



IHI Corporation

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Tokyo 135-8710, Japan
February 7, 2023

CONSOLIDATED FINANCIAL REPORT FOR THE NINE MONTHS ENDED DECEMBER 31, 2022 <IFRS>

IHI Corporation (IHI) is listed on the Prime Market of the Tokyo Stock Exchange with the securities code number 7013.

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Submission date of Quarterly Securities Report: February 10, 2023 (planned)
Commencement of Dividend Payments: —

Preparing supplementary material on financial results: Yes
Holding financial results presentation meeting: Yes (for institutional investors, analysts and the media)

This consolidated financial report has been prepared in accordance with International Financial Reporting Standards (hereinafter, “IFRS”).

Figures are in Japanese yen rounded to the nearest millions.

1. CONSOLIDATED PERFORMANCE FOR THE NINE MONTHS ENDED DECEMBER 31, 2022 (APRIL 1, 2022 to DECEMBER 31, 2022)

(1) Consolidated Business Results

(Millions of yen, except per share figures; percentage changes show the rate of increase or decrease from the previous corresponding period)

	Revenue	Percentage Change	Operating Profit	Percentage Change	Profit before Tax	Percentage Change	Profit	Percentage Change
Nine months ended December 31, 2022	946,382	16.0%	64,937	42.7%	52,347	9.6%	30,075	(1.3%)
Nine months ended December 31, 2021	816,192	6.7%	45,515	—	47,778	—	30,463	—

	Profit Attributable to Owners of Parent	Percentage Change	Comprehensive Income	Percentage Change	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Nine months ended December 31, 2022	27,043	(2.1%)	39,225	11.1%	178.78	178.76
Nine months ended December 31, 2021	27,632	—	35,295	—	184.36	184.34

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent
As of December 31, 2022	1,949,703	430,253	406,045	20.8%
As of March 31, 2022	1,879,673	407,039	382,134	20.3%

2. DIVIDENDS

(Yen)

(Record Date)	Dividends per Share				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-end	Annual
Fiscal year ended March 31, 2022	—	30.00	—	40.00	70.00
Fiscal year ending March 31, 2023	—	40.00	—	—	—
Fiscal year ending March 31, 2023 (Forecast)	—	—	—	50.00	90.00

(Note) Revisions to the dividend forecasts most recently announced: Yes

3. CONSOLIDATED FORECASTS OF RESULTS FOR THE FISCAL YEAR ENDING MARCH 31, 2023 (APRIL 1, 2022 to MARCH 31, 2023)

(Millions of yen, except per share figures; percentages show the rate of changes from the previous fiscal year)

	Revenue		Operating Profit		Profit before Tax		Profit Attributable to Owners of Parent		Basic Earnings per Share (Yen)
Full-year	1,350,000	15.1%	85,000	4.3%	80,000	(8.7%)	50,000	(24.3%)	338.20

(Note) Revisions to the forecasts of results most recently announced: No

* NOTES

(1) Changes in significant subsidiaries during the nine months

(Changes in specified subsidiaries accompanying changes in scope of consolidation): Not applicable

(2) Changes in accounting policies and changes in accounting estimates

- (i) Changes in accounting policies required by IFRS: Not applicable
- (ii) Changes in accounting policies due to other reasons: Not applicable
- (iii) Changes in accounting estimates: Yes

(3) Number of shares issued (Ordinary shares):

- (i) Number of shares issued at the end of the period (including treasury shares)

As of December 31, 2022	154,679,954 shares
As of March 31, 2022	154,679,954 shares
- (ii) Number of treasury shares owned at the end of the period

As of December 31, 2022	3,409,055 shares
As of March 31, 2022	3,419,631 shares
- (iii) Average number of shares outstanding during the period

Nine months ended December 31, 2022	151,264,787 shares
Nine months ended December 31, 2021	149,881,918 shares

* This consolidated financial report is not subjected to quarterly reviews by certified public accountant or accounting auditor.

* Proper use of forecast of results, and other special matters

(Cautionary statements on forward-looking statements)

Earnings estimates made in this report and other statements that are not historical facts are forward-looking statements about the future performance of the IHI Group. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not place undue reliance on them. IHI cautions that a number of important factors such as political and general economic conditions and the yen exchange rate including its rate against US dollar could cause actual results to differ materially from those discussed in the forward-looking statements, etc.

(How to obtain supplementary material on financial results)

The supplementary material on financial results shall be posted on IHI's website.

1. QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

(1) EXPLANATION REGARDING BUSINESS 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 uncertain 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	Operating profit (loss)	Nine months ended December 31, 2022	Operating profit (loss)	Changes from the previous corresponding period (%)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Changes from the corre- sponding period (%)					Revenue	Operating profit (loss)
				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)
Adjustment	(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.

(2) EXPLANATION REGARDING CONSOLIDATED FINANCIAL POSITION

Assets, liabilities and equity

Total assets at the end of the third quarter 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, which included 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%.

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.

Net cash flows from operating activities were ¥53.1 billion in excess of expenditures. This was due to increased in working capital resulting from an increase in inventories 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.

Net cash flows from investing activities were ¥38.6 billion in excess of expenditures. This was due to acquisitions of property, plant and equipment.

Net cash flows from financing activities were ¥47.8 billion in excess of incomes. This was due to proceeds from issuances of commercial papers and bonds, while there were repayments of borrowings. 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, which included the Transition Bond issued as part of our initiatives to become carbon-neutral.

(3) EXPLANATION REGARDING FUTURE PREDICTION INFORMATION SUCH AS CONSOLIDATED FORECASTS OF RESULTS

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 uncertain 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.

The IHI Group’s consolidated forecasts of results for the full fiscal year ending March 31, 2023 remain unchanged from the previous forecasts announced on November 8, 2022, in terms of both revenue and profit, due to the yen depreciation and improved profitability in the Civil aero engines Business, despite soaring raw material prices in the Vehicular turbochargers Business, the recent spread of COVID-19 in China, and delays in

orders and sales in some other businesses in the Business Area of Industrial Systems and General-Purpose Machinery.

Note that foreign exchange rate of ¥130/US\$1 has been assumed in the above forecasts in the fourth quarter ending March 31, 2023.

IHI shall follow its basic policy to pay out stable dividends and determine the amount of dividends after taking into account a broad range of factors, including investments for improvement of corporate value and enhancement and reinforcement of equity capital with a target consolidated dividend payout ratio of around 30%.

Based on a close examination of the factors that may affect our future performance, IHI determined that the certainty of our full-year consolidated earnings forecast has increased, and in accordance with the dividend policy described above, IHI decided to increase the forecast for the year-end dividend by 10 yen from the previous forecast announced on November 8, 2022 to 50 yen per share. As a result, the annual dividend for the fiscal year ended March 31, 2023 will be 90 yen per share, including the interim dividend of 40 yen per share.

2. CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO

(1) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	145,489	101,573
Trade and other receivables	347,998	352,665
Contract assets	126,560	161,824
Other financial assets	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	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

(1) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities:		
Trade and other payables	235,414	226,994
Bonds and borrowings	95,220	208,075
Lease liabilities	17,061	15,784
Other financial liabilities	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	276,987	248,765
Lease liabilities	116,285	109,325
Other financial liabilities	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)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Revenue	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	34,429	4,361
Other expenses	6,142	5,710
Operating profit (loss)	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)	184.36	178.78
Diluted earnings (loss) per share (yen)	184.34	178.76

Three months ended December 31, 2021 and 2022

(Millions of yen)

	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)	82.39	39.19
Diluted earnings (loss) per share (yen)	82.38	39.18

CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nine months ended December 31, 2021 and 2022

(Millions of yen)

	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	(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	(218)	2,195
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	5,050	6,955
Other comprehensive income, net of tax	4,832	9,150
Comprehensive income	35,295	39,225
Comprehensive income attributable to:		
Owners of parent	31,952	36,201
Non-controlling interests	3,343	3,024
Comprehensive income	35,295	39,225

Three months ended December 31, 2021 and 2022

(Millions of yen)

	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	(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	(233)	(116)
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	4,501	(5,570)
Other comprehensive income, net of tax	4,268	(5,686)
Comprehensive income	17,586	1,468
Comprehensive income attributable to:		
Owners of parent	16,346	1,037
Non-controlling interests	1,240	431
Comprehensive income	17,586	1,468

(3) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended December 31, 2021

(Millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Exchange differences on translation of foreign operations	Cash flow hedges	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				(107)			
Disposal of treasury shares				123			
Dividends			(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					
	Other components of equity			Total	Non-controlling interests	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			—	(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

(3) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended December 31, 2022

(Millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Exchange differences on translation of foreign operations	Cash flow hedges	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			(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
	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			—	(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)

	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	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)

(4) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
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	—	20,000
Redemption of bonds	(20,000)	—
Repayments of lease liabilities	(15,204)	(16,304)
Decrease (increase) in treasury shares	(5)	(11)
Dividends paid	(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 change 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

(5) NOTES TO THE CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON PREMISE OF GOING CONCERN

Not applicable

CHANGES IN 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.

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.

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, allocates management resources necessary for execution of the SBUs' business strategies. SBUs shall be the units possessing complete business process 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: 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 ¥ (130) million and unallocated corporate income of ¥20,371 million. Unallocated corporate income mainly consists of gain on sale of property, plant and equipment and gain on sale of investment property.
3. Segment profit (loss) is adjusted with operating profit (loss) in the condensed quarterly consolidated financial statement of profit or loss.

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: 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.

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 “(5) NOTES TO THE CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS (CHANGES IN ACCOUNTING ESTIMATES)”.

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable