

(Translation purposes only)

Quarterly Securities Report

(The Second Quarter of 203rd Term)

From July 1, 2019 to September 30, 2019

IHI Corporation

Table of Contents

	Page
Cover page.....	1
Part 1. Company information	2
I. Overview of company	2
1. Summary of business results.....	2
2. Description of business.....	3
II. Overview of business	4
1. Business risks	4
2. Management’s analysis of financial position, operating results and cash flows	4
3. Material contracts for operation.....	6
III. Information about reporting company	8
1. Information about shares, etc.	8
(1) Total number of shares, etc.....	8
(2) Subscription rights to shares, etc.	8
(3) Exercises, etc. of moving strike convertible bonds, etc.	8
(4) Changes in number of issued shares, capital stock, etc.	8
(5) Major shareholders.....	9
(6) Voting rights	11
2. Information about directors and auditors	11
IV. Financial information	12
1. Quarterly Consolidated financial statements	13
(1) Quarterly consolidated balance sheets.....	13
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income	15
Quarterly consolidated statements of income (cumulative).....	15
Quarterly consolidated statements of comprehensive income (cumulative).....	16
(3) Quarterly consolidated statements of cash flows.....	17
2. Others	28
Part 2. Information about company which provides guarantee to reporting company	29

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Cover page

Document title	Quarterly Securities Report
Clause of stipulation	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	November 13, 2019
Quarterly accounting period	The Second Quarter of 203rd term (from July 1, 2019 to September 30, 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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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)

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Part 1. Company information

I. Overview of company

1. Summary of business results

Term	202nd term Six months ended September 30, 2018	203rd term Six months ended September 30, 2019	202nd term
Accounting period	From April 1, 2018 To September 30, 2018	From April 1, 2019 To September 30, 2019	From April 1, 2018 To March 31, 2019
Net sales (Millions of yen)	699,507	594,916	1,483,442
Ordinary profit (loss) (Millions of yen)	49,173	3,591	65,749
Profit (loss) attributable to owners of parent (Millions of yen)	28,429	(4,870)	39,889
Comprehensive income (Millions of yen)	34,725	(7,776)	39,597
Net assets (Millions of yen)	379,246	366,241	381,692
Total assets (Millions of yen)	1,653,989	1,648,667	1,664,529
Basic earnings (loss) per share (Yen)	184.23	(31.56)	258.53
Diluted earnings per share (Yen)	184.09	—	258.37
Shareholders' equity ratio (%)	21.21	20.12	20.98
Cash flows from operating activities (Millions of yen)	(2,721)	(32,876)	46,402
Cash flows from investing activities (Millions of yen)	(39,640)	(39,620)	(79,280)
Cash flows from financing activities (Millions of yen)	31,842	41,698	16,463
Cash and cash equivalents at end of period (Millions of yen)	99,867	59,723	92,608

Term	202nd term Second quarter of the fiscal year ended March 31, 2019	203rd term Second quarter of the fiscal year ending March 31, 2020
Accounting period	From July 1, 2018 To September 30, 2018	From July 1, 2019 To September 30, 2019
Basic earnings (loss) per share (Yen)	144.44	(13.66)

- Notes:
- Summary of business results of the reporting company are not presented, because IHI prepares quarterly consolidated financial statements.
 - Net sales do not include consumption taxes.
 - Diluted earnings per share for the six months ended September 30, 2019 of the 203rd term is not presented even though IHI has issued potential shares, because the per share data is a net loss per share.
 - Monetary amounts and ratios less than one unit are rounded off.

(Translation purposes only)

2. Description of business

IHI and its affiliated entities (153 consolidated subsidiaries, a non-consolidated subsidiary accounted for equity method and 26 affiliates accounted for using equity method as of September 30, 2019) operate four main businesses, providing a diverse range of products. The four businesses are: Resources, Energy and Environment; Social Infrastructure and Offshore Facility; Industrial System and General-Purpose Machinery; and Aero Engine, Space and Defense.

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

(Resources, Energy and Environment)

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

(Social Infrastructure and Offshore Facility)

From the second quarter of the fiscal year ending March 31, 2020, Terratec(Guangzhou)Tunneling Equipment Co.,LTD. is included in the scope of consolidation because its materiality within the IHI Group has increased.

(Translation purposes only)

II. Overview of business

1. Business risks

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

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

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

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

(1) Overview of business results

During the six months ended September 30, 2019, in the Japanese economy, weakness was observed mainly in export-related industry while the overall economy remained stable supported by moderate increases in capital investment and improvements in situation of employment and income. In the global economy, business conditions in China and Europe are in a slowdown trend, while overall moderate recovery continued mainly in the U.S. In addition, in the political side, the unstable situation remained from problems including the trade friction between the U.S. and China and the issue of U.K. regarding leaving EU.

Under this business environment, orders received of the IHI Group during the six months ended September 30, 2019 decreased 5.1% from the previous corresponding period to ¥616.0 billion. Net sales decreased 15.0% from the previous corresponding period to ¥594.9 billion.

In terms of profit, operating profit decreased ¥34.6 billion to ¥10.5 billion due mainly to a downturn of sales in the Civil aero engines Business caused by making its inspection process stricter and to the additional program costs in this business, in addition to the downturn of sales and the deterioration of profitability in the Boilers Business and decreased numbers of delivery in Europe and China in the Vehicular turbochargers Business. Ordinary profit decreased ¥45.5 billion to ¥3.5 billion due mainly to the increase in share of loss of entities accounted for using equity method and the increase in foreign exchange losses. Profit attributable to owners of parent decreased ¥33.2 billion to a loss of ¥4.8 billion.

Results by reportable segment for the six months ended September 30, 2019 are as follows:

Reportable segment	Orders received			Six months ended September 30, 2018		Six months ended September 30, 2019		Change from the previous corresponding period (%)	
	Six months ended September 30, 2018	Six months ended September 30, 2019	Change from the previous corresponding period (%)	Sales	Operating Profit (loss)	Sales	Operating Profit (loss)	Sales	Operating Profit (loss)
Resources, Energy and Environment	141.9	164.2	15.7	194.6	11.5	140.2	(7.2)	(27.9)	–
Social Infrastructure and Offshore Facility	54.1	61.1	12.8	60.7	4.0	68.1	5.1	12.1	25.3
Industrial System and General-Purpose Machinery	237.2	226.6	(4.4)	209.9	8.1	185.7	2.1	(11.5)	(73.4)
Aero Engine, Space and Defense	198.1	146.7	(25.9)	224.4	23.9	187.6	13.3	(16.4)	(44.3)
Total Reportable Segment	631.5	598.9	(5.2)	689.7	47.7	581.7	13.3	(15.7)	(72.0)
Others	39.2	38.6	(1.5)	30.4	0.4	33.7	0.8	10.8	73.7
Adjustment	(21.3)	(21.5)	–	(20.7)	(3.0)	(20.6)	(3.6)	–	–
Total	649.3	616.0	(5.1)	699.5	45.2	594.9	10.5	(15.0)	(76.6)

(Translation purposes only)

<Resources, Energy and Environment>

Orders received increased owing to an effect of receiving large-scale project in the Boilers Business, despite the decrease in the Plants Business.

Net sales decreased due to a delay in project progress in the Boilers Business and to a reverse effect of the progress of large-scale projects in the Plants Business in FY2018.

Operating profit decreased due to the deterioration of profitability of some projects in the Boilers Business, the Power Systems Business and the Plants Business.

<Social Infrastructure and Offshore Facility>

Orders received increased in the Transport systems Business.

Net sales increased in the Bridges/water gates Business.

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

<Industrial System and General-Purpose Machinery>

Orders received declined due to the decrease in the Vehicular turbochargers Business and the Thermal and surface treatment Business, despite the increase owing to an effect of receiving large-scale project in the Transport machines Business.

Net sales decreased due to the effect of transfer of the Small power systems Business in FY2018, in addition to down in the Vehicular turbochargers Business.

Operating profit decreased in the Vehicular turbochargers Business and the Rotating machineries Business.

<Aero Engine, Space and Defense>

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

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

Operating profit in the Civil aero engines Business declined due to the decrease in sales caused by making its inspection process stricter in the maintenance business and to the additional program costs.

(2) Analysis of financial position

Total assets at the end of the second quarter ended September 30, 2019 were ¥1,648.6 billion, down ¥15.8 billion compared with the end of the previous fiscal year. The items with the most significant decreases were notes and accounts receivable - trade, down ¥57.8 billion and cash and deposits, down ¥33.3 billion. The item with the most significant increase was inventories including work in process, up ¥51.1 billion.

Total liabilities were ¥1,282.4 billion, down of ¥0.4 billion compared with the end of the previous fiscal year. The items with the most significant decreases were notes and accounts payable - trade, down ¥41.6 billion, and accrued expenses, down ¥12.9 billion.

Net assets were ¥366.2 billion, down ¥15.4 billion compared with the end of the previous fiscal year. This decrease of ¥15.4 billion was composed of loss attributable to owners of parent of ¥4.8 billion and a decrease of ¥6.1 billion by dividends of surplus.

As a result of the above, the ratio of equity to total assets fell from 21.0% at the end of the previous fiscal year to 20.1%.

(3) Cash flows

At the end of the second quarter ended September 30, 2019, the outstanding balance of cash and cash equivalents (hereinafter, "cash") was ¥59.7 billion, down ¥32.8 billion compared with the end of the previous fiscal year. Key factors influencing each cash flow during the six months ended September 30, 2019 are summarized below.

Cash flows from operating activities

Net cash used in operating activities was ¥32.8 billion (The previous corresponding period: net use of ¥2.7 billion). This was mainly due to a decrease of notes and accounts receivable - trade of ¥54.7 billion and an increase of inventories of ¥53.5 billion and a decrease of notes and accounts payable - trade of ¥39.3 billion.

Cash flows from investing activities

Net cash used in investing activities was ¥39.6 billion (The previous corresponding period: net use of ¥39.6 billion). This was mainly due to purchase of property, plant and equipment and intangible assets of ¥37.4 billion.

(Translation purposes only)

Cash flows from financing activities

Net cash provided by financing activities was ¥41.6 billion (The previous corresponding period: net increase of ¥31.8 billion). This was mainly due to an increase of commercial papers of ¥70.0 billion and repayments of long-term loans payable of ¥22.3 billion..

(4) Analysis of capital resources and funding liquidity

At the second quarter ended September 30, 2019, the balance of interest-bearing liabilities, including lease obligations, was ¥411.5 billion, up ¥56.4 billion from the end of the previous fiscal year.

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

Regarding funding liquidity, in addition to a diverse range of fund procurement methods, including credit line commitments and overdraft facilities with major banks, as well as commercial papers, the outstanding balance of cash and cash equivalents was ¥59.7 billion at the end of the second quarter ended September 30, 2019. This balance means that the IHI Group has secured sufficient liquidity.

(5) Research and development activities

In the six months ended September 30, 2019, the IHI Group spent ¥15.4 billion on R&D. There were no significant changes in the status of R&D activities of the IHI Group in the six months ended September 30, 2019.

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

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

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

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

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

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

3. Material contracts for operation

(Licensing-in contracts)

Name of Contracting Company	Name of Counterparty	Country	Licensed Products	Details	Contract Period
IHI Power Systems Co.,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
IHI Power Systems Co.,Ltd. (Consolidated subsidiary)	Winterthur Gas & Diesel Ltd.	Switzerland and	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

Note: The contracting company in the above contract changed from Diesel United, Ltd. to IHI Power Systems Co.,Ltd. as the result of a merger carried out on July 1, 2019, whereby Niigata Power Systems Co., Ltd. absorbed Diesel United, Ltd. and changed its name to IHI Power Systems Co.,Ltd.

There has not been any change in substance to the contract details.

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A material contract that has been entered into in the second quarter ended September 30, 2019 is as following.

Name of Contracting Company	Name of Counterparty	Country	Licensed Products	Details	Contract Period
IHI	ROLLS-ROYCE CORPORATION	U.S.A.	T56-A-427A turboprop engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From September 16, 2019 to September 30, 2029

(Translation purposes only)

III. Information about reporting company

1. Information about shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

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

(ii) Issued shares

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

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

(2) Subscription rights to shares, etc.

(i) Details of stock option plans

Not applicable

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

Not applicable

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

Not applicable

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

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

(Translation purposes only)

(5) Major shareholders

(As of September 30, 2019)

Name	Address	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Holder in Trust) (Note 2)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	11,734	7.59
Japan Trustee Services Bank, Ltd. (Holder in Trust) (Note 2)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	8,841	5.72
Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited) (Note 2)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	5,542	3.58
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakuchō 1-chome, Chiyoda-ku, Tokyo	5,406	3.49
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd. (Note 2)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	4,597	2.97
State Street Bank And Trust Company 505001 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division) (Note 3)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	4,047	2.61
Japan Trustee Services Bank, Ltd. (Holder in Trust 5) (Note 2)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	2,953	1.91
IHI Supplier Stock Ownership Association	1-1, Toyosu 3-chome, Koto-ku, Tokyo	2,615	1.69
Japan Trustee Services Bank, Ltd. (Holder in Trust 9) (Note 2)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	2,612	1.69
GOLDMAN, SACHS & CO. REG (standing proxy: Goldman Sachs Japan Co. Ltd.) (Note 3)	200 WEST STREET NEW YORK, NY, U.S.A. (10-1, Roppongi 6-chome, Minato-ku, Tokyo)	2,262	1.46
Total	—	50,613	32.75

- Notes: 1. The figures of “Number of shares held” and “Shareholding ratio (%)” in the above table are rounded down to one unit.
2. The shares are held through trusts.
3. In addition to performing custodial management services for shares owned by overseas institutional investors, the shareholders are the names of the shares owned by the institutional investors in question.
4. In the Change Report pertaining to Report of Possession of Large Volume provided by Mizuho Bank, Ltd. for public viewing on July 22, 2019, the following shareholdings are respectively attributed to Mizuho Bank, Ltd. and its two joint holders as of July 15, 2019. However, since IHI is unable to confirm the actual number of shares held as of September 30, 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 Trust and Banking Co., Ltd.	218	0.14
Asset Management One Co., Ltd.	5,634	3.64
Total	10,450	6.76

5. In the Report of Possession of Large Volume provided by Nomura Securities Co., Ltd. for public viewing on October 7, 2019, the following shareholdings are respectively attributed to Nomura Securities Co., Ltd. and its two joint holders as of September 30, 2019. However, since IHI is unable to confirm the actual number of shares held as of September 30, 2019, they are not included in major shareholders above.

(Translation purposes only)

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
Nomura Securities Co., Ltd.	413	0.27
Nomura International PLC	127	0.08
Nomura Asset Management Co., Ltd.	7,586	4.90
Total	8,127	5.25

(Translation purposes only)

(6) Voting rights
(i) Issued shares

(As of September 30, 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 148,700	–	–
	(Reciprocally held shares) Common stock 15,700	–	
Shares with full voting rights (others)	Common stock 154,294,800	1,542,948	–
Shares less than one unit	Common stock 220,754	–	Shares less than one unit (100 shares)
Number of issued shares	154,679,954	–	–
Total number of voting rights	–	1,542,948	–

- Notes:
1. Common stock in “Shares less than one unit” include 98 shares of treasury shares held by IHI.
 2. Common stock in “Shares with full voting rights (others)” includes 700 shares whose ownership has yet not been transferred and which have been registered in the name of Japan Securities Depository Center. These shares constitute seven units of voting rights, which are included in the figure in “Number of voting rights.”
 3. Common stock in “Shares with full voting rights (others)” includes 393,900 shares of IHI owned by a trust account for the Board Benefit Trust (BBT).

(ii) Treasury shares, etc.

(As of September 30, 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	148,700	–	148,700	0.10
(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	–	164,400	–	164,400	0.11

Note: 393,900 shares of IHI owned by a trust account for the Board Benefit Trust (BBT) are not included in shares in treasury above.

2. Information about directors and auditors

Not applicable

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

(Translation purposes only)

IV. Financial information

1. Basis of preparation of the consolidated quarterly financial statements

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

2. Audit attestation

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

(Translation purposes only)

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	94,951	61,637
Notes and accounts receivable - trade	*2 377,695	*2 319,807
Finished goods	23,084	24,548
Work in process	276,238	323,778
Raw materials and supplies	142,588	144,717
Other	77,351	90,120
Allowance for doubtful accounts	(4,043)	(3,797)
Total current assets	987,864	960,810
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	137,156	145,213
Other, net	230,238	240,750
Total property, plant and equipment	367,394	385,963
Intangible assets		
Goodwill	10,032	8,487
Other	24,052	23,297
Total intangible assets	34,084	31,784
Investments and other assets		
Investment securities	117,967	110,826
Other	158,596	160,613
Allowance for doubtful accounts	(1,376)	(1,329)
Total investments and other assets	275,187	270,110
Total non-current assets	676,665	687,857
Total assets	1,664,529	1,648,667
Liabilities		
Current liabilities		
Notes and accounts payable - trade	290,043	248,344
Short-term loans payable	111,785	114,442
Commercial papers	-	70,000
Current portion of bonds	20,000	20,000
Income taxes payable	7,384	7,520
Advances received	157,546	167,721
Provision for bonuses	28,089	27,824
Provision for construction warranties	47,968	44,075
Provision for loss on construction contracts	21,212	20,413
Other provision	1,079	808
Other	138,003	122,228
Total current liabilities	823,109	843,375
Non-current liabilities		
Bonds payable	30,000	20,000
Long-term loans payable	175,813	162,357
Net defined benefit liability	160,244	161,883
Provision for loss on business of subsidiaries and affiliates	1,212	1,212
Other provision	1,132	877
Other	91,327	92,722
Total non-current liabilities	459,728	439,051
Total liabilities	1,282,837	1,282,426

(Translation purposes only)

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Net assets		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	53,410	51,777
Retained earnings	184,092	172,997
Treasury shares	(1,170)	(1,490)
Total shareholders' equity	343,497	330,449
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,063	655
Deferred gains or losses on hedges	(190)	(531)
Revaluation reserve for land	5,321	5,321
Foreign currency translation adjustment	2,808	(1,183)
Remeasurements of defined benefit plans	(3,319)	(2,956)
Total accumulated other comprehensive income	5,683	1,306
Subscription rights to shares	659	616
Non-controlling interests	31,853	33,870
Total net assets	381,692	366,241
Total liabilities and net assets	1,664,529	1,648,667

(Translation purposes only)

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

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	699,507	594,916
Cost of sales	560,680	492,970
Gross profit	138,827	101,946
Selling, general and administrative expenses	*1 93,610	*1 91,360
Operating profit	45,217	10,586
Non-operating income		
Interest income	519	398
Dividend income	624	638
Share of profit of entities accounted for using equity method	5,107	—
Foreign exchange gains	2,470	—
Other income	3,817	2,048
Total non-operating income	12,537	3,084
Non-operating expenses		
Interest expenses	1,506	2,111
Share of loss of entities accounted for using equity method	—	2,419
Foreign exchange losses	—	1,043
Other expenses	7,075	4,506
Total non-operating expenses	8,581	10,079
Ordinary profit	49,173	3,591
Extraordinary income		
Gain on sales of non-current assets	—	*2 4,588
Gain on insurance claims	—	1,108
Gain on sales of shares of subsidiaries and affiliates	*3 4,187	—
Total extraordinary income	4,187	5,696
Extraordinary losses		
Loss on valuation of investment securities	—	5,523
Impairment loss	*4 1,560	*4 108
Total extraordinary losses	1,560	5,631
Profit before income taxes	51,800	3,656
Income taxes	16,003	6,092
Income taxes for prior periods	*5 4,304	—
Profit (loss)	31,493	(2,436)
Profit attributable to non-controlling interests	3,064	2,434
Profit (loss) attributable to owners of parent	28,429	(4,870)

(Translation purposes only)

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit (loss)	31,493	(2,436)
Other comprehensive income		
Valuation difference on available-for-sale securities	404	(333)
Deferred gains or losses on hedges	42	(170)
Revaluation reserve for land	(12)	—
Foreign currency translation adjustment	2,234	(5,076)
Remeasurements of defined benefit plans, net of tax	205	369
Share of other comprehensive income of entities accounted for using equity method	359	(130)
Total other comprehensive income	3,232	(5,340)
Comprehensive income	34,725	(7,776)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	31,606	(9,164)
Comprehensive income attributable to non- controlling interests	3,119	1,388

(Translation purposes only)

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	51,800	3,656
Depreciation	25,874	27,417
Depreciation and amortization on other	4,176	3,304
Impairment loss	1,560	108
Increase (decrease) in allowance for doubtful accounts	478	(257)
Increase (decrease) in provision for bonuses	(808)	(154)
Increase (decrease) in provision for construction warranties	(4,145)	(3,675)
Increase (decrease) in provision for loss on construction contracts	(6,433)	(641)
Increase (decrease) in net defined benefit liability	123	1,778
Interest and dividend income	(1,143)	(1,036)
Interest expenses	1,506	2,111
Foreign exchange losses (gains)	448	(426)
Loss (gain) on sales of short-term and long-term investment securities	(4,199)	(19)
Loss (gain) on valuation of short-term and long-term investment securities	10	5,921
Share of (profit) loss of entities accounted for using equity method	(5,107)	2,419
Loss (gain) on disposal of property, plant and equipment	1,497	(4,196)
Gain on insurance claims	–	(1,108)
Decrease (increase) in notes and accounts receivable – trade	43,062	54,795
Increase (decrease) in advances received	(3,068)	11,006
Decrease (increase) in advance payments	(4,136)	(5,616)
Decrease (increase) in inventories	(31,736)	(53,584)
Increase (decrease) in notes and accounts payable - trade	(29,878)	(39,384)
Increase (decrease) in accrued expenses	(5,464)	(12,552)
Decrease (increase) in other current assets	(11,341)	(6,079)
Increase (decrease) in other current liabilities	(5,917)	(6,598)
Decrease (increase) in consumption taxes refund receivable	(4,256)	(1,123)
Other, net	(550)	427
Subtotal	12,353	(23,506)
Interest and dividend income received	1,461	1,273
Interest expenses paid	(1,517)	(2,137)
Proceeds from insurance income	–	1,737
Income taxes paid	(15,018)	(10,243)
Net cash provided by (used in) operating activities	(2,721)	(32,876)

(Translation purposes only)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from investing activities		
Decrease (increase) in time deposits	20	366
Purchase of short-term and long-term investment securities	(11,842)	(4,080)
Proceeds from sales and redemption of short-term and long-term investment securities	3,421	548
Purchase of property, plant and equipment and intangible assets	(28,724)	(37,450)
Gain (loss) on sales or disposal of property, plant and equipment and intangible assets	760	5,733
Decrease (increase) in short-term loans receivable	(15)	(11)
Payments of long-term loans receivable	(371)	(5)
Collection of long-term loans receivable	15	175
Decrease (increase) in other investments	(2,182)	(4,489)
Increase (decrease) in other non-current liabilities	(735)	(408)
Other, net	13	1
Net cash provided by (used in) investing activities	(39,640)	(39,620)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	45,348	3,111
Net increase (decrease) in commercial papers	–	70,000
Proceeds from long-term loans payable	33,441	10,521
Repayments of long-term loans payable	(37,206)	(22,381)
Redemption of bonds	–	(10,000)
Proceeds from sales and leasebacks	893	21
Repayments of lease obligations	(4,258)	(2,300)
Decrease (increase) in treasury shares	(3)	–
Payments made to trust account for acquisition of treasury shares	(419)	(363)
Cash dividends paid	(4,620)	(6,163)
Proceeds from share issuance to non-controlling shareholders	1,766	673
Dividends paid to non-controlling interests	(3,099)	(1,421)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1)	–
Net cash provided by (used in) financing activities	31,842	41,698
Effect of exchange rate change on cash and cash equivalents	2,540	(2,348)
Net increase (decrease) in cash and cash equivalents	(7,979)	(33,146)
Cash and cash equivalents at beginning of period	107,323	92,608
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	523	261
Cash and cash equivalents at end of period	*1 99,867	*1 59,723

(Translation purposes only)

Notes to Consolidated financial statements

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

(1) Significant change in scope of consolidation

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

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

From the second quarter of the fiscal year ending March 31, 2020, Terratec(Guangzhou)Tunneling Equipment Co.,LTD. is included in the scope of consolidation because its materiality within the IHI Group has increased.

Diesel United, Ltd. was absorbed into IHI Power Systems Co.,Ltd. (formerly Niigata Power Systems Co., Ltd.)

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

From the second quarter of the fiscal year ending March 31, 2020, due to completion of liquidation, Long Xin Enterprise Pte. Ltd. was excluded from affiliates accounted for using equity method.

(Changes in accounting policies)

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

IHI has applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, September 14, 2018) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using Equity Method” (ASBJ Practical Issues Task Force No. 24, September 14, 2018) effective from the beginning of the first quarter ended June 30, 2019.

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

(Special accounting for preparing quarterly consolidated financial statements)

(Tax expense calculation)

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

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

(Quarterly consolidated balance sheet)

1. Contingent liabilities

(1) Guarantees for debt of others (Note)

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

		(Millions of yen)	
As of March 31, 2019		As of September 30, 2019	
Japanese Aero Engines Corporation (“JAEC”)	5,905	JAEC	5,672
ALPHA Automotive Technologies LLC	1,021	ALPHA Automotive Technologies LLC	847
Japan Aeroforge, Ltd	413	Japan Aeroforge, Ltd.	384
Contingent liabilities for employee housing loans.	262	Contingent liabilities for employee housing loans	207
Chubu Segment Co., Ltd.	25	Chubu Segment Co., Ltd.	25
Total	7,626	Total	7,135

(Translation purposes only)

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

(Millions of yen)

As of March 31, 2019		As of September 30, 2019	
Contingent liabilities for employee housing loans	4,864	Contingent liabilities for employee housing loans	4,564
Total	4,864	Total	4,564

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

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

(3) Other contingent liabilities

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

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

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Notes receivable - trade discounted in the ordinary course of business	51	1
Notes receivable - trade endorsed in the ordinary course of business	1	-

(Translation purposes only)

(Quarterly consolidated statement of income)

*1 Major selling general and administrative expense

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

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Expenses in taking orders received	7,516	7,113
Provision of allowance for doubtful accounts	417	(178)
Salaries for directors and employees (Note)	35,136	35,680
Traveling and transportation expenses	3,133	2,967
Research and development expenses	14,254	14,418
Business consignment expenses	5,324	5,887
Contribution for expenses common to all business segments	1,753	1,616
Depreciation	4,437	4,580

Note: Salaries for directors and employees include provision for bonuses of ¥6,219 million and retirement benefit expenses of ¥2,414 million for the six months ended September 30, 2018 and provision for bonuses of ¥6,896 million and retirement benefit expenses of ¥2,659 million for the six months ended September 30, 2019.

*2. Gain on sales of non-current assets

Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

The Aichi Headquarters Representative's Office has ended its function as a production base, after the completion of projects of F-LNG business for which orders have already been received. Accordingly, IHI recorded a gain on sales of non-current assets mainly due to the transfer part of the land, building, etc. in that area.

Details and location of assets	Gain on sales of non-current assets
Land (approximately 219,000 m ²) and Building (Including accompanying non-current assets) 11-21, Kitahama-machi, Chita-shi, Aichi etc.	¥4,588 million
Others	

*3. Gain on sales of shares of subsidiaries and associates

Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

IHI decided to transfer 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, the gains arising from the sales of shares and the transfer of equity interests of companies operating the Small power systems Business, owned by IAT directly and indirectly, have been recorded as gain on sales of shares of subsidiaries and associates in extraordinary income.

*4. Impairment loss

Six months ended September 30, 2018 (From April 1, 2018 to September 30, 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	Matsumoto-city, Nagano, Japan	Land, Building etc.	1,532	Value in use
Business assets	Chita-city, Aichi, Japan	Building etc.	28	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 according to the decision of the transfer of the business etc., the book value of business assets has 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%).

(Translation purposes only)

(5) Impairment loss

The impairment loss of ¥1,560 million was recorded as “Impairment loss” under extraordinary losses. The amounts of impairment loss for the six months ended September 30, 2018 are as follows:

	(Millions of yen)
Land	484
Building etc.	1,076
<u>Total</u>	<u>1,560</u>

Six months ended September 30, 2019 (From April 1, 2019 to September 30, 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	Yokohama-city, Kanagawa, Japan	Leased assets	83	Net sales value
Business assets	Chita-city, Aichi, Japan	Machinery	16	Net sales value
Idle assets	Isesaki-city, Gunma, Japan	Land	9	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.

(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 5.0%).

(5) Impairment loss

The impairment loss of ¥108 million was recorded as “Impairment loss” under extraordinary losses. The amounts of impairment loss for the six months ended September 30, 2019 are as follows:

	(Millions of yen)
Land	9
Leased assets etc.	99
<u>Total</u>	<u>108</u>

*5. Income taxes for prior periods

Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

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

(Quarterly consolidated statement of cash flows)

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

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash and deposits	101,544	61,637
Time deposits due in more than three months	(1,675)	(1,913)
Collateral deposits	(2)	(1)
<u>Cash and cash equivalents</u>	<u>99,867</u>	<u>59,723</u>

(Translation purposes only)

(Shareholders' equity)

I. Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

1. Dividends paid

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

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

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

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Cutoff date	Effective date	Source of dividends
Meeting of the Board of Directors on November 1, 2018	Common stock	4,634	30	September 30, 2018	December 7, 2018	Retained earnings

Notes: Total dividends resolved on meeting of the Board of Directors on November 1, 2018 include ¥7 millions which are dividends for shares of IHI owned by a trust account for the Board Benefit Trust (BBT).

II. Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

1. Dividends paid

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

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

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

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Cutoff date	Effective date	Source of dividends
Meeting of the Board of Directors on November 1, 2019	Common stock	4,636	30	September 30, 2019	December 6, 2019	Retained earnings

Notes: Total dividends resolved on meeting of the Board of Directors on November 1, 2019 include ¥12 millions which are dividends for shares of IHI owned by a trust account for the Board Benefit Trust (BBT).

(Translation purposes only)

(Segment information)

Segment information

I. Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

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

(Millions of yen)

	Reportable Segment					Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the quarterly consolidated statements of income
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	193,474	57,239	206,022	223,372	680,107	19,400	699,507	–	699,507
(3) Intersegment sales and transfers	1,131	3,508	3,951	1,094	9,684	11,093	20,777	(20,777)	–
Total	194,605	60,747	209,973	224,466	689,791	30,493	720,284	(20,777)	699,507
Segment profit (loss) (Operating profit (loss))	11,580	4,079	8,155	23,925	47,739	491	48,230	(3,013)	45,217

Notes: 1. The “Others” classification consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations.

2. Adjustment of segment profit represents intersegment transactions of negative ¥80 million and unallocated corporate expenses of negative ¥2,933 million.

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

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

(Material impairment loss of non-current assets)

In the Social Infrastructure and Offshore Facility segment, impairment loss on business assets was recorded. The amount of such impairment loss recorded was ¥28 million for the six months ended September 30, 2018.

Also, in the Industrial System and General-Purpose Machinery segment, impairment loss on business assets was recorded. The amount of such impairment loss recorded was ¥1,532 million for the six months ended September 30, 2018.

(Material change in goodwill amount)

Not applicable

(Material gain on bargain purchase)

Not applicable

(Translation purposes only)

II. Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

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

(Millions of yen)

	Reportable Segment					Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the quarterly consolidated statements of income
	Resources, Energy and Environment	Social Infrastructu re and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	138,584	64,789	181,743	186,805	571,921	22,995	594,916	–	594,916
(2) Intersegment sales and transfers	1,631	3,334	4,044	795	9,804	10,799	20,603	(20,603)	–
Total	140,215	68,123	185,787	187,600	581,725	33,794	615,519	(20,603)	594,916
Segment profit (loss) (Operating income (loss))	(7,267)	5,111	2,172	13,300	13,346	853	14,199	(3,613)	10,586

Notes: 1. The “Others” classification consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations.

2. Adjustment of segment profit represents intersegment transactions of ¥79million and unallocated corporate expenses of negative ¥3,692 million.

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

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

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

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

(Material impairment loss of non-current assets)

Not applicable

(Material change in goodwill amount)

Not applicable

(Material gain on bargain purchase)

Not applicable

(Financial instruments)

There are no significant changes to the amounts recorded in the quarterly consolidated balance sheet and other amounts associated with financial instruments, compared with the last day of the previous fiscal year.

(Securities)

There are no significant changes to the amounts recorded in the quarterly consolidated balance sheet and other amounts associated with securities, compared with the last day of the previous fiscal year.

(Translation purposes only)

(Derivatives)

There are no significant changes to the notional amount and amounts of other items of derivatives at the end of the quarter under review, compared with the last day of the previous fiscal year.

(Per share information)

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

	Six months ended September 30, 2018	Six months ended September 30, 2019
(1) Basic earnings (loss) per share (Yen)	184.23	(31.56)
(Fundamentals)		
Amounts for profit (loss) attributable to owners of parent (Millions of yen)	28,429	(4,870)
Amounts for non-common shareholders (Millions of yen)	–	–
Amounts for profit (loss) attributable to owners of parent regarding common stock (Millions of yen)	28,429	(4,870)
Average number of shares of common stock (Thousands of shares)	154,315	154,280
(2) Diluted earnings per share (Yen)	184.09	–
(Fundamentals)		
Adjustment amount of profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of shares of common stock (Thousands of shares)	112	–
Outline of potential shares which were not included in the calculation of the diluted earnings per share due to no dilutive effects, and which had material changes after the end of the previous fiscal year	–	–

- Notes: 1. Diluted earnings per share for the six months ended September 30, 2019 is not presented even though IHI has issued potential shares, because the per share data is a net loss per share.
2. Shares of IHI owned by a trust account for the Board Benefit Trust (BBT) are included in the number of treasury shares excluded from the calculation of the number of the average number of shares. The average number of treasury shares excluded from the calculation of basic earnings per share and diluted earnings per share for the six months ended September 30 of 2018 and 2019 were 137,975 shares and 233,483 shares respectively.

(Significant subsequent events)

(Repurchase of Treasury Shares)

At the Board of Directors' meeting held on November 7, 2019, IHI resolved the matter regarding repurchase of treasury shares pursuant to the provisions of Article 156 of the Companies Act, applied by replacing the relevant terms pursuant to the provisions of Article 165 Paragraph 3 of the same Act.

On November 8, 2019, IHI repurchased treasury shares.

1. Reason for repurchase of treasury shares

IHI will utilize the treasury shares acquired through this repurchase of treasury shares in accordance with the investment plans and business growth strategies in our current medium-term management plan "Group Management Policies 2019" to implement agile capital policies through capital and business alliances with other companies and business acquisitions through M&A, etc.

2. Details of the resolution of the Board of Directors' meeting regarding repurchase of treasury shares

- | | |
|--|---|
| (1) Type of shares to be repurchased | IHI's common stock |
| (2) Total number of shares to be repurchased | 5,542,200 shares (maximum) |
| (3) Total amount of shares to be repurchased | ¥14,487,310,800 (maximum) |
| (4) Period to be repurchased | November 8, 2019 |
| (5) Method of repurchase | Purchase through the Tokyo Stock Exchange Trading Network system for Off-Auction Own Share Repurchase Trading (ToSTNeT-3) |

(Translation purposes only)

3. Result of repurchase of treasury share

(1) Type of shares repurchased	IHI's common stock
(2) Total number of shares repurchased	5,542,200 shares
(3) Total amount of shares repurchased	¥14,487,310,800
(4) Date of repurchase	November 8th, 2019

(Translation purposes only)

2. Others

At the Board of Directors' meeting held on November 1, 2019, the following details concerning the interim dividend were resolved.

Total amount allocated for the interim dividend	4,636 millions of yen
Dividends per share	30 yen
Effective date and payment date	December 6, 2019

Note: The interim dividend is paid to shareholders or registered pledgees of shares whose names are written in the shareholder register as of September 30, 2019.

(Translation purposes only)

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

Not applicable