

Business Report

(From April 1, 2020 to March 31, 2021)

1. Matters on Current Status of the IHI Group

(1) Progress of Business Operations and Their Results

● Business Environment and Initiatives Taken by the IHI Group

During the fiscal year under review, Japan's economy encountered severe conditions brought about by restrictions imposed on economic activity due to the COVID-19 pandemic. The global economy has also remained sluggish as a whole amid the spread of COVID-19 variants, despite certain regions and industries showing a trend of recovery.

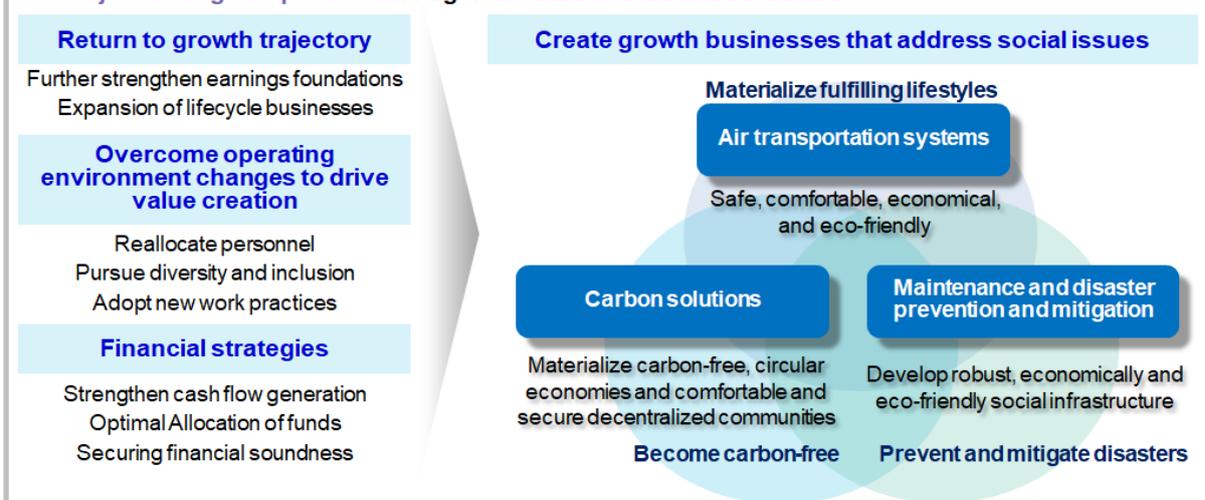
Meanwhile, the IHI Group's mainstay business of civil aero engines has been greatly affected amid a decrease in sales of engines and spare parts owing to a continuing scenario of sluggish demand for aero transportation and deterioration of business conditions for airlines. In the countries of North America and elsewhere making headway with vaccinations demand for domestic flights is poised to improve from this fiscal year onward, yet recovery has been delayed when it comes to international flights amid an ongoing lack of progress in relaxing immigration restrictions. On the other hand, the vehicular turbochargers business has been mounting a gradual recovery in terms of the number of units delivered amid a resumption of production activity in Europe and the U.S., where some restrictions on economic activity remain, in addition to an early shift to a recovery trend in China's automotive industry. Under these circumstances, the IHI Group took action on a company-wide basis such that included temporarily freezing and reducing capital investment, R&D expenditure and other costs, reducing total outlays and fixed costs, and shifting human resources to growth areas and the life cycle business.

In November 2020, the IHI Group drew up and began implementing "Project Change," which positions the period up to FY2022 as a phase of preparation and transition toward business reform aligned with changes in the business environment, thereby carrying forward the basic concepts of the "Group Management Policies 2019" medium-term management plan. In accordance with "Project Change," the IHI Group will return to a growth trajectory at an early stage. This will involve shifting to a business structure that can overcome changes in the business environment, strengthening earnings foundations by executing financial strategies, and promoting steady expansion of lifecycle businesses. In addition, the IHI Group will accelerate initiatives for creating growth businesses that help materialize a sustainable society, while also promoting the transformation of its business portfolio.

• Positioning



• Project Change emphases: Management that embraces ESG values



- Carbon solutions**
 To realize carbon neutrality by 2050, we envisage moving to a society centered on the use of hydrogen, ammonia, and renewable energies. While continuing to contribute to the stable supply of energy, we will use our technologies cultivated to date and provide leadership towards realizing a society with a decarbonized circular economy.
- Maintenance and disaster prevention and mitigation**
 By taking our experience and insight gained through construction and maintenance of social infrastructure such as bridges and water gates, and combining it with external data such as meteorological information, we are working on the construction, etc. of systems that predict disasters and mitigate damage by optimizing operations during disasters.
- Air transportation systems**
 We are committed to reducing CO₂ emissions in the aviation industry too. To realize ecofriendly air freight services, we are developing composite materials that will lead to making aircraft engines lighter to improve operation efficiency and thereby contribute to CO₂ reduction. Moreover, from the point of view of future technological innovation, we are developing technology to use hydrogen fuel and electric engines on aircraft.

• Management Targets (FY2022)

Post-Tax ROIC (Note 1)	CCC (Note 2)	Operating Profit Margin
10% or more	80 days	8% or more

(Notes)

- ROIC = (Operating profit + Interest and dividend income) after tax / (Equity attributable to owners of parent / Interest-bearing liabilities)
- CCC = (Working capital / Revenue) x 365 days

- **Operating Results**

The IHI Group's operating results during the fiscal year ended March 31, 2021 were largely affected by the spread of COVID-19. Orders received decreased 14.3% from the previous fiscal year to 1,097.0 billion yen. Revenue decreased 11.9% from the previous fiscal year to 1,112.9 billion yen due to significant decrease in revenue of the civil aero engines business.

In terms of profit, operating profit decreased by 19.8 billion yen to 27.9 billion yen mainly due to significant decrease in revenues of the civil aero engines business, and despite increased profit due to expansion of the lifecycle businesses, the phase of deteriorating profitability ensuing through to the previous fiscal year in the Resources, Energy and Environment Business Area having largely come to an end, reduction of fixed costs, and sale of real estate. Profit attributable to owners of parent was 13.0 billion yen, an increase of 4.8 billion yen.

[Earnings Highlights (Consolidated)] IFRS

	203 rd Fiscal Year	204 th Fiscal Year
	Amount (Billions of yen)	Amount (Billions of yen)
Orders Received	1,280.0	1,097.0
Revenue	1,263.1	1,112.9
Operating Profit	47.8	27.9
Profit before tax	29.1	27.6
Profit Attributable to Owners of Parent	8.2	13.0
Order Backlog	1,449.2	1,165.0

(Note) The IHI Group has adopted the International Financial Reporting Standards (IFRS) beginning in the fiscal year under review. The financial figures for the previous fiscal year have also been reclassified under IFRS for comparative analysis.

- **Dividend**

With respect to dividends for the fiscal year under review, the Company has regrettably decided to forgo payment of dividends upon having taken into account a broad range of factors, including the need for investment to increase corporate value and its desire to enhance and reinforce equity capital.

- **Overview of Each Business Division**

The overview of each business division for the fiscal year under review is as follows:

○ Resources, Energy and Environment

Main Businesses

Power systems (power systems plants for land use and power systems for ships), carbon solutions (boilers, storage facilities, chemical plants and pharmaceutical plants), nuclear power (components for nuclear power plants)

Working in line with the long-term goals set under the Paris Agreement to limit the increase in the global average temperature and reduce greenhouse gas emissions, Japan, like other countries, is quickly shifting toward a carbon-free society, as evidenced by a Cabinet decision to revise the law with the aim of making the country carbon neutral by 2050.

In this business area, the IHI Group will promote highly efficient operation of existing energy infrastructures and use of carbon neutral/carbon free fuel. It will furthermore engage in efforts to achieve carbon neutrality by 2050 through accelerated development of technology relating to carbon recycling.

Business Topics

IHI Receives 20-Year Order for Construction and Operation/Maintenance Services for Biomass Power Plant at Yatsushiro

IHI Corporation and its subsidiary, IHI Plant Services Corporation, received an engineering-procurement-construction and 20-year operation and maintenance services contract from Kumamoto Shinrin Hatsuden for its Biomass Power Plant at Yatsushiro.

Fueled solely by biomass, which is a carbon-neutral energy source, the fossil fuel-free power plant will use wood pellets and wood chips made from unused thinned woods from Kumamoto Prefecture as fuel. The 75,000-kilowatt power plant will generate enough electricity to power 150,000 households annually. The IHI and IHI Plant Service Corporation will provide everything from operation to maintenance services to keep the plant running efficiently across its lifespan.

The IHI Group will leverage its expertise with various types of power generation plants as well as technologies for using biomass, ammonia, and other carbon-neutral energy sources to contribute to realizing a carbon-free, recycling-based society.

○ **Social Infrastructure and Offshore Facility**

Main Businesses

Bridges/water gates, transport systems, shield systems, concrete construction materials, urban development (real estate sales and rental)

In the domestic market, the number of new large-scale projects is decreasing while maintenance work is proportionately increasing in response to aging infrastructure and intensifying disasters. In overseas markets, whereas developed economies have been experiencing strong demand for conservation work resulting from deterioration of infrastructure, developing countries have been experiencing robust demand for new construction, along with an increasing number of project schemes where private companies participate in operation and maintenance of social infrastructures, rather than projects organized through ODA.

In this business area, the IHI Group is working on initiatives to roll out and expand life-cycle businesses, which include not only infrastructure construction work but also planning, operation, maintenance and conservation, primarily of bridges and tunnels, both domestically and internationally to offer robust and sustainable social infrastructure systems.

Business Topics

Order Received for Fabrication and Transport of Special Bridges for Mumbai-Ahmedabad High Speed Rail Corridor Project

IHI Infrastructure Systems Co., Ltd., an IHI subsidiary, received a joint contract with India's leading general contractor, Larsen & Toubro Limited, to fabricate and transport 28 steel truss bridges for the Mumbai-Ahmedabad High Speed Rail Corridor Project being implemented by India's National High Speed Rail Corporation.

India is facing the challenge of coping with a sudden increase in domestic passenger and cargo traffic due to its recent population surge and rapid economic growth. The construction of the country's first high-speed railroad connecting Mumbai and Ahmedabad is expected to greatly improve transportation convenience, reduce traffic pollution, and strengthen regional cooperation, leading to economic development.

The IHI Group has a wealth of experience in building large bridges overseas. The Group will continue to work on winning contracts in India and the rest of the world with the aim of contributing to the development of countries around the world through construction of social infrastructure.

○ **Industrial System and General-Purpose Machinery**

Main Businesses

Vehicular turbochargers, parking, rotating machineries (compressors, separation systems, turbochargers for ships), thermal and surface treatment, transport machineries, logistics/industrial systems (logistics systems, industrial machineries)

The market conditions in the automobile industry have entered a recovery phase, starting in China. Capital investment in industrial systems, however, has been cut back as the spread of COVID-19 casts a shadow of uncertainty over the future. As society changes at an ever-increasing pace due to increasing demand for products and services with less of an environmental impact, a shrinking working population, more diverse consumer needs, and ongoing digitalization, the needs of our customers are diversifying in step with these changes.

In this business area, the IHI Group will minimize the impact of the spread of COVID-19 to our business activities, while also contributing to the development of industrial infrastructure by responding to various needs of customers throughout the life cycle in part by proposing solutions and shifting to more sophisticated services using digital technology.

Business Topics

Preventing Infection Using High-performance Ozone Systems

The IHI Group is working to prevent bacterial and viral infections by providing air purification and sterilization technologies that use ozone gas.

The Ozone Air Cleaner high-performance ozone air purifier developed, manufactured, and sold by IHI subsidiary, IHI Agri-Tech Corporation, features deodorization, dust removal and other air purification capabilities, while also rendering more than 99.99% of bacteria and viruses inactive. As a result, it has helped to combat the spread of SARS, new influenza strains, and other infectious diseases thus far.

In addressing currently mounting demand in the area of infectious disease control, IHI Agri-Tech has been taking steps to increase production of air purifiers and other such products. Accordingly, it launched sales of a simple negative-pressure isolation tent capable of rapidly achieving a negative-pressure isolation environment to ensure that bacteria and viruses do not escape beyond a defined space. It also launched sales of the new Re-clear sterilized water that uses ozone gas.

Looking ahead toward the with-COVID-19 and post-COVID-19 eras, the IHI Group will continue striving to create safe and hygienic environments for its customers.

○ **Aero Engine, Space and Defense**

Main Businesses

Aero engines, rocket systems/space utilization systems, defense systems

It is expected to take some more time before passenger demand recovers, and this will surely continue to affect our business. However, our aero engines are mounted on relatively new type aircrafts, and due to their superiority in operating costs such as fuel efficiency, it is expected that operation will be resumed preferentially and revenue in the aftermarket will recover rapidly.

In this business area, the IHI Group will set its sights on establishing a business structure capable of overcoming changes in the business environment, and will accordingly review production systems in response to fluctuations in demand, shift resources to strengthen the cost structure, and redouble efforts in the aftermarket realm. Moreover, the IHI Group will drive the evolution of its unique technologies and Monozukuri (manufacturing) capabilities, while otherwise helping to reduce environmental loads by developing new engines capable of greater efficiency and improved fuel economy.

Business Topics

IHI Aerospace Provides Hayabusa2 Re-Entry Capsule Support

On December 6, 2020 the Hayabusa2 re-entry capsule returned to Earth, completing its six-year-long journey. IHI Aerospace Co., Ltd. (IA), an IHI subsidiary, participated in the capsule's development for the Hayabusa2 Project of the Japan Aerospace Exploration Agency (JAXA). IA took part in the development of the re-entry capsule, designed to bring samples of the Ryugu asteroid back to Earth, and assisted the JAXA team responsible for the capsule's recovery, safety, and disassembly procedures. The company also helped develop the impactor used to create a crater on the surface of the asteroid from which samples were collected.

MEISEI ELECTRIC Co., Ltd., another IHI subsidiary, developed a physical observation digital camera for Hayabusa2's DCAM3 system, which captured collision images, contributing to the success of the probe mission.

The IHI Group will continue to harness the technologies it has cultivated over the years to aid in Japan's space development with the hope of helping to realize the dreams of humankind and enrich society as a whole.

(2) Financing

The Company carried out financing by means of the 46th to 48th issues of unsecured bonds totaling 30.0 billion yen, long and short-term borrowings for the purposes of repaying borrowings, redeeming bonds, allocating funds for working capital, securing liquidity on hand to prepare itself for the spread of COVID-19, and other purposes.

As a result, the balance on interest-bearing liabilities at the end of the fiscal year under review totaled 605.9 billion yen, about the same as what it was at the end of the previous fiscal year, which was 612.7 billion yen (IFRS basis).

(3) Capital Investment

Total capital investment for the fiscal year under review was 48.3 billion yen. That mainly consisted of investment in the Aero Engine, Space and Defense Business Area which involved manufacturing facilities for the aero-engine business and the rocket systems and space utilization business; investment in the Social Infrastructure & Offshore Facilities Business Area which involved manufacturing facilities for the bridges/water gates business, and; large-scale renovation work mainly pertaining to investment real estate for the urban development business.

(4) Issues to be Addressed

Despite the likelihood of global economic recovery as suppression of economic activity caused by COVID-19 gradually dissipates, many uncertainties remain with regard to the business outlook. This includes obstacles to global economic recovery posed by political and economic rivalry between the U.S. and China along with other geopolitical risks, in addition to proliferation of COVID-19 variants. Meanwhile, moves are being made on a global scale toward carbon neutrality at an accelerating pace amid internationally mounting concern with regard to the issue of climate change.

To cope with this uncertain business environment, we will take action that involves strengthening our cost structure in part by persisting with efforts to lower our break-even point while also reducing fixed costs. We will furthermore continue to reform the business structure while accelerating our shift of workforce resources looking toward expansion of the lifecycle business, which is directly linked to our earnings foundations. In the civil aero engines business, greatly affected by COVID-19, we will continue to transform our business structure to make it stronger than before the outbreak of the pandemic, which will involve bracing ourselves for the upcoming phase of recovering demand by further promoting reforms.

Whereas our efforts taken thus far to prevent a further decline in large-scale projects are deemed to have produced results, we will persist with our initiatives involving risk management while closely monitoring various developments associated with global politics and economic affairs as well as economic security.

Under “Project Change,” we have redefined the Group’s growth businesses as “carbon solutions,” “maintenance, disaster prevention and disaster mitigation,” and “air transportation systems,” with the aim of addressing social issues that include frequently occurring natural disasters and trends involving carbon neutrality. This will play a central role in terms of our addressing the pressing challenge of accelerating specific initiatives geared to creating the new growth businesses. Meanwhile, we intend to sell assets in order to secure sufficient investment resources to such ends.

Amid the escalating importance of corporate sustainability, the Group will contribute to the development of a sustainable society by promoting management that enlists a keen awareness of ESG* considerations and by harnessing technology that strikes a balance with nature.

We would like to ask for your continued understanding and support.

* **E**nvironment, **S**ociety and **G**overnance

Forecasts of Consolidated Results for Fiscal 2020 and Dividend Forecast

On May 13, 2021, the Company announced its forecasts of full-year consolidated results for fiscal 2021 and dividend forecast as follows.

Details have been made available on the “IR” section of the Company’s website; please refer to them as necessary.

205 th Fiscal Year (IFRS)				(Billions of yen)	
Revenue	Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent	Annual Dividend	
1,180.0	70.0	60.0	35.0	60 yen per share (Interim: 30 yen, Year-end: 30 yen)	

The Company’s Dividend Policy (announced on May 8, 2019)

The Company’s management policy calls for it to contribute to building a sustainable society, aiming to boost corporate value by working together with its customers to solve various social problems.

Under this management policy of contributing toward achieving sustainable society, the Company aims to increase dividends on a sustainable basis in proportion with the IHI Group’s growth while following the basic policy of stable dividend payment.

With respect to the amount of dividends, the Company targets a consolidated payout ratio of around 30% while comprehensively considering investments and allocations to enrich and bolster equity to enhance corporate value.

(5) Changes in Assets and Profit/Loss

(Millions of Yen)

Item	201 st Fiscal Year	202 nd Fiscal Year	203 rd Fiscal Year		204 th Fiscal Year
	J-GAAP	J-GAAP	J-GAAP	IFRS	IFRS
Orders Received	1,505,010	1,399,242	1,373,995	1,280,052	1,097,012
Net Sales / Revenue	1,590,333	1,483,442	1,386,503	1,263,178	1,112,906
Profit Attributable to Owners of Parent / Profit Attributable to Owners of Parent	8,291	39,889	12,812	8,204	13,093
Earnings per Share / Basic Earnings per Share (Yen)	53.71	258.53	84.21	53.93	88.13
Total Assets (Note 2)	1,633,488	1,664,529	1,740,782	1,869,038	1,832,891
Net Assets / Total Equity	350,217	381,692	353,746	306,040	327,727
ROE (Return on Equity) / Profit to Equity Attributable to Owners of Parent (Note 3) (%)	2.6	11.8	3.8	2.8	4.5

(Notes)

1. The IHI Group adopted the International Financial Reporting Standards (IFRS) beginning in the 204th fiscal year.
2. The Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances from the beginning of the 202nd fiscal year. Accordingly, the amount of total assets for the 201st fiscal year has been restated retroactively in accordance with the Standard.
3. Profit attributable to owners of parent / (Average of ending equity for the previous and current years / Profit attributable to owners of parent / (Average of ending Equity Attributable to Owners of Parent for the previous and current years)

(6) Main lenders of Corporate Group (As of March 31, 2021)

(Millions of Yen)

Lender	Amount
Mizuho Bank, Ltd.	60,211
Sumitomo Mitsui Banking Corporation	46,402
Sumitomo Mitsui Trust Bank, Limited	42,897
Development Bank of Japan	36,700
MUFG Bank, Ltd.	28,629
Resona Bank, Limited	20,100
The Hachijuni Bank, Ltd.	12,338
The Yamaguchi Bank, Ltd.	10,574
The Norinchukin Bank	8,212
The Hiroshima Bank, Ltd.	7,354

(7) Main Sales Offices and Works (As of March 31, 2021)

Head Office	1-1, Toyosu 3-chome, Koto-ku, Tokyo		
Sales Offices	Hokkaido Branch (Chuo-ku, Sapporo-city) Hokuriku Branch (Toyama-city, Toyama) Kansai Branch (Kita-ku, Osaka-city) Shikoku Branch (Takamatsu-city, Kagawa)	Tohoku Branch (Aoba-ku, Sendai-city) Chubu Branch (Nakamura-ku, Nagoya-city) Chugoku Branch (Naka-ku, Hiroshima-city) Kyushu Branch (Chuo-ku, Fukuoka-city)	
Overseas Representative Offices	PARIS HANOI BANGKOK TAIPEI ISTANBUL	MOSCOW DUBAI SEOUL NEW DELHI ROME	ALGERIA JAKARTA BEIJING KUALA LUMPUR
Main Overseas Companies	IHI Americas Inc. (U.S.A.) IHI ASIA PACIFIC PTE. LTD. (Singapore) IHI (Shanghai) Management Co., Ltd. (China) IHI Europe Ltd. (U.K.)		
The Main Works in Japan	Mizuho Aero-Engine Works (Mizuho-machi, Nishitama-gun, Tokyo) Soma No.1 Aero-Engine Works/Soma No.2 Aero-Engine Works (Soma-city, Fukushima) Yokohama Works (Isogo-ku, Yokohama-city) Aioi Works (Aioi-city, Hyogo) Kure Aero-Engine & Turbo Machinery Works (Kure-city, Hiroshima) IHI AEROSPACE CO., LTD.: Tomioka Plant (Tomioka-city, Gunma) IHI Power Systems Co., Ltd.: Ohta Plant (Ota-city, Gunma); Niigata Engine Plant (Higashi-ku, Niigata); Niigata Foundry Plant (Higashi-ku, Niigata); Niigata Gas Turbine Plant (Seiro-machi, Kitakanbara-gun, Niigata) MEISEI ELECTRIC CO., LTD.: Isesaki Plant (Isesaki-city, Gunma) IHI Transport Machinery Co., Ltd.: Numazu Works (Numazu-city, Shizuoka); Yasuura Works (Kure-city, Hiroshima) IHI Agri-Tech Corporation: Chitose Works (Chitose-city, Hokkaido); Matsumoto Works (Matsumoto-city, Nagano) IHI Rotating Machinery Engineering Co., Ltd.: Tatsuno Works (Tatsuno-machi, Kamiina-gun, Nagano) IHI Infrastructure Systems Co., Ltd.: Sakai Works (Sakai-ku, Sakai-city) Niigata Transys Co., Ltd.: Niigata Works (Seiro-machi, Kitakanbara-gun, Niigata) IHI Logistics & Machinery Corporation Motomiya Works (Motomiya-city, Fukushima) IHI Turbo Co., Ltd. Kiso No.1 Plant/Kiso No.2 Plant/Kiso No.3 Plant (Okuwa-mura, Kiso-gun, Nagano)		

(Note) Locations of main subsidiaries of the Company are as provided in “(9) Main subsidiaries.”

(8) Employees (As of March 31, 2021)

Business Segment	Number of Employees
Resources, Energy and Environment	6,595
Social Infrastructure and Offshore Facilities	2,469
Industrial Systems and General-Purpose Machinery	10,028
Aero Engine, Space and Defense	6,765
Others	2,320
Corporate (Company-Wide)	972
Total	29,149

(185 increase compared to March 31, 2020)

(9) Main Subsidiaries (As of March 31, 2021)

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI AEROSPACE CO., LTD.	Koto-ku, Tokyo	5,000 Million Yen	100.00 %	Manufacture, Sale, And Repair of Space Development Equipment and Vehicles
IHI Power Systems Co., Ltd.	Chiyoda-ku, Tokyo	3,000 Million Yen	100.00 %	Manufacture and Sale of Internal Combustion Engines, Gas Turbine Engines and Marine Equipment

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
MEISEI ELECTRIC Co., Ltd. (Note 2)	Isesaki-city, Gunma	2,996 Million Yen	(Note 2) 51.03 %	Manufacture and Sale of Communication, Electronic, Electric Measuring, Information Processing Machines and Other Instruments and Equipment, In Addition to Construction Design, Construction Work Andand Other Incidental Services
IHI Transport Machinery Co., Ltd.	Chuo-ku, Tokyo	2,647 Million Yen	100.00 %	Design, Manufacture, Sale, Installation, Maintenance, And Repair of Parking Systems, Materials Handling Equipment, And Transport and Distribution Plants
IHI Agri-Tech Corporation	Chitose-city, Hokkaido	1,111 Million Yen	100.00 %	Development, Manufacture, And Sale of Agricultural Machinery, Turf-Grass and Lawn Maintenance Equipment, Disinfecting/Deodoriz-Ing Equipment, Forged/Cast Materials, and Electronic Control Units
IHI Rotating Machinery Engineering Co., Ltd.	Koto-ku, Tokyo	1,033 Million Yen	100.00 %	Design, Manufacture, Sale, Installation, Maintenance and Repair of Compressors, Separators, Superchargers, Etc., For Ships
IHI Infrastructure Systems Co., Ltd.	Sakai-ku, Sakai-city	1,000 Million Yen	100.00 %	Design, Manufacture, Sale, Maintenance and Repair of Bridges, Water Gates, Etc.

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
Niigata Transys Co., Ltd.	Chiyoda-ku, Tokyo	1,000 Million Yen	100.00 %	Manufacture and Sale of Rolling Stock, Industrial Vehicles and Machines For Snow Removal
IHI Turbo Co., Ltd.	Koto-ku, Tokyo	1,000 Million Yen	100.00 %	Manufacture of Vehicular Turbochargers
IHI Logistics & Machinery Corporation	Koto-ku, Tokyo	1,000 Million Yen	100.00 %	Sales, Design, Manufacturing, Procurement, Construction, Installation, Conversion and Repair Related to Logistics Equipment, FA Equipment and Industrial Equipment, In Addition to Repair and Maintenance Services for Parts and Equipment
IHI Plant Services Corporation	Koto-ku, Tokyo	500 Million Yen	100.00 %	Design, Installation and Repair of Boiler Facilities, Nuclear Power Facilities, Environmental and Storage Plant Facilities, Industrial Machinery Facilities, And Solar Power and Renewable Energy Facilities, Etc.
IHI INC.	U.S.A.	92,407 Thousand US Dollars	100.00 %	Maintenance of Gas Turbines, Sale of Industrial Equipment, Purchase and Sale Agent
IHI Power Generation Corporation	U.S.A.	38,250 Thousand US Dollars	100.00 %	Investment in Biomass Power Generation Business

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
JURONG ENGINEERING LIMITED (Note 3)	Singapore	51,788 Thousand Singapore Dollars	95.56 %	Installation of Various Types of Plants and Facilities/Equipment, Engineering and Consulting of Architectural Work and Civil Engineering and Plants
ALPHA Automotive Technologies LLC	Russia	1,558,653 Thousand Russian Ruble	83.11 %	Production and Sale of Automotive Panels
IHI INFRASTRUCTURE ASIA CO., LTD.	Vietnam	542,638 Million Vietnamese Dong	100.00 %	Engineering, Manufacture, Installation and Maintenance of Steel Structures and Concrete Structures, In Addition to Manufacture and Installation of Construction and Industrial Machineries
IHI E&C International Corporation	U.S.A.	21,257 Thousand Us Dollars	100.00 %	Feasibility Study, Front End Engineering Design, And Engineering, Procurement, and Construction Businesses in Oil and Gas Field
Changchun FAWER-IHI Turbo Co., Ltd. (Note 3)	China	158,300 Thousand Chinese Yuan	57.16 %	Manufacture and Sale of Vehicular Turbochargers
IHI Charging Systems International GmbH	Germany	15,000 Thousand Euro	100.00 %	Design, Development, Manufacture and Sale of Vehicular Turbochargers
IHI ASIA PACIFIC PTE. LTD.	Singapore	22,459 Thousand Singapore Dollars	100.00 %	Order Procurement, Business Support, Purchase and Sale Agent (Regional Headquarters)

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
I&H Engineering Co., Ltd.	Myanmar	12,238 Thousand Us Dollars	60.00 %	Design, Engineering, Manufacture and Construction Services of Concrete Products
IHI DALGAKIRAN MAKİNA SANAYİ VE TİCARET A.Ş.	Turkey	33,155 Thousand Revaluation of The Turkish Lira	51.00 %	Development, Design, Manufacture, Sale and Service of General-Purpose Turbo Compressors
IHI Transport Machinery Taiwan Corporation	Taiwan	250,000 Thousand Taiwan Dollars	100.00 %	Manufacture, Sale and Maintenance of Large Transport Machinery
IHI Turbo America Co.	U.S.A.	7,700 Thousand US Dollars	100.00 %	Manufacture and Sale of Vehicular Turbochargers
IHI TURBO (THAILAND) CO., LTD.	Thailand	260,000 Thousand Thai Baht	90.00 %	Manufacture and Sale of Vehicular Turbochargers
IHI-Sullair Compression Technology (Suzhou) Co., Ltd.	China	55,465 Thousand Chinese Yuan	51.00 %	Manufacture, Sale and Service of General-Purpose Turbo Compressors
IHI SOLID BIOMASS MALAYSIA SDN.BHD.	Malaysia	22,600 Thousand US Dollars	100.00 %	Fuel Production, Sales and Exports in Malaysia
IHI Europe Ltd.	U.K.	2,500 Thousand Pound	100.00 %	Sale and Mediation of Various Types of Plant, Machinery, Ships/Vessels and Aircraft Engines
Jiangsu IHI Fengdong Vacuum Technology Co., Ltd	China	30,000 Thousand Chinese Yuan	50.00 %	Design, Manufacture, Sale and After-Sales Support of Vacuum Heat Treatment Furnaces

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI (Shanghai) Management Co., Ltd.	China	2,100 Thousand US Dollars	100.00 %	Sale, Order Procurement and Purchase of Various Industrial Equipment, Technical Support Including Maintenance and Engineering, Provision of Shared Services (Regional Headquarters)
IHI Americas Inc.	U.S.A.	2,000 Thousand US Dollars	100.00 %	Provision of Compliance and Risk Management, and Consulting and Shared Services, Within the Region It Covers (Regional Headquarters)
IHI Aero Engines US Co., Ltd. (Note 4)	U.S.A.	0 Thousand US Dollars	89.50 %	Investment in Civil Aircraft Engine Program

(Notes)

1. The Voting Interests of the Company include indirectly owned portions.
2. At the Board of Directors meeting held on May 13, 2021, the Company resolved to conduct a share exchange in which IHI would become the wholly-owning parent company in the share exchange and Me Electric would become the wholly-owned subsidiary in the share exchange, and entered into a share exchange agreement between the two companies.
3. The company is a specified subsidiary.
4. IHI Aero Engines US Co., Ltd. has an equity stake in GE Passport, LLC, an equity method affiliate of the Company.
5. Capital is displayed rounded down to the nearest unit. In the figures for the Voting Interests of the Company, shares of less than one unit are rounded to the nearest unit.

2. Company Officers

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2021)

Title and Position	Name	Responsibilities and Significant Concurrent Position(s)
Chairman of the Board ; Chief Executive Officer	Tsugio MITSUOKA	In Charge of Risk Management Executive Director, Japan Bridge Association Representative Director, Japanese Aero Engines Corporation
President; Chief Operating Officer	Hiroshi IDE	In Charge of Business Relating to Internal Audit President of Resources, Energy and Environment Business Area
Executive Vice President; Senior Executive Officer	Takeshi YAMADA	Assistant to the President In Charge of Group Finance & Accounting
Executive Vice President; Senior Executive Officer	Tomoharu SHIKINA	Assistant to the President In Charge of Business Relating to Public Relations and Investor Relations, Procurement, Information Management In Charge of Group Business Process Platform President of Aero Engine, Space & Defense Business Area President, Gas Turbine Society of Japan
Director; Managing Executive Officer	Masafumi NAGANO	In Charge of Business Relating to Corporate Planning, and Human Resources and Labor In Charge of Safety and Health
Director; Managing Executive Officer	Kouichi MURAKAMI	In Charge of Group Engineering In Charge of Business Relating to New Corporate Businesses General Manager of Technology & Intelligence Integration
Director; Managing Executive Officer	Takeshi KAWAKAMI	In charge of <i>Monozukuri</i> System Strategy, and Group Quality Assurance President of Social Infrastructure & Offshore Facilities Business Area
Director; Managing Executive Officer	Yasuhiro SHIGEGAKI	In Charge of Production Base Strategy President of Industrial Systems & General-Purpose Machinery Business Area

Title and Position	Name	Responsibilities and Significant Concurrent Position(s)
Director	Taketsugu FUJIWARA	Special Advisor, Asahi Kasei Corporation Independent Director of the Board, KOKUYO Co., Ltd. Outside Director, KONICA MINOLTA, INC.
Director	Kazuhiko ISHIMURA	President, National Institute of Advanced Industrial Science and Technology Outside Director, TDK Corporation Outside Director, Nomura Holdings, Inc.
Director	Yoshiyuki NAKANISHI	Executive Advisor, DIC Corporation Outside Director, THE JAPAN STEEL WORKS, LTD.
Director	Chieko MATSUDA	Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University Professor, Graduate School of Management, Tokyo Metropolitan University Independent Director, Foster Electric Company, Limited Non-Executive Director of the Board, Kirin Holdings Company, Limited
Standing Audit & Supervisory Board Member	Taizo SUGA	
Standing Audit & Supervisory Board Member	Takashi NIIMURA	
Audit & Supervisory Board Member	Tomomi YATSU	Attorney at Law Outside Executive Director, SMBC Nikko Securities Inc. Outside Corporate Auditor, KURARAY CO., LTD. Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd.
Audit & Supervisory Board Member	Toshio IWAMOTO	Chief Corporate Advisor of NTT DATA Corporation Outside Director, Daiwa Securities Group Inc Independent Director, NSK Ltd. Representative Director, Consortium for Applied Neuroscience Director, Broadband Association

Title and Position	Name	Responsibilities and Significant Concurrent Position(s)
Audit & Supervisory Board Member	Aiko SEKINE	Certified Public Accountant Advisor, JICPA Professor, Faculty of Commerce, Waseda University Outside Director, ORIX Corporation Outside Audit & Supervisory Board Member, Sumitomo Riko Company Limited

(Notes)

1. Director: Messrs. Taketsugu Fujiwara, Kazuhiko Ishimura, Yoshiyuki Nakanishi and Ms. Chieko Matsuda are outside directors.
2. Audit & Supervisory Board Member: Ms. Tomomi Yatsu and Mr. Toshio Iwamoto and Ms. Aiko Sekine are outside audit & supervisory board members.
3. Standing Audit & Supervisory Board Member: Mr. Taizo Suga possesses considerable knowledge of financial and accounting matters gained through his years of experience working in the Finance Division of the Company.
4. Audit & Supervisory Board Member: Ms. Tomomi Yatsu is a certified public accountant and possesses considerable knowledge of financial and accounting matters.
5. Audit & Supervisory Board Member: Ms. Aiko Sekine is a certified public accountant and possesses considerable knowledge of financial and accounting matters.
6. The Company has registered Directors Messrs. Taketsugu Fujiwara, Kazuhiko Ishimura, Yoshiyuki Nakanishi and Ms. Chieko Matsuda and Audit & Supervisory Board Members Ms. Tomomi Yatsu, Mr. Toshio Iwamoto and Ms. Aiko Sekine with domestic financial instrument exchanges (where the Company is listed) as independent directors and independent audit & supervisory board members, respectively.

(2) Remuneration, etc. of Directors and Audit & Supervisory Board Members

At its Board of Directors' meeting held on May 13, 2021, the Company resolved to revise its Policy on Determination of Remuneration for Officers, as follows. Content of the policy was referred for consultation to the Remuneration Advisory Committee, which accordingly deliberation on and reported findings thereof on a preliminary basis, prior to having been resolved by the Board of Directors (an outside director serves as the chairperson of the Remuneration Advisory Committee, which consists of six (6) members, including three (3) outside directors, one (1) outside audit & supervisory board member, the director in charge of human resources, and the director in charge of finance and accounting).

(I) Directors (Excluding Outside Directors) and Executive Officers

(i) Basic Policy on Determining Remuneration

- Remuneration shall be aimed at fully encouraging directors and executive officers to perform their duties in line with management philosophy, Group vision, and Group management policy, and strongly motivating them toward the achievement of specific management goals to bring the Company's and the IHI Group's sustainable growth and improve the medium- and long-term corporate value.
- Remuneration shall be structured with the appropriate allocation of a fixed base amount, an annual incentive (performance-based bonuses), which is linked to the operating performance of each fiscal year, and a

medium- and long-term incentive (performance-based share remuneration), which is linked to medium- and long-term operating performance and corporate value aimed at broadly sharing a sense of value with stakeholders, and thereby shall contribute to performing with a sound entrepreneurial spirit.

- Under the management philosophy, “Human resources are our single most valuable asset,” appropriate treatment shall be provided to officers of the Company in consideration of the Company’s management environment, and social roles and accountabilities the Company undertakes.

(ii) Remuneration Level and Allocated Ratios of Remuneration (Base Amount: Performance-Based Bonus: Performance-Based Share Remuneration)

The Company shall appropriately establish remuneration levels and allocated ratios of remuneration upon having considered factors that include the Company’s business characteristics, effectiveness of incentive remuneration, and professional duties. Moreover, the Company shall perform verification by regularly surveying objective market data on remuneration researched by an external specialized institution.

With respect to allocated ratios of remuneration, the Company shall set remuneration at approximate proportions of 50%:30%:20% for the President, and the Chairman of the Board, and at approximate proportions of 55%:25%:20% for other directors, subject to standard business performance.

(iii) Framework of Incentive Remuneration

a. Performance-based bonus (annual incentive)

(a) Performance indicators and reasons for selection thereof

Performance indicators shall be those that include: profit attributable to owners of parent underpinned by the aim of maintaining common interests with our shareholders; consolidated operating cash flow underpinned by the aim of strengthening the capacity to generate cash necessary for growth, and; individual evaluation indicators corresponding to tasks assigned to each executive. The performance indicators shall be reviewed as necessary, particularly upon encountering changes in the management environment and executives’ duties.

(b) Method of calculating remuneration

The monetary amount of remuneration provided every fiscal year is calculated as the amount of payments based on individual evaluation indicators added to the product of the standard payment amount corresponding to titles and positions multiplied by the performance evaluation payout rate corresponding with percentage achievement of profit indicators. The performance evaluation payout rate varies from a range of zero to approximately 200 depending on the percentage achievement of profit indicators, with a baseline value of 100 for the amount of payment when performance targets have been achieved. In addition, regardless of the calculation results the annual incentive is not paid to directors if no dividend is paid.

b. Performance-based share remuneration (medium- and long-term incentive)

(a) Performance indicators and reasons for selection thereof

The performance evaluation period shall encompass the next three fiscal years, and performance targets for the final fiscal year of the performance evaluation period shall be established at the outset of the performance evaluation period. Moreover, the performance indicators shall be of primary emphasis under the Group management policies, with consolidated ROIC serving as a performance indicator underpinned by the aims of engaging in business operations that place focus on investment efficiency,

achieving sustainable growth, and increasing corporate value. The Company shall furthermore review the possibility of making changes to the performance indicators as necessary in alignment with review of the Group management policies.

(b) Method of calculating remuneration

The number of shares to be delivered on an individual basis as performance-based share remuneration (a monetary sum equivalent to the market value of the shares is to be delivered with respect to a portion of such remuneration) shall be calculated as the standard number of shares to be delivered with respect to each of the job title rankings, multiplied by a coefficient aligned with the percentage of the consolidated ROIC target achieved. The coefficient varies from a range of zero to approximately 150 depending on the extent of having achieved such target, with a baseline value of 100 for the number of shares to be delivered when performance targets have been achieved.

(iv) Procedures for determining remuneration

To ensure appropriateness and objectivity regarding matters of officer remuneration, including remuneration for individual directors, the Board of Directors shall make decisions on such matters subsequent to deliberation and reporting findings thereof by the Remuneration Advisory Committee established as an optional body by the Company.

(II) Remuneration of Outside Directors and Audit & Supervisory Board Members

Remuneration of outside directors shall consist only of a base amount in the light of their duties. Remuneration of audit & supervisory board members shall consist only of a base amount, as compensation for responsibilities for auditing the execution of business throughout the IHI Group. The amount shall be determined through discussions among the audit & supervisory board members. The base amount for outside directors and audit & supervisory board members shall be set at an appropriate level upon having considered factors that include roles and responsibilities assumed by the respective officers. Moreover, the company shall perform verification by regularly surveying objective market data on remuneration researched by an external specialized institution.

Remuneration, etc. in FY2020

(I) Total Amount of Remuneration, etc. Paid and Number of Recipients in FY2020

Officer Category		Total Amount Paid (Millions of Yen)	Breakdown		
			Base Amount	Performance-Based Remuneration, etc.	
				Performance-Based Bonus	Performance-Based Share Remuneration
Director (16)	Inside Director (11)	520	320	0	199
	Outside Director (5)	45	45	-	-
Audit & Supervisory Board Member (7)	Inside Audit & Supervisory Board Members (3)	66	66	-	-
	Outside Audit & Supervisory Board Members (4)	36	36	-	-
Total (23)		667	467	0	199

(Notes)

1. Remuneration of directors does not include salaries of those who are also company employees.
2. The Company has introduced a performance-based share remuneration plan [Board Benefit Trust (BBT)], which grants shares, etc. to corporate officers after a certain period of time has elapsed. The total amount of performance-based share remuneration is the amount of the provision for share acquisition costs related to the granted points recorded in the fiscal year under review, which is different from the actual total payment amount.
3. With respect to results for the fiscal year under review involving the performance indicators relevant to performance-based bonus (annual incentive), profit attributable to owners of parent amounted to 13.0 billion yen, the operating profit margin amounted to 2.5%, and consolidated free cash flow amounted to negative 4.1 billion yen.
4. With respect to results for the fiscal year under review involving the performance indicators relevant to performance-based share remuneration (medium- and long-term incentive), consolidated ROIC amounted to 2.2%.
5. The numbers of directors and audit & supervisory board members as of March 31, 2021 are respectively 12 (including 4 outside directors) and 5 (including 3 outside audit & supervisory board members). The reason for the discrepancy from the above is that figures in the chart include 4 directors and 2 audit & supervisory board members who retired at the conclusion of the 203rd Ordinary General Meeting of Shareholders held on June 25, 2020.
6. The date of resolution at Ordinary General Meeting of Shareholders about the remuneration of the Company's directors was on June 23, 2017, and maximum total amount of that was resolved as 1,090 million yen or below (excluding salaries for working as employees) per year. There were 14 directors upon conclusion of said Ordinary General Meeting of Shareholders.
The Company resolved matters with respect to performance-based share remuneration at its Ordinary General Meeting of Shareholders held on June 23, 2017. Accordingly, the Company resolved to contribute up to 450 million yen and to furthermore set a

maximum of 150,000 points to be granted (equivalent to 150,000 shares of the Company's ordinary share), separately from the total remuneration for directors. This is to serve as remuneration for directors (excluding outside directors) every fiscal year associated with the execution of their duties during the period extending from the start of the fiscal year until its conclusion, for the purpose of providing the directors with shares of the Company and money equivalent to the market value of such shares through the trust set up by the Company. There were 10 directors (excluding outside directors) upon conclusion of said Ordinary General Meeting of Shareholders.

The date of resolution at Ordinary General Meeting of Shareholders about the remuneration of the Company's audit & supervisory members was on June 27, 2014, and the maximum total amount of that was resolved as 120 million yen or below. There were five (5) directors (excluding outside directors) upon conclusion of said Ordinary General Meeting of Shareholders.

(II) Reason for Determining Remuneration, etc. for Individual Directors Is in Line with Company Policy

In determining matters involving remuneration of the respective directors for the fiscal year under review, the Remuneration Advisory Committee, primarily consisting of independent outside directors, took a multifaceted approach in reviewing matters that included alignment with the Company's policies for determining remuneration, considering objective and specialized information required for deliberations. The Board of Directors respects the findings of the Remuneration Advisory Committee and accordingly deems them to be in alignment with policy for determining matters involving remuneration for the respective directors. The Company has scaled back the base amount of remuneration for the fiscal year under review pursuant to deliberations and findings reported by the Remuneration Advisory Committee, upon having considered effects of COVID-19 on the Company's business operations.

(3) Directors and Audit & Supervisory Board Members Who Resigned During the Fiscal Year Under Review

Directors and Audit & Supervisory Board Members who held office during the fiscal year under review and whose terms expired during the fiscal year under review are as follows:

Position (At Time of Resignation)	Name	Significant Concurrent Positions at Time of Resignation	Date of Resignation
Director	Tamotsu SAITO	President, Manufacturing Science and Technology Center Chairman, The Shipbuilders' Association of Japan Chairman, THE JAPAN WORKVESSEL ASSOCIATION President, The Japan Society of Industrial Machinery Manufacturers President, Society of Japanese Value Engineering President, Fukushima Innovation Coast Promotion Organization Chairman, Japan International Chamber of Commerce Outside Director, JAPAN POST INSURANCE Co., Ltd. Outside Director, Oki Electric Industry Co., Ltd.	June 25, 2020
Director	Hiroyuki OTANI	In Charge of Special Mission from the President	June 25, 2020
Director	Nobuko MIZUMOTO	In Charge of Special Mission from the President	June 25, 2020
Director	Hiroshi KIMURA	Outside Director, Nomura Holdings, Inc. Outside Director, Mitsui Sumitomo Insurance Company, Limited	June 25, 2020
Audit & Supervisory Board Member	Yoko HATTA	Outside Audit and Supervisory Board Member, Kobayashi Pharmaceutical Co., Ltd. Outside Director, Nippon Paper Industries Co., Ltd.	June 25, 2020
Audit & Supervisory Board Member	Shigeru UESUGI		June 25, 2020

(4) System for Executing Business Operations as of April 1, 2021

Title and Position	Name	Responsibilities
Chairman of the Board	Tsugio MITSUOKA	
President Chief Executive Officer	Hiroshi IDE	In Charge of Business Relating to Internal Audit In Charge of Risk Management General Manager of Corporate Strategy Headquarters
Executive Vice President Senior Executive Officer	Takeshi YAMADA	Assistant to the President In Charge of Group Finance & Accounting, In Charge of Business Relating to Corporate Planning, and Corporate Communication
Executive Vice President Senior Executive Officer	Tomoharu SHIKINA	Assistant to the President In Charge of Group Quality Assurance In Charge of Business Relating to Procurement, Information Management, Human Resources and Labor In Charge of Group Safety and Health
Director	Masafumi NAGANO	In Charge of Special Mission from President
Director	Kouichi MURAKAMI	In Charge of Special Mission from President
Managing Executive Officer	Kazuki AWAI	In Charge of Business Relating to Administration, Legal and CSR In Charge of Group Compliance
Director Managing Executive Officer	Takeshi KAWAKAMI	In Charge of <i>Monozukuri</i> System Strategy President of Social Infrastructure & Offshore Facilities Business Area
Managing Executive Officer	Yoshinori KOMIYA	General Manager of Intelligent Information Management Headquarters
Director Managing Executive Officer	Yasuhiro SHIGEGAKI	In Charge of Production Base Strategy President of Industrial Systems & General-Purpose Machinery Business Area
Managing Executive Officer	Hideo MORITA	President of Aero Engine, Space & Defense Business Area
Executive Officer	Masato SHIDA	General Manager of Human Resources Division
Executive Officer	Koji TAKEDA	President of Resources, Energy and Environment Business Area
Executive Officer	Tetsuji FUJIMURA	Vice President of Aero Engine, Space & Defense Business Area
Executive Officer	Kiyoshi NIHEI	General Manager of Global Marketing & Sales Headquarters In Charge of Group Operations
Executive Officer	Noriko MORIOKA	Deputy General Manager of Corporate Strategy Headquarters In Charge of New Corporate Businesses Headquarters
Executive Officer	Akihiro SEO	General Manager of Corporate Planning Division
Executive Officer	Jun KOBAYASHI	General Manager of Solution & Business Development Headquarters

Title and Position	Name	Responsibilities
Executive Officer	Kazuhiro ONITSUKA	Vice President of Industrial Systems & General-Purpose Machinery Business Area
Executive Officer	Yukihisa OZAWA	Vice President of Resources, Energy and Environment Business Area
Executive Officer	Nobuhiko KUBOTA	General Manager of Technology & Intelligence Integration In Charge of Group Engineering
Executive Officer	Tsuyoshi TSUCHIDA	Vice President of Industrial Systems & General-Purpose Machinery Business Area

(5) Information Regarding Outside Directors and Outside Audit & Supervisory Board Members (as of March 31, 2021)

- 1) Significant concurrent positions at other entities and the relationship between the Company and those entities

Significant concurrent positions at other entities are as follows. There is no special relationship between the Company and these entities.

Position	Name	Significant concurrent positions at other entities
Director	Taketsugu FUJIWARA	Special Advisor, Asahi Kasei Corporation Independent Director of the Board, KOKUYO Co., Ltd. Outside Director, KONICA MINOLTA, INC.
Director	Kazuhiko ISHIMURA	President, National Institute of Advanced Industrial Science and Technology Outside Director, TDK Corporation Outside Director, Nomura Holdings, Inc.
Director	Yoshiyuki NAKANISHI	Executive Advisor, DIC Corporation Outside Director, THE JAPAN STEEL WORKS, LTD.
Director	Chieko MATSUDA	Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University Professor, Graduate School of Management, Tokyo Metropolitan University Independent Director, Foster Electric Company, Limited Non-Executive Director of the Board, Kirin Holdings Company, Limited

Position	Name	Significant concurrent positions at other entities
Audit & Supervisory Board Member	Tomomi YATSU	Attorney at Law Outside Executive Director, SMBC Nikko Securities Inc. Outside Corporate Auditor, KURARAY CO., LTD. Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd.
Audit & Supervisory Board Member	Toshio IWAMOTO	Chief Corporate Advisor of NTT DATA Corporation Outside Director, Daiwa Securities Group Inc Independent Director, NSK Ltd. Representative Director, Consortium for Applied Neuroscience Director, Broadband Association
Audit & Supervisory Board Member	Aiko SEKINE	Certified Public Accountant Advisor, JICPA Professor, Faculty of Commerce, Waseda University Outside Director, ORIX Corporation Outside Audit & Supervisory Board Member, Sumitomo Riko Company Limited

2) Attendance to directors/audit & supervisory board members' meetings and activities during the fiscal year under review:

Position	Name	Attendance at Meetings		Activities
		Board of Directors Meetings	Audit & Supervisory Board Meetings	
Director	Taketsugu FUJIWARA	18 of 18 (100%)	-	Offered advice and suggestions to ensure suitability and appropriateness of the decisions of the Board of Directors meetings based on his extensive experience and broad insight gained at the helm of a general chemicals manufacturer.

Position	Name	Attendance at Meetings		Activities
		Board of Directors Meetings	Audit & Supervisory Board Meetings	
Director	Kazuhiko ISHIMURA	17 of 18 (94%)	-	Offered advice and suggestions to ensure suitability and appropriateness of the decisions of the Board of Directors meetings based on his extensive experience and broad insight gained at the helm of a comprehensive materials manufacturer.
Director	Yoshiyuki NAKANISHI	12 of 13 (92%)	-	Offered advice and suggestions to ensure suitability and appropriateness of the decisions of the Board of Directors meetings based on his ample experience and broad insight gained as the top management of a global chemicals manufacturer.
Director	Chieko MATSUDA	13 of 13 (100%)	-	Offered advice and suggestions to ensure suitability and appropriateness of the decisions of the Board of Directors meetings based on her high level of expertise in corporate and financial strategies, and ample experience and broad insight gained as a researcher and businessperson.
Audit & Supervisory Board Member	Tomomi YATSU	18 of 18 (100%)	14 of 14 (100%)	Addressed questions and expressed opinions accordingly based on her extensive experience and insight accumulated by responding to various corporate issues as an attorney at law and certified public accountant.

Position	Name	Attendance at Meetings		Activities
		Board of Directors Meetings	Audit & Supervisory Board Meetings	
Audit & Supervisory Board Member	Toshio IWAMOTO	18 of 18 (100%)	14 of 14 (100%)	Addressed questions and expressed opinions accordingly based on his ample experience and broad insight gained as a corporate manager of a state-of-the-art IT company.
Audit & Supervisory Board Member	Aiko SEKINE	13 of 13 (100%)	11 of 11 (100%)	Addressed questions and expressed opinions accordingly based on her extensive experience and insight accumulated by responding to various corporate issues as a certified public accountant.

(Note) The stated attendance at meetings for directors Mr. Yoshiyuki Nakanishi and Ms. Chieko Matsuda, and audit & supervisory board member Ms. Aiko Sekine considers only the Board of Directors meetings and Audit & Supervisory Board meetings held after his assumption as audit & supervisory board member.

3) Limitation of liability

In accordance with Article 427, Paragraph 1 of the Companies Act, each outside director/audit & supervisory board member has entered into an agreement with the Company to limit his liability for damages stipulated in Article 423, Paragraph 1 of the same Act. Amount of maximum liability of each director/audit & supervisory board member under the agreement shall be subject to laws and regulations.

(6) Information Regarding Directors and Officers (D&O) Liability Insurance

In order to enable its corporate officers to fulfill their expected roles in performing their duties and to attract useful personnel, the Company has entered a directors and officers (D&O) liability insurance contract as stipulated in Article 430-3, Paragraph 1 of the Companies Act, providing coverage for all directors and audit & supervisory board members. D&O liability insurance covers the insured corporate officers against damages that may arise when they are held liable for the execution of their duties or when subject to such liability. However, there are some exclusions. For example, the insurance does not cover damages arising from conduct committed by an officer knowing that he or she is violating the law. The Company pays the premiums for full coverage, including riders, so the insured officers do not have to pay anything.

3. Corporate Share Information

(1) Corporate Shares (as of March 31, 2021)

- 1) Total Number of Shares Authorized to be Issued: 300,000,000
- 2) Total Number of Shares Issued: 149,067,006
(Excluding 5,612,948 Treasury Shares)
- 3) Total Number of Shareholders: 79,783
- 4) Major Shareholders (Top 10 Shareholders)

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
Custody Bank of Japan, Ltd. (Holder in Trust)	13,201	8.85
The Master Trust Bank of Japan (Holder in Trust)	13,188	8.84
The Dai-ichi Life Insurance Company, Limited	5,406	3.62
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	4,597	3.08
Custody Bank of Japan, Ltd. (Holder in Trust 9)	3,141	2.10
IHI Customer Stock Ownership Association	2,755	1.84
IHI Employee Stock Ownership Association	2,480	1.66
JP MORGAN CHASE BANK 380634	2,415	1.62
Sumitomo Life Insurance Company	2,262	1.51
Custody Bank of Japan, Ltd. (Holder in Trust 5)	2,061	1.38

(Notes)

1. Voting rights for 4,597,000 shares held by “Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.” are exercised in accordance with the instructions of Mizuho Bank because Mizuho Bank is a consigner of the shares.
2. Shareholding ratios are calculated without including total number of treasury shares (5,612,948 shares). In addition, (552,400 shares) of the Company owned by Custody Bank of Japan, Ltd. (Holder in trust E) for a performance-based share remuneration plan “Board Benefit Trust” are not included in treasury shares.
3. The Company holds 5,612,948 treasury shares, but is excluded from major shareholders listed above.

5) Shares Granted to Corporate Officers of the Company during the Fiscal Year under Review for their Performance of Duties

Shares granted during the fiscal year under review are as shown below.

Officer Category	Recipients	Number of Shares
Directors	Inside Directors (13)	10,700

(Notes)

1. Information about the Company's share remuneration is provided in "(2) Remuneration, etc. of Directors and Audit & Supervisory Board Members" on page 56 of the Business Report.
2. The figures presented above include shares that have been granted to officers of the Company who have retired.

6) Other Significant Corporate Share Information

Through a resolution passed at the 200th Ordinary General Meeting of Shareholders, held on June 23, 2017, the Company has introduced a performance-based share remuneration plan, "Board Benefit Trust," for its directors (excluding outside directors). To assure neutrality towards the Company's management, voting rights of the Company's shares held in the Trust accounts will not be exercised. In addition, as of March 31, 2021, a trust account for the Board Benefit Trust owns 552,400 shares of the Company.

(2) Share Acquisition Rights

1) Share Acquisition Rights at the End of the Fiscal Year Under Review

(I) Share Acquisition Rights Granted to Company Officers in Remuneration for the Performance of Their Duties:

Name (Date of Decision)	Number of Share Acquisition Rights	Class and Number of Shares Underlying Share Acquisition Rights	Amount to Be Paid In (Per Share Acquisition Right)	Value of Property to Be Contributed Upon Exercise (Per Share Acquisition Right)	Exercise Period
1 st Share Acquisition Rights (July 23, 2007)	0	Ordinary Share 0 Shares	462,000 Yen	100 Yen	From August 10, 2007 to August 9, 2037
2 nd Share Acquisition Rights (July 22, 2008)	0	Ordinary Share 0 Shares	185,000 Yen	100 Yen	From August 19, 2008 to August 18, 2038
3 rd Share Acquisition Rights (July 21, 2009)	0	Ordinary Share 0 Shares	165,000 Yen	100 Yen	From August 6, 2009 to August 5, 2039
4 th Share Acquisition Rights (July 23, 2010)	23	Ordinary Share 2,300 Shares	154,000 Yen	100 Yen	From August 10, 2010 to August 9, 2040
5 th Share Acquisition Rights (July 25, 2011)	17	Ordinary Share 1,700 Shares	178,000 Yen	100 Yen	From August 18, 2011 to August 17, 2041
6 th Share Acquisition Rights (July 23, 2012)	21	Ordinary Share 2,100 Shares	159,000 Yen	100 Yen	From August 17, 2012 to August 16, 2042
7 th Share Acquisition Rights (July 22, 2013)	30	Ordinary Share 3,000 Shares	376,000 Yen	100 Yen	From August 22, 2013 to August 21, 2043

Name (Date of Decision)	Number of Share Acquisition Rights	Class and Number of Shares Underlying Share Acquisition Rights	Amount to Be Paid In (Per Share Acquisition Right)	Value of Property to Be Contributed Upon Exercise (Per Share Acquisition Right)	Exercise Period
8 th Share Acquisition Rights (July 22, 2014)	35	Ordinary Share 3,500 Shares	440,000 Yen	100 Yen	From August 12, 2014 to August 11, 2044
9 th Share Acquisition Rights (July 21, 2015)	26	Ordinary Share 2,600 Shares	413,000 Yen	100 Yen	From August 11, 2015 to August 10, 2045
10 th Share Acquisition Rights (July 25, 2016)	108	Ordinary Share 10,800 Shares	278,000 Yen	100 Yen	From August 10, 2016 to August 9, 2046

(Notes) Terms and conditions for exercising share acquisition rights are as follows.

1. Share acquisition rights shall be exercisable for five (5) years from the date one (1) year after a director or an executive officer lost its position (in the event that such individual assumes the position of audit & supervisory board member within one (1) year after he/she resigns a director or an executive officer, the date he/she lost its position as audit & supervisory board member) (“Exercise Start Date”).
2. Notwithstanding the above 1, in the event of the following (1) or (2), share acquisition rights shall be exercisable for the period stipulated below. (However, (2) does not apply to share acquisition rights issued by a reorganized company.)

- (1) In the event that the Exercise Start Date does not become effective by the dates indicated below for each of the share acquisition rights (the “due date”):

Name	Due date	Exercise period of share acquisition rights
1 st Share Acquisition Rights	August 9, 2036	From August 10, 2036 to August 9, 2037
2 nd Share Acquisition Rights	August 18, 2037	From August 19, 2037 to August 18, 2038
3 rd Share Acquisition Rights	August 5, 2038	From August 6, 2038 to August 5, 2039
4 th Share Acquisition Rights	August 9, 2039	From August 10, 2039 to August 9, 2040
5 th Share Acquisition Rights	August 17, 2040	From August 18, 2040 to August 17, 2041
6 th Share Acquisition Rights	August 16, 2041	From August 17, 2041 to August 16, 2042
7 th Share Acquisition Rights	August 21, 2042	From August 22, 2042 to August 21, 2043
8 th Share Acquisition Rights	August 11, 2043	From August 12, 2043 to August 11, 2044

Name	Due date	Exercise period of share acquisition rights
9 th Share Acquisition Rights	August 10, 2044	From August 11, 2044 to August 10, 2045
10 th Share Acquisition Rights	August 9, 2045	From August 10, 2045 to August 9, 2046

(2) In the event that a proposal of a merger agreement (under which the Company becomes an absorbed company) or a proposal plan of an equity-swap agreement and/or an equity transfer plan (under which the Company becomes a wholly-owned subsidiary of another company) is approved at a General Meeting of Shareholders of the Company (or at a Board of Director meeting or by the Chief Executive Officer if a decision at a shareholders' meeting is not necessary)

Fifteen (15) days from the following day of such decision

3. A holder of share acquisition rights who relinquishes his/her share acquisition rights shall not be able to exercise such rights.
4. With October 1, 2017, as the effective date, the Company changed the number of shares constituting one unit from 1,000 shares to 100 shares and conducted a consolidation of ordinary shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares). As a result, "class and number of shares underlying share acquisition rights" and "value of property to be contributed upon exercise" have been adjusted.

(II) Number of Share Acquisition Rights

Name (Date of decision)	Director			Audit & Supervisory Board Member		
	Number of Share Acquisition Rights	Number of Shares Underlying Share Acquisition Rights	Number of Holders	Number of Share Acquisition Rights	Number of Shares Underlying Share Acquisition Rights	Number of Holders
1 st Share Acquisition Rights (July 23, 2007)	0	0 Shares	0	-	-	-
2 nd Share Acquisition Rights (July 22, 2008)	0	0 Shares	0	-	-	-
3 rd Share Acquisition Rights (July 21, 2009)	0	0 Shares	0	-	-	-
4 th Share Acquisition Rights (July 23, 2010)	23	2,300 Shares	1	-	-	-
5 th Share Acquisition Rights (July 25, 2011)	17	1,500 Shares	1	-	-	-
6 th Share Acquisition Rights (July 23, 2012)	21	2,100 Shares	1	-	-	-

Name (Date of decision)	Director			Audit & Supervisory Board Member		
	Number of Share Acquisition Rights	Number of Shares Underlying Share Acquisition Rights	Number of Holders	Number of Share Acquisition Rights	Number of Shares Underlying Share Acquisition Rights	Number of Holders
7 th Share Acquisition Rights (July 22, 2013)	21	2,100 Shares	2	9	900 Shares	1
8 th Share Acquisition Rights (July 22, 2014)	35	3,500 Shares	4	-	-	-
9 th Share Acquisition Rights (July 21, 2015)	26	2,600 Shares	4	-	-	-
10 th Share Acquisition Rights (July 25, 2016)	95	9,500 Shares	5	13	1,300 Shares	1

(Notes) 1. These share acquisition rights are not granted to outside directors and audit & supervisory board members.

2. The share acquisition rights held by audit & supervisory board members were granted to them while they were serving as executive officers and not granted to them while serving as audit & supervisory board members.

2) Share acquisition rights granted to the Company's executive officers in remuneration for the performance of their duties during the fiscal year under review:

No items to report.

3) Other important matters regarding share acquisition rights

No items to report.

4. Status of Accounting Auditor

(1) Name

Ernst & Young ShinNihon LLC

(2) Remunerations, etc.

	Amount Of Payment (Million Yen)
Remunerations Paid to the Accounting Auditor for the Fiscal Year Under Review	320
Total Sum of Cash and Profits Relating to Other Assets that The Company and Its Subsidiaries Should Pay to the Accounting Auditor	535

(Notes)

1. The audit agreement entered by the accounting auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the remunerations paid to the accounting auditor for the fiscal year under review indicates the total of these two kinds of amounts.
2. The Audit & Supervisory Board sought confirmation that the audit plan that the accounting auditor submitted was suitable and appropriate, and carefully studied the grounds and contents of calculations, such as time required for audits and the remuneration unit price. As a result of the aforementioned, the Audit & Supervisory Board found that the remuneration was appropriate, and therefore approved the amount of remunerations paid to the accounting auditor.
3. Of the Company's main subsidiaries, IHI INC., JURONG ENGINEERING LIMITED and other 19 companies were audited by certified public accountants or accounting auditors (including persons overseas possessing the overseas country's equivalent qualification) other than the accounting auditor of the Company.

(3) Details of Non-Audit Services

The Company entrusts the accounting auditor with the guidance on accounting.

(4) Policy for Decisions on Dismissal or Non-Reappointment of Accounting Auditors

In the case where it is deemed that the accounting auditor has fallen under any of the reasons for dismissal prescribed in Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the accounting auditor based on the consent of all audit & supervisory board members.

In addition, in cases where the accounting auditor is deemed to have difficulty in conducting audit operations appropriately, based on the resolution of the Audit & Supervisory Board, the dismissal or non-reappointment of the accounting auditor shall be decided.

5. Systems to Ensure Appropriateness of Operations and Operation Status of the Systems

(1) Systems to Ensure Appropriateness of Operations

The Company, through resolution by the Board of Directors, decided on a basic policy relating to “systems to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation, and other systems necessary to ensure the appropriateness of operations of a stock company and of operations of a corporate group consisting of said stock company and its subsidiaries” as stipulated by the Companies Act, and it is working to improve the effectiveness of corporate governance of the IHI Group and thereby increase corporate value. The overview of the basic policy is as follows.

1) System for Ensuring Compliance of Directors and Employees with Laws and Regulations and Articles of Incorporation

Directors of the Company shall establish rules to ensure that the performance of their duties is compliant with laws and regulations and articles of incorporation, and directors and employees shall observe such rules. Directors of the Company shall establish systems to ensure the appropriateness of operation activities throughout the Company, at each division, and at each affiliate company, and to audit such activities are properly pursued.

(i) Preparation of rules and regulations

Directors shall prepare group-wide, company-wide and departmental rules and procedures such as the “Basic Code of Conduct for the IHI Group” that all directors and employees of the Company must follow to perform their duties. Divisions and sections in charge of each operation must be specified clearly in each rule and regulation. A mechanism to update such rules and regulations in the event of amendment of laws shall also be defined.

(ii) Compliance activities

With respect to compliance activities, the “Compliance Committee” chaired by an officer in charge of compliance for the entire Company shall establish a company-wide compliance policy. The company-wide policy shall be applied to the plan for each division, and each division shall create its own rules and activity plans. In addition to the company-wide training organized and administered by Legal Division, training for each level (such as managerial staff, mid-level staff, and new employees) and training for each competency (such as human resources, finance, and procurement) shall be conducted to ensure compliance by all employees.

- (iii) A system to ensure and correct activities

An internal audit mechanism shall be created to monitor, inspect, and assess operation activities at each division to ensure the appropriateness of such activities. “Internal Audit Division,” which is independent of all other divisions, shall be established. Internal Audit Division shall report the results of audits to the Board of Directors as needed. To prevent noncompliance, a “Compliance Hotline” shall be established as an internal reporting system and Legal Division shall provide the necessary consultations.

2) System for Storing and Managing Information

Directors of the Company shall preserve information related to Directors’ exercise of their duties as a written document or in an electromagnetic form. Directors shall establish a basic policy for storing and managing documents and electronical records, and shall manage information thereof.

Amendment of such basic policy shall be subject to approval of the Board of Directors.

3) System for Managing Risks

Directors of the Company shall continuously assess, identify, and monitor business risks at each division of IHI group companies. Directors shall recognize the importance of assessing, identifying, and monitoring any of the following risks as various risks relevant to the execution of duties of IHI group companies, and shall establish an appropriate system to manage such risks as well as a system to apply and evaluate it.

(i)	Contracts/agreements
	Operational risks relating to contracts/agreements such as competition, alliance/M&A with other companies, business integration, overseas operations, material procurement, and debt guarantee.
(ii)	Design, manufacturing, and technologies
	Risks that manufacturing sites, quality assurance, technology agreements, and research and development perform below expectations.
(iii)	Laws and regulations
	Risks of losses or loss of credibility due to violation of law.
(iv)	Information systems
	Risks of leakage, theft, and loss of information assets, and damage thereto.
(v)	Safety, health, and environment
	Risks of problems with health and safety assurance and environmental conservation at offices and construction sites.
(vi)	Disaster and system failure
	Risks of interruption of business activities due to disaster, accidents, and information system failures.

(vii) Financial activities
Risks regarding financial activities such as exchange rate and interest rate trends.
(viii) Financial reporting
Risks of fictitious financial reporting (whether due to fraud or negligence).

Directors of the Company shall continuously assess, identify, and monitor business risks at each division of IHI group companies and promptly appoint personnel to deal with risks in the event new risks arise, and shall report to the Board of Directors of the Company regarding such risks that may affect IHI group performance, financial condition, and share price.

4) System for Assuring That Directors Exercise Their Duties Efficiently

Directors of the Company shall clearly separate the function of management supervision from that of performance to ensure efficient performance of duties, and shall delegate most rights to perform duties to executive officers for efficiency.

To make appropriate decisions through multi-dimensional considerations, the Chief Executive Officer shall organize a Management Committee as an advisory body to discuss important matters of IHI group companies.

Directors shall prepare profit plans including target profitability of each business area and SBU (Strategic Business Unit) at the beginning of every financial period and verify their results each month.

5) System for Assuring Operational Legitimacy Within the Corporate Group

Directors of the Company shall establish a system to ensure IHI group-wide governance by setting rules to manage group companies and appointing responsible divisions to manage, control, and direct such companies. As for group company matters with high levels of importance, directors shall submit/report to the Board of Directors and Management Committee.

Directors of the Company shall monitor the business conditions of group companies on a routine basis by deploying part-time audit & supervisory board members or other employees to group companies. If necessary, responsible division or related division shall provide support to secure the appropriateness of business operations.

Directors also establish the Corporate Planning Division to create a group-wide management mechanism and to supervise group company businesses.

6) Employees to Assist Audit & Supervisory Board Members

Audit & supervisory board members of the Company shall establish an Audit & Supervisory Board Division to assist them in the performance of their duties.

The Audit & Supervisory Board Division shall consist of several employees, including managerial staff, of the Company, and personnel matters regarding such employees shall be decided based on mutual consultation between audit & supervisory board members and related directors.

The employees of Audit & Supervisory Board Division shall follow the instructions of the audit & supervisory board members, and directors shall pay attention to maintaining independence of the Audit & Supervisory Board Division employees from the persons who execute business and to ensuring the effectiveness of instructions by the audit & supervisory board members to the Audit & Supervisory Board Division employees.

7) Audit by Audit & Supervisory Board Members

Audit & supervisory board members of the Company, in accordance with the audit policies defined at the Audit & Supervisory Board, shall attend important meetings including the Board of Directors meetings and management meetings, and audit the performance of directors through interviews with directors, reviews of documents related to important resolutions, and investigations of operations and financial situations of each division and main subsidiaries. The Company shall bear any expenses required for the performance of duties by audit & supervisory board members.

8) Reporting to Audit & Supervisory Board Members

Directors and employees of the Company shall, without delay, report to audit & supervisory board members and the Audit & Supervisory Board on matters provided for in laws and regulations, results of internal audits, results of hotline system, and other important matters that have an impact on the IHI Group.

No individual shall be treated unfavorably for making such a report.

(2) Overview of Operation Status of System to Ensure the Appropriateness of Operations

1) System for Ensuring Compliance of Directors and Employees with Laws and Regulations and Articles of Incorporation

Group-wide, company-wide and departmental rules have been established, and in addition to regularly updating rules and regulations to reflect amendment of laws, reviews are periodically carried out based on the regulations for managing rules.

The Compliance Committee has been established, decisions on annual compliance policy are made and such policy is implemented internally as well as in group companies.

Under the investigative organization for its internal reporting system, the Company has made progress in quickly and optimally addressing reported incidents. Meanwhile, with respect to an outline of the operating status of the internal reporting system, the Company has been disclosing such matters

internally on a quarterly basis, while also reporting such matters to the audit & supervisory board members and reporting such matters at the Risk Management Conference established pursuant to the Basic Rules of Risk Management for IHI Group.

2) System for Storing and Managing Information

The following activities are carried out pursuant to the policy established for storing and management of documents and digital records: document management, investigation of the status of the management on a company-wide basis, and guidance to ensure appropriate filing methods, etc.

The Company has been acting from an information security perspective to ensure that such practices take hold. This has involved establishing the previously company-wide Information Management Regulations as IHI Group regulations, ensuring thorough information management on a group-wide basis, and engaging in activities to monitor the status of information management.

3) System for Managing Risks

Risk management activities are implemented within the IHI Group in accordance with regulations for risk management, and by specifying the roles and responsibilities corporate departments, business segments, and business divisions should assume in risk management. The status of implementing these risk management activities is reported at Board of Directors' meetings on a quarterly basis.

The Company has been working to cultivate and grow a corporate culture devoted to uncompromising quality assurance and compliance. This has involved implementing measures to prevent recurrence of past incidents of indiscretion by continuing to provide quality and compliance training to all Group employees and having training participants provide written oaths subsequent to the training.

The Company identified material risks that could hamper implementation of strategies for each business segment and worked to bolster its ability to detect early signs of risks in order to quickly and adequately address them.

4) System Assuring Directors to Exercise their Duties Efficiently

An executive officer system has been introduced to make clear functional separation of management supervision and the performance of duties while a Remuneration Advisory Committee and a Nomination Advisory Committee have been established to strengthen monitoring and supervision function. In addition, Management Committee has been established as an advisory body for the Chief Executive Officer as a forum to discuss important matters.

In discussions at the Board of Directors meetings and the Management Committee meetings, we delegate authority for certain matters related to decision-making for important business execution to the CEO or the Presidents of Business Areas. In this way we seek to invigorate discussions on important matters and to make them more substantial.

5) System Assuring Operational Legitimacy within the Corporate Group

Rules have been established to serve as rules for management of IHI Group companies, and in accordance with these rules, the responsible divisions manage, control and direct group companies. Also, with respect to group company matters with high levels of importance, discussions are held and reports are made at the Board of Directors meetings and the Management Committee meetings of the Company, and feedback is provided with regard to issues raised in evaluation processes. In addition, the current statuses of the management are confirmed by such measures as appointing part-time audit & supervisory board members who are dispatched from the Company to each company.

6) Employees to Assist Audit & Supervisory Board Members

An Audit & Supervisory Board Division is established to assist audit & supervisory board members in the performance of their duties. Four employees are posted full-time to the Audit & Supervisory Board Division, and Audit & Supervisory Board Division's independence from the persons who execute business is maintained.

7) Audit by Audit & Supervisory Board Members

The audit & supervisory board members attend, in addition to the Board of Directors meetings of the Company, important meetings such as Management Committee meetings of the Company. In addition, the audit & supervisory board members review important documents related to the execution of business and conduct investigations at each division and main subsidiaries.

8) Reporting to Audit & Supervisory Board Members

Directors and employees of the IHI Group report to the audit & supervisory board members via the Company's Board of Directors, Management Committee and other means on not only matters prescribed by laws and regulations, but also important matters affecting the IHI Group.

Consolidated Statement of Financial Position
(As of March 31, 2021)

(Millions of Yen)

Account Title	Amount	Account Title	Amount
Assets		Liabilities	
Current Assets		Current Liabilities	
Cash and Cash Equivalents	120,766	Trade and Other Payables	234,451
Trade and Other Receivables	344,535	Bonds and Borrowings	158,377
Contract Assets	111,830	Lease Liabilities	17,630
Other Financial Assets	1,391	Other Financial Liabilities	11,742
Inventories	326,470	Income Taxes Payable	5,125
Other Current Assets	41,668	Contract Liabilities	165,818
		Provisions	26,738
		Other Current Liabilities	144,907
Non-Current Assets		Non-Current Liabilities	
Property, Plant and Equipment	252,510	Bonds and Borrowings	304,735
Right-Of-Use Assets	117,794	Lease Liabilities	125,193
Goodwill	5,876	Other Financial Liabilities	103,428
Intangible Assets	121,265	Deferred Tax Liabilities	3,132
Investment Property	144,183	Retirement Benefit Liability	180,720
Investments Accounted for Using Equity Method	48,460	Provisions	6,338
Other Financial Assets	49,056	Other Non-Current Liabilities	16,830
Deferred Tax Assets	70,455		
Other Non-Current Assets	76,632		
		Total Liabilities	1,505,164
		Equity	
		Equity	
		Share Capital	107,165
		Capital Surplus	51,735
		Retained Earnings	148,428
		Treasury Shares	(15,953)
		Other Components of Equity	9,394
		Total Equity Attributable to Owners of Parent	300,769
		Non-Controlling Interests	26,958
		Total Equity	327,727
Total Assets	1,832,891	Total Liabilities and Equity	1,832,891

Consolidated Statement of Profit or Loss
(Year Ended March 31, 2021)

(Millions Of Yen)

Account Title	Amount
Revenue	1,112,906
Cost of Sales	932,932
Gross Profit	179,974
Selling, General and Administrative Expenses	164,225
Other Income	29,697
Other Expenses	17,485
Operating Profit	27,961
Finance Income	6,696
Finance Costs	5,107
Share of Profit (Loss) Of Investments Accounted for Using Equity Method	(1,933)
Profit Before Tax	27,617
Income Tax Expense	10,663
Profit	16,954
Profit Attributable to:	
Owners of Parent	13,093
Non-Controlling Interests	3,861
Profit	16,954

(Reference)

Consolidated Statement of Cash Flows (Summary)
(Year Ended March 31, 2021)

(Millions Of Yen)

Account Title	Amount
Net Cash Provided by (Used in) Operating Activities	36,380
Net Cash Provided by (Used in) Investing Activities	(40,482)
Net Cash Provided by (Used in) Financing Activities	(23,712)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	3,245
Net Increase (Decrease) In Cash and Cash Equivalents	(24,569)
Cash and Cash Equivalents at End of Period	120,766

Consolidated Statement of Changes in Equity (Year Ended March 31, 2021)

(Millions of Yen)

	Equity Attributable to Owners of Parent					
	Share Capital	Capital Surplus	Retained Earnings	Treasury Shares	Other Components of Equity	
					Exchange Differences on Translation of Foreign Operations	Cash Flow Hedges
Balance at Beginning of Period	107,165	51,779	136,516	(15,899)	(5,067)	(255)
Profit Other Comprehensive Income			13,093		6,190	194
Total Comprehensive Income	0	0	13,093	0	6,190	194
Purchase of Treasury Shares				(312)		
Disposal of Treasury Shares		(6)		258		
Dividends			(2,980)			
Share-Based Remuneration Transactions		(38)				
Changes in Equity Interest in Subsidiaries						
Transfer from Other Components of Equity to Retained Earnings			2,000			
Other			(201)		(21)	
Total Transactions with Owners	0	(44)	(1,181)	(54)	(21)	0
Balance at End of Period	107,165	51,735	148,428	(15,953)	1,102	(61)

	Equity Attributable to Owners of Parent					Non-Controlling interests	Total
	Other Components of Equity				Total		
	Financial Assets Measured at Fair Value Through Other Comprehensive Income	Remeasurements of Defined Benefit Plans	Share Acquisition Rights	Total Other Components of Equity			
Balance at Beginning of Period	5,406	0	533	617	280,178	25,862	306,040
Profit Other Comprehensive Income	2,645	1,888		10,917	13,093	3,861	16,954
Total Comprehensive Income	2,645	1,888	0	10,917	24,010	4,896	28,906
Purchase of Treasury Shares				0	(312)		(312)
Disposal of Treasury Shares			(119)	(119)	133		133
Dividends				0	(2,980)	(3,651)	(6,631)
Share-Based Remuneration Transactions				0	(38)		(38)
Changes in Equity Interest in Subsidiaries				0	0	59	59
Transfer from Other Components of Equity to Retained Earnings	(112)	(1,888)		(2,000)	0		0
Other				(21)	(222)	(208)	(430)
Total Transactions with Owners	(112)	(1,888)	(119)	(2,140)	(3,419)	(3,800)	(7,219)
Balance at End of Period	7,939	0	414	9,394	300,769	26,958	327,727

Notes to the Consolidated Financial Statements

I. Basis of Preparation of the Consolidated Financial Statements

1. Basis of Preparation of the Consolidated Financial Statements

Effective from the fiscal year under review, the consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS") pursuant to Article 120, Paragraph 1 of the Regulation on Corporate Accounting. Pursuant to the provisions of the second sentence of said paragraph, some of the disclosure items required by IFRS have been omitted.

2. Scope of Consolidation

Number of consolidated subsidiaries:

151

Major consolidated subsidiaries:

Refer to "Main Subsidiaries" in Business Report.

3. Application of the Equity Method

Number of entities accounted for using the equity method:

26

Major equity method affiliates:

Japan Marine United Corporation, GE Passport, LLC, IHI Investment for Aero Engine Leasing LLC

4. Significant Accounting Policies

(1) Financial instruments

A. Financial assets

a. Initial recognition and measurement

The IHI Group recognizes financial assets on the transaction date when it becomes a party to the contract for the financial assets.

Financial assets are classified into those measured at fair value and those measured at amortized cost.

Financial assets are classified into those measured at amortized cost if they meet both of the following conditions. Financial assets other than the above are classified into those measured at fair value.

- The assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For financial assets measured at fair value, except for equity instruments held for trading, which must be measured at fair value through profit or loss, the IHI Group designates, for each financial instrument, whether the instrument is measured at fair value through profit or loss or the instrument

is measured at fair value through other comprehensive income, and consistently applies the same designation. The IHI Group decides on such classification at the initial recognition.

All financial assets are measured at fair value plus transaction costs directly attributable to the financial assets unless they are classified into those measured at fair value through profit or loss.

b. Subsequent measurement

After the initial recognition, financial assets are measured as follows, depending on respective classifications:

(i) Financial assets measured at amortized cost

They are measured at amortized cost using the effective interest method.

(ii) Financial assets measured at fair value through profit or loss

After the initial recognition, they are measured at fair value, and changes in the fair value are recognized in profit or loss.

(iii) Financial assets measured at fair value through other comprehensive income

Changes in fair value are recognized in other comprehensive income. If such financial assets are derecognized or the fair value decreased significantly, such changes are transferred to retained earnings. Dividends from such financial assets are recognized in profit or loss for the fiscal year.

c. Impairment losses of financial assets

The IHI Group recognizes allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost.

The IHI Group determines, at the end of each reporting period, whether credit risk of the assets has increased significantly since the initial recognition. If the credit risk has increased significantly, allowance for doubtful accounts is recognized at an amount equal to lifetime expected credit losses. If no significant increase in the credit risk is identified, allowance for doubtful accounts is recognized at an amount equal to expected credit losses for 12 months.

However, for trade receivables and contract assets, allowance for doubtful accounts is recognized at an amount equal to lifetime expected credit losses, regardless of whether or not the credit risk has increased significantly since the initial recognition.

Objective evidence indicating a significant increase in credit risk includes default or delinquency by a debtor, extension of the due date of receivables on terms that the IHI Group would not otherwise grant, and indications that a debtor or issuer will enter bankruptcy. Provision for, or reversal of, allowance for doubtful accounts for expected credit losses is recognized in profit or loss.

d. Derecognition

The IHI Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the

contractual rights to receive the cash flows of the financial asset and also transfers substantially all the risks and rewards incidental to ownership of the financial asset.

B. Financial liabilities

a. Initial recognition and measurement

Financial liabilities, except for financial guarantee contracts, are classified as those measured at amortized cost.

At initial recognition, financial liabilities measured at amortized cost are measured at fair value less transaction costs.

b. Subsequent measurement

After the initial recognition, financial liabilities measured at amortized cost are measured using the effective interest method.

After the initial recognition, financial guarantee contracts are measured at the higher of:

- the best estimate of expenditures required to settle obligations as of the account closing date and
- the amount initially recognized less accumulated amortization.

c. Derecognition

The IHI Group derecognizes a financial liability when it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

d. Revenue-sharing arrangements

In the Civil aero engines Business, the Company has entered into revenue-sharing arrangements mainly with financial institutions, and classifies these arrangements into financial liabilities measured at amortized cost. Under these arrangements, the Company receives funding to execute certain business projects and makes payments based on future earnings of the projects.

At the initial recognition, the Company measures such financial liabilities measured at amortized cost at the amount of the funds received. After the initial recognition, the Company applies the effective interest method using a discount rate equal to the rate of return estimated upon entering into the arrangement. Furthermore, the number of engines to be delivered in the future etc. are not taken into consideration when measuring at amortized cost.

C. Derivatives and hedge accounting

The IHI Group uses derivatives, including forward exchange contracts and interest rate swap contracts, to hedge foreign currency risk and interest rate risk.

These derivatives are initially recognized at fair value. Even after the initial recognition, they are measured at fair value with subsequent changes in the fair value being recognized in profit or loss unless they are designated as a hedging instrument in a cash flow hedge.

At the inception of the hedge, the IHI Group formally designates and documents the hedging relationship for which the hedge accounting is applied and its risk management objective and strategy for undertaking the hedge. That documentation includes identification of the specific hedging instrument, the hedged item, the nature of the risk being hedged and the method of assessing the hedge effectiveness. In addition, the IHI Group assesses on an ongoing basis whether the hedging relationship is prospectively effective.

Hedges that qualify for the hedge accounting are classified and accounted for as follows:

a. Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment. The IHI Group recognizes, in profit or loss, any changes in fair value of the recognized asset or liability or the unrecognized firm commitment and related derivatives.

b. Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a forecast transaction or a recognized asset or liability. As long as the hedge is highly effective, changes in fair value of the effective portion of the derivative designated as a cash flow hedge are recognized in other comprehensive income, whereas changes in fair value of the ineffective portion thereof are recognized in profit or loss.

D. Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset with the net amount presented in the consolidated statement of financial position when, and only when the IHI Group currently has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(2) *Inventories*

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion include fixed production overheads based on the normal capacity level. In determining the cost of inventories, finished goods and work in process are determined principally by the specific identification method, whereas raw materials and supplies are determined principally by the moving average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(3) *Property, plant and equipment*

As the IHI Group uses the cost model to measure property, plant and equipment, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment includes any costs directly attributable to acquiring the item, the borrowing costs eligible for

capitalization, the costs of dismantling and removing the item and the restoration costs.

Except for non-depreciable assets such as land, each asset is depreciated on a straight-line basis over its estimated useful life.

The estimated useful life and depreciation method etc. are subject to review at the end of each fiscal year, and any changes to them are prospectively applied as a change in an accounting estimate.

(4) *Intangible assets*

As the IHI Group uses the cost model to measure intangible assets, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses.

A separately acquired intangible asset is measured initially at cost, which includes borrowing costs that should be capitalized. The cost of intangible assets acquired through business combinations is measured at fair value at the acquisition date. For internally generated intangible assets, all expenditures, except for development expenditure eligible for capitalization, are recorded as expenses for the period in which they are incurred. The cost of an internally generated intangible asset eligible for capitalization is the sum of expenditures incurred from the date when the intangible asset first meets the criteria for capitalization.

Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful life and tested for impairment whenever there is an indication of impairment. The estimated useful life and amortization method for intangible assets with a finite useful life are subject to review at the end of each fiscal year, and any changes to them are prospectively applied as a change in an accounting estimate.

Intangible assets with an indefinite useful life and those yet to be available for use are not amortized and are tested for impairment individually or by cash-generating unit in each fiscal year or whenever there is an indication of impairment.

(5) *Leases*

A. Lessee

The IHI Group recognizes a right-of-use asset, which represents its right to use an underlying asset, and a lease liability, which represents its obligation to pay lease payments. It also recognizes expenses associated with leases as depreciation charge for the right-of-use asset and interest expense on the lease liability. For short-term leases, which are leases with a lease term of 12 months or less, and leases for which the underlying asset is of low value, the IHI Group recognizes the lease payments associated with those leases in profit or loss on a straight-line basis over the lease term.

As the IHI Group uses the cost model to measure a right-of-use asset, a right-of-use asset is carried at cost at the commencement date less any accumulated depreciation and any accumulated impairment losses. The cost of the right-of-use asset is measured at the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, the

costs of dismantling and removing the underlying asset and the restoration costs under the lease contract. Each right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Any change in the useful life or the lease term is treated as a change in an accounting estimate and accounted for prospectively.

The lease liability is measured and presented at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. Interest expense on the lease liability in each period during the lease term is the amount that produces constant periodic rate of interest on the remaining balance of the lease liability. The interest expense is recognized in profit or loss over the lease term and included in "Finance costs."

B. Lessor

The IHI Group classifies a lease of property, plant and equipment as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset to a lessee. Under the finance lease, the lessor derecognizes the underlying asset, but instead recognizes and measures the net investment in the lease at the present value of the total lease payments.

A lease of property, plant and equipment is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. Under the operating lease, the lessor continues to recognize the underlying asset, and also recognizes the lease income on a straight-line basis over the lease term.

(6) *Investment property*

Investment property is real estate property held to earn rent income, or capital gains, or both. Investment property does not include real estate property for sale in the ordinary course of business, nor does it include real estate property for use in the production or sale of goods or services or for other administrative purposes.

As the IHI Group uses the cost model to measure investment property after the initial recognition, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses. The cost of investment property includes any costs directly attributable to acquiring the asset, the borrowing costs eligible for capitalization, the costs of dismantling and removing the asset and the restoration costs.

Investment property is depreciated on a straight-line basis over the estimated useful life. The estimated useful life and depreciation method etc. are subject to review at the end of each fiscal year, and any changes to them are prospectively applied as a change in an accounting estimate.

(7) *Impairment of non-financial assets*

The IHI Group determines, at the account closing date, whether there is any indication of impairment of non-financial assets excluding inventories and deferred tax assets. If any such indication exists, the IHI Group estimates the recoverable amount of the asset. Goodwill, intangible assets with indefinite

useful lives and intangible assets yet to be available for use are tested for impairment in each fiscal year, mainly in the fourth quarter, irrespective of whether there is any indication that they may be impaired. When the recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less costs of disposal and its value in use. When the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, an impairment loss is recognized, and the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. In determining the value in use, estimated future cash flows are discounted to the present value using the pre-tax discount rate that reflects current market assessment of the time value of money, the risks specific to the asset, etc. In determining the fair value less costs of disposal, the IHI Group uses an appropriate valuation model supported by available indicators of the fair value.

The IHI Group determines, at the account closing date, whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may have decreased or may no longer exist. Such indications include a change in assumptions used to determine the recoverable amount of the asset. If any such indication exists, the IHI Group estimates the recoverable amount of the asset or cash-generating unit. When the recoverable amount of the asset or cash-generating unit exceeds its carrying amount, the impairment loss is reversed to the extent of the lower of the estimated recoverable amount and the carrying amount less depreciation or amortization that would have been recognized had no impairment losses been recognized in prior periods.

(8) *Provisions*

The IHI Group recognizes a provision when it has a present obligation (legal or constructive) as a result of a past event; it is probable that the IHI Group will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation. In determining the present value, the IHI Group uses a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(9) *Employee benefits*

A. Post-employment benefit plans

a. Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined benefit obligations are separately accounted for each plan. The amount of each obligation is determined by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods, and discounting the estimated amount to the present value using the projected unit credit method. The fair

value of any plan assets is deducted from the above-determined present value of the defined benefit obligations.

The discount rate is determined by reference to market yields at the account closing date on high quality corporate bonds with the terms being almost the same as those of the defined benefit obligations of the IHI Group.

The IHI Group recognizes changes in the obligations as a result of the remeasurement of the benefit obligations and plan assets of the defined benefit plans in other comprehensive income, and immediately transfers them to retained earnings.

Past service cost is recognized in profit or loss for the period in which it is incurred.

b. Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an employer pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions. Contribution obligations under the defined contribution plans are recognized as expenses for the period in which employees render the related service.

B. Short-term employee benefits

The IHI Group recognizes undiscounted amounts of short-term employee benefits and paid annual leave as expenses at the time when the related services are rendered.

When the IHI Group has a present legal or constructive obligation to pay bonuses in return for services that the employees have rendered in the past, and can make a reliable estimate of their amount, it recognizes the amount that can be expected to be paid under the relevant bonus plan as a liability.

C. Termination benefits

The IHI Group recognizes termination benefits as an expense at the time when it has a detailed official plan of providing a retirement allowance to those employees whose employment will be terminated before the normal retirement date as a result of implementing an early retirement incentive program or another similar plan, and also it becomes virtually impossible for the IHI Group to withdraw the plan.

(10) *Business combinations*

The IHI Group accounts for business combinations by applying the acquisition method. The consideration for acquisition is measured as the sum of the acquisition-date fair value of the assets transferred, liabilities assumed, and equity instruments issued by the Company in exchange for control of an acquiree.

If the aggregate amount of consideration for acquisition, the amount of non-controlling interest, and previously held equity interests exceeds the fair value of identifiable assets and liabilities, such excess is recorded as goodwill in the consolidated statements of financial position. If, conversely, the consideration turns out to be less than the fair value, the difference is immediately recorded as revenue in the consolidated statements of profit or loss. If the initial accounting for a business combination is incomplete by the end of the period

in which the combination occurs, the items for which the accounting is incomplete are measured at provisional amounts, and subsequently adjusts the provisional amounts during the measurement period, which is one year from the acquisition date.

Goodwill is presented at cost less any accumulated impairment losses. Goodwill is not subject to amortization, but an impairment test for goodwill is performed in each fiscal year, mainly in the fourth quarter, and impairment losses are recorded when necessary. Impairment losses of goodwill are not reversed.

Acquisition-related costs incurred in connection with business combination are expensed as incurred. Acquisition of additional non-controlling interests after control is obtained is accounted for as an equity transaction and no goodwill arising from such a transaction is recognized.

For a business combination achieved in stages, the IHI Group remeasures its previously held equity interest in the acquiree at fair value as of the date of obtaining control and recognizes the resulting gains or losses in profit or loss, or other comprehensive income.

(11) Foreign currency translation

A. Translation of foreign currency transactions

Foreign currency transactions are translated into the functional currencies of the IHI Group and its associates using the spot exchange rate at the dates of the transactions or rates that approximate such rates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies at the spot exchange rates at the consolidated account closing date. Exchange differences arising from the translation and settlement are recognized in profit or loss.

B. Translation of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the spot exchange rates at the account closing date, whereas revenue and expenses of foreign operations are translated into Japanese yen using the average exchange rate during the period. Exchange differences arising from such translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation are recognized in profit or loss for the period in which the foreign operation is disposed of.

(12) Revenue

The IHI Group recognizes revenue at an amount that reflects the consideration to which the IHI Group expects to be entitled in exchange for the transfer of goods or services to customers based on the following five-step approach, except for interest and dividend income, etc. under IFRS 9 Financial instruments.

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations in the contract.

Step 5: Recognize revenue when (or as) the IHI Group satisfies a performance obligation.

The IHI Group identifies the contract based on its substance and may combine two or more contracts. If two or more performance obligations are identified in the contract, the IHI Group allocate the transaction price, which appropriately reflects variable consideration, consideration payable to a customer, etc., to each of the identified performance obligations on a relative stand-alone selling price basis. The transaction price does not include a significant financing component.

The IHI Group recognizes as an asset the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract to the extent that it expects to recover those costs. The asset recognized above is amortized in a manner that is consistent with the method used to recognize revenue from the products and services to which the asset relates.

Assuming that persuasive evidence supporting a transaction exists, the IHI Group recognizes revenue when it is certain that economic benefits will flow to the IHI Group and those benefits can be measured reliably. Revenues from sale of goods, provision of services, construction contracts, etc. are measured at fair value of consideration received or receivable.

The recognition criteria by major revenue classification are as follows:

A. Sale of goods

For revenue from sale of goods, the IHI Group determines that its performance obligations are satisfied primarily when a customer obtains control of the goods upon delivery. Hence, revenue from sale of goods is usually recognized upon the delivery of goods.

B. Provision of services and construction contracts

For revenue from provision of services and construction contracts, in which performance obligations are satisfied over time, the IHI Group recognizes revenue by measuring progress towards complete satisfaction of the performance obligations. Measurements are based on the ratio of the estimated costs incurred to satisfy the performance obligations against the estimated total costs to fully satisfy the contractual obligations. 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.

(13) Other significant matters concerning the preparation of consolidated financial statements

Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

Application of the consolidated taxation system

The consolidated taxation system has been applied.

II. Accounting Estimates

Assumptions and estimates that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year and amounts recorded in the fiscal year under review are as follows:

- Impairment of non-financial assets

Regarding property, plant, and equipment, right-of-use assets, intangible assets and other non-current assets for aero engines, which was impacted by COVID-19, the IHI Group performed impairment tests, confirmed that the recoverable value, which is the current value of future cash flows generated for those assets, is expected to adequately exceed the carrying amount for those assets, and accordingly deemed that there was no requirement to recognize an impairment loss for the fiscal year under review.

In preparing estimates of the recoverable value for the impairment test, the IHI Group applied the following assumptions. For demand recovery, the IHI Group has considered data obtained from business partners as well as data obtained from the International Air Transportation Association (IATA), and is assuming that recovery to the 2019 level, i.e. before the impact of COVID-19, would be achieved in 2024. Moreover, for the speed of recovery, the IHI Group has considered that the level of recovery for the fiscal year ending March 31, 2022 will be at a level similar to the slight recovery that has been observed from the fiscal year under review, that the establishment of herd immunity brought about by widespread vaccination, and the gradual easing of restrictions on the movement of people accompanying this, will lead to a steady acceleration of the recovery. As such recovery of demand occurs, the Group is assuming that it will be able to record revenue and adequate operating profit.

Impairment losses for the fiscal year under review	– million yen
Property, plant and equipment	70,751 million yen
Right-of-use assets	25,179 million yen
Intangible assets	104,716 million yen
Other non-current assets	62,452 million yen

- Recoverability of deferred tax assets

The IHI Group recognizes deferred tax assets to the extent that it is likely that taxable income will be available against which the deductible temporary differences can be utilized. In determining the probability that taxable income will be available, the IHI Group estimates the timing and the amount of the taxable income based on the business plan.

In the fiscal year under review, the IHI Group has made estimates for taxable income for the fiscal year ending March 31, 2022, and subsequent fiscal years by considering the assumptions regarding the timing and speed of the demand recovery, particularly in the civil aero engines business in relation to the impact of COVID-19, and the gain on sale of assets held for securing resources for creating growth businesses as outlined in “Project Change.”

Although these estimates are management’s best estimates, the actual results may differ as a result of changes in uncertain future economic environment, and may affect the estimate on future taxable income and judgement on the recoverability, etc. of deferred tax assets.

At present there have been no significant changes in the judgment on the recoverability, etc. of deferred tax assets from the previous fiscal year.

Deferred tax assets 70,455 million yen

- Measurement of provisions

The IHI Group measures provisions based on best estimates of expenditures required to settle obligations in the future at the account closing date. The amount of expenditures required to settle obligations in the future is calculated, comprehensively taking into account future possible outcomes. Among these provisions, provision for loss on construction contracts is provided for in the amount of estimated losses on undelivered construction contracts to occur at the end of the fiscal year under review. Regarding the assumptions for these measurements, it is possible that unexpected events may arise that affect fulfillment of contracts, which may change the balance of the provision for loss on construction contracts.

Provision for loss on construction contracts 13,829 million yen

- Contingencies

The IHI Group discloses contingent liabilities whenever any item exists that may have significant impacts on future businesses, financial position, operating results and cash flows after all evidence available on the reporting date is examined and the probability and impact in terms of the amount are taken into consideration.

The subject amounts are shown in Note “III. Notes to Consolidated Statement Of Financial Position, 4. Contingent Liabilities.”

III. Notes to Consolidated Statement of Financial Position

1. Assets Pledged as Collateral and Secured Liabilities

(1) *Assets pledged as collateral*

Investments accounted for using equity method	2,793 million yen (Note 1)
Other financial assets (non-current)	2,613 million yen (Notes 2, 3)
(Notes)	

1. Nanatsujima Biomass Power Limited Liability Company, its nine shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee

all and any liabilities incurred by affiliate Nanatsujima Biomass Power Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions. The amount of assets pledged as collateral is 2,793 million yen.

2. Kagoshima Mega Solar Power Corporation and seven shareholder companies of the said company entered into a revolving pledge agreement with financial institutions in order to secure all and any liabilities of the said company under the limited loan agreement concluded between Kagoshima Mega Solar Power Corporation and the financial institutions. The amount of assets pledged as collateral is 646 million yen.
3. Onahama Higashikou Bulk Terminal Limited Liability Company, its six shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee all and any liabilities incurred by affiliate Onahama Higashikou Bulk Terminal Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions. The amount of assets pledged as collateral is 1,870 million yen.

(2) *Secured liabilities*

Not applicable

2. Allowance for Doubtful Accounts Deducted Directly from Assets

6,208 million yen

3. Accumulated Depreciation (accumulated amortization) and Accumulated Impairment Losses on Assets

Property, plant and equipment	624,988 million yen
Right-of-use assets	65,861 million yen
Intangible assets	103,408 million yen
Investment property	56,331 million yen

4. Contingent Liabilities

(1) *Liabilities on guarantee (Note)*

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

Details of liabilities on guarantee	Amount (Millions of Yen)
IHI Investment For Aero Engine Leasing LLC	10,531
Japanese Aero Engines Corporation	3,540
Chubu Segment Co., Ltd.	325
Japan Aeroforge, Ltd.	295
Contingent liabilities for employee housing loans	164
Yachiyo 5 Logistic Specific Purpose Company	38
Total	14,892

(2) *Guarantees in kind (Note)*

Debt guarantees and guarantees in kind for borrowings, etc. from financial and other institutions provided by the IHI Group are as follows:

Details of guarantees in kind	Amount (Millions of Yen)
Contingent liabilities for employee housing loans	3,626
Total	3,626

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

- A. 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.
- B. In the case of joint and several guarantees in which there are two or more guarantors, where the percentage or amount of the IHI Group's liabilities is specifically stated and clarified such as in agreement among the guarantors and other joint and several guarantors are considered to have sufficient debt capacity.

(3) *Other*

In the U.S., construction delays have been incurred by the Company's consolidated subsidiary IHI E&C International Corporation (hereinafter, "IHI E&C") with respect to a North American process plant project ordered in 2016. Process plant delivery to the customer was completed, and the customer launched commercial operations of LNG offloading facilities on August 26, 2020.

Recognizing that the delays were attributable to the customer, the IHI Group continued negotiations enlisting the perspective that the customer could be invoiced for additional costs incurred as a consequence of the delays, pursuant to the contract. In 2019, inter-party discussions were held based on provisions of the contract concluded with the customer, and in March and October 2020, a series of good-faith discussions ensued in the form of mediation enlisting a third party, in accordance with contractual provisions as a next step. However, because the discussions ultimately did not culminate in agreement, the Company deemed that the discussions had reached a stage where there was no option left but to refer the matter of dispute resolution to juridical proceedings in a local court, pursuant to contractual provisions. As of December 4, 2020, the Company accordingly filed an action with the local court seeking to have the customer pay approximately 227 million U.S. dollars (approximately 25.1 billion yen at an exchange rate of 110.65 yen to the U.S. dollar) as a claim for a higher contracted amount primarily on the grounds of breach of contract.

Meanwhile, on December 4, 2019, in the midst of the aforementioned inter-party discussion phase, IHI E&C received an invoice from the customer amounting to 117 million U.S. dollars (approximately 12.9 billion yen at an exchange rate of 110.65 yen to the U.S. dollar) as liquidated and ascertained damages contractually stipulated with respect to late delivery (hereinafter, the "Invoice Amount"). Proceedings are ongoing at this stage, however, and the

specific amount the customer stands to invoice IHI E&C has yet to be disclosed.

At this point, it is difficult to reasonably estimate the effect this situation is likely to have on financial position and operating results. Therefore, the potential effect of the Invoice Amount has not been reflected in the consolidated financial statements.

Note that it is not possible to make a prediction at present regarding the result of the aforementioned litigation. The IHI Group is not providing detailed disclosure on the matter as it is possible that such disclosure could have a material impact on the course of the litigation.

IV. Notes to Consolidated Statement of Profit or Loss

(Gain on sale of investment property)

The Company transferred investment property in order to secure funds for investment for creating growth businesses to contribute for materializing sustainable society based on “Project Change,” which was announced on November 10, 2020. As a result, other income has been recorded as gain on sale of investment property as follows.

Details and location of assets	Gain on sale of investment property
Investment property (Land, approximately 27,600 m ²) Shinsuna 2-chome, Koto-ku, Tokyo	16,797 million yen
Investment property (Land, Approximately 7,300 m ²) Shinsuna 1-chome, Koto-ku, Tokyo	4,590 million yen
Others	4,224 million yen

V. Notes to Consolidated Statement of Changes in Equity

1. Total Number of Shares Issued at End of Fiscal Year under Review

(1) *Classes and total number of shares issued*

Ordinary shares 154,679,954 shares

(2) *Classes and number of treasury shares*

Ordinary shares 6,165,348 shares

Note: As of March 31, 2021, the number of treasury shares, a trust account for the Board Benefit Trust owns includes 552,400 shares of the Company.

2. Dividends

(1) Dividends paid

Resolution	Classes of Shares	Total Amount of Dividends (Millions of Yen)	Dividends Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders Held on June 25, 2020	Ordinary shares	2,980	20	March 31, 2020	June 26, 2020

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

(2) Of The Dividends Whose Record Date Belongs To The Fiscal Year Under Review The Dividend Effective Date Falls In the Following Fiscal Year.

Not applicable

3. Class and Total Number of Shares Underlying Share Acquisition Rights

Ordinary shares

147,300 shares

VI. Notes to Financial Instruments

1. Financial Instruments

The IHI Group is exposed to financial risks (credit risk, liquidity risk, foreign exchange risk, interest rate risk, market price fluctuation risk) in the course of performing operation activities. To mitigate such financial risks, the IHI Group has managed the risks in accordance with certain policies.

The IHI Group uses derivative transactions to hedge the fluctuation risks of foreign exchange rates or interest rates under the policy of not entering into any speculative transactions.

(1) Credit risk management

Credit risk is the risk of a financial loss that the IHI Group will incur from a default of a contractual obligation by a counterparty of financial assets held by the IHI Group.

To manage the credit risks, pursuant to the internal regulations related to receivable management, the department of the IHI Group in charge of collections in each business department periodically monitors the condition of major customers, manages the collectability and balances by customer or by project ordered, and thus seeks for preservation of receivables by means of such as a collection of collateral and an early identification and mitigation of collectability concern caused by deterioration in financial status.

In derivative transactions, the IHI Group enters into contracts only with financial institutions with high ratings to reduce the counterparty risks.

(2) *Liquidity risk management*

Liquidity risk is a risk that the IHI Group is unable to perform payments on the due date when it should perform the repayment obligation of financial liabilities as they become due.

The IHI Group prepares the appropriate funds for repayment by procuring short-term funds through measures, such as bank borrowings and commercial papers, and long-term funds through measures, such as long-term borrowings and bonds payables, if needed, in addition to net cash provided by operating activities.

Also, the IHI Group is taking efforts to secure liquidity and improve capital efficiency by means of financing through the cash management system among the Company and domestic subsidiaries, and among foreign affiliates in a partial area.

In addition, the IHI Group manages liquidity risks by measures such as timely forming and updating the cash flow plan by each group company.

(3) *Foreign exchange risk management*

To manage the foreign exchange risks for trade receivables and payables denominated in foreign currencies, the IHI Group hedges the foreign exchange risks monthly identified by currency by utilizing forward foreign exchange contracts and foreign currency options. Hedge results are reported monthly to the executive in charge of the Finance & Accounting Division, and quarterly to the Management Committee. The IHI Group also carries out similar management for principal consolidated subsidiaries.

To reduce the fluctuation risk of foreign exchange rates of borrowings denominated in foreign currencies, the Company and certain consolidated subsidiaries use foreign currency swaps.

As for derivatives, transactions are recorded and the balance is confirmed between the IHI Group and the counterparty. Moreover, derivative balances and valuation gains or losses as of the month-end are reported to the executive in charge of the Finance & Accounting Division on a monthly basis.

(4) *Interest rate risk management*

To reduce the fluctuation risks of interest rates regarding bonds payable and long-term borrowings, the Company and certain consolidated subsidiaries use interest rate swaps.

As for derivatives, transactions are recorded and the balance is checked up between the IHI Group and the contract partner. Moreover, derivative balances and valuation gains or losses as of the month-end are reported to the executive in charge of the Finance & Accounting Division on a monthly basis.

(5) *Market price fluctuation risk management*

The Company and certain consolidated subsidiaries hold shares associated with business consolidation or capital consolidation with companies to maintain business relationships, and such shares are exposed to the market price fluctuation risk.

As for such shares, their market prices and the financial condition of issuers (companies with which the IHI Group does business) are periodically

monitored. Also, the IHI Group's holding status of those securities is continuously reviewed by taking into account the relationships with the companies with which the IHI Group does business.

2. Fair Value of Financial Instruments, etc.

The amounts reported in the consolidated statement of financial position and fair values as of March 31, 2021 are as follows.

Financial instruments measured at fair value and financial instruments whose fair value approximates their carrying amount in the consolidated statement of financial position are not included in the table below.

(Millions of Yen)

	Carrying amount	Fair value
Financial liabilities measured at amortized cost		
Borrowings	383,355	383,407
Bonds payable	79,757	79,622
Government grants classified under contingent settlement provisions	101,865	99,771
Total	564,977	562,800

The measurement method for fair value of financial instruments is as follows.

(Long-term borrowings)

The fair value of long-term borrowings is determined based on the present value of future cash flows discounted at the interest rate to be applied if similar new contracts were entered into.

(Bonds payable)

The fair value of bonds payable is determined based on the market prices or prices provided by financial and other institutions with which the IHI Group does business.

(Government grants classified under contingent settlement provisions)

The fair value of government grants classified under contingent settlement provisions and liabilities in respect of revenue-sharing arrangements is determined based on the present value of future cash flows discounted at the interest rate to be applied if similar new contracts were entered into.

VII. Investment Property

1. Investment Property

The Company and certain consolidated subsidiaries own rental office buildings (including land) and commercial facilities in Tokyo and other areas.

2. Fair Value of Investment Property

(Millions of Yen)

Carrying amount	Fair value
144,183	331,542

(Note)

1. The amount in the consolidated statement of financial position is calculated by subtracting accumulated depreciation and impairment losses from acquisition cost.
2. The fair value at the end of the fiscal year under review is mainly the amount calculated based on the real estate survey report by an external real estate appraiser.

VIII. Notes to Per Share Information

- | | |
|---|--------------|
| 1. Equity Attributable to Owners of Parent per Share | 2,025.18 Yen |
| 2. Basic Earnings per Share | 88.13 Yen |

IX. Significant Subsequent Events

(Transfer of non-current assets)

As the announcement on April 26, 2021, the Company transferred some non-current assets aiming at securing investment resources for creating growth businesses to contribute for the materialization of sustainable society on the basis of “Project Change” release on November 10, 2020.

1. Transfer of part of the land and buildings of the former Aichi Headquarters Representative’s Office

The company’s former Aichi Headquarters Representative’s Office ceased to function as a production site at the end of November 2018, and the Company has been earnestly considering measures for its effective utilization. The Company received a proposal of business plan utilizing the most of the characteristics of the site, and we have thus reached the decision to transfer the site.

(1) Description of the assets to be transferred

Details and Location of assets	Gain on Sale	Type of Asset
Land and buildings (including incidental non-current assets) 11-1, Kitahama-machi, Chita-city, Aichi, Japan (approximately 393,300 m ²)	Approximately 16.0 billion yen	Idle asset

Note: Due to the request of the transferee, the transfer prices and book values of the assets is not disclosed. In addition, the gains on sale are approximate figures obtained by deducting the book values, transfer-related expenses, etc. from the transfer prices.

(2) Overview of the transferee

Company name	Oono Development Co., Ltd.
Headquarters	184, Kita-Umemoto-machi Kou, Matsuyama-city, Ehime
Name and title of representative	Tsuyoshi Oono, Representative Director
Main business activities	Collection, transportation, intermediate disposal, and final disposal of industrial waste and specially controlled industrial waste; contracting and construction of civil engineering demolition work, etc.
Date of establishment	November 19, 1973
Relationship with the Company	There are no capital, personnel, business relationships, related parties, or other matters that require special mention.

(3) Schedule of transfer

April 28, 2021: Conclusion of sales agreement

May 13, 2021: Transfer of ownership

2. Transfer of land as investment property

The Company decided to transfer the following non-current asset using as real estate for rent.

(1) Description of the assets to be transferred

Details and Location of Assets	Gain on Sale	Type of Asset
Land as investment property Showa-machi, Kanazawa-ku, Yokohama-city, Kanagawa, Japan (approximately 26,700 m ²)	Approximately 5.5 billion yen	Rental property

Note: Due to the request of the transferee, the transfer prices and book values of the assets is not disclosed. In addition, the gains on sale are approximate figures obtained by deducting the book values, transfer-related expenses, etc. from the transfer prices.

(2) Overview of the transferee

Although the transferee is a general business company in Japan, detailed information of the transferee is not disclosed according to its request.

In addition, there are no capital, personal or business relationships between the transferee and the Company to be reported, and the transferee is not a related party of the Company. The Company has also confirmed that the transferee does not belong to an anti-social force.

(3) Schedule of transfer

May 14, 2021: Conclusion of sales agreement and transfer of ownership

3. Impact on consolidated operating results

Due to the above-mentioned transfer of non-current assets, approximately 21.5 billion yen of other income is planned to be recorded for the fiscal year ending March 31, 2022.

(The Company's acquisition of 100% ownership of MEISEI ELECTRIC CO., LTD. through simplified share exchange)

The Company and MEISEI ELECTRIC CO., LTD. (hereinafter, "MEISEI") have executed a share exchange agreement upon the Company and MEISEI having adopted a resolution at their respective Boards of Directors meetings held on May 13, 2021, with respect to carrying out a share exchange whereby the Company will be the wholly-owning parent company in the share exchange and MEISEI will be the wholly-owned subsidiary in the share exchange.

1. Purpose of the share exchange

The Company made MEISEI a wholly-owned subsidiary with the intention of creating further synergy effects derived through resulting technical and product cooperation between the two companies, effective use of their human resources and other managerial resources, and more prompt decision-making in their collaborative efforts, among other things.

2. Overview of the share exchange

(1) Schedule for the share exchange

Record date for the ordinary shareholders meeting for approving the share exchange agreement (MEISEI)	March 31, 2021
Date of the Board of Directors' resolution for execution of the share exchange agreement (Both companies)	May 13, 2021
Execution date of the share exchange agreement (Both companies)	May 13, 2021
Date of the ordinary shareholders meeting for approving the share exchange agreement (MEISEI)	June 23, 2021 (estimate)
Last trading date (MEISEI)	July 28, 2021 (estimate)
Delisting date (MEISEI)	July 29, 2021 (estimate)
Effective date of the share exchange agreement	August 1, 2021 (estimate)

Note: The effective date of the share exchange may be changed upon agreement between the Company and MEISEI if necessary to accommodate the procedure for the share exchange or for any other reason.

(2) Method of the share exchange

The share exchange will make the Company the wholly-owning parent company in the share exchange and MEISEI the wholly-owned subsidiary in the share exchange. The share exchange is scheduled to take place effective as of August 1, 2021: (i) without obtaining the approval of the Company's shareholders meeting, by following the simplified share exchange procedure pursuant to the provisions of Article 796, Paragraph 2 of the Companies Act; and (ii) after obtaining the approval of MEISEI's shareholders meeting at its ordinary shareholders meeting scheduled to be held on June 23, 2021.

(3) Details of allotment of shares in the share exchange

	The Company (Wholly-owning parent company in share exchange)	MEISEI (Wholly-owned subsidiary in share exchange)
Share exchange ratio for the share exchange	1	0.42
Number of shares to be delivered upon the share exchange	The Company's common stock: 2,729,838 shares (estimate)	

(Note 1) Share allotment ratio

0.42 shares of the Company's stock will be allotted and delivered per share of MEISEI's stock. However, no shares will be allotted in the share exchange for shares of MEISEI's stock held by the Company (6,772,000 shares as of May 13, 2021). Note that the allotment ratio for the share exchange specified in the above table (the "Share Exchange Ratio") is subject to change by agreement between the Company and MEISEI in the event of material changes in the conditions underlying the calculation of the Share Exchange Ratio pursuant to the share exchange agreement.

(Note 2) Number of shares of the Company's stock to be delivered upon the share exchange

Number of shares of the Company's stock: 2,729,838 shares
(estimate)

The above number of shares has been calculated based on: (i) the total number of issued shares (13,279,633 shares) and the number of treasury shares (8,017 shares) of MEISEI as of March 31, 2021; and (ii) the number of shares of MEISEI's stock held by the Company as of May 13, 2021 (6,772,000 shares).

In the share exchange, the Company will allot and deliver the number of shares of the Company's stock calculated based on the share exchange Ratio to the shareholders of MEISEI (meaning the shareholders after cancellation of MEISEI's treasury shares specified below, and excluding the Company) as at the time immediately before the Company's acquisition of all issued shares of MEISEI (excluding shares of MEISEI's stock held by the Company) through the share exchange (the "Base Time"), in

exchange for shares of MEISEI's stock held by these shareholders. The Company plans to allocate treasury shares held by it to these shareholders entitled to shares of the Company's stock to be delivered in the share exchange, and the Company does not plan to issue any new shares to be allotted in the Share Exchange. MEISEI plans to cancel, at the Base Time and by a resolution adopted at its Board of Directors meeting to be held no later than the day before the effective date of the share exchange, all of the treasury shares held by it (8,017 shares as of March 31, 2021, and including any shares that may be acquired by MEISEI as a result of dissenting shareholders' demand, if made in the course of share exchange, for share purchase under Article 785, Paragraph 1 of the Companies Act) at the Base Time.

The number of shares to be allotted and delivered in the share exchange may be modified in the future due to such reasons as MEISEI's acquisition, cancellation, etc. of its treasury shares.

3. Grounds and reasons for the details of allotment of shares in the share exchange

The Company and MEISEI have begun to seriously consider the matter of ensuring fairness and validity with respect to the Share Exchange Ratio. To such ends, the Company and MEISEI have appointed Deloitte Tohmatsu Financial Advisory LLC and Plutus Consulting Co., Ltd., respectively, as their respective third-party valuation institutions. They have also appointed Nishimura & Asahi as well as Nakamura, Tsunoda & Matsumoto, respectively, as their respective legal advisors.

The two companies each gave the matter careful consideration based on the valuation results of the share exchange ratio and advice received from their respective third-party valuation institutions, as well as on advice from their respective legal advisors, and in light of, among other things, the results of due diligence investigations conducted by both companies on their respective counterparties, followed by repeated, careful negotiations between the two companies on the share exchange ratio by taking comprehensively into account both companies' financial conditions, business performance trends, and stock price trends, etc. As a result, the two companies reached a conclusion that the Share Exchange Ratio was appropriate and would contribute to the interests of their respective shareholders. The two companies executed the Share Exchange Agreement between them upon having furthermore decided to conduct the Share Exchange using the Share Exchange Ratio.

The Share Exchange Ratio is subject to change by agreement between both companies in the event of material changes in the conditions underlying the calculation of the Share Exchange Ratio pursuant to the Share Exchange Agreement.

4. Overview of accounting treatment to be implemented

Making MEISEI a wholly-owned subsidiary of the Company through the share exchange involves the Company's acquisition of additional shares in its subsidiary and, as such, will be processed as a capital transaction in the Company's consolidated financial statements.

Non-Consolidated Balance Sheet
(As Of March 31, 2021)

(Millions Of Yen)

Account Title	Amount	Account Title	Amount
Assets		Liabilities	
Current Assets		Current Liabilities	
Cash and Deposits	57,669	Notes Payable – Trade	337
Notes Receivable – Trade	770	Accounts Payable – Trade	85,923
Accounts Receivable – Trade	160,919	Short-Term Borrowings	185,622
Contract Assets	15,588	Current Portion of Bonds Payable	20,000
Work in Process	169,457	Lease Obligations	2,111
Raw Materials and Supplies	106,787	Accounts Payable – Other	19,161
Advance Payments – Other	12,649	Accrued Expenses	29,658
Prepaid Expenses	3,468	Income Taxes Payable	531
Accounts Receivable – Other	31,430	Contract Liabilities	86,186
Short-Term Loans Receivable	48,009	Refund Liabilities	23,226
Other	3,734	Deposits Received	1,104
Allowance for Doubtful Accounts	(2,897)	Provision for Bonuses	7,913
Non-Current Assets		Provision for Bonuses for Directors (And Other Officers)	988
Property, Plant and Equipment	220,976	Provision for Construction	
Buildings	102,000	Warranties	2,877
Structures	7,478	Provision for Loss on Construction	
Docks and Building Berths	0	Contracts	3,467
Machinery and Equipment	29,591	Other	4,780
Vessels	0	Non-Current Liabilities	
Vehicles	109	Bonds Payable	60,000
Tools, Furniture and Fixtures	16,347	Long-Term Borrowings	225,100
Land	50,672	Lease Obligations	7,347
Leased Assets	8,521	Leasehold and Guarantee Deposits	
Construction in Progress	6,253	Received	12,174
Intangible Assets	14,737	Provision for Retirement Benefits	105,948
Royalties and Other Intangible		Provision for Loss on Business of	
Assets	1,016	Subsidiaries and Associates	1,304
Leasehold Interests in Land	32	Asset Retirement Obligations	4,568
Right to Use Facilities	32	Other	53,266
Software	13,442	Total Liabilities	
Leased Assets	145	943,602	
Other	67	Net Assets	
Investments and Other Assets	350,413	Shareholders' Equity	
Investment Securities	20,371	Share Capital	107,165
Shares of Subsidiaries and		Capital Surplus	54,523
Associates	166,450	Legal Capital Surplus	54,520
Investments in Capital	1,119	Other Capital Surplus	2
Investments in Capital of		Retained Earnings	104,395
Subsidiaries and Associates	26,794	Legal Retained Earnings	6,083
Long-Term Loans Receivable	2,861	Other Retained Earnings	98,312
Deferred Tax Assets	61,697	Reserve for Tax Purpose Reduction	
Other	71,717	Entry of Non-Current Assets	7,134
Allowance for Doubtful		Reserve for Investment Loss on	
Accounts	(599)	Restructuring Specified Business	485
		Retained Earnings Brought	
		Forward	90,691
		Treasury Shares	(15,953)
		Valuation and Translation	
		Adjustments	
		Valuation Difference on Available-	
		For-Sale Securities	(354)
		Deferred Gains or Losses on Hedges	(77)
		Share Acquisition Rights	
		413	
		Total Net Assets	
		250,112	
Total Assets	1,193,715	Total Liabilities and Net Assets	1,193,715

Non-Consolidated Statement of Income
(Year Ended March 31, 2021)

(Millions of Yen)

Account Title	Amount
Net Sales	405,845
Cost of Sales	380,782
Gross Profit	25,062
Selling, General and Administrative Expenses	56,695
Operating loss	31,632
Non-Operating Income	
Interest and Dividend Income	31,599
Foreign exchange gains	4,372
Other	1,546
Non-Operating Expenses	
Interest Expenses	1,775
Other	6,038
Ordinary loss	1,927
Extraordinary Income	
Gain on Sale of Non-Current Assets	24,750
Extraordinary Losses	
Loss on valuation of investments in capital of subsidiaries and associates	6,741
Loss on dismantlement of non-current assets in IHI's former Aichi Plant, Ltd.	3,930
Profit Before Income Taxes	12,151
Income Taxes – Current	(6,399)
Income Taxes – Deferred	2,538
Profit	16,012

Non-Consolidated Statement Of Changes In Equity
(Year Ended March 31, 2021)

(Millions Of Yen)

	Shareholders' Equity										
	Share Capital	Capital Surplus			Retained Earnings					Treasury Shares	Total Shareholders' Equity
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus	Legal Retained Earnings	Other Retained Earnings			Total Other Retained Earnings		
						Reserve for Tax Purpose Reduction Entry of Non-Current Assets	Reserve for Investment Loss On Restructuring Specified Business	Retained Earnings Brought Forward			
Balance At Beginning Of Period	107,165	54,520	9	54,529	6,083	7,651	485	47,029	61,249	(15,898)	207,046
Cumulative effect of accounting change	-	-	-	-	-	-	-	30,113	30,113	-	30,113
Restated balance	107,165	54,520	9	54,529	6,083	7,651	485	77,143	91,363	(15,898)	237,160
Changes During Period											
Dividends of Surplus									(2,980)	(2,980)	(2,980)
Profit									16,012	16,012	16,012
Reversal of Reserve for Tax Purpose Reduction Entry of Non-Current Assets						(516)			516	-	-
Purchase of Treasury Shares			(6)	(6)						(312)	(318)
Disposal of Treasury Shares										257	257
Net Changes in Items Other Than Shareholders' Equity											
Total Changes During Period	-	-	(6)	(6)	-	(516)	-	13,548	13,032	(54)	12,970
Balance at End Of Period	107,165	54,520	2	54,523	6,083	7,134	485	90,691	104,395	(15,953)	250,131

	Valuation and Translation Adjustments			Share Acquisition Rights	Total Net Assets
	Valuation Difference on Available-For-Sale Securities	Deferred Gains or Losses on Hedges	Total Valuation and Translation Adjustments		
Balance at Beginning of Period	(2,238)	(74)	(2,312)	532	205,266
Cumulative effect of accounting change					30,113
Restated balance	(2,238)	(74)	(2,312)	532	235,380
Changes During Period					
Dividends of Surplus					(2,980)
Profit					16,012
Reversal of Reserve for Tax Purpose Reduction Entry of Non-Current Assets					-
Purchase of Treasury Shares					(318)
Disposal of Treasury Shares					257
Net Changes in Items Other Than Shareholders' Equity	1,883	(2)	1,880	(119)	1,761
Total Changes During Period	1,883	(2)	1,880	(119)	14,732
Balance at End Of Period	(354)	(77)	(431)	413	250,112

1. Notes to the Non-Consolidated Financial Statements

I. Significant Accounting Policies

1. Valuation Bases and Methods of Assets

(1) Securities

Shares of subsidiaries and associates are stated at moving-average cost. Other securities with market prices available are stated at fair market value as of the balance sheet date. The related valuation differences are directly included into net assets and the cost of sale price is determined by the moving-average method. Other securities without market prices available are stated at moving-average cost.

(2) Derivatives

Derivatives are stated at fair market value.

(3) Inventories

Work in process is stated at identified cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used). Raw materials and supplies are stated at moving-average cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

2. Depreciation and Amortization of Non-current Assets

(1) Property, plant and equipment (except for leased assets)

These assets are depreciated by the straight-line method.

(2) Intangible assets (except for leased assets)

Intangible assets are amortized by the straight-line method. Software used internally is amortized using the straight-line method over the useful life of the assets as estimated by the company (within five years).

(3) Leased assets

Leased assets related to ownership transfer finance lease transactions are depreciated using the same method as that applied to non-current assets. Leased assets related to non-ownership transfer finance leases are depreciated over the lease period as useful period using the straight-line method with no residual value. The Company uses the method for ordinary rental transactions for non-ownership transfer finance leases for which lease agreements were concluded on or before March 31, 2008.

3. Bases for Allowances and Provisions

(1) Allowance for doubtful accounts

To prepare for losses on bad debts, the allowance for doubtful accounts is provided for based on historical default rates for general receivables, plus individually estimated uncollectible amounts for specific receivables such as doubtful receivables.

(2) Provision for bonuses

For payment of employee bonuses, the provision for bonuses is provided for in the amount that is expected to be paid.

(3) Provision for bonuses for directors (and other officers)

To prepare for the transfer of money and shares to the directors, etc., an amount is recognized based on the estimated amount of the liability for transfer of money and shares at the end of the fiscal year under review.

(4) Provision for construction warranties

To prepare for expenditures for construction warranties, the provision for construction warranties is provided for in the amount of estimated future expenditures based on historical experience.

(5) Provision for loss on construction contracts

Provision for loss on construction contracts is provided for in the amount of estimated losses on undelivered construction contracts to occur at the end of the fiscal year under review.

(6) Provision for retirement benefits

Provision for retirement benefits is provided for based on estimated amounts of projected benefit obligations and pension fund assets as of the balance sheet date.

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

Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.

Actuarial gain or loss is amortized starting in the fiscal year following the fiscal year in which it occurs using the straight-line method over a certain number of years within the average remaining service period of employees.

(7) Provision for loss on business of subsidiaries and associates

To prepare for losses on businesses of subsidiaries and associates, estimated loss amount is provided for, taking into account the details of assets and other factors of the relevant subsidiaries.

4. Basis of Recognizing Revenues and Expenses

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., and it recognizes revenue when it transfers control of promised goods or services to a customer in the amount expected to be received upon exchange of goods or services.

5. Other Significant Matters Concerning Preparation of the Non-Consolidated Financial Statements

(1) Hedge accounting

1) Hedge accounting

Deferred hedge accounting is applied.

2) Hedging instruments and hedged items

Interest rate swaps are used to hedge interest rate risks associated with borrowings, and forward exchange contracts, etc. are used to hedge foreign currency risks associated with monetary claims and liabilities denominated in foreign currencies.

3) Hedging policy

Hedging instruments necessary for each risk category are selected.

4) Method of assessing effectiveness of hedging

In the period from the beginning of hedging to the point of assessment, effectiveness is evaluated by comparing the cumulative total of the change in market value of or the change in cash flow of a hedged item, with the cumulative total of the change in market value of or the change in cash flow of hedging instruments.

(2) Accounting method for retirement benefits

In the non-consolidated financial statements, the treatment for unrecognized actuarial gain or loss and unrecognized past service cost on the balance sheet is different to the treatment in the consolidated financial statements. On the non-consolidated balance sheet, unrecognized actuarial gain or loss and unrecognized past service cost are added or deleted from projected benefit obligations and the resulting amount is recorded in provision for retirement benefits.

(3) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(4) Application of the consolidated taxation system

The consolidated taxation system has been applied.

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

The Company has calculated the amounts of deferred tax assets and deferred tax liabilities according to the tax acts before amended 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 on Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), regarding the transition to group tax sharing system established in “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020), and items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system.

II. Notes to Changes in Presentation

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., effective from the start of the fiscal year under review and it recognizes revenue when it transfers control of promised goods or services to a customer in 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 the Company 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 start of the fiscal year under review was added to or subtracted from the beginning balance of retained earnings of the fiscal year under review, 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 recognition of nearly all the revenue amounts for periods prior to the start of the fiscal year under review was 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 fiscal year under review, 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 fiscal year under review 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 fiscal year under review, net sales decreased by ¥87,894 million, with the cost of sales decreasing by ¥85,472 million, selling, general and administrative expenses decreasing by ¥2,595 million, operating loss decreasing by ¥173 million, and ordinary loss decreasing by ¥4,354 million and profit before income taxes increasing by ¥4,354 million. In addition, the beginning balance of retained earnings increased by ¥30,113 million.

Basic earnings per share for the fiscal year under review increased by ¥20.33. As a result of the application of the Accounting Standard for Revenue Recognition, etc., “Accounts Receivable – Trade” which was presented under “Current Assets” in the balance sheet for the previous fiscal year, has been included in “Accounts Receivable – Trade” and “Contract Assets” effective from the fiscal year under review. In addition, “Advances Received” which was included in “Current Liabilities” in the balance sheet of the previous fiscal year, has been included in “Contract Liabilities,” and the amount of consideration expected to be returned to customers which was included in “Accrued Expenses” or “Provision For Construction Warranties” under “Current Liabilities” in the balance sheet of the previous fiscal year, has been separately presented as “Refund Liabilities” under “Current Liabilities,” effective from the fiscal year under review.

III. Changes in Presentation

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) effective from the end of the current fiscal year and stated notes concerning the accounting estimates in the non-consolidated financial statements.

IV. Accounting Estimates

Items whose amounts were recorded in the non-consolidated financial statements for the fiscal year under review based on accounting estimates, and which may have a significant impact on the non-consolidated financial statements for the following fiscal year, are as follows.

- Impairment of non-current assets

Regarding property, plant, and equipment, right-of-use assets, intangible assets and other non-current assets for aero engines, which was impacted by COVID-19, the Company performed impairment tests, confirmed that the recoverable value, which is the current value of future cash flows generated for those assets, is expected to adequately exceed the carrying amount for those assets, and accordingly deemed that there was no requirement to recognize a non-consolidated impairment loss for the fiscal year under review.

In preparing estimates of the recoverable value for the impairment test, the Company applied the following assumptions. For demand recovery, the Company has considered data obtained from business partners as well as data obtained from the International Air Transportation Association (IATA), and is assuming that recovery to the 2019 level, i.e. before the impact of COVID-19, would be achieved in 2024. Moreover, for the speed of recovery, the IHI Group has considered that the level of recovery for the fiscal year ending March 31, 2022 will be at a level similar to the slight recovery that has

been observed from the fiscal year under review, that the establishment of herd immunity brought about by widespread vaccination, and the gradual easing of restrictions on the movement of people accompanying this, will lead to a steady acceleration of the recovery. As such recovery of demand occurs, the Company is assuming that it will be able to record revenue and adequate operating profit.

Impairment losses for the fiscal year under review	– million yen
Property, plant and equipment	78,259 million yen
Intangible assets	6,967 million yen
Investments and other assets	61,155 million yen

- Recoverability of deferred tax assets

The Company recognizes deferred tax assets to the extent that it is likely that taxable income will be available against which the deductible temporary differences can be utilized. In determining the probability that taxable income will be available, the IHI Group estimates the timing and the amount of the taxable income based on the business plan.

In the fiscal year under review, the Company has made estimates for taxable income for the fiscal year ending March 31, 2022, and subsequent fiscal years by considering the assumptions regarding the timing and speed of the demand recovery, particularly in the civil aero engines business in relation to the impact of COVID-19, and the gain on sale of assets held for securing resources for creating growth businesses as outlined in “Project Change.”

Although these estimates are management’s best estimates, the actual results may differ as a result of changes in uncertain future economic environment, and may affect the estimate on future taxable income and judgement on the recoverability, etc. of deferred tax assets.

At present there have been no significant changes in the judgment on the recoverability, etc. of deferred tax assets from the previous fiscal year.

Deferred tax assets	61,697 million yen
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V. Notes to the Non-Consolidated Balance Sheet

1. Assets Pledged as Collateral and Secured Liabilities

Assets pledged as collateral

Investment securities	646 million yen (Note 1)
Investments in capital of subsidiaries and associates	4,663 million yen (Notes 2, 3)

(Notes)

1. Kagoshima Mega Solar Power Corporation and seven shareholder companies of the said company entered into a revolving pledge agreement with financial institutions in order to secure all and any liabilities of the said company under the limited loan agreement concluded between Kagoshima Mega Solar Power Corporation and the financial institutions.

2. Nanatsujima Biomass Power Limited Liability Company, its nine shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee all and any liabilities incurred by affiliate Nanatsujima Biomass Power Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions. The amount of assets pledged as collateral is 2,793 million yen.
3. Onahama Higashikou Bulk Terminal Limited Liability Company, its six shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee all and any liabilities incurred by affiliate Onahama Higashikou Bulk Terminal Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions. The amount of assets pledged as collateral is 1,870 million yen.

2. Accumulated Depreciation of Property, Plant and Equipment

382,385 million yen

3. Contingent Liabilities

(1) Liabilities on guarantee (Note)

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

Details of liabilities on guarantee	Amount (Millions of Yen)
IHI Investment For Aero Engine Leasing LLC	10,530
Japanese Aero Engines Corporation	3,539
IHI Turbo America Co.	2,212
Alpha Automotive Technologies LLC	393
Japan Aeroforge, Ltd.	295
Total	16,971

(2) Guarantees in kind (Note)

Debt guarantees and guarantees in kind for borrowings, etc. from financial and other institutions provided by the IHI Group are as follows:

Details of guarantees in kind	Amount (Millions of Yen)
Contingent liabilities for employee housing loans	3,623
Total	3,623

(Note)

The amounts shown above are the amounts the Company would pay to creditors in any of the following cases:

- (1) In the case of a perfected joint guarantee agreement, etc., if the amount guaranteed by the Company is clearly expressed and specified irrespective of other guarantors' capacities to guarantee.
- (2) In the case of a joint and several guarantee agreement with multiple guarantors, if the percentage or the amount guaranteed by the Company is clearly expressed in accordance with an arrangement among guarantors and other joint and several guarantors' capacities to guarantee are deemed adequate.

4. Monetary Claims and Liabilities to Subsidiaries and Associates

Short-term monetary claims	73,010 million yen
Long-term monetary claims	2,466 million yen
Short-term monetary liabilities	121,034 million yen
Long-term monetary liabilities	8,060 million yen

VI. Notes to the Non-Consolidated Statement of Income

1. Amounts of Transactions with Subsidiaries and Associates

(1) Operating transactions

Sales to subsidiaries and associates	20,943 million yen
Purchases from subsidiaries and associates	153,995 million yen

(2) Non-operating transactions

42,089 million yen

2. Gain on Sale of Non-Current Assets

In order to secure funds for investment for creating growth businesses to contribute for materializing sustainable society based on “Project Change,” which was announced on November 10, 2020, the Company transferred a part of the land, etc. As a result, gain on sale of non-current assets has been recorded as follows.

Details and Location of Assets	Gain on Sales of Non-Current Assets
Land (Approximately 28,000 m ²) Shinsuna 2-chome, Koto-ku, Tokyo	16,797 million yen
Land (Approximately 8,000 m ²) Shinsuna 1-chome, Koto-ku, Tokyo	4,590 million yen
Others	3,363 million yen

VII. Notes to the Non-Consolidated Statement of Changes in Equity

Class and Number of Treasury Shares at the End of the Fiscal Year

Ordinary shares	6,165,348 shares
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(Note)

The number of treasury shares at March 31, 2021 includes 552,400 shares of the Company owned by a trust account for the Board Benefit Trust.

VIII. Tax Effect Accounting

(Primary causes for the occurrence of deferred tax assets and liabilities)
Deferred tax assets are mainly in association with loss on valuation of shares of subsidiaries and associates, and provision for retirement benefits, and deferred tax liabilities are mainly in association with reserve for tax purpose reduction entry of non-current assets.

IX. Non-current Assets Used Through Leases

In addition to the non-current assets on the non-consolidated balance sheet, some buildings of Headquarters Representative's Offices are used through non-ownership transfer finance leases.

X. Related Party Transactions

1. Subsidiaries, Affiliates and Other Related Parties

(Millions of Yen)

Type	Name	Location	Capital or Contribution	Nature of Business	Voting Rights Holding or Held	Relation with The Party
Subsidiary	IHI Plant Services Corporation	Koto-Ku, Tokyo	500	Construction	Holding Directly 100%	Company Sharing Business Function
Affiliate	IHI Finance Support Corporation	Chiyoda-Ku, Tokyo	200	Lease, Factoring, Etc.	Holding Directly 33.5%	Factoring
Affiliate	Japan Marine United Corporation	Nishi-Ku, Yokohama	57,500	Shipbuilding	Holding Directly 35%	Financial Assistance Interlocking Officers

(Millions of Yen)

Name	Transactions	Transaction Amount (Note 1)	Account Title	Balance as Of March 31, 2021 (Note 1)
IHI Plant Services Corporation	- Ordering of Field Work, Etc. For Plant Construction Business	(Note 2) 34,992	Accounts Payable - Trade Accounts Payable - Other	12,141 466
IHI Finance Support Corporation	- Factoring	(Note 3) 11,317	Accounts Payable - Trade Accounts Payable - Other	1,952 341
Japan Marine United Corporation	- Investment in preferred shares	(Note 4) 10,000	-	-

2. Directors/Audit & Supervisory Board Members and Major Individual Shareholders

(Millions of Yen)

Type	Name	Location	Capital or Contribution	Nature of Business or Occupation	Voting Rights Holding or Held	Relation with The Party
Executive Fellow	Toshinori SEKIDO	-	-	Japanese Aero Engines Corporation (Representative Director)	Held Directly 0%	General Advisor
Officer	Tsugio MITSUOKA	-	-	Japanese Aero Engines Corporation (Representative Director)	Held Directly 0%	Chairman of the Board

(Millions of Yen)

Name	Transactions	Transaction Amount (Note 1)	Account Title	Balance as Of March 31, 2020 (Note 1)
Toshinori SEKIDO	Operating Transactions with Japanese Aero Engines Corporation (JAEC) (Notes 4, 9)			
	-Subcontract of Work from JAEC Related To R&D of Jet Engines	570	-	-
	-Payment of A Portion of Funding Related to The Above	780	-	-
	-Acceptance of Subsidies Related to The Above	2,543	-	-
	-Manufacture of Jet Engine Components and Delivery Thereof To JAEC	53,096	-	-
	-Payment of A Portion of Expenses Related to The Above	119,720	-	-
Tsugio MITSUOKA	Operating Transactions with Japanese Aero Engines Corporation (JAEC) (Notes 4, 9)			
	-Subcontract of Work from JAEC Related To R&D of Jet Engines	368	-	-
	-Payment of A Portion of Funding Related to The Above	575	-	-
	-Acceptance of Subsidies Related to The Above	1,341	Accounts Payable – Other	(Note 5) 8,456
	-Manufacture of Jet Engine Components and Delivery Thereof To JAEC	20,502	Long-term accounts payable – other	49,996
			Accounts receivable – trade	82,774
			Contract liabilities	12,022
		Investments and other assets (Other)	31,868	
		Refund liabilities	18,543	
	-Payment of A Portion Of Expenses Related To The Above	4,586	-	-

(Notes)

1. Amounts of transactions do not include consumption taxes and balances as of March 31, 2021 do. The transaction amount does not include foreign exchange gains or losses, and the ending balance includes foreign exchange gains or losses.
2. Amounts of transactions and trading prices were based on conditions for general transactions, and took into account market prices.
3. With regard to factorings, the Company, any customer and IHI Finance Support Corporation enter into a basic agreement concerning the Company's liabilities and settle the amount.

4. The Company underwrote the shareholder allotment conducted by Japan Marine United Corporation.
5. The Company conducted these transactions as a representative of third parties, and amounts of transactions and trading prices were based on conditions for general transactions.
6. Consumption tax, etc. are not included in Accounts payable – other or Long-term accounts payable – other for which Japanese Aero Engines Corporation is the counterparty.
7. Mr. Toshinori Sekido was retired from to the position of Representative Director of Japanese Aero Engines Corporation on February 28, 2021, and the amount indicated above relates to the terms of office for this fiscal year.
8. Mr. Tsugio Mitsuoka was appointed to the position of Representative Director of Japanese Aero Engines Corporation on March 1, 2021, and the amount indicated above relates to the terms of office for this fiscal year.

XI. Recognition of Revenue

The Company is engaged in the sale of goods, provision of services and execution of construction contracts.

- Sale of goods

For revenue from sale of goods, the IHI Group determines that its performance obligations are satisfied primarily when a customer obtains control of the goods upon delivery. Hence, revenue from sale of goods is usually recognized upon the delivery of goods.

- Provision of services and execution of construction contracts

For revenue from provision of services and construction contracts, in which performance obligations are satisfied over time, the IHI Group recognizes revenue by measuring progress towards complete satisfaction of the performance obligations. Measurements are based on the ratio of the estimated costs incurred to satisfy the performance obligations against the estimated total costs to fully satisfy the contractual obligations. 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.

XII. Per Share Information

1. Net Assets per Share	1,681.31 yen
2. Basic Profit per Share	107.78 yen

(Notes)

1. The basis for calculating basic profit per share is as follows.

Profit	16,012 million yen
Amounts For Non-Common Shareholders	–
Profit Regarding Common Stock	16,012 million yen
Average Number Of Ordinary Shares	148,561 thousand shares

2. The number of shares issued at the end of the period, and the number of treasury shares excluded for the calculation of the average number of shares outstanding during the period, include shares of the Company owned by a trust account for the

Board Benefit Trust. The number of treasury shares at the end of the period excluded for the calculation of net assets per share is 552,400 shares, and the average number of treasury shares outstanding during the period excluded for the calculation of basic profit per share is 489,963 shares.

XIII. Significant Subsequent Events

(Transfer of non-current assets)

As the announcement on April 26, 2021, the Company transferred some non-current assets aiming at securing investment resources for creating growth businesses to contribute for the materialization of sustainable society on the basis of “Project Change” release on November 10, 2020.

1. Transfer of part of the land and buildings of the former Aichi Headquarters Representative’s Office

The company’s former Aichi Headquarters Representative’s Office ceased to function as a production site at the end of November 2018, and the Company has been earnestly considering measures for its effective utilization. The Company received a proposal of business plan utilizing the most of the characteristics of the site, and the Company have thus transferred the site.

(1) Description of the assets to be transferred

Details and Location of assets	Gain on Sale	Type of Asset
Land and buildings (including incidental non-current assets) 11-1, Kitahama-machi, Chita-city, Aichi, Japan (approximately 393,300 m ²)	Approximately 16.0 billion yen	Idle asset

Note: Due to the request of the transferee, the transfer prices and book values of the assets is not disclosed. In addition, the gains on sale are approximate figures obtained by deducting the book values, transfer-related expenses, etc. from the transfer prices.

(2) Overview of the transferee

Company name	Oono Development Co., Ltd.
Headquarters	184, Kita-Umemoto-machi Kou, Matsuyama-city, Ehime
Name and title of representative	Tsuyoshi Oono, Representative Director
Main business activities	Collection, transportation, intermediate disposal, and final disposal of industrial waste and specially controlled industrial waste; contracting and construction of civil engineering demolition work, etc.
Date of establishment	November 19, 1973
Relationship with the Company	There are no capital, personnel, business relationships, related parties, or other matters that require special mention.

(3) Schedule of transfer

April 28, 2021: Conclusion of sales agreement

May 13, 2021: Transfer of ownership

2. Transfer of land as real estate for rent

(1) Description of the assets to be transferred

Details and Location of Assets	Gain on Sale	Type of Asset
Land as real estate for rent Showa-machi, Kanazawa-ku, Yokohama-city, Kanagawa, Japan (approximately 26,700 m ²)	Approximately 5.5 billion yen	Rental property

Note: Due to the request of the transferee, the transfer prices and book values of the assets is not disclosed. In addition, the gains on sale are approximate figures obtained by deducting the book values, transfer-related expenses, etc. from the transfer prices.

(2) Overview of the transferee

Although the transferee is a general business company in Japan, detailed information of the transferee is not disclosed according to its request.

In addition, there are no capital, personal or business relationships between the transferee and the Company to be reported, and the transferee is not a related party of the Company. The Company has also confirmed that the transferee does not belong to an anti-social force.

(3) Schedule of transfer

May 14, 2021: Conclusion of sales agreement and transfer of ownership

3. Impact on consolidated operating results

Due to the above-mentioned transfer of non-current assets, approximately 21.5 billion yen of gain on sale of non-current assets is planned to be recorded in extraordinary income for the fiscal year ending March 31, 2022.

(The Company's acquisition of 100% ownership of MEISEI ELECTRIC CO., LTD. through simplified share exchange)

The Company has executed a share exchange agreement upon having adopted a resolution at its Board of Directors meeting held on May 13, 2021, whereby the Company and MEISEI ELECTRIC CO., LTD. (hereinafter, "MEISEI") are to carry out a share exchange as a result of which the Company will be the wholly-owning parent company in the share exchange and MEISEI will be the wholly-owned subsidiary in the share exchange.

1. Purpose of the share exchange

The Company made MEISEI a wholly-owned subsidiary with the intention of creating further synergy effects derived through resulting technical and product cooperation between the two companies, effective use of their human resources and other managerial resources, and more prompt decision-making in their collaborative efforts, among other things.

2. Overview of the share exchange

(1) Schedule for the share exchange

Record date for the ordinary shareholders meeting for approving the share exchange agreement (MEISEI)	March 31, 2021
Date of the Board of Directors' resolution for execution of the share exchange agreement (Both companies)	May 13, 2021
Execution date of the share exchange agreement (Both companies)	May 13, 2021
Date of the ordinary shareholders meeting for approving the share exchange agreement (MEISEI)	June 23, 2021 (estimate)
Last trading date (MEISEI)	July 28, 2021 (estimate)
Delisting date (MEISEI)	July 29, 2021 (estimate)
Effective date of the share exchange agreement	August 1, 2021 (estimate)

Note: The effective date of the share exchange may be changed upon agreement between the Company and MEISEI if necessary to accommodate the procedure for the share exchange or for any other reason.

(2) Method of the share exchange

The share exchange will make the Company the wholly-owning parent company in the share exchange and MEISEI the wholly-owned subsidiary in the share exchange. The share exchange is scheduled to take place effective as of August 1, 2021: (i) without obtaining the approval of the Company's shareholders meeting, by following the simplified share exchange procedure pursuant to the provisions of Article 796, Paragraph 2 of the Companies Act; and (ii) after obtaining the approval of MEISEI's shareholders meeting at its ordinary shareholders meeting scheduled to be held on June 23, 2021.

(3) Details of allotment of shares in the share exchange

	The Company (Wholly-owning parent company in share exchange)	MEISEI (Wholly-owned subsidiary in share exchange)
Share exchange ratio for the share exchange	1	0.42
Number of shares to be delivered upon the share exchange	The Company's common stock: 2,729,838 shares (estimate)	

(Note 1) Share allotment ratio

0.42 shares of the Company's stock will be allotted and delivered per share of MEISEI's stock. However, no shares will be allotted in the share exchange for shares of MEISEI's stock held by the Company (6,772,000 shares as of May 13, 2021). Note that the allotment ratio for the share exchange specified in the above table (the "Share Exchange Ratio") is subject to change by agreement between the Company and MEISEI in the event of material changes in the conditions underlying the calculation of the Share Exchange Ratio pursuant to the share exchange agreement.

(Note 2) Number of shares of the Company's stock to be delivered upon the share exchange

Number of shares of the Company's stock: 2,729,838 shares (estimate)

The above number of shares has been calculated based on: (i) the total number of issued shares (13,279,633 shares) and the number of treasury shares (8,017 shares) of MEISEI as of March 31, 2021; and (ii) the number of shares of MEISEI's stock held by the Company as of May 13, 2021 (6,772,000 shares).

In the share exchange, the Company will allot and deliver the number of shares of the Company's stock calculated based on the share exchange Ratio to the shareholders of MEISEI (meaning the shareholders after cancellation of MEISEI's treasury shares specified below, and excluding the Company) as at the time immediately before the Company's acquisition of all issued shares of MEISEI (excluding shares of MEISEI's stock held by the Company) through the share exchange (the "Base Time"), in exchange for shares of MEISEI's stock held by these shareholders. The Company plans to allocate treasury shares held by it to these shareholders entitled to shares of the Company's stock to be delivered in the share exchange, and the Company does not plan to issue any new shares to be allotted in the Share Exchange. MEISEI plans to cancel, at the Base Time and by a resolution adopted at its Board of Directors meeting to be held no later than the day before the effective date of the share exchange, all of the treasury shares held by it (8,017 shares as of March 31, 2021, and including any shares that may be acquired by MEISEI as a result of dissenting shareholders' demand, if made in the course of share exchange, for share purchase under Article 785, Paragraph 1 of the Companies Act) at the Base Time.

The number of shares to be allotted and delivered in the share exchange may be modified in the future due to such reasons as MEISEI's acquisition, cancellation, etc. of its treasury shares.

3. Grounds and reasons for the details of allotment of shares in the share exchange

The Company has begun to seriously consider the matter of ensuring fairness and validity with respect to the Share Exchange Ratio. To such ends, the Company has appointed Deloitte Tohmatsu Financial Advisory LLC

as its third-party valuation institution, and has also appointed Nishimura & Asahi as its legal advisor.

The two companies each gave the matter careful consideration based on the valuation results of the share exchange ratio and advice received from their respective third-party valuation institutions, as well as on advice from their respective legal advisors, and in light of, among other things, the results of due diligence investigations conducted by both companies on their respective counterparties, followed by repeated, careful negotiations between the two companies on the share exchange ratio by taking comprehensively into account both companies' financial conditions, business performance trends, and stock price trends, etc. As a result, the two companies reached a conclusion that the Share Exchange Ratio was appropriate and would contribute to the interests of their respective shareholders. The two companies executed the Share Exchange Agreement between them upon having furthermore decided to conduct the Share Exchange using the Share Exchange Ratio. The Share Exchange Ratio is subject to change by agreement between both companies in the event of material changes in the conditions underlying the calculation of the Share Exchange Ratio pursuant to the Share Exchange Agreement.

4. Overview of accounting treatment to be implemented

The share exchange is expected to qualify as a transaction under common control, etc. pursuant to the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(Note)

In preparing the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to the non-consolidated financial statements, monetary amounts less than one unit are rounded down.

Audit Report of Accounting Auditor on Consolidated Financial Statements

(Translation)

Report of Independent Auditor

May 24, 2021

To the Board Of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Tokyo Office

Yoshiyuki Sakuma (Seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroataka Oya (Seal)
Certified Public Accountant
Designated and Engagement Partner

Yoichi Takanashi (Seal)
Certified Public Accountant
Designated and Engagement Partner

Audit Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and notes to consolidated financial statements of IHI Corporation (the “Company”) applicable to the fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the consolidated financial statements referred to above, prepared with the omission of certain disclosure items required under designated international accounting standards pursuant to the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting, present fairly and in all material respects the consolidated financial position and results of operations of the IHI Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2021.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements pursuant to the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting, which allows for preparation of consolidated financial statements omitting certain disclosure items required under designated international accounting standards, this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare such statements under assumption of the Group's ability to continue as a going concern and is responsible for disclosing matters whose disclosure is required in relation to the going concern assumption pursuant to the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting, which allows for preparation of consolidated financial statements omitting certain disclosure items required under designated international accounting standards.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.

- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto comply with the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting, which allows for preparation of consolidated financial statements omitting certain disclosure items required under designated international accounting standards, and also evaluate whether the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We or engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act of Japan.

Audit Report of Accounting Auditor on Non-Consolidated Financial Statements

(Translation)

Report of Independent Auditor

May 24, 2021

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Tokyo Office

Yoshiyuki Sakuma (Seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroataka Oya (Seal)
Certified Public Accountant
Designated and Engagement Partner

Yoichi Takanashi (Seal)
Certified Public Accountant
Designated and Engagement Partner

Audit Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to the non-consolidated financial statements and the related supplementary schedules (the “financial statements, etc.”) of IHI Corporation (the “Company”) applicable to the 204th fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of IHI Corporation applicable to the 204th fiscal year ended March 31, 2021 in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements, etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the financial statements, etc. in accordance with accounting principles generally accepted in

Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of the financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the financial statements, etc. with the assumption of the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements, etc.

Our responsibilities are to obtain reasonable assurance about whether the financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, etc. whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements, etc. is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the financial statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the financial statements, etc. or, if the notes to the financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation of the financial statements, etc. and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the financial statements, etc., including the related notes thereto, and whether the financial statements, etc. fairly represent the underlying transactions and accounting events.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We or engagement partners have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act of Japan.

Audit Report of the Audit & Supervisory Board

<Translation>

Audit Report

We, the Audit & Supervisory Board, having discussed the Directors' performance of duties during the 204th fiscal year, from April 1, 2020 through March 31, 2021, based on audit reports from each Audit & Supervisory Board Member, prepared the following Audit Report.

I. Methods and Contents of the Audit Implemented by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board established its audit policy, assigned responsibilities to each Audit & Supervisory Board Member in carrying out the policy, and received reports from each Audit & Supervisory Board Member on status of audit implementation and results. In addition, the Audit & Supervisory Board, when necessary, received reports and requested explanations from Directors, other executives and accounting auditors concerning the execution of their duties.

Each Audit & Supervisory Board Member, in accordance with the Audit & Supervisory Board Members standard of audit, established by the Audit & Supervisory Board, as well as the audit policy and assigned responsibilities, communicated with Directors, internal audit divisions, and other employees, in order to gather information and develop an optimal audit environment. Simultaneously, each Audit & Supervisory Board Member attended meetings of the Board of Directors and other vital meetings, received reports on the execution of duties from Directors, employees and other personnel, received reports and requested explanations from them when necessary, reviewed important documents including those subject to executive approval, and examined the conditions of assets and businesses at the head office and other major operations. With regard to the Company's subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with Directors, Audit & Supervisory Board Members, and other personnel of the subsidiaries, requested reports, and examined the conditions of assets and business when necessary.

In addition, each Audit & Supervisory Board Member reviewed the contents of the Board of Directors' resolutions on a system which assures that the execution of Directors' duties described in the business report comply with laws and regulations and the Articles of Incorporation, and monitored improvements to the system for assuring the propriety of operations of a corporate group consisting of a corporation and its subsidiaries, as stipulated in Article 100, Paragraphs 1 and 3 of the Regulation for Enforcement of the Companies Act of Japan.

Based on the methods described above, the Audit & Supervisory Board reviewed the Business Report and its supplementary schedules for the fiscal year.

Furthermore, each Audit & Supervisory Board Member has monitored the accounting auditor to verify its independence and the propriety of their audit implementation, and has received reports and requested explanations when

necessary. In addition, each Audit & Supervisory Board Member received a notice from the accounting auditor regarding “the system for securing appropriate execution of duties” (items listed in Article 131 of the Regulation on Corporate Accounting) has been developed in accordance with “the Standard on Quality Control Concerning Audit” (established by the Business Accounting Council on October 28, 2005), and requested explanations from them when necessary.

Based on the methods described above, the Audit & Supervisory Board reviewed non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements) and their supplementary schedules, along with consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, and notes to consolidated financial statements) for the fiscal year.

II. Results of Audit

1. Results of the audit of the business report and other documents

(1) The Business Report and its supplementary schedules accurately present the condition of the Company in accordance with applicable laws and regulations, along with the Articles of Incorporation.

(2) With regard to the execution of Directors’ duties, no misconduct nor material matters in violation of laws, regulations, or the Articles of Incorporation were found.

(3) The content of the Board of Directors’ resolution on the internal control system was found sufficient. Subsequently, with regard to the description of the internal control system in the Business Report and execution of Director’s duties, nothing is to be pointed out.

2. Results of the audit of non-consolidated financial statements and supplementary schedules

The method and results of the audit conducted by Ernst & Young ShinNihon LLC, the Company’s accounting auditor, are recognized as appropriate.

3. Results of the audit of consolidated financial statements

The method and results of the audit conducted by Ernst & Young ShinNihon LLC, the Company’s accounting auditor, are recognized as appropriate.

May 25, 2021

The Audit & Supervisory Board IHI Corporation

Taizo Suga (Seal)
Standing Audit & Supervisory Board
Member

Takashi Niimura (Seal)
Standing Audit & Supervisory Board
Member

Tomomi Yatsu (Seal)
Outside Audit & Supervisory Board
Member

Toshio Iwamoto (Seal)
Outside Audit & Supervisory Board
Member

Aiko Sekine (Seal)
Outside Audit & Supervisory Board
Member