

Quarterly Securities Report

(The Third Quarter of 205th Term)

From October 1, 2021 to December 31, 2021

IHI Corporation

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Fiscal year	The Third quarter of 205th term (from October 1, 2021 to December 31, 2021)
Company name	株式会社 I H I (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
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Note: In this report, IHI Corporation is hereinafter referred to as “IHI” and together with its consolidated subsidiaries as the “IHI Group”.

Part 1. Company information

I. Overview of company

1. Summary of business results

(1) Business results of group (Consolidated)

Term	204th term Nine months ended December 31, 2020	205th term Nine months ended December 31, 2021	204th term
Accounting period	From April 1, 2020 to December 31, 2020	From April 1, 2021 to December 31, 2021	From April 1, 2020 to March 31, 2021
Revenue (Millions of yen) [the third quarter]	765,261 [283,555]	816,192 [299,644]	1,112,906
Operating profit (loss) (Millions of yen)	(1,160)	45,515	27,961
Profit (loss) before tax (Millions of yen)	(7,294)	47,778	27,617
Profit (loss) attributable to owners of parent (Millions of yen) [the third quarter]	(10,113) [(334)]	27,632 [12,461]	13,093
Comprehensive income attributable to owners of parent (Millions of yen)	(8,277)	31,952	24,010
Equity attributable to owners of parent (Millions of yen)	268,552	330,058	300,769
Total assets (Millions of yen)	1,831,366	1,820,826	1,832,891
Basic earnings (loss) per share (Yen) [the third quarter]	(68.07) [(2.25)]	184.36 [82.39]	88.13
Diluted earnings (loss) per share (Yen)	(68.07)	184.34	88.13
Ratio of equity attributable to owners of parent (%)	14.66	18.13	16.41
Cash flows from operating activities (Millions of yen)	(68,954)	4,281	36,380
Cash flows from investing activities (Millions of yen)	(46,478)	1,503	(40,482)
Cash flows from financing activities (Millions of yen)	63,631	(45,475)	(23,712)
Cash and cash equivalents at end of period (Millions of yen)	95,637	82,783	120,766

- Notes: 1. Summary of business results of the reporting company are not presented, because IHI prepares condensed quarterly consolidated financial statements.
2. Monetary amounts and ratios less than one unit are rounded off.
3. The results above are based on condensed quarterly consolidated financial statements and consolidated financial statements in accordance with International Financial Reporting Standards.

2. Description of business

IHI and its affiliated companies (149 consolidated subsidiaries and 28 associates accounted for using the equity method as of December 31, 2021) operate four main businesses, providing a diverse range of products. The four businesses are: Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense.

In the nine months ended December 31, 2021, there were no significant changes in the contents of the businesses operated by the IHI Group (IHI and its affiliated companies). Changes in principle affiliated companies are as follows.

(Resources, Energy and Environment)

From the first quarter of the fiscal year ending March 31, 2022, one subsidiary of JURONG ENGINEERING LIMITED ceased to exist because its liquidation was completed.

From the second quarter of the fiscal year ending March 31, 2022, one subsidiary of JURONG ENGINEERING LIMITED was no longer an affiliated company of IHI because of the transfer of its shares to the third party.

From the third quarter of the fiscal year ending March 31, 2022, one subsidiary of JURONG ENGINEERING LIMITED was newly included in the scope of consolidation due to its increasing importance within the IHI Group.

(Social Infrastructure and Offshore Facilities)

From the second quarter of the fiscal year ending March 31, 2022, Livecon Engineering Co.,Ltd was merged into IHI CONSTRUCTION MATERIALS Co.,Ltd. and ceased to exist.

II. Overview of business

1. Business risks

There were no new occurrences of business risks in the nine months ended December 31, 2021.

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

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

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

Note that forward-looking statements are based on the Group's judgments as of the end of the third quarter (December 31, 2021).

(1) Overview of operating results

During the nine months ended December 31, 2021, there was an easing of restrictions on activity that had been imposed following the spread of COVID-19, as well as signs of a rally in production and consumption activity, but the prolongation of the impact of semiconductor shortages and soaring raw material prices have hindered the recovery of the Japanese economy. For the world economy, the spread of vaccinations and implementation of economic policies led to signs of a revival, primarily in Europe and the U.S., but the recovery has been slow in emerging countries and developing countries. Both in Japan and overseas, the economic outlook is uncertain due to factors such as the spread of new variants of COVID-19 leading to the imposition of restrictions on economic activity.

In the IHI Group's main business, the Civil aero engines Business is affected by COVID-19 and long-distance international routes are still affected by the continuation of immigration restrictions. On the other hand, the demand for aero transportation on domestic and short-distance international routes is recovering, and along with this the sales of spare parts are on the rise.

In the Vehicular turbochargers Business the number of delivery is sluggish because of the shortage of semiconductors in the automobile industry and the production adjustment due to supply chain disruption caused by the restrictions on economic activity with the spread of COVID-19. It is expected that the shortage of semiconductors will be resolved and the supply chain will return to normal, and the production of automobile company will return to normal next fiscal year.

Under this business environment, orders received of the IHI Group during the nine months ended December 31, 2021 increased 23.5% from the previous corresponding period to ¥843.8 billion. Revenue increased 6.7% from the previous corresponding period to ¥816.1 billion.

In terms of profitability, all the profit items turned profitable. Operating profit increased ¥46.6 billion to ¥45.5 billion due mainly to increased revenue in the Nuclear energy Business and the Heat treatment and surface engineering Business, and increased sales of spare parts in the Civil aero engines Business in addition to sale of property, plant and equipment. Profit before tax increased ¥55.0 billion to ¥47.7 billion, an increase in profit margin due to factors such as improvements in foreign exchange gain / loss. Profit attributable to owners of parent increased ¥37.7 billion to ¥27.6 billion.

Results by reportable segment for the nine months ended December 31, 2021 are as follows:

(Billions of yen)

Reportable segment	Orders received			Nine months ended December 31, 2020		Nine months ended December 31, 2021		Changes from the previous corresponding period (%)	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Changes from the previous corre- sponding period (%)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)
Resources, Energy and Environment	154.3	270.7	75.5	224.1	11.2	242.7	12.2	8.3	9.1
Social Infrastructure and Offshore Facilities	98.9	119.6	20.9	103.9	10.1	111.7	5.2	7.6	(49.0)
Industrial Systems and General-Purpose Machinery	253.1	272.7	7.8	271.7	5.6	271.9	9.5	0.1	69.6
Aero Engine, Space and Defense	165.5	170.3	2.9	161.1	(29.8)	178.0	(5.5)	10.5	—
Reportable segment total	671.9	833.4	24.0	760.9	(2.7)	804.5	21.4	5.7	—
Others	49.2	39.0	(20.7)	34.4	1.8	42.4	3.8	23.4	112.3
Adjustments	(37.8)	(28.6)	—	(30.0)	(0.1)	(30.8)	20.2	—	—
Total	683.3	843.8	23.5	765.2	(1.1)	816.1	45.5	6.7	—

Note: Monetary amounts less than first decimal are rounded down, and ratios less than one unit are rounded off.

<Resources, Energy and Environment>

Orders received increased in the Carbon solutions Business, the Nuclear energy Business, and the Power systems Business.
Revenue increased in the Nuclear energy Business.

Despite a decrease in the Carbon solutions and the Power systems' lifecycle business, operating profit increased due to improvement in profitability, and increased revenue in the Nuclear energy Business.

<Social Infrastructure and Offshore Facilities>

Orders received increased in the Bridges and water gates Business.

Although revenue decreased due to the decline in real estate sales in the Urban development Business, revenue increased in the Shield systems Business and the Concrete construction materials Business.

In addition to the decline in real estate sales, the soaring steel prices and marine transportation costs in the Bridges and water gates Business, operating profit decreased due to the effect of gain on sales of investment property recorded in the corresponding period of the previous fiscal year.

<Industrial Systems and General-Purpose Machinery>

Orders received increased in the Heat treatment and surface engineering Business and the Rotating machineries Business.

Although revenue decreased in the Transport machineries Business and the Parking Business, revenue increased in the Heat treatment and surface engineering Business and the Rotating machineries Business.

In addition to increased revenue and improvement in profitability, operating profit increased due to the effect of the restructuring cost recorded in the corresponding period of the previous fiscal year in the Agricultural machinery Business.

<Aero Engine, Space and Defense>

Orders received increased in the Civil aero engines Business.

In addition to increased sales of engines and spare parts in the Civil aero engines Business, revenue increased in the Rocket systems and space utilization systems Business.

In addition to increased sales of spare parts and the improvement in profitability by strengthening the cost structure in the Civil aero engines Business, operating loss improved due to depreciation of the yen.

(2) Analysis of financial position

Total assets at the end of the third quarter ended December 31, 2021 were ¥1,820.8 billion, down ¥12.0 billion compared with the end of the previous fiscal year. This was due to decreases in trade and other receivables, down ¥56.7 billion and cash and cash equivalents, down ¥37.9 billion, while there were increases in contract assets, up ¥42.5 billion and inventories, up ¥41.6 billion.

Total liabilities were ¥1,466.7 billion, down ¥38.3 billion compared with the end of the previous fiscal year. This was due to decreases in trade and other payables, down ¥14.5 billion and bonds and borrowings(current), down ¥12.8 billion.

Equity was ¥354.0 billion, up ¥26.3 billion compared with the end of the previous fiscal year. This includes profit attributable to owners of parent of ¥27.6 billion.

As a result of the above, the ratio of equity attributable to owners of parent increased from 16.4% at the end of the previous fiscal year to 18.1%.

(3) Cash flows

At the end of the third quarter, the outstanding balance of cash and cash equivalents (hereinafter, “cash”) was ¥82.7 billion, down ¥37.9 billion from the end of the previous fiscal year.

Key factors influencing each cash flow during the nine months ended December 31, 2021 are summarized below.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥4.2 billion (the previous corresponding period: use of ¥68.9 billion). This was due to increases in collection of trade receivables, while there were increases in inventories and prepayments, as well as contract assets.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥1.5 billion (the previous corresponding period: use of ¥46.4 billion). This was due mainly to proceeds from sale of the site of the former Aichi Headquarters Representative’s Office, etc., while there were purchases of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥45.4 billion (the previous corresponding period: gain of ¥63.6 billion). This was due to expenditure for repayments of borrowings, while there were proceeds from issuances of commercial papers.

(4) Analysis of capital resources and funding liquidity

The IHI Group obtains working capital and funds for capital expenditures by means of loans, bonds, and commercial papers, as well as by using cash on hand. At the end of the third quarter ended December 31, 2021, the balance of interest-bearing liabilities, including lease liabilities, was ¥575.9 billion, down ¥30.0 billion from the end of the previous fiscal year. This primarily reflected repayments of external borrowings and redemption of bonds that are due for repayment.

At the end of the third quarter ended December 31, 2021, the outstanding balance of cash and cash equivalents was ¥82.7 billion, down ¥37.9 billion from the end of the previous fiscal year. This primarily reflected expenditures of working capital for business activities and repayment of interest-bearing liabilities, etc.

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

(5) Research and development (R&D) activities

In the nine months ended December 31, 2021, the IHI Group spent ¥20.2 billion on R&D. There were no significant changes in the status of R&D activities of the IHI Group in the nine months ended December 31, 2021.

(6) Results of production, orders received and sales

In the nine months ended December 31, 2021, orders received increased 75.5% from the previous corresponding period in the Resources, Energy and Environment segment. For details, please refer to “(1) Overview of operating results.”

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

There were no significant changes with respect to management policies, management strategies, and issues to be addressed in the nine months ended December 31, 2021.

While economic and social activities are expected to continue while taking all possible measures against the spread of COVID-19 and the global economy is expected to recover, there are many uncertainties remain with regard to the economy outlook, such as monetary tightening in the U.S., political conflicts between Europe, the U.S., and China, and the emergence of geopolitical risks. In addition, there is a growing trend to emphasize sustainability around the world, and in particular, the efforts of governments and corporations to tackling climate change are attracting a great deal of attention.

To respond to the speed of change in these environments, the IHI Group is promoting "Project Change" aimed returning to growth trajectory by further strengthening earnings foundations and expanding the lifecycle businesses, and creating growth businesses that contribute to the realization of a sustainable society. At present, IHI is strengthening its activities to utilize ammonia as a fuel and to build supply chains, such as demonstration project related to ammonia co-firing at a large-scale commercial coal-fired power plant, development of ammonia exclusive firing technology for gas turbines, etc.

Under these circumstances, the IHI Group announced the "IHI Group's ESG Management" in November 2021, and reiterated its commitment to placing ESG at the center of its management. We are committed to solving climate change issues through our business activities and realizing a sustainable world in which nature and technology work in unity, while upholding human rights and creating a corporate culture in which diverse and inclusive workforce are built.

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

3. Material contracts for operation

(Licensing-in contracts)

Material contract that has been renewed by extending the contract period in the third quarter ended December 31, 2021 is as follows.

Name of Contracting Company	Name of Counterparty	Country	Licensed Products	Details	Contract Period
IHI Power Systems Co., Ltd. (Consolidated subsidiary)	MAN ENERGY SOLUTIONS FRANCE SAS	France	General-purpose medium-speed diesel engine	Acquisition of nonexclusive rights for the manufacture and sale of licensed products	From November 14, 1995 to December 31, 2022

Note: In the contract listed above, the original contract period that was to December 31, 2021 was extended to December 31, 2022.

III. Information about reporting company

1. Information about shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Type	Total number of authorized shares (Shares)
Ordinary shares	300,000,000
Total	300,000,000

(ii) Issued shares

Type	Number of issued shares as of the end of the third quarter (Shares) (December 31, 2021)	Number of issued shares as of the filing date (Shares) (February 10, 2022)	Name of stock exchange on which IHI is listed or names of authorized financial instruments firms associations where IHI is registered	Description
Ordinary shares	154,679,954	154,679,954	First Section of Tokyo Stock Exchange and Nagoya Stock Exchange, Fukuoka Stock Exchange, Sapporo Securities Exchange	The number of shares constituting one unit is 100 shares.
Total	154,679,954	154,679,954	—	—

Note: The “Number of issued shares as of the filing date” column does not include the number of shares issued upon exercise of share acquisition rights between February 1, 2022 and the filing date of this Quarterly Securities Report.

(2) Share acquisition rights, etc.

(i) Details of stock option plans

Not applicable

(ii) Other matters regarding share acquisition rights, etc.

Not applicable

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

Not applicable

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

Period	Changes in number of issued shares (Thousand shares)	Balance of number of issued shares (Thousand shares)	Changes in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
From October 1, 2021 to December 31, 2021	—	154,679	—	107,165	—	54,520

(5) Major shareholders

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

(6) Voting rights

Concerning the information on voting rights below, as IHI was unable to confirm the information stated in the shareholder register as of December 31, 2021, the information is stated not from its register; rather it is stated from the shareholder register of the immediately preceding cut-off date (September 30, 2021).

(i) Issued shares

(As of September 30, 2021)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares, etc.)	(Shares in treasury) Ordinary shares 2,839,300	—	—
	(Reciprocally held shares) Ordinary shares 20,200	—	
Shares with full voting rights (others)	Ordinary shares 151,422,200	1,514,222	—
Shares less than one unit	Ordinary shares 398,254	—	Shares less than one unit (100 shares)
Number of issued shares	154,679,954	—	—
Total number of voting rights	—	1,514,222	—

- Notes:
1. Ordinary shares in “Shares less than one unit” include 88 shares of treasury shares held by IHI, 36 shares whose ownership has not yet been transferred and which have been registered in the name of Japan Securities Depository Center.
 2. Ordinary shares in “Shares with full voting right (others)” include 800 shares whose ownership has not yet been transferred and which have been registered in the name of Japan Securities Depository Center. These shares constitute eight units of voting rights and included in the figure in “Number of voting rights.”
 3. Ordinary shares in “Shares with full voting rights (others)” include 592,300 shares of IHI owned by a trust account for the Board Benefit Trust.

(ii) Treasury shares, etc.

(As of September 30, 2021)

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
(Shares in treasury) IHI Corporation	1-1, Toyosu 3-chome, Koto-ku, Tokyo	2,839,300	—	2,839,300	1.83
(Reciprocally held shares) Kondo Tekko Co., Ltd.	10-5, Yaesu 2-chome, Chuo-ku, Tokyo	20,200	—	20,200	0.01
Total	—	2,859,500	—	2,859,500	1.84

Note: 592,300 shares of IHI owned by a trust account for the Board Benefit Trust are not included in shares in treasury above.

2. Information about directors and auditors

After the date of submission of the Annual Securities Report for the previous fiscal year, there have been no changes in directors and auditors in the nine months ended December 31, 2021.

The change in executive officer is as follows.

(1) New executive officer

Position and responsibilities	Name	Date of change
Managing Executive Officer; General Manager of MEISEI PMI Office	Masataka Ikeyama	August 1, 2021

(2) Number of executive officers and percentage of women among executive officers after the change

Men: 19 Woman: 1 (Percentage of women among executive officers: 5.0%)

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

IV. Financial information

1. Basis of preparation of the condensed quarterly consolidated financial statements

The condensed quarterly consolidated financial statements of the IHI Group are prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* pursuant to the Article 93 of the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No.64 of 2007).

2. Audit attestation

The condensed quarterly consolidated financial statements for the three months ended December 31, 2021 (from October 1, 2021 to December 31, 2021) and the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021) were reviewed by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

1. Condensed quarterly consolidated financial statements

(1) Condensed quarterly consolidated statement of financial position

		(Millions of yen)	
	Notes	As of March 31, 2021	As of December 31, 2021
Assets			
Current assets			
Cash and cash equivalents	10	120,766	82,783
Trade and other receivables	10	344,535	287,811
Contract assets		111,830	154,362
Other financial assets	10	1,391	2,895
Inventories		326,470	368,155
Other current assets		41,668	65,795
Total current assets		946,660	961,801
Non-current assets			
Property, plant and equipment		252,510	237,826
Right-of-use assets		117,794	111,060
Goodwill		5,876	5,837
Intangible assets		121,265	119,806
Investment property		144,183	139,183
Investments accounted for using equity method		48,460	54,631
Other financial assets	10	49,056	47,281
Deferred tax assets		70,455	69,536
Other non-current assets		76,632	73,865
Total non-current assets		886,231	859,025
Total assets		1,832,891	1,820,826

		(Millions of yen)	
	Notes	As of March 31, 2021	As of December 31, 2021
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	10	234,451	219,916
Bonds and borrowings	10	158,377	145,533
Lease liabilities		17,630	16,763
Other financial liabilities	10	11,742	9,052
Income taxes payable		5,125	15,839
Contract liabilities		165,818	173,412
Provisions		26,738	21,320
Other current liabilities		144,907	132,486
Total current liabilities		764,788	734,321
Non-current liabilities			
Bonds and borrowings	10	304,735	295,472
Lease liabilities		125,193	118,147
Other financial liabilities	10	103,428	108,773
Deferred tax liabilities		3,132	3,171
Retirement benefit liability		180,720	183,450
Provisions		6,338	7,247
Other non-current liabilities		16,830	16,204
Total non-current liabilities		740,376	732,464
Total liabilities		1,505,164	1,466,785
Equity			
Share capital		107,165	107,165
Capital surplus		51,735	47,014
Retained earnings		148,428	170,281
Treasury shares		(15,953)	(8,844)
Other components of equity		9,394	14,442
Total equity attributable to owners of parent		300,769	330,058
Non-controlling interests		26,958	23,983
Total equity		327,727	354,041
Total liabilities and equity		1,832,891	1,820,826

(2) Condensed quarterly consolidated statement of profit or loss and consolidated statement of comprehensive income

Condensed quarterly consolidated statement of profit or loss

Nine months ended December 31, 2020 and 2021

(Millions of yen)

	Notes	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Revenue	5,7	765,261	816,192
Cost of sales		645,057	672,355
Gross profit		120,204	143,837
Selling, general and administrative expenses		117,835	126,609
Other income	8	4,157	34,429
Other expenses		7,686	6,142
Operating profit (loss)	5	(1,160)	45,515
Finance income		1,447	4,778
Finance costs		7,167	3,466
Share of profit of investments accounted for using equity method		(414)	951
Profit (loss) before tax		(7,294)	47,778
Income tax expense		358	17,315
Profit (loss)		(7,652)	30,463
Profit (loss) attributable to:			
Owners of parent		(10,113)	27,632
Non-controlling interests		2,461	2,831
Profit (loss)		(7,652)	30,463
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	9	(68.07)	184.36
Diluted earnings (loss) per share (Yen)	9	(68.07)	184.34

Three months ended December 31, 2020 and 2021

(Millions of yen)

	Notes	Three months ended December 31, 2020	Three months ended December 31, 2021
Revenue		283,555	299,644
Cost of sales		237,139	243,631
Gross profit		46,416	56,013
Selling, general and administrative expenses		40,812	44,383
Other income	8	567	10,907
Other expenses		1,230	3,398
Operating profit		4,941	19,139
Finance income		523	2,980
Finance costs		2,813	1,040
Share of profit of investments accounted for using equity method		(1,143)	86
Profit before tax		1,508	21,165
Income tax expense		1,153	7,847
Profit		355	13,318
Profit (loss) attributable to:			
Owners of parent		(334)	12,461
Non-controlling interests		689	857
Profit		355	13,318
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	9	(2.25)	82.39
Diluted earnings (loss) per share (Yen)	9	(2.25)	82.38

Condensed quarterly consolidated statement of comprehensive income
 Nine months ended December 31, 2020 and 2021

		(Millions of yen)	
	Notes	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit (loss)		(7,652)	30,463
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	10	1,200	(192)
Remeasurements of defined benefit plans		21	(118)
Other comprehensive income of investments accounted for using equity method		99	92
Total of items that will not be reclassified to profit or loss		1,320	(218)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		1,500	4,539
Cash flow hedges		(67)	2
Other comprehensive income of investments accounted for using equity method		(617)	509
Total of items that may be reclassified to profit or loss		816	5,050
Other comprehensive income, net of tax		2,136	4,832
Comprehensive income		(5,516)	35,295
Comprehensive income attributable to:			
Owners of parent		(8,277)	31,952
Non-controlling interests		2,761	3,343
Comprehensive income		(5,516)	35,295

Three months ended December 31, 2020 and 2021

		(Millions of yen)	
	Notes	Three months ended December 31, 2020	Three months ended December 31, 2021
Profit		355	13,318
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	10	551	(186)
Remeasurements of defined benefit plans		(162)	—
Other comprehensive income of investments accounted for using equity method		60	(47)
Total of items that will not be reclassified to profit or loss		449	(233)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		741	4,101
Cash flow hedges		(35)	70
Other comprehensive income of investments accounted for using equity method		(400)	330
Total of items that may be reclassified to profit or loss		306	4,501
Other comprehensive income, net of tax		755	4,268
Comprehensive income		1,110	17,586
Comprehensive income attributable to:			
Owners of parent		207	16,346
Non-controlling interests		903	1,240
Comprehensive income		1,110	17,586

(3) Condensed quarterly consolidated statement of changes in equity
 Nine months ended December 31, 2020

(Millions of yen)

	Notes	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	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2020		107,165	51,779	136,516	(15,899)	(5,067)	(255)	5,406
Profit (loss)				(10,113)				
Other comprehensive income						622	(85)	1,278
Total comprehensive income		—	—	(10,113)	—	622	(85)	1,278
Purchase of treasury shares					(312)			
Disposal of treasury shares			(2)		235			
Dividends	6			(2,980)				
Share-based remuneration transactions			(72)					
Changes in ownership interest in subsidiaries								
Transfer from other components of equity to retained earnings				50				(29)
Other				(96)		(21)		
Total transactions with owners		—	(74)	(3,026)	(77)	(21)	—	(29)
Balance as of December 31, 2020		107,165	51,705	123,377	(15,976)	(4,466)	(340)	6,655

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total
		Other components of equity			Total	Total		
		Remeasurements of defined benefit plans	Share acquisition rights	Total				
Balance as of April 1, 2020		—	533	617	280,178	25,862	306,040	
Profit (loss)				—	(10,113)	2,461	(7,652)	
Other comprehensive income		21		1,836	1,836	300	2,136	
Total comprehensive income		21	—	1,836	(8,277)	2,761	(5,516)	
Purchase of treasury shares				—	(312)		(312)	
Disposal of treasury shares			(101)	(101)	132		132	
Dividends	6			—	(2,980)	(3,098)	(6,078)	
Share-based remuneration transactions				—	(72)		(72)	
Changes in ownership interest in subsidiaries				—	—	52	52	
Transfer from other components of equity to retained earnings		(21)		(50)	—		—	
Other				(21)	(117)	(75)	(192)	
Total transactions with owners		(21)	(101)	(172)	(3,349)	(3,121)	(6,470)	
Balance as of December 31, 2020		—	432	2,281	268,552	25,502	294,054	

Nine months ended December 31, 2021

(Millions of yen)

	Equity attributable to owners of parent							
	Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
						Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2021		107,165	51,735	148,428	(15,953)	1,102	(61)	7,939
Profit (loss)				27,632				
Other comprehensive income						4,518	19	(99)
Total comprehensive income		—	—	27,632	—	4,518	19	(99)
Purchase of treasury shares			0		(107)			
Disposal of treasury shares					123			
Dividends	6			(4,555)				
Share-based remuneration transactions			(38)					
Changes in ownership interest in subsidiaries			(4,683)		7,093			
Transfer from other components of equity to retained earnings				(896)				778
Other				(328)			(46)	
Total transactions with owners		—	(4,721)	(5,779)	7,109	—	(46)	778
Balance as of December 31, 2021		107,165	47,014	170,281	(8,844)	5,620	(88)	8,618

	Equity attributable to owners of parent						Non-controlling interests	Total
	Notes	Other components of equity			Total	Total		
		Remeasurements of defined benefit plans	Share acquisition rights	Total				
Balance as of April 1, 2021		—	414	9,394	300,769	26,958	327,727	
Profit (loss)				—	27,632	2,831	30,463	
Other comprehensive income		(118)		4,320	4,320	512	4,832	
Total comprehensive income		(118)	—	4,320	31,952	3,343	35,295	
Purchase of treasury shares				—	(107)		(107)	
Disposal of treasury shares			(122)	(122)	1		1	
Dividends	6			—	(4,555)	(3,966)	(8,521)	
Share-based remuneration transactions				—	(38)		(38)	
Changes in ownership interest in subsidiaries				—	2,410	(2,348)	62	
Transfer from other components of equity to retained earnings		118		896	—		—	
Other				(46)	(374)	(4)	(378)	
Total transactions with owners		118	(122)	728	(2,663)	(6,318)	(8,981)	
Balance as of December 31, 2021		—	292	14,442	330,058	23,983	354,041	

(4) Condensed quarterly consolidated statement of cash flows

		(Millions of yen)	
	Notes	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Cash flows from operating activities			
Profit (loss) before tax		(7,294)	47,778
Depreciation, amortization and impairment losses		60,251	55,298
Finance income and finance costs		1,603	1,364
Share of loss (profit) of investments accounted for using equity method		414	(951)
Loss (gain) on sale of property, plant and equipment, intangible assets and investment property		(1,673)	(31,237)
Decrease (increase) in trade receivables		41,763	52,210
Decrease (increase) in contract assets		(22,896)	(41,345)
Decrease (increase) in inventories and prepayments		(42,493)	(43,380)
Increase (decrease) in trade payables		(44,255)	(11,656)
Increase (decrease) in contract liabilities		6,566	7,024
Other		(47,426)	(24,711)
Subtotal		(55,440)	10,394
Interest received		283	274
Dividends received		2,105	1,301
Interest paid		(3,640)	(2,553)
Income taxes paid		(12,262)	(5,135)
Net cash provided by (used in) operating activities		(68,954)	4,281
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets and investment property		(44,783)	(30,508)
Proceeds from sale of property, plant and equipment, intangible assets and investment property	8	7,275	36,948
Purchase of investments (including investments accounted for using equity method)		(10,732)	(2,887)
Proceeds from sale and redemption of investments (including investments accounted for using equity method)		650	13
Proceeds from sale of equity interest in subsidiaries		295	144
Other		817	(2,207)
Net cash provided by (used in) investing activities		(46,478)	1,503
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		(38,529)	(70,387)
Net increase (decrease) in commercial papers		24,000	80,000
Proceeds from long-term borrowings		114,851	10,915
Repayments of long-term borrowings		(37,752)	(23,737)
Proceeds from issuance of bonds		30,000	—
Redemption of bonds		(10,000)	(20,000)
Repayments of lease liabilities		(14,341)	(15,204)
Decrease (increase) in treasury shares		131	(5)
Dividends paid	6	(2,979)	(4,559)
Capital contribution from non-controlling interests		52	63
Dividends paid to non-controlling interests		(3,173)	(3,966)
Increase in other financial liabilities		1,825	1,938
Decrease in other financial liabilities		(637)	(762)
Other		183	229
Net cash provided by (used in) financing activities		63,631	(45,475)
Effect of exchange rate changes on cash and cash equivalents		1,710	1,708
Net increase (decrease) in cash and cash equivalents		(50,091)	(37,983)
Cash and cash equivalents at beginning of period		145,738	120,766
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation		(10)	—
Cash and cash equivalents at end of period		95,637	82,783

Notes to condensed quarterly consolidated financial statements

1. Reporting entity

IHI is a stock company located in Japan and incorporated in accordance with the Companies Act of Japan. IHI's condensed quarterly consolidated financial statements consist of accounts of IHI and its subsidiaries, as well as IHI's interests in its associates.

The IHI Group operates four main businesses, providing a diverse range of products. The four businesses are: Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense.

2. Basis of preparation

(1) Compliance with IFRS

The condensed quarterly consolidated financial statements of the IHI Group are prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* pursuant to the Article 93 of the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No.64 of 2007) as it meets the requirements for a "specified company complying with designated international accounting standards" as prescribed in Article 1-2 of said Regulation.

The condensed quarterly consolidated financial statements do not contain all the information required by the annual consolidated financial statements and should be used in conjunction with the consolidated financial statements for the previous fiscal year.

The condensed quarterly consolidated financial statements were approved by Hiroshi Ide, President and Chief Executive Officer, on February 10, 2022.

(2) Basis of measurement

The IHI Group's condensed quarterly consolidated financial statements have been prepared on the acquisition cost basis, except for certain financial instruments, etc. that are measured at fair value.

(3) Functional currency and presentation currency

The presentation currency of the IHI Group's condensed quarterly consolidated financial statements is Japanese yen, which is also its functional currency, and figures less than one million yen are rounded off to the nearest unit.

3. Significant accounting policies

Significant accounting policies applied by the IHI Group in the condensed quarterly consolidated financial statements are the same as those in the consolidated financial statements for the previous fiscal year.

Income taxes for the condensed quarterly consolidated financial statements are calculated based on the estimated annual effective tax rate.

4. Significant accounting judgements, estimates and assumptions

In preparing the condensed consolidated financial statements in accordance with IFRS, the management is required to make judgments, estimates, and assumptions that affect the adoption of accounting policies and the amounts of assets, liabilities, revenues, and expenses. The IHI Group uses rational methods to make such judgments and estimates, but estimates are inherently subject to uncertainties, and those uncertainties may influence the IHI Group's operating results and financial position as recognized in future. The estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods.

Significant accounting judgements, estimates and assumptions including the impact of the spread of COVID-19 in the condensed consolidated financial statements are the same as those in the consolidated financial statements for the previous fiscal year.

5. Segment information

(1) Overview of reportable segments

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

The IHI Group organizes SBUs by products and services and allocates business areas to control these SBUs. Each business area manages and supervises the SBUs' execution of business strategies and allocates management resources necessary for execution of the SBUs' business strategies. SBUs act consistent business process including sales, development, design, production, construction, service, etc. based on the visions and strategies drawn up by business area. Each SBU is an organization executing business and responsible for ensuring a profit in the SBU.

Based on the above, the IHI Group consists of segments by these business areas and sets the business areas of "Resources, Energy and Environment," "Social Infrastructure and Offshore Facilities," "Industrial Systems and General-Purpose Machinery," and "Aero Engine, Space and Defense" as its reportable segments. There are no aggregated business segments when deciding these reportable segments.

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

Reportable segments	Main businesses, products and services
Resources, Energy and Environment	Power systems (power systems plants for land use and power systems for ships), Carbon solutions, Nuclear energy (components for nuclear power plants)
Social Infrastructure and Offshore Facilities	Bridges and water gates, Transport systems, Shield systems, Concrete construction materials, Urban development (real estate sales and rental)
Industrial Systems and General-Purpose Machinery	Vehicular turbochargers, Parking, Rotating machineries (compressors, separation systems, turbochargers for ships), Heat treatment and surface engineering, Transport machineries, Logistics and industrial systems (logistics systems, industrial machineries)
Aero Engine, Space and Defense	Aero engines, Rocket systems and space utilization systems, Defense systems

(2) Information about reportable segments

The IHI Group's information about reportable segments are as follows:

Intersegment revenue and transfers are based on actual market pricing.

Nine months ended December 31, 2020

(Millions of yen)

	Reportable Segments					Total	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General- Purpose Machinery	Aero Engine, Space and Defense	Total					
Revenue										
Revenue from external customers	222,705	100,274	262,327	159,211	744,517	20,744	765,261	—	765,261	
Intersegment revenue and transfers	1,426	3,645	9,403	1,950	16,424	13,671	30,095	(30,095)	—	
Total	224,131	103,919	271,730	161,161	760,941	34,415	795,356	(30,095)	765,261	
Segment profit (loss) (Note 3)	11,233	10,197	5,613	(29,832)	(2,789)	1,821	(968)	(192)	(1,160)	

- Notes:
1. The "Others" classification consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations.
 2. Adjustment of segment profit (loss) represents intersegment transactions of ¥386 million and unallocated corporate expenses of ¥ (578) million.
 3. Segment profit (loss) is adjusted with operating profit (loss) in the condensed quarterly consolidated financial statement of profit or loss.

Nine months ended December 31, 2021

(Millions of yen)

	Reportable Segments					Total	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General- Purpose Machinery	Aero Engine, Space and Defense	Total					
Revenue										
Revenue from external customers	241,429	105,998	265,055	175,705	788,187	28,005	816,192	—	816,192	
Intersegment revenue and transfers	1,358	5,794	6,932	2,308	16,392	14,472	30,864	(30,864)	—	
Total	242,787	111,792	271,987	178,013	804,579	42,477	847,056	(30,864)	816,192	
Segment profit (loss) (Note 3)	12,252	5,201	9,519	(5,564)	21,408	3,866	25,274	20,241	45,515	

- Notes:
1. The "Others" classification consists of business that is not included in reportable segments. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations.
 2. Adjustment of segment profit (loss) represents intersegment transactions of ¥ (130) million and unallocated corporate income of ¥20,371 million. Unallocated corporate income mainly consists of gain on sale of property, plant and equipment and gain on sale of investment property.
 3. Segment profit (loss) is adjusted with operating profit (loss) in the condensed quarterly consolidated financial statement of profit or loss.

6. Dividends

The dividends paid are as follows:

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

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 paid in accordance with the resolution passed at the Ordinary General Meeting of Shareholders held on June 25, 2020 include ¥8 million of dividends for the shares of IHI owned by a trust account for the Board Benefit Trust.

Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

Resolution	Classes of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Meeting of the Board of Directors held on November 9, 2021	Ordinary shares	4,555	30	September 30, 2021	December 10, 2021

Note: Total dividends paid in accordance with the resolution passed at the Meeting of the Board of Directors held on November 9, 2021 include ¥18 million of dividends for the shares of IHI owned by a trust account for the Board Benefit Trust.

Dividends with effective date after the end of the third quarter of the fiscal year are as follows:

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

Not applicable

Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

Not applicable

7. Revenue

Disaggregation of revenue recognized from contracts with customers and other sources of revenue, and revenue by major type of goods or services and regional market and the relationships with reportable segments are as follows:

Nine months ended December 31, 2020

(1) Revenue recognized from contracts with customers and other sources of revenue

(Millions of yen)

	Reportable segments					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Revenue recognized from contracts with customers	222,705	87,037	262,251	158,953	730,946	20,276	751,222
Revenue recognized from other sources of revenue	—	13,237	76	258	13,571	468	14,039
Total	222,705	100,274	262,327	159,211	744,517	20,744	765,261

Revenue recognized from other sources of revenue includes lease income under IFRS 16 *Leases* (hereinafter, “IFRS 16”).

(2) Breakdown by type of goods or services

(Millions of yen)

	Reportable segments					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Power systems	61,157				61,157		61,157
Carbon solutions (Note)	119,257				119,257		119,257
Nuclear energy	18,122				18,122		18,122
Bridges and water gates		49,424			49,424		49,424
Shield systems		12,398			12,398		12,398
Urban development		18,981			18,981		18,981
Vehicular turbochargers			108,918		108,918		108,918
Parking			33,536		33,536		33,536
Rotating machineries			36,013		36,013		36,013
Heat treatment and surface engineering			21,498		21,498		21,498
Transport machineries			29,132		29,132		29,132
Civil aero engines				73,577	73,577		73,577
Other	29,188	23,593	43,756	95,139	191,676	34,415	226,091
Intersegment revenue	(5,019)	(4,122)	(10,526)	(9,505)	(29,172)	(13,671)	(42,843)
Revenue from external customers	222,705	100,274	262,327	159,211	744,517	20,744	765,261

Note: The IHI Group rearranged the type of goods or services in the first quarter ended June 30, 2021.

As a result, the items in the previous corresponding period were reclassified and presented.

(3) Breakdown by region

(Millions of yen)

	Reportable segments					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General- Purpose Machinery	Aero Engine, Space and Defense	Total		
Japan	145,397	79,640	138,574	85,831	449,442	17,197	466,639
North America	15,679	—	10,791	65,489	91,959	152	92,111
Asia	54,508	16,624	84,408	3,814	159,354	360	159,714
Europe	2,159	3,993	23,573	3,692	33,417	2,771	36,188
Central and South America	441	—	4,613	349	5,403	(1)	5,402
Other	4,521	17	368	36	4,942	265	5,207
Overseas	77,308	20,634	123,753	73,380	295,075	3,547	298,622
Revenue from external customers	222,705	100,274	262,327	159,211	744,517	20,744	765,261

Nine months ended December 31, 2021

(1) Revenue recognized from contracts with customers and other sources of revenue

(Millions of yen)

	Reportable segments					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Revenue recognized from contracts with customers	241,429	93,169	265,052	175,472	775,122	27,535	802,657
Revenue recognized from other sources of revenue	—	12,829	3	233	13,065	470	13,535
Total	241,429	105,998	265,055	175,705	788,187	28,005	816,192

Revenue recognized from other sources of revenue includes lease income under IFRS 16.

(2) Breakdown by type of goods or services

(Millions of yen)

	Reportable segments					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Power systems	61,079				61,079		61,079
Carbon solutions	112,979				112,979		112,979
Nuclear energy	28,009				28,009		28,009
Bridges and water gates		55,508			55,508		55,508
Shield systems		17,512			17,512		17,512
Urban development		14,092			14,092		14,092
Vehicular turbochargers			108,356		108,356		108,356
Parking			31,966		31,966		31,966
Rotating machineries			37,605		37,605		37,605
Heat treatment and surface engineering			28,570		28,570		28,570
Transport machineries			24,270		24,270		24,270
Civil aero engines				91,101	91,101		91,101
Other	46,607	24,883	41,877	98,631	211,998	42,477	254,475
Intersegment revenue	(7,245)	(5,997)	(7,589)	(14,027)	(34,858)	(14,472)	(49,330)
Revenue from external customers	241,429	105,998	265,055	175,705	788,187	28,005	816,192

(3) Breakdown by region

(Millions of yen)

	Reportable segments					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Japan	131,263	80,955	136,936	86,100	435,254	21,485	456,739
North America	18,931	—	13,981	81,794	114,706	(94)	114,612
Asia	81,324	19,667	77,441	1,380	179,812	1,152	180,964
Europe	3,891	5,369	28,539	6,383	44,182	5,080	49,262
Central and South America	366	7	7,681	26	8,080	1	8,081
Other	5,654	—	477	22	6,153	381	6,534
Overseas	110,166	25,043	128,119	89,605	352,933	6,520	359,453
Revenue from external customers	241,429	105,998	265,055	175,705	788,187	28,005	816,192

The IHI Group consists of segments by business area and sets the business areas of Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense, and is engaged in the sale of goods, execution of construction and rendering of services in each business area.

The primary method to record revenue for each segment is as follows:

- Resources, Energy and Environment and Social Infrastructure and Offshore Facilities

For revenue from sale of goods, the IHI Group determines that performance obligations have been satisfied when customers obtain control of the goods upon its delivery. Hence, revenue from sale of goods is usually recognized upon the delivery of goods.

With regard to the execution of construction contracts and rendering of services including maintenance services, the IHI Group determines that performance obligations are satisfied over time, and revenue is recognized by measuring the progress towards complete satisfaction of said performance obligations to provide such services to customers.

The progress is measured by specifying the satisfaction of performance obligations. Measurements are estimated based on the ratio of the costs incurred to satisfy the performance obligations against the total expected 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.

- Industrial Systems and General-Purpose Machinery and Aero Engine, Space and Defense

In the sale of goods mainly in the Civil aero engines Business and the Vehicular turbochargers Business, the IHI Group determines that performance obligations have been satisfied when customers obtain control of the goods upon its delivery. Hence, revenue from sale of goods is usually recognized upon the delivery of goods.

In the Civil aero engines Business, revenue decreased after estimating the costs to be borne in connection with the civil aero engine programs in which IHI participates, which are deducted revenue as consideration paid to customers.

Furthermore, “Revenue” decreased during reversal as consideration prepaid by customers was recorded in “Other non-current assets”.

When certain refund obligations to customers are expected to arise, such as compensation for damages incurred in association with performance of contracts, the IHI Group reduces revenue to the extent of the estimated refund liability.

The consideration of a transaction is generally received based on the progress for each performance obligation satisfied over time, such as a milestone in the case of a construction contract. The consideration for the sale of goods or rendering of services is mostly received within one year after the performance obligation is satisfied.

In either case, the contract does not include a significant financing component.

Further, IHI provides warranties assuring that a product satisfies specifications as provided in the contract. However, IHI does not identify this warranty as a separate performance obligation because it does not provide a distinct service.

8. Other income

The breakdown of other income is as follows:

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Gain on sale of property, plant and equipment	804	(Note 1) 19,746
Gain on sale of investment property	869	(Note 2) 11,491
Other	2,484	3,192
Total	4,157	34,429

Notes: 1. Gain on sale of property, plant and equipment

IHI decided to transfer certain non-current assets aiming at securing funds for investment for creating growth businesses to contribute to materialize social sustainability on the basis of “Project Change” announced on November 10, 2020.

Accordingly, IHI has recorded gain on sale of property, plant and equipment in “Other income.”

(Millions of yen)

Details and location of assets	Gain on sale of property, plant and equipment
Land and buildings (including incidental non-current assets) Kitahama-machi, Chita-city, Aichi, Japan (approximately 393,000 m ²)	16,179
Land (including incidental non-current assets) Kitahama-machi, Chita-city, Aichi, Japan (approximately 53,000 m ²)	2,064
Land and buildings (including incidental non-current assets) Kitahama-machi, Chita-city, Aichi, Japan (approximately 45,000 m ²)	1,210
Other	293

2. Gain on sale of investment property

IHI decided to transfer the investment property aiming at securing funds for investment for creating growth businesses to contribute to materialize social sustainability on the basis of “Project Change” announced on November 10, 2020.

Accordingly, IHI has recorded gain on sale of investment property in “Other income.”

(Millions of yen)

Details and location of assets	Gain on sale of investment property
Land as investment property Matobashinmachi, Kawagoe-shi, Saitama, Japan (approximately 66,000 m ²)	5,896
Land as investment property Showa-machi, Kanazawa-ku, Yokohama-city, Kanagawa, Japan (approximately 27,000 m ²)	5,595

9. Earnings per share

(1) Basis for calculating basic earnings per share

(Millions of yen, unless otherwise stated)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit (loss) attributable to owners of parent	(10,113)	27,632
Profit not attributable to ordinary shareholders of parent	—	—
Profit (loss) used for calculating basic earnings (loss) per share	(10,113)	27,632
Weighted-average number of ordinary shares (Thousands of shares)	148,578	149,882
Basic earnings (loss) per share (Yen)	(68.07)	184.36

	Three months ended December 31, 2020	Three months ended December 31, 2021
Profit (loss) attributable to owners of parent	(334)	12,461
Profit not attributable to ordinary shareholders of parent	—	—
Profit (loss) used for calculating basic earnings (loss) per share	(334)	12,461
Weighted-average number of ordinary shares (Thousands of shares)	148,502	151,248
Basic earnings (loss) per share (Yen)	(2.25)	82.39

(2) Basis for calculating diluted earnings per share

(Millions of yen, unless otherwise stated)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit (loss) used for calculating basic earnings (loss) per share	(10,113)	27,632
Adjustment to profit (loss)	—	—
Profit (loss) used to calculate diluted earnings (loss) per share	(10,113)	27,632
Weighted-average number of ordinary shares (Thousands of shares)	148,578	149,882
Increase in ordinary shares		
Share acquisition rights (Thousands of shares)	—	14
Weighted-average number of ordinary shares after dilution (Thousands of shares)	148,578	149,896
Diluted earnings (loss) per share (Yen)	(68.07)	184.34

	Three months ended December 31, 2020	Three months ended December 31, 2021
Profit (loss) used for calculating basic earnings (loss) per share	(334)	12,461
Adjustment to profit (loss)	—	—
Profit (loss) used to calculate diluted earnings (loss) per share	(334)	12,461
Weighted-average number of ordinary shares (Thousands of shares)	148,502	151,248
Increase in ordinary shares		
Share acquisition rights (Thousands of shares)	0	10
Weighted-average number of ordinary shares after dilution (Thousands of shares)	148,503	151,258
Diluted earnings (loss) per share (Yen)	(2.25)	82.38

Note: Shares of IHI owned by a trust account for the Board Benefit Trust are included in the number of shares issued at the end of the third quarter ended December 31, 2021 and the number of treasury shares excluded for the calculation of the weighted-average number of ordinary shares.

The weighted-average number of ordinary shares as treasury shares excluded for the calculation of basic earnings per share and diluted earnings per share is 577 thousand shares for the nine months ended December 31, 2021, (469 thousand shares for the nine months ended December 31, 2020), 592 thousand shares for the three months ended December 31, 2021, (552 thousand shares for the three months ended December 31, 2020).

10. Fair value of financial instruments

The fair value measurements of financial instruments measured at fair value are categorized into the following three levels based on the observability and significance of inputs used to measure such financial instruments.

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price
- Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs

(1) Measurement method for fair value

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

(Cash and cash equivalents, trade and other receivables and trade and other payables, commercial papers)

The fair value of these accounts is assumed to be approximate to their carrying amount due to the short-term maturity. Thus, the carrying amount is used as fair value.

(Bonds and borrowings)

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

The fair value of 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.

These liabilities are classified as Level 2.

(Government grants classified under contingent settlement provisions)

The fair value of government grants classified under contingent settlement provisions 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.

These liabilities are classified as Level 2.

(Other financial assets and other financial liabilities)

Derivatives are measured as financial assets or liabilities measured at fair value through profit or loss based on prices provided by the counterparty financial institutions and classified as Level 2.

The fair value of marketable shares and investments in capital are calculated based on the market price at the account closing date and classified as Level 1.

The fair value of non-marketable shares and investments in capital are mainly calculated by the valuation technique using the net asset value, while a portion of shares and investments in capital are calculated by the valuation technique using quoted market prices of comparable companies, and in both cases, they are classified as Level 3.

The significant unobservable inputs are mainly illiquidity discounts, and when illiquidity discounts rise, the fair value falls. The illiquidity discount that is used is 30%.

(2) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows:

Financial instruments whose carrying amount is a reasonable approximation of the fair value are not included in the following table.

(Millions of yen)

	As of March 31, 2021		As of December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost				
Borrowings	383,355	383,407	301,205	301,148
Bonds payable	79,757	79,622	59,800	59,635
Government grants classified under contingent settlement provisions	101,865	99,771	104,241	102,215
Total	564,977	562,800	465,246	462,998

(3) Financial instruments measured at fair value

The fair value hierarchy for financial instruments measured at fair value is as follows:

As of March 31, 2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivatives	—	319	—	319
Other	—	1,157	2,449	3,606
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	10,710	—	21,141	31,851
Total	10,710	1,476	23,590	35,776
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	940	—	940
Total	—	940	—	940

As of December 31, 2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivatives	—	233	—	233
Other	—	1,209	2,592	3,801
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	10,805	—	19,101	29,906
Total	10,805	1,442	21,693	33,940
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	968	—	968
Total	—	968	—	968

Transfers between levels of the fair value hierarchy are recognized on the day when the event or change in circumstances that caused the transfer occurred. The IHI Group did not recognize any significant transfers between Level 1 and Level 2 for the previous fiscal year and the nine months ended December 31, 2021.

(4) Valuation processes

For financial instruments classified as Level 3, the staff determines the valuation method of target financial instruments and measures the fair value in accordance with the valuation policy and procedures set by the IHI Group. The fair value measurement result is approved by the responsible person.

(5) Reconciliation of financial instruments classified as Level 3 from the beginning to the end of the third quarter.

Changes in financial instruments classified as Level 3 from the beginning to the end of the third quarter are as follows:

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Balance at beginning of period	22,779	23,590
Total gains and losses		
Profit or loss (Note 1)	(148)	155
Other comprehensive income (Note 2)	1,276	743
Purchases	231	62
Sales	(196)	(157)
Transfer from Level 3	—	—
Other (Note 3)	(619)	(2,700)
Balance at end of period	23,323	21,693
Changes in unrealized gains or losses recorded in profit or loss on assets held at the end of the reporting period (Note 1)	(148)	155

Notes: 1. Included in “Finance income” and “Finance costs” in the condensed quarterly consolidated statement of profit or loss.

2. Included in “Financial assets measured at fair value through other comprehensive income” in the condensed quarterly consolidated statement of comprehensive income.

3. The impact of change in scope of consolidation is included.

11. Contingent liabilities

(1) Debt guarantees and guarantees in kind

The IHI Group provides debt guarantees and guarantees in kind for borrowings from financial and other institutions taken out by companies such as business counterparties and entities accounted for using the equity method.

There were no significant changes compared to the contents stated in the consolidated financial statements for the previous fiscal year at the end of third quarter ended December 31, 2021.

(2) Other contingent liabilities

There was a construction delay involving a process plant project in North America that was ordered to the consolidated subsidiary IHI E&C International Corporation (hereinafter, "IHI E&C") in the U.S., in 2016. The process plant has been delivered to a customer, and commercial operation of LNG shipping equipment has started by the customer on August 26, 2020.

The IHI Group recognizes that the delay was caused by the customer's circumstances and has continued negotiations enlisting the perspective that additional costs incurred due to the delay could be charged to the customer based on the contract. In 2019, inter-party discussions were held based on the contract terms with the customer, and in March and October 2020 in accordance with the contract terms as the next step, the IHI Group has sincerely held discussions through mediation including third party. However, since no agreement was reached, the IHI Group determined that the discussions had reached a stage where there was no option left but to refer the dispute resolution to the court proceedings in the local court based on the contract terms. As a result, on December 4, 2020, the IHI Group has filed a lawsuit with the local court seeking to have the customer pay approximately 227 million U.S. dollars (approximately ¥26.1 billion at an exchange rate of 115 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, at the stage of aforementioned inter-party discussion, IHI E&C received a letter of claim for payment of 117 million U.S. dollars (approximately ¥13.5 billion at an exchange rate of 115 yen to the U.S. dollar) from the customer for liquidated damages contractually stipulated in the case of delayed delivery (hereinafter, the "Invoice amount"). However, at this stage, the specific amount charged to IHI E&C by the customer has yet to be disclosed in the ongoing trial. At this point, because it is difficult to reasonably estimate the amount of the effect on the financial position and operating results, the effect of the matter of the Invoice amount has not been reflected in the condensed quarterly consolidated financial statements.

Moreover, it is not possible to predict the outcome of this lawsuit at this point, and detailed disclosure regarding these matters is not being made as it may have a significant impact on the development of this lawsuit.

12. Subsequent events

Not applicable

2. Others

At the Board of Directors' meeting held on November 9, 2021, the following details concerning the interim dividends were resolved.

Total amount allocated for the interim dividend	4,555 millions of yen
Dividends per share	30 yen
Effective date and payment date	December 10, 2021

Note: The interim dividends were paid to shareholders and registered pledgees of shares whose names were written in the shareholder register as of September 30, 2021.

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

Not applicable