



**CONSOLIDATED FINANCIAL REPORT
FOR THE NINE MONTHS ENDED DECEMBER 31, 2023
<IFRS>**

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

Representative: Representative Director and President, Hiroshi Ide
For further information contact: Director and Executive Officer, Yasuaki Fukumoto
Tel: +81-3-6204-7065
URL: <https://www.ihico.jp>

Submission date of Quarterly Securities Report: February 14, 2024 (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, 2023 (APRIL 1, 2023 to DECEMBER 31, 2023)

(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, 2023	866,663	(8.4)	(103,787)	—	(109,909)	—	(106,847)	—
Nine months ended December 31, 2022	946,382	16.0%	64,937	42.7%	52,347	9.6%	30,075	(1.3%)

	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, 2023	(109,599)	—	(94,383)	—	(724.32)	(724.32)
Nine months ended December 31, 2022	27,043	(2.1%)	39,225	11.1%	178.78	178.76

(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, 2023	2,089,432	343,881	317,959	15.2%
As of March 31, 2023	1,941,964	456,251	431,245	22.2%

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, 2023	—	40.00	—	50.00	90.00
Fiscal year ending March 31, 2024	—	50.00	—	—	—
Fiscal year ending March 31, 2024 (Forecast)	—	—	—	50.00	100.00

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

3. CONSOLIDATED FORECASTS OF RESULTS FOR THE FISCAL YEAR ENDING MARCH 31, 2024 (APRIL 1, 2023 to MARCH 31, 2024)

(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	1,330,000 (1.7%)	(80,000)	— (80,000)	— (90,000)	— (592.57)

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

* 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, 2023	154,679,954 shares
As of March 31, 2023	154,679,954 shares
- (ii) Number of treasury shares owned at the end of the period

As of December 31, 2023	3,328,090 shares
As of March 31, 2023	3,391,607 shares
- (iii) Average number of shares outstanding during the period

Nine months ended December 31, 2023	151,313,006 shares
Nine months ended December 31, 2022	151,264,787 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, 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	Operating profit (loss)	Nine months ended December 31, 2023	Operating profit (loss)	Changes from the previous corresponding period (%)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023	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	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
Adjustment	(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.

(2) EXPLANATION REGARDING CONSOLIDATED FINANCIAL POSITION

Assets, liabilities and equity

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%.

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.

Net cash flows from operating activities were ¥87.8 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.

Net cash flows from investing activities were ¥43.4 billion excess of expenditure. This was due to acquisitions of property, plant and equipment.

Net cash flows from financing activities were ¥126.6 billion excess of income. This was due to proceeds from issuances of commercial papers to secure funds.

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

Whereas the global economy is expected to slow down due to the impact of monetary tightening, global inflation is slowing and 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.

With regard to the consolidated forecasts of results for the fiscal year ending March 31, 2024, revenue is expected to increase ¥30.0 billion from the previous announcement (November 7, 2023) to ¥1,330.0 billion due to the progress of construction on the Carbon solutions project in Japan. On the other hand, in terms of profit, there is no change from the previous announcement due to increases in lifecycle businesses in the Carbon solutions Business, etc. while expenses of reformation of business structure and the impact of the soaring prices of raw materials and equipment in the segment of Industrial Systems and General-Purpose Machinery. Note that foreign exchange rate of ¥140/US\$1 has been assumed in the above forecasts in the fourth quarter ending March 31, 2024.

Concerning dividends, there is no change from the previous announcement.

2. CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO

(1) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	124,749	123,503
Trade and other receivables	378,446	388,894
Contract assets	144,740	162,064
Other financial assets	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	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

(1) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities:		
Trade and other payables	247,086	222,064
Bonds and borrowings	140,370	311,361
Lease liabilities	16,726	16,054
Other financial liabilities	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	253,291	250,411
Lease liabilities	109,101	104,854
Other financial liabilities	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
CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Nine months ended December 31, 2022 and 2023

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Revenue	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)	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)	178.78	(724.32)
Diluted earnings (loss) per share (yen)	178.76	(724.32)

Three months ended December 31, 2022 and 2023

(Millions of yen)

	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)	39.19	184.79
Diluted earnings (loss) per share (yen)	39.18	184.78

CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nine months ended December 31, 2022 and 2023

(Millions of yen)

	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	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	2,195	690
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	6,955	11,774
Other comprehensive income, net of tax	9,150	12,464
Comprehensive income	39,225	(94,383)
Comprehensive income attributable to:		
Owners of parent	36,201	(98,271)
Non-controlling interests	3,024	3,888
Comprehensive income	39,225	(94,383)

Three months ended December 31, 2022 and 2023

(Millions of yen)

	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	(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	(116)	(753)
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	(5,570)	(1)
Other comprehensive income, net of tax	(5,686)	(754)
Comprehensive income	1,468	27,995
Comprehensive income attributable to:		
Owners of parent	1,037	27,091
Non-controlling interests	431	904
Comprehensive income	1,468	27,995

(3) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended December 31, 2022

(Millions of yen)

	Equity attributable to owners of parent						
	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			(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					
	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			—	(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

(3) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended December 31, 2023

(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, 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			(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					
	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			—	(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)

	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)

(4) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
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	20,000	—
Redemption of bonds	—	(10,000)
Repayments of lease liabilities	(16,304)	(15,475)
Dividends paid	(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 change 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

(5) NOTES TO THE CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON PREMISE OF GOING CONCERN

Not applicable

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.

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.

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

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:
- 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 "Others" classification consists of business that is not included in reportable segment. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations.
 - Adjustment of segment profit (loss) represents intersegment transactions of ¥ (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.
 - 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 “(5) NOTES TO THE CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS (CHANGES IN ACCOUNTING ESTIMATES)”.

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable