the number of shares subject to the authority to exercise voting rights.

3. Holding purpose indicates the content of the authority had by IHI.

4. When determining share holdings with the highest values in the amounts recorded on the balance sheet, specified investment shares and deemed share holdings are not combined.

(c) Investment shares held for purposes of pure investment

Not applicable

Note: The amounts of capital less than one unit are rounded down in “IV. Information about reporting company” excluding “3. Dividend policy” and “(iii) Details of audit remuneration, etc.” of “(3) Information about audit” in “4. Corporate governance, etc.”

(Translation purposes only)

## V. Overview of operational procedures for shares

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record date for dividends of surplus	September 30 March 31
Number of shares constituting one voting unit	100 shares
Purchase and sales of shares less than one unit	
Location of office	(Special account) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department
Administrator of Shareholders' Register	(Special account) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Forwarding office	—
Purchase and sales fee	Free of charge
Method of public notice	IHI shall give its public notice via an electronic method. However, in case of an accident or an unavoidable reason that prevents use of the electronic method, public notice shall be given in the Nihon Keizai Shimbun, which is published in Tokyo. URL for public notice is following <a href="http://www.ihico.jp/ihico/elec/index.html">http://www.ihico.jp/ihico/elec/index.html</a>
Special benefits for shareholders	Not applicable

- Notes:
1. IHI may, upon resolution of the Board of Directors, pay interim dividends on the basis of September 30 each year as the record date.
  2. Shareholders of IHI may not exercise any rights other than those stipulated below regarding shares less than one unit.
    - (1) Rights listed in Article 189, paragraph 2 of the Companies Act;
    - (2) Rights to make demands pursuant to Article 166, paragraph 1 of the Companies Act;
    - (3) Rights to receive allotment of shares and share purchase warrants in proportion to the number of shares owned by them; and
    - (4) Rights to request to sell such number of shares as will make one unit with the shares less than one unit owned by them.

(Translation purposes only)

## VI. Reference information of reporting company

### 1. Information about parent company, etc. of reporting company

There is no company that falls under the category of “parent company, etc.” of IHI.

### 2. Other reference information

From the beginning of the current fiscal year until the filing date of this Annual Securities Report, IHI has filed the following documents.

- |     |  |                        |   |   |
|-----|--|------------------------|---|---|
| (1) | Annual Securities Report and Documents Attached, and Confirmation Letter   | Fiscal year (201th)    | From April 1, 2017 To March 31, 2018      | Filed with Director-General of the Kanto Local Finance Bureau on June 22, 2018  |
| (2) | Internal Control Report and Documents Attached   |                        |   | Filed with Director-General of the Kanto Local Finance Bureau on June 22, 2018  |
| (3) | Shelf Registration Statements (Bonds Payable) and Documents Attached   |                        |   | Filed with Director-General of the Kanto Local Finance Bureau on December 3, 2018   |
| (4) | Amended Shelf Registration Statements  |                        |   | Filed with Director-General of the Kanto Local Finance Bureau on January 28, 2019<br>Filed with Director-General of the Kanto Local Finance Bureau on February 25, 2019<br>Filed with Director-General of the Kanto Local Finance Bureau on February 26, 2019<br>Filed with Director-General of the Kanto Local Finance Bureau on May 8, 2019 |
| (5) | Quarterly Reports and Confirmation Letters   | (202nd First Quarter)  | From April 1, 2018 To June 30, 2018       | Filed with Director-General of the Kanto Local Finance Bureau on August 10, 2018  |
|     |  | (202nd Second Quarter) | From July 1, 2018 To September 30, 2018   | Filed with Director-General of the Kanto Local Finance Bureau on November 12, 2018  |
|     |  | (202nd Third Quarter)  | From October 1, 2018 To December 31, 2018 | Filed with Director-General of the Kanto Local Finance Bureau on February 13, 2019  |
| (6) | Amended Quarterly Reports and Confirmation Letters   | (202nd First Quarter)  | From April 1, 2018 To June 30, 2018       | Filed with Director-General of the Kanto Local Finance Bureau on November 27, 2018  |
|     |  | (202nd Second Quarter) | From July 1, 2018 To September 30, 2018   | Filed with Director-General of the Kanto Local Finance Bureau on November 27, 2018  |
| (7) | Extraordinary Reports  |                        |   |   |
|     | Extraordinary Report based on Article 19, paragraph 2, item ix-2 (results of exercise of voting rights at a General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.  |                        |   | Filed with Director-General of the Kanto Local Finance Bureau on June 25, 2018  |
|     | Extraordinary Report based on Article 19, paragraph 2, item vii (absorption-type company split) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.   |                        |   | Filed with Director-General of the Kanto Local Finance Bureau on January 28, 2019   |
|     | Extraordinary Report based on Article 19, paragraph 2, item ix (a change in the representative director) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.  |                        |   | Filed with Director-General of the Kanto Local Finance Bureau on February 25, 2019  |
|     | Extraordinary Report based on Article 19, paragraph 2, item xii and xix (where an event has occurred which may have a serious effect on the financial position, operating results and cash flows) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. |                        |   | Filed with Director-General of the Kanto Local Finance Bureau on May 8, 2019  |
| (8) | Amended Extraordinary Reports  |                        |   |   |
|     | Amended Extraordinary Reports of Extraordinary Reports filed on January 28, 2019   |                        |   | Filed with Director-General of the Kanto Local Finance Bureau on February 26, 2019  |



(Translation purposes only)

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

Not applicable

**Consolidated financial statements**

	<u>Page Number</u>
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## Financial information

### 1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

- (1) The consolidated financial statements of IHI are prepared in accordance with the “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976).
- (2) The non-consolidated financial statements of IHI are prepared in accordance with the “Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (Ordinance of the Ministry of Finance No. 59 of 1963, hereinafter referred to as “Ordinance on Financial Statements”).

As IHI falls under the category of a company allowed to file specified financial statements, the non-consolidated financial statements of IHI are prepared in accordance with Article 127 of the Ordinance on Financial Statements.

### 2. Audit attestation

The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019) were audited by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

### 3. Special efforts to ensure the appropriateness of the consolidated financial statements, etc.

IHI makes special efforts to ensure the appropriateness of the consolidated financial statements, etc. Specifically, IHI is a member of the Financial Accounting Standards Foundation to establish an internal system that enables the proper understanding of the contents of accounting standards, etc. and the timely disclosure of accurate and fair corporation information.

1. Consolidated financial statements

(1) Consolidated financial statements

i) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	*1 109,028	*1 94,951
Notes and accounts receivable - trade	*4,*9 400,330	*4,*9 377,695
Finished goods	*7 25,647	*7 23,084
Work in process	*7 282,245	*7 276,238
Raw materials and supplies	120,630	142,588
Other	59,758	77,351
Allowance for doubtful accounts	(4,164)	(4,043)
Total current assets	993,474	987,864
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	*1,*5,*8 131,035	*1,*5,*8 137,156
Machinery, equipment and vehicles, net	*5,*8 75,249	*5,*8 76,697
Land	*1,*5,*6 92,506	*1,*5,*6 99,217
Leased assets, net	*8 14,736	*8 15,962
Construction in progress	11,828	10,100
Other, net	*5,*8 23,692	*8 28,262
Total property, plant and equipment	349,046	367,394
Intangible assets		
Goodwill	12,231	10,032
Software	15,483	18,060
Other	8,306	5,992
Total intangible assets	36,020	34,084
Investments and other assets		
Investment securities	*1,*2 99,284	*1,*2 117,967
Deferred tax assets	118,113	116,802
Net defined benefit asset	24	31
Other	*1,*2 39,251	*1,*2 41,763
Allowance for doubtful accounts	(1,724)	(1,376)
Total investments and other assets	254,948	275,187
Total non-current assets	640,014	676,665
Total assets	1,633,488	1,664,529

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	*9 304,928	*9 290,043
Short-term loans payable	*1 81,515	*1 111,785
Current portion of bonds	—	20,000
Accrued expenses	88,252	88,520
Income taxes payable	8,075	7,384
Advances received	177,819	157,546
Provision for bonuses	26,119	28,089
Provision for construction warranties	53,727	47,968
Provision for loss on construction contracts	*7 27,266	*7 21,212
Other provision	808	1,079
Other	43,146	49,483
<b>Total current liabilities</b>	<b>811,655</b>	<b>823,109</b>
<b>Non-current liabilities</b>		
Bonds payable	50,000	30,000
Long-term loans payable	172,533	175,813
Lease obligations	13,214	14,307
Deferred tax liabilities for land revaluation	*6 4,941	*6 4,953
Net defined benefit liability	154,125	160,244
Provision for loss on business of subsidiaries and affiliates	1,188	1,212
Other provision	1,150	1,132
Other	74,465	72,067
<b>Total non-current liabilities</b>	<b>471,616</b>	<b>459,728</b>
<b>Total liabilities</b>	<b>1,283,271</b>	<b>1,282,837</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	107,165	107,165
Capital surplus	53,406	53,410
Retained earnings	153,564	184,092
Treasury shares	(879)	(1,170)
<b>Total shareholders' equity</b>	<b>313,256</b>	<b>343,497</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,034	1,063
Deferred gains or losses on hedges	(286)	(190)
Revaluation reserve for land	*6 5,359	*6 5,321
Foreign currency translation adjustment	3,679	2,808
Remeasurements of defined benefit plans	559	(3,319)
<b>Total accumulated other comprehensive income</b>	<b>11,345</b>	<b>5,683</b>
Subscription rights to shares	792	659
<b>Non-controlling interests</b>	<b>*6 24,824</b>	<b>*6 31,853</b>
<b>Total net assets</b>	<b>350,217</b>	<b>381,692</b>
<b>Total liabilities and net assets</b>	<b>1,633,488</b>	<b>1,664,529</b>

ii) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	1,590,333	1,483,442
Cost of sales	*1,*2,*3 1,316,915	*1,*2,*3 1,205,713
Gross profit	273,418	277,729
Selling, general and administrative expenses	*1,*4 201,151	*1,*4 195,241
Operating profit	72,267	82,488
Non-operating income		
Interest income	1,433	913
Dividend income	1,071	1,133
Share of profit of entities accounted for using equity method	—	4,108
Foreign exchange gains	—	5
Reversal of accrued expenses for environmental conservation measures	1,072	—
Other income	3,600	5,199
Total non-operating income	7,176	11,358
Non-operating expenses		
Interest expenses	3,007	3,227
Share of loss of entities accounted for using equity method	33,088	—
Foreign exchange losses	3,813	—
Burden share of losses for delayed construction of SPB tanks	—	*5 6,679
Expenses for delayed delivery	4,489	838
Payments for contract adjustments for civil aero engines	*6 6,488	—
Other expenses	7,133	17,353
Total non-operating expenses	58,018	28,097
Ordinary profit	21,425	65,749
Extraordinary income		
Gain on sales of shares of subsidiaries and affiliates	—	*7 4,199
Gain on transfer of business	*8 1,586	*8 1,108
Total extraordinary income	1,586	5,307
Extraordinary losses		
Impairment loss	*9 1,095	*9 1,610
Settlement-related expenses related to boiler facilities in customer's commercial operation	*10 2,932	—
Total extraordinary losses	4,027	1,610
Profit before income taxes	18,984	69,446
Income taxes - current	12,924	16,925
Income taxes for prior periods	—	*11 4,304
Income taxes - deferred	(7,357)	2,977
Total income taxes	5,567	24,206
Profit	13,417	45,240
Profit attributable to non-controlling interests	5,126	5,351
Profit attributable to owners of parent	8,291	39,889

## Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	13,417	45,240
Other comprehensive income		
Valuation difference on available-for-sale securities	(786)	(808)
Deferred gains or losses on hedges	(106)	(163)
Revaluation reserve for land	12	(12)
Foreign currency translation adjustment	2,353	(605)
Remeasurements of defined benefit plans, net of tax	1,406	(3,612)
Share of other comprehensive income of entities accounted for using equity method	478	(443)
Total other comprehensive income	*1 3,357	*1 (5,643)
Comprehensive income	16,774	39,597
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,541	34,405
Comprehensive income attributable to non- controlling interests	5,233	5,192

iii) Consolidated statement of changes in equity

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	107,165	53,510	149,832	(513)	309,994
Changes of items during period					
Dividends of surplus			(4,633)		(4,633)
Profit attributable to owners of parent			8,291		8,291
Purchase of treasury shares				(419)	(419)
Disposal of treasury shares		(1)		53	52
Change in ownership interest of parent due to transactions with non-controlling interests		(103)			(103)
Net decrease from newly consolidated subsidiaries					—
Reversal of revaluation reserve for land			74		74
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(104)	3,732	(366)	3,262
Balance at end of current period	107,165	53,406	153,564	(879)	313,256



(Millions of yen)

	Accumulated other comprehensive income						Subscription rights to shares	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	2,892	(277)	5,427	1,298	(1,171)	8,169	843	18,624	337,630
Changes of items during period									
Dividends of surplus									(4,633)
Profit attributable to owners of parent									8,291
Purchase of treasury shares									(419)
Disposal of treasury shares									52
Change in ownership interest of parent due to transactions with non-controlling interests									(103)
Net decrease from newly consolidated subsidiaries									-
Reversal of revaluation reserve for land									74
Net changes of items other than shareholders' equity	(858)	(9)	(68)	2,381	1,730	3,176	(51)	6,200	9,325
Total changes of items during period	(858)	(9)	(68)	2,381	1,730	3,176	(51)	6,200	12,587
Balance at end of current period	2,034	(286)	5,359	3,679	559	11,345	792	24,824	350,217

Fiscal year ended 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						Subscription rights to shares	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

## iv) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	18,984	69,446
Depreciation	56,522	53,200
Depreciation and amortization on other	6,722	8,413
Impairment loss	1,095	1,610
Increase (decrease) in allowance for doubtful accounts	(1,119)	(587)
Increase (decrease) in provision for bonuses	2,414	2,161
Increase (decrease) in provision for construction warranties	5,645	(5,505)
Increase (decrease) in provision for loss on construction contracts	(9,364)	(6,517)
Increase (decrease) in net defined benefit liability	5,568	909
Interest and dividend income	(2,504)	(2,046)
Interest expenses	3,007	3,227
Foreign exchange losses (gains)	698	21
Loss (gain) on sales of short-term and long-term investment securities	(646)	(37)
Loss (gain) on valuation of short-term and long-term investment securities	687	540
Share of loss (profit) of entities accounted for using equity method	33,088	(4,108)
Loss (gain) on sales or disposal of property, plant and equipment	2,487	3,728
Loss (gain) on transfer of business	(1,586)	(664)
Loss (gain) on sales of shares of subsidiaries and affiliates	—	(4,199)
Settlement-related expenses related to boiler facilities in customer's commercial operation	2,932	—
Decrease (increase) in notes and accounts receivable - trade	2,608	25,842
Increase (decrease) in advances received	(29,278)	(19,507)
Decrease (increase) in advance payments	14,296	(7,611)
Decrease (increase) in inventories	(15,779)	(14,794)
Increase (decrease) in notes and accounts payable - trade	18,549	(15,813)
Increase (decrease) in accrued expenses	(7,342)	178
Decrease (increase) in other current assets	4,992	(8,715)
Increase (decrease) in other current liabilities	(13,607)	(5,374)
Decrease (increase) in consumption taxes refund receivable	4,590	(3,309)
Other, net	(1,520)	(1,243)
Subtotal	102,139	69,246
Interest and dividend income received	3,336	2,520
Interest expenses paid	(3,125)	(3,179)
Income taxes paid	(3,332)	(22,185)
Net cash provided by (used in) operating activities	99,018	46,402

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from investing activities		
Decrease (increase) in time deposits	1,377	(652)
Purchase of short-term and long-term investment securities	(20,328)	(18,272)
Proceeds from sales and redemption of short-term and long-term investment securities	21,212	7,081
Purchase of property, plant and equipment and intangible assets	(59,406)	(64,195)
Proceeds from (payments for) sales or disposal of property, plant and equipment and intangible assets	1,800	(393)
Proceeds from transfer of business	2,347	2,834
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,003)
Decrease (increase) in short-term loans receivable	1,581	188
Payments of long-term loans receivable	(13)	(1,147)
Collection of long-term loans receivable	22	37
Decrease (increase) in other investments	(3,080)	(9,739)
(Decrease)increase in other fixed liabilities	6,527	5,968
Other, net	(16)	13
Net cash provided by (used in) investing activities	(47,977)	(79,280)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(26,734)	36,733
Net increase (decrease) in commercial papers	(5,000)	—
Proceeds from long-term loans payable	64,709	52,614
Repayments of long-term loans payable	(70,510)	(58,186)
Redemption of bonds	(10,000)	—
Proceeds from sales and leasebacks	93	1,459
Repayments of lease obligations	(5,719)	(6,709)
Decrease (increase) in treasury shares	(13)	(5)
Payments made to trust account for acquisition of treasury shares	(406)	(419)
Purchase of treasury shares of subsidiaries	—	(1)
Cash dividends paid	(4,620)	(9,241)
Proceeds from share issuance to non-controlling shareholders	3,180	3,855
Dividends paid to non-controlling interests	(2,306)	(3,623)
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	(57,326)	16,463
Effect of exchange rate change on cash and cash equivalents	(2,275)	1,743
Net increase (decrease) in cash and cash equivalents	(8,560)	(14,672)
Cash and cash equivalents at beginning of period	115,911	107,323
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	—	523
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(28)	(566)
Cash and cash equivalents at end of period	*1 107,323	*1 92,608

## Notes to consolidated financial statements

(Basis of preparation of the consolidated financial statements)

### 1. Scope of consolidation

#### (1) Consolidated subsidiaries

The number of consolidated subsidiaries is 153 (the previous fiscal year: 148). The names of principal consolidated subsidiaries are omitted here because they are provided in “4. Overview of affiliated companies” under “I. Overview of company.”

There were changes in consolidated subsidiaries in the current fiscal year. The reason for the change and the status are provided in “3. Description of business” under “I. Overview of company.”

#### (2) Non-consolidated subsidiaries

The names of the principal non-consolidated subsidiaries are IHI SOLID BIOMASS MALAYSIA SDN.BHD. and ALPHA Automotive Technologies LLC. Since each non-consolidated subsidiary is small in size and the sum of total assets, total net sales, total share of basic earnings, total share of retained earnings, etc. of all the non-consolidated subsidiaries is insignificant in comparison with the sum of those items of consolidated companies, the non-consolidated subsidiaries do not have a significant impact on the consolidated financial statements.

### 2. Equity method

#### (1) Application of the equity method of accounting

The number of affiliates accounted for using equity method is 28 (the previous fiscal year: 30). The names of these affiliates are as follows:

(Foreign non-consolidated subsidiary)

ALPHA Automotive Technologies LLC

(Domestic affiliates)

TOSHIBA POWER SYSTEMS INSPECTION SERVICES CO., LTD., Paul Wurth IHI Co., Ltd., Turbo Systems United Co., Ltd., Japan Marine United Corporation, JMU AMTEC Co., Ltd., IMC Co., Ltd., JMU Defense Systems Co., Ltd., Kaisho Shipping Co., Ltd., IHI Finance Support Corporation, and Nanatsujima Biomass Power Limited Liability Company

(Foreign affiliates)

FELGUERA-I.H.I., S.A., Long Xin Enterprise Pte.Ltd., HVM Plasma, spol sro, GE Passport, LLC, PW1100G-JM Engine Leasing, LLC, KAISHO MARINE S.A., SOUTH-POINT MARINE S.A., SUNNY RIVER LINE S.A., GREAT RIVER LINE S.A., LUNAR RIVER LINE S.A., GLORIOUS RIVER LINE S.A., Rio Bravo Fresno, and 5 other companies.

(Changes in affiliates accounted for using equity method)

Due to its increased materiality, PW1100G-JM Engine Leasing, LLC is newly included in affiliates accounted for using equity method.

In addition, due to completion of liquidation, Japan Limited Liability Partnership for Japan-Australia Oxyfuel Demonstration Project was excluded from affiliates accounted for using equity method.

Moreover, following the transfer of all of their equity interests, Perkins Shibaura Engines LLC and Perkins Shibaura Engines Limited were excluded from affiliates accounted for using equity method.

#### (2) Companies not accounted for using equity method

The names of principal non-consolidated subsidiaries and affiliates that are not accounted for using equity method are as follows:

(Non-consolidated subsidiaries)

IHI SOLID BIOMASS MALAYSIA SDN.BHD.

(Affiliates)

MINAGAWA NOUKI SEIZOU Co., Ltd., Ta Chang Tsuo Industrials Co., Ltd.

From the viewpoint of these companies' accounts such as profit or loss (amount corresponding to IHI's equity interest), and retained earnings (amount corresponding to IHI's equity interest), exclusion of these companies from the scope of equity method companies has an immaterial effect on the consolidated financial statements and their effect as a whole thereon is also immaterial.

### 3. Accounting period of consolidated subsidiaries

Because the difference between the balance sheet date of the foreign following subsidiaries and the consolidated balance sheet date is not more than three months, financial statements as of each company's balance sheet date are used in preparation of the consolidated financial statements. However, adjustments necessary for consolidation are made to significant intercompany transactions conducted in the period between their balance sheet date and the consolidated balance sheet date.

(Foreign subsidiaries whose balance sheet date is December 31)

IUK (HK) LIMITED and IHI DALGAKIRAN MAKİNA SANAYİ VE TİCARET A.Ş.

### 4. Significant accounting policies

#### (1) Valuation bases and methods for significant assets

##### (i) Securities

- (a) Securities to be held until maturity are stated at amortized cost (by the straight-line method).
- (b) 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.

##### (ii) Derivatives

Derivatives are stated at fair market value.

##### (iii) Inventories

- (a) 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.)
- (b) 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.)

#### (2) Depreciation and amortization of significant depreciable and amortizable assets

##### (i) Property, plant and equipment (except for leased assets)

These assets are depreciated principally by the straight-line method.

##### (ii) Intangible assets (except for leased assets)

These assets are amortized by the straight-line method. Software used internally use is amortized using the straight-line method over a useful life of the assets, estimated by IHI (five years).

##### (iii) Leased assets

- (a) Leased assets related to finance lease transactions that transfer ownership are depreciated using the same method as that applied to property, plant and equipment.
- (b) 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.

#### (3) Basis for significant reserves

##### (i) 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.

##### (ii) Provision for bonuses

For payment of employee bonuses, the provision for bonuses is provided for in the amount that is expected to be paid.

##### (iii) 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 current fiscal year.

##### (iv) 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.

##### (v) 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.

##### (vi) 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 current fiscal year in accordance with the internal policy.

(vii) 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.

(4) 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 current fiscal year. 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 current fiscal year is the 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 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 periods of employees at the time they occur.

(5) Foreign currency translations

The assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date while the income and expenses of the same are translated at the average exchange rates during the period. Translation differences are included in components of foreign currency translation adjustments and non-controlling interests in consolidated subsidiaries under net assets

(6) Revenue and costs recognition

Basis of recording revenues and costs of construction contracts

- (i) Construction projects whose outcome of the progress by the end of the fiscal year deemed definite are recorded on the percentage-of-completion method (the percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost).
- (ii) All other projects are accounted for on the completed construction method.

(7) Principal methods for hedge accounting

- (i) Hedge accounting methods  
Deferral hedge accounting is applied.
- (ii) Hedging instruments and hedged items  
Interest rate swaps are utilized to hedge interest volatility risks of loans payable, and forward foreign exchange contracts, etc. are used to hedge exchange fluctuation risks of monetary receivables and payables denominated in foreign currencies.
- (iii) Hedging policy  
Necessary hedging instruments are selected by risk category.
- (iv) Method for assessing hedge effectiveness  
In a period from the inception of a hedge to the time of assessment of the effectiveness, the effectiveness is assessed based mainly on the amounts of changes in the hedged item and the hedging instrument, comparing market fluctuations or cumulative changes in cash flows of the hedged item with market fluctuations or cumulative changes in cash flows of the hedging instrument.

(8) 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.

(9) Scope of cash on consolidated statement of cash flows

Cash (cash and cash equivalents) in the consolidated statement of cash flows consists of cash on hands, at-call deposits with banks, and short-term investments having maturities within three months from acquisition which are readily convertible to cash and involve only an insignificant risk in their value.

(10) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(11) Application of consolidated taxation system

The consolidated taxation system is applied.

(Changes in accounting policies)

(Change of principal methods for hedge accounting)



Forward foreign exchange rates had been applied for foreign receivables and payables under forward foreign exchange contracts if conditions had been met (the *furiate* method). Also, special treatment had been applied for interest rate swaps if conditions for the special treatment had been met.

As a result of reviewing management methods suitable for global business operation, the IHI Group changed the principal methods for hedge accounting to deferral hedge accounting in order to reflect on its consolidated financial statements more accurately the status of foreign receivables and payables and the status of derivative contracts from the current fiscal year.

The change in accounting policies are not applied retrospectively, as the effect of this change on past periods was immaterial. Moreover, the effect of this change on operating profit, ordinary profit and profit before income taxes for the current fiscal year was immaterial.

(New accounting standards not yet applied)

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

- “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)
- “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)

(1) Overview

The Accounting Standards Board of Japan (ASBJ) has been considering revisions to the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18), and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using Equity Method” (ASBJ Practical Issues Task Force No. 24). Such revisions mainly pertain to the consolidation process when an equity instrument is sold, in cases where a foreign subsidiary or other such entity elects to present subsequent changes in the fair value of the equity instrument in other comprehensive income, in accordance with the practical solutions with respect to “unifying accounting treatment applied to foreign subsidiaries, etc. for consolidated accounting.” Accordingly, such transactions are to be adjusted in the consolidation process so that the difference between acquisition cost and sales value can be recognized as profit (loss) for the relevant fiscal year.

When it is determined that an impairment loss must be recognized, the valuation difference is to be adjusted so that it can be recognized as a loss for the relevant fiscal year in carrying out the consolidation process.

(2) Scheduled date of application

These accounting standards, etc. will be applied at the start of the fiscal year beginning on or after April 1, 2019.

(3) Effect of application of the accounting standard, etc.

The effect of the application of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements,” etc. on the consolidated financial statements is currently under evaluation.

(Accounting standards for revenue recognition, etc.)

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018)
- “Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive revenue recognition standards and issued “Revenue from Contracts with Customers” in May 2014 (IASB: IFRS 15, FASB: Topic 606). Considering that IFRS 15 will apply to fiscal years beginning on or after January 1, 2018, and Topic 606 will apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by adhering a basic policy in developing it. This basic policy was to first, incorporate the core principles of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; and second, add alternative treatments, to the extent that they do not impair comparability, where consideration should be given to conventional practices in Japan.

(2) Scheduled date of application

Scheduled date of application is currently under consideration.

(3) Effect of application of the accounting standard, etc.

The effect of the application of the Accounting Standard for Revenue Recognition on the consolidated financial statements is currently under evaluation.

(Changes in presentation)

(Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting” and relevant Guidance)

IHI has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidance effective from the beginning of the current fiscal year. Accordingly, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under non-current liabilities. As a result, in the consolidated balance sheet as of March 31, 2018, “Deferred tax assets” of ¥44,719 million previously included in “Current assets” are included in “Deferred tax assets” of ¥118,113 million under “Investments and other assets” and “Deferred tax liabilities” of ¥3 million previously included in “Other” under “Current liabilities” are included in “Other” of ¥74,465 million under “Non-current liabilities”.

Furthermore, the notes related to tax effect accounting contain additional content described in the annotations 8 and 9 of the “Accounting Standard for Tax Effect Accounting”, as stipulated in paragraph 3 to paragraph 5 of the Partial Amendments to Accounting Standard for Tax Effect Accounting (excluding the total valuation allowance). However, such content which pertains to the previous fiscal year has not been presented in accordance with the transitional treatment stipulated in paragraph 7 of the Partial Amendments to Accounting Standard for Tax Effect Accounting.

(Additional information)

(Reassessment of tax payable, based on the transfer pricing taxation, and policy response going forward)

With regard to transactions between IHI and a foreign consolidated subsidiary located in Thailand conducted over the fiscal years ended March 31, 2013 to March 31, 2016, IHI received a reassessment of tax payable, based on the transfer pricing taxation, from the Tokyo Regional Taxation Bureau. In response, IHI recorded penalty taxes, including additional taxes and delinquent taxes, of ¥4,304 million on “Income taxes for prior periods”. The penalty taxes were paid in July 2018.

From IHI’s perspective, with regard to the taxation system on setting of transaction prices within the corporate group (the so-called transfer pricing taxation), we believe we have complied with the laws and regulations of Japan and other countries, have set appropriate transaction prices and have paid an appropriate amount of tax. In relation to this reassessment of tax payable, we made a request for examination to the Tokyo National Tax Tribunal in September 2018 that this reassessment be canceled in its entirety.

(Consolidated balance sheet)

\*1. Assets pledged as collateral

The following assets were pledged as collateral:

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Cash and deposits	15	2
Buildings and structures	444	66
Land	960	475
Investment securities	646 (Note: 1)	646 (Note: 1)
Other investments and other assets	2,793 (Note: 2)	2,793 (Note: 2)
Total	4,858	3,982

Notes: 1. Kagoshima Mega Solar Power Corporation and seven shareholder companies of the said company entered into a common stock revolving pledge agreement with financial institutions in order to secure all and any liabilities of the said company under the limited loan agreement concluded between Kagoshima Mega Solar Power Corporation and the financial institutions.

2. Nanatsujima Biomass Power Limited Liability Company, its nine shareholder companies and certain financial institutions have entered into an employee equity interest revolving pledge agreement in order to guarantee all and any liabilities incurred by affiliate Nanatsujima Biomass Power Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions.

Of the above assets, assets pledged as collateral for factory foundation mortgage are as follows:

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Land	960	475
Total	960	475

The obligations collateralized by the above assets are as follows:

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Short-term loans payable	2,006	2,000
Total	2,006	2,000

Of the above loans, obligations corresponding factory foundation mortgage are as follows:

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Short-term loans payable	2,000	2,000

\*2. Investments securities and investments in capital in non-consolidated subsidiaries and affiliates

Investments securities and investments in capital in non-consolidated subsidiaries and affiliates are as follows:

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Investment securities (Common stock)	65,458	84,498
Other investments and other assets (Investments in capital)	6,103	5,600

\*3. 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, 2018		As of March 31, 2019	
Japanese Aero Engines Corporation ("JAEC")	6,573	JAEC	5,905
ALPHA Automotive Technologies LLC	1,400	ALPHA Automotive Technologies LLC	1,021
IHI Group Health Insurance Society	492	Japan Aeroforge, Ltd.	413
Japan Aeroforge, Ltd.	472	Contingent liabilities for employee housing loans	262
Contingent liabilities for employee housing loans	299	Chubu Segment Co., Ltd.	25
Chubu Segment Co., Ltd.	25		
Total	9,261	Total	7,626

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

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

(Millions of yen)			
As of March 31, 2018		As of March 31, 2019	
Contingent liabilities for employee housing loans	5,602	Contingent liabilities for employee housing loans	4,864
IHI Group Health Insurance Society	540		
Total	6,142	Total	4,864

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 liability

As of March 31, 2018	As of March 31, 2019
IHI is under investigation by the Tokyo Regional Taxation Bureau with regard to transfer pricing taxation on transactions with a foreign consolidated subsidiary located in Thailand. As the investigation is underway at present, 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.	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.

\*4. 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, 2018	As of March 31, 2019
Notes receivable - trade discounted in the ordinary course of business	97	51
Notes receivable - trade endorsed in the ordinary course of business	49	1

\*5. Reduction of book value for subsidies

Amounts of subsidies received principally from government and directly deducted from non-current assets are as follows:

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Buildings and structures	120	171
Machinery, equipment and vehicles	361	644
Other property, plant and equipment	1	—
Total	482	815

The amount deducted directly from property, plant and equipment due to land expropriation is as follows:

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Land	1,747	56
Total	1,747	56

\*6. Revaluation reserve for land

In accordance with the “Act on Revaluation of Land” (Act No. 34 promulgated on March 31, 1998), one consolidated subsidiary has revalued its land used for business. This company recorded the effect of the revaluation as “Revaluation reserve for land” under net assets, after deducting deferred tax liabilities for land revaluation which were recorded as non-current liabilities.

- Revaluation method: Revaluation is calculated based on posted prices and roadside land prices stipulated in Article 2, items 1 and 4 of the “Order for Enforcement of the Act on Revaluation of Land” (Cabinet Order No. 119 promulgated on March 31, 1998).
- Revaluation dates: March 31, 2000 and September 30, 2000

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
The difference between the fair value of land at the end of the fiscal year that was revalued in the previous years and book value after revaluation	(5,603)	(5,586)

\*7. Presentation of inventories and provision for loss on construction contracts

Inventories related to sales contracts for construction for which losses are expected and relevant provision for loss on construction contracts are presented separately without netting. Of inventories related to sales contracts for construction for which losses are expected, the amounts corresponding to the provision for loss on construction contracts are as follows:

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Finished goods	290	165
Work in process	2,792	1,785
Total	3,082	1,950

\*8. Accumulated depreciation of property, plant and equipment

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
	609,671	624,833

\*9. Notes maturing on balance sheet date

Accounting for notes maturing on the last day of the fiscal year uses the clearing date as the settlement date.

Because the last day of the fiscal year ended March 31, 2019 fell on a bank holiday, the following such notes that matured on the last day of the fiscal year are included in the balance on the last day of the fiscal year ended March 31, 2019.

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Notes receivable – trade	1,763	1,832
Notes payable - trade	1,300	1,836

(Consolidated statement of income)

\*1. Total research and development costs

Research and development expenses included in general and administrative expenses and production cost for the period are as follows:  
(Millions of yen)

Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
38,627	36,532

\*2. Losses on valuation of inventories

The amount of inventories as of March 31, 2018 and 2019 are the value after a write-down based on decreased profitability of assets. Loss on valuation in the fiscal year was partially offset by gain on reversal of loss on valuation of the previous fiscal year, and the following net loss on valuation is included in cost of sales for the years ended March 31, 2018 and 2019.

(Millions of yen)

Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
254	994

\*3. Provision for loss on construction contracts

Provision for loss on construction contracts included in cost of sales is as follows:

(Millions of yen)

Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
27,266	21,212

\*4. Major selling general and administrative expense

The major items and amounts in selling general and administrative expense are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Expenses in taking orders received	15,626	14,560
Provision of allowance for doubtful accounts	139	(6)
Salaries for directors and employees (Note)	73,594	71,447
Traveling and transportation expenses	6,646	6,477
Research and development expenses	35,919	34,342
Business consignment expenses	10,620	11,544
Contribution for expenses common to all business segments	3,785	3,673
Depreciation	9,753	8,870

Note: Salaries for directors and employees include provision for bonuses of ¥9,145 million and retirement benefit expenses of ¥5,145 million for the previous fiscal year ended March 31, 2018, and provision for bonuses of ¥9,937 million and retirement benefit expenses of ¥4,821 million for the current fiscal year ended March 31, 2019.

\*5. Burden share of losses for delayed construction of SPB tanks

The current fiscal year ended March 31, 2019

IHI and Japan Marine United Corporation (hereinafter, "JMU"), an affiliate of IHI accounted for using equity method, decided the burden share of the losses that JMU had recorded in its financial results for the fiscal year ended March 31, 2018 due to the delayed delivery of the construction project for SPB type LNG vessels.

Accordingly, IHI recorded the burden share of losses for delayed construction of SPB tanks as non-operating expenses. Also, JMU recorded an extraordinary income for the corresponding amount in its financial results for the fiscal year ended March 31, 2019.

Note: SPB stands for "Self-supporting Prismatic Shape IMO type B."

\*6. Payments for contract adjustments for civil aero engines

The previous fiscal year ended March 31, 2018

IHI faces one-time expenses in connection with contracts with customers relating to engine programs in which IHI participates. These expenses arose from the new requirement to allocate a portion of the engines planned to be delivered to customers for use as spare engines for operational support. Accordingly, IHI recorded these program expenses as non-operating expenses.

\*7. Gain on sales of shares of subsidiaries and affiliates

The current fiscal year ended March 31, 2019

IHI transferred the commercial engine-focused small power systems business of IHI's wholly-owned subsidiary, IHI Agri-Tech Corporation (hereinafter "IAT"), to U.S.-based Caterpillar Inc. Accordingly, shares and equity interests owned by IAT directly and indirectly in companies operating the Small power systems Business were respectively sold and transferred on September 27, 2018. The gains arising from the sales of shares and the transfer of equity interests have been recorded as gain on sales of shares of subsidiaries and affiliates in extraordinary income.

\*8. Gain on transfer of business

The previous fiscal year ended March 31, 2018

IHI transferred its Machinery for ships Business to IKNOW MACHINERY CO., LTD. at May 1, 2017. Also, IHI Shibaura Machinery Corporation (currently IAT), a wholly owned subsidiary of IHI, transferred its Fire fighting equipment Business to New Horizon Capital Co., Ltd. at July 1, 2017. The gains arising from these transfers have been recorded as gain on transfer of business in extraordinary income.

The current fiscal year ended March 31, 2019

IHI transferred the commercial engine-focused small power systems business of IAT to Caterpillar Inc. Accordingly, the Small power systems Business of IAT was transferred on December 28, 2018 by means of an absorption-type company split to a Japanese company which Caterpillar Inc. newly established. The gains on transfer arising from the execution of the absorption-type split have been recorded as gain on transfer of business in extraordinary income.

\*9. Impairment loss

The following impairment loss of fixed assets was recorded.

The previous fiscal year ended March 31, 2018

(1) Group of assets for which the IHI Group recognized impairment loss

(Millions of yen)

Use	Location	Type of assets	Amount	Value of assets
Business assets	Aioi-city, Hyogo, Japan, etc.	Machinery etc.	787	Net sales value
Business assets	Chita-city, Aichi, Japan, etc.	Machinery etc.	135	Net sales value
Other	United States	Goodwill	123	Value in use
Assets to be disposed of	Sakai-city, Osaka, Japan	Building	47	Net sales value
Idle assets	Aioi-city, Hyogo, Japan	Machinery	3	Net sales value

(2) Method for grouping assets

Assets are grouped principally by each business or each place of business, and idle assets are treated, in principle, as one group on an individual basis.

(3) Reasons for recognition of impairment loss

Due to deterioration in profitability, the book value of business assets has been reduced to recoverable amount. As there is no prospect of usage, the book value of idle assets has been reduced to recoverable amount. The book value of assets to be disposed of has been reduced to recoverable amount. Goodwill has been impaired to recoverable amount as the revenues that had been expected in the business plan assessed at the time of share acquisition were no longer expected.

(4) Method for measuring recoverable amounts

The recoverable amounts are the higher of its net sales value (amount calculated by reasonably adjusting property tax valuation, etc., assessed sale value) or its value in use (discount rate is mainly 5.0%). In addition, the recoverable amount of goodwill is measured based on the re-evaluated corporate value.

(5) Impairment loss

The impairment loss of ¥1,095 million is recorded as "Impairment loss" under the extraordinary losses. The amounts of impairment loss for the year ended March 31, 2018 are as follows:

(Millions of yen)

Machinery etc.	925
Building	47
Goodwill	123
Total	1,095



The current fiscal year ended March 31, 2019

(1) Group of assets for which the IHI Group recognized impairment loss

(Millions of yen)

Use	Location	Type of assets	Amount	Value of assets
Business assets	Matsumoto-city, Nagano, Japan, etc.	Land, Building etc.	1,532	Value in use
Assets to be disposed of	Osaka-city, Osaka, Japan	Building etc.	42	Net sales value
Business assets	Chita-city, Aichi, Japan	Building etc.	35	Net sales value
Assets to be disposed of	Higashimorokata-gun, Miyazaki, Japan	Building	1	Net sales value

(2) Method for grouping assets

Assets are grouped principally by each business or each place of business

(3) Reasons for recognition of impairment loss

Due mainly to deterioration in profitability following the decision to carry out a business transfer, the book value of business assets has been reduced to recoverable amount. The book value of assets to be disposed of has also been reduced to recoverable amount.

(4) Method for measuring recoverable amounts

The recoverable amounts are the higher of net sales value (amount calculated by reasonably adjusting property tax valuation, etc., assessed sale value) or its value in use (discount rate is mainly 5.8%).

(5) Impairment loss

The impairment loss of ¥1,610 million is recorded as “Impairment loss” under the extraordinary losses. The amounts of impairment loss for the year ended March 31, 2019 are as follows:

(Millions of yen)

Land	484
Building etc.	1,126
Total	1,610

\*10. Settlement-related expenses related to boiler facilities in customer’s commercial operation

The previous fiscal year ended March 31, 2018

Concerning boiler facilities that IHI manufactured and delivered to Malaysia in the past, a lawsuit was filed against IHI and consolidated subsidiaries in 2015, regarding liabilities for accidents involving boiler damage that occurred during customer’s commercial operation. IHI determined that it was in its best interest to reach an early resolution and reduce legal risks. This case was settled by agreeing to bear a portion of the amount incurred by the accident. As a result, IHI recorded settlement package and legal fees, etc. as extraordinary losses.

\*11. Income taxes for prior periods

The current fiscal year ended March 31, 2019

As a result of undergoing a tax investigation related to transactions with a foreign consolidated subsidiary located in Thailand and 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.”

(Consolidated statement of comprehensive income)

\*1. Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Valuation difference on available-for-sale securities:		
Amount arising during the fiscal year	(428)	(314)
Reclassification adjustments	(551)	(468)
Before tax effects	(979)	(782)
Tax effects relating to other comprehensive income	193	(26)
Valuation difference on available-for-sale securities	(786)	(808)
Deferred gains or losses on hedges:		
Amount arising during the fiscal year	(128)	169
Reclassification adjustments	—	(394)
Before tax effects	(128)	(225)
Tax effects relating to other comprehensive income	22	62
Deferred gains or losses on hedges	(106)	(163)
Revaluation reserve for land:		
Amount arising during the fiscal year	60	—
Tax effects relating to other comprehensive income	(48)	(12)
Revaluation reserve for land	12	(12)
Foreign currency translation adjustment:		
Amount arising during the fiscal year	2,353	(602)
Reclassification adjustments	—	(3)
Foreign currency translation adjustment	2,353	(605)
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the fiscal year	1,230	(5,410)
Reclassification adjustments	792	197
Before tax effects	2,022	(5,213)
Tax effects relating to other comprehensive income	(616)	1,601
Remeasurements of defined benefit plans, net of tax	1,406	(3,612)
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the fiscal year	363	(1,157)
Reclassification adjustments	115	714
Share of other comprehensive income of entities accounted for using equity method	478	(443)
Total other comprehensive income	3,357	(5,643)

(Consolidated statement of changes in equity)  
The previous fiscal year ended March 31, 2018

1. Class and total number of shares issued and class and number of treasury shares

(Thousands of shares)

	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year
Shares issued				
Common stock (Notes 1, 2)	1,546,799	–	1,392,119	154,679
Total	1,546,799	–	1,392,119	154,679
Treasury shares				
Common stock (Notes 3, 4,5)	2,562	1,118	3,336	344
Total	2,562	1,118	3,336	344

Notes: 1. IHI conducted a consolidation of common stock on a 10 for 1 basis on October 1, 2017.

2. The decrease of 1,392,119 thousand shares in the total number of shares issued as common stock is the result of the consolidation of common stock.

3. The number of treasury shares as of March 31, 2018 includes 111 thousand shares of IHI owned by a trust account for the Board Benefit Trust (BBT).

4. The increase of 1,118 thousand shares in the number of common stock in treasury shares consists of an increase of 1 thousand shares by purchases of fractional shares as a result of the consolidation of common stock, an increase of 7 thousand shares by purchases of shares less than one unit (6 thousand shares prior to the consolidation of common stock and 1 thousand shares following the consolidation of common stock) and acquisitions of 1,110 thousand shares (prior to the consolidation of common stock) by the Board Benefit Trust (BBT).

5. The decrease of 3,336 thousand shares in the number of common stock in treasury shares consists of a decrease of 77 thousand shares resulting from exercise of subscription rights to shares (57 thousand shares prior to the consolidation of common stock and 20 thousand shares following the consolidation of common stock) and a decrease of 3,259 thousand shares resulting from the consolidation of common stock.

2. Subscription rights to shares

Company	Description	Type of shares to be issued	Number of shares to be issued				Balance at the end of the fiscal year (Millions of yen)
			At the beginning of the fiscal year	Increase	Decrease	At the end of fiscal year	
Parent company	Subscription rights as stock option	–	–	–	–	–	792
	Total	–	–	–	–	–	792

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Meeting of the Board of Directors on November 1, 2017	Common stock	4,633	3	September 30, 2017	December 4, 2017

Notes: 1. Total dividends determined by a resolution of the meeting of the Board of Directors on November 1, 2017 include ¥3 million which are dividends for shares of IHI owned by a trust account for the Board Benefit Trust (BBT).

2. IHI conducted a consolidation of common stock on a 10 for 1 basis on October 1, 2017. Consequently, dividends per share are calculated without factoring in the consolidation of common stock.

(2) Dividends whose record date was in the fiscal year ended March 31, 2018, and the effective date of which is in the fiscal year ended March 31, 2019

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

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

The current fiscal year ended March 31, 2019

1. Class and total number of shares issued and class and number of treasury shares

(Thousands of shares)

	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year
Shares issued				
Common stock	154,679	–	–	154,679
Total	154,679	–	–	154,679
Treasury shares				
Common stock (Notes 1, 2,3)	344	109	65	388
Total	344	109	65	388

Notes: 1. The number of treasury shares includes shares of IHI owned by a trust account for the Board Benefit Trust (BBT): 111 thousand shares as of April 1, 2018 and 218 thousand shares as of March 31, 2019.

2. The increase of 109 thousand shares in the number of common stock in treasury shares consists of an increase of 1 thousand shares through purchases of shares of less than one unit and acquisitions of 108 thousand shares by the Board Benefit Trust (BBT).

3. The decrease of 65 thousand shares in the number of common stock in treasury shares consists of a decrease of 65 thousand shares resulting from exercise of subscription rights to shares.

2. Subscription rights to shares

Company	Description	Type of shares to be issued	Number of shares to be issued				Balance at the end of the fiscal year (Millions of yen)
			At the beginning of the fiscal year	Increase	Decrease	At the end of fiscal year	
Parent company	Subscription rights as stock option	–	–	–	–	–	659
Total		–	–	–	–	–	659

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 22, 2018	Common stock	4,633	30	March 31, 2018	June 25, 2018
Meeting of the Board of Directors on November 1, 2018	Common stock	4,634	30	September 30, 2018	December 7, 2018

Notes: 1. Total dividends determined by a resolution of the Ordinary General Meeting of Shareholders held on June 22, 2018 include ¥3 million, which is the value of dividends for shares of IHI owned by a trust account for the Board Benefit Trust (BBT).

2. Total dividends determined by a resolution of the meeting of the Board of Directors on November 1, 2018 include ¥7 million which are dividends for shares of IHI owned by a trust account for the Board Benefit Trust (BBT).

(2) Dividends whose record date was in the fiscal year ended March 31, 2019, and the effective date of which is in the fiscal year ending March 31, 2020

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

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

(Consolidated statement of cash flows)

\*1. A reconciliation of cash and cash equivalents to the amounts shown in the consolidated balance sheet

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash and deposits	109,028	94,951
Time deposits due in more than three months	(1,690)	(2,341)
Collateral deposits	(15)	(2)
Cash and cash equivalents	107,323	92,608

(Leases)

1. Finance leases (Lessee)

Finance leases which transfer ownership

(i) Leased Assets

These leases are mainly production facilities for concrete construction material (building and structures) for Social Infrastructure and Offshore Facility.

(ii) Depreciation method for leased assets

Refer to "4 Significant accounting policies (2) Depreciation and amortization of significant depreciable and amortizable assets."

Finance leases which do not transfer ownership

(i) Leased Assets

These leases are mainly production facilities for aero engines (machinery, equipment and vehicles) for Aero Engine, Space and Defense.

(ii) Depreciation method for leased assets

Refer to "4 Significant accounting policies (2) Depreciation and amortization of significant depreciable and amortizable assets."

The IHI Group uses the operating lease accounting method for the finance leases which do not transfer ownership contracted on or before March 31, 2008.

(1) Acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of the leased property

(Millions of yen)

	As of March 31, 2018			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings and structures	1,824	1,056	–	768
Machinery, equipment and vehicles	–	–	–	–
Other (Tools, furniture, fixtures and other)	–	–	–	–
Software	–	–	–	–
Total	1,824	1,056	–	768

(Millions of yen)

	As of March 31, 2019			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings and structures	1,824	1,148	–	676
Machinery, equipment and vehicles	–	–	–	–
Other (Tools, furniture, fixtures and other)	–	–	–	–
Software	–	–	–	–
Total	1,824	1,148	–	676

## (2) Future minimum lease payments

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Minimum lease payment		
Within 1 year	86	100
Over 1 year	1,308	1,207
Total	1,394	1,307
Balance of impairment losses on lease assets	–	–

## (3) Lease payments, reversal of allowance for impairment losses on leased property, estimated depreciation cost, estimated interest expenses and losses on impairment of leased property

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Lease payments	295	295
Reversal of allowance for impairment losses on leased property	–	–
Estimated depreciation cost	91	91
Estimated interest expenses	221	209
Losses on impairment	–	–

## (4) Calculation method of estimated depreciation cost

Estimated depreciation cost is calculated over the lease period as the useful period using the straight-line method with no residual value.

## (5) Calculation method of estimated interest expenses

Estimated interest expenses are calculated as the amount of total lease payments less estimated acquisition costs. Allocation of the estimated interest expenses to each accounting period is based on the interest method.

## 2. Operating leases (Lessee)

Future minimum lease payments for non-cancelable operating leases

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Within 1 year	1,768	3,231
Over 1 year	5,102	15,012
Total	6,870	18,243

## 3. Finance leases (Lessor)

The IHI Group uses the operating lease accounting method for the finance leases which do not transfer ownership contracted on or before March 31, 2008.

## (1) Acquisition costs, accumulated depreciation and net book value of the leased property

(Millions of yen)

	As of March 31, 2018		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	2,043	1,270	773
Machinery, equipment and vehicles	877	769	108
Other (Tools, furniture, fixtures and others)	6	6	0
Total	2,926	2,045	881

(Millions of yen)

	As of March 31, 2019		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	2,043	1,327	716
Machinery, equipment and vehicles	776	705	71
Other (Tools, furniture, fixtures and others)	6	6	0
Total	2,825	2,038	787

## (2) Future minimum lease income

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Within 1 year	266	273
Over 1 year	580	307
Total	846	580

## (3) Lease income, depreciation and estimated interest income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Lease income	348	338
Depreciation	87	78
Estimated interest income	97	72

## (4) Calculation method of estimated interest income

Estimated interest income is calculated as the amount of total lease income and the balance of estimated residual value less estimated acquisition costs. Allocation of the estimated interest income to each accounting period is based on the interest method.

(Impairment loss)

No impairment loss was allocated to leased assets.

## 4. Operating leases (Lessor)

Future minimum lease income for non-cancelable operating leases

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Within 1 year	499	499
Over 1 year	915	416
Total	1,414	915

## 5. Sublease transactions

Disclosure is omitted since it is not material.

(Financial Instruments)

1. Status of financial instruments

(1) Policy on financial instruments

As a Group policy, the IHI Group manages funds only in short-term and highly safe financial assets such as bank deposits and finance mainly through bank borrowings and bond issuance. Derivatives are utilized to hedge the fluctuation risks of foreign exchanges, interests and commodity prices, and the IHI Group does not enter into derivative contracts for speculative or trading purposes.

(2) Details of financial instruments and risks thereof

Notes and accounts receivable - trade, which are operating receivables, are exposed to the customer credit risks. Operating receivables denominated in foreign currencies related to construction in abroad or the like are exposed to the fluctuation risks of foreign exchanges, which is, in principle, hedged by derivatives using forward foreign exchange contracts and foreign currency options for the position after netting operating payables denominated in foreign currencies. Securities and investment securities mainly consist of held-to-maturity securities and equity securities associated with business-ties or capital-ties with companies to maintain business relationships and are exposed to the fluctuation risks of market price.

Notes and accounts payable - trade, which are operating payables, are mostly settled within one year. Some of them are related to goods procured from overseas and denominated in foreign currencies, therefore they are exposed to the fluctuation risks of foreign exchanges. However, the amount is constantly, in general, less than the balance of notes and accounts receivable - trade denominated in the same foreign currency. Loans, commercial papers and bonds are made for the purpose of obtaining operating capital and funds for capital expenditures, and the redemption dates arrive within 10 years after the balance sheet date. Although some of loans are exposed to the fluctuation risks of interest rate and foreign exchanges, they are hedged by derivatives using interest rate swaps and foreign currency swaps.

Derivatives the IHI Group uses are forward foreign exchange contracts and foreign currency options to hedge the fluctuation risks of foreign exchanges pertaining to operating receivables and payables denominated in foreign currencies, and interest rate swaps to hedge the fluctuation risks of interest rate regarding loans payable. For details of hedge accounting, refer to "4 Significant accounting policies (7) Principal methods for hedge accounting."

(3) Risk management structure regarding financial instruments

(i) Management of the credit risks (risks pertaining to customer's non-performing of contracts)

To manage the credit risks for operating receivables, pursuant to the internal regulations related to receivable management, the department of the IHI Group in charge of collections in each business department periodically monitors the condition of major customers, manages the collectability and balances by customer or by project ordered, and thus seeks for an early identification and mitigation of collectability concern caused by deterioration in financial status.

The credit risk for held-to-maturity securities is minor because the IHI Group holds only securities with high ratings.

In derivative transactions, the IHI Group enters into contracts only with financial institutions with high ratings to reduce the counterparty risks.

The maximum credit risk amount as of the consolidated balance sheet date equals to the consolidated balance sheet amount of financial assets exposed to the credit risks.

(ii) Management of market risks (the fluctuation risks of foreign exchanges or interest rate)

To manage the fluctuation risks of foreign exchanges for operating receivables and payables denominated in foreign currencies, the IHI Group hedges the fluctuation risks monthly identified by currency by utilizing forward foreign exchange contracts and foreign currency options. Hedge results are reported monthly to the executive in charge of the Finance & Accounting Division, and quarterly to the Management Committee.

To reduce the fluctuation risks of interest rate and foreign exchanges regarding long-term loans payable, IHI and certain consolidated subsidiaries use interest rate swaps and foreign currency swaps.

As for securities and investment securities, their market prices and the financial condition of issuers (companies with which the IHI Group does business) are periodically monitored. Also, the IHI Group's holding status of those other than held-to-maturity securities is continuously reviewed by taking into account the relationships with the companies with which the IHI Group does business.

As for derivatives, transactions are recorded and the balance is checked up between the IHI Group and the contract partner. Moreover, derivative balances and valuation gains or losses as of the month-end are reported to the executive in charge of the Finance & Accounting Division on a monthly basis.

(iii) Management of liquidity risks pertaining to fund procurement (risks of non-performing of payments on due dates)

The IHI Group manages liquidity risks by measures such as timely forming and updating the cash flow plan.



(4) Supplementary explanation to fair value of financial instruments

While the fair value of financial instruments is based on the market price, such value may be estimated reasonably if the market price is not available. Because variable factors are counted in the estimation, the estimated value may differ if a different assumption is employed. Please note that notional amounts of derivatives in the Note "Derivatives" do not, in themselves, indicate the market risks pertaining to derivatives.

2. Fair value of financial instruments

The amount recorded in the consolidated balance sheet, fair value and difference between them are as follows.

Financial instruments whose fair value is deemed to be extremely difficult to figure out are not included. (Note: 2)

The previous fiscal year as of March 31, 2018

(Millions of yen)

	Amount recorded in the balance sheet	Fair value	Difference
(1) Cash and deposits	109,028	109,028	–
(2) Notes and accounts receivable - trade	400,330		
Less allowance for doubtful accounts (*1)	(3,902)		
	396,428	396,113	(315)
(3) Securities and investment securities	17,061	17,069	8
Held-to-maturity securities	106	114	8
Other securities	16,955	16,955	–
Total assets	522,517	522,210	(307)
(4) Notes and accounts payable - trade	304,928	304,928	–
(5) Short-term loans payable	81,515	81,515	–
(6) Commercial papers	–	–	–
(7) Bonds payable	50,000	49,958	(42)
(8) Long-term loans payable	172,533	174,445	1,912
Total liabilities	608,976	610,846	1,870
(9) Derivatives (*2)			
(i) Derivatives to which hedge accounting is not applied	410	410	–
(ii) Derivatives to which hedge accounting is applied	200	200	–
Total derivatives	610	610	–

\*1. The amount of allowance for doubtful accounts that is recorded individually for notes and accounts receivable - trade, is excluded.

\*2. Assets and liabilities arising from derivative transactions are stated on a net basis.

The current fiscal year as of March 31, 2019

(Millions of yen)

	Amount recorded in the balance sheet	Fair value	Difference
(1) Cash and deposits	94,951	94,951	–
(2) Notes and accounts receivable - trade	377,695		
Less allowance for doubtful accounts (*1)	(3,806)		
	373,889	373,625	(264)
(3) Securities and investment securities	16,155	16,164	9
Held-to-maturity securities	105	114	9
Other securities	16,050	16,050	–
Total assets	484,995	484,740	(255)
(4) Notes and accounts payable - trade	290,043	290,043	–
(5) Short-term loans payable	111,785	111,785	–
(6) Commercial papers	–	–	–
(7) Bonds payable	50,000	50,037	37
(8) Long-term loans payable	175,813	181,673	5,860
Total liabilities	627,641	633,538	5,897
(9) Derivatives (*2)			
(i) Derivatives to which hedge accounting is not applied	102	102	–
(ii) Derivatives to which hedge accounting is applied	(47)	(47)	–
Total derivatives	55	55	–

\*1. The amount of allowance for doubtful accounts that is recorded individually for notes and accounts receivable - trade, is excluded.

\*2. Assets and liabilities arising from derivative transactions are stated on a net basis. The figures in parentheses indicate net liabilities.

Notes: 1. Methods of measuring fair value of financial instruments, and notes to securities and derivative transactions

(1) Cash and deposits

The fair value of cash and deposits is assumed to be approximate to their book value due to the short-term maturity.

(2) Notes and accounts receivable - trade

The fair value is measured based on the present values calculated by discounting receivable amounts at a rate determined based on time to maturity and credit risk. The fair value of receivables with special concern is measured by the present values of estimated cash flows discounted at the similar discount rates.

(3) Securities and investment securities

The fair value of equity securities are based on the market prices at the exchange. The fair value of debt securities are based on the market prices at the exchange or the prices provided by the financial institutions with which the IHI Group does business. For information on securities classified by holding purpose, please refer to the Note “Securities.”

(4) Notes and accounts payable – trade, (5) Short-term loans payable and (6) Commercial papers

The fair value of these accounts is assumed to be approximate to their book value due to the short-term maturity.

(7) Bonds payable

As for the fair value of bonds issued by IHI, marketable bonds are measured based on the market price and non-marketable bonds are measured based on the present value calculated by discounting the total amount of principles and interests(\*3) at a rate determined based on time to maturity and the credit risk.

(\*3) Bonds payable associated with interest rate swaps that qualified for special treatment in the previous fiscal year ended March 31, 2018 were measured depending on the conditions of cases where they were accounted for together with their derivatives.

(8) Long-term loans payable

The fair value of long-term loans payable is measured by discounting the total amount of principles and interests (\*4) at an assumed interest rate for similar new borrowings.

(\*4) Long-term loans payable associated with either designated hedge accounting of forward exchange contracts, etc., or interest rate swaps that qualified for special treatment in the previous fiscal year ended March 31, 2018 were measured depending on the conditions of cases where they were accounted for together with their derivatives.

(9) Derivatives

Refer to the Note “Derivatives.”

2. Amounts recorded in the balance sheet of financial instruments whose fair value is deemed to be extremely difficult to figure out

(Millions of yen)

Classification	As of March 31, 2018	As of March 31, 2019
Unlisted stocks	16,765	17,314
Shares of subsidiaries and affiliates	65,458	84,498
Total	82,223	101,812

The above financial instruments are not included in “(3) Securities and investment securities” because determining their fair value was deemed to be extremely difficult, due to the fact that they do not have market prices and their future cash flow cannot be estimated.

3. Redemption schedules after consolidated balance sheet dates for monetary receivables and held-to-maturity securities  
The previous fiscal year as of March 31, 2018

(Millions of yen)

Classification	Within 1 year	After 1 year and within 5 years	After 5 years and within 10 years	After 10 years
Cash and deposits	109,028	–	–	–
Notes and accounts receivable - trade	371,599	28,731	–	–
Securities and investment securities				
Held-to-maturity securities				
(1) National and local government bonds	–	–	–	–
(2) Company debentures	–	–	106	–
Total	480,627	28,731	106	–

The current fiscal year as of March 31, 2019

(Millions of yen)

Classification	Within 1 year	After 1 year and within 5 years	After 5 years and within 10 years	After 10 years
Cash and deposits	94,951	–	–	–
Notes and accounts receivable – trade	362,000	15,695	–	–
Securities and investment securities				
Held-to-maturity securities				
(1) National and local government bonds	–	–	–	–
(2) Company debentures	–	–	105	–
Total	456,951	15,695	105	–

4. Repayment schedules after consolidated balance sheet dates for bonds payable, long-term loans payable and other interest bearing liabilities

The previous fiscal year as of March 31, 2018

(Millions of yen)

	Within 1 year	After 1 year and within 2 years	After 2 years and within 3 years	After 3 years and within 4 years	After 4 years and within 5 years	After 5 years
Bonds payable	–	20,000	10,000	20,000	–	–
Long-term loans payable	–	52,189	40,907	30,345	34,810	14,282

The current fiscal year as of March 31, 2019

(Millions of yen)

	Within 1 year	After 1 year and within 2 years	After 2 years and within 3 years	After 3 years and within 4 years	After 4 years and within 5 years	After 5 years
Bonds payable	20,000	10,000	20,000	–	–	–
Long-term loans payable	–	46,619	33,130	37,802	42,996	15,266

(Securities)

1. A summary of trading securities

No trading securities were held at March 31, 2018 and 2019.

2. A summary of held-to-maturity securities with fair value

The previous fiscal year as of March 31, 2018

(Millions of yen)

	Type	Amount recorded in the balance sheet	Fair value	Difference
Held-to-maturity securities whose fair value exceed their amounts recorded in the balance sheet	(1) National and local government bonds	–	–	–
	(2) Company debentures	106	114	8
	Subtotal	106	114	8
Held-to-maturity securities whose fair value do not exceed their amounts recorded in the balance sheet	(1) National and local government bonds	–	–	–
	(2) Company debentures	–	–	–
	Subtotal	–	–	–
Total		106	114	8

The current fiscal year as of March 31, 2019

(Millions of yen)

	Type	Amount recorded in the balance sheet	Fair value	Difference
Held-to-maturity securities whose fair value exceed their amounts recorded in the balance sheet	(1) National and local government bonds	–	–	–
	(2) Company debentures	105	114	9
	Subtotal	105	114	9
Held-to-maturity securities whose fair value do not exceed their amounts recorded in the balance sheet	(1) National and local government bonds	–	–	–
	(2) Company debentures	–	–	–
	Subtotal	–	–	–
Total		105	114	9

3. A summary of other securities with stated market prices

The previous fiscal year as of March 31, 2018

(Millions of yen)

	Type	Amount recorded in the balance sheet	Acquisition cost	Difference
Other securities whose amounts recorded in the balance sheet exceed their acquisition cost	Equity securities	6,817	4,387	2,430
Other securities whose amounts recorded in the balance sheet do not exceed their acquisition cost	Equity securities	10,138	11,424	(1,286)
Total		16,955	15,811	1,144

Note: Unlisted stocks (amount reported on balance sheet: ¥16,765 million) are not included in the above table because there were no quoted market prices available and their fair value is deemed to be extremely difficult to determine.

The current fiscal year as of March 31, 2019

(Millions of yen)

	Type	Amount recorded in the balance sheet	Acquisition cost	Difference
Other securities whose amounts recorded in the balance sheet exceed their acquisition cost	Equity securities	9,410	6,794	2,616
Other securities whose amounts recorded in the balance sheet do not exceed their acquisition cost	Equity securities	6,640	8,632	(1,992)
Total		16,050	15,426	624

Note: Unlisted stocks (amount reported on balance sheet: ¥17,314million) are not included in the above table because there were no quoted market prices available and their fair value is deemed to be extremely difficult to determine.

4. Summary of held-to-maturity securities which were sold

There were no sales of held-to-maturity securities in the fiscal years ended March 31, 2018 and 2019.

5. Summary of other securities which were sold

The previous fiscal year ended March 31, 2018

(Millions of yen)

Type	Selling prices	Amount of gain on sales	Amount of loss on sales
Equity securities	20,833	646	0

The current fiscal year ended March 31, 2019

(Millions of yen)

Type	Selling prices	Amount of gain on sales	Amount of loss on sales
Equity securities	882	37	0

6. Securities subject to the recognition of impairment losses

The previous fiscal year ended March 31, 2018

The disclosure for other securities is omitted since it is not material at March 31, 2018.

If the market value at the end of the fiscal year has dropped by 50% or more compared with the acquisition value, an impairment loss is recognized for the full amount, and if it has dropped from approximately 30 to 50% compared with the acquisition value, an impairment loss is recognized for necessary amounts taking into account the probability of recoverability.

The current fiscal year ended March 31, 2019

The disclosure for other securities is omitted since it is not material at March 31, 2019.

If the market value at the end of the fiscal year has dropped by 50% or more compared with the acquisition value, an impairment loss is recognized for the full amount, and if it has dropped from approximately 30 to 50% compared with the acquisition value, an impairment loss is recognized for necessary amounts taking into account the probability of recoverability.

(Derivatives)

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency

The previous fiscal year as of March 31, 2018

(Millions of yen)

Classification	Transaction Type	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Forward foreign exchange contracts				
	Sell:				
	U.S. dollar	1,393	–	69	69
	Thai baht	145	–	(6)	(6)
	Japanese yen	1,415	–	110	110
	Buy:				
	U.S. dollar	20,539	–	126	126
Japanese yen	342	–	7	7	
Total		–	–	306	306

Note: Method of measuring fair value

The fair value of forward foreign exchange contracts are measured using the forward foreign exchange rates.

The current fiscal year as of March 31, 2019

(Millions of yen)

Classification	Transaction Type	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Forward foreign exchange contracts				
	Sell:				
	U.S. dollar	23,060	–	74	74
	Euro	22	–	0	0
	Hong Kong dollar	245	–	1	1
	Thai baht	249	–	(2)	(2)
	Buy:				
	U.S. dollar	765	173	9	9
	Sterling pound	42	–	(1)	(1)
	Hong Kong dollar	5	–	0	0
	Thai baht	175	–	(1)	(1)
Foreign currency swap contracts					
U.S. dollar – Japanese yen	9,090	6,149	22	22	
Total		–	–	102	102

Note: Method of measuring fair value

The fair value of forward foreign exchange contracts are measured using the forward foreign exchange rates.

The fair value of foreign currency swap contracts are measured based on the prices provided by financial institutions with which these contracts are made.

(2) Interest rate

The previous fiscal year as of March 31, 2018  
Not applicable

The current fiscal year as of March 31, 2019  
Not applicable

(3) Commodity

The previous fiscal year as of March 31, 2018

(Millions of yen)

Classification	Transaction type	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Nickel swaps	282	-	104	104
	Payments fixed receipts floating				
Total		-	-	104	104

Note: The fair value is measured based on the prices provided by financial institutions with which these contracts are made.

The current fiscal year as of March 31, 2019  
Not applicable

2. Derivatives to which hedge accounting is applied

(1) Foreign currency

The previous fiscal year as of March 31, 2018

(Millions of yen)

Hedge accounting	Hedging instrument	Hedged item	Notional amount	Over 1 year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts				
	Sell:	Accounts receivable - trade			
	U.S. dollar		3,840	822	40
	Euro		394	–	13
	Chinese yuan		63	–	(1)
	Thai baht		220	22	(3)
	Turkish Lira		86	–	3
	Buy:	Accounts payable - trade			
	U.S. dollar		2,405	892	(37)
	Euro		791	–	68
	Sterling pound		50	–	0
	Swedish krona		2	–	0
	Hong Kong dollar		190	–	(11)
Chinese yuan		681	–	99	
Korean won		776	–	12	
New Taiwan dollar		904	253	7	
Allocation treatment for forward foreign exchange contracts	Foreign currency swap contracts				
	U.S. dollar- Japanese yen	Long-term loans payable	9,068	9,068	(Note 2)
	Forward foreign exchange contracts				
	Sell:	Accounts receivable - trade			
	U.S. dollar		4,999	52	(Note 2)
	Euro		61	–	(Note 2)
	Hong Kong dollar		378	–	(Note 2)
	Buy:	Accounts payable - trade			
	U.S. dollar		3,817	47	(Note 2)
	Euro		43	–	(Note 2)
Hong Kong dollar		33	–	(Note 2)	
New Taiwan dollar		194	–	(Note 2)	
Total			–	–	190

Notes: 1. Method of measuring fair value

The fair value of forward foreign exchange contracts is calculated using forward foreign exchange rates.

2. Fair value of transactions using allocation treatments for forward foreign exchange contracts is included in the fair value of hedged items, either of long-term loans, accounts receivable - trade or accounts payable - trade, as these derivatives are accounted for together with the long-term loans, accounts receivable - trade or accounts payable - trade.



The current fiscal year as of March 31, 2019

(Millions of yen)

Hedge accounting	Hedging instrument	Hedged item	Notional amount	Over 1 year	Fair value	
Deferral hedge accounting	Forward foreign exchange contracts					
	Sell:		Accounts receivable - trade			
	U.S. dollar			2,493	–	6
	Euro			175	–	9
	Hong Kong dollar			96	5	(1)
	Thai baht			87	–	(3)
	Buy:		Accounts payable - trade			
	U.S. dollar			5,649	2,114	72
	Euro			1,903	972	(48)
	Swedish krona			1	–	0
	Hong Kong dollar			111	–	(1)
Chinese yuan			121	–	3	
New Taiwan dollar			253	8	(9)	
Total			–	–	28	

Note: Method of measuring fair value

The fair value of forward foreign exchange contracts is calculated using forward foreign exchange rates.

(2) Interest rate

The previous fiscal year as of March 31, 2018

(Millions of yen)

Hedge accounting	Hedging instrument	Hedged item	Notional amount	Over 1 year	Fair value
Deferral hedge accounting of interest rate swaps	Interest rate swaps Payments fixed receipts floating	Long-term loans payable	4,223	3,798	10
Special treatment of interest rate swaps	Interest rate swaps Payments fixed receipts floating	Long-term loans payable	43,438	35,438	(Note 2)
	Interest rate swaps Payments fixed receipts fixed	Bonds payable	20,000	20,000	(Note 2)
Total			–	–	10

Notes: 1. Method of measuring fair value

The fair value is measured based on the prices provided by financial institutions with which these contracts are made.

2. Fair value of transactions accounted for using special treatment of interest rate swaps is included in the fair value of long-term loans and bonds payable, as these derivatives are accounted for together with hedged long-term loans and bonds payable.

The current fiscal year as of March 31, 2019

(Millions of yen)

Hedge accounting	Hedging instrument	Hedged item	Notional amount	Over 1 year	Fair value
Deferral hedge accounting of interest rate swaps	Interest rate swaps Payments fixed receipts floating	Long-term loans payable	48,758	27,393	(51)
	Interest rate swaps Payments fixed receipts fixed	Bonds payable	20,000	20,000	(24)
Total			–	–	(75)

Note: Method of measuring fair value

The fair value is measured based on the prices provided by financial institutions with which these contracts are made.

(Retirement benefits)

1. Outline of Retirement benefits plan

The IHI Group has defined benefit pension plans, lump-sum retirement payment plans and defined contribution plans. In addition, an employee, if eligible, may receive additional payments upon retirement under certain situation. Certain consolidated subsidiaries in Japan adopt the simplified methods to calculate net defined benefit liabilities and retirement benefit expenses for their lump-sum retirement payment plans and defined benefit pension plans.

Also, certain overseas consolidated subsidiaries adopt the International Financial Reporting Standards (IFRS) and have applied IAS 19 Employee Benefits (revised June 16, 2011) effective from the fiscal year ended March 31, 2014.

Furthermore, IHI has set up a retirement benefit trust for the lump-sum retirement payment plan.

2. Defined-benefit pension plan

(1) Reconciliations of the opening and closing balances of retirement benefit obligations

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Retirement benefit obligations at the beginning of the fiscal year	171,194	176,654
Service costs	9,870	9,963
Interest costs	1,569	1,614
Actuarial gains and losses incurred	798	3,857
Payments of retirement benefits	(7,365)	(12,753)
Past service costs incurred	(4)	29
Foreign currency translation adjustments	(150)	7
Decrease due to the effect of the business combinations	(250)	-
Increase due to employee transfers	-	2,005
Increase due to change in measurement of retirement benefit obligations from the simplified method to the standard method	917	126
Other	75	(103)
Retirement benefit obligations at the end of the fiscal year	176,654	181,399

(2) Reconciliations of the opening and closing balances of plan assets

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Plan assets at the beginning of the fiscal year	20,295	22,553
Expected return on assets	13	30
Interest income on plan assets at overseas consolidated subsidiaries	11	18
Actual return on plan assets under the simplified method	14	4
Actuarial gains and losses incurred	2,008	(2,034)
Contributions by IHI and its subsidiaries	161	354
Payments of retirement benefits	(47)	(287)
Foreign currency translation adjustments	(65)	6
Increase due to employee transfers	-	472
Other	163	70
Plan assets at the end of the fiscal year	22,553	21,186

(3) Reconciliations of the closing balances of retirement benefit obligations and plan assets, and net liability and asset amounts recorded in the consolidated balance sheet

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Retirement benefit obligations for funded plans	126,294	129,279
Plan assets	(22,553)	(21,186)
	103,741	108,093
Retirement benefit obligations for unfunded plans	50,360	52,120
Net amount of liability and asset recorded in the consolidated balance sheet	154,101	160,213
Net defined benefit liabilities	154,125	160,244
Net defined benefit assets	24	31
Net amount of liability and asset recorded in the consolidated balance sheet	154,101	160,213

(4) Amounts of net periodic pension cost and its components

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Service costs	9,856	9,959
Interest costs	1,554	1,589
Net interest costs (income) at overseas consolidated subsidiaries	4	7
Expected return on plan assets	(13)	(30)
Amortization of actuarial gains and losses	1,231	1,010
Amortization of past service costs	(422)	(302)
Amortization of cost incurred due to the change from simplified method to the standard method	917	126
Other	(27)	777
Total	13,100	13,136

Note: The periodic pension cost for the consolidated subsidiaries to adopt such simplified method has been included in "Service costs."

(5) Remeasurements of defined benefit plans, net of tax

Components of items (before tax effect) recorded in remeasurements of defined benefit plans, net of tax are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Past service costs	(418)	(331)
Actuarial gains and losses	2,440	(4,882)
Total	2,022	(5,213)

(6) Remeasurements of defined benefit plans

Components of items (before tax effect) recorded in remeasurements of defined benefit plans are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Unrecognized past service costs	2,739	2,408
Unrecognized actuarial gains and losses	(2,500)	(7,382)
Total	239	(4,974)

(7) Plan assets

(i) Major components of plan assets

The proportion of major categories to total plan assets is as follows:

	As of March 31, 2018	As of March 31, 2019
Bond	1%	7%
Stock	83	77
Cash and deposits	4	9
General account	2	1
Real estate	4	4
Other	6	2
Total	100	100

Note: The retirement benefit trust, which was set up for the lump-sum retirement payment plan, accounts for 86% and 82% of total plan assets during the year ended March 31, 2018 and 2019, respectively.

(ii) Method of setting the long-term expected rate of return

In determining the long-term expected rate of return on plan assets, the current and projected allocations of plan assets and the current and projected long-term investment returns on various assets constituting plan assets are taken into consideration.

(8) Bases for actuarial calculations

Major bases for actuarial calculation

	As of March 31, 2018	As of March 31, 2019
Discount rate	Mainly 1.0%	Mainly 1.0%
Long-term expected rate of return	Mainly 0.0%	Mainly 0.0%

3. Defined contribution plan

The required contribution amount to the defined contribution plan of IHI and its consolidated subsidiaries during the year ended March 31, 2018 and 2019 was ¥1,827 million and ¥2,067 million, respectively.

(Stock options)

1. Expenses for stock options and account titles  
Not applicable.

2. Description of stock options, changes in the size of stock options

(1) Description of stock options

	FY2007 Stock option	FY2008 Stock option	FY2009 Stock option	FY2010 Stock option
Persons granted	Directors of IHI: 13 Executive officers of IHI: 13	Directors of IHI: 13 Executive officers of IHI: 11	Directors of IHI: 13 Executive officers of IHI: 14	Directors of IHI: 13 Executive officers of IHI: 13
Class and number of shares (Note)	Common stock 27,400 shares	Common stock 51,100 shares	Common stock 64,700 shares	Common stock 75,900 shares
Grant date	August 9, 2007	August 18, 2008	August 5, 2009	August 9, 2010
Vesting conditions	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.
Service period	No provisions since vesting date is not readily determinable.	No provisions since vesting date is not readily determinable.	No provisions since vesting date is not readily determinable.	No provisions since vesting date is not readily determinable.
Exercise period	From August 10, 2007 to August 9, 2037	From August 19, 2008 to August 18, 2038	From August 6, 2009 to August 5, 2039	From August 10, 2010 to August 9, 2040

	FY2011 Stock option	FY2012 Stock option	FY2013 Stock option	FY2014 Stock option
Persons granted	Directors of IHI: 13 Executive officers of IHI: 14	Directors of IHI: 13 Executive officers of IHI: 15	Directors of IHI: 13 Executive officers of IHI: 14	Directors of IHI: 13 Executive officers of IHI: 17
Class and number of shares (Note)	Common stock 59,300 shares	Common stock 79,800 shares	Common stock 35,000 shares	Common stock 32,500 shares
Grant date	August 17, 2011	August 16, 2012	August 21, 2013	August 11, 2014
Vesting conditions	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.
Service period	No provisions since vesting date is not readily determinable.	No provisions since vesting date is not readily determinable.	No provisions since vesting date is not readily determinable.	No provisions since vesting date is not readily determinable.
Exercise period	From August 18, 2011 to August 17, 2041	From August 17, 2012 to August 16, 2042	From August 22, 2013 to August 21, 2043	From August 12, 2014 to August 11, 2044

	FY2015 Stock option	FY2016 Stock option
Persons granted	Directors of IHI: 12 Executive officers of IHI: 18	Directors of IHI: 10 Executive officers of IHI: 18
Class and number of shares (Note)	Common stock 24,200 shares	Common stock 49,100 shares
Grant date	August 10, 2015	August 9, 2016
Vesting conditions	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.
Service period	No provisions since vesting date is not readily determinable.	No provisions since vesting date is not readily determinable.
Exercise period	From August 11, 2015 to August 10, 2045	From August 10, 2016 to August 9, 2046

Note: The number of stock options is translated into the number of shares. In addition, it is translated into the number of shares after the consolidation of common stock (ratio of 1 new share for every 10 old shares) on October 1, 2017.

(2) The number of and changes in stock options

The following describes changes in the number of stock options that existed during the year ended March 31, 2019. The number of stock options is translated into the number of shares.

(i) Number of stock options

	FY2007 Stock option	FY2008 Stock option	FY2009 Stock option	FY2010 Stock option	FY2011 Stock option
Non-vested: (share)					
Outstanding at March 31, 2018	2,400	6,800	12,800	18,700	16,400
Granted	–	–	–	–	–
Forfeited	–	–	–	–	–
Vested	800	3,400	6,100	7,900	5,800
Outstanding of non-vested at March 31, 2019	1,600	3,400	6,700	10,800	10,600
Vested: (share)					
Outstanding at March 31, 2018	–	4,800	9,500	16,500	23,800
Vested	800	3,400	6,100	7,900	5,800
Exercised	800	3,400	11,600	14,200	10,500
Forfeited	–	–	–	–	–
Outstanding of non-exercised at March 31, 2019	–	4,800	4,000	10,200	19,100

	FY2012 Stock option	FY2013 Stock option	FY2014 Stock option	FY2015 Stock option	FY2016 Stock option
Non-vested: (share)					
Outstanding at March 31, 2018	28,200	15,600	20,000	16,200	47,800
Granted	–	–	–	–	–
Forfeited	–	–	–	–	–
Vested	10,000	5,500	4,700	4,200	10,300
Outstanding of non-vested at March 31, 2019	18,200	10,100	15,300	12,000	37,500
Vested: (share)					
Outstanding at March 31, 2018	36,800	15,400	12,500	7,400	1,300
Vested	10,000	5,500	4,700	4,200	10,300
Exercised	15,200	4,400	3,200	2,000	–
Forfeited	–	–	–	–	–
Outstanding of non-exercised at March 31, 2019	31,600	16,500	14,000	9,600	11,600

Note: The number of stock options is translated into the number of shares after the consolidation of common stock (ratio of 1 new share for every 10 old shares) on October 1, 2017.

(ii) Per amount information

	FY2007 Stock option	FY2008 Stock option	FY2009 Stock option	FY2010 Stock option	FY2011 Stock option
Exercise price - yen	1	1	1	1	1
Average share price at exercise – yen	3,790	3,930	3,731	3,613	3,246
Fair value price at grant date - yen	4,620	1,850	1,650	1,540	1,780

	FY2012 Stock option	FY2013 Stock option	FY2014 Stock option	FY2015 Stock option	FY2016 Stock option
Exercise price - yen	1	1	1	1	1
Average share price at exercise – yen	3,423	3,121	3,088	3,448	–
Fair value price at grant date - yen	1,590	3,760	4,400	4,130	2,780

Note: The prices above are translated into the prices of shares after the consolidation of common stock (ratio of 1 new share for every 10 old shares) on October 1, 2017.

3. Estimation of the number of stock options vested  
Because it is difficult to reasonably estimate the number of options that will forfeit in the future, only the number of actual forfeited options is reflected.



(Deferred tax accounting)

1. Significant components of the IHI Group's deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Deferred tax assets:</b>		
Losses on valuation of inventories	2,902	3,221
Over depreciation	8,204	7,990
Impairment loss	6,578	5,921
Provision for bonuses	6,580	7,143
Provision for construction warranties	15,631	13,721
Provision for loss on construction contracts	4,832	6,260
Denial of accrued expenses	9,282	11,932
Valuation losses on investment securities	2,084	2,084
Net defined benefit liability	51,290	52,674
Net tax loss carried forward (Note 2)	15,487	21,255
Unrealized gain	3,504	3,012
Other	27,918	35,732
<b>Subtotal deferred tax assets</b>	<b>154,292</b>	<b>170,945</b>
Valuation allowance related to net tax loss carried forward	–	(15,047)
Valuation allowance related to the total of future deductible amount, etc.	–	(27,390)
<b>Valuation allowance (Note 1)</b>	<b>(23,880)</b>	<b>(42,437)</b>
<b>Total</b>	<b>130,412</b>	<b>128,508</b>
<b>Deferred tax liabilities:</b>		
Gain on transfer from business divestitures	(2,512)	(2,512)
Valuation difference on available-for-sale securities	(601)	(627)
Reserve for advanced depreciation of non-current assets	(4,007)	(4,091)
Gain on contribution of securities to retirement benefit trust	(2,967)	(2,967)
Other	(3,431)	(3,010)
<b>Total</b>	<b>(13,518)</b>	<b>(13,207)</b>
<b>Net deferred tax assets</b>	<b>116,894</b>	<b>115,301</b>

Note 1 The main reason for the change in valuation allowance is an increase in valuation allowance related to net tax loss carried forward of IHI E&C International Corporation, which is a consolidated subsidiary of IHI.

Note 2 The amount of the net tax loss carried forward and amounts of deferred tax assets thereof by carry forward period.

As of March 31, 2019

(Millions of yen)

	Within 1 year	After 1 year and within 2 years	After 2 years and within 3 years	After 3 years and within 4 years	After 4 years and within 5 years	After 5 years	Total
Net tax loss carried forward (*1)	0	31	0	25	18	21,181	21,255
Valuation allowance	–	(31)	–	–	–	(15,016)	(15,047)
<b>Deferred tax assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>18</b>	<b>6,165</b>	<b>(*2) 6,208</b>

(\*1) The net tax loss carried forward is an amount multiplied by the statutory tax rate.

(\*2) For the net tax loss carried forward of ¥21,255 million (amount measured using the statutory tax rate), related deferred tax assets of ¥6,208 million were recorded.

The deferred tax assets of ¥6,208 million were recognized mainly on a portion of the net tax loss carried forward of IHI. This due to a loss before income taxes recognized in the fiscal year ended March 31, 2017 and loss on valuation of shares of subsidiaries and affiliates in the previous fiscal years was also included as deductible expenses for tax purpose arising from the transfer of shares, etc.

Regarding deferred tax assets related to the net tax loss carried forward, a valuation allowance was not recognized for the portion deemed to be recoverable based on estimates of future taxable income.

2. The reconciliation between the statutory tax rate and the effective income tax rate after applying deferred tax accounting

	As of March 31, 2018	As of March 31, 2019
Statutory tax rate in Japan		30.6%
Adjustments:		
Income taxes for prior periods		6.1
Change in valuation allowance		3.5
Expenses not deductible permanently (e.g. entertainment expenses)		1.1
Foreign income taxes included in deductible expenses	Note	1.0
Tax exemption for research and development expenses		(2.3)
Different tax rates on overseas earnings		(1.4)
Others		(3.7)
Effective income tax rate after applying deferred tax accounting		34.9

Note: Disclosure is omitted because the difference between the statutory tax rate and the effective income tax rate after applying deferred tax accounting is less than 5% of the statutory tax rate.

(Business combination)

Disclosure is omitted since it is not material

(Asset retirement obligations)

Disclosure is omitted since it is not material

(Investment and Rental Property)

The previous fiscal year ended March 31, 2018

IHI and certain consolidated subsidiaries own rental office buildings (including land), parking lots and commercial facilities in Tokyo and other areas. The amounts recorded in the consolidated balance sheet, changes during the previous fiscal year and the fair value of these investment and rental properties at March 31, 2018 are as follows:

(Millions of yen)

Category of use	Amount in consolidated balance sheet			Fair value as of March 31, 2018
	Balance as of April 1, 2017	Net change	Balance as of March 31, 2018	
Office buildings	59,826	(3,363)	56,463	121,016
Parking lots	114	(114)	-	-
Commercial facilities	3,874	(3)	3,871	32,515
Others	33,515	3,235	36,750	115,544
Total	97,329	(246)	97,083	269,075

Notes: 1. The amount recorded in the consolidated balance sheet is calculated by subtracting accumulated depreciation and impairment losses from acquisition cost.

2. The fair value at fiscal year-end is based on values mainly in the appraisal report prepared by external real estate appraisers.

Income and expenses concerning investment and rental properties are as follows:

(Millions of yen)

Category of use	Amount in consolidated statement of income			
	Rental income	Rental expenses	Net rental income	Others
Office buildings	8,806	6,796	2,010	(70)
Parking lots	30	6	24	-
Commercial facilities	1,015	250	765	0
Others	4,316	2,008	2,308	322
Total	14,167	9,060	5,107	252

Notes: 1. Major rental income is included in "Net sales," while major rental expenses are included in "Cost of sales."

2. For the fiscal year ended March 31, 2018, "Others" in the above table is composed of gains on sales of property, plant, and equipment, and losses on disposal of property, plant and equipment, and included in non-operating income and non-operating expenses on the consolidated statement of income.

The current fiscal year ended March 31, 2019

IHI and certain consolidated subsidiaries own rental office buildings (including land), parking lots and commercial facilities in

Tokyo and other areas. The amounts recorded in the consolidated balance sheet, changes during the current fiscal year and the fair value of these investment and rental properties at March 31, 2019 are as follows:

(Millions of yen)

Category of use	Amount in consolidated balance sheet			Fair value as of March 31, 2019
	Balance as of April 1, 2018	Net change	Balance as of March 31, 2019	
Office buildings	56,463	(2,655)	53,808	125,111
Parking lots	–	–	–	–
Commercial facilities	3,871	(13)	3,858	34,669
Others	36,750	2,000	38,750	126,058
Total	97,083	(668)	96,415	285,838

Notes: 1. The amount recorded in the consolidated balance sheet is calculated by subtracting accumulated depreciation and impairment losses from acquisition cost.

2. The fair value at fiscal year-end is based on values mainly in the appraisal report prepared by external real estate appraisers.

Income and expenses concerning investment and rental properties are as follows:

(Millions of yen)

Category of use	Amount in consolidated statement of income			
	Rental income	Rental expenses	Net rental income	Others
Office buildings	8,899	6,681	2,218	(1)
Parking lots	–	–	–	–
Commercial facilities	1,024	275	750	–
Others	4,333	2,146	2,187	(1)
Total	14,257	9,102	5,155	(2)

Notes: 1. Major rental income is included in “Net sales,” while major rental expenses are included in “Cost of sales.”

2. For the fiscal year ended March 31, 2019, “Others” in the above table is composed of gains on sales of property, plant, and equipment, and losses on disposal of property, plant and equipment, and included in non-operating income and non-operating expenses on the consolidated statement of income.

(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 expands their business activities.

Based on the above, the IHI Group consists of segments organized by business area and sets the four 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 segment

Reportable segments	Main businesses, products and services
Resources, Energy and Environment	Boilers, power systems plants for land use, power systems for land and marine use, large power systems for ships, process plants (storage facilities and chemical plants), nuclear power (components for nuclear power plants), environmental response systems, pharmaceutical plants
Social Infrastructure and Offshore Facility	Bridges/water gates, shield systems, transport systems, concrete construction materials, urban development (real estate sales and rental), F-LNG (floating LNG storage facilities, offshore structures)
Industrial System and General-Purpose Machinery	Logistics/industrial systems (logistics systems, industrial machineries), transport machineries, parking, thermal and surface treatment, vehicular turbochargers, rotating machineries (compressors, separation systems, turbochargers for ships), agricultural machineries/small power systems, steel manufacturing equipment, paper-making machineries
Aero Engine, Space and Defense	Aero engines, rocket systems/space utilization systems (space-related equipment), defense systems

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

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.

3. Information about sales, profit or loss, assets and liabilities, and other items by reportable segments  
The previous fiscal year ended March 31, 2018

(Millions of yen)

	Reportable Segments					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	Total				
Sales:									
(1) Sales to outside customers	487,683	144,653	448,367	461,434	1,542,137	48,196	1,590,333	–	1,590,333
(2) Intersegment sales and transfers	2,799	9,890	10,645	2,295	25,629	25,326	50,955	(50,955)	–
Total	490,482	154,543	459,012	463,729	1,567,766	73,522	1,641,288	(50,955)	1,590,333
Segment profit (Operating profit (loss)) (Note 2)	(14,810)	13,934	18,903	60,129	78,156	2,756	80,912	(8,645)	72,267
Segment assets (Note 3)	338,674	231,634	343,842	518,694	1,432,844	81,120	1,513,964	119,524	1,633,488
Others:									
Depreciation (Note 4)	5,095	6,044	12,835	16,034	40,008	1,377	41,385	3,439	44,824
Share of profit (loss) of entities accounted for using equity method	(1,433)	(85)	722	(473)	(1,269)	(31,782)	(33,051)	(37)	(33,088)
Investments in equity method companies	243	2,041	4,006	12,318	18,608	13,357	31,965	–	31,965
Increase in property, plant and equipment (Note 5)	4,678	7,774	9,962	31,760	54,174	833	55,007	4,193	59,200

- Notes: 1. “Others” consists of businesses that are 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 ¥236 million and corporate expenses unallocated to reportable segments of negative ¥8,881 million.  
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
3. Adjustment of ¥119,524 million for segment assets includes corporate assets unallocated to reportable segments of ¥240,428 million among cash and deposits, buildings and structures, investment securities and other assets, and eliminations of intersegment receivables and payables of negative ¥118,503 million.
4. Depreciation represents depreciation of property, plant and equipment. Adjustment of depreciation represents corporate depreciation of corporate property, plant and equipment unallocated to reportable segments.
5. Adjustment of increase in property, plant and equipment represents corporate increase in corporate property, plant and equipment unallocated to reportable segments.
6. Segment liabilities are omitted because they are not considered when determining allocation of management resources and assessing performance.
7. Changes to the fiscal year, etc. for consolidated subsidiaries  
Effective from the previous fiscal year, the closing date of the fiscal year for 42 companies including IHI INC. has been changed from December 31 to March 31, and 13 companies including Wuxi IHI Turbo Co., Ltd. have been consolidated using March 31 as a provisional closing date.  
As a result, for the previous fiscal year 55 companies including IHI INC. had a 15-month accounting period.  
In the period from January 1, 2017 through March 31, 2017 included in the previous fiscal year, sales by segment were ¥28,902 million for the Resources, Energy and Environment segment, ¥27,800 million for the Industrial System and General-Purpose Machinery segment, and ¥183 million for the Aero Engine, Space and Defense segment. Operating profit was ¥1,616 million for the Industrial System and General-Purpose Machinery segment, and ¥72 million for the Aero Engine, Space and Defense segment. Operating loss was ¥117 million for the Resources, Energy and Environment segment, and ¥1 million for the Social Infrastructure and Offshore Facility segment.

The current fiscal year ended March 31, 2019

(Millions of yen)

	Reportable Segments					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	Total				
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 (loss)) (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 (loss) 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. "Others" consists of businesses that are 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 corporate expenses unallocated to reportable segments 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 reportable segments 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 corporate depreciation of corporate property, plant and equipment unallocated to reportable segments.
  5. Adjustment of increase in property, plant and equipment represents corporate increase in corporate property, plant and equipment unallocated to reportable segments.
  6. Segment liabilities are omitted because they are not considered when determining allocation of management resources and assessing performance.

Related information

The previous fiscal year ended March 31, 2018

1. Product and service information

The information is 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
782,311	350,708	270,242	22,862	132,633	31,577	1,590,333

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
307,077	4,690	18,830	171	18,247	31	349,046

3. Information by major customer

(Millions of yen)

Name of customer or individual	Net sales	Related business segment
JAEC	161,258	Aero Engine, Space and Defense

The current fiscal year ended March 31, 2019

1. Product and service information

The information is 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
JAEC	205,100	Aero Engine, Space and Defense

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

The previous fiscal year ended March 31, 2018

(Millions of yen)

	Reportable Segments					Others (Note)	Total	Adjustments	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Impairment loss	960	129	–	–	1,089	6	1,095	–	1,095

Note: “Others” consists of businesses that are 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.

The current fiscal year ended March 31, 2019

(Millions of yen)

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

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

The previous fiscal year ended March 31, 2018

(Millions of yen)

	Reportable Segments					Others (Note)	Total	Adjustments	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Amount for the current fiscal year	257	–	3,440	–	3,697	370	4,067	–	4,067
Balance at the end of the current fiscal year	1,351	–	9,306	–	10,657	1,574	12,231	–	12,231

Note: “Others” consists of businesses that are 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.

The current fiscal year ended March 31, 2019

(Millions of yen)

	Reportable Segments					Others (Note)	Total	Adjustments	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Amount for the current fiscal year	256	–	2,294	–	2,550	371	2,921	–	2,921
Balance at the end of the current fiscal year	1,048	866	6,915	–	8,829	1,203	10,032	–	10,032

Note: “Others” consists of businesses that are not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment related to such business, and other service operations.

Information about gain on bargain purchase by reportable segment

The previous fiscal year ended March 31, 2018

Not applicable.

The current fiscal year ended March 31, 2019

Not applicable.



Related party information

1. Related party transactions

(1) Transactions between IHI and related parties

(i) Non-consolidated subsidiaries, affiliates and other related parties of IHI

The previous fiscal year ended March 31, 2018

Type	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note 1) (Millions of yen)	Account title	Balance as of March 31 (Note 1) (Millions of yen)
Affiliate	IHI Finance Support Corporation ("IFS")	Chuo-ku, Tokyo, Japan	200	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note 2)	59,288	Notes and accounts payable - trade	13,881
									Other current liabilities	2,242

Notes: 1. Consumption taxes are not included in the transaction amount, but included in the balance as of March 31.

2. With regard to factorings, IHI, customers and IFS have entered into a basic agreement concerning IHI's liabilities and have settled the amount.

The current fiscal year ended March 31, 2019

Type	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note 1) (Millions of yen)	Account title	Balance as of March 31 (Note 1) (Millions of yen)
Affiliate	IFS	Chiyoda-ku, Tokyo, Japan	200	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note 2)	55,871	Notes and accounts payable - trade	14,423
									Other current liabilities	1,513
	JMU	Yokohama-city, Kanagawa, Japan	25,000	Shipbuilding	Holding directly 45.93%	Orderer of SPB tanks construction project	Burden share of losses for delayed construction of SPB tanks (Note 3)	6,679	—	—

Notes: 1. Consumption taxes are not included in the transaction amount, but included in the balance as of March 31.

2. With regard to factorings, IHI, customers and IFS have entered into a basic agreement concerning IHI's liabilities and have settled the amount.

3. Burden share of losses for delayed construction of SPB tanks was borne by IHI as a result of discussions with JMU.

(ii) Directors/audit & supervisory board members, major shareholders and other related parties of IHI  
The previous fiscal year ended March 31, 2018

Type	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note 1) (Millions of yen)	Account title	Balance as of March 31 (Note 1) (Millions of yen)
Director	Toshiaki Sekido	-	-	JAEC (Chairman)	Held directly 0.0%	Representative director and Executive vice president of IHI	Operating transactions with JAEC (Note 2) -Subcontract of work from JAEC related to R&D of jet engines -Payment of a portion of funding related to the above -Reception of subsidies related to the above -Manufacture of jet engine components and delivery thereof to JAEC -Payment of a portion of expenses related to the above	7,550 2,926 6,257 161,246 81,566	- - Other current liabilities Other non-current liabilities Notes and accounts receivable - trade Advances received -	- - 6,086 54,491 17,980 10,070 -

- Notes: 1. Consumption taxes are not included in the transaction amount, but included in the balance as of March 31.  
2. The person conducted these transactions as a representative of a third party, and the transaction amounts and prices are subject to terms and conditions of general transactions.

The current fiscal year ended March 31, 2019

Type	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relation-ship	Transaction	Transaction amount (Note 1) (Millions of yen)	Account title	Balance as of March 31 (Note 1) (Millions of yen)
General advisor	Toshiaki Sekido	-	-	JAEC (Chairman)	Held directly 0.0%	General advisor of IHI	Operating transactions with JAEC (Note 2)			
							-Subcontract of work from JAEC related to R&D of jet engines	2,628	-	-
							-Payment of a portion of funding related to the above	3,592	-	-
							-Reception of subsidies related to the above	5,436	Other current liabilities	6,809
							-Manufacture of jet engine components and delivery thereof to JAEC	205,072	Other non-current liabilities	54,021
-Payment of a portion of expenses related to the above	71,873	Notes and accounts receivable – trade	18,893							
								Advances received	13,303	

- Notes: 1. Consumption taxes are not included in the transaction amount, but included in the balance as of March 31.  
2. The person conducted these transactions as a representative of a third party, and the transaction amounts and prices are subject to terms and conditions of general transactions.

(2) Transactions between consolidated subsidiaries and related parties of IHI

i) Non-consolidated subsidiaries, affiliates and other related parties of IHI

The previous fiscal year ended March 31, 2018

Type	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note 1) (Millions of yen)	Account title	Balance as of March 31 (Note 1) (Millions of yen)
Affiliate	IFS	Chuo-ku, Tokyo, Japan	200	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note 2)	177,817	Notes and accounts payable - trade Other current liabilities	61,833 189

- Notes: 1. Consumption taxes are not included in the transaction amount, but included in the balance as of March 31.  
2. With regard to factorings, IHI, any customer and IFS have entered into a basic agreement concerning IHI's liabilities and have settled the amount.

The current fiscal year ended March 31, 2019

Type	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note 1) (Millions of yen)	Account title	Balance as of March 31 (Note 1) (Millions of yen)
Affiliate	IFS	Chiyoda-ku, Tokyo, Japan	200	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note 2)	192,238	Notes and accounts payable - trade Other current liabilities	69,701 380

- Notes: 1. Consumption taxes are not included in the transaction amount, but included in the balance as of March 31.  
2. With regard to factorings, IHI, any customer and IFS have entered into a basic agreement concerning IHI's liabilities and have settled the amount.

2. Notes on parent company or significant affiliates

(1) Information about parent company

Not applicable

(2) Condensed financial information of significant affiliates

JMU is a significant affiliate for the current fiscal year ended March 31, 2019. The condensed financial information of JMU for the fiscal years ended March 31, 2018 and 2019 is as follows:

(Millions of yen)

	JMU	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Current assets	200,964	135,793
Non-current assets	147,396	142,745
Current liabilities	208,372	145,364
Non-current liabilities	74,511	65,741
Net assets	65,477	67,433
Net sales	286,107	254,145
Profit (loss) before income taxes	(52,467)	103
Profit (loss)	(69,810)	1,222

(Amounts per share)

(Yen)

Category	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net assets per share	2,103.22	2,263.12
Basic earnings per share	53.71	258.53
Diluted earnings per share	53.67	258.37

- Notes:
- IHI conducted a consolidation of common stock on a 10 for 1 basis on October 1, 2017. Net assets per share, basic earnings per share and diluted earnings per share have been calculated under the assumption that this consolidation of common stock was conducted on April 1, 2017.
  - 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 ended March 31, 2019, the number of treasury shares at the end of the period excluded for the calculation of net assets per share was 218,900 shares (111,000 shares for the fiscal year ended March 31, 2018) 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 178,438 shares (111,000 shares for the fiscal year ended March 31, 2018.)
  - The basis for calculating basic earnings per share and basic earnings per share fully diluted is as follows:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	8,291	39,889
Amounts for non-common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent regarding common stock (Millions of yen)	8,291	39,889
Average number of shares of common stock (Thousands of shares)	154,362	154,290
Basic earnings per share fully diluted		
Adjusted profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of shares of common stock (Thousands of shares)	118	98
(Subscription rights to shares of the above) (Thousands of shares)	118	98
Potential shares not included in calculation of Basic earnings per share fully diluted due to being non-dilutive	4 types of subscription rights to shares (Total number of subscription rights to shares: 895 units)  For an overview of the subscription rights to shares, refer to “IV. Information about reporting company, 1. Information about shares, etc., (2) Subscription rights to shares, etc., (i) Details of stock option plans (a)Resolution made at the Board of Directors’ meeting held on July 23, 2007, (g) Resolution made at the Board of Directors’ meeting held on July 22, 2013, (h) Resolution made at the Board of Directors’ meeting held on July 22, 2014, (i) Resolution made at the Board of Directors’ meeting held on July 21, 2015.”	4 types of subscription rights to shares (Total number of subscription rights to shares: 791 units)  For an overview of the subscription rights to shares, refer to “IV. Information about reporting company, 1. Information about shares, etc., (2) Subscription rights to shares, etc., (i) Details of stock option plans (a)Resolution made at the Board of Directors’ meeting held on July 23, 2007, (g) Resolution made at the Board of Directors’ meeting held on July 22, 2013, (h) Resolution made at the Board of Directors’ meeting held on July 22, 2014, (i) Resolution made at the Board of Directors’ meeting held on July 21, 2015.”

(Significant subsequent events)

Not applicable

v) Annexed consolidated detailed schedules

Annexed consolidated detailed schedule of corporate bonds

Company	Description	Date of Issuance	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Interest rate (%)	Collateral	Maturity	Remarks
IHI	38th unsecured bonds	June 14, 2013	10,000	10,000	1.110	None	June 12, 2020	Funds for redemption of commercial papers
IHI	39th unsecured bonds	June 17, 2014	10,000	10,000 (10,000)	0.389	None	June 17, 2019	Funds for bond redemption
IHI	40th unsecured bonds	June 17, 2014	10,000	10,000	0.592	None	June 17, 2021	Funds for bond redemption
IHI	41st unsecured bonds	December 10, 2014	10,000	10,000 (10,000)	0.287	None	December 10, 2019	Funds for redemption of commercial papers
IHI	42nd unsecured bonds	December 10, 2014	10,000	10,000	0.490	None	December 10, 2021	Funds for redemption of commercial papers
Total		–	50,000	50,000 (20,000)	–	–	–	–

Notes: 1. The figures in parentheses indicate the redemption schedule within 1 year.

2. The redemption schedule within 5 years after the consolidated balance sheet date is as follows:

(Millions of yen)

Within 1 year	After 1 year and within 2 years	After 2 years and within 3 years	After 3 years and within 4 years	After 4 years and within 5 years
20,000	10,000	20,000	–	–

## Annexed consolidated detailed schedule of borrowings

(Millions of yen)

Category	Balance as of April 1, 2018	Balance as of March 31, 2019	The weighted-average interest rate (%)	Payment due
Short-term loans payable	23,812	62,544	1.06	–
Current portion of long-term loans payable	57,703	49,241	0.62	–
Current portion of lease obligations	5,015	3,184	–	–
Long-term loan payable (excluding current portion)	172,533	175,813	1.32	April 2020 to January 2029
Lease obligations (excluding current portion)	13,214	14,307	–	April 2020 to November 2035
Current portion of commercial papers and other interest-bearing liabilities	–	–	–	–
Total	272,277	305,089	–	–

- Notes: 1. The average interest rates relative to loans show weighted average interest rates with respect to loan closing balances.  
2. The average interest rates relative to lease obligations are not noted because the interest-equivalent component included in lease payments is allocated on consolidated yearly basis using the straight-line method.  
3. Repayment of long-term loans payable and lease obligations (excluding current portion) above scheduled within 5 years after the closing date are as follows:

(Millions of yen)

	After 1 year and within 2 years	After 2 years and within 3 years	After 3 years and within 4 years	After 4 years and within 5 years
Long-term loans payable	46,619	33,130	37,802	42,996
Lease obligations	3,283	2,173	3,196	1,316

## Annexed consolidated detailed schedule of asset retirement obligations

The amounts of asset retirement obligations on April 1, 2018 and March 31, 2019 were less than 1% of total liabilities and net assets on April 1, 2018 and March 31, 2019, respectively. As a result, the schedule of asset retirement obligations is not required to be disclosed in accordance with Article 92-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.



(2) Others

Quarterly results for the fiscal year ended March 31, 2019

(YTD period)	First quarter	Second quarter	Third quarter	Full year
Net sales (Millions of yen)	337,156	699,507	1,047,325	1,483,442
Profit before income taxes (Millions of yen)	16,739	51,800	61,278	69,446
Profit attributable to owners of parent (Millions of yen)	6,142	28,429	34,175	39,889
Basic earnings per share (Yen)	39.80	184.23	221.49	258.53

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	39.80	144.44	37.25	37.04

Note: The amounts shown in “Consolidated financial statements” under “Financial information” were rounded to the nearest million yen.

## Independent Auditor's Report

The Board of Directors  
IHI Corporation

We have audited the accompanying consolidated financial statements of IHI Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IHI Corporation and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

/s/ Ernst & Young ShinNihon LLC

June 20, 2019  
Tokyo, Japan

Independent Auditor's Report

June 20, 2019

The Board of Directors  
IHI Corporation

Ernst & Young ShinNihon LLC

Designated and Engagement Partner Certified Public Accountant	Hideyuki Inoue
Designated and Engagement Partner Certified Public Accountant	Hironori Oya
Designated and Engagement Partner Certified Public Accountant	Yoichi Takanashi

<Financial statements audit>

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Law of Japan, we have audited the accompanying consolidated financial statements of IHI Corporation included in "Financial Information" for the fiscal year from April 1, 2018 to March 31, 2019, which comprise the consolidated balance sheet, the consolidated statements of income, comprehensive income, changes in net assets and cash flows, the significant accounting policies, the other related notes, and the consolidated supplemental schedules.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IHI Corporation and consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

(Translation purposes only)

<Internal control audit>

Pursuant to Article 193-2, paragraph 2, of the Financial Instruments and Exchange Law of Japan, we also have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at March 31, 2019 of IHI Corporation (the "Management's Report").

*Management's Responsibility for the Management's Report*

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Internal control over financial reporting may not prevent or detect misstatements.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the Management's Report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Management's Report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the result of management's assessment on internal control over financial reporting in the Management's Report. The procedures selected depend on the auditor's judgment, including the materiality of effect on the reliability of financial reporting. An internal control audit also includes evaluating the overall presentation of the Management's Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the Management's Report referred to above, which represents that the internal control over financial reporting as at March 31, 2019 of IHI Corporation is effective, present fairly, in all material respects, the result of management's assessment on internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

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Notes:

1. The above is a digitization of the text contained in the original copy of the Independent Auditors' Report on Financial Statements and Internal Controls, which is in the custody of IHI—the submitter of this Securities Report.
2. The XBRL data is not included in the range of Audit.
3. The above is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

(Translation purposes only)

Cover page

Document title	Confirmation Letter
Clause of stipulation	Article 24-4-2, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	June 20, 2019
Company name	株式会社 I H I (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
Title and name of representative	Tsugio Mitsuoka, President and Chief Executive Officer
Title and name of chief financial officer	Not applicable
Address of registered head office	1-1, Toyosu 3-chome, Koto-ku, Tokyo
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya-city) Securities Membership Corporation Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka-city) Securities Membership Corporation Sapporo Securities Exchange (14-1, Minamiichijo-nishi 5-chome, Chuo-ku, Sapporo-city)

(Translation purposes only)

1. Appropriateness of the content of statements in this Annual Securities Report

Tsugio Mitsuoka, President and Chief Executive Officer of IHI Corporation (“IHI”), has confirmed that this Annual Securities Report of the 202nd fiscal term (April 1, 2018 through March 31, 2019) is reasonably and fairly stated in accordance with the Financial Instruments and Exchange Act and related regulations.

2. Other information for special attention

There are no noteworthy matters that are pertinent to this Annual Securities Report.

(Translation purposes only)

Cover page

Document title	Internal Control Report
Clause of stipulation	Article 24-4-4, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	June 20, 2019
Company name	株式会社 I H I (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
Title and name of representative	Tsugio Mitsuoka, President and Chief Executive Officer
Title and name of chief financial officer	Not applicable
Address of registered head office	1-1, Toyosu 3-chome, Koto-ku, Tokyo
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya-city) Securities Membership Corporation Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka-city) Securities Membership Corporation Sapporo Securities Exchange (14-1, Minamiichijo-nishi 5-chome, Chuo-ku, Sapporo-city)

(Translation purposes only)

1. Basic framework of internal control related to financial reporting

Tsugio Mitsuoka, President and Chief Executive Officer of IHI Corporation (“IHI”), has the responsibility for the design and operation of internal control over financial reporting of IHI and manages the design and operation of such internal control in accordance with the basic framework set forth in the document “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

Internal control aims at achieving its objectives to a reasonable extent given that all individual components of internal control are integrated, and function as a whole. Thus, it is possible that internal control over financial reporting may not be able to completely prevent or detect false statements in financial reporting.

2. Scope, date and procedures for evaluation

Assessment of internal control over financial reporting was performed as of March 31, 2019 (i.e., the closing date of the current fiscal year) in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In this assessment, evaluation was first made of company-level control which would have a material impact on the reliability of financial reporting on a consolidated basis, and based on such result, business processes to be assessed were selected. In the business process-level control assessment, the effectiveness of internal control was assessed by analyzing the business processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and evaluating the designs and operations of these key controls.

The scope of internal control assessment over financial reporting was determined by selecting IHI, consolidated subsidiaries and affiliates accounted for using equity method based on the materiality of their impacts on the reliability of financial reporting. The materiality of the impacts on the reliability of financial reporting was determined in consideration of both quantitative and qualitative aspects, and the scope of the business processes for which internal controls were to be assessed was determined rationally based on the outcome of IHI-level internal control assessment performed for IHI, 72 consolidated subsidiaries, and one affiliate accounted for using equity method. 81 consolidated subsidiaries and 27 affiliates accounted for using equity method were excluded from the scope of this company-level control assessment as their quantitative and qualitative impacts were deemed insignificant.

In determining the scope of business process-level control assessment, the eight business sites/offices where the accumulated sales (after eliminating intra-group company transactions) for the previous fiscal year of each business site/office reached to roughly two-thirds of the consolidated net sales in the previous fiscal year were determined to be the “Significant Businesses.” Moreover, for affiliates accounted for using equity method, the scope of evaluation was determined by considering the materiality of effect on consolidated financial statements, and one business site/office was made a “Significant Business.” In such Significant Businesses, all business processes related to the accounts that are closely associated with IHI’s business objectives, such as sales, accounts receivable, and inventory were included in the scope of assessment. Furthermore, regardless of the selected Significant Businesses, certain other important business processes with a high possibility of critical misstatements and which are related to significant accounting items involving estimates and forecasts, or related to businesses or operations dealing with high-risk transactions were added to the scope of assessment as business processes with material impacts on financial reporting.

3. Result of evaluation

Based on the above mentioned assessment, it was concluded that the internal control over financial reporting at the end of the current fiscal year was effective.

4. Supplementary information

There are no noteworthy matters that are pertinent to this Annual Securities Report.

5. Other information for special attention