

(Translation purposes only)

Quarterly Securities Report

(The Third Quarter of 204th Term)

From October 1, 2020 to December 31, 2020

IHI Corporation

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Filing date	February 12, 2021
Quarterly accounting period	The Third Quarter of 204th term (from October 1, 2020 to December 31, 2020)
Company name	株式会社 I H I (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
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Part 1. Company information

I. Overview of company

1. Summary of business results

Term	203rd term Nine months ended December 31, 2019	204th term Nine months ended December 31, 2020	203rd term
Accounting period	From April 1, 2019 To December 31, 2019	From April 1, 2020 To December 31, 2020	From April 1, 2019 To March 31, 2020
Net sales (Millions of yen)	922,036	766,837	1,386,503
Ordinary profit (loss) (Millions of yen)	8,651	(10,413)	32,251
Profit (loss) attributable to owners of parent (Millions of yen)	(1,755)	(11,551)	12,812
Comprehensive income (Millions of yen)	999	(8,091)	8,610
Net assets (Millions of yen)	354,865	366,988	353,746
Total assets (Millions of yen)	1,703,052	1,714,067	1,740,782
Basic earnings (loss) per share (Yen)	(11.45)	(77.74)	84.21
Diluted earnings per share (Yen)	—	—	84.19
Shareholders' equity ratio (%)	18.75	19.83	18.75

Term	203rd term Third quarter of the fiscal year ended March 31, 2020	204th term Third quarter of the fiscal year ending March 31, 2021
Accounting period	From October 1, 2019 To December 31, 2019	From October 1, 2020 To December 31, 2020
Basic earnings (loss) per share (Yen)	20.58	(13.36)

- Notes:
- Summary of business results of the reporting company are not presented, because IHI prepares quarterly consolidated financial statements.
 - Net sales do not include consumption taxes.
 - Diluted earnings per share for the third quarter of the 203rd term and the 204th term are not presented even though IHI has issued potential shares, because the per share data is a net loss per share respectively.
 - Monetary amounts and ratios less than one unit are rounded off.

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2. Description of business

IHI and its affiliated entities (152 consolidated subsidiaries and 26 affiliates accounted for using the equity method as of December 31, 2020) operate four main businesses, providing a diverse range of products. The four businesses are: Resources, Energy and Environment; Social Infrastructure and Offshore Facility; Industrial System and General-Purpose Machinery; and Aero Engine, Space and Defense.

In the nine months ended December 31, 2020, there were no significant changes in the contents of the businesses operated by the IHI Group (IHI and its affiliated entities). Changes in principle affiliated companies are as follows.

(Resources, Energy and Environment)

From the first quarter of the fiscal year ending March 31, 2021, IHI Southwest Technologies, Inc. was excluded from the scope of consolidation because of the transfer of its shares to the third party. NitroCision, LLC was excluded from the scope of consolidation because its materiality has decreased.

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

From the third quarter of the fiscal year ending March 31, 2021, a subsidiary of Steinmüller Engineering GmbH was newly established and included in the scope of consolidation.

(Others)

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

II. Overview of business

1. Business risks

There were no new occurrences of business risks in the nine months ended December 31, 2020.

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

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

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

Matters regarding the future stated in this document are based on the judgments as of December 31, 2020.

(1) Overview of 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.

Consolidated performance for the nine months ended December 31, 2020

During the nine months ended December 31, 2020, 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 ended December 31, 2020 were largely affected by the spread of COVID-19.

Orders received of the IHI Group during the nine months ended December 31, 2020 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

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¥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 “Application of Accounting Standard for Revenue Recognition, etc.” of “Changes in accounting policies” in “Notes to Consolidated financial statements” under “IV. Financial information”.

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

Results by reportable segment for the nine months ended December 31, 2020 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)	–

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<Resources, Energy and Environment>

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

Net sales increased in the Boilers Business despite the decrease in the Plants Business.

Operating profit became profitable due to the increase in sales of life cycle business in the Boilers Business and convergence of deterioration of profitability in the Power systems and the Boilers Businesses in the previous corresponding period.

<Social Infrastructure and Offshore Facility>

Orders received decreased in the Transport systems and the Shield systems Businesses despite the increase in the Urban development Business.

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

Operating profit increased due to the increase in sales in the Urban development Business, despite the decrease due to the decline in sales in the Bridges/water gates Business.

<Industrial System and General-Purpose Machinery>

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

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

Operating profit increased in the Transport machineries Business and decreased in the Thermal and surface treatment Business due to the change in net sales. In addition, it increased in the Vehicular turbochargers Business due to the effect of reduced fixed costs despite the decrease in net sales.

<Aero Engine, Space and Defense>

Orders received decreased in the Civil aero engines Business.

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

Recorded operating loss due to the decrease in net sales of highly profitable spare parts in the Civil aero engines Business, although there are effects such as reduction of fixed costs.

(2) Analysis of financial position

Total assets at the end of the third quarter ended December 31, 2020 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.

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%.

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(3) Analysis of capital resources and funding liquidity

At the third quarter ended December 31, 2020, 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.

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

The outstanding balance of cash and cash equivalents at the end of the third quarter ended December 31, 2020 was ¥95.6 billion, down ¥49.8 billion compared with the end of the previous fiscal year, mainly due to the appropriation of funds, which were secured at the end of the previous fiscal year to prepare for turmoil in the financial markets caused from the spread of COVID-19, for working capital expenditures for business activities as the financial markets have become relatively stable.

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

(4) Research and development activities

In the nine months ended December 31, 2020, the IHI Group spent ¥17.4 billion on R&D. There were no significant changes in the status of R&D activities of the IHI Group in the nine months ended December 31, 2020.

(5) Results of production, orders received and sales

a. Production

Production volume by segment in the nine months ended December 31, 2020 is as follows:

Segment name	Amount (Millions of yen)	Changes from the previous corresponding period (%)
Resources, Energy and Environment	230,598	(9.4)
Social Infrastructure and Offshore Facility	114,917	9.6
Industrial System and General-Purpose Machinery	267,450	(10.5)
Aero Engine, Space and Defense	192,651	(22.0)
Subtotal	805,616	(11.0)
Others	28,408	(24.0)
Total	834,024	(11.5)

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

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b. Orders received

Orders received by segment in the nine months ended December 31, 2020 are as follows:

Segment name	Orders received (Millions of yen)	Changes from the previous corresponding period (%)	Order backlog at the end of the period (Millions of yen)	Changes from the end of the previous fiscal year
Resources, Energy and Environment	154,318	(36.7)	453,886	(12.9)
Social Infrastructure and Offshore Facility	99,250	(4.0)	216,485	(5.7)
Industrial System and General-Purpose Machinery	253,100	(23.0)	164,043	(14.0)
Aero Engine, Space and Defense	158,684	(14.4)	228,007	(53.8)
Subtotal	665,352	(22.7)	1,062,421	(26.0)
Others	56,625	14.9	41,338	55.4
Adjustments	(37,553)	—	—	—
Total	684,424	(21.9)	1,103,759	(24.5)

- Notes:
- Orders received amounts in each segment include intersegment transactions, and the total amount of intersegment transactions has been eliminated with adjustments amounts.
 - Intersegment transactions have been eliminated in calculating order backlogs for each segment.
 - The amounts stated above do not include consumption taxes.
 - Monetary amounts and ratios less than one unit are rounded off.
 - In the segment of Aero Engine, Space and Defense, we have changed the calculation method of orders received and order backlog in the Civil aero engines Business to another recognition method better to represent remaining performance obligations, in preparation for the adoption of IFRS starting from the year-end financial results for the fiscal year ending March 31, 2021. Applying the changed method, the order backlog amount of ¥493,668 million as of the end of the previous fiscal year is amended to be ¥224,633 million. Therefore, the change from this amended amount of ¥224,633 million to the order backlog amount of ¥228,007 million as of December 31, 2020 become an up of 1.5%.

c. Sales

Sales revenue by segment in the nine months ended December 31, 2020 is as follows:

Segment name	Amount (Millions of yen)	Changes from the previous corresponding period (%)
Resources, Energy and Environment	224,131	0.7
Social Infrastructure and Offshore Facility	104,221	1.5
Industrial System and General-Purpose Machinery	272,179	(5.6)
Aero Engine, Space and Defense	157,087	(46.7)
Subtotal	757,618	(16.6)
Others	38,755	(13.7)
Adjustments	(29,536)	—
Total	766,837	(16.8)

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

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

There were no significant changes with respect to management policies, management strategies, and issues to be addressed, that were stated in the Quarterly Securities Report for the second quarter of 204th term.

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.

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

It is formulated and executed as described in “(8) Planned additions, retirements, etc. of facilities” of “2.

Management’s Analysis of financial position, operating results and cash flows” of “II. Overview of business” in our Quarterly Securities Report for the second quarter of 204th term.

As taking into account of temporarily freezing and/or reduction of capital investments, which is a countermeasure against the impact of the spread of COVID-19, the IHI Group plans to invest ¥54.0 billion during the current fiscal year. Since IHI resolved to adopt International Financial Reporting Standards (hereinafter, “IFRS”) starting from the year-end financial results for the fiscal year ending March 31, 2021, the amounts of plan are based on IFRS.

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

3. Material contracts for operation

(Licensing-in contracts)

Material contract that has been renewed by extending the contract period in the third quarter ended December 31, 2020 is as follows.

Name of Contracting Company	Name of Counterparty	Country	Licensed Products	Details	Contract Period
IHI Power Systems Co., Ltd. (Consolidated subsidiary)	MAN Diesel & Turbo France SAS	France	General-purpose medium-speed diesel engine	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From November 14, 1995 to December 31, 2021

Note: In the contract listed above, the original contract period that was to December 31, 2020 was extended to December 31, 2021.

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III. Information about reporting company

1. Information about shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

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

(ii) Issued shares

Class	Number of issued shares as of the end of the third quarter (Shares) (December 31, 2020)	Number of issued shares as of the filing date (Shares) (February 12, 2021)	Name of stock exchange on which IHI is listed or names of authorized financial instruments firms associations where IHI is registered	Description
Common stock	154,679,954	154,679,954	First Section of Tokyo Stock Exchange and Nagoya Stock Exchange, Fukuoka Stock Exchange, Sapporo Securities Exchange	The number of shares constituting one unit is 100 shares.
Total	154,679,954	154,679,954	–	–

Note: The “Number of issued shares as of the filing date” column does not include the number of shares issued upon exercise of subscription rights to shares between February 1, 2021 and the filing date of this Quarterly Securities Report.

(2) Subscription rights to shares, etc.

(i) Details of stock option plans

Not applicable

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

Not applicable

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

Not applicable

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

Period	Changes in number of issued shares (Thousand shares)	Balance of number of issued shares (Thousand shares)	Changes in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
From October 1, 2020 to December 31, 2020	–	154,679	–	107,165	–	54,520

(5) Major shareholders

The major shareholders are not presented because the current quarterly accounting period is the third quarter period.

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(6) Voting rights

Concerning the information on voting rights below, as IHI was unable to confirm the information stated in the shareholder register as of December 31, 2020, the information is stated not from its register; rather it is stated from the shareholder register of the immediately preceding cut-off date (September 30, 2020).

(i) Issued shares

(As of September 30, 2020)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (others)	–	–	–
Shares with full voting rights (treasury shares, etc.)	(Shares in treasury) Common stock 5,630,300	–	–
	(Reciprocally held shares) Common stock 20,200	–	
Shares with full voting rights (others)	Common stock 148,799,400	1,487,994	–
Shares less than one unit	Common stock 230,054	–	Shares less than one unit (100 shares)
Number of issued shares	154,679,954	–	–
Total number of voting rights	–	1,487,994	–

- Notes:
1. Common stock in “Shares less than one unit” includes 95 shares of treasury shares held by IHI.
 2. Common stock in “Shares with full voting rights (others)” includes 700 shares whose ownership has not yet been transferred and which have been registered in the name of Japan Securities Depository Center. These shares constitute seven units of voting rights, which are included in the figure in “Number of voting rights.”
 3. Common stock in “Shares with full voting rights (others)” includes 552,400 shares of IHI owned by a trust account for the Board Benefit Trust.

(ii) Treasury shares, etc.

(As of September 30, 2020)

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
(Shares in treasury)					
IHI Corporation	1-1, Toyosu 3-chome, Koto-ku, Tokyo	5,630,300	–	5,630,300	3.64
(Reciprocally held shares)					
Kondo Tekko Co., Ltd.	10-5, Yaesu 2-chome, Chuo-ku, Tokyo	20,200	–	20,200	0.01
Total	–	5,650,500	–	5,650,500	3.65

Note: 552,400 shares of IHI owned by a trust account for the Board Benefit Trust are not included in shares in treasury above.

(Translation purposes only)

2. Information about directors and auditors

Not applicable

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

(Translation purposes only)

IV. Financial information

1. Basis of preparation of the consolidated quarterly financial statements

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

2. Audit attestation

The quarterly consolidated financial statements for the third quarter for the fiscal year ending March 31, 2021 (from October 1, 2020 to December 31, 2020) and nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020) were reviewed by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

(Translation purposes only)

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	147,228	96,112
Notes and accounts receivable – trade	*1 403,832	—
Notes, accounts receivable – trade and contract assets	—	*1*2 407,212
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
Liabilities		
Current liabilities		
Notes and accounts payable - trade	262,587	*2 218,662
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
Total liabilities	1,387,036	1,347,079

(Translation purposes only)

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Net assets		
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
Total liabilities and net assets	1,740,782	1,714,067

(Translation purposes only)

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

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended 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	*1 4,336	1,673
Gain on insurance claims	1,108	—
Total extraordinary income	5,444	1,673
Extraordinary losses		
Impairment loss	*2 108	*2 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)

(Translation purposes only)

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended 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

(Translation purposes only)

Notes to Consolidated financial statements

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

(1) Significant change in scope of consolidation

From the first quarter of the fiscal year ending March 31, 2021, ALPHA Automotive Technologies LLC was changed from a non-consolidated subsidiary accounted for using the equity method to a consolidated subsidiary because its materiality within the IHI Group has increased.

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

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

From the third quarter of the fiscal year ending March 31, 2021, a subsidiary of Steinmüller Engineering GmbH was newly established and included in the scope of consolidation.

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

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

(Changes in accounting policies)

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

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

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

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

As a result, for the nine months ended December 31, 2020, 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.

(Translation purposes only)

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

(Special accounting for preparing quarterly consolidated financial statements)

(Tax expense calculation)

Tax expenses on profit before income taxes for the nine months ended December 31, 2020 are calculated by multiplying profit before income taxes for the nine months ended December 31, 2020 by the reasonably estimated effective tax rate for the fiscal year including the third quarter ended December 31, 2020 after applying tax effect accounting. Should the estimated effective tax rate be unavailable, however, tax expenses are calculated by using the statutory tax rate for profit before income taxes for the nine months ended December 31, 2020.

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

(Translation purposes only)

(Quarterly consolidated balance sheet)

1. Contingent liabilities

(1) Guarantees for debt of others (Note)

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

(Millions of yen)			
As of March 31, 2020		As of December 31, 2020	
IHI Investment for Aero Engine Leasing LLC	14,961	Japan Marine United Corporation	10,500
Japanese Aero Engines Corporation (“JAEC”)	5,659	IHI Investment for Aero Engine Leasing LLC	9,847
ALPHA Automotive Technologies LLC	603	JAEC	4,061
Japan Aeroforge, Ltd.	354	Chubu Segment Co., Ltd.	325
Contingent liabilities for employee housing loans	194	Japan Aeroforge, Ltd.	325
Chubu Segment Co., Ltd.	25	Contingent liabilities for employee housing loans	166
		Yachiyo 5 Logistic Specific Purpose Company	39
Total	21,796	Total	25,263

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

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

(Millions of yen)			
As of March 31, 2020		As of December 31, 2020	
Contingent liabilities for employee housing loans	4,255	Contingent liabilities for employee housing loans	3,829
Total	4,255	Total	3,829

Note:

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

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

2. Notes receivable - trade discounted in the ordinary course of business (*1)

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Notes receivable - trade discounted in the ordinary course of business	103	40

3. Notes maturing on balance sheet date (*2)

Accounting of notes maturing on the last day of quarter is settled on the clearing date.

Because the last day of the third quarter ended December 31, 2020 fell on a bank holiday, the following such notes that matured on the last day of quarter are included in the balance on the last day of the third quarter ended December 31, 2020.

(Millions of yen)		
	As of March 31, 2020	As of December 31, 2020
Notes receivable - trade	-	2,298
Notes payable - trade	-	492

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

(Translation purposes only)

(Quarterly consolidated statements of income)

1. Gain on sales of non-current assets (*1)

Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)

The Aichi Headquarters Representative's Office has ended its function as a production base, after the completion of projects by the F-LNG business for which orders have already been received. Accordingly, IHI sold a part of the land, building and other assets of the Aichi Headquarters Representative's Office and recorded a gain on sales of non-current assets.

Details and location of assets	Gain on sales of non-current assets
Land (approximately 219,000 m ²) and Building (Including accompanying non-current assets) 11-21, Kitahama-machi, Chita-city, Aichi etc. Others	¥4,336 million

2. Impairment loss (*2)

Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)

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

(Millions of yen)

Use	Location	Type of assets	Amount	Value of assets
Business assets	Yokohama-city, Kanagawa, Japan	Leased assets	83	Net realizable value
Business assets	Chita-city, Aichi, Japan	Machinery	16	Net realizable value
Idle assets	Isesaki-city, Gunma, Japan	Land	9	Net realizable value

(2) Method for grouping assets

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

(3) Reasons for recognition of impairment loss

Due to deterioration in profitability, the book value of business assets has been reduced to recoverable amount.
As there is no prospect of usage, the book value of idle assets has been reduced to recoverable amount.

(4) Method for measuring recoverable amounts

The recoverable amounts are the higher of net realizable value (amount calculated by reasonably adjusting property tax valuation, etc., assessed sale value) or its value in use (discount rate is mainly 5.0%).

(5) Impairment loss

The impairment loss of ¥108 million was recorded as "Impairment loss" under extraordinary losses. The amounts of impairment loss for the nine months ended December 31, 2019 are as follows:

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

Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

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

(Millions of yen)

Use	Location	Type of assets	Amount	Value of assets
Business assets	Taipei-city, Taiwan	Structures etc.	59	Value in use

(2) Method for grouping assets

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

(Translation purposes only)

(3) Reasons for recognition of impairment loss

Due to deterioration in profitability, the book value of business assets has been reduced to recoverable amount.

(4) Method for measuring recoverable amounts

The recoverable amounts are the higher of net realizable value (amount calculated by reasonably adjusting property tax valuation, etc., assessed sale value) or its value in use (discount rate is mainly 3.4%).

(5) Impairment loss

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

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

(Quarterly consolidated statements of cash flows)

A quarterly consolidated statement of cash flows relating to the nine months ended December 31, 2020, is not prepared. Depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill are as follows.

	(Millions of yen)	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Depreciation	40,116	43,552
Amortization of goodwill	1,838	1,919

(Translation purposes only)

(Shareholders' equity)

I. Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)

1. Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders on June 20, 2019	Common stock	6,180	40	March 31, 2019	June 21, 2019	Retained earnings
Meeting of the Board of Directors on November 1, 2019	Common stock	4,636	30	September 30, 2019	December 6, 2019	Retained earnings

Note: 1. Total dividends determined by a resolution of the Ordinary General Meeting of Shareholders held on June 20, 2019 included ¥9 million, which was the value of dividends for shares of IHI owned by a trust account for the Board Benefit Trust.

2. Total dividends resolved on meeting of the Board of Directors on November 1, 2019 included ¥12 million which were dividends for shares of IHI owned by a trust account for the Board Benefit Trust.

2. Dividends whose record date was in the nine months ended December 31, 2019 and the effective date of which is after the end of the third quarter of the fiscal year ended March 31, 2020
Not applicable

3. Significant changes in shareholders' equity

At the Board of Directors' meeting held on November 7, 2019, IHI resolved the matter regarding repurchase of treasury shares pursuant to the provisions of Article 156 of the Companies Act, applied by replacing the relevant terms pursuant to the provisions of Article 165 Paragraph 3 of the same Act. On November 8, 2019, IHI repurchased 5,542,200 shares of treasury shares.

Consequently, total treasury shares increased ¥14,487 million for the nine months ended December 31, 2019 and were ¥15,969 million at the end of third quarter ended December 31, 2019.

II. Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

1. Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders on June 25, 2020	Common stock	2,980	20	March 31, 2020	June 26, 2020	Retained earnings

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

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

3. Significant changes in amounts of equity

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

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

(Translation purposes only)

(Additional information)

(Impact of the spread of COVID-19)

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

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

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

(Lawsuits of a consolidated subsidiary)

IHI E&C International Corporation (hereinafter the “IHI E&C”), a consolidated subsidiary, received an order from a customer for the construction project of process plant in North America and construction delays have occurred in the project (hereinafter the “Delay”). IHI Group has been continuing negotiations with the customer since the Delay occurred for the reasons attributable to the customer, and IHI E&C has also incurred additional costs that should be reimbursed in accordance with the contract. However, both parties have not reached an agreement, and therefore, IHI E&C filed a lawsuit on December 4, 2020.

As described in “(3) Other contingent liabilities” of “1. Contingent liabilities” of “(Quarterly consolidated balance sheet)” of “Notes to Consolidated financial statements” in our Quarterly Securities Report for the second quarter of 204th term, IHI E&C received a letter of claim for payment of 117 million US dollars from the customer on December 4, 2019, for liquidated damages for delayed delivery (hereinafter the “LD”). The IHI Group has continuously requested an extension of the delivery date and insisted that these LDs claims are unacceptable since the Delays occurred due to the customer’s circumstances, however, as mentioned above, both parties were not able to reach an agreement and the litigation is currently on-going. At this point, because it is difficult to reasonably estimate the amount of the effect on the financial position and operating results, the effect of the matter of the LD has not been reflected in the consolidated financial statements.

(Translation purposes only)

(Segment information)

Segment information

I. Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)

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

(Millions of yen)

	Reportable Segment					Others (Note 1)	Consolidated	Adjustment (Note 2)	Amount on the quarterly consolidated statements of income
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	220,171	97,458	282,731	293,217	893,577	28,459	922,036	—	922,036
(3) 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) (Operating profit (loss))	(1,776)	8,003	5,168	20,456	31,851	1,535	33,386	(6,125)	27,261

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 (From April 1, 2020 to 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 quarterly consolidated statements of income
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total				
Sales:									
(1) Sales to outside customers	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) (Operating income (loss))	10,846	9,881	6,901	(28,161)	(533)	982	449	(2,954)	(2,505)

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

(Translation purposes only)

business, and other service operations.

2. Adjustment of segment profit represents intersegment transactions of ¥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 ended December 31, 2020 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 ended December 31, 2020 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

(Translation purposes only)

(Revenue recognition)

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

Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

(1) Sales breakdown by type of goods and services

(Millions of yen)

	Reportable Segment					Others	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total		
Power Systems	61,157				61,157		61,157
Boilers	82,794				82,794		82,794
Plants	26,852				26,852		26,852
Nuclear power	18,122				18,122		18,122
Bridges/water gates		49,424			49,424		49,424
Shield systems		12,398			12,398		12,398
Urban development		19,283			19,283		19,283
Vehicular turbochargers			108,918		108,918		108,918
Parking			33,985		33,985		33,985
Rotating machineries			36,013		36,013		36,013
Thermal and surface treatment			21,498		21,498		21,498
Transport machineries			29,132		29,132		29,132
Civil aero engines				73,290	73,290		73,290
Other	38,797	23,593	43,756	91,284	197,430	38,755	236,185
Internal sales	(5,017)	(4,122)	(10,526)	(8,865)	(28,530)	(13,684)	(42,214)
Sales to outside customers	222,705	100,576	262,776	155,709	741,766	25,071	766,837

(Translation purposes only)

(2) Sales breakdown by region

(Millions of yen)

	Reportable Segment					Others	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facility	Industrial System and General- Purpose Machinery	Aero Engine, Space and Defense	Total		
Japan	145,397	79,942	139,023	82,746	447,108	20,282	467,390
North America	15,679	—	10,791	65,330	91,800	152	91,952
Asia	54,508	16,624	84,408	3,657	159,197	388	159,585
Europe	2,159	3,993	23,573	3,692	33,417	3,884	37,301
Central and South America	441	—	4,613	248	5,302	100	5,402
Others	4,521	17	368	36	4,942	265	5,207
Overseas	77,308	20,634	123,753	72,963	294,658	4,789	299,447
Sales to outside customers	222,705	100,576	262,776	155,709	741,766	25,071	766,837

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

(Translation purposes only)

(Per share information)

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

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
(1) Basic earnings (loss) per share (Yen)	(11.45)	(77.74)
(Fundamentals)		
Amounts for profit (loss) attributable to owners of parent (Millions of yen)	(1,755)	(11,551)
Amounts for non-common shareholders (Millions of yen)	–	–
Amounts for profit (loss) attributable to owners of parent regarding common stock (Millions of yen)	(1,755)	(11,551)
Average number of shares of common stock (Thousands of shares)	153,314	148,578
(2) Diluted earnings per share (Yen)	–	–
(Fundamentals)		
Adjustment amount of profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of shares of common stock (Thousands of shares)	–	–
Outline of potential shares which were not included in the calculation of the diluted earnings per share due to no dilutive effects, and which had material changes after the end of the previous fiscal year	–	–

Notes: 1. Diluted earnings per share for the nine months ended December 31 of 2019 and 2020 are not presented even though IHI has issued potential shares, because the per share data is a net loss per share respectively.

2. Shares of IHI owned by a trust account for the Board Benefit Trust are included in the number of treasury shares excluded from the calculation of the number of the average number of shares. The average number of treasury shares excluded from the calculation of basic earnings per share for the nine months ended December 31 of 2019 and 2020 were 286,956 shares and 469,150 shares respectively.

(Significant subsequent events)

Not applicable

2. Others

Not applicable

(Translation purposes only)

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

Not applicable