

(Translation purposes only)

Quarterly Securities Report

(The Second Quarter of 204th Term)

From July 1, 2020 to September 30, 2020

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.....	11
III. Information about reporting company	12
1. Information about shares, etc.	12
(1) Total number of shares, etc.....	12
(2) Subscription rights to shares, etc.	12
(3) Exercises, etc. of moving strike convertible bonds, etc.	12
(4) Changes in number of issued shares, capital stock, etc.	12
(5) Major shareholders.....	13
(6) Voting rights	15
2. Information about directors and auditors	15
IV. Financial information.....	16
1. Quarterly Consolidated financial statements	17
(1) Quarterly consolidated balance sheets.....	17
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income.....	19
Quarterly consolidated statements of income (cumulative).....	19
Quarterly consolidated statements of comprehensive income (cumulative).....	20
(3) Quarterly consolidated statements of cash flows.....	21
2. Others	35
Part 2. Information about company which provides guarantee to reporting company	36

(Translation purposes only)

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 12, 2020
Quarterly accounting period	The Second Quarter of 204th term (from July 1, 2020 to September 30, 2020)
Company name	株式会社 I H I (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
Title and name of representative	Hiroshi Ide, President and Chief Operating Officer
Address of registered head office	1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan
Telephone number	+81-3-6204-7065
Name of contact person	Yasuaki Fukumoto, Head of Accounting Group, Finance & Accounting Div.
Nearest place of contact	1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan
Telephone number	+81-3-6204-7065
Name of contact person	Yasuaki Fukumoto, Head of 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

Term	203rd term Six months ended September 30, 2019	204th term Six months ended September 30, 2020	203rd term
Accounting period	From April 1, 2019 To September 30, 2019	From April 1, 2020 To September 30, 2020	From April 1, 2019 To March 31, 2020
Net sales (Millions of yen)	594,916	482,807	1,386,503
Ordinary profit (loss) (Millions of yen)	3,591	(10,085)	32,251
Profit (loss) attributable to owners of parent (Millions of yen)	(4,870)	(9,567)	12,812
Comprehensive income (Millions of yen)	(7,776)	(6,961)	8,610
Net assets (Millions of yen)	366,241	370,131	353,746
Total assets (Millions of yen)	1,648,667	1,666,424	1,740,782
Basic earnings (loss) per share (Yen)	(31.56)	(64.37)	84.21
Diluted earnings per share (Yen)	—	—	84.19
Shareholders' equity ratio (%)	20.12	20.51	18.75
Cash flows from operating activities (Millions of yen)	(32,876)	(55,741)	14,510
Cash flows from investing activities (Millions of yen)	(39,620)	(26,963)	(75,896)
Cash flows from financing activities (Millions of yen)	41,698	20,986	115,264
Cash and cash equivalents at end of period (Millions of yen)	59,723	84,846	145,484

Term	203rd term Second quarter of the fiscal year ended March 31, 2020	204th term Second quarter of the fiscal year ending March 31, 2021
Accounting period	From July 1, 2019 To September 30, 2019	From July 1, 2020 To September 30, 2020
Basic earnings (loss) per share (Yen)	(13.66)	(12.85)

- 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 second quarter of the 203rd term and the 204th term are not presented even though IHI has issued potential shares, because the per share data is a net loss per share respectively.
 - Monetary amounts and ratios less than one unit are rounded off.

(Translation purposes only)

2. Description of business

IHI and its affiliated entities (151 consolidated subsidiaries and 26 affiliates accounted for using the equity method as of September 30, 2020) 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, 2020, 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, 2021, IHI Southwest Technologies, Inc. was excluded from the scope of consolidation because of the transfer of its shares to the third party. NitroCision, LLC was excluded from the scope of consolidation because its materiality has decreased.

From the second quarter of the fiscal year ending March 31, 2021, a subsidiary of JURONG ENGINEERING LIMITED was excluded from the scope of consolidation because the liquidation of the company has been completed. In addition, a subsidiary of Steinmüller Engineering GmbH was excluded from the scope of consolidation because the company was merged into Steinmüller Engineering GmbH.

(Others)

From the first quarter of the fiscal year ending March 31, 2021, ALPHA Automotive Technologies LLC was changed from a non-consolidated subsidiary accounted for using the equity method to a consolidated subsidiary because its materiality within the IHI Group has increased, while a subsidiary of MEISEI ELECTRIC CO., LTD. was excluded from the scope of consolidation because the liquidation of the company has been completed.

II. Overview of business

1. Business risks

There were no new occurrences of business risks in the six months ended September 30, 2020.

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

We will continue to closely monitor the impact due to the spread of COVID-19 that affect the business of IHI Group.

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, 2020.

(1) Overview of business results

Impact of the spread of COVID-19

The signs of convergence of the spread of COVID-19 is not visible yet. Sales of engines and spare parts in the Civil aero engines Business is greatly decreasing owing to the drastic decline in demand for aero transportation and the deterioration of business conditions for airlines. Although the demand for aero transportation on domestic routes are on a recovery trend in accordance with the resumption of economic activities in each country, regarding the demand for international routes, we still cannot foresee the movement toward recovery, since they must be accompanied with various restrictions about immigration. According to the demand forecast by International Air Transportation Association (IATA), it takes until 2024 to recover the same demand level as 2019. For the IHI Group, in consideration of information from our business partners etc., although recently there are signs that the number of sales of newly made small and medium sized engines with high fuel efficiency and the number of sales of spare parts have bottomed out, and a gradual recovery trend is seen, the Group expects that it will take several years to recover completely as a whole.

In the Vehicular turbochargers Business, the number of delivery in Chinese market is turning into an increasing phase according to the progress of movement out of the slump in the automotive industry in association with the resumption of economic activity in China. Furthermore, gradual recovery in the number of delivery is seen in the U.S. and Europe as the factory operations of automotive manufacturing companies resumed from mid-May, while there are concerns about the impact of city-wide lockdown accompanied with the re-spread of infection.

In the Thermal and surface treatment Business, mainly due to delays in the recovery of automobile related demand in Europe, sales of processing services on automotive parts etc. are declining.

Given these circumstances, the Group is working on such countermeasures against the impact of the spread of COVID-19 as temporary freezing and/or reduction in expenditure on capital investments, research and development etc., reduction in the total cost/fixed cost and inventories, and shifting human resources to the growth areas and lifecycle businesses flexibly, and will strengthen these efforts in response to the future business environment and demand recovery. In addition, regarding the funding needs, the Group has secured sufficient liquidity by arrangement of a diverse range of fund procurement methods, including credit line commitments and overdraft facility accounts with major banks and commercial papers, together with the cash and cash equivalents on hand, moreover we are considering the sale of assets held.

Consolidated performance for the six months ended September 30, 2020

During the six months ended September 30, 2020, the economy of Japan is showing signs of recovery, centered on production and exports, as social and economic activities are gradually resumed while taking measures to prevent the spread of COVID-19 throughout society. However corporate profits continue to decline significantly and are still in a very difficult situation. The global economy is showing signs of recovery not only in China but also in the U.S. and Europe, but it is necessary to continue to pay careful attention to the impacts of future trends in COVID-19, the fluctuations in the financial and capital markets, the results of the U.S. presidential election, and the prolongation of political and economic rivalry between the U.S. and China, in addition to the geopolitical risks.

Under this business environment, the IHI Group's operating results during the six months ended September 30, 2020 were largely affected by the spread of COVID-19.

Orders received of the IHI Group during the six months ended September 30, 2020 decreased 30.7% from the previous corresponding period to ¥426.8 billion. Net sales also decreased 18.8% from the previous corresponding period to ¥482.8 billion due to the impact of early application of "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) etc. (the impact was negative ¥22.5 billion in net sales mainly in the Civil aero engines Business), in addition to a significant downturn of sales in the Civil aero engines Business that was affected by the spread of COVID-19.

In terms of profit, operating profit in the Resources, Energy and Environment segment became profitable as the decline in profitability in the same period of the previous fiscal year almost converged, in addition, the IHI Group has taken such measures as revision of production system and shift of business resources to meet the drastic decline in demand due to the spread of COVID-19, and reduction of fixed cost. However, operating profit decreased by ¥16.6 billion to a loss of ¥6.1 billion (that of the previous corresponding period was a profit of ¥10.5 billion), because of the significant impact of the above-mentioned downturns in the sales of the Civil aero engines Business. Ordinary profit was a loss of ¥10.0 billion, saw a deterioration of profit margin by recording foreign exchange losses

(Translation purposes only)

etc. Profit attributable to owners of parent was a loss of ¥9.5 billion.

IHI has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter ended June 30, 2020 as changes in accounting policies. For further details, please refer to “Application of Accounting Standard for Revenue Recognition, etc.” of “Changes in accounting policies” in “Notes to Consolidated financial statements” under “IV. Financial information”.

Furthermore, the IHI Group resolved to adopt the International Financial Reporting Standards (IFRS) for consolidated financial statements starting from the year-end financial results for the fiscal year ending March 31, 2021. This change is aimed to facilitate the international comparability of the Company’s financial statements in capital markets and to improve the quality of group management through unification of accounting policies.

Results by reportable segment for the six months ended September 30, 2020 are as follows:

(Billions of yen)

Reportable segment	Orders received			Six months ended September 30, 2019		Six months ended September 30, 2020		Changes from the previous corresponding period (%)	
	Six months ended September 30, 2019	Six months ended September 30, 2020	Changes from the previous corresponding period (%)	Sales	Operating Profit (loss)	Sales	Operating Profit (loss)	Sales	Operating Profit (loss)
Resources, Energy and Environment	164.2	100.5	(38.8)	140.2	(7.2)	142.4	4.1	1.6	–
Social Infrastructure and Offshore Facility	61.1	65.6	7.4	68.1	5.1	65.4	4.8	(3.9)	(5.0)
Industrial System and General-Purpose Machinery	226.6	159.3	(29.7)	185.7	2.1	172.7	2.0	(7.0)	(5.2)
Aero Engine, Space and Defense	146.7	86.5	(41.0)	187.6	13.3	96.8	(15.5)	(48.3)	–
Total Reportable Segment	598.9	412.2	(31.2)	581.7	13.3	477.6	(4.4)	(17.9)	–
Others	38.6	37.7	(2.3)	33.7	0.8	24.8	0.2	(26.6)	(72.0)
Adjustment	(21.5)	(23.1)	–	(20.6)	(3.6)	(19.6)	(1.8)	–	–
Total	616.0	426.8	(30.7)	594.9	10.5	482.8	(6.1)	(18.8)	–

(Translation purposes only)

<Resources, Energy and Environment>

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

Net sales increased in the Boilers Business.

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

<Social Infrastructure and Offshore Facility>

Orders received Decreased in the Transport systems Business, despite the increase in the Bridges/water gates and the Urban development Businesses.

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

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

<Industrial System and General-Purpose Machinery>

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

Net sales decreased in the Vehicular turbochargers and Thermal and surface treatment Business, despite the increase in the Transport machineries Business.

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

<Aero Engine, Space and Defense>

Orders received decreased in the Civil aero engines Business.

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

Recorded profit loss due to decreased net sales despite the efforts such as reduction of fixed costs. Compared to the first quarter ended June 30, 2020, profit loss became bigger owing to increased number of newly made engines delivered whose burden is larger in the initial stage of mass production, accompanied with the gradual recovery trend of the Civil aero engines Business.

(2) Analysis of financial position

Total assets at the end of the second quarter ended September 30, 2020 were ¥1,666.4 billion, down ¥74.3 billion compared with the end of the previous fiscal year. The major items of decrease were cash and deposits, down ¥60.9 billion and notes, accounts receivable – trade and contract assets, down ¥29.6 billion. The major item of increase was raw materials and supplies, up ¥14.0 billion.

Total liabilities were ¥1,296.2 billion, down ¥90.7 billion compared with the end of the previous fiscal year. The major items of decrease were short-term loans payable, down ¥63.8 billion, and notes and accounts payable - trade, down ¥49.2 billion. The major item of increase was long-term loans payable, up ¥47.2 billion.

Net assets were ¥370.1 billion, up ¥16.3 billion compared with the end of the previous fiscal year. This change was composed of the increase by retained earnings at the beginning of this fiscal year due to changes in accounting policies of ¥27.4 billion, loss attributable to owners of parent of ¥9.5 billion and a decrease by dividends of surplus of ¥2.9 billion.

As a result of the above, the ratio of equity to total assets increased from 18.7% at the end of the previous fiscal year to 20.5%.

(Translation purposes only)

(3) Cash flows

At the end of the second quarter ended September 30, 2020, the outstanding balance of cash and cash equivalents (hereinafter, “cash”) was ¥84.8 billion, down ¥60.6 billion compared with the end of the previous fiscal year. Key factors influencing each cash flow during the six months ended September 30, 2020 are summarized below.

Cash flows from operating activities

Net cash used in operating activities was ¥55.7 billion (The previous corresponding period: net use of ¥32.8 billion). This was mainly due to loss before income taxes of ¥8.4 billion and an increase of working capital such as an increase of inventories of ¥44.0 billion.

Cash flows from investing activities

Net cash used in investing activities was ¥26.9 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 ¥32.8 billion, which included expenditure from a decrease of accounts payable for construction of facilities (such as payments for the construction of factory building of Tsurugashima Works completed in the previous fiscal year) of ¥16.6 billion.

Cash flows from financing activities

Net cash provided by financing activities was ¥20.9 billion (The previous corresponding period: net increase of ¥41.6 billion). This was mainly due to proceeds from long-term loans payable of ¥62.9 billion, proceeds from issuance of bonds of ¥30.0 billion and a decrease of short-term loans payable of ¥59.9 billion.

(4) Analysis of capital resources and funding liquidity

At the second quarter ended September 30, 2020, the balance of interest-bearing liabilities, including lease obligations, was ¥521.7 billion, up ¥33.5 billion compared with 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 and issuance of bonds.

The outstanding balance of cash and cash equivalents at the end of the second quarter ended September 30, 2020 was ¥84.8 billion, down ¥60.6 billion compared with the end of the previous fiscal year, mainly due to the appropriation of funds, which were secured at the end of the previous fiscal year to prepare for turmoil in the financial markets caused from the spread of COVID-19, for working capital expenditures for business activities as the financial markets have become relatively stable.

Regarding funding liquidity, in addition to increasing overdraft facilities with major banks, we have a diverse range of fund procurement methods such as credit line commitments and commercial papers. Together with the cash and cash equivalents mentioned above, IHI Group has secured sufficient liquidity.

(5) Research and development activities

In the six months ended September 30, 2020, the IHI Group spent ¥11.0 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, 2020.

(Translation purposes only)

(6) Results of production, orders received and sales

a. Production

Production volume by segment in the six months ended September 30, 2020 is as follows:

Segment name	Amount (Millions of yen)	Changes from the previous corresponding period (%)
Resources, Energy and Environment	147,343	(14.6)
Social Infrastructure and Offshore Facility	72,446	4.7
Industrial System and General-Purpose Machinery	167,027	(12.3)
Aero Engine, Space and Defense	132,156	(19.0)
Reportable segment total	518,972	(12.8)
Others	16,326	(36.9)
Total	535,298	(13.8)

- 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 in the six months ended September 30, 2020 are as follows:

Segment name	Orders received (Millions of yen)	Changes from the previous corresponding period (%)	Order backlog at the end of the period (Millions of yen)	Changes from the end of the previous fiscal year
Resources, Energy and Environment	100,551	(38.8)	482,994	(7.3)
Social Infrastructure and Offshore Facility	65,681	7.4	226,610	(1.3)
Industrial System and General-Purpose Machinery	159,397	(29.7)	167,311	(12.3)
Aero Engine, Space and Defense	86,575	(41.0)	216,094	(56.2)
Reportable segment total	412,204	(31.2)	1,093,009	(23.9)
Others	37,781	(2.3)	37,569	41.2
Adjustments	(23,168)	—	—	—
Total	426,817	(30.7)	1,130,578	(22.7)

- Notes:
1. Orders received amounts in each segment include 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.
 5. In the segment of Aero Engine, Space and Defense, we have changed the calculation method of orders received and order backlog in the Civil aero engines Business to another recognition method better to represent remaining performance obligations, in preparation for the adoption of IFRS starting from the year-end financial results for the fiscal year ending March 31, 2021. Applying the changed method, the order backlog amount of ¥493,668 million as of the end of the previous fiscal year is amended to be ¥224,633 million. Therefore, the change from this amended amount of ¥224,633 million to the order backlog amount of ¥216,094 million as of September 30, 2020 become a down of 3.8%.

(Translation purposes only)

c. Sales

Sales revenue by segment in the six months ended September 30, 2020 is as follows:

Segment name	Amount (Millions of yen)	Changes from the previous corresponding period (%)
Resources, Energy and Environment	142,495	1.6
Social Infrastructure and Offshore Facility	65,475	(3.9)
Industrial System and General-Purpose Machinery	172,745	(7.0)
Aero Engine, Space and Defense	96,898	(48.3)
Reportable segment total	477,613	(17.9)
Others	24,808	(26.6)
Adjustments	(19,614)	—
Total	482,807	(18.8)

- Notes:
1. Sales revenue amounts shown represent net sales.
 2. Segment sales amounts in each segment include intersegment transactions, and the total amount of intersegment transactions has been eliminated with the adjustments amounts.
 3. The amounts stated above do not include consumption taxes.
 4. Monetary amounts and ratios less than one unit are rounded off.

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

Under the “Group Management Policies 2019” three-year medium-term management plan, the first year of which was FY2019, the IHI Group has tackled social and customer issues and promoted the transformation to a company that creates new value. The spread of COVID-19 has accelerated changes in society, the economy and individual values, and the environment in which the IHI Group operates is also changing rapidly. In order to respond to the speed of this environmental change, while carrying forward the basic concepts of “Group Management Policies 2019,” the IHI Group starts “Project Change” positioning the period up to FY 2022 as a period of preparation and transition towards business reforms to deal with this environmental change.

In “Project Change”, the IHI Group will define businesses from the perspective of social issues, create new core businesses that contribute to provide enhanced value to its customers and society, and promote the transformation to a sustainable business portfolio. Specifically, the IHI Group will steadily implement the following initiatives.

- (i) Return to growth trajectory
 - Further strengthening earnings foundations
 - Expansion of lifecycle businesses
- (ii) Reform aimed at creating resilient businesses capable of excelling under any environment
 - Flexible and optimal placement of human resources suited to the business portfolio
 - Creation of environment enabling diversity rich personnel to play active roles
 - New working styles with a mix of telework and going into the office
- (iii) Financial strategies
 - Strengthen cash flow generation
 - Optimal allocation of funds to accelerate changes to the business portfolio
 - Securing financial soundness
- (iv) Creation of growth businesses
 - Redefine of growth businesses
(Aero transportation systems, carbon solutions, maintenance, disaster prevention and disaster mitigation)

Management targets

Although the IHI Group set management targets for FY 2021 under the “Group Management Policies 2019”, which is a three medium-term management plan and whose first year was FY2019, the Group has reviewed those management targets and newly sets IFRS based management targets for FY 2022 to start initiatives in "Project Change" in response to the impact of the spread of COVID-19. In order to enhance return on invested capital (ROIC),

(Translation purposes only)

the Group continues to aim at further improvement of profitability (operating profit margin) and cash generation capabilities (CCC).

Financial targets (IFRS)	FY 2022
ROIC(After-tax)	10% or more
Operating profit margin	8% or more
CCC	80 days

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

- ROIC: $(1 - \text{Effective statutory tax rate}) \times (\text{“Operating profit”} + \text{“Interest income”} + \text{“Dividend income”}) / (\text{“Equity attributable to owners of parent”} + \text{Amount of interest-bearing liabilities})$.
- CCC: $(\text{“Notes and accounts receivable – trade”} + \text{“Inventories”} - \text{“Notes and account payable – trade”}) / \text{“Revenue”} \times 365 \text{ days}$

(Reference) Revenue: ¥1,400 billion, Investments over three years: ¥380 billion

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

(Translation purposes only)

(8) Planned additions, retirements, etc. of facilities

Although the capital investment plans of the IHI Group (IHI and its consolidated subsidiaries) for the current fiscal year were undetermined due to the impact of the spread of COVID-19 as of the filing date of the annual securities report for the previous fiscal year, the plans have been formulated as follows. Since IHI resolved to adopt International Financial Reporting Standards (hereinafter, "IFRS") starting from the year-end financial results for the fiscal year ending March 31, 2021, the amounts of plan are based on IFRS.

As taking into account of temporarily freezing and/or reduction of capital investments, which is a countermeasure against the impact of the spread of COVID-19, the IHI Group plans to invest ¥54.0 billion during the current fiscal year. The breakdown of capital expenditure by segment is shown below.

a. Additions and repairs

(Millions of yen)

Segment name	Amounts of plan for FY 2020 (IFRS)	Facilities	Reference (Japanese GAAP)
Resources, Energy and Environment	4,100	Production facilities for power systems and boilers, etc.	4,100
Social Infrastructure and Offshore Facility	8,000	Production facilities for bridges and water gates, and upgrades to real estate lease properties, etc.	7,700
Industrial System and General-Purpose Machinery	9,500	Production facilities for vehicular turbochargers and thermal and surface treatment facilities, etc.	9,500
Aero Engine, Space and Defense	25,500	Production facilities and facilities for the maintenance business of aero engines such as PW1100G, production facilities for rocket systems/space utilization systems, etc.	21,700
Reportable segment total	47,100		43,000
Others (Note 3)	6,900		5,000
Total	54,000		48,000

- Notes:
1. The amounts stated above do not include consumption taxes.
 2. The IHI Group plans to primarily allot its own capital, borrowings, and other sources of funds to pay for the investment plans.
 3. Others include the amount of company-wide capital expenditure not belonging to any of the reportable segments.
 4. The amounts of plan for FY 2020 (IFRS) includes right-of-use assets defined in IFRS16 Leases.

b. Sale and scrap

Regarding plans to sell or scrap of the IHI Group's important facilities as of September 30, 2020, the Group is considering sale of assets held as described in "(1)Overview of business results" of "2. Management's Analysis of financial position, operating results and cash flows" in "II. Overview of business".

3. Material contracts for operation

No important operational contracts were decided or entered into during the second quarter ended September 30, 2020.

(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 second quarter (Shares) (September 30, 2020)	Number of issued shares as of the filing date (Shares) (November 12, 2020)	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, 2020 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, 2020 to September 30, 2020	–	154,679	–	107,165	–	54,520

(Translation purposes only)

(5) Major shareholders

(As of September 30, 2020)

Name	Address	Number of shares held (Thousand shares)	Shareholding ratio (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Holder in Trust) (Note 2)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	14,209	9.53
Custody Bank of Japan, Ltd. (Holder in Trust) (Note 2)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	10,776	7.23
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakuchō 1-chome, Chiyoda-ku, Tokyo	5,406	3.62
Custody Bank of Japan, 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	3.08
Custody Bank of Japan, Ltd. (Holder in Trust 5) (Note 2)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	3,007	2.01
IHI Supplier Stock Ownership Association	1-1, Toyosu 3-chome, Koto-ku, Tokyo	2,741	1.83
JP MORGAN CHASE BANK 380634 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.) (Note 3)	25 BANK STREET, CANARY WHARF, LONDON E14 5JP, UNITED KINGDOM (15-1, Konan 2-chome, Minato-ku, Tokyo)	2,589	1.73
IHI Employee Stock Ownership Association	1-1, Toyosu 3-chome, Koto-ku, Tokyo	2,358	1.58
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMS RE CLIENT ASSETS-SETT ACCT (Standing proxy: Citibank, N.A., Tokyo Branch) (Note 3)	25 BANK STREET, CANARY WHARF, LONDON E14 5JP, UNITED KINGDOM (27-30 Shinjuku 6-chome, Shinjuku-ku, Tokyo)	2,307	1.54
Sumitomo Life Insurance Company	18-24, Tsukiji 7-chome, Chuo-ku, Tokyo	2,262	1.51
Total	—	50,256	33.71

- 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. Although IHI holds its own treasury shares by 5,630,395 shares, it is excluded from major shareholders above.
5. In the Change Report pertaining to Report of Possession of Large Volume provided by Mizuho Bank, Ltd. for public viewing on April 22, 2020, the following shareholdings are respectively attributed to Mizuho Bank, Ltd. and its three joint holders as of April 15, 2020. However, since IHI is unable to confirm the actual number of shares held as of September 30, 2020, 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.	189	0.12
Mizuho Trust and Banking Co., Ltd.	393	0.25
Asset Management One Co., Ltd.	5,297	3.42
Total	10,478	6.77

(Translation purposes only)

6. In the Change Report pertaining to Report of Possession of Large Volume provided by Sumitomo Mitsui Trust Bank, Limited for public viewing on June 4, 2020, the following shareholdings are respectively attributed to Sumitomo Mitsui Trust Bank, Limited and its two joint holders as of May 29, 2020. However, since IHI is unable to confirm the actual number of shares held as of September 30, 2020, 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.	4,334	2.80
Nikko Asset Management Co., Ltd.	4,167	2.69
Total	9,497	6.14

7. In the Change Report pertaining to Report of Possession of Large Volume provided by BlackRock Japan Co., Ltd. for public viewing on June 4, 2020, the following shareholdings are respectively attributed to BlackRock Japan Co., Ltd. and its five joint holders as of May 29, 2020. However, since IHI is unable to confirm the actual number of shares held as of September 30, 2020, they are not included in major shareholders above.

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
BlackRock Japan Co., Ltd	1,671	1.08
BlackRock Fund Managers Limited	201	0.13
BlackRock Asset Management Ireland Limited	200	0.13
BlackRock Fund Advisors	1,287	0.83
BlackRock Institutional Trust Company, N.A.	991	0.64
BlackRock Investment Management (UK) Limited	214	0.14
Total	4,567	2.95

8. In the Change Report pertaining to Report of Possession of Large Volume provided by Nomura Securities Co., Ltd. for public viewing on July 21, 2020, the following shareholdings are respectively attributed to Nomura Securities Co., Ltd. and its two joint holders as of July 15, 2020. However, since IHI is unable to confirm the actual number of shares held as of September 30, 2020, they are not included in major shareholders above.

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
Nomura Securities Co., Ltd.	416	0.27
Nomura International PLC	141	0.09
Nomura Asset Management Co., Ltd.	12,220	7.90
Total	12,778	8.26

(Translation purposes only)

(6) Voting rights

(i) Issued shares

(As of September 30, 2020)

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 5,630,300	–	–
	(Reciprocally held shares) Common stock 20,200	–	
Shares with full voting rights (others)	Common stock 148,799,400	1,487,994	–
Shares less than one unit	Common stock 230,054	–	Shares less than one unit (100 shares)
Number of issued shares	154,679,954	–	–
Total number of voting rights	–	1,487,994	–

- Notes:
1. Common stock in “Shares less than one unit” includes 95 shares of treasury shares held by IHI.
 2. Common stock in “Shares with full voting rights (others)” includes 700 shares whose ownership has not yet 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 552,400 shares of IHI owned by a trust account for the Board Benefit Trust.

(ii) Treasury shares, etc.

(As of September 30, 2020)

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	5,630,300	–	5,630,300	3.64
(Reciprocally held shares) Kondo Tekko Co., Ltd.	10-5, Yaesu 2-chome, Chuo-ku, Tokyo	20,200	–	20,200	0.01
Total	–	5,650,500	–	5,650,500	3.65

Note: 552,400 shares of IHI owned by a trust account for the Board Benefit Trust 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, 2021 (from July 1, 2020 to September 30, 2020) and six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020) 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, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	147,228	86,253
Notes and accounts receivable – trade	*1 403,832	—
Notes, accounts receivable – trade and contract assets	—	*1 374,206
Securities	21	—
Finished goods	18,417	20,572
Work in process	289,277	283,094
Raw materials and supplies	137,848	151,853
Other	83,410	69,788
Allowance for doubtful accounts	(4,024)	(4,100)
Total current assets	1,076,009	981,666
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	154,217	151,068
Other, net	243,278	236,055
Total property, plant and equipment	397,495	387,123
Intangible assets		
Goodwill	7,456	6,511
Other	24,706	23,729
Total intangible assets	32,162	30,240
Investments and other assets		
Investment securities	63,514	62,904
Other	172,857	205,839
Allowance for doubtful accounts	(1,255)	(1,348)
Total investments and other assets	235,116	267,395
Total non-current assets	664,773	684,758
Total assets	1,740,782	1,666,424
Liabilities		
Current liabilities		
Notes and accounts payable - trade	262,587	213,312
Short-term loans payable	185,600	121,722
Commercial papers	56,000	83,000
Current portion of bonds	10,000	10,000
Income taxes payable	6,012	4,952
Advances received	151,790	—
Contract liabilities	—	162,805
Provision for bonuses	26,672	26,483
Provision for construction warranties	42,759	12,036
Provision for loss on construction contracts	19,929	15,298
Other provision	1,141	931
Other	146,515	93,655
Total current liabilities	909,005	744,194
Non-current liabilities		
Bonds payable	50,000	70,000
Long-term loans payable	159,223	206,467
Net defined benefit liability	166,193	167,901
Provision for loss on business of subsidiaries and affiliates	1,249	1,267
Other provision	1,068	901
Other	100,298	105,563
Total non-current liabilities	478,031	552,099
Total liabilities	1,387,036	1,296,293

(Translation purposes only)

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Net assets		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	51,780	51,784
Retained earnings	186,170	201,494
Treasury shares	(15,899)	(15,999)
Total shareholders' equity	329,216	344,444
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(679)	(557)
Deferred gains or losses on hedges	(252)	(201)
Revaluation reserve for land	5,321	4,845
Foreign currency translation adjustment	(2,067)	(2,146)
Remeasurements of defined benefit plans	(5,164)	(4,647)
Total accumulated other comprehensive income	(2,841)	(2,706)
Subscription rights to shares	533	449
Non-controlling interests	26,838	27,944
Total net assets	353,746	370,131
Total liabilities and net assets	1,740,782	1,666,424

(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, 2019	Six months ended September 30, 2020
Net sales	594,916	482,807
Cost of sales	492,970	410,914
Gross profit	101,946	71,893
Selling, general and administrative expenses	*1 91,360	*1 78,000
Operating profit (loss)	10,586	(6,107)
Non-operating income		
Interest income	398	180
Dividend income	638	419
Share of profit of entities accounted for using equity method	–	467
Other income	2,048	2,411
Total non-operating income	3,084	3,477
Non-operating expenses		
Interest expenses	2,111	1,422
Share of loss of entities accounted for using equity method	2,419	–
Foreign exchange losses	1,043	2,063
Other expenses	4,506	3,970
Total non-operating expenses	10,079	7,455
Ordinary profit (loss)	3,591	(10,085)
Extraordinary income		
Gain on sales of non-current assets	*2 4,588	1,650
Gain on insurance claims	1,108	–
Total extraordinary income	5,696	1,650
Extraordinary losses		
Impairment loss	*3 108	*3 59
Loss on valuation of investment securities	5,523	–
Total extraordinary losses	5,631	59
Profit (loss) before income taxes	3,656	(8,494)
Income taxes	6,092	(822)
Loss	(2,436)	(7,672)
Profit attributable to non-controlling interests	2,434	1,895
Loss attributable to owners of parent	(4,870)	(9,567)

(Translation purposes only)

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Loss	(2,436)	(7,672)
Other comprehensive income		
Valuation difference on available-for-sale securities	(333)	160
Deferred gains or losses on hedges	(170)	(32)
Foreign currency translation adjustment	(5,076)	356
Remeasurements of defined benefit plans, net of tax	369	561
Share of other comprehensive income of entities accounted for using equity method	(130)	(334)
Total other comprehensive income	(5,340)	711
Comprehensive income	(7,776)	(6,961)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(9,164)	(8,886)
Comprehensive income attributable to non- controlling interests	1,388	1,925

(Translation purposes only)

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	3,656	(8,494)
Depreciation	27,417	30,227
Depreciation and amortization on other	3,304	794
Impairment loss	108	59
Increase (decrease) in allowance for doubtful accounts	(257)	168
Increase (decrease) in provision for bonuses	(154)	(209)
Increase (decrease) in provision for construction warranties	(3,675)	(349)
Increase (decrease) in provision for loss on construction contracts	(641)	(4,251)
Increase (decrease) in net defined benefit liability	1,778	1,799
Interest and dividend income	(1,036)	(599)
Interest expenses	2,111	1,422
Foreign exchange losses (gains)	(426)	(576)
Loss (gain) on sales of short-term and long-term investment securities	(19)	21
Loss (gain) on valuation of short-term and long-term investment securities	5,921	74
Share of loss (profit) of entities accounted for using equity method	2,419	(467)
Loss (gain) on sales or disposal of property, plant and equipment and intangible assets	(4,196)	(1,177)
Gain on insurance claims	(1,108)	–
Decrease (increase) in notes and accounts receivable – trade	54,795	–
Decrease (increase) in notes and accounts receivable – trade and contract assets	–	49,498
Increase (decrease) in advances received	11,006	–
Increase (decrease) in contract liabilities	–	12,001
Decrease (increase) in advance payments	(5,616)	(14)
Decrease (increase) in inventories	(53,584)	(44,029)
Increase (decrease) in notes and accounts payable - trade	(39,384)	(46,770)
Increase (decrease) in accrued expenses	(12,552)	(7,611)
Decrease (increase) in other current assets	(6,079)	(1,385)
Increase (decrease) in other current liabilities	(6,598)	(27,681)
Decrease (increase) in consumption taxes refund receivable	(1,123)	(1,771)
Other, net	427	3,444
Subtotal	(23,506)	(45,876)
Interest and dividend income received	1,273	994
Interest expenses paid	(2,137)	(1,466)
Proceeds from insurance income	1,737	–
Income taxes paid	(10,243)	(9,393)
Net cash provided by (used in) operating activities	(32,876)	(55,741)

(Translation purposes only)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from investing activities		
Decrease (increase) in time deposits	366	337
Purchase of short-term and long-term investment securities	(4,080)	(572)
Proceeds from sales and redemption of short-term and long-term investment securities	548	206
Purchase of property, plant and equipment and intangible assets	(37,450)	(32,849)
Proceeds from (payments for) sales or disposal of property, plant and equipment and intangible assets	5,733	7,031
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	310
Decrease (increase) in short-term loans receivable	(11)	(60)
Payments of long-term loans receivable	(5)	(11)
Collection of long-term loans receivable	175	137
Decrease (increase) in other investments	(4,489)	(1,250)
Increase (decrease) in other non-current liabilities	(408)	(200)
Other, net	1	(42)
Net cash provided by (used in) investing activities	(39,620)	(26,963)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,111	(59,916)
Net increase (decrease) in commercial papers	70,000	27,000
Proceeds from long-term loans payable	10,521	62,921
Repayments of long-term loans payable	(22,381)	(21,558)
Proceeds from issuance of bonds	–	30,000
Redemption of bonds	(10,000)	(10,000)
Proceeds from sales and leasebacks	21	10
Repayments of lease obligations	(2,300)	(3,209)
Decrease (increase) in treasury shares	–	131
Payments made to trust account for acquisition of treasury shares	(363)	(311)
Cash dividends paid	(6,163)	(2,975)
Proceeds from share issuance to non-controlling shareholders	673	36
Dividends paid to non-controlling interests	(1,421)	(1,143)
Net cash provided by (used in) financing activities	41,698	20,986
Effect of exchange rate change on cash and cash equivalents	(2,348)	898
Net increase (decrease) in cash and cash equivalents	(33,146)	(60,820)
Cash and cash equivalents at beginning of period	92,608	145,484
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	261	192
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(10)
Cash and cash equivalents at end of period	*1 59,723	*1 84,846

(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, 2021, ALPHA Automotive Technologies LLC was changed from a non-consolidated subsidiary accounted for using the equity method to a consolidated subsidiary because its materiality within the IHI Group has increased.

IHI Southwest Technologies, Inc. was excluded from the scope of consolidation because of the transfer of its shares to the third party. NitroCision, LLC was excluded because its importance has diminished. A subsidiary of MEISEI ELECTRIC CO., LTD. was excluded from the scope of consolidation because the liquidation of the company has been completed.

From the second quarter of the fiscal year ending March 31, 2021, a subsidiary of JURONG ENGINEERING LIMITED was excluded from the scope of consolidation because the liquidation of the company has been completed. In addition, a subsidiary of Steinmüller Engineering GmbH was excluded from the scope of consolidation because the company was merged into Steinmüller Engineering GmbH.

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

From the first quarter of the fiscal year ending March 31, 2021, Qingdao IHI-HT Mechanical Parking System Co., Ltd. was newly included in affiliates accounted for using the equity method because its materiality has increased.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

IHI has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter ended June 30, 2020 and it recognizes revenue when (or as) it satisfies a performance obligation by transferring promised goods or services (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. It recognizes as revenue the amount expected to be received upon exchange of goods or services.

As a result of this application, although costs incurred related to the civil aero engine programs in which IHI participates and compensation for damage arising from the performance of a contract were previously recorded as cost of sales or selling, general and administrative expenses or non-operating expenses, the accounting method is changed to be deducted from sales as a variable consideration or consideration payable to a customer reflecting the real nature of transaction. In addition, the percentage of completion method is applied to contracts that are expected to satisfy performance obligations over time, among contracts that were previously accounted for by the completed-contract method. Furthermore, revenue is recognized by the cost recovery method when it is not possible to reasonably estimate progress towards satisfaction of performance obligations, but it is probable that the costs incurred will be recovered.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter ended June 30, 2020 was added to or subtracted from the beginning balance of retained earnings of the first quarter ended June 30, 2020, and thus the new accounting policy was applied from the beginning balance; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the start of the first quarter ended June 30, 2020 were subject to the previous treatment, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, with regard to modifications to contracts carried out prior to the start of the first quarter ended June 30, 2020, accounting processing was carried out based on the contractual terms existing after all contract modifications were reflected and this cumulative effect was added to or subtracted from the beginning balance of retained earnings of the first quarter ended June 30, 2020 by applying the method set forth in item (1) of the supplementary provisions of Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, for the six months ended September 30, 2020, net sales decreased by ¥22,506 million, with the cost of sales decreasing by ¥19,789 million, selling, general and administrative expenses decreasing by ¥1,533 million, operating loss increasing by ¥1,184 million, and ordinary loss and loss before income taxes each decreasing by ¥741 million. In addition, the beginning balance of retained earnings increased by ¥27,442 million.

Due to the application of Accounting Standard for Revenue Recognition, "Notes and accounts receivable - trade" which were included in "Current assets" in the consolidated balance sheets for the previous fiscal year, are included in "Notes, accounts receivable – trade and contract assets" from the first quarter ended June 30, 2020. In accordance with the transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

In addition, in accordance with the transitional treatment stipulated in Article 28-15 of "Accounting Standards for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the information about the disaggregation of revenue from contracts with customers for six months ended September 30, 2019 is not stated.

(Translation purposes only)

(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, 2020 are calculated by multiplying profit before income taxes for the six months ended September 30, 2020 by the reasonably estimated effective tax rate for the fiscal year including the second quarter ended September 30, 2020 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, 2020.

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

(Translation purposes only)

(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, 2020		As of September 30, 2020	
IHI Investment for Aero Engine Leasing LLC	14,961	IHI Investment for Aero Engine Leasing LLC	10,067
Japanese Aero Engines Corporation (“JAEC”)	5,659	Japan Marine United Corporation	9,500
ALPHA Automotive Technologies LLC	603	JAEC	5,215
Japan Aeroforge, Ltd.	354	Chubu Segment Co., Ltd.	325
Contingent liabilities for employee housing loans	194	Japan Aeroforge, Ltd.	325
Chubu Segment Co., Ltd.	25	Contingent liabilities for employee housing loans	175
		Yachiyo 5 Logistic Specific Purpose Company	40
Total	21,796	Total	25,647

(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, 2020		As of September 30, 2020	
Contingent liabilities for employee housing loans	4,255	Contingent liabilities for employee housing loans	3,999
Total	4,255	Total	3,999

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 revised letter of claim for payment of 117 million US dollars from a customer on December 4, 2019, for total 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, because it is difficult to reasonably estimate the amount of the effect on the financial position and operating results, 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 (*1)

(Millions of yen)		
	As of March 31, 2020	As of September 30, 2020
Notes receivable - trade discounted in the ordinary course of business	103	-
Notes receivable - trade endorsed in the ordinary course of business	-	29

Please note that, in the section of (Quarterly consolidated balance sheet), * sign presents the corresponding relation between the statement of “Quarterly consolidated balance sheets” and its notes.

(Translation purposes only)

(Quarterly consolidated statements of income)

1. Major selling general and administrative expense (*1)

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

	(Millions of yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Expenses in taking orders received	7,113	6,509
Provision of allowance for doubtful accounts	(178)	86
Salaries for directors and employees (Note)	35,680	34,220
Traveling and transportation expenses	2,967	978
Research and development expenses	14,418	10,389
Business consignment expenses	5,887	4,237
Contribution for expenses common to all business segments	1,616	1,874
Depreciation	4,580	4,236

Note: Salaries for directors and employees include provision for bonuses of ¥6,896 million and retirement benefit expenses of ¥2,659 million for the six months ended September 30, 2019 and provision for bonuses of ¥6,497 million and retirement benefit expenses of ¥2,698 million for the six months ended September 30, 2020.

2. Gain on sales of non-current assets (*2)

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 by the F-LNG business for which orders have already been received. Accordingly, IHI sold a part of the land, building and other assets of the Aichi Headquarters Representative's Office and recorded a gain on sales of non-current assets.

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-city, Aichi etc. Others	¥4,588 million

3. Impairment loss (*3)

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 realizable value
Business assets	Chita-city, Aichi, Japan	Machinery	16	Net realizable value
Idle assets	Isesaki-city, Gunma, Japan	Land	9	Net realizable 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 realizable value (amount calculated by reasonably adjusting property tax valuation, etc., assessed sale value) or its value in use (discount rate is mainly 5.0%).

(Translation purposes only)

(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>

Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

(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	Taipei-city, Taiwan	Structures etc.	59	Value in use

(2) Method for grouping assets

Assets are grouped principally by each business or each place of business as one group.

(3) Reasons for recognition of impairment loss

Due to deterioration in profitability, 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 realizable value (amount calculated by reasonably adjusting property tax valuation, etc., assessed sale value) or its value in use (discount rate is mainly 3.4%).

(5) Impairment loss

The impairment loss of ¥59 million was recorded as “Impairment loss” under extraordinary losses.

Please note that, in the section of (Quarterly consolidated statements of income), * sign presents the corresponding relation between the statement of “Quarterly consolidated statements of income (cumulative)” and its notes.

(Translation purposes only)

(Quarterly consolidated statements of cash flows)

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

	(Millions of yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash and deposits	61,637	86,253
Time deposits due in more than three months	(1,913)	(1,407)
Collateral deposits	(1)	-
Cash and cash equivalents	59,723	84,846

Please note that, in the section of (Quarterly consolidated statements of cash flows), * sign presents the corresponding relation between the statement of “Quarterly consolidated statements of cash flows” and its note.

(Translation purposes only)

(Shareholders' equity)

I. 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.

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 ended 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 million which are dividends for shares of IHI owned by a trust account for the Board Benefit Trust.

II. Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

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 25, 2020	Common stock	2,980	20	March 31, 2020	June 26, 2020	Retained earnings

Note: Total dividends determined by a resolution of the Ordinary General Meeting of Shareholders held on June 25, 2020 included ¥8 million, which was the value of dividends for shares of IHI owned by a trust account for the Board Benefit Trust.

2. Dividends whose record date was in the six months ended September 30, 2020 and the effective date of which is after the end of the second quarter of the fiscal year ending March 31, 2021 Not Applicable

3. Significant changes in amounts of equity

IHI has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter ended June 30, 2020.

For further details, please refer to "Changes in accounting policies" of "1. Quarterly consolidated financial statements - Notes" in "IV. Financial information".

(Translation purposes only)

(Additional information)

(Impact of the spread of COVID-19)

Regarding the impact of the spread of COVID-19, the IHI Group assumes in particular that it will take several years to recover completely as a whole in the Civil aero engines Business, as described in “(1) Overview of business results” of “2. Management’s Analysis of financial position, operating results and cash flow” in “II. Overview of business”. Given these circumstances, the Group makes accounting estimates and concludes that there is no significant change in judgement on the probability of recovering the deferred tax assets compared to the previous fiscal year at this point.

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

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

(Translation purposes only)

(Segment information)

Segment information

I. 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 Infrastructure 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
(3) 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 profit (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 ¥79 million and unallocated corporate expenses of negative ¥3,692 million.

Corporate expenses mainly consist of general and administrative expenses that are not attributable to reportable segments

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

(Material impairment loss of non-current assets)

Not applicable

(Material change in goodwill amount)

Not applicable

(Material gain on bargain purchase)

Not applicable

II. Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

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	141,623	63,148	166,305	96,062	467,138	15,669	482,807	–	482,807
(2) Intersegment sales and transfers	872	2,327	6,440	836	10,475	9,139	19,614	(19,614)	–
Total	142,495	65,475	172,745	96,898	477,613	24,808	502,421	(19,614)	482,807
Segment profit (loss) (Operating income (loss))	4,172	4,856	2,059	(15,571)	(4,484)	239	(4,245)	(1,862)	(6,107)

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

(Translation purposes only)

business, and other service operations.

2. Adjustment of segment profit represents intersegment transactions of ¥464 million and unallocated corporate expenses of negative ¥2,326 million.

Corporate expenses mainly consist of general and administrative expenses that are not attributable 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)
Aero Engine, Space and Defense	Aero engines, rocket systems/space utilization systems, defense systems

2. Matters about changes of reportable segment, etc.

(Changes in accounting policies)

IHI has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. and changed the way of accounting for revenue recognition from the beginning of the first quarter ended June 30, 2020 as described in above “Changes in accounting policies”. Therefore, IHI has similarly changed the measuring method of segment profit or loss.

As a result, the sale of each segment in six months ended September 30, 2020 increased by ¥4,205 million in the Resources, Energy and Environment, increased by ¥3,258 million in the Social Infrastructure and Offshore Facility, increased by ¥5,872 million in the Industrial System and General-Purpose Machinery, decreased by ¥33,806 million in the Aero Engine, Space and Defense compared with the previous method. Segment profit or loss in six months ended September 30, 2020 increased by ¥209 million in the Social Infrastructure and Offshore Facility and by ¥956 million in the Industrial System and General-Purpose Machinery, decreased by ¥896 million in the Resources, Energy and Environment and by ¥1,429 million in the Aero Engine, Space and Defense compared with the previous method.

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

(Material impairment loss of non-current assets)

Not applicable

(Material change in goodwill amount)

Not applicable

(Material gain on bargain purchase)

Not applicable

(Translation purposes only)

(Revenue recognition)

Sales of the Group are mainly revenue recognized from contracts with customers and the breakdowns of reportable segment by type of goods and services and by region are as follows:

Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

(1) Sales breakdown by type of goods and services

(Millions of yen)

	Reportable Segment					Others	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total		
Power Systems	38,380				38,380		38,380
Boilers	51,992				51,992		51,992
Plants	20,208				20,208		20,208
Nuclear power	10,029				10,029		10,029
Bridges/water gates		31,218			31,218		31,218
Shield systems		9,132			9,132		9,132
Urban development		11,465			11,465		11,465
Vehicular turbochargers			66,035		66,035		66,035
Parking			20,598		20,598		20,598
Rotating machineries			23,081		23,081		23,081
Thermal and surface treatment			13,736		13,736		13,736
Transport machineries			20,082		20,082		20,082
Civil aero engines				44,822	44,822		44,822
Other	24,087	13,968	29,860	57,069	124,984	24,808	149,792
Internal sales	(3,073)	(2,635)	(7,087)	(5,829)	(18,624)	(9,139)	(27,763)
Sales to outside customers	141,623	63,148	166,305	96,062	467,138	15,669	482,807

(Translation purposes only)

(2) Sales breakdown by region

(Millions of yen)

	Reportable Segment					Others	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total		
Japan	92,080	49,306	90,508	50,973	282,867	12,562	295,429
North America	11,249	—	6,510	39,706	57,465	134	57,599
Asia	33,516	11,711	52,746	2,873	100,846	269	101,115
Europe	1,156	2,123	14,102	2,238	19,619	2,508	22,127
Central and South America	389	—	2,251	246	2,886	—	2,886
Others	3,233	8	188	26	3,455	196	3,651
Overseas	49,543	13,842	75,797	45,089	184,271	3,107	187,378
Sales to outside customers	141,623	63,148	166,305	96,062	467,138	15,669	482,807

Main businesses, products and services belonging to each segment are stated in note “Segment information”.

(Translation purposes only)

(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.

(Derivatives)

There are no significant changes to the notional amount and amounts of other items of derivatives at the end of the quarter, 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, 2019	Six months ended September 30, 2020
(1) Basic earnings (loss) per share (Yen)	(31.56)	(64.37)
(Fundamentals)		
Amounts for profit (loss) attributable to owners of parent (Millions of yen)	(4,870)	(9,567)
Amounts for non-common shareholders (Millions of yen)	—	—
Amounts for profit (loss) attributable to owners of parent regarding common stock (Millions of yen)	(4,870)	(9,567)
Average number of shares of common stock (Thousands of shares)	154,280	148,616
(2) Diluted earnings per share (Yen)	—	—
(Fundamentals)		
Adjustment amount of profit attributable to owners of parent (Millions of yen)	—	—
Increase in number of shares of common stock (Thousands of shares)	—	—
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 of 2019 and 2020 are not presented even though IHI has issued potential shares, because the per share data is a net loss per share respectively.

2. Shares of IHI owned by a trust account for the Board Benefit Trust 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 for the six months ended September 30 of 2019 and 2020 were 233,483 shares and 427,525 shares respectively.

(Significant subsequent events)

Not applicable

2. Others

Not applicable

(Translation purposes only)

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

Not applicable