

Quarterly Securities Report

(The Third Quarter of 206th Term)

From October 1, 2022 to December 31, 2022

IHI Corporation

Table of Contents

	Page
Cover page	1
Part 1. Company information	2
I. Overview of company	2
1. Summary of business results	2
2. Description of business	3
II. Overview of business	4
1. Business risks	4
2. Management's analysis of financial position, operating results and cash flows	4
3. Material contracts for operation	7
III. Information about reporting company	8
1. Information about shares, etc	8
(1) Total number of shares, etc	8
(2) Share acquisition rights, etc	8
(3) Exercises, etc. of moving strike convertible bonds, etc	8
(4) Changes in number of issued shares, share capital, etc	8
(5) Major shareholders	9
(6) Voting rights	9
2. Information about directors and auditors	9
IV. Financial information	10
1. Condensed quarterly consolidated financial statements	11
(1) Condensed quarterly consolidated statement of financial position	11
(2) Condensed quarterly consolidated statement of profit or loss and consolidated statements of comprehensive income	13
Condensed quarterly consolidated statement of profit or loss	13
Condensed quarterly consolidated statement of comprehensive income	15
(3) Condensed quarterly consolidated statement of changes in equity	17
(4) Condensed quarterly consolidated statement of cash flows	19
2. Others	33
Part 2. Information about company which provides guarantee to reporting company	34

Cover page

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Fiscal year	The Third quarter of 206th term (from October 1, 2022 to December 31, 2022)
Company name	株式会社IHI (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
Title and name of representative	Hiroshi Ide, Representative Director and President
Address of registered head office	1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan
Telephone number	+81-3-6204-7065
Name of contact person	Shin Shimizu, Head of Accounting Group, Finance & Accounting Division
Nearest place of contact	1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan
Telephone number	+81-3-6204-7065
Name of contact person	Shin Shimizu, Head of Accounting Group, Finance & Accounting Division
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan)

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	205th term Nine months ended December 31, 2021	206th term Nine months ended December 31, 2022	205th term
Accounting period	From April 1, 2021 To December 31, 2021	From April 1, 2022 To December 31, 2022	From April 1, 2021 To March 31, 2022
Revenue (Millions of yen) [the third quarter]	816,192 [299,644]	946,382 [351,926]	1,172,904
Operating profit (loss) (Millions of yen)	45,515	64,937	81,497
Profit (loss) before tax (Millions of yen)	47,778	52,347	87,637
Profit (loss) attributable to owners of parent (Millions of yen) [the third quarter]	27,632 [12,461]	27,043 [5,928]	66,065
Comprehensive income attributable to owners of parent (Millions of yen)	31,952	36,201	83,998
Equity attributable to owners of parent (Millions of yen)	330,058	406,045	382,134
Total assets (Millions of yen)	1,820,826	1,949,703	1,879,673
Basic earnings (loss) per share (Yen) [the third quarter]	184.36 [82.39]	178.78 [39.19]	439.77
Diluted earnings (loss) per share (Yen)	184.34	178.76	439.73
Ratio of equity attributable to owners of parent (%)	18.13	20.83	20.33
Cash flows from operating activities (Millions of yen)	4,281	(53,179)	114,155
Cash flows from investing activities (Millions of yen)	1,503	(38,697)	27,926
Cash flows from financing activities (Millions of yen)	(45,475)	47,831	(121,489)
Cash and cash equivalents at end of period (Millions of yen)	82,783	101,567	145,489

- 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 (146 consolidated subsidiaries and 27 associates accounted for using the equity method as of December 31, 2022) 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, 2022, 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, 2023, two subsidiaries of IHI Power Generation Corp. are already proceeding with those liquidation process, and as those importance have diminished, it was excluded from the scope of consolidation.

From the second quarter of the fiscal year ending March 31, 2023, one subsidiary of IHI E&C International Corporation ceased to exist because its liquidation was completed.

From the third quarter of the fiscal year ending March 31, 2023, a subsidiary of IHI Power Systems Co.,Ltd. was newly established and included in the scope of consolidation.

(Industrial Systems and General-Purpose Machinery)

From the first quarter of the fiscal year ending March 31, 2023, IHI Rotating Machinery Manufacturing Co.,Ltd. was newly included in the scope of consolidation by additional acquisition of its shares. On the other hand, IHI Technical Training Institution became no longer an affiliated company of IHI because of the transfer of its shares to the third party.

From the second quarter of the fiscal year ending March 31, 2023, SHANGHAI STAR MODERN AGRICULTURE EQUIPMENT CO.,LTD is already proceeding with that liquidation process, and as that importance has diminished, it was excluded from the scope of consolidation. In addition, one subsidiary of Indigo TopCo Ltd. ceased to exist because its liquidation was completed.

II. Overview of business

1. Business risks

There were no new occurrences of business risks in the nine months ended December 31, 2022.

Although 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 changes in the business structure of the IHI Group and their impact due to fluctuations in economic activities under the coexisting with COVID-19, heightened global geopolitical risks such as the lengthening of the Russian invasion upon Ukraine, global inflation including soaring prices of resource and energy, significant fluctuations in exchange rates caused by the U.S. monetary policy, concerns about a global economic recession, and the strict application of ESG.

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

Note that forward-looking statements are based on the Group's judgements as of the end of the third quarter (December 31, 2022).

(1) Overview of operating results

During the nine months ended December 31, 2022, in the global economy, economic conditions have been on the downside due to heightened geopolitical risks, such as the lengthening of the Russian invasion upon Ukraine, and inflation and acceleration of monetary tightening policies internationally. Meanwhile, the Japanese economy staged a gradual recovery with people steadily coming accept the notion of lifestyles in coexistence with COVID-19. However, an certain outlook has persisted due to factors that include rising prices, upward trends in interest rates, and drastic fluctuations in foreign exchange rates.

In the IHI Group's main business, the Civil aero engines Business, although a labor shortage in the airline industry mainly in North America is affecting the results of IHI Group, sales of spare parts remained generally steady along with the recovery in demand for aero transportation which had been depressed by COVID-19.

In the Vehicular turbochargers Business, although production is recovering from the production adjustment by automobile companies, the shortage of semiconductors and supply chain disruption continue, and currently the spread of COVID-19 in China is also having an impact.

Although the exchange rate has remained at a weak yen level, and steady contract amount negotiation and activities to improve construction profitability have been effective, the soaring prices of raw materials has affected the profitability of many of our business.

Under this business environment, orders received of the IHI Group during the nine months increased 12.4% from the previous corresponding period to ¥948.4 billion. Revenue increased 16.0% from the previous corresponding period to ¥946.3 billion. In terms of profit, operating profit increased ¥19.4 billion to ¥64.9 billion due to increased sales of spare parts and improved profitability in the Civil aero engines Business, increased profit resulted from increased revenue in the Nuclear energy Business, and improved profitability in the Carbon solutions Business, as well as the effect of yen depreciation, despite decreased profit due to the sales of assets in the corresponding period and the effect caused by the soaring prices of raw materials. Comparing with operating profit increased amount of profit before tax was decreased owing to decreased share of profit (loss) of investments accounted for using equity method and recording of foreign exchange losses caused by the recent significant appreciation of the yen but profit before tax even increased ¥4.5 billion to ¥52.3 billion. Profit attributable to owners of parent decreased ¥0.5 billion to ¥27.0 billion mainly due to an increase in income tax expense.

Results by reportable segment for the nine months ended December 31, 2022 are as follows:

(Billions of yen)

Reportable segment	Orders received			Nine months ended December 31, 2021		Nine months ended December 31, 2022		Changes from the previous corresponding period (%)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Changes from the previous corresponding period (%)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)
Resources, Energy and Environment	270.7	273.3	0.9	242.7	12.2	258.7	19.6	6.6	60.1
Social Infrastructure and Offshore Facilities	119.6	84.6	(29.3)	111.7	5.2	120.1	5.6	7.4	9.2
Industrial Systems and General-Purpose Machinery	272.7	330.8	21.3	271.9	9.5	308.7	8.3	13.5	(12.4)
Aero Engine, Space and Defense	170.3	256.2	50.5	178.0	(5.5)	255.2	38.0	43.4	—
Reportable segment total	833.4	945.0	13.4	804.5	21.4	942.8	71.6	17.2	234.9
Others	39.0	37.7	(3.3)	42.4	3.8	33.6	0.7	(20.7)	(80.9)
Adjustments	(28.6)	(34.3)	—	(30.8)	20.2	(30.1)	(7.4)	—	—
Total	843.8	948.4	12.4	816.1	45.5	946.3	64.9	16.0	42.7

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 due to an order for a large-scale power plant project in Southeast Asia.

Although revenue decreased in the Power systems Business, revenue increased in the Nuclear energy Business.

Operating profit increased due to the progress of construction in the Nuclear energy Business, despite recording of restructuring expenses in the Power systems Business.

<Social Infrastructure and Offshore Facilities>

Orders received decreased in the Bridges and water gates Business.

Although revenue decreased in the Shield systems Business, revenue increased in the Bridges and water gates Business.

Operating profit increased due to the increase in revenue in the Bridges and water gates Business, while decreased in the Shield systems Business, etc.

<Industrial Systems and General-Purpose Machinery>

Orders received increased in the Vehicular turbochargers Business and the Transport systems Business.

Revenue increased in the Vehicular turbochargers Business and the Heat treatment and surface engineering Business.

Operating profit decreased due to delays in orders and sales in the Logistics and industrial systems Business and the Parking Business, while increased in the Rotating machineries Business and the Heat treatment and surface engineering Business.

<Aero Engine, Space and Defense>

Orders received increased in the Civil aero engines Business.

Revenue increased due to increased sales of both main units and spare parts for civil aero engines and yen depreciation in the Civil aero engines Business.

Operating profit increased due to increased sales of spare parts, cost reductions for new engines, decrease in program-related burdens associated with improved performance, as well as yen depreciation in the Civil aero engines Business.

(2) Analysis of financial position

Total assets at the end of the third quarter ended December 31, 2022 were ¥1,949.7 billion, up ¥70.0 billion compared with the end of the previous fiscal year. The major items of increase were inventories, up ¥66.0 billion and contract assets, up ¥35.2 billion. The major item of decrease was cash and cash equivalents, down ¥43.9 billion.

Total liabilities were ¥1,519.4 billion, up ¥46.8 billion compared with the end of the previous fiscal year. The major item of increase was bonds and borrowings, up ¥84.6 billion. The major item of decrease was contract liabilities, down ¥17.5 billion. Equity was ¥430.2 billion, up ¥23.2 billion compared with the end of the previous fiscal year. This includes profit attributable to owners of parent of ¥27.0 billion.

As a result of the above, the ratio of equity attributable to owners of parent increased from 20.3% at the end of the previous fiscal year to 20.8%.

(3) Cash flows

At the end of the third quarter, the outstanding balance of cash and cash equivalents was ¥101.5 billion, down ¥43.9 billion from the end of the previous fiscal year.

Key factors influencing each cash flow during the nine months ended December 31, 2022 are summarized below.

(Cash flows from operating activities)

Net cash flows from operating activities were ¥53.1 billion in excess of expenditures (the previous fiscal year: ¥4.2 billion in excess of incomes). This was due to increased in working capital resulting from an increase in preparation for higher procurement costs and delays in the delivery of procurement, as well as from a temporary delay in the receipt of construction payments in connection with the progress of large construction projects.

(Cash flows from investing activities)

Net cash flows from investing activities were ¥38.6 billion in excess of expenditures (the previous fiscal year: ¥1.5 billion in excess of incomes). This was mainly due to acquisitions of property, plant and equipment. In the same period of the previous fiscal year, there were excesses of incomes due to proceeds from sales of assets despite expenditures for the acquisitions of property, plant and equipment.

(Cash flows from financing activities)

Net cash flows from financing activities were ¥47.8 billion in excess of incomes (the previous fiscal year: ¥45.4 billion in excess of expenditures). This was due to proceeds from issuances of commercial papers and bonds, while there were repayments of borrowings.

(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, 2022, the balance of interest-bearing liabilities, including lease liabilities, was ¥581.9 billion, up ¥76.3 billion from the end of the previous fiscal year. This was mainly due to external borrowings and the issuance of bonds and commercial papers to cover the increase in working capital for business activities.

At the end of the third quarter ended December 31, 2022, the outstanding balance of cash and cash equivalents was ¥101.5 billion, down ¥43.9 billion from the end of the previous fiscal year. This primarily reflected expenditures of working capital for business activities 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.

In terms of diversification of financing, IHI issued transition bonds in June 2022, and in December 2022, IHI raised funds through the loan agreement linked to efforts to fulfill ESG and SDGs with Sumitomo Mitsui Banking Corporation that is in line with Principles for Positive Impact Finance of the United Nations. In promoting ESG management, IHI regards finance as an integral part of our business activities, and IHI will continue to raise appropriate funds and develop our business in order to realize a sustainable society in which nature and technology are in harmony.

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

In the nine months ended December 31, 2022, the IHI Group spent ¥21.7 billion on R&D. There were no significant changes in the status of R&D activities of the IHI Group in the period.

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

There were no significant changes with respect to management policies, management strategies, and issues to be addressed in the nine months ended December 31, 2022.

Whereas the balance between social and economic activity is poised to strengthen through a progressive transition to a new phase of coexistence with COVID-19, concerns of an economic downturn in Europe, the U.S. and elsewhere worldwide have been mounting amid uncertainties ahead, such that include the lengthening of the Russian invasion upon Ukraine, political conflicts between U.S. and China, along with inflation and acceleration of monetary tightening internationally. Also, in the medium and long term, the trend to focus on environment, circular economies, sustainability such as respect for human rights is expected to develop, the responses of governments and companies will attract 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.

While accelerating these efforts, even in an certain business environment, the IHI Group is going ahead to prepare multiple scenarios for responding to risks and flexibly implement appropriate measures in response to changes in the environment. As an effort for creating growth businesses, IHI and GE Gas Power (U.S.) signed a memorandum of understanding (MOU) in January 2023 premised on their agreement to cooperate in developing a 100% ammonia capable combustion system with large-scale gas turbines. In addition, IHI pursued development of methanation technology for producing synthetic methane by causing reactions of CO₂ and hydrogen using a catalyst, and received an order for a methanation unit with the world's largest production capacities at present.

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, 2022 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, 2023

Note: In the contract listed above, the original contract period that was to December 31, 2022 was extended to December 31, 2023.

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, 2022)	Number of issued shares as of the filing date (Shares) (February 10, 2023)	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	Prime Market of Tokyo Stock Exchange	The number of shares constituting one unit is 100 shares.
Total	154,679,954	154,679,954	—	—

- Notes: 1. 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, 2023 and the filing date of this Quarterly Securities Report.
2. Delisting applications were filed on November 4, 2022 for Nagoya Stock Exchange, Fukuoka Stock Exchange, and Sapporo Securities Exchange, and delisted on December 25, 2022.

(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, 2022 to December 31, 2022	—	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, 2022, 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, 2022).

(i) Issued shares

(As of September 30, 2022)

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.)	Ordinary shares 2,822,700	—	—
Shares with full voting rights (others)	Ordinary shares 151,477,900	1,514,779	—
Shares less than one unit	Ordinary shares 379,354	—	Shares less than one unit (100 shares)
Number of issued shares	154,679,954	—	—
Total number of voting rights	—	1,514,779	—

- Notes:
1. Ordinary shares in “Shares less than one unit” include 63 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, 2022)

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 (%)
IHI Corporation	1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan	2,822,700	—	2,822,700	1.82
Total	—	2,822,700	—	2,822,700	1.82

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

Not applicable

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, 2022 (from October 1, 2022 to December 31, 2022) and the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022) 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, 2022	As of December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	11	145,489	101,573
Trade and other receivables	11	347,998	352,665
Contract assets		126,560	161,824
Other financial assets	11	3,193	4,318
Inventories		340,125	406,173
Other current assets		60,627	76,392
Total current assets		1,023,992	1,102,945
Non-current assets			
Property, plant and equipment		230,306	223,080
Right-of-use assets		109,034	101,718
Goodwill		6,094	6,385
Intangible assets		120,998	119,826
Investment property		137,679	144,740
Investments accounted for using equity method		56,732	58,803
Other financial assets	11	43,167	43,016
Deferred tax assets		78,428	76,958
Other non-current assets		73,243	72,232
Total non-current assets		855,681	846,758
Total assets		1,879,673	1,949,703

(Millions of yen)

	Notes	As of March 31, 2022	As of December 31, 2022
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	11	235,414	226,994
Bonds and borrowings	6,11	95,220	208,075
Lease liabilities		17,061	15,784
Other financial liabilities	11	14,636	13,888
Income taxes payable		18,005	19,605
Contract liabilities		214,726	197,129
Provisions		22,433	24,046
Other current liabilities		156,180	150,596
Total current liabilities		773,675	856,117
Non-current liabilities			
Bonds and borrowings	6,11	276,987	248,765
Lease liabilities		116,285	109,325
Other financial liabilities	11	103,681	100,068
Deferred tax liabilities		3,485	3,267
Retirement benefit liability		175,328	179,177
Provisions		7,348	7,505
Other non-current liabilities		15,845	15,226
Total non-current liabilities		698,959	663,333
Total liabilities		1,472,634	1,519,450
Equity			
Share capital		107,165	107,165
Capital surplus		47,052	47,005
Retained earnings		213,026	228,228
Treasury shares		(8,815)	(8,791)
Other components of equity		23,706	32,438
Total equity attributable to owners of parent		382,134	406,045
Non-controlling interests		24,905	24,208
Total equity		407,039	430,253
Total liabilities and equity		1,879,673	1,949,703

(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, 2021 and 2022

(Millions of yen)

	Notes	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Revenue	5,8	816,192	946,382
Cost of sales		672,355	742,212
Gross profit (loss)		143,837	204,170
Selling, general and administrative expenses		126,609	137,884
Other income	9	34,429	4,361
Other expenses		6,142	5,710
Operating profit (loss)	5	45,515	64,937
Finance income		4,778	2,593
Finance costs		3,466	10,067
Share of profit (loss) of investments accounted for using equity method		951	(5,116)
Profit (loss) before tax		47,778	52,347
Income tax expense		17,315	22,272
Profit (loss)		30,463	30,075
Profit (loss) attributable to:			
Owners of parent		27,632	27,043
Non-controlling interests		2,831	3,032
Profit (loss)		30,463	30,075
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	10	184.36	178.78
Diluted earnings (loss) per share (Yen)	10	184.34	178.76

Three months ended December 31, 2021 and 2022

(Millions of yen)

	Notes	Three months ended December 31, 2021	Three months ended December 31, 2022
Revenue		299,644	351,926
Cost of sales		243,631	270,564
Gross profit (loss)		56,013	81,362
Selling, general and administrative expenses		44,383	48,057
Other income		10,907	1,188
Other expenses		3,398	3,082
Operating profit (loss)		19,139	31,411
Finance income		2,980	1,323
Finance costs		1,040	18,396
Share of profit (loss) of investments accounted for using equity method		86	(1,507)
Profit (loss) before tax		21,165	12,831
Income tax expense		7,847	5,677
Profit (loss)		13,318	7,154
Profit (loss) attributable to:			
Owners of parent		12,461	5,928
Non-controlling interests		857	1,226
Profit (loss)		13,318	7,154
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	10	82.39	39.19
Diluted earnings (loss) per share (Yen)	10	82.38	39.18

Condensed quarterly consolidated statement of comprehensive income
 Nine months ended December 31, 2021 and 2022

(Millions of yen)

	Notes	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit (loss)		30,463	30,075
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	11	(192)	1,999
Remeasurements of defined benefit plans		(118)	241
Share of other comprehensive income of investments accounted for using equity method		92	(45)
Total of items that will not be reclassified to profit or loss		<u>(218)</u>	<u>2,195</u>
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		4,539	5,120
Cash flow hedges		2	(9)
Share of other comprehensive income of investments accounted for using equity method		509	1,844
Total of items that may be reclassified to profit or loss		<u>5,050</u>	<u>6,955</u>
Other comprehensive income, net of tax		<u>4,832</u>	<u>9,150</u>
Comprehensive income		<u><u>35,295</u></u>	<u><u>39,225</u></u>
Comprehensive income attributable to:			
Owners of parent		31,952	36,201
Non-controlling interests		3,343	3,024
Comprehensive income		<u><u>35,295</u></u>	<u><u>39,225</u></u>

Three months ended December 31, 2021 and 2022

(Millions of yen)

	Notes	Three months ended December 31, 2021	Three months ended December 31, 2022
Profit (loss)		13,318	7,154
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	11	(186)	(321)
Remeasurements of defined benefit plans		—	107
Share of other comprehensive income of investments accounted for using equity method		(47)	98
Total of items that will not be reclassified to profit or loss		<u>(233)</u>	<u>(116)</u>
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		4,101	(6,253)
Cash flow hedges		70	433
Share of other comprehensive income of investments accounted for using equity method		330	250
Total of items that may be reclassified to profit or loss		<u>4,501</u>	<u>(5,570)</u>
Other comprehensive income, net of tax		<u>4,268</u>	<u>(5,686)</u>
Comprehensive income		<u>17,586</u>	<u>1,468</u>
Comprehensive income attributable to:			
Owners of parent		16,346	1,037
Non-controlling interests		1,240	431
Comprehensive income		<u>17,586</u>	<u>1,468</u>

(3) Condensed quarterly consolidated statement of changes in equity
 Nine months ended December 31, 2021

(Millions of yen)

	Equity attributable to owners of parent							
	Notes	Equity attributable to owners of parent				Other components of equity		
		Share capital	Capital surplus	Retained earnings	Treasury shares	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	7			(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	7			—	(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	

Nine months ended December 31, 2022

(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, 2022		107,165	47,052	213,026	(8,815)	12,831	(313)	10,933
Profit (loss)				27,043				
Other comprehensive income						6,260	684	1,973
Total comprehensive income		—	—	27,043	—	6,260	684	1,973
Purchase of treasury shares					(10)			
Disposal of treasury shares			1		35			
Dividends	7			(12,148)				
Share-based remuneration transactions			(36)					
Changes in ownership interest in subsidiaries								
Transfer from other components of equity to retained earnings				388				(147)
Other			(12)	(81)	(1)	(2)		
Total transactions with owners		—	(47)	(11,841)	24	(2)	—	(147)
Balance as of December 31, 2022		107,165	47,005	228,228	(8,791)	19,089	371	12,759

	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, 2022		—	255	23,706	382,134	24,905	407,039	
Profit (loss)				—	27,043	3,032	30,075	
Other comprehensive income		241		9,158	9,158	(8)	9,150	
Total comprehensive income		241	—	9,158	36,201	3,024	39,225	
Purchase of treasury shares				—	(10)		(10)	
Disposal of treasury shares			(36)	(36)	—		—	
Dividends	7			—	(12,148)	(3,878)	(16,026)	
Share-based remuneration transactions				—	(36)		(36)	
Changes in ownership interest in subsidiaries				—	—	257	257	
Transfer from other components of equity to retained earnings		(241)		(388)	—		—	
Other				(2)	(96)	(100)	(196)	
Total transactions with owners		(241)	(36)	(426)	(12,290)	(3,721)	(16,011)	
Balance as of December 31, 2022		—	219	32,438	406,045	24,208	430,253	

(4) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Notes	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities			
Profit (loss) before tax		47,778	52,347
Depreciation, amortization and impairment losses		55,298	52,046
Finance income and finance costs		1,364	1,982
Share of loss (profit) of investments accounted for using equity method		(951)	5,116
Loss (gain) on sale of property, plant and equipment, intangible assets and investment property		(31,237)	(197)
Decrease (increase) in trade receivables		52,210	(429)
Decrease (increase) in contract assets		(41,345)	(32,258)
Decrease (increase) in inventories and prepayments		(43,380)	(62,794)
Increase (decrease) in trade payables		(11,656)	(7,536)
Increase (decrease) in contract liabilities		7,024	(18,702)
Other		(24,711)	(13,942)
Subtotal		10,394	(24,367)
Interest received		274	587
Dividends received		1,301	1,158
Interest paid		(2,553)	(2,658)
Income taxes paid		(5,135)	(27,899)
Net cash provided by (used in) operating activities		4,281	(53,179)
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets and investment property		(30,508)	(41,349)
Proceeds from sale of property, plant and equipment, intangible assets and investment property	9	36,948	317
Purchase of investments (including investments accounted for using equity method)		(2,887)	(3,670)
Proceeds from sale and redemption of investments (including investments accounted for using equity method)		13	2,142
Purchase of equity interest in subsidiaries		—	(64)
Proceeds from sale of equity interest in subsidiaries		144	426
Other		(2,207)	3,501
Net cash provided by (used in) investing activities		1,503	(38,697)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		(70,387)	(23,700)
Net increase (decrease) in commercial papers		80,000	90,000
Proceeds from long-term borrowings		10,915	17,108
Repayments of long-term borrowings		(23,737)	(19,974)
Proceeds from issuance of bonds	6	—	20,000
Redemption of bonds	6	(20,000)	—
Repayments of lease liabilities		(15,204)	(16,304)
Decrease (increase) in treasury shares		(5)	(11)
Dividends paid	7	(4,559)	(12,132)
Capital contribution from non-controlling interests		63	257
Dividends paid to non-controlling interests		(3,966)	(3,310)
Increase in other financial liabilities		1,938	2,173
Decrease in other financial liabilities		(762)	(6,376)
Other		229	100
Net cash provided by (used in) financing activities		(45,475)	47,831
Effect of exchange rate changes on cash and cash equivalents		1,708	123
Net increase (decrease) in cash and cash equivalents		(37,983)	(43,922)
Cash and cash equivalents at beginning of period		120,766	145,489
Cash and cash equivalents at end of period		82,783	101,567

Notes to condensed quarterly consolidated financial statements

1. Reporting entity

IHI Corporation (hereinafter, "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 (hereinafter, the "IHI Group"), 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, Representative Director and President, on February 10, 2023.

(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 judgements, 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 judgements 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, except for changes in accounting estimates described below.

(Changes in accounting estimates)

For estimates of a part of consideration payable to a customer incurred related to the civil aero engine programs in which IHI participates, primarily due to the progress in performance improvement of the aero engines and the decrease in actual payments, IHI changed to the method based on the burden after performance improvement from the second quarter ended September 30, 2022.

As a result, revenue, operating profit, and profit before tax each increased by ¥8,433 million for the nine months ended December 31, 2022.

5. Segment information

(1) Overview of reportable segment

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 shall be the units possessing complete business processes including sales, developments, designs, productions, constructions, services, etc. based on the visions and strategies drawn up by Business Areas. 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 segment. There are no aggregated business segments when deciding the reportable segment.

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

Reportable segment	Main businesses, products and services
Resources, Energy and Environment	Power systems (power systems plants for land use and power systems for ships), 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 segment

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

Intersegment revenue and transfers are based on actual market pricing.

Nine months ended December 31, 2021

(Millions of yen)

	Reportable segment					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:
- The "Others" classification consists of business that is not included in reportable segment. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations.
 - 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.
 - 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, 2022

(Millions of yen)

	Reportable segment					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	257,391	116,182	303,030	252,595	929,198	17,184	946,382	—	946,382	
Intersegment revenue and transfers	1,352	3,923	5,683	2,662	13,620	16,490	30,110	(30,110)	—	
Total	258,743	120,105	308,713	255,257	942,818	33,674	976,492	(30,110)	946,382	
Segment profit (loss) (Note 3)	19,615	5,680	8,343	38,056	71,694	739	72,433	(7,496)	64,937	

- Notes:
- The "Others" classification consists of business that is not included in reportable segment. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations.
 - Adjustment of segment profit (loss) represents intersegment transactions of ¥443 million and unallocated corporate expenses of ¥ (7,939) million. Unallocated corporate expenses mainly consist of general and administrative expenses that are not attributable to reportable segment.
 - Segment profit (loss) is adjusted with operating profit (loss) in the condensed quarterly consolidated financial statement of profit or loss.

(3) Matters about changes of reportable segment, etc.

(Changes in accounting estimates)

IHI changed the method regarding the estimation of a part of consideration payable to a customer incurred related to the civil aero engine programs in which IHI participates from the second quarter ended September 30, 2022 as described in above “Changes in accounting estimates”. Therefore, IHI has similarly changed the measuring method of revenue in the Aero Engine, Space and Defense.

For further details, please refer to “Changes in accounting estimates” of “4. Significant accounting judgements, estimates and assumptions” in “Notes to condensed quarterly consolidated financial statements” under “IV. Financial information”.

6. Bonds

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

Bonds redeemed are as follows:

Company	Description	Date of issuance	Amount of issuance (Millions of yen)	Interest rate (%)	Maturity
IHI	40th Unsecured Bonds	June 17, 2014	10,000	0.592	June 17, 2021
IHI	42nd Unsecured Bonds	December 10, 2014	10,000	0.490	December 10, 2021

Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

Bonds issued are as follows:

Company	Description	Date of issuance	Amount of issuance (Millions of yen)	Interest rate (%)	Maturity
IHI	49th Unsecured Bonds	June 6, 2022	11,000	0.390	June 4, 2027
IHI	50th Unsecured Bonds	June 6, 2022	9,000	0.620	June 4, 2032

7. Dividends

The dividends paid are as follows:

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.

Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

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 23, 2022	Ordinary shares	6,074	40	March 31, 2022	June 24, 2022
Meeting of the Board of Directors held on November 8, 2022	Ordinary shares	6,074	40	September 30, 2022	December 9, 2022

Notes: 1. Total dividends paid in accordance with the resolution passed at the Ordinary General Meeting of Shareholders held on June 23, 2022 include ¥24 million of dividends for the shares of IHI owned by a trust account for the Board Benefit Trust.
2. Total dividends paid in accordance with the resolution passed at the Meeting of the Board of Directors held on November 8, 2022 include ¥24 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, 2021 (From April 1, 2021 to December 31, 2021)

Not applicable

Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

Not applicable

8. 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 segment are as follows:

Nine months ended December 31, 2021

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

(Millions of yen)

	Reportable segment					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 *Leases* (hereinafter, “IFRS 16”).

(2) Breakdown by type of goods or services

(Millions of yen)

	Reportable segment					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
Logistics and industrial systems			23,541		23,541		23,541
Civil aero engines				91,101	91,101		91,101
Other	46,607	24,883	18,336	98,631	188,457	42,477	230,934
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 segment					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

Nine months ended December 31, 2022

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

(Millions of yen)

	Reportable segment					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	257,391	104,019	303,020	252,580	917,010	16,459	933,469
Revenue recognized from other sources of revenue	—	12,163	10	15	12,188	725	12,913
Total	257,391	116,182	303,030	252,595	929,198	17,184	946,382

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 segment					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	53,251				53,251		53,251
Carbon solutions	111,137				111,137		111,137
Nuclear energy	45,343				45,343		45,343
Bridges and water gates		70,148			70,148		70,148
Shield systems		14,430			14,430		14,430
Urban development		13,165			13,165		13,165
Vehicular turbochargers			138,153		138,153		138,153
Parking			32,300		32,300		32,300
Rotating machineries			40,609		40,609		40,609
Heat treatment and surface engineering			34,150		34,150		34,150
Transport machineries			24,204		24,204		24,204
Logistics and industrial systems			21,361		21,361		21,361
Civil aero engines				157,144	157,144		157,144
Other	60,273	22,385	18,354	113,064	214,076	33,674	247,750
Intersegment revenue	(12,613)	(3,946)	(6,101)	(17,613)	(40,273)	(16,490)	(56,763)
Revenue from external customers	257,391	116,182	303,030	252,595	929,198	17,184	946,382

(3) Breakdown by region

(Millions of yen)

	Reportable segment					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Japan	125,536	79,092	135,560	94,199	434,387	15,434	449,821
North America	16,285	—	23,816	145,488	185,589	303	185,892
Asia	109,445	26,097	98,834	2,002	236,378	444	236,822
Europe	153	10,862	32,507	10,638	54,160	179	54,339
Central and South America	247	42	12,003	41	12,333	—	12,333
Other	5,725	89	310	227	6,351	824	7,175
Overseas	131,855	37,090	167,470	158,396	494,811	1,750	496,561
Revenue from external customers	257,391	116,182	303,030	252,595	929,198	17,184	946,382

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.

9. Other income

The breakdown of other income is as follows:

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Gain on sale of property, plant and equipment (Note 1)	19,746	189
Gain on sale of investment property (Note 2)	11,491	8
Other	3,192	4,164
Total	34,429	4,361

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” in the previous fiscal year.

(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, Aichi, Japan (approximately 393,000 m ²)	16,179
Land Kitahama-machi, Chita, Aichi, Japan (approximately 53,000 m ²)	2,064
Land and buildings (including incidental non-current assets) Kitahama-machi, Chita, Aichi, Japan (approximately 45,000 m ²)	1,210
Other	293
Total	19,746

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” in the previous fiscal year.

(Millions of yen)

Details and location of assets	Gain on sale of investment property
Land as investment property Matobashin-machi, Kawagoe, Saitama, Japan (approximately 66,000 m ²)	5,896
Land as investment property Showa-machi, Kanazawa-ku, Yokohama, Kanagawa, Japan (approximately 27,000 m ²)	5,595
Total	11,491

10. Earnings per share

(1) Basis for calculating basic earnings per share

(Millions of yen, unless otherwise stated)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit (loss) attributable to owners of parent	27,632	27,043
Profit (loss) not attributable to ordinary shareholders of parent	—	—
Profit (loss) used for calculating basic earnings (loss) per share	27,632	27,043
Weighted-average number of ordinary shares (Thousands of shares)	149,882	151,265
Basic earnings (loss) per share (Yen)	184.36	178.78

	Three months ended December 31, 2021	Three months ended December 31, 2022
Profit (loss) attributable to owners of parent	12,461	5,928
Profit (loss) not attributable to ordinary shareholders of parent	—	—
Profit (loss) used for calculating basic earnings (loss) per share	12,461	5,928
Weighted-average number of ordinary shares (Thousands of shares)	151,248	151,270
Basic earnings (loss) per share (Yen)	82.39	39.19

(2) Basis for calculating diluted earnings per share

(Millions of yen, unless otherwise stated)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit (loss) used for calculating basic earnings (loss) per share	27,632	27,043
Adjustment to profit (loss)	—	—
Profit (loss) used to calculate diluted earnings (loss) per share	27,632	27,043
Weighted-average number of ordinary shares (Thousands of shares)	149,882	151,265
Increase in ordinary shares		
Share acquisition rights (Thousands of shares)	14	19
Weighted-average number of ordinary shares after dilution (Thousands of shares)	149,896	151,284
Diluted earnings (loss) per share (Yen)	184.34	178.76

	Three months ended December 31, 2021	Three months ended December 31, 2022
Profit (loss) used for calculating basic earnings (loss) per share	12,461	5,928
Adjustment to profit (loss)	—	—
Profit (loss) used to calculate diluted earnings (loss) per share	12,461	5,928
Weighted-average number of ordinary shares (Thousands of shares)	151,248	151,270
Increase in ordinary shares		
Share acquisition rights (Thousands of shares)	10	19
Weighted-average number of ordinary shares after dilution (Thousands of shares)	151,258	151,289
Diluted earnings (loss) per share (Yen)	82.38	39.18

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, 2022 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 592 thousand shares for the nine months ended December 31, 2022, (577 thousand shares for the nine months ended December 31, 2021), 592 thousand shares for the three months ended December 31, 2022, (592 thousand shares for the three months ended December 31, 2021).

11. 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, trade and other payables and commercial papers)

As the fair value of these accounts is assumed to be approximate to their carrying amount due to the short-term maturity, no further information is given.

(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 calculated by the valuation technique using the net asset value, 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, 2022		As of December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost				
Borrowings	312,395	311,918	287,081	286,012
Bonds payable	59,812	59,340	79,759	78,182
Government grants classified under contingent settlement provisions	103,226	100,822	99,917	97,494
Total	475,433	472,080	466,757	461,688

(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, 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivatives	—	313	—	313
Other	—	1,166	3,056	4,222
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	11,302	—	14,104	25,406
Total	11,302	1,479	17,160	29,941
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	2,223	—	2,223
Total	—	2,223	—	2,223

As of December 31, 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivatives	—	1,078	—	1,078
Other	—	1,443	3,293	4,736
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	10,186	—	14,353	24,539
Total	10,186	2,521	17,646	30,353
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	1,021	—	1,021
Total	—	1,021	—	1,021

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, 2022.

(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, 2021	Nine months ended December 31, 2022
Balance at beginning of period	23,590	17,160
Total gains and losses		
Profit or loss (Note 1)	155	237
Other comprehensive income (Note 2)	743	771
Purchases	62	533
Sales	(157)	(26)
Transfer from Level 3	—	—
Other (Note 3)	(2,700)	(1,029)
Balance at end of period	21,693	17,646
Changes in unrealized gains or losses recorded in profit or loss on assets held at the end of the reporting period (Note 1)	155	237

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.

12. 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, 2022.

(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 ¥30.1 billion at an exchange rate of 132.57 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 ¥15.5 billion at an exchange rate of 132.57 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.

13. Subsequent events

Not applicable

2. Others

At the Board of Directors' meeting held on November 8, 2022, the following details concerning the interim dividend were resolved.

Total amount allocated for the interim dividend	6,074 millions of yen
Dividends per share	40 yen
Effective date and payment date	December 9, 2022

Note: The interim dividend was paid to shareholders or registered pledgees of shares whose names were written in the shareholder register as of September 30, 2022.

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

Not applicable