

**CONSOLIDATED FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED MARCH 31, 2019  
<Japanese GAAP>**

IHI Corporation (IHI) is listed on the First Section of the Tokyo Stock Exchange, Nagoya Stock Exchange, Sapporo Securities Exchange and Fukuoka Stock Exchange with the securities code number 7013.

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Annual General Meeting of Shareholders: June 20, 2019 (planned)  
 Commencement of Dividend Payments: June 21, 2019 (planned)  
 Submission date of Annual Securities Report: June 20, 2019 (planned)

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

This consolidated financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures are in Japanese yen rounded to the nearest millions.

**1. CONSOLIDATED PERFORMANCE FOR THE YEAR ENDED MARCH 31, 2019  
(APRIL 1, 2018 to MARCH 31, 2019)**

**(1) Consolidated Business Results**

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

	Net Sales	Percentage Change	Operating Profit	Percentage Change	Ordinary Profit	Percentage Change
<b>Fiscal year ended March 31, 2019</b>	<b>1,483,442</b>	<b>(6.7)%</b>	<b>82,488</b>	<b>14.1%</b>	<b>65,749</b>	<b>206.9%</b>
Fiscal year ended March 31, 2018	1,590,333	7.0%	72,267	52.5%	21,425	(2.7)%

	Profit Attributable to Owners of Parent	Percentage Change	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)	Return on Equity	Ordinary Profit to Total Assets	Operating Profit to Net Sales
<b>Fiscal year ended March 31, 2019</b>	<b>39,889</b>	<b>381.1%</b>	<b>258.53</b>	<b>258.37</b>	<b>11.8%</b>	<b>4.0%</b>	<b>5.6%</b>
Fiscal year ended March 31, 2018	8,291	58.0%	53.71	53.67	2.6%	1.3%	4.5%

(Note) Comprehensive income  
 Fiscal year ended March 31, 2019: ¥39,597 million 136.1%  
 Fiscal year ended March 31, 2018: ¥16,774 million 262.4%

(Reference) Share of profit (loss) of entities accounted for using equity method  
 Fiscal year ended March 31, 2019: ¥ 4,108 million  
 Fiscal year ended March 31, 2018: ¥ (33,088) million

\* IHI conducted a consolidation of common stock on a 10 for 1 basis on October 1, 2017. Basic earnings per share and diluted earnings per share have been calculated under the assumption that this consolidation of common stock was conducted on April 1, 2017.

## (2) Consolidated Financial Position

(Millions of yen, except per share figures)

	Total Assets	Net Assets	Equity to Total Assets	Net Assets per Share (Yen)
<b>As of March 31, 2019</b>	<b>1,664,529</b>	<b>381,692</b>	<b>21.0%</b>	<b>2,263.12</b>
As of March 31, 2018	1,633,488	350,217	19.9%	2,103.22

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

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

As of March 31, 2018: ¥324,601 million

## (3) Consolidated Cash Flows

(Millions of yen)

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at the End of Period
<b>Fiscal year ended March 31, 2019</b>	<b>46,402</b>	<b>(79,280)</b>	<b>16,463</b>	<b>92,608</b>
Fiscal year ended March 31, 2018	99,018	(47,977)	(57,326)	107,323

## 2. DIVIDENDS

(Record Date)	Dividends per Share			Total Amount of Dividend Payment (Millions of yen)	Dividend Payout Ratio (Consolidated)	Dividend to Net Assets Ratio (Consolidated)
	Interim (Yen)	Year-end (Yen)	Annual (Yen)			
Fiscal year ended March 31, 2018	3.00	30.00	–	9,266	111.7%	2.9%
<b>Fiscal year ended March 31, 2019</b>	<b>30.00</b>	<b>40.00</b>	<b>70.00</b>	<b>10,814</b>	<b>27.1%</b>	<b>3.2%</b>
Fiscal year ending March 31, 2020 (Forecast)	30.00	40.00	70.00		30.9%	

\* Year-end dividend per share for the fiscal year ended March 31, 2019 was changed from ¥30 to ¥40. For details, please refer to “Notice of Dividends of Surplus (Increment of Dividends)” which was announced on May 8, 2019.

\* IHI conducted a consolidation of common stock on a 10 for 1 basis on October 1, 2017. Consequently, the impact of this consolidation of shares is factored into the year-end dividends per share for the fiscal year ended March 31, 2018 and a dash is presented for the annual dividends per share. The annual dividends per share for the fiscal year ended March 31, 2018 on a basis after the consolidation of shares were ¥60.00.

## 3. CONSOLIDATED FORECASTS OF RESULTS FOR THE YEAR ENDING MARCH 31, 2020

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Basic Earnings per Share (Yen)
Full-year	1,400,000	(5.6)%	80,000	(3.0)%	58,000	(11.8)%	35,000	(12.3)%	226.84

(Note) Please refer to page 9 of the attached materials to this report for the suppositions that form the assumptions for the forecasts above and related matters.

## \* NOTES

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

(Changes in specified subsidiaries accompanying changes in scope of consolidation): Not applicable

### (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

(i) Changes in accounting policies due to revisions to accounting standards: Not applicable

(ii) Changes in accounting policies due to other reasons: Yes

(iii) Changes in accounting estimates: Not applicable

(iv) Restatement of prior period financial statements after error corrections: Not applicable

(Note) For details, please refer to “(5) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CHANGES IN ACCOUNTING POLICIES)” of “4. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO” on page 27.

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

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

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

As of March 31, 2018 154,679,954 shares

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

As of March 31, 2019 388,346 shares

As of March 31, 2018 344,435 shares

(iii) Average number of shares outstanding during the period

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

Fiscal year ended March 31, 2018 154,361,684 shares

\* IHI conducted a consolidation of common stock on a 10 for 1 basis on October 1, 2017. The number of shares issued at the end of the period, number of treasury shares owned at the end of the period and average number of shares outstanding during the period have been calculated under the assumption that this consolidation of common stock was conducted on April 1, 2017.

## (REFERENCE) OVERVIEW OF NON-CONSOLIDATED PERFORMANCE

### NON-CONSOLIDATED PERFORMANCE FOR THE YEAR ENDED MARCH 31, 2019

(APRIL 1, 2018 to MARCH 31, 2019)

#### (1) Non-Consolidated Business Results

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

	Net Sales	Percentage Change	Operating Profit	Percentage Change	Ordinary Profit	Percentage Change	Profit	Percentage Change
<b>Fiscal year ended March 31, 2019</b>	<b>700,497</b>	<b>(2.9)%</b>	<b>33,610</b>	<b>(29.8)%</b>	<b>39,355</b>	<b>(21.4)%</b>	<b>20,558</b>	<b>(14.3)%</b>
Fiscal year ended March 31, 2018	721,739	0.3%	47,858	239.9%	50,076	217.9%	23,978	–

	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
<b>Fiscal year ended March 31, 2019</b>	<b>133.24</b>	<b>133.16</b>
Fiscal year ended March 31, 2018	155.33	155.22

\* IHI conducted a consolidation of common stock on a 10 for 1 basis on October 1, 2017. Basic earnings per share and diluted earnings per share have been calculated under the assumption that this consolidation of common stock was conducted on April 1, 2017.

## (2) Non-Consolidated Financial Position

(Millions of yen, except per share figures)

	Total Assets	Net Assets	Equity to Total Assets	Net Assets per Share (Yen)
<b>As of March 31, 2019</b>	<b>1,113,379</b>	<b>238,305</b>	<b>21.3%</b>	<b>1,540.24</b>
As of March 31, 2018	1,117,334	227,855	20.3%	1,471.23

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

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

As of March 31, 2018: ¥227,063 million

\* Financial reports are not required to be audited by certified public accountants or an audit corporation.

\* Proper use of forecast of results, and other special matters

Earnings estimates made in this report and other statements that are not historical facts are forward-looking statements about the future performance of the IHI Group. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not place undue reliance on them. IHI cautions that a number of important factors such as political and general economic conditions and currency exchange rates could cause actual results to differ materially from those discussed in the forward-looking statements, etc.

(How to obtain supplementary material on financial results)

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

## 1. SUMMARY OF BUSINESS RESULTS

### (1) SUMMARY OF BUSINESS RESULTS AND FINANCIAL POSITION

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

During the fiscal year under review, the Japanese economy remained stable supported by increases in capital investment, robust corporate performance and improvements in situation of employment and income. In the global economy, overall moderate growth continued, with partial offset by a slowdown in business conditions in China, bolstered by steady growth in the U.S. On the other hand, in the political side, the unstable situation remained from problems including the trade friction between U.S. and China and the issue of U.K. regarding leaving EU.

Under this business environment, orders received of the IHI Group in the fiscal year under review decreased 7.0% from the previous fiscal year to ¥1,399.2 billion. Net sales decreased 6.7% from the previous fiscal year to ¥1,483.4 billion.

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

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

Also effective from the previous fiscal year, the closing date of the fiscal year of certain overseas consolidated subsidiaries has been changed from December 31 to March 31. As a result, those consolidated subsidiaries had a 15-month accounting period in the 12 months ended December 31, 2017. The effect of these changes was an increase of ¥57.9 billion in net sales and an increase of ¥1.4 billion in operating profit.

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

#### Resources, Energy and Environment

With long-term targets having been set in the Paris Agreement in relation to upper limits on increases in average global temperatures, and the balance between the volume of greenhouse gases emitted and absorbed, moves to deal with climate change have begun to accelerate. Accordingly, it has been required to response flexibly to such issues faced by societies and customers that are diversified by each region and by each stage of development.

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

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

### Social Infrastructure and Offshore Facility

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

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

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

### Industrial System and General-Purpose Machinery

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

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

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

### Aero Engine, Space and Defense

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

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

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

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

(Billions of yen)

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

## B. Profit Distribution

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

After taking into consideration the broad range of factors according to the above dividend policy, IHI plans to pay a dividend of ¥70 per share (interim dividend already paid: ¥30, year-end dividend: ¥40) for the fiscal year ended March 31, 2019.

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

### Assets and liabilities, and net assets

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

Total liabilities were ¥1,282.8 billion, as almost the same level compared with the end of the previous fiscal year. The item with the most significant increase was short-term loans payable, up ¥30.2 billion. The items with the most significant decreases were advances received, down ¥20.2 billion and notes and accounts payable - trade, down ¥14.8 billion. The balance on interest-bearing liabilities, including lease obligations, was ¥355.0 billion, up ¥32.8 billion from the end of the previous fiscal year.

Net assets were ¥381.6 billion, up ¥31.4 billion compared with the end of the previous fiscal year. This includes profit attributable to owners of parent of ¥39.8 billion and a decrease by dividends of surplus of ¥9.2 billion. As a result of the above, the ratio of equity to total assets increased from 19.9% at the end of the previous fiscal year to 21.0%.

### Cash flows

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

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

Net cash used in investing activities was ¥79.2 billion. This was due mainly to purchase of property, plant and equipment and intangible assets of ¥64.1 billion and purchase of short-term and long-term investment securities of ¥18.2 billion.

Net cash provided by financing activities was ¥16.4 billion. This was due mainly to an increase in short-term loans payable of ¥36.7 billion.

### (Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Equity to total assets	20.5%	18.6%	18.8%	19.9%	21.0%
Market value equity ratio	51.4%	21.4%	32.0%	31.2%	24.6%
Debt redemption period	6.5 years	3.9 years	5.7 years	3.3 years	7.7 years
Interest coverage ratio	15.6	23.1	21.0	31.7	14.6

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

- Equity to total assets:  $\text{Equity} / \text{Total assets}$
- Market value equity ratio:  $\text{Market capitalization} / \text{Total assets}$
- Debt redemption period:  $\text{Interest-bearing liabilities} / \text{Operating cash flow}$
- Interest coverage ratio:  $\text{Operating cash flow} / \text{Interest payments}$

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



### Major management indicators

The IHI Group moved forward with initiatives based on its “Group Management Policies 2016,” a three-year medium-term management plan with fiscal year 2016 as the first year and sought to strengthen the earnings foundations.

Because of such factors as continuous deterioration in profitability of specific projects, a downturn in new construction market mainly in the Resources, Energy and Environment Business Area and fluctuation in foreign exchange etc., the initial management targets (a consolidated operating margin of 7%, ROIC (return on invested capital) of 10% and a D/E ratio of 0.7times or less) were not achieved in the fiscal year ended March 31, 2019(fiscal year 2018). On the other hand, due mainly to reinforcement of risk management and advance of concentration and selection, the consolidated operating margin and ROIC are on an improvement trend and the Group evaluates a certain result has been achieved in terms of strengthening the earnings foundations.

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Consolidated operating margin	4.3%	1.4%	3.2%	4.5%	5.6%
ROIC	5.8%	2.3%	5.0%	7.7%	8.7%
D/E ratio	1.14 times	1.12 times	1.10 times	0.92 times	0.93 times
ROE	2.6%	0.5%	1.6%	2.6%	11.8%

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

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

## **(2) FUTURE OUTLOOK**

### A. Forecasts of consolidated results

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

Under these economic environment, the IHI Group is managing based on its “Group Management Policies 2019” (refer to the disclosure material released as of today, May 8, 2019) started in April 2019. On the basis of the earnings foundations developed under “Group Management Policies 2016”, the IHI Group will accelerate reform of its management structure and business model, and aim to reach its management targets (improvement of profit margin) with reorganizing the contents of its business as changes of the environment.

For the fiscal year ending March 31, 2020, the IHI Group is forecasting consolidated net sales of ¥1,400.0 billion. In terms of profits, the IHI Group forecasts consolidated operating profit of ¥80.0 billion, consolidated ordinary profit of ¥58.0 billion, and profit attributable to owners of parent of ¥35.0 billion. The above forecasts assume exchange rates of ¥105/US\$1 and ¥130/EUR1.

In addition, regarding the inadequate inspections occurred in the Civil aero engines Business, the IHI Group is working on prevention of recurrence thoroughly and striving to resume the maintenance business that we have voluntarily suspended as soon as possible. Expected expenses of returning to normal status for the business are included in the above-mentioned forecast as a risk.

### B. Profit distribution

The IHI Group plans to pay a dividend of ¥70 per share (interim dividend: ¥30, year-end dividend: ¥40) for the fiscal year ending March 31, 2020.

## 2. OVERVIEW OF THE CORPORATE GROUP

	○Production	□Sale	●Engineering	▲Installation	■Service
Resources, Energy & Environment	IHI Corporation				
	Kotobuki Iron Works Co., Ltd./Niigata Power Systems Co., Ltd./IHI Enviro Corporation				
	NICO Precision Co., Inc./PT Cilegon Fabricators		IHI Plant Engineering Corporation/ Aomori Plant Co., Ltd.(○)		
	NIIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD. (■)		IHI Plant Construction Co.,Ltd./ ISHI POWER SDN.BHD./ Steinmüller Engineering GmbH/ JURONG ENGINEERING LIMITED and its 21 subsidiaries/ IHI E&C International Corporation and its 2 subsidiaries		Kanamachi Purification Plant Energy Service Co., Ltd./ IHI POWER SYSTEM MALAYSIA SDN.BHD./ IHI Southwest Technologies, Inc. and its 1 subsidiary
	Diesel United, Ltd.(■)			IHI Power System (Thailand) Co., Ltd.	
Social Infrastructure & Offshore Facilities	IHI Infrastructure Systems Co., Ltd./IHI Construction Service Co., Ltd./IHI INFRASTRUCTURE ASIA CO., LTD./JIM Technology Corporation/ I&H Engineering Co., Ltd. / Terratec Limited and its 3 subsidiaries				
	Niigata Transys Co., Ltd.(■)				
	IHI CONSTRUCTION MATERIALS Co., Ltd.			Chiba Warehouse Co., Ltd./ San-Etsu Co., Ltd./ Japan Tunnel Systems Corporation	
	Livecon Engineering Co., Ltd.(■)			IHI California Inc.	
Industrial Systems & General - Purpose Machinery	IHI Transport Machinery Co., Ltd./IHI Machinery and Furnace Co., Ltd./IHI Hauzer Techno Coating B.V. and its 5 subsidiaries/ Jiangsu IHI Fengdong Vacuum Technology Co., Ltd / IHI Rotating Machinery Engineering Co.,Ltd./IHI-Sullair Compression Technology (Suzhou) Co., Ltd./ IHI Logistics & Machinery Corporation / CENTRAL CONVEYOR COMPANY, LTD./Voith IHI Paper Technology Co., Ltd./ IHI DALGAKIRAN MAKINA SANAYI VE TICARET A.S./IHI PACKAGED BOILER CO., LTD.				
	IHI Turbo Co., Ltd.				
	IHI Fuso Engineering Co., Ltd.				
	IHI Agri-Tech Corporation(■)/Clover Turbo Co., Ltd.(■)/IHI Turbo America Co./ IHI Charging Systems International GmbH and its 2 subsidiaries/ SHANGHAI STAR MODERN AGRICULTURE EQUIPMENT CO., LTD.(■)			IHI Press Technology America, Inc. / Indigo TopCo Ltd. and its 23 subsidiaries/ IUK (HK) LIMITED/ IHI Technical Training Institution / ISM America Inc./IHI VTN GmbH and its 3 subsidiaries	
	IHI TURBO (THAILAND) CO., LTD./ Changchun FAWER-IHI Turbo Co., Ltd./Wuxi IHI Turbo Co., Ltd./ IHI Transport Machinery Taiwan Corporation(■)		Nishi-nihon Sekkei Engineering Co., Ltd.		
Aero Engine, Space & Defense	IHI CASTINGS CO., LTD./IHI MASTER METAL Co., Ltd./ IHI Aero Manufacturing Co., Ltd.		IHI Jet Service Co., Ltd./INC Engineering Co., Ltd.		
			IHI AEROSPACE ENGINEERING CO., LTD.		IHI - ICR, LLC./IHI Aero Engines US Co., Ltd./IHI Investment for Aero Engine Leasing LLC
	IHI AEROSPACE CO., LTD.				
Others	IHI Trading, Inc./ IHI Europe Ltd./ IHI do Brasil Representações Ltda./ Soma I Grid Limited Liability Company(■)				
	IHI INC.(■)/IHI (Shanghai) Management Co., Ltd.(■)/ IHI ASIA PACIFIC PTE. LTD.(■)				
	IHI ENGINEERING AUSTRALIA PTY. LTD./IHI ASIA PACIFIC (Thailand) CO., LTD.				
	Meisei Electric Co., Ltd.(★) and its 1 subsidiary/Takashima Giken Co., Ltd.				
	IHI Inspection & Instrumentation Co., Ltd.				
	IHI Scube Co., Ltd./ IHI Business Support Corporation /Toyosu Energy Service Co., Ltd /IHI Power Generation Corporation and its 6 subsidiaries				

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

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

\*The consolidated subsidiaries in the above table are current as of March 31, 2019, and subsidiaries listed on

the Tokyo Stock Exchange Second Section are noted with the “★”mark.

### **3. BASIC RATIONALE FOR SELECTING THE ACCOUNTING STANDARD**

The IHI Group prepares its consolidated financial statements in accordance with the accounting principles generally accepted accounting standards in Japan (Japanese GAAP). The IHI Group is continuing to carry out an investigation into the impact on the IHI Group through the adoption of international financial reporting standards (IFRS) from the point of view of improving the quality of the Group's corporate management and strengthening the Group's corporate governance, as well as an investigation to grasp the differences between IFRS and Japanese GAAP.

## 4. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO

### (1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

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

**(1) CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

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

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

**CONSOLIDATED STATEMENTS OF INCOME**

	(Millions of yen)	
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
<b>Net sales</b>	1,590,333	1,483,442
Cost of sales	1,316,915	1,205,713
<b>Gross profit</b>	273,418	277,729
<b>Selling, general and administrative expenses</b>	201,151	195,241
<b>Operating profit</b>	72,267	82,488
<b>Non-operating income</b>		
Interest income	1,433	913
Dividend income	1,071	1,133
Share of profit of entities accounted for using equity method	–	4,108
Foreign exchange gains	–	5
Reversal of accrued expenses for environmental conservation measures	1,072	–
Other income	3,600	5,199
Total non-operating income	7,176	11,358
<b>Non-operating expenses</b>		
Interest expenses	3,007	3,227
Share of loss of entities accounted for using equity method	33,088	–
Foreign exchange losses	3,813	–
Burden share of losses for delayed construction of SPB tanks	–	6,679
Expenses for delayed delivery	4,489	838
Payments for contract adjustments for civil aero engines	6,488	–
Other expenses	7,133	17,353
Total non-operating expenses	58,018	28,097
<b>Ordinary profit</b>	21,425	65,749
<b>Extraordinary income</b>		
Gain on sales of shares of subsidiaries and associates	–	4,199
Gain on transfer of business	1,586	1,108
Total extraordinary income	1,586	5,307
<b>Extraordinary losses</b>		
Impairment loss	1,095	1,610
Settlement-related expenses related to boiler facilities in customer's commercial operation	2,932	–
Total extraordinary losses	4,027	1,610
<b>Profit before income taxes</b>	18,984	69,446
Income taxes - current	12,924	16,925
Income taxes for prior periods	–	4,304
Income taxes - deferred	(7,357)	2,977
<b>Total income taxes</b>	5,567	24,206
<b>Profit</b>	13,417	45,240
Profit attributable to non-controlling interests	5,126	5,351

**CONSOLIDATED STATEMENTS OF INCOME**

(Millions of yen)

	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
<b>Profit attributable to owners of parent</b>	8,291	39,889



**CONSOLIDATED STATEMENTS OF INCOME**

(Millions of yen)

	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Millions of yen)

	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
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<b>Profit</b>	13,417	45,240
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(786)	(808)
Deferred gains or losses on hedges	(106)	(163)
Revaluation reserve for land	12	(12)
Foreign currency translation adjustment	2,353	(605)
Remeasurements of defined benefit plans, net of tax	1,406	(3,612)
Share of other comprehensive income of entities accounted for using equity method	478	(443)
Total other comprehensive income	3,357	(5,643)
<b>Comprehensive income</b>	16,774	39,597
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,541	34,405
Comprehensive income attributable to non-controlling interests	5,233	5,192

**(3) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

April 1, 2017 to March 31, 2018

(Millions of yen)

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

(Millions of yen)

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,892	(277)	5,427	1,298	(1,171)	8,169	843	18,624	337,630
Changes of items during period									
Dividends of surplus									(4,633)
Profit attributable to owners of parent									8,291
Purchase of treasury shares									(419)
Disposal of treasury shares									52
Change in ownership interest of parent due to transactions with non-controlling interests									(103)
Net decrease from newly consolidated subsidiaries									–
Reversal of revaluation reserve for land									74
Net changes of items other than shareholders' equity	(858)	(9)	(68)	2,381	1,730	3,176	(51)	6,200	9,325
Total changes of items during period	(858)	(9)	(68)	2,381	1,730	3,176	(51)	6,200	12,587
Balance at end of current period	2,034	(286)	5,359	3,679	559	11,345	792	24,824	350,217

April 1, 2018 to March 31, 2019

(Millions of yen)

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

(Millions of yen)

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

**(4) CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Millions of yen)

	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	18,984	69,446
Depreciation	56,522	53,200
Depreciation and amortization on other	6,722	8,413
Impairment loss	1,095	1,610
Increase (decrease) in allowance for doubtful accounts	(1,119)	(587)
Increase (decrease) in provision for bonuses	2,414	2,161
Increase (decrease) in provision for construction warranties	5,645	(5,505)
Increase (decrease) in provision for loss on construction contracts	(9,364)	(6,517)
Increase (decrease) in net defined benefit liability	5,568	909
Interest and dividend income	(2,504)	(2,046)
Interest expenses	3,007	3,227
Foreign exchange losses (gains)	698	21
Loss (gain) on sales of short-term and long-term investment securities	(646)	(37)
Loss (gain) on valuation of short-term and long-term investment securities	687	540
Share of loss (profit) of entities accounted for using equity method	33,088	(4,108)
Loss (gain) on disposal of property, plant and equipment	2,487	3,728
Loss (gain) on transfer of business	(1,586)	(664)
Loss (gain) on sales of shares of subsidiaries and associates	–	(4,199)
Settlement-related expenses related to boiler facilities in customer's commercial operation	2,932	–
Decrease (increase) in notes and accounts receivable - trade	2,608	25,842
Increase (decrease) in advances received	(29,278)	(19,507)
Decrease (increase) in advance payments	14,296	(7,611)
Decrease (increase) in inventories	(15,779)	(14,794)
Increase (decrease) in notes and accounts payable - trade	18,549	(15,813)
Increase (decrease) in accrued expenses	(7,342)	178
Decrease (increase) in other current assets	4,992	(8,715)
Increase (decrease) in other current liabilities	(13,607)	(5,374)
Decrease (increase) in consumption taxes refund receivable	4,590	(3,309)
Other, net	(1,520)	(1,243)
Subtotal	102,139	69,246
Interest and dividend income received	3,336	2,520
Interest expenses paid	(3,125)	(3,179)
Income taxes paid	(3,332)	(22,185)
<b>Net cash provided by (used in) operating activities</b>	<b>99,018</b>	<b>46,402</b>

**(4) CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Millions of yen)

	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
<b>Cash flows from investing activities</b>		
Decrease (increase) in time deposits	1,377	(652)
Purchase of short-term and long-term investment securities	(20,328)	(18,272)
Proceeds from sales and redemption of short-term and long-term investment securities	21,212	7,081
Purchase of property, plant and equipment and intangible assets	(59,406)	(64,195)
Gain (loss) on sales or disposal of property, plant and equipment and intangible assets	1,800	(393)
Proceeds from transfer of business	2,347	2,834
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,003)
Decrease (increase) in short-term loans receivable	1,581	188
Payments of long-term loans receivable	(13)	(1,147)
Collection of long-term loans receivable	22	37
Decrease (increase) in other investments	(3,080)	(9,739)
(Decrease) increase in other non-current liabilities	6,527	5,968
Other, net	(16)	13
<b>Net cash provided by (used in) investing activities</b>	<b>(47,977)</b>	<b>(79,280)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(26,734)	36,733
Net increase (decrease) in commercial papers	(5,000)	–
Proceeds from long-term loans payable	64,709	52,614
Repayments of long-term loans payable	(70,510)	(58,186)
Redemption of bonds	(10,000)	–
Proceeds from sales and leasebacks	93	1,459
Repayments of lease obligations	(5,719)	(6,709)
Decrease (increase) in treasury shares	(13)	(5)
Payments made to trust account for acquisition of treasury shares	(406)	(419)
Purchase of treasury shares of subsidiaries	–	(1)
Cash dividends paid	(4,620)	(9,241)
Proceeds from share issuance to non-controlling shareholders	3,180	3,855
Dividends paid to non-controlling interests	(2,306)	(3,623)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(14)
<b>Net cash provided by (used in) financing activities</b>	<b>(57,326)</b>	<b>16,463</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(2,275)</b>	<b>1,743</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8,560)</b>	<b>(14,672)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>115,911</b>	<b>107,323</b>
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries	–	523
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(28)	(566)
<b>Cash and cash equivalents at end of period</b>	<b>107,323</b>	<b>92,608</b>

## **(5) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTES ON PREMISE OF GOING CONCERN**

Not applicable.

### **BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. Scope of Consolidation**

##### **Number and names of major consolidated subsidiaries**

Number of consolidated subsidiaries: 153

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

In the fiscal year under review, changes to consolidated subsidiaries were as follows. One subsidiary was added by new establishment, four subsidiaries were added by acquisition, three subsidiaries were added due to their increased materiality, one subsidiary was removed due to transfer of share, one subsidiary was removed due to liquidation and one subsidiary was removed due to its decreased materiality.

#### **2. Application of the Equity Method**

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

Number of non-consolidated subsidiaries and affiliates accounted for by the equity method: 28

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

(Affiliates) Japan Marine United Corporation and others

In the fiscal year under review, changes to affiliates accounted for by the equity method were as follows. One affiliate was added due to its increased materiality, two affiliates were removed due to transfer of share, one affiliate was removed due to liquidation.

#### **3. Significant Accounting Policies**

##### *(1) Securities*

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

##### *(2) Derivatives*

Derivatives are stated at fair market value.



### (3) Inventories

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

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

### (4) Depreciation and amortization

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

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

### (5) Basis for significant reserves

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

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

(6) *Accounting for retirement benefits*

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

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

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

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

(7) *Amortization method and period of goodwill*

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

(8) *Application of consolidated taxation system*

The consolidated taxation system has been applied.

## CHANGES IN ACCOUNTING POLICIES

### Change of principal methods for hedge accounting

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

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

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

## CHANGES IN PRESENTATION

### Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting” and relevant

#### Guidances

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

## ADDITIONAL INFORMATION

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

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

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

## SEGMENT INFORMATION

### [Segment information]

#### 1. Overview of reportable segments

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

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

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

Reportable segment	Main businesses, products and services
Resources, Energy and Environment	Boilers, power systems plants for land use, power systems for land and marine use, large power systems for ships, process plants (storage facilities and chemical plants), nuclear power (components for nuclear power plants), environmental response systems, pharmaceutical plants
Social Infrastructure and Offshore Facility	Bridges/water gates, shield systems, transport systems, concrete construction materials, urban development (real estate sales and rental), F-LNG (floating LNG storage facilities, offshore structures)
Industrial System and General-Purpose Machinery	Logistics/industrial systems (logistics systems, industrial machineries), transport machineries, parking, thermal and surface treatment, vehicular turbochargers, rotating machineries (compressors, separation systems, turbochargers for ships), agricultural machineries/small power systems, steel manufacturing equipment, paper-making machineries
Aero Engine, Space and Defense	Aero engines, rocket systems/space utilization systems (space-related equipment), defense systems

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

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

Intersegment sales and transfers are based on actual market pricing.

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

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable Segment					Total	Others (Note 1)	Total	Adjustment	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense						
<b>Sales:</b>										
(1) Sales to outside customers	487,683	144,653	448,367	461,434	1,542,137	48,196	1,590,333	–	1,590,333	
(2) Intersegment sales and transfers	2,799	9,890	10,645	2,295	25,629	25,326	50,955	(50,955)	–	
Total	490,482	154,543	459,012	463,729	1,567,766	73,522	1,641,288	(50,955)	1,590,333	
<b>Segment profit (loss)</b>										
(Operating profit (loss)) (Note 2)	(14,810)	13,934	18,903	60,129	78,156	2,756	80,912	(8,645)	72,267	
<b>Segment assets (Note 3)</b>										
	338,674	231,634	343,842	518,694	1,432,844	81,120	1,513,964	119,524	1,633,488	
<b>Others:</b>										
Depreciation (Note 4)	5,095	6,044	12,835	16,034	40,008	1,377	41,385	3,439	44,824	
Share of profit (loss) of entities accounted for using equity method	(1,433)	(85)	722	(473)	(1,269)	(31,782)	(33,051)	(37)	(33,088)	
Investments in equity method companies	243	2,041	4,006	12,318	18,608	13,357	31,965	–	31,965	
Increase in property, plant and equipment (Note 5)	4,678	7,774	9,962	31,760	54,174	833	55,007	4,193	59,200	

- Notes: 1. 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 ¥236 million and unallocated corporate expenses of negative ¥8,881 million. Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
3. Adjustment of ¥119,524 million for segment assets includes corporate assets unallocated to any reportable segment of ¥240,428 million among cash and deposits, buildings and structures, investment securities and other assets, and eliminations of intersegment receivables and payables of negative ¥118,503 million.
4. Depreciation represents depreciation of property, plant and equipment. Adjustment of depreciation represents unallocated depreciation in property, plant and equipment.
5. Adjustment of increase in property, plant and equipment represents unallocated increase in property, plant and equipment.
6. Segment liabilities are omitted because which is not subject to determine allocation of management resources and assess performance.
7. Changes to the fiscal year, etc. for consolidated subsidiaries  
Effective from the previous fiscal year, the closing date of the fiscal year for 42 companies including IHI INC. has been changed from December 31 to March 31, and 13 companies including Wuxi IHI Turbo Co., Ltd. have been consolidated using March 31 as a provisional closing date.  
As a result, for the previous fiscal year companies including IHI INC. had a 15-month accounting period.  
In the period from January 1, 2017 through March 31, 2017 included in the previous fiscal year, sales for each segment were ¥28,902 million for the Resources, Energy and Environment segment, ¥27,800 million for the Industrial System and General-Purpose Machinery segment, and ¥183 million for the Aero Engine, Space and Defense segment. Operating profit was ¥1,616 million for the Industrial System and General-Purpose Machinery segment, and ¥72 million for the Aero Engine, Space and Defense segment. Operating loss was ¥117 million for Resources, Energy and Environment segment, and ¥1 million for the Social Infrastructure and Offshore Facility segment.

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

- Notes: 1. The “Others” classification consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations.
2. Adjustment of segment profit represents intersegment transactions of negative ¥118 million and unallocated corporate expenses of negative ¥6,901 million. Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
3. Adjustment of ¥113,584 million for segment assets includes corporate assets unallocated to any reportable segment of ¥236,688 million among cash and deposits, buildings and structures, investment securities and other assets, and eliminations of intersegment receivables and payables of negative ¥99,256 million.
4. Depreciation represents depreciation of property, plant and equipment. Adjustment of depreciation represents unallocated depreciation in property, plant and equipment.
5. Adjustment of increase in property, plant and equipment represents unallocated increase in property, plant and equipment.
6. Segment liabilities are omitted because which is not subject to determine allocation of management resources and assess performance.

## [Related information]

Fiscal year ended March 31, 2018

### 1. Product and service information

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

### 2. Information by geographical area

#### (1) Net sales

(Millions of yen)

Japan	U.S.A.	Asia	Central and South America	Europe	Others	Total
782,311	350,708	270,242	22,862	132,633	31,577	1,590,333

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

#### (2) Property, plant and equipment

(Millions of yen)

Japan	North America	Asia	Central and South America	Europe	Others	Total
307,077	4,690	18,830	171	18,247	31	349,046

### 3. Information by major customer

(Millions of yen)

Name of customer or individual	Net sales	Related business segment
Japanese Aero Engines Corporation	161,258	Aero Engine, Space and Defense

Fiscal year ended March 31, 2019

### 1. Product and service information

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

### 2. Information by geographical area

#### (1) Net sales

(Millions of yen)

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

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

#### (2) Property, plant and equipment

(Millions of yen)

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

### 3. Information by major customer

(Millions of yen)

Name of customer or individual	Net sales	Related business segment
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**[Information about impairment loss on non-current assets by reportable segment]**

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable Segment				Total	Others (Note)	Total	Adjustment	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense					
Impairment loss	960	129	–	–	1,089	6	1,095	–	1,095

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

Fiscal year ended March 31, 2019

(Millions of yen)

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

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

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable Segment				Total	Others (Note)	Total	Adjustment	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense					
Amount for the fiscal year	257	–	3,440	–	3,697	370	4,067	–	4,067
Balance at the end of the fiscal year	1,351	–	9,306	–	10,657	1,574	12,231	–	12,231

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

Fiscal year ended March 31, 2019

(Millions of yen)

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

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



**[Information about gain on bargain purchase by reportable segment]**

Fiscal year ended March 31, 2018

Not applicable

Fiscal year ended March 31, 2019

Not applicable

**PER SHARE INFORMATION**

Item	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net assets per share	¥2,103.22	¥2,263.12
Basic earnings per share	¥53.71	¥258.53
Diluted earnings per share	¥53.67	¥258.37

- Notes: 1. IHI conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) on October 1, 2017. Net assets per share, basic earnings per share and diluted earnings per share have been calculated under the assumption that this consolidation of common shares was conducted on April 1, 2017.
2. Shares of IHI owned by a trust account for the Board Benefit Trust (BBT) are included in the number of shares issued at the end of the period, and the number of treasury shares excluded for the calculation of the average number of shares outstanding during the period. For the fiscal year under review, the number of treasury shares at the end of the period excluded for the calculation of net assets per share are 218,900 shares (111,000 shares for the previous fiscal year) and the average number of treasury shares outstanding during the period excluded for the calculation of basic earnings per share and diluted earnings per share are 178,438 shares (111,000 shares for the previous fiscal year.)
3. The basis for calculating basic earnings per share and diluted earnings per share are as follows.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	8,291	39,889
Amounts for non-common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent regarding common stock (Millions of yen)	8,291	39,889
Average number of shares of common stock (Thousands of shares)	154,362	154,290
Diluted earnings per share		
Adjustment amount of profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of shares of common stock (Thousands of shares)	118	98
(Share acquisition rights of the above) (Thousands of shares)	118	98
Potential shares not included in calculation of diluted earnings per share due to being non-dilutive	Share acquisition rights type 4 (Total number of share acquisition rights: 895 units) Type of shares underlying share acquisition rights: common stock Total number of shares underlying share acquisition rights: 89,500 shares	Share acquisition rights type 4 (Total number of share acquisition rights: 791 units) Type of shares underlying share acquisition rights: common stock Total number of shares underlying share acquisition rights: 79,100 shares

**SIGNIFICANT SUBSEQUENT EVENTS**

Not applicable