

**CONSOLIDATED FINANCIAL REPORT  
FOR THE NINE MONTHS ENDED DECEMBER 31, 2020  
<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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Submission date of Quarterly Securities Report: February 12, 2021 (planned)  
 Commencement of Dividend Payments: Not applicable  
 Preparing supplementary material on quarterly financial results: Yes  
 Holding quarterly 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 NINE MONTHS ENDED DECEMBER 31, 2020  
(APRIL 1, 2020 to DECEMBER 31, 2020)**

**(1) Consolidated Business Results**

(Millions of yen, except per share figures; percentages show the rate of changes from the previous corresponding period)

	Net Sales	Percentage Change	Operating Profit	Percentage Change	Ordinary Profit	Percentage Change
<b>Nine months ended December 31, 2020</b>	<b>766,837</b>	<b>(16.8)%</b>	<b>(2,505)</b>	<b>—</b>	<b>(10,413)</b>	<b>—</b>
Nine months ended December 31, 2019	922,036	(12.0)%	27,261	(51.9)%	8,651	(85.0)%

	Profit Attributable to Owners of Parent	Percentage Change	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
<b>Nine months ended December 31, 2020</b>	<b>(11,551)</b>	<b>—</b>	<b>(77.74)</b>	<b>—</b>
Nine months ended December 31, 2019	(1,755)	—	(11.45)	—

(Note) Comprehensive income

Nine months ended December 31, 2020: ¥(8,091) million —%  
 Nine months ended December 31, 2019: ¥999 million (97.2)%

## (2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity to Total Assets
<b>As of December 31, 2020</b>	<b>1,714,067</b>	<b>366,988</b>	<b>19.8%</b>
As of March 31, 2020	1,740,782	353,746	18.7%

(Reference) Equity at the end of the period (consolidated)  
 As of December 31, 2020: ¥339,818 million  
 As of March 31, 2020: ¥326,375 million

## 2. DIVIDENDS

(Yen)

(Record Date)	Dividends per Share				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-end	Annual
Fiscal year ended March 31, 2020	—	30.00	—	20.00	50.00
Fiscal year ending March 31, 2021	—	0.00	—	—	—
Fiscal year ending March 31, 2021 (Forecast)	—	—	—	0.00	0.00

(Note) Revisions to the dividend forecasts most recently announced: No

## 3. CONSOLIDATED FORECASTS OF RESULTS FOR THE FISCAL YEAR ENDING MARCH 31, 2021

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

	Revenue	Operating Profit	Profit before Income Taxes	Profit Attributable to Owners of Parent	Basic Earnings per Share (Yen)				
Full-year	1,110,000	—	20,000	—	10,000	—	1,000	—	6.73

(Note) Revisions to the forecasts of results most recently announced: Yes

The figures of consolidated forecasts of results for the fiscal year ending March 31, 2021 is based on International Financial Reporting Standards (IFRS). IHI resolved to adopt IFRS, in place of Japanese Generally Accepted Accounting Principles (Japanese GAAP) for consolidated financial statements starting from the year-end financial results for the fiscal year ending March 31, 2021, whereas IHI has continued to adopt Japanese GAAP for consolidated financial statements until the third quarter ended December 31, 2020. Therefore, the rate of changes from the previous fiscal year are not shown.

(Reference) Consolidated forecasts of results for the fiscal year ending March 31, 2021 based on Japanese GAAP

(Millions of yen)

	Net Sales	Operating Profit	Ordinary Profit	Profit Attributable to Owners of Parent
Full-year	1,110,000	5,000	(8,000)	0

## \* NOTES

- (1) **Changes in significant subsidiaries during the nine months under review (Changes in specified subsidiaries accompanying changes in scope of consolidation):** Not applicable
- (2) **Application of special accounting for preparing quarterly consolidated financial statements:** Yes  
(Note) For details, please refer to “(2) APPLICATION OF SPECIAL ACCOUNTING FOR PREPARING QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS” of “2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)” on page 7.
- (3) **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: Yes
  - (ii) Changes in accounting policies due to other reasons: Not applicable
  - (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 “(3) CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES, AND RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS AFTER ERROR CORRECTIONS” of “2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)” on page 7.
- (4) **Number of shares issued (Common stock):**
- (i) Number of shares issued at the end of the period (including treasury shares)

As of December 31, 2020	154,679,954 shares
As of March 31, 2020	154,679,954 shares
  - (ii) Number of treasury shares owned at the end of the period

As of December 31, 2020	6,173,961 shares
As of March 31, 2020	6,054,574 shares
  - (iii) Average number of shares outstanding during the period (cumulative quarterly period)

Nine months ended December 31, 2020	148,578,118 shares
Nine months ended December 31, 2019	153,313,680 shares

\* The number of treasury shares excluded from the calculation of the “number of treasury shares owned at the end of the period,” and “average number of shares outstanding during the period,” includes shares of IHI owned by a trust account for the Board Benefit Trust.

\* Quarterly financial reports are not required to be subjected to quarterly reviews.

\* 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. For preconditions for forecast of results, please refer to “(3) EXPLANATION REGARDING FUTURE PREDICTION INFORMATION SUCH AS CONSOLIDATED FORECASTS OF RESULTS” of “1. QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS” on page 6.

# 1. QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

## (1) EXPLANATION REGARDING BUSINESS RESULTS

### Impact of the spread of COVID-19

While 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 have been on a recovery trend in accordance with the resumption of economic activities in each country, there are concerns about the effects of the spread of variant of COVID-19 and the delay in the dissemination of vaccines in addition to the re-spread of COVID-19. 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), although the current situation is becoming increasingly severe, it is expected to recover to the same demand level as 2019 by 2024. For the IHI Group, in consideration of sluggish recovery of our sales of spare parts and the information from our business partners etc., 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. have been declined, but signs of recovery are beginning to appear in the wake of the strong Chinese market in this third quarter.

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.

### Summary of consolidated performance for the nine months ended December 31, 2020

During the nine months under review, through balancing countermeasures to prevent the spread of COVID-19 in society as a whole with economic activity, the Japanese economy showed signs of a continued recovery, but the pace of recovery is still slow, and the situation remains difficult. With regard to the global economy, it will be necessary to continue to pay careful attention to trends in COVID-19 infections and fluctuations in financial and capital markets, such as the re-spread of COVID-19 in Europe and the U.S. having suppressed economic activity. In addition, it will be necessary to remain focused on the impact of the change in the U.S. administration, as well as geopolitical risks such as the prolongation of the political and economic rivalry between the U.S. and China.

Under this business environment, the IHI Group's operating results during the nine months under review were largely affected by the spread of COVID-19.

Orders received of the IHI Group during the nine months under review decreased 21.9% from the previous corresponding period to ¥684.4 billion. Net sales also decreased 16.8% from the previous corresponding period to ¥766.8 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 ¥45.1 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 became profitable as the decline in profitability in the same period of the previous fiscal year almost converged, and the Industrial System and General-Purpose Machinery has steadily accumulated profit while responding to changes in the market. In addition, the IHI Group has poured all efforts into 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 ¥29.7 billion to a loss of ¥2.5 billion (that of the previous

corresponding period was a profit of ¥27.2 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 ¥10.4 billion, saw a deterioration of profit margin by recording foreign exchange losses etc. Profit attributable to owners of parent was a loss of 11.5 billion.

As of January 1, 2021, IHI affiliate Japan Marine United Corporation entered into a capital and business alliance with Imabari Shipbuilding Co., Ltd. With the global competitive environment becoming increasingly serious, the two companies will accelerate business structural reforms, leverage their respective strengths, and seek to reinforce their international competitiveness in the commercial ship business. Following this capital and business alliance, the ratio of Japan Marine United Corporation voting rights held by IHI was reduced from 49.42% to 35%.

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 “2. MATTERS REGARDING SUMMARY INFORMATION (NOTES) - (3) CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES, AND RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS AFTER ERROR CORRECTIONS”.

Furthermore, as announced on October 26, 2020, 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 nine months under review are as follows:

Reportable segment	Orders received			Nine months ended December 31, 2019		Nine months ended December 31, 2020		Changes from the previous corresponding period (%)	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020	Changes from the previous corresponding period (%)	Sales	Operating profit (loss)	Sales	Operating profit (loss)	Sales	Operating profit (loss)
Resources, Energy and Environment	243.7	154.3	(36.7)	222.4	(1.7)	224.1	10.8	0.7	–
Social Infrastructure and Offshore Facility	103.4	99.2	(4.0)	102.7	8.0	104.2	9.8	1.5	23.5
Industrial System and General-Purpose Machinery	328.6	253.1	(23.0)	288.2	5.1	272.1	6.9	(5.6)	33.5
Aero Engine, Space and Defense	185.3	158.6	(14.4)	294.6	20.4	157.0	(28.1)	(46.7)	–
Total Reportable Segment	861.1	665.3	(22.7)	908.1	31.8	757.6	(0.5)	(16.6)	–
Others	49.2	56.6	14.9	44.9	1.5	38.7	0.9	(13.7)	(36.0)
Adjustment	(33.7)	(37.5)	–	(31.0)	(6.1)	(29.5)	(2.9)	–	–
Total	876.7	684.4	(21.9)	922.0	27.2	766.8	(2.5)	(16.8)	–

## (2) EXPLANATION REGARDING CONSOLIDATED FINANCIAL POSITION

Assets and liabilities, and net assets

Total assets at the end of the third quarter under review were ¥1,714.0 billion, down ¥26.7 billion compared with the end of the previous fiscal year. The major items of decrease were cash and deposits, down ¥51.1 billion and other current assets such as accounts receivable - other, down ¥10.8 billion. The major item of increase was raw materials and supplies, up ¥8.1 billion.

Total liabilities were ¥1,347.0 billion, down ¥39.9 billion compared with the end of the previous fiscal year. The major items of decrease were short-term loans payable, down ¥54.6 billion, and notes and accounts payable - trade, down ¥43.9 billion. The major item of increase was long-term loans payable, up ¥95.6 billion. The balance

of interest-bearing liabilities, including lease obligations, was ¥576.2 billion, up ¥88.0 billion compared with the end of the previous fiscal year.

Net assets were ¥366.9 billion, up ¥13.2 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 application of Accounting Standard for Revenue Recognition of ¥27.4 billion, loss attributable to owners of parent of ¥11.5 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 19.8%.

### **(3) EXPLANATION REGARDING FUTURE PREDICTION INFORMATION SUCH AS CONSOLIDATED FORECASTS OF RESULTS**

Although it is expected that it will take some time for the spread of COVID-19 to converge and a full-scale recovery, depending on the global spread of vaccines, it is possible that the recovery period will be accelerated.

Furthermore, social issues such as climate change and large-scale natural disasters are becoming more serious. Changes in the business environment in which the IHI Group operates are accelerating, driven by the transformation of society, the economy, and values caused by the spread of COVID-19, the heightened importance of sustainability, including the growth in ESG investments, and the promotion of digital transformation (DX).

While carrying forward the basic concepts of “Group Management Policies 2019” medium-term management plan, the IHI Group drew up “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 and is implementing it. To respond to the speed of change in this environment in accordance with “Project Change,” as well as returning to a growth trajectory, 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.

Under these circumstances, regarding the full year consolidated forecasts of results, revenue is expected to be ¥1,110.0 billion, down ¥40.0 billion from the previous announcement in November 10, 2020. It is due mainly to the decline in sales in the Resources, Energy and Environment by the decrease of orders received and the timing delay in sales of some projects, and the decrease in sales of spare parts in the Civil aero engines Business. On the other hand, forecast of profit remains unchanged mainly because we expect the results of reduction of total costs and fixed costs that we have been working on so far, although it is expected to decline due to the decrease in sales.

(Reference) Consolidated forecasts of results for the fiscal year ending March 31, 2021 based on Japanese GAAP

Net sales: ¥1,110.0 billion, Operating profit: ¥5.0 billion, Ordinary profit: negative ¥8.0 billion,

Profit attributable to owners of parent: ¥0.0 billion

Foreign exchange rates of ¥105/US\$1 and ¥120/EUR1 have been assumed in the above forecasts and in the fourth quarter ending March 31, 2021.

## 2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)

### (1) CHANGES IN SIGNIFICANT SUBSIDIARIES DURING THE NINE MONTHS UNDER REVIEW

Not applicable

### (2) APPLICATION OF SPECIAL ACCOUNTING FOR PREPARING QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

#### *Tax expense calculation*

Tax expenses on profit before income taxes for the nine months under review are calculated by multiplying profit before income taxes for the nine months under review by the reasonably estimated effective tax rate for the fiscal year including the third quarter under review 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 nine months under review.

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

### (3) CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES, AND RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS AFTER ERROR CORRECTIONS

#### **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 beginning 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 beginning 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 nine months under review, net sales decreased by ¥45,146 million, with the cost of sales decreasing by ¥41,913 million, selling, general and administrative expenses decreasing by ¥2,133 million, operating loss increasing by ¥1,100 million, and ordinary loss and loss before income taxes each decreasing by ¥1,486 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.



### 3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

#### (1) CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	147,228	96,112
Notes and accounts receivable - trade	403,832	—
Notes, accounts receivable - trade and contract assets	—	407,212
Securities	21	—
Finished goods	18,417	22,563
Work in process	289,277	286,187
Raw materials and supplies	137,848	145,978
Other	83,410	72,570
Allowance for doubtful accounts	(4,024)	(4,234)
Total current assets	1,076,009	1,026,388
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	154,217	150,405
Other, net	243,278	233,543
Total property, plant and equipment	397,495	383,948
Intangible assets		
Goodwill	7,456	5,935
Other	24,706	23,467
Total intangible assets	32,162	29,402
Investments and other assets		
Investment securities	63,514	70,877
Other	172,857	204,812
Allowance for doubtful accounts	(1,255)	(1,360)
Total investments and other assets	235,116	274,329
Total non-current assets	664,773	687,679
Total assets	1,740,782	1,714,067

**(1) CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	262,587	218,662
Short-term loans payable	185,600	130,936
Commercial papers	56,000	80,000
Current portion of bonds	10,000	20,000
Income taxes payable	6,012	4,207
Advances received	151,790	—
Contract liabilities	—	155,207
Provision for bonuses	26,672	16,509
Provision for construction warranties	42,759	12,796
Provision for loss on construction contracts	19,929	12,780
Other provision	1,141	989
Other	146,515	101,396
Total current liabilities	909,005	753,482
Non-current liabilities		
Bonds payable	50,000	60,000
Long-term loans payable	159,223	254,901
Net defined benefit liability	166,193	169,909
Provision for loss on business of subsidiaries and affiliates	1,249	1,298
Other provision	1,068	898
Other	100,298	106,591
Total non-current liabilities	478,031	593,597
<b>Total liabilities</b>	<b>1,387,036</b>	<b>1,347,079</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	107,165	107,165
Capital surplus	51,780	51,778
Retained earnings	186,170	199,510
Treasury shares	(15,899)	(15,976)
Total shareholders' equity	329,216	342,477
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(679)	(313)
Deferred gains or losses on hedges	(252)	(337)
Revaluation reserve for land	5,321	4,845
Foreign currency translation adjustment	(2,067)	(1,846)
Remeasurements of defined benefit plans	(5,164)	(5,008)
Total accumulated other comprehensive income	(2,841)	(2,659)
Subscription rights to shares	533	432
Non-controlling interests	26,838	26,738
Total net assets	353,746	366,988
<b>Total liabilities and net assets</b>	<b>1,740,782</b>	<b>1,714,067</b>

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

### CONSOLIDATED STATEMENTS OF INCOME (Cumulative)

(Millions of yen)

	April 1, 2019 to December 31, 2019	April 1, 2020 to December 31, 2020
Net sales	922,036	766,837
Cost of sales	756,154	649,620
Gross profit	165,882	117,217
Selling, general and administrative expenses	138,621	119,722
Operating profit (loss)	27,261	(2,505)
Non-operating income		
Interest income	572	280
Dividend income	965	619
Other income	2,496	3,204
Total non-operating income	4,033	4,103
Non-operating expenses		
Interest expenses	3,112	2,152
Share of loss of entities accounted for using equity method	9,223	873
Foreign exchange losses	1,407	3,835
Other expenses	8,901	5,151
Total non-operating expenses	22,643	12,011
Ordinary profit (loss)	8,651	(10,413)
Extraordinary income		
Gain on sales of non-current assets	4,336	1,673
Gain on insurance claims	1,108	—
Total extraordinary income	5,444	1,673
Extraordinary losses		
Impairment loss	108	59
Loss on valuation of investment securities	4,679	—
Total extraordinary losses	4,787	59
Profit (loss) before income taxes	9,308	(8,799)
Income taxes	7,074	250
Profit (loss)	2,234	(9,049)
Profit attributable to non-controlling interests	3,989	2,502
Loss attributable to owners of parent	(1,755)	(11,551)

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cumulative)**

(Millions of yen)

	April 1, 2019 to December 31, 2019	April 1, 2020 to December 31, 2020
Profit (loss)	2,234	(9,049)
Other comprehensive income		
Valuation difference on available-for-sale securities	15	361
Deferred gains or losses on hedges	(47)	(67)
Foreign currency translation adjustment	(1,897)	1,098
Remeasurements of defined benefit plans, net of tax	535	222
Share of other comprehensive income of entities accounted for using equity method	159	(656)
Total other comprehensive income	(1,235)	958
Comprehensive income	999	(8,091)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,430)	(10,823)
Comprehensive income attributable to non-controlling interests	3,429	2,732

### (3) NOTES TO THE QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

#### NOTES ON THE PREMISE OF GOING CONCERN

Not applicable

#### NOTES WHEN THERE IS 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 “2. MATTERS REGARDING SUMMARY INFORMATION (NOTES) - (3) CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES, AND RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS AFTER ERROR CORRECTIONS”.

#### 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) EXPLANATION REGARDING BUSINESS RESULTS - Impact of the spread of COVID-19” of “1. QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS”.

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.

#### SEGMENT INFORMATION

##### Segment information

##### I Nine months ended December 31, 2019

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

	Reportable Segment					Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the 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				
<b>Sales:</b>									
(1) Sales to outside customers	220,171	97,458	282,731	293,217	893,577	28,459	922,036	—	922,036
(2) Intersegment sales and transfers	2,327	5,254	5,537	1,419	14,537	16,463	31,000	(31,000)	—
Total	222,498	102,712	288,268	294,636	908,114	44,922	953,036	(31,000)	922,036
Segment profit (loss)	(1,776)	8,003	5,168	20,456	31,851	1,535	33,386	(6,125)	27,261
(Operating profit (loss))									

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 ¥37 million and unallocated corporate expenses of negative ¥6,088 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 Nine months ended December 31, 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 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				
<b>Sales:</b>									
(1) Sales to outside customers	222,705	100,576	262,776	155,709	741,766	25,071	766,837	—	766,837
(2) Intersegment sales and transfers	1,426	3,645	9,403	1,378	15,852	13,684	29,536	(29,536)	—
Total	224,131	104,221	272,179	157,087	757,618	38,755	796,373	(29,536)	766,837
Segment profit (loss)	10,846	9,881	6,901	(28,161)	(533)	982	449	(2,954)	(2,505)
(Operating profit (loss))									

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 ¥385 million and unallocated corporate expenses of negative ¥3,339 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 nine months under review increased by ¥7,971 million in the Resources, Energy and Environment, increased by ¥3,185 million in the Social Infrastructure and Offshore Facility, increased by ¥6,042 million in the Industrial System and General-Purpose Machinery, decreased by ¥59,161 million in the Aero Engine, Space and Defense compared with the previous method. Segment profit or loss in nine months under review increased by ¥662 million in the Resources, Energy and Environment and by ¥462 million in the Industrial System and General-Purpose Machinery, decreased by ¥493 million in the Social Infrastructure and Offshore Facility and by ¥1,698 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

## **SIGNIFICANT SUBSEQUENT EVENTS**

Not applicable