



IHI Corporation

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Tokyo 135-8710, Japan
November 7, 2023

CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2023 <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: November 10, 2023 (planned)
Commencement of Dividend Payments: December 8, 2023 (planned)

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 SIX MONTHS ENDED SEPTEMBER 30, 2023 (APRIL 1, 2023 to SEPTEMBER 30, 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
Six months ended September 30, 2023	470,310	(20.9%)	(157,031)	—	(151,083)	—	(135,596)	—
Six months ended September 30, 2022	594,456	15.1%	33,526	27.1%	39,516	48.5%	22,921	33.7%

	Profit Attributable to Owners of Parent	Percentage Change	Comprehensive Income	Percentage Change	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Six months ended September 30, 2023	(137,566)	—	(122,378)	—	(909.25)	(909.25)
Six months ended September 30, 2022	21,115	39.2%	37,757	113.2%	139.59	139.57

(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 September 30, 2023	2,053,302	325,704	298,420	14.5%
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	1,300,000 (3.9%)	(80,000)	— (80,000)	— (90,000)	— (592.57)

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

* NOTES

(1) Changes in significant subsidiaries during the six 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: Not applicable

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

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

As of September 30, 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 September 30, 2023	3,334,492 shares
As of March 31, 2023	3,391,607 shares
- (iii) Average number of shares outstanding during the period

Six months ended September 30, 2023	151,295,609 shares
Six months ended September 30, 2022	151,262,281 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 six months ended September 30, 2023, the global economy has shown increasing signs of stagnation due to global inflation, monetary tightening, unstable resource prices and other factors. In addition, in the Chinese economy, the economy lacks strength because sluggishness in the real estate sector have put downward pressure on the economy. In the Japanese economy, amid an improving employment and income environment, the economy has been recovering gradually, although it is still affected by inflation.

In the IHI Group's main business, the Civil aero engines Business, the recovery in passenger demand has been steady. Although aftermarket-related expenses are on the rise, demand for spare parts is increasing along with the growth in main units sales.

Progress in reflecting the continuing impact of the soaring prices of raw materials and equipment on selling prices and efforts to strengthen the cost structure have made a certain extent, although the progress varies from project to project, the IHI Group is promoting efforts to obtain further results by the end of the fiscal year.

On the other hand, in the second quarter ended September 30, 2023, the IHI Group recorded a significant loss. The reasons for recording the loss are as follows.

(Decrease in revenue due to additional inspection program for shipped PW1100G-JM engines)

With respect to the ongoing additional inspection program for shipped PW1100G-JM engines, due to the fact that IHI expects there to be an average of 350 aircraft on the ground during the period from 2024 to 2026 due to the increase in the number of shop visits over the next few years. IHI, which holds approximately 15% share in the aforementioned engine program, expects to incur costs related to compensation, additional maintenance, and so forth, and as a result, a one-time decrease in revenue of ¥154.1 billion was recorded for the second quarter ended September 30, 2023.

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. 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.

(*) Powder metallurgy: A technology that produces metal powder by spraying molten metal, and then solidifies and forges the powder to manufacture parts.

(Decrease in revenue due to settlement of litigation involving IHI's consolidated subsidiary)

Regarding the lawsuit filed in relation to costs incurred due to delay in construction of the North American process plant, an order previously received by IHI's consolidated subsidiary, IHI E&C International Corporation ("IHI E&C"), IHI E&C reached a settlement under which it would receive settlement payments. Although IHI E&C had recognized revenue based on reasonable estimates before the current fiscal year, the aforementioned settlement payment amount was less than the amount of revenue recognized in the past, resulting in recording a decrease in revenue of ¥14.6 billion for the second quarter ended September 30, 2023.

Under this business environment, orders received of the IHI Group during the six months decreased ¥162.5 billion from the previous corresponding period to ¥480.2 billion and revenue decreased 20.9% to ¥470.3 billion due to the impact of decreases in revenue due to additional inspection program for shipped PW1100G-JM engines and settlement of litigation involving IHI's consolidated subsidiary.

In terms of profit, operating profit decreased ¥190.5 billion to a loss of ¥157.0 billion due to aforementioned significant decreases in revenue and increases in aftermarket-related expenses for civil aero engines, R&D and personnel expenses, etc. Profit attributable to owners of parent decreased ¥158.6 billion to a loss of ¥137.5 billion.

Results by reportable segment for the six months ended September 30, 2023 are as follows:

(Billions of yen)

Reportable segment	Orders received			Six months ended September 30, 2022		Six months ended September 30, 2023		Changes from the previous corresponding period (%)	
	Six months ended September 30, 2022	Six months ended September 30, 2023	Changes from the corresponding period (%)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)
Resources, Energy and Environment	210.9	161.7	(23.3)	164.5	10.0	173.2	(8.1)	5.3	—
Social Infrastructure	55.5	59.1	6.5	75.4	3.1	71.5	(1.3)	(5.2)	—
Industrial Systems and General-Purpose Machinery	223.6	229.2	2.5	200.2	5.3	213.6	3.0	6.7	(42.6)
Aero Engine, Space and Defense	149.2	24.6	(83.5)	150.9	18.8	9.3	(147.7)	(93.8)	—
Reportable segment total	639.3	474.7	(25.7)	591.1	37.4	467.6	(154.0)	(20.9)	—
Others	25.5	29.1	14.4	22.0	0.1	23.1	1.3	5.0	691.4
Adjustments	(22.0)	(23.6)	—	(18.8)	(4.0)	(20.5)	(4.3)	—	—
Total	642.8	480.2	(25.3)	594.4	33.5	470.3	(157.0)	(20.9)	—

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 second quarter were ¥2,053.3 billion, up ¥111.3 billion compared with the end of the previous fiscal year. The major items of increase were inventories, up ¥59.8 billion and deferred tax assets, up ¥17.6 billion and trade and other receivables, up ¥12.1 billion. The major item of decrease was cash and cash equivalents, down ¥8.5 billion.

Total liabilities were ¥1,727.5 billion, up ¥241.8 billion compared with the end of the previous fiscal year. The major items of increase were refund liabilities, up ¥159.8 billion and bonds and borrowings including commercial paper, up ¥128.0 billion. The major items of decrease were trade and other payables, down ¥25.5 billion and contract liabilities, down 11.4 billion. Refund liabilities increased because of a significant decrease in sales due to the additional inspection program for PW1100G-JM engines. As we move forward with our efforts to ensure the liquidity of our funds, the balance of interest-bearing liabilities, including lease liabilities, was ¥644.7 billion, up ¥125.2 billion from the end of the previous fiscal year.

Equity was ¥325.7 billion, down ¥130.5 billion compared with the end of the previous fiscal year, which included loss attributable to owners of parent of ¥137.5 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 14.5%.

Cash flows

At the end of the second quarter, the outstanding balance of cash and cash equivalents was ¥116.1 billion, down ¥8.5 billion from the end of the previous fiscal year.

Net cash flows from operating activities were ¥81.4 billion excess of expenditure. This was due to increases in inventories and prepayments. In the Civil aero engines Business, IHI is building up working capital for future production increases as the supply chain continues to be unstable.

Net cash flows from investing activities were ¥31.3 billion excess of expenditure. This was due to acquisitions of property, plant and equipment.

Net cash flows from financing activities were ¥101.4 billion excess of incomes. This was due to proceeds from issuances of commercial papers to secure funds. IHI has increased the amount of commitment lines for the purpose of securing flexible fund procurement methods to respond to future demand for funds in business development, to secure funds for working capital, and to improve the stability of the financial base.

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

Global inflation and monetary tightening have raised fears of a global economic downturn, mainly centered around Europe and the U.S. Although the sharp rises in resource and materials prices and transportation costs have generally subsided, the pace of disinflation is slow, and continued vigilance is required regarding risk of a downturn due to persistently high interest rates, and impact on crude oil prices due to 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.

With regard to the additional inspection program for shipped PW1100G-JM engines, which occurred in the

current fiscal year, 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 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. In addition, the IHI Group will develop and acquire the human resources necessary for change, advance the sophistication of our 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, the IHI Group is expecting revenue of ¥1,300.0 billion, operating loss of ¥80.0 billion, and loss attributable to owners of parent of ¥90.0 billion as announced on October 25, 2023.

Note that foreign exchange rate of ¥140/US\$1 has been assumed in the above forecasts in and after the third quarter ending December 31, 2023.

Concerning dividends, the Board of Directors resolved today to pay an interim dividend (50 yen per share) as previously announced in the dividend forecast. There is also no change in the forecast for the year-end dividend.

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 September 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	124,749	116,178
Trade and other receivables	378,446	390,624
Contract assets	144,740	148,487
Other financial assets	4,368	5,714
Inventories	374,523	434,341
Other current assets	58,918	72,582
Total current assets	1,085,744	1,167,926
Non-current assets:		
Property, plant and equipment	225,032	230,247
Right-of-use assets	102,432	100,910
Goodwill	6,486	7,033
Intangible assets	123,736	122,988
Investment property	142,550	141,156
Investments accounted for using equity method	56,578	61,410
Other financial assets	43,042	47,756
Deferred tax assets	82,280	99,953
Other non-current assets	74,084	73,923
Total non-current assets	856,220	885,376
Total assets	1,941,964	2,053,302

(1) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities:		
Trade and other payables	247,086	221,503
Bonds and borrowings	140,370	251,831
Lease liabilities	16,726	16,532
Other financial liabilities	14,551	25,059
Income taxes payable	9,685	6,162
Contract liabilities	201,883	190,421
Provisions	22,942	22,279
Refund liabilities	38,642	198,506
Other current liabilities	139,716	133,520
Total current liabilities	831,601	1,065,813
Non-current liabilities:		
Bonds and borrowings	253,291	269,850
Lease liabilities	109,101	106,515
Other financial liabilities	95,479	89,776
Deferred tax liabilities	4,470	3,679
Retirement benefit liability	167,595	169,009
Provisions	7,948	6,543
Other non-current liabilities	16,228	16,413
Total non-current liabilities	654,112	661,785
Total liabilities	1,485,713	1,727,598
Equity		
Share capital	107,165	107,165
Capital surplus	46,741	46,674
Retained earnings	251,915	107,118
Treasury shares	(8,746)	(8,618)
Other components of equity	34,170	46,081
Total equity attributable to owners of parent	431,245	298,420
Non-controlling interests	25,006	27,284
Total equity	456,251	325,704
Total liabilities and equity	1,941,964	2,053,302

**(2) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended September 30, 2022 and 2023

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Revenue	594,456	470,310
Cost of sales	471,648	523,931
Gross profit (loss)	122,808	(53,621)
Selling, general and administrative expenses	89,827	102,229
Other income	3,173	2,178
Other expenses	2,628	3,359
Operating profit (loss)	33,526	(157,031)
Finance income	12,596	9,476
Finance costs	2,997	5,239
Share of profit (loss) of investments accounted for using equity method	(3,609)	1,711
Profit (loss) before tax	39,516	(151,083)
Income tax expense	16,595	(15,487)
Profit (loss)	22,921	(135,596)
Profit (loss) attributable to:		
Owners of parent	21,115	(137,566)
Non-controlling interests	1,806	1,970
Profit (loss)	22,921	(135,596)
Earnings (loss) per share		
Basic earnings (loss) per share (yen)	139.59	(909.25)
Diluted earnings (loss) per share (yen)	139.57	(909.25)

Three months ended September 30, 2022 and 2023

(Millions of yen)

	Three months ended September 30, 2022	Three months ended September 30, 2023
Revenue	330,166	171,853
Cost of sales	256,314	283,712
Gross profit (loss)	73,852	(111,859)
Selling, general and administrative expenses	46,829	53,377
Other income	563	879
Other expenses	1,613	1,603
Operating profit (loss)	25,973	(165,960)
Finance income	1,889	1,613
Finance costs	893	306
Share of profit (loss) of investments accounted for using equity method	(4,355)	839
Profit (loss) before tax	22,614	(163,814)
Income tax expense	9,252	(21,447)
Profit (loss)	13,362	(142,367)
Profit (loss) attributable to:		
Owners of parent	12,621	(143,172)
Non-controlling interests	741	805
Profit (loss)	13,362	(142,367)
Earnings (loss) per share		
Basic earnings (loss) per share (yen)	83.44	(946.25)
Diluted earnings (loss) per share (yen)	83.43	(946.25)

CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended September 30, 2022 and 2023

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit (loss)	22,921	(135,596)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	2,320	1,241
Remeasurements of defined benefit plans	134	(8)
Share of other comprehensive income of investments accounted for using equity method	(143)	210
Total of items that will not be reclassified to profit or loss	2,311	1,443
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	11,373	13,940
Cash flow hedges	(442)	(2,219)
Share of other comprehensive income of investments accounted for using equity method	1,594	54
Total of items that may be reclassified to profit or loss	12,525	11,775
Other comprehensive income, net of tax	14,836	13,218
Comprehensive income	37,757	(122,378)
Comprehensive income attributable to:		
Owners of parent	35,164	(125,362)
Non-controlling interests	2,593	2,984
Comprehensive income	37,757	(122,378)

Three months ended September 30, 2022 and 2023

(Millions of yen)

	Three months ended September 30, 2022	Three months ended September 30, 2023
Profit (loss)	13,362	(142,367)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	150	18
Remeasurements of defined benefit plans	29	—
Share of other comprehensive income of investments accounted for using equity method	(86)	81
Total of items that will not be reclassified to profit or loss	93	99
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	3,928	2,489
Cash flow hedges	951	(2,185)
Share of other comprehensive income of investments accounted for using equity method	711	(145)
Total of items that may be reclassified to profit or loss	5,590	159
Other comprehensive income, net of tax	5,683	258
Comprehensive income	19,045	(142,109)
Comprehensive income attributable to:		
Owners of parent	18,149	(143,342)
Non-controlling interests	896	1,233
Comprehensive income	19,045	(142,109)

(3) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended September 30, 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)			21,115				
Other comprehensive income					13,028	(1,304)	2,191
Total comprehensive income	—	—	21,115	—	13,028	(1,304)	2,191
Purchase of treasury shares				(7)			
Disposal of treasury shares		3		17			
Dividends			(6,074)				
Share-based remuneration transactions		(75)					
Changes in ownership interest in subsidiaries							
Transfer from other components of equity to retained earnings			262				(128)
Other		(13)	(81)	(1)	(2)		
Total transactions with owners	—	(85)	(5,893)	9	(2)	—	(128)
Balance as of September 30, 2022	107,165	46,967	228,248	(8,806)	25,857	(1,617)	12,996

	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)			—	21,115	1,806	22,921
Other comprehensive income	134		14,049	14,049	787	14,836
Total comprehensive income	134	—	14,049	35,164	2,593	37,757
Purchase of treasury shares			—	(7)		(7)
Disposal of treasury shares		(20)	(20)	—		—
Dividends			—	(6,074)	(951)	(7,025)
Share-based remuneration transactions			—	(75)		(75)
Changes in ownership interest in subsidiaries			—	—	248	248
Transfer from other components of equity to retained earnings	(134)		(262)	—		—
Other			(2)	(97)	(123)	(220)
Total transactions with owners	(134)	(20)	(284)	(6,253)	(826)	(7,079)
Balance as of September 30, 2022	—	235	37,471	411,045	26,672	437,717

(3) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended September 30, 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)			(137,566)				
Other comprehensive income					12,935	(2,168)	1,445
Total comprehensive income	—	—	(137,566)	—	12,935	(2,168)	1,445
Purchase of treasury shares				(2)			
Disposal of treasury shares		2		130			
Dividends			(7,594)				
Share-based remuneration transactions		(43)					
Changes in ownership interest in subsidiaries		(25)					
Transfer from other components of equity to retained earnings			260				(268)
Changes in non-controlling interest due to change in scope of consolidation							
Other		(1)	103				
Total transactions with owners	—	(67)	(7,231)	128	—	—	(268)
Balance as of September 30, 2023	107,165	46,674	107,118	(8,618)	33,325	(1,620)	14,240

	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)			—	(137,566)	1,970	(135,596)
Other comprehensive income	(8)		12,204	12,204	1,014	13,218
Total comprehensive income	(8)	—	12,204	(125,362)	2,984	(122,378)
Purchase of treasury shares			—	(2)		(2)
Disposal of treasury shares		(33)	(33)	99		99
Dividends			—	(7,594)	(863)	(8,457)
Share-based remuneration transactions			—	(43)		(43)
Changes in ownership interest in subsidiaries			—	(25)	(664)	(689)
Transfer from other components of equity to retained earnings	8		(260)	—		—
Changes in non-controlling interest due to change in scope of consolidation				—	806	806
Other			—	102	15	117
Total transactions with owners	8	(33)	(293)	(7,463)	(706)	(8,169)
Balance as of September 30, 2023	—	136	46,081	298,420	27,284	325,704

(4) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit (loss) before tax	39,516	(151,083)
Depreciation, amortization and impairment losses	34,516	34,386
Finance income and finance costs	1,617	712
Share of loss (profit) of investments accounted for using equity method	3,609	(1,711)
Loss (gain) on sale of property, plant and equipment, intangible assets and investment property	(185)	(220)
Decrease (increase) in trade receivables	13,113	(18,427)
Decrease (increase) in contract assets	(11,259)	(1,992)
Decrease (increase) in inventories and prepayments	(47,135)	(57,291)
Increase (decrease) in trade payables	(16,898)	(21,207)
Increase (decrease) in contract liabilities	1,680	(10,385)
Increase (decrease) in refund liabilities	547	159,864
Other	(6,060)	(8,266)
Subtotal	13,061	(75,620)
Interest received	266	902
Dividends received	976	1,045
Interest paid	(1,851)	(2,263)
Income taxes paid	(22,424)	(5,560)
Net cash provided by (used in) operating activities	(9,972)	(81,496)
Cash flows from investing activities		
Purchase of property, plant and equipment, intangible assets and investment property	(25,299)	(30,184)
Proceeds from sale of property, plant and equipment, intangible assets and investment property	269	362
Purchase of investments (including investments accounted for using equity method)	(889)	(1,243)
Proceeds from sale and redemption of investments (including investments accounted for using equity method)	2,061	2,599
Purchase of equity interest in subsidiaries	(64)	—
Proceeds from sale of equity interest in subsidiaries	426	160
Other	1,812	(3,069)
Net cash provided by (used in) investing activities	(21,684)	(31,375)

(4) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6,272)	62,395
Net increase (decrease) in commercial papers	—	82,000
Proceeds from long-term borrowings	1,158	31,822
Repayments of long-term borrowings	(12,158)	(39,626)
Proceeds from issuance of bonds	20,000	—
Redemption of bonds	—	(10,000)
Repayments of lease liabilities	(9,777)	(9,524)
Dividends paid	(6,052)	(7,570)
Capital contribution from non-controlling interests	248	—
Dividends paid to non-controlling interests	(951)	(863)
Increase in other financial liabilities	724	557
Decrease in other financial liabilities	(6,297)	(7,155)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(689)
Other	(8)	98
Net cash provided by (used in) financing activities	(19,385)	101,445
Effect of exchange rate change on cash and cash equivalents	885	2,861
Net increase (decrease) in cash and cash equivalents	(50,156)	(8,565)
Cash and cash equivalents at beginning of period	145,489	124,743
Cash and cash equivalents at end of period	95,333	116,178

(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.

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.

Six months ended September 30, 2022

(Millions of yen)

	Reportable segment					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	163,783	72,661	196,950	149,504	582,898	11,558	594,456	—	594,456
Intersegment revenue and transfers	778	2,772	3,277	1,441	8,268	10,536	18,804	(18,804)	—
Total	164,561	75,433	200,227	150,945	591,166	22,094	613,260	(18,804)	594,456
Segment profit (loss) (Note 3)	10,099	3,110	5,385	18,836	37,430	174	37,604	(4,078)	33,526

- 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 ¥335 million and unallocated corporate expenses of ¥ (4,413) 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.

Six months ended September 30, 2023

(Millions of yen)

	Reportable segment					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	172,400	68,982	209,834	7,470	458,686	11,624	470,310	—	470,310
Intersegment revenue and transfers	846	2,526	3,777	1,860	9,009	11,571	20,580	(20,580)	—
Total	173,246	71,508	213,611	9,330	467,695	23,195	490,890	(20,580)	470,310
Segment profit (loss) (Note 4)	(8,117)	(1,315)	3,092	(147,747)	(154,087)	1,377	(152,710)	(4,321)	(157,031)

- 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 second quarter ended September 30, 2023, IHI has made the estimates based on currently available information and reduced the revenue by ¥ 154,097 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 ¥ (84) million and unallocated corporate expenses of ¥ (4,237) 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.

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable