

Quarterly Securities Report

(The Third Quarter of 207th Term)

From October 1, 2023 to December 31, 2023

IHI Corporation

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Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	February 14, 2023
Fiscal year	The Third quarter of 207th term (from October 1, 2023 to December 31, 2023)
Company name	株式会社IHI (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
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Name of contact person	Naohiko Kubota, 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	206th term Nine months ended December 31, 2022	207th term Nine months ended December 31, 2023	206th term
Accounting period	From April 1, 2022 To December 31, 2022	From April 1, 2023 To December 31, 2023	From April 1, 2022 To March 31, 2023
Revenue (Millions of yen) [the third quarter]	946,382 [351,926]	866,663 [396,353]	1,352,940
Operating profit (loss) (Millions of yen)	64,937	(103,787)	81,985
Profit (loss) before tax (Millions of yen)	52,347	(109,909)	64,865
Profit (loss) attributable to owners of parent (Millions of yen) [the third quarter]	27,043 [5,928]	(109,599) [27,967]	44,545
Comprehensive income attributable to owners of parent (Millions of yen)	36,201	(98,271)	61,670
Equity attributable to owners of parent (Millions of yen)	406,045	317,959	431,245
Total assets (Millions of yen)	1,949,703	2,089,432	1,941,964
Basic earnings (loss) per share (Yen) [the third quarter]	178.78 [39.19]	(724.32) [184.79]	294.48
Diluted earnings (loss) per share (Yen)	178.76	(724.32)	294.44
Ratio of equity attributable to owners of parent (%)	20.83	15.22	22.21
Cash flows from operating activities (Millions of yen)	(53,179)	(87,817)	54,116
Cash flows from investing activities (Millions of yen)	(38,697)	(43,486)	(52,347)
Cash flows from financing activities (Millions of yen)	47,831	126,649	(24,043)
Cash and cash equivalents at end of period (Millions of yen)	101,567	123,503	124,743

- Notes:
- Summary of business results of the reporting company are not presented, because IHI prepares condensed quarterly consolidated financial statements.
 - Monetary amounts and ratios less than one unit are rounded off.
 - 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 (143 consolidated subsidiaries and 28 associates accounted for using the equity method as of December 31, 2023) operate four main businesses, providing a diverse range of products. The four businesses are: Resources, Energy and Environment; Social Infrastructure; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense.

In the nine months ended December 31, 2023, 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, 2024, one subsidiary of IHI Power Systems Co.,Ltd. became no longer an affiliated company of IHI because of the transfer of its shares to the third party.

(Others)

From the second quarter of the fiscal year ending March 31, 2024, ALPHA Automotive Technologies LLC became no longer an affiliated company of IHI because of the transfer of its shares to the third party.

II. Overview of business

1. Business risks

In the nine months ended December 31, 2023, although there were no significant changes with respect to the business risks stated in the Annual Securities Report for the previous fiscal year, the following matters have occurred among the “Business risks” stated in the Annual Securities Report for the previous fiscal year.

Note that forward-looking statements are based on the Group’s judgements as of the filing date of this Quarterly Securities Report. Such forward-looking statements are based on rational and appropriate considerations made by the Board of Directors and other internal meetings.

The item numbers under the following headings correspond to those in “Part 1. Company information, II Overview of business, 3. Business risks” in the Annual Securities Report for the previous fiscal year.

(4) Business risks

i. Social responsibility

a. Laws and regulations

On September 12, 2023, a subsidiary of IHI was subjected to an on-site investigation by the Japan Fair Trade Commission for suspected violation of the Antimonopoly Act in connection with its parking system business. IHI takes the matter seriously that the subsidiary has been subjected to an on-site investigation and will fully cooperate with the investigation by the Japan Fair Trade Commission. If any administrative action is ordered as a result of this inspection, it could have an impact on the IHI Group’s business performance.

ii. Preparing for changes in the external environment

b. Partnerships, M&A, and business integration

With respect to the ongoing additional inspection program for shipped PW1100G-JM engines, IHI, which holds approximately 15% share in the engine program, expects to incur costs related to compensation, additional maintenance, and so forth, as a result, IHI has recorded the impact in its financial statements for the second quarter.

IHI will continue its efforts to reduce the burden on its customer airlines and to recover its confidence.

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, 2023).

(1) Overview of operating results

During the nine months ended December 31, 2023, the global economy has been slowing down due to global inflation, monetary tightening, unstable resource prices and other factors. In addition, the Chinese economy lacks strength because sluggishness in the real estate sector have put downward pressure on the economy. Regarding the Japanese economy, amid an improving employment and income environment, the economy has been recovering gradually, although it is still affected by global inflation.

In the second quarter ended September 30, 2023, the IHI Group recorded a significant loss due to decrease in revenue resulting from additional inspection program for shipped PW1100G-JM engines and settlement of litigation involving IHI’s consolidated subsidiary.

With respect to the additional inspection program for shipped PW1100G-JM engines, costs related to compensation, additional maintenance, and so forth are expected to be incurred. There has been no change in these assumptions during the third quarter ended December 31, 2023. Currently, IHI is taking measures to shorten the period of aircraft on the ground, such as increasing the maintenance capacity of the factory and securing a stable supply of parts. The IHI Group will work with program partners to enhance the overall maintenance capacity to reduce the impacts on airlines as customers and to restore their confidence.

In the IHI Group’s main business, the Civil aero engines Business, sales of main units of engines and spare parts have been steady due to the recovery in passenger demand. In order to respond to the expected increase in demand for civil aero engines and defense equipments, the IHI Group will promote efforts to increase production capacity and achieve the world’s highest level of production efficiency. The IHI Group is also making progress in the development of technologies for next-generation aircraft, such as reducing aircraft weight and electrification with an eye toward carbon neutrality in the Civil aero engines Business.

In Addition, in the segment of other than Aero Engine, Space and Defense, the lifecycle businesses such as periodic inspections

and after-sales service to maintain and extend the life of infrastructures and machineries, are also steady, and are expected to expand further in the future. The IHI Group is developing its business with an awareness of the value chain in order to solve social issues.

Under this business environment, orders received of the IHI Group during the nine months decreased 7.5% from the previous corresponding period to ¥877.0 billion and revenue decreased 8.4% to ¥866.6 billion due to aforementioned significant decreases in revenue.

In terms of profit, operating profit decreased ¥168.7 billion to a loss of ¥103.7 billion due to aforementioned significant decreases in revenue, increases in aftermarket-related expenses for civil aero engines, and R&D and personnel expenses, etc. to promote transformation while increased due to higher sales in main units for civil aero engines, spare parts, and the lifecycle businesses, etc. Profit attributable to owners of parent was a loss of ¥109.5 billion.

Results by reportable segment for the nine months ended December 31, 2023 are as follows:

(Billions of yen)

Reportable segment	Orders received			Nine months ended December 31, 2022		Nine months ended December 31, 2023		Changes from the previous corresponding period (%)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Changes from the previous corresponding period (%)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)
Resources, Energy and Environment	273.3	227.8	(16.6)	258.7	19.6	277.7	1.9	7.4	(90.0)
Social Infrastructure	84.6	109.3	29.3	120.1	5.6	117.3	2.6	(2.3)	(53.7)
Industrial Systems and General-Purpose Machinery	330.8	349.5	5.7	308.7	8.3	337.0	8.7	9.2	4.8
Aero Engine, Space and Defense	256.2	180.9	(29.4)	255.2	38.0	130.0	(112.2)	(49.0)	—
Reportable segment total	945.0	867.7	(8.2)	942.8	71.6	862.2	(98.9)	(8.5)	—
Others	37.7	43.6	15.7	33.6	0.7	36.8	2.9	9.4	296.3
Adjustments	(34.3)	(34.4)	—	(30.1)	(7.4)	(32.4)	(7.8)	—	—
Total	948.4	877.0	(7.5)	946.3	64.9	866.6	(103.7)	(8.4)	—

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

<Resources, Energy and Environment>

Due to the settlement of litigation involving IHI's consolidated subsidiary, IHI E&C International Corporation, revenue was reduced by ¥14.6 billion in the second quarter ended December 31, 2023, as a result, orders received and operating profit also decreased ¥14.6 billion. The following description excludes this impact.

Orders received decreased in large-scale power plant projects in Southeast Asia and in the Nuclear energy Business, while increased in the Carbon solutions Business.

Revenue increased due to the progress of large-scale power plant projects in Southeast Asia and increases in lifecycle businesses in the Carbon solutions Business, while lower construction volume in the Nuclear energy Business.

Operating profit decreased due to lower sales in the Nuclear energy Business, while increased due to higher sales.

<Social Infrastructure>

Orders received increased in the Bridges and water gates Business and the Shield systems Business.

Revenue was generally flat, while slightly decreased in the Bridges and water gates Business and the Shield systems Business.

Operating profit decreased due to the impact of recording the necessary costs in advance in the Bridges and water gates Business.

<Industrial Systems and General-Purpose Machinery>

Orders received increased in the Vehicular turbochargers Business, etc.

Revenue increased in the Vehicular turbochargers Business.

Operating profit increased due to higher sales in the Vehicular turbochargers Business, while decreased due to higher SG&A expenses and the soaring prices of raw materials and equipment in the Parking Business.

<Aero Engine, Space and Defense>

Orders received and revenue decreased by ¥146.0 billion, and operating profit decreased by ¥149.8 billion due to additional inspection program for shipped PW1100G-JM engines. The following description excludes this impact.

Orders received increased in the Civil aero engines Business and the Defense systems Business.

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

Operating profit decreased due to higher sales of main units of PW1100G-JM engines, which are in the early stage of mass production, as well as higher aftermarket costs and SG&A expenses, while higher sales of spare parts in the Civil aero engines Business and yen depreciation.

(2) Analysis of financial position

Total assets at the end of the third quarter were ¥2,089.4 billion, up ¥147.4 billion compared with the end of the previous fiscal year. The major items of increase were inventories, up ¥83.3 billion and contract assets, up ¥17.3 billion and deferred tax assets, up ¥15.8 billion. The major item of decrease was right-of-use assets, down ¥3.6 billion and investment property, down ¥2.2 billion.

Total liabilities were ¥1,745.5 billion, up ¥259.8 billion compared with the end of the previous fiscal year. The major items of increase were interest-bearing liabilities, up ¥163.1 billion and refund liabilities, up ¥144.9 billion. The major items of decrease were trade and other payables, down ¥25.0 billion. Refund liabilities increased because of a significant decrease in sales due to the additional inspection program for PW1100G-JM engines. And in regards to interest-bearing liabilities, the IHI Group kept moving forward with its efforts to ensure the liquidity of its funds.

Equity was ¥343.8 billion, down ¥112.3 billion compared with the end of the previous fiscal year, which included loss attributable to owners of parent of ¥109.5 billion.

As a result of the above, the ratio of equity attributable to owners of parent decreased from 22.2% at the end of the previous fiscal year to 15.2%.

(3) Cash flows

At the end of the third quarter, the outstanding balance of cash and cash equivalents was ¥123.5 billion, down ¥1.2 billion from the end of the previous fiscal year.

Key factors influencing each cash flow during the nine months ended December 31, 2023 are summarized below.

(Cash flows from operating activities)

Net cash flows from operating activities were ¥87.8 billion excess of expenditure (the previous corresponding period: ¥53.1 billion excess of expenditure). This was due mainly to increases in inventories and prepayments. In the Civil aero engines Business, IHI is building up working capital for production increases as the supply chain continues to be unstable.

(Cash flows from investing activities)

Net cash flows from investing activities were ¥43.4 billion excess of expenditure (the previous corresponding period: ¥38.6 billion excess of expenditure). This was due to acquisitions of property, plant and equipment.

(Cash flows from financing activities)

Net cash flows from financing activities were ¥126.6 billion excess of income (the previous corresponding period: ¥47.8 billion excess of income). This was due to proceeds from issuances of commercial papers to secure funds.

(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, 2023, the balance of interest-bearing liabilities, including lease liabilities, was ¥682.6 billion, up ¥163.1 billion from the end of the previous fiscal year. This was mainly due to external borrowings and the issuance of commercial papers to cover the increase in working capital for business activities.

At the end of the third quarter ended December 31, 2023, the outstanding balance of cash and cash equivalents was ¥123.5 billion, down ¥1.2 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, the IHI Group has a diverse range of fund procurement methods such as credit line commitments and commercial papers. In addition, on November 7, 2023, the IHI Group entered into a new commitment line agreement of ¥150 billion in order to secure flexible financing. Together with the

cash and cash equivalents mentioned above, the IHI Group has secured sufficient liquidity.

In terms of diversification of fundraising, the IHI Group used the Sustainable Finance Framework developed in September 2023 to raise funds through green/transition financing. As proceeding ESG management, the IHI Group takes financing as an integral part of its business activities, and will conduct appropriate financing and business development to realize a sustainable society where nature and technology work in unity.

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

In the nine months ended December 31, 2023, the IHI Group spent ¥24.8 billion on R&D. There were no significant changes in the status of R&D activities of the IHI Group in the period.

(6) Results of production, orders received and sales

a. Production

Production volume by segment in the nine months ended December 31, 2023 is as follows:

Segment name	Amount (Millions of yen)	Changes from the previous corresponding period (%)
Resources, Energy and Environment	311,866	17.4
Social Infrastructure	127,317	3.7
Industrial System and General-Purpose Machinery	341,542	9.4
Aero Engine, Space and Defense	341,440	34.8
Reportable segment total	1,122,165	17.6
Others	(15,236)	(164.7)
Total	1,106,929	13.2

- Notes : 1. The amounts are represented by selling prices and inter-segment transactions have been eliminated.
2. Monetary amounts and ratios less than one unit are rounded off.

b. Orders received

Orders received by segment in the nine months ended December 31, 2023 are as follows:

Segment name	Orders received (Millions of yen)	Changes from the previous corresponding period (%)	Order backlog at the end of the period (Millions of yen)	Changes from the end of the previous fiscal year
Resources, Energy and Environment	227,840	(16.6)	520,898	(7.9)
Social Infrastructure	109,387	29.3	212,543	(2.7)
Industrial System and General-Purpose Machinery	349,575	5.7	212,256	5.6
Aero Engine, Space and Defense	180,964	(29.4)	348,417	18.7
Reportable segment total	867,766	(8.2)	1,294,114	1.2
Others	43,678	15.7	26,100	25.0
Adjustments	(34,420)	—	—	—
Total	877,024	(7.5)	1,320,214	1.6

- Notes : 1. Orders received amounts in each segment include intersegment transactions, and the total amount of intersegment transactions has been eliminated with adjustments amounts.
2. Intersegment transactions have been eliminated in calculating order backlogs for each segment.
3. Monetary amounts and ratios less than one unit are rounded off.
4. In the Aero Engine, Space and Defense segment, orders received decreased significantly due to the impact of the reduced revenue caused by the additional inspection program for shipped PW1100G-JM engines.

c. Sales

Sales revenue by segment in the nine months ended December 31, 2023 are as follows:

Segment name	Amount (Millions of yen)	Changes from the previous corresponding period (%)
Resources, Energy and Environment	277,783	7.4
Social Infrastructure	117,393	(2.3)
Industrial System and General-Purpose Machinery	337,031	9.2
Aero Engine, Space and Defense	130,071	(49.0)
Reportable segment total	862,278	(8.5)
Others	36,852	9.4
Adjustments	(32,467)	—
Total	866,663	(8.4)

- Notes :
1. Orders received amounts in each segment include intersegment transactions, and the total amount of intersegment transactions has been eliminated with adjustments amounts.
 2. Intersegment transactions have been eliminated in calculating order backlogs for each segment.
 3. Monetary amounts and ratios less than one unit are rounded off.

(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, 2023.

Whereas the global economy is expected to slow down due to the impact of monetary tightening, global inflation is slowing and the global economy is expected to recover moderately in the future as monetary policy is reaching a turning point. Continued vigilance is required regarding a downturn due to persistently high interest rates and the impact on rising tensions in the Middle East. As for the Chinese economy as well, the sense of economic slowdown is intensifying due to the prolonged slump in the real estate. The Japanese economy is expected to recover gradually as the employment and income environment improves.

The IHI Group is promoting initiatives based on “Group Management Policies 2023”, a three-year medium-term management plan that begins in fiscal 2023. In order to respond to drastic changes in the business environment and to transform its business into one that achieves sustainable high growth, the IHI Group will boldly shift its management resources and investments to growth businesses in the aero engines and rocket fields, which are driving its growth, and to development businesses in the clean energy field, which is expected to become future business pillars.

Global demand for aircraft is expected to grow steadily in the future, the IHI Group participates in the development and mass production of best-selling engines from the small to large and ultra-large engine classes.

The cumulative sales of PW1100G-JM engine, the second generation of medium-sized engines which is the largest market segment, reached 3,000 units in FY2022, and the IHI Group will respond the demand for spare parts, which is expected to increase in the future.

In its core businesses of Resources, Energy and Environment, Social Infrastructure, and Industrial Systems and General-Purpose Machinery, the IHI Group will continue to create a continuous growth scenario through the transformation of its business portfolio and generate cash necessary for investments. The lifecycle businesses in its core businesses are performing well, and the IHI Group will continue to achieve results while further expanding these businesses.

In addition, the IHI Group will develop and acquire the human resources necessary for change, advance the sophistication of its digital infrastructure, and promote the transformation of its corporate culture and structure.

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, 2023 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 non-exclusive rights for the manufacture and sale of licensed products	From November 14, 1995 to December 31, 2024

Note: In the contract listed above, the original contract period that was to December 31, 2023 was extended to December 31, 2024.

Name of Contracting Company	Name of Counterparty	Country	Licensed Products	Details	Contract Period
IHI AEROSPACE CO., LTD. (Consolidated subsidiary)	Lockheed Martin Corp.	U.S.A.	Multiple launch rocket system	Acquisition of non-exclusive rights for the manufacture and sale of licensed products	From January 20, 1993 to August 31, 2033

Note: In the contract listed above, the original contract period that was to December 31, 2023 was extended to August 31, 2033.

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, 2023)	Number of issued shares as of the filing date (Shares) (February 14, 2024)	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	—	—

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, 2024 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, 2023 to December 31, 2023	—	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, 2023, 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, 2023).

(i) Issued shares

(As of September 30, 2023)

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 2,788,200	—	—
Shares with full voting rights (others)	Ordinary shares 151,451,900	1,514,519	—
Shares less than one unit	Ordinary shares 439,854	—	Shares less than one unit (100 shares)
Number of issued shares	154,679,954	—	—
Total number of voting rights	—	1,514,519	—

- Notes:
1. Ordinary shares in “Shares less than one unit” include 92 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 546,200 shares of IHI owned by a trust account for the Board Benefit Trust.

(ii) Treasury shares, etc.

(As of September 30, 2023)

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	2,788,200	—	2,788,200	1.80
Total	—	2,788,200	—	2,788,200	1.80

Note: 546,200 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, 2023 (from October 1, 2023 to December 31, 2023) and the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023) 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, 2023	As of December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	10	124,749	123,503
Trade and other receivables	10	378,446	388,894
Contract assets		144,740	162,064
Other financial assets	10	4,368	2,464
Inventories		374,523	457,882
Other current assets		58,918	77,846
Total current assets		1,085,744	1,212,653
Non-current assets			
Property, plant and equipment		225,032	230,253
Right-of-use assets		102,432	98,788
Goodwill		6,486	6,959
Intangible assets		123,736	123,970
Investment property		142,550	140,321
Investments accounted for using equity method		56,578	59,813
Other financial assets	10	43,042	49,387
Deferred tax assets		82,280	98,124
Other non-current assets		74,084	69,164
Total non-current assets		856,220	876,779
Total assets		1,941,964	2,089,432

(Millions of yen)

	Notes	As of March 31, 2023	As of December 31, 2023
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	10	247,086	222,064
Bonds and borrowings	6,10	140,370	311,361
Lease liabilities		16,726	16,054
Other financial liabilities	10	14,551	17,776
Income taxes payable		9,685	8,949
Contract liabilities		201,883	196,389
Provisions		22,942	21,545
Refund liabilities		38,642	183,624
Other current liabilities		139,716	127,683
Total current liabilities		831,601	1,105,445
Non-current liabilities			
Bonds and borrowings	6,10	253,291	250,411
Lease liabilities		109,101	104,854
Other financial liabilities	10	95,479	89,668
Deferred tax liabilities		4,470	3,250
Retirement benefit liability		167,595	169,910
Provisions		7,948	6,568
Other non-current liabilities		16,228	15,445
Total non-current liabilities		654,112	640,106
Total liabilities		1,485,713	1,745,551
Equity			
Share capital		107,165	107,165
Capital surplus		46,741	46,722
Retained earnings		251,915	127,502
Treasury shares		(8,746)	(8,601)
Other components of equity		34,170	45,171
Total equity attributable to owners of parent		431,245	317,959
Non-controlling interests		25,006	25,922
Total equity		456,251	343,881
Total liabilities and equity		1,941,964	2,089,432

(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, 2022 and 2023

(Millions of yen)

	Notes	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Revenue	5,8	946,382	866,663
Cost of sales		742,212	815,313
Gross profit (loss)		204,170	51,350
Selling, general and administrative expenses		137,884	153,677
Other income		4,361	3,450
Other expenses		5,710	4,910
Operating profit (loss)	5	64,937	(103,787)
Finance income		2,593	2,876
Finance costs		10,067	11,534
Share of profit (loss) of investments accounted for using equity method		(5,116)	2,536
Profit (loss) before tax		52,347	(109,909)
Income tax expense		22,272	(3,062)
Profit (loss)		30,075	(106,847)
Profit (loss) attributable to:			
Owners of parent		27,043	(109,599)
Non-controlling interests		3,032	2,752
Profit (loss)		30,075	(106,847)
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	9	178.78	(724.32)
Diluted earnings (loss) per share (Yen)	9	178.76	(724.32)

Three months ended December 31, 2022 and 2023

(Millions of yen)

	Notes	Three months ended December 31, 2022	Three months ended December 31, 2023
Revenue		351,926	396,353
Cost of sales		270,564	291,382
Gross profit (loss)		81,362	104,971
Selling, general and administrative expenses		48,057	51,448
Other income		1,188	1,272
Other expenses		3,082	1,551
Operating profit (loss)		31,411	53,244
Finance income		1,323	1,017
Finance costs		18,396	13,912
Share of profit (loss) of investments accounted for using equity method		(1,507)	825
Profit (loss) before tax		12,831	41,174
Income tax expense		5,677	12,425
Profit (loss)		7,154	28,749
Profit (loss) attributable to:			
Owners of parent		5,928	27,967
Non-controlling interests		1,226	782
Profit (loss)		7,154	28,749
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	9	39.19	184.79
Diluted earnings (loss) per share (Yen)	9	39.18	184.78

Condensed quarterly consolidated statement of comprehensive income
 Nine months ended December 31, 2022 and 2023

(Millions of yen)

	Notes	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit (loss)		30,075	(106,847)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	10	1,999	442
Remeasurements of defined benefit plans		241	(10)
Share of other comprehensive income of investments accounted for using equity method		(45)	258
Total of items that will not be reclassified to profit or loss		<u>2,195</u>	<u>690</u>
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		5,120	11,549
Cash flow hedges		(9)	(77)
Share of other comprehensive income of investments accounted for using equity method		1,844	302
Total of items that may be reclassified to profit or loss		<u>6,955</u>	<u>11,774</u>
Other comprehensive income, net of tax		<u>9,150</u>	<u>12,464</u>
Comprehensive income		<u><u>39,225</u></u>	<u><u>(94,383)</u></u>
Comprehensive income attributable to:			
Owners of parent		36,201	(98,271)
Non-controlling interests		3,024	3,888
Comprehensive income		<u><u>39,225</u></u>	<u><u>(94,383)</u></u>

Three months ended December 31, 2022 and 2023

(Millions of yen)

	Notes	Three months ended December 31, 2022	Three months ended December 31, 2023
Profit (loss)		7,154	28,749
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	10	(321)	(799)
Remeasurements of defined benefit plans		107	(2)
Share of other comprehensive income of investments accounted for using equity method		98	48
Total of items that will not be reclassified to profit or loss		<u>(116)</u>	<u>(753)</u>
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(6,253)	(2,391)
Cash flow hedges		433	2,142
Share of other comprehensive income of investments accounted for using equity method		250	248
Total of items that may be reclassified to profit or loss		<u>(5,570)</u>	<u>(1)</u>
Other comprehensive income, net of tax		<u>(5,686)</u>	<u>(754)</u>
Comprehensive income		<u>1,468</u>	<u>27,995</u>
Comprehensive income attributable to:			
Owners of parent		1,037	27,091
Non-controlling interests		431	904
Comprehensive income		<u>1,468</u>	<u>27,995</u>

(3) Condensed quarterly consolidated statement of changes in equity
 Nine months ended December 31, 2022

(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, 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						
	Notes	Other components of equity			Total	Non-controlling interests	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

Nine months ended December 31, 2023

(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, 2023		107,165	46,741	251,915	(8,746)	20,390	548	13,063
Profit (loss)				(109,599)				
Other comprehensive income						10,419	222	697
Total comprehensive income		—	—	(109,599)	—	10,419	222	697
Purchase of treasury shares					(3)			
Disposal of treasury shares			7		148			
Dividends	7			(15,189)				
Share-based remuneration transactions			(1)					
Changes in ownership interest in subsidiaries			(25)					
Transfer from other components of equity to retained earnings				272				(282)
Changes in non-controlling interest due to change in scope of consolidation								
Other				103				
Total transactions with owners		—	(19)	(14,814)	145	—	—	(282)
Balance as of December 31, 2023		107,165	46,722	127,502	(8,601)	30,809	770	13,478

	Equity attributable to owners of parent						
	Notes	Other components of equity			Total	Non-controlling interests	Total
		Remeasurements of defined benefit plans	Share acquisition rights	Total			
Balance as of April 1, 2023		—	169	34,170	431,245	25,006	456,251
Profit (loss)				—	(109,599)	2,752	(106,847)
Other comprehensive income		(10)		11,328	11,328	1,136	12,464
Total comprehensive income		(10)	—	11,328	(98,271)	3,888	(94,383)
Purchase of treasury shares				—	(3)		(3)
Disposal of treasury shares			(55)	(55)	100		100
Dividends	7			—	(15,189)	(3,129)	(18,318)
Share-based remuneration transactions				—	(1)		(1)
Changes in ownership interest in subsidiaries				—	(25)	(664)	(689)
Transfer from other components of equity to retained earnings		10		(272)	—		—
Changes in non-controlling interest due to change in scope of consolidation				—	—	806	806
Other				—	103	15	118
Total transactions with owners		10	(55)	(327)	(15,015)	(2,972)	(17,987)
Balance as of December 31, 2023		—	114	45,171	317,959	25,922	343,881

(4) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Notes	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from operating activities			
Profit (loss) before tax		52,347	(109,909)
Depreciation, amortization and impairment losses		52,046	52,291
Finance income and finance costs		1,982	1,641
Share of loss (profit) of investments accounted for using equity method		5,116	(2,536)
Loss (gain) on sale of property, plant and equipment, intangible assets and investment property		(197)	(781)
Decrease (increase) in trade receivables		(429)	(20,222)
Decrease (increase) in contract assets		(32,258)	(15,769)
Decrease (increase) in inventories and prepayments		(62,794)	(84,869)
Increase (decrease) in trade payables		(7,536)	(18,293)
Increase (decrease) in contract liabilities		(18,702)	(3,681)
Increase (decrease) in refund liabilities		(2,424)	144,982
Other		(11,518)	(15,009)
Subtotal		(24,367)	(72,155)
Interest received		587	1,489
Dividends received		1,158	1,217
Interest paid		(2,658)	(3,545)
Income taxes paid		(27,899)	(14,823)
Net cash provided by (used in) operating activities		(53,179)	(87,817)
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets and investment property		(41,349)	(46,625)
Proceeds from sale of property, plant and equipment, intangible assets and investment property		317	1,378
Purchase of investments (including investments accounted for using equity method)		(3,670)	(3,245)
Proceeds from sale and redemption of investments (including investments accounted for using equity method)		2,142	3,666
Purchase of equity interest in subsidiaries		(64)	—
Proceeds from sale of equity interest in subsidiaries		426	160
Other		3,501	1,180
Net cash provided by (used in) investing activities		(38,697)	(43,486)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		(23,700)	77,909
Net increase (decrease) in commercial papers		90,000	100,000
Proceeds from long-term borrowings		17,108	54,422
Repayments of long-term borrowings		(19,974)	(55,210)
Proceeds from issuance of bonds	6	20,000	—
Redemption of bonds	6	—	(10,000)
Repayments of lease liabilities		(16,304)	(15,475)
Dividends paid	7	(12,132)	(15,171)
Capital contribution from non-controlling interests		257	—
Dividends paid to non-controlling interests		(3,310)	(3,129)
Increase in other financial liabilities		2,173	822
Decrease in other financial liabilities		(6,376)	(6,942)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		—	(689)
Other		89	112
Net cash provided by (used in) financing activities		47,831	126,649
Effect of exchange rate changes on cash and cash equivalents		123	3,414
Net increase (decrease) in cash and cash equivalents		(43,922)	(1,240)
Cash and cash equivalents at beginning of period		145,489	124,743
Cash and cash equivalents at end of period		101,567	123,503

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; 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 14, 2024.

(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. Material accounting policies

Material 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, but deferred tax assets are recognized based on estimated future taxable income since the impact of the revenue reduction due to additional inspection program for shipped PW1100G-JM engines is expected to be expensed over the next few years.

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 consolidated financial statements are the same as those in the consolidated financial statements for the previous fiscal year.

In the civil aero engine Business, revenue decreased due to additional inspection program for PW1100G-JM engines that occurred in the second quarter ended September 30, 2023.

With an increase in the number of shop visits over the next few years, and an average of 350 aircraft expected to be grounded between 2024 and 2026, IHI, which holds approximately 15% share in the aforementioned engine program, expects to incur costs related to compensation and additional maintenance.

The reason for the increase in the number of shop visits is that at Pratt & Whitney ("P&W"), a partner company in the PW1100G-JM engines program, it was discovered that there were quality issues rarely in the manufacturing process of powder metallurgy parts (*) manufactured in the past, and as a result of P&W's technical review, a policy of repetitive inspections and shortening the service life was issued for parts in question in September 2023. Approximately 3,000 engines are affected, repetitive inspections at certain

cycle intervals and parts replacement are required, these result in an increase in the number of shop visits. The period from engine removal to installation is expected to be 250 to 300 days.

Effective countermeasures have already been taken for the manufacturing process, and no similar issues have occurred with parts other than those currently known to be affected.

In the nine months ended December 31, 2023, the IHI Group reduced revenue by ¥146,053 million, mainly as payment to customers. As a result, revenue was reduced by ¥146,053 million, operating profit and profit before tax were reduced by ¥149,848 million, and profit attributable to owners of parent was reduced by ¥126,979 million.

(*) Powder metallurgy: A technology to produce metal powder by spraying molten metal and solidifying and forging the powder to manufacture parts.

(Changes in accounting estimates)

For the payment to customers for sales promotion in some of the civil aero engines programs in which IHI participates that have entered the investment payback phase, IHI has changed its estimation method based on the most recent payment status, considering the recent changes in the burden and timing of payment, effective from the third quarter ended December 31, 2023.

As a result, revenue increased ¥6,959 million, and operating loss and loss before tax decreased ¥6,959 million for the nine months ended December 31, 2023.

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," "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. From the first quarter ended June 30, 2023, the name of the previous reportable segment of "Social Infrastructure and Offshore Facilities" has been changed to "Social Infrastructure".

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	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, 2022

(Millions of yen)

	Reportable segment					Total	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Resources, Energy and Environment	Social Infrastructure	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:
1. 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.
 2. 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.
 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, 2023

(Millions of yen)

	Reportable segment					Total	Others (Note 2)	Total	Adjustment (Note 3)	Consolidated
	Resources, Energy and Environment	Social Infrastructure	Industrial Systems and General- Purpose Machinery	Aero Engine, Space and Defense (Note 1)	Total					
Revenue										
Revenue from external customers	275,557	114,316	330,643	127,324	847,840	18,823	866,663	—	866,663	
Intersegment revenue and transfers	2,226	3,077	6,388	2,747	14,438	18,029	32,467	(32,467)	—	
Total	277,783	117,393	337,031	130,071	862,278	36,852	899,130	(32,467)	866,663	
Segment profit (loss) (Note 4)	1,969	2,630	8,744	(112,259)	(98,916)	2,929	(95,987)	(7,800)	(103,787)	

- Notes:
1. Due to the additional inspection program for shipped PW1100G-JM engines, IHI was required to share the costs related to aircraft on the ground as well as the direct costs of engine maintenance in participation share of the engine program. In the third quarter ended December 31, 2023, IHI has made the estimates based on currently available information and reduced the revenue by ¥ 146,053 million as the consideration to be paid to customers under the maintenance contracts. The details of the event are described in "IV. Financial information, Notes to condensed quarterly consolidated financial statements, 4. Significant accounting judgements, estimates and assumptions."
 2. 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.
 3. Adjustment of segment profit (loss) represents intersegment transactions of ¥ (766) million and unallocated corporate expenses of ¥ (7,034) million. Unallocated corporate expenses mainly consist of general and administrative expenses that are not attributable to reportable segment.
 4. 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 the payment to customers for sales promotion in some of the civil aero engines programs in which IHI participates that have entered the investment payback phase from the third quarter ended December 31, 2023 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, 2022 (From April 1, 2022 to December 31, 2022)

Bonds issued are as follows:

Company	Description	Date of issuance	Amount o issuance	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

Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)

Bond redeemed is as follows:

Company	Description	Date of issuance	Amount of issuance (Millions of yen)	Interest rate (%)	Maturity
IHI	46th Unsecured Bonds	September 3, 2020	10,000	0.220	September 1, 2023

7. Dividends

The dividends paid are as follows:

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.

Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)

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, 2023	Ordinary shares	7,594	50	March 31, 2023	June 26, 2023
Meeting of the Board of Directors held on November 7, 2023	Ordinary shares	7,595	50	September 30, 2023	December 8, 2023

Notes: 1. Total dividends paid in accordance with the resolution passed at the Ordinary General Meeting of Shareholders held on June 23, 2023 include ¥29 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 7, 2023 include ¥27 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, 2022 (From April 1, 2022 to December 31, 2022)

Not applicable

Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)

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, 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	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 *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	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	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

Nine months ended December 31, 2023

(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	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Revenue recognized from contracts with customers	275,557	102,257	330,510	127,309	835,633	18,100	853,733
Revenue recognized from other sources of revenue	—	12,059	133	15	12,207	723	12,930
Total	275,557	114,316	330,643	127,324	847,840	18,823	866,663

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	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Power systems	51,563	—	—	—	51,563	—	51,563
Carbon solutions	118,677	—	—	—	118,677	—	118,677
Nuclear energy	36,829	—	—	—	36,829	—	36,829
Bridges and water gates	—	67,113	—	—	67,113	—	67,113
Shield systems	—	13,388	—	—	13,388	—	13,388
Urban development	—	12,521	—	—	12,521	—	12,521
Vehicular turbochargers	—	—	157,033	—	157,033	—	157,033
Parking	—	—	38,790	—	38,790	—	38,790
Rotating machineries	—	—	43,526	—	43,526	—	43,526
Heat treatment and surface engineering	—	—	34,546	—	34,546	—	34,546
Transport machineries	—	—	21,676	—	21,676	—	21,676
Logistics and industrial systems	—	—	22,887	—	22,887	—	22,887
Civil aero engines (*1)	—	—	—	32,828	32,828	—	32,828
Other	78,306	24,427	19,037	117,713	239,483	36,852	276,335
Intersegment revenue	(9,818)	(3,133)	(6,852)	(23,217)	(43,020)	(18,029)	(61,049)
Revenue from external customers	275,557	114,316	330,643	127,324	847,840	18,823	866,663

(3) Breakdown by region

(Millions of yen)

	Reportable segment					Other	Total
	Resources, Energy and Environment	Social Infrastructure	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Japan	128,637	82,007	145,736	94,930	451,310	16,307	467,617
North America (*2)	3,274	—	32,190	14,326	49,790	23	49,813
Asia	134,195	24,257	102,872	2,367	263,691	564	264,255
Europe	4,405	7,564	37,614	14,409	63,992	611	64,603
Central and South America	320	488	11,680	1,262	13,750	—	13,750
Other	4,726	—	551	30	5,307	1,318	6,625
Overseas	146,920	32,309	184,907	32,394	396,530	2,516	399,046
Revenue from external customers	275,557	114,316	330,643	127,324	847,840	18,823	866,663

The IHI Group consists of segments by Business Area and sets the Business Areas of Resources, Energy and Environment; Social Infrastructure; 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

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 as progress towards satisfaction of the provision of performance obligations to customers is measured.

The progress is measured in a way that reflects the satisfaction of performance obligations, and 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 performance 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.

(*1) (*2) Due to the additional inspection program for shipped PW1100G-JM engines, IHI was required to share the costs related to aircraft on the ground as well as the direct costs of engine maintenance in participation share of the engine program. In the third quarter ended December 31, 2023, IHI has made the estimates based on currently available information and reduced the revenue by ¥ 146,053 million as the consideration to be paid to customers under the maintenance contracts. The details of the event are described in “IV. Financial information, Notes to condensed quarterly consolidated financial statements, 4. Significant accounting

judgements, estimates and assumptions.”

(2) Contract balances

The breakdown of receivables arising from contracts with customers and contract assets and liabilities is as follows:

(Millions of yen)

	As of April 1, 2022	As of March 31, 2023	As of December 31, 2023
Receivables arising from contracts with customers	339,141	367,112	379,418
Contract assets	126,560	144,740	162,064
Contract liabilities	214,726	201,883	196,389

All revenues recognized for performance obligations satisfied (or partially satisfied) in the previous periods are immaterial.

The contract assets relate to consideration for work completed but not billed at the account closing date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advances received from customers.

During the second quarter ended September 30, 2023, IHI's consolidated subsidiary, IHI E&C International Corporation (“IHI E&C”), reversed ¥ 15,694 million of contract assets and reduced revenue by ¥ 14,685 million.

This case arose from construction delays on the North American process plant (*1) that IHI E&C was ordered by Elba Liquefaction Company, L.L.C. and Southern LNG Company, L.L.C. (“Customer Group”) in 2016. The IHI Group recognized that the delay was caused by the Customer Group circumstances and had continued negotiations enlisting the perspective that additional costs incurred due to the delay could be charged to the Customer Group based on the contract. In 2019, inter-party discussions were held based on the contract terms with the Customer Group, and in March and October 2020 in accordance with the contract terms as the next step, the IHI Group had 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 filed a lawsuit with the local court seeking to have the Customer Group pay approximately 227 million U.S. dollars 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. (hereinafter, the “Invoice amount”). dollars from the Customer Group for liquidated damages contractually stipulated in the case of delayed delivery. So far, because it had been 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 had not been reflected in the condensed quarterly consolidated financial statements.

Meanwhile, IHI E&C and the Customer Group had been negotiating a settlement in parallel with the lawsuit. In those negotiations, IHI E&C reached a settlement under which it would receive settlement payments of 37 million U.S from the Customer Group on October 13, 2023, and the IHI Group has recorded this impact in the second quarter ended September 30, 2023. As a result of the settlement, due to a partial shortfall in the recovery of costs incurred for reasons attributable to the Customer Group, a decrease in revenue was recorded in the second quarter ended September 30, 2023.

(*1) 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.

9. Earnings per share

(1) Basis for calculating basic earnings per share

(Millions of yen, unless otherwise stated)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit (loss) attributable to owners of parent	27,043	(109,599)
Profit (loss) not attributable to ordinary shareholders of parent	—	—
Profit (loss) used for calculating basic earnings (loss) per share	27,043	(109,599)
Weighted-average number of ordinary shares (Thousands of shares)	151,265	151,313
Basic earnings (loss) per share (Yen)	178.78	(724.32)

	Three months ended December 31, 2022	Three months ended December 31, 2023
Profit (loss) attributable to owners of parent	5,928	27,967
Profit (loss) not attributable to ordinary shareholders of parent	—	—
Profit (loss) used for calculating basic earnings (loss) per share	5,928	27,967
Weighted-average number of ordinary shares (Thousands of shares)	151,270	151,348
Basic earnings (loss) per share (Yen)	39.19	184.79

(2) Basis for calculating diluted earnings per share

(Millions of yen, unless otherwise stated)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit (loss) used for calculating basic earnings (loss) per share	27,043	(109,599)
Adjustment to profit (loss)	—	—
Profit (loss) used to calculate diluted earnings (loss) per share	27,043	(109,599)
Weighted-average number of ordinary shares (Thousands of shares)	151,265	151,313
Increase in ordinary shares		
Share acquisition rights (Thousands of shares)	19	—
Weighted-average number of ordinary shares after dilution (Thousands of shares)	151,284	151,313
Diluted earnings (loss) per share (Yen)	178.76	(724.32)

	Three months ended December 31, 2022	Three months ended December 31, 2023
Profit (loss) used for calculating basic earnings (loss) per share	5,928	27,967
Adjustment to profit (loss)	—	—
Profit (loss) used to calculate diluted earnings (loss) per share	5,928	27,967
Weighted-average number of ordinary shares (Thousands of shares)	151,270	151,348
Increase in ordinary shares		
Share acquisition rights (Thousands of shares)	19	4
Weighted-average number of ordinary shares after dilution (Thousands of shares)	151,289	151,352
Diluted earnings (loss) per share (Yen)	39.18	184.78

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 574 thousand shares for the nine months ended December 31, 2023, (592 thousand shares for the nine months ended December 31, 2022), 546 thousand shares for the three months ended December 31, 2023, (592 thousand shares for the three months ended December 31, 2022).

Share acquisition rights for the nine months ended December 31, 2023 is not included in calculation of weighted-average number of ordinary shares after dilution, as it has antidilutive effect.

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, 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.

(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, 2023		As of December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost				
Borrowings	313,887	313,200	391,955	392,325
Bonds payable	79,774	78,818	69,817	69,326
Government grants classified under contingent settlement provisions	96,223	94,072	91,880	90,612
Total	489,884	486,090	553,652	552,263

(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, 2023

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivatives	—	1,063	—	1,063
Other	—	1,459	4,637	6,096
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	10,262	—	14,051	24,313
Total	10,262	2,522	18,688	31,472
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	606	—	606
Total	—	606	—	606

As of December 31, 2023

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivatives	—	887	—	887
Other	—	1,177	3,483	4,660
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	12,336	—	14,177	26,513
Total	12,336	2,064	17,660	32,060
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	2,653	—	2,653
Total	—	2,653	—	2,653

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, 2023.

(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, 2022	Nine months ended December 31, 2023
Balance at beginning of period	17,160	18,688
Total gains and losses		
Profit or loss (Note 1)	237	(1,108)
Other comprehensive income (Note 2)	771	266
Purchases	533	234
Sales	(26)	(608)
Transfer from Level 3	—	—
Other (Note 3)	(1,029)	188
Balance at end of period	17,646	17,660
Changes in unrealized gains or losses recorded in profit or loss on assets held at the end of the reporting period (Note 1)	237	57

- 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

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.

(1) Debt guarantees (Note)

Debt guarantees for borrowings from financial and other institutions are as follows:

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
IHI Investment for Aero Engine Leasing LLC	8,902	9,096
Japanese Aero Engine Corporation	3,910	1,585
Japan Aeroforge, Ltd.	177	177
Contingent liabilities for employee housing loans	185	176
Total	13,174	11,034

(2) Guarantees in kind (Note)

Guarantees in kind for borrowings from financial and other institutions are as follows:

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Contingent liabilities for employee housing loans	2,629	2,324
Total	2,629	2,324

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

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

12. Subsequent events

Not applicable

2. Others

At the Board of Directors' meeting held on November 7, 2023, the following details concerning the interim dividend were resolved.

Total amount allocated for the interim dividend 7,595 millions of yen

Dividends per share 50 yen

Effective date and payment date December 8, 2023

Note: The interim dividend is paid to shareholders or registered pledgees of shares whose names are written in the shareholder register as of September 30, 2023.

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

Not applicable