

Quarterly Securities Report

(The First Quarter of 206th Term)

From April 1, 2022 to June 30, 2022

IHI Corporation

Table of Contents

	Page
Cover page	1
Part 1. Company information	2
I. Overview of company	2
1. Summary of business results	2
2. Description of business	3
II. Overview of business	4
1. Business risks	4
2. Management's analysis of financial position, operating results and cash flows	4
3. Material contracts for operation	7
III. Information about reporting company	8
1. Information about shares, etc.	8
(1) Total number of shares, etc.	8
(2) Share acquisition rights, etc.	8
(3) Exercises, etc. of moving strike convertible bonds, etc.	8
(4) Changes in number of issued shares, share capital, etc.	8
(5) Major shareholders.	8
(6) Voting rights	9
2. Information about directors and auditors	9
IV. Financial information	10
1. Condensed quarterly consolidated financial statements	11
(1) Condensed quarterly consolidated statement of financial position	11
(2) Condensed quarterly consolidated statement of profit or loss and consolidated statements of comprehensive income	13
Condensed quarterly consolidated statement of profit or loss	13
Condensed quarterly consolidated statement of comprehensive income	14
(3) Condensed quarterly consolidated statement of changes in equity	15
(4) Condensed quarterly consolidated statement of cash flows	17
2. Others	30
Part 2. Information about company which provides guarantee to reporting company	31

Cover page

Document title	Quarterly Securities Report
Clause of stipulation	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	August 10, 2022
Fiscal year	The First quarter of 206th term (from April 1, 2022 to June 30, 2022)
Company name	株式会社IHI (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
Title and name of representative	Hiroshi Ide, Representative Director and President
Address of registered head office	1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan
Telephone number	+81-3-6204-7065
Name of contact person	Shin Shimizu, Head of Accounting Group, Finance & Accounting Division
Nearest place of contact	1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan
Telephone number	+81-3-6204-7065
Name of contact person	Shin Shimizu, Head of Accounting Group, Finance & Accounting Division
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya, Japan) Securities Membership Corporation Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka, Japan) Securities Membership Corporation Sapporo Securities Exchange (14-1, Minamiichijo-nishi 5-chome, Chuo-ku, Sapporo, Japan)

Note: In this report, IHI Corporation is hereinafter referred to as “IHI” and together with its consolidated subsidiaries as the “IHI Group”.

Part 1. Company information

I. Overview of company

1. Summary of business results

(1) Business results of group (Consolidated)

Term	205th term Three months ended June 30, 2021	206th term Three months ended June 30, 2022	205th term
Accounting period	From April 1, 2021 To June 30, 2021	From April 1, 2022 To June 30, 2022	From April 1, 2021 To March 31, 2022
Revenue (Millions of yen)	245,262	264,290	1,172,904
Operating profit (loss) (Millions of yen)	20,259	7,553	81,497
Profit (loss) before tax (Millions of yen)	21,746	16,902	87,637
Profit (loss) attributable to owners of parent (Millions of yen)	14,179	8,494	66,065
Comprehensive income attributable to owners of parent (Millions of yen)	14,127	17,015	83,998
Equity attributable to owners of parent (Millions of yen)	314,401	392,956	382,134
Total assets (Millions of yen)	1,771,849	1,865,869	1,879,673
Basic earnings (loss) per share (Yen)	95.47	56.15	439.77
Diluted earnings (loss) per share (Yen)	95.46	56.15	439.73
Ratio of equity attributable to owners of parent (%)	17.74	21.06	20.33
Cash flows from operating activities (Millions of yen)	1,624	(5,336)	114,155
Cash flows from investing activities (Millions of yen)	9,151	(10,653)	27,926
Cash flows from financing activities (Millions of yen)	(45,850)	(30,596)	(121,489)
Cash and cash equivalents at end of period (Millions of yen)	85,744	100,845	145,489

- Notes:
- Summary of business results of the reporting company are not presented, because IHI prepares condensed quarterly consolidated financial statements.
 - Monetary amounts and ratios less than one unit are rounded off.
 - The results above are based on condensed quarterly consolidated financial statements and consolidated financial statements in accordance with International Financial Reporting Standards.

2. Description of business

IHI and its affiliated companies (148 consolidated subsidiaries and 25 associates accounted for using the equity method as of June 30, 2022) operate four main businesses, providing a diverse range of products. The four businesses are: Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense.

In the three months ended June 30, 2022, there were no significant changes in the contents of the businesses operated by the IHI Group (IHI and its affiliated entities). Changes in principle affiliated companies are as follows.

(Resources, Energy and Environment)

From the first quarter of the fiscal year ending March 31, 2023, two subsidiaries of IHI Power Generation Corp. are already proceeding with those liquidation process, and as those importance have diminished, it was excluded from the scope of consolidation.

(Industrial Systems and General-Purpose Machinery)

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

II. Overview of business

1. Business risks

There were no new occurrences of business risks in the three months ended June 30, 2022.

There were no significant changes with respect to the business risks stated in the Annual Securities Report for the previous fiscal year.

We will continue to closely monitor the impact on the business of the IHI Group from the higher prices of energy and resources due to the change of the world situation, such as lengthening of the Russian invasion upon Ukraine and the easing of the restrictions on economic activities against the spread of COVID-19, etc.

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

Note that forward-looking statements are based on the Group's judgements as of the end of the first quarter (June 30, 2022).

(1) Overview of operating results

During the three months ended June 30, 2022, the Japanese economy showed the sign of recovery as a whole caused by the easing of the restrictions on economic activities against the spread of COVID-19. The world economy also showed the sign while there is the risk of variant COVID-19 spreading in China. However, the outlook is getting severer because of worldwide material shortage, inflation and monetary tightening policies especially in the U.S., which were caused by increase in geopolitical risk due to the lengthening of the Russian invasion upon Ukraine.

In the IHI Group's main business, the Civil aero engines Business, sales of spare parts remained steady along with the recovery of the demand for aero transportation which had been depressed by COVID-19. On the other hand, the rapid recovery in demand for aero transportation has led to a serious labor shortage in the airline industry, and although the industry as a whole is taking measures to address the situation, the shortage recently begins affecting the results of IHI Group. In the Vehicular turbochargers Business, while production is gradually recovering from the production adjustment by automobile companies in response to the global shortage of semiconductors, the speed of the recovery has some gradations by regions such as restrained economic activity in China, and normalization in all productions in the world is not expected until the second half of FY2022 or later.

Under this business environment, orders received of the IHI Group during the three months decreased 1.4% from the previous corresponding period to ¥238.2 billion. Revenue increased 7.8% from the previous corresponding period to ¥264.2 billion. In terms of profit, operating profit decreased ¥12.7 billion to ¥7.5 billion due mainly to the sales of property, plants and equipment in the previous corresponding period, despite increased profit resulted from increased sales of spare parts in the Civil aero engines Business and increased revenue in the Nuclear energy Business, as well as the effect of yen depreciation. Profit before tax decreased ¥4.8 billion to ¥16.9 billion due mainly to foreign exchange gain, profit attributable to owners of parent decreased ¥5.6 billion to ¥8.4 billion.

Results by reportable segment for the three months ended June 30, 2022 are as follows:

(Billions of yen)

Reportable segment	Orders received			Three months ended June 30, 2021		Three months ended June 30, 2022		Changes from the previous corresponding period (%)	
	Three months ended June 30, 2021	Three months ended June 30, 2022	Changes from the previous corresponding period (%)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)
Resources, Energy and Environment	60.8	49.0	(19.5)	74.8	(0.2)	77.2	3.5	3.3	—
Social Infrastructure and Offshore Facilities	44.7	21.6	(51.6)	34.6	2.4	35.1	2.1	1.4	(11.1)
Industrial Systems and General-Purpose Machinery	91.6	106.6	16.4	88.8	2.9	92.7	2.2	4.3	(21.1)
Aero Engine, Space and Defense	39.9	59.2	48.1	45.2	(7.1)	57.4	1.7	26.9	—
Reportable segment total	237.2	236.5	(0.3)	243.5	(2.0)	262.5	9.7	7.8	—
Others	13.3	12.9	(2.5)	10.0	0.3	9.9	(0.1)	(1.4)	—
Adjustments	(8.9)	(11.2)	—	(8.3)	21.8	(8.1)	(1.9)	—	—
Total	241.5	238.2	(1.4)	245.2	20.2	264.2	7.5	7.8	(62.7)

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

<Resources, Energy and Environment>

Orders received decreased in the Carbon solutions Business.

Revenue increased in the Nuclear energy Business.

Operating profit became profitable overall due to increased profit from the progress of construction in the Nuclear energy Business.

<Social Infrastructure and Offshore Facilities>

Orders received decreased in the Bridges and water gates Business.

Revenue increased in the Bridges and water gates Business, while decreased in the Shield systems Business and Urban development Business.

Operating profit decreased due to the decline in revenue in the Shield systems Business and Urban development Business while increased revenue in the Bridges and water gates Business.

<Industrial Systems and General-Purpose Machinery>

Orders received increased in the Rotating machineries Business and the Transport machineries Business.

Revenue increased in the the Transport machineries Business and the Heat treatment and surface engineering Business. In the Vehicular turbochargers Business revenue increased due to the effect of exchange.

Operating profit decreased due to lower sales volume in the Vehicular turbochargers Business and to the decrease in profitable projects in the Transport machineries Business and the Parking Business, while increased in the Heat treatment and surface engineering Business.

<Aero Engine, Space and Defense>

Orders received increased in the Civil aero engines Business.

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

Operating profit became profitable overall due to improved profitability and increased sales of spare parts for Civil aero engines and yen's depreciation in Civil aero engines Business.

(2) Analysis of financial position

Total assets at the end of the first quarter ended June 30, 2022 were ¥1,865.8 billion, down ¥13.8 billion compared with the end of the previous fiscal year. The major items of increase were inventories, up ¥36.6 billion and contract assets, up ¥9.2 billion. The major items of decrease were cash and cash equivalents, down ¥44.6 billion and trade and other receivables, down ¥25.8 billion.

Total liabilities were ¥1,447.1 billion, down ¥25.4 billion compared with the end of the previous fiscal year. The major items of decrease were bonds and borrowings(current), down ¥23.7 billion and trade and other payables, down ¥16.7 billion.

Equity was ¥418.6 billion, up ¥11.6 billion compared with the end of the previous fiscal year. This includes profit attributable to owners of parent of ¥8.4 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 21.1%.

(3) Cash flows

At the end of the first quarter, the outstanding balance of cash and cash equivalents (hereinafter, “cash”) was ¥100.8 billion, down ¥44.6 billion from the end of the previous fiscal year.

Key factors influencing each cash flow during the three months ended June 30, 2022 are summarized below.

(Cash flows from operating activities)

Net cash flows from operating activities were ¥5.3 billion excess of expenditure (the previous corresponding period: ¥1.6 billion excess of incomes). This was due to increases inventories, prepayments and tax payment, while there were decreases in trade receivables.

(Cash flows from investing activities)

Net cash flows from investing activities were ¥10.6 billion excess of expenditure (the previous corresponding period: ¥9.1 billion excess of incomes). This was due mainly to acquisitions of property, plant and equipment.

(Cash flows from financing activities)

Net cash flows from financing activities were ¥30.5 billion excess of expenditure (the previous corresponding period: ¥45.8 billion excess of expenditure). This was due mainly to repayments of borrowings.

(4) Analysis of capital resources and funding liquidity

The IHI Group obtains working capital and funds for capital expenditures by means of loans, bonds, and commercial papers, as well as by using cash on hand. At the end of the first quarter ended June 30, 2022, the balance of interest-bearing liabilities, including lease liabilities, was ¥488.8 billion, down ¥16.6 billion from the end of the previous fiscal year. This primarily reflected repayments of external borrowings.

At the end of the first quarter ended June 30, 2022, the outstanding balance of cash and cash equivalents was ¥100.8 billion, down ¥44.6 billion from the end of the previous fiscal year. This primarily reflected expenditures of working capital for business activities.

Regarding funding liquidity, in addition to overdraft facilities with major banks, we have a diverse range of fund procurement methods such as credit line commitments and commercial papers. Together with the cash and cash equivalents mentioned above, IHI Group has secured sufficient liquidity.

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

In the three months ended June 30, 2022, the IHI Group spent ¥5.8 billion on R&D. There were no significant changes in the status of R&D activities of the IHI Group in the period.

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

There were no significant changes with respect to management policies, management strategies, and issues to be addressed in the three months ended June 30, 2022.

Although social economic activities are normalizing while taking all possible measures against the spread of COVID-19, increased geopolitical risks by prolonging impacts of invasion of Ukraine by Russia, political conflicts between U.S. and China, recent trend of inflation over the world and monetary tightening in the U.S., are concerned to worsen current economic climate. 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.

As an effort for creating growth businesses, IHI has recently achieved the world’s first CO₂-free power generation using a gas turbine with 100% liquid ammonia combustion, which reduces greenhouse gas emissions during combustion by more than 99%. In addition, IHI has begun verifying technologies for ammonia co-firing and mono-firing at the thermal power plants of an Indonesia’s state-owned electricity company group. Furthermore, IHI issued transition bond as fund to advance initiatives for carbon-free society.

While accelerating these efforts, the IHI Group is going ahead to build stronger earnings foundations by preparing multiple scenarios for responding to risks and flexibly implementing appropriate measures in response to changes in the environment.

Note: In the figures presented, figures in billions of yen are rounded down and other figures are rounded off to the nearest unit.

3. Material contracts for operation

No important operational contracts were decided or entered into during the first quarter ended June 30, 2022.

III. Information about reporting company

1. Information about shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Type	Total number of authorized shares (Shares)
Ordinary shares	300,000,000
Total	300,000,000

(ii) Issued shares

Type	Number of issued shares as of the end of the first quarter (Shares) (June 30, 2022)	Number of issued shares as of the filing date (Shares) (August 10, 2022)	Name of stock exchange on which IHI is listed or names of authorized financial instruments firms associations where IHI is registered	Description
Ordinary shares	154,679,954	154,679,954	Prime Market of Tokyo Stock Exchange Premier Market of Nagoya Stock Exchange Fukuoka Stock Exchange Sapporo Securities Exchange	The number of shares constituting one unit is 100 shares.
Total	154,679,954	154,679,954	—	—

Note: The “Number of issued shares as of the filing date” column does not include the number of shares issued upon exercise of share acquisition rights between August 1, 2022 and the filing date of this Quarterly Securities Report.

(2) Share acquisition rights, etc.

(i) Details of stock option plans

Not applicable

(ii) Other matters regarding share acquisition rights, etc.

Not applicable

(3) Exercises, etc. of moving strike convertible bonds, etc.

Not applicable

(4) Changes in number of issued shares, share capital, etc.

Period	Changes in number of issued shares (Thousand shares)	Balance of number of issued shares (Thousand shares)	Changes in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
From April 1, 2022 to June 30, 2022	—	154,679	—	107,165	—	54,520

(5) Major shareholders

The major shareholders are not presented because the current quarterly accounting period is the first quarter period.

(6) Voting rights

Concerning the information on voting rights below, as IHI was unable to confirm the information stated in the shareholder register as of June 30, 2022, the information is stated not from its register; rather it is stated from the shareholder register of the immediately preceding cut-off date (March 31, 2022).

(i) Issued shares

(As of March 31, 2022)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares, etc.)	Ordinary shares 2,827,300	—	—
Shares with full voting rights (others)	Ordinary shares 151,465,400	1,514,654	—
Shares less than one unit	Ordinary shares 387,254	—	Shares less than one unit (100 shares)
Number of issued shares	154,679,954	—	—
Total number of voting rights	—	1,514,654	—

- Notes:
1. Ordinary shares in “Shares less than one unit” include 31 shares of treasury shares held by IHI and 36 shares whose ownership has not yet been transferred and which have been registered in the name of Japan Securities Depository Center.
 2. Ordinary shares in “Shares with full voting right (others)” include 800 shares whose ownership has not yet been transferred and which have been registered in the name of Japan Securities Depository Center. These shares constitute eight units of voting rights, which are included in the figure in “Number of voting rights.”
 3. Ordinary shares in “Shares with full voting rights (others)” include 592,300 shares of IHI owned by a trust account for the Board Benefit Trust.

(ii) Treasury shares, etc.

(As of March 31, 2022)

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
IHI Corporation	1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan	2,827,300	—	2,827,300	1.82
Total	—	2,827,300	—	2,827,300	1.82

Note: 592,300 shares of IHI owned by a trust account for the Board Benefit Trust are not included in shares in treasury above.

2. Information about directors and auditors

Not applicable

Note: In “III. Information about reporting company,” monetary amounts less than one unit are rounded down.

IV. Financial information

1. Basis of preparation of the condensed quarterly consolidated financial statements

The condensed quarterly consolidated financial statements of the IHI Group are prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* pursuant to the Article 93 of the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No.64 of 2007)

2. Audit attestation

The condensed quarterly consolidated financial statements for the first quarter of the fiscal year on March 31, 2023 (from April 1, 2022 to June 30, 2022) and three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022) were reviewed by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

1. Condensed quarterly consolidated financial statements

(1) Condensed quarterly consolidated statement of financial position

(Millions of yen)

	Notes	As of March 31, 2022	As of June 30, 2022
Assets			
Current assets			
Cash and cash equivalents	11	145,489	100,845
Trade and other receivables	11	347,998	322,124
Contract assets		126,560	135,851
Other financial assets	11	3,193	6,091
Inventories		340,125	376,818
Other current assets		60,627	67,239
Total current assets		1,023,992	1,008,968
Non-current assets			
Property, plant and equipment		230,306	227,822
Right-of-use assets		109,034	107,097
Goodwill		6,094	6,454
Intangible assets		120,998	120,136
Investment property		137,679	138,109
Investments accounted for using equity method		56,732	61,217
Other financial assets	11	43,167	44,990
Deferred tax assets		78,428	78,441
Other non-current assets		73,243	72,635
Total non-current assets		855,681	856,901
Total assets		1,879,673	1,865,869

(Millions of yen)

	Notes	As of March 31, 2022	As of June 30, 2022
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	11	235,414	218,674
Bonds and borrowings	6,11	95,220	71,427
Lease liabilities		17,061	16,863
Other financial liabilities	11	14,636	21,103
Income taxes payable		18,005	8,473
Contract liabilities		214,726	224,049
Provisions		22,433	21,503
Other current liabilities		156,180	156,263
Total current liabilities		773,675	738,355
Non-current liabilities			
Bonds and borrowings	6,11	276,987	285,975
Lease liabilities		116,285	114,619
Other financial liabilities	11	103,681	104,483
Deferred tax liabilities		3,485	3,955
Retirement benefit liability		175,328	176,898
Provisions		7,348	7,451
Other non-current liabilities		15,845	15,441
Total non-current liabilities		698,959	708,822
Total liabilities		1,472,634	1,447,177
Equity			
Share capital		107,165	107,165
Capital surplus		47,052	46,938
Retained earnings		213,026	216,098
Treasury shares		(8,815)	(8,817)
Other components of equity		23,706	31,572
Total equity attributable to owners of parent		382,134	392,956
Non-controlling interests		24,905	25,736
Total equity		407,039	418,692
Total liabilities and equity		1,879,673	1,865,869

(2) Condensed quarterly consolidated statement of profit or loss and consolidated statement of comprehensive income

Condensed quarterly consolidated statement of profit or loss

(Millions of yen)

	Notes	Three months ended June 30, 2021	Three months ended June 30, 2022
Revenue	5,8	245,262	264,290
Cost of sales		206,237	215,334
Gross profit (loss)		39,025	48,956
Selling, general and administrative expenses		40,418	42,998
Other income	9	22,980	2,610
Other expenses		1,328	1,015
Operating profit (loss)	5	20,259	7,553
Finance income		595	10,707
Finance costs		1,624	2,104
Share of profit (loss) of investments accounted for using equity method		2,516	746
Profit (loss) before tax		21,746	16,902
Income tax expense		6,406	7,343
Profit (loss)		15,340	9,559
Profit (loss) attributable to:			
Owners of parent		14,179	8,494
Non-controlling interests		1,161	1,065
Profit (loss)		15,340	9,559
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	10	95.47	56.15
Diluted earnings (loss) per share (Yen)	10	95.46	56.15

Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	Notes	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit (loss)		15,340	9,559
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	11	(193)	2,170
Remeasurements of defined benefit plans		(176)	105
Other comprehensive income of investments accounted for using equity method		25	(57)
Total of items that will not be reclassified to profit or loss		<u>(344)</u>	<u>2,218</u>
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		495	7,445
Cash flow hedges		(102)	(1,393)
Other comprehensive income of investments accounted for using equity method		(13)	883
Total of items that may be reclassified to profit or loss		<u>380</u>	<u>6,935</u>
Other comprehensive income, net of tax		<u>36</u>	<u>9,153</u>
Comprehensive income		<u><u>15,376</u></u>	<u><u>18,712</u></u>
Comprehensive income attributable to:			
Owners of parent		14,127	17,015
Non-controlling interests		1,249	1,697
Comprehensive income		<u><u>15,376</u></u>	<u><u>18,712</u></u>

(3) Condensed quarterly consolidated statement of changes in equity
Three months ended June 30, 2021

(Millions of yen)

	Equity attributable to owners of parent							
	Notes	Other components of equity						
		Share capital	Capital surplus	Retained earnings	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2021		107,165	51,735	148,428	(15,953)	1,102	(61)	7,939
Profit (loss)				14,179				
Other comprehensive income					423	(134)		(165)
Total comprehensive income		—	—	14,179	—	423	(134)	(165)
Purchase of treasury shares					(1)			
Disposal of treasury shares			4		11			
Dividends	7							
Share-based remuneration transactions			(102)					
Changes in ownership interest in subsidiaries								
Transfer from other components of equity to retained earnings				(940)				764
Other				(345)			(46)	
Total transactions with owners		—	(98)	(1,285)	10	—	(46)	764
Balance as of June 30, 2021		107,165	51,637	161,322	(15,943)	1,525	(241)	8,538

	Equity attributable to owners of parent						Non-controlling interests	Total
	Notes	Other components of equity			Total	Total		
		Remeasurements of defined benefit plans	Share acquisition rights	Total				
Balance as of April 1, 2021		—	414	9,394	300,769	26,958	327,727	
Profit (loss)				—	14,179	1,161	15,340	
Other comprehensive income		(176)		(52)	(52)	88	36	
Total comprehensive income		(176)	—	(52)	14,127	1,249	15,376	
Purchase of treasury shares				—	(1)		(1)	
Disposal of treasury shares			(16)	(16)	(1)		(1)	
Dividends	7			—	—	(1,066)	(1,066)	
Share-based remuneration transactions				—	(102)		(102)	
Changes in ownership interest in subsidiaries				—	—	24	24	
Transfer from other components of equity to retained earnings		176		940	—		—	
Other				(46)	(391)	(2)	(393)	
Total transactions with owners		176	(16)	878	(495)	(1,044)	(1,539)	
Balance as of June 30, 2021		—	398	10,220	314,401	27,163	341,564	

Three months ended June 30, 2022

(Millions of yen)

	Notes	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)				8,494				
Other comprehensive income						8,361	(2,064)	2,119
Total comprehensive income		—	—	8,494	—	8,361	(2,064)	2,119
Purchase of treasury shares					(5)			
Disposal of treasury shares			0		3			
Dividends	7			(6,074)				
Share-based remuneration transactions			(114)					
Changes in ownership interest in subsidiaries								
Transfer from other components of equity to retained earnings				652				(547)
Other								
Total transactions with owners		—	(114)	(5,422)	(2)	—	—	(547)
Balance as of June 30, 2022		107,165	46,938	216,098	(8,817)	21,192	(2,377)	12,505

	Notes	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)				—	8,494	1,065	9,559	
Other comprehensive income		105		8,521	8,521	632	9,153	
Total comprehensive income		105	—	8,521	17,015	1,697	18,712	
Purchase of treasury shares				—	(5)		(5)	
Disposal of treasury shares			(3)	(3)	—		—	
Dividends	7			—	(6,074)	(886)	(6,960)	
Share-based remuneration transactions				—	(114)		(114)	
Changes in ownership interest in subsidiaries				—	—	20	20	
Transfer from other components of equity to retained earnings		(105)		(652)	—		—	
Other				—	—		—	
Total transactions with owners		(105)	(3)	(655)	(6,193)	(866)	(7,059)	
Balance as of June 30, 2022		—	252	31,572	392,956	25,736	418,692	

(4) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Notes	Three months ended Jun 30, 2021	Three months ended Jun 30, 2022
Cash flows from operating activities			
Profit (loss) before tax		21,746	16,902
Depreciation, amortization and impairment losses		18,769	17,026
Finance income and finance costs		404	535
Share of loss (profit) of investments accounted for using equity method		(2,516)	(746)
Loss (gain) on sale of property, plant and equipment, intangible assets and investment property		(21,778)	(80)
Decrease (increase) in trade receivables		69,482	33,879
Decrease (increase) in contract assets		(10,667)	(5,621)
Decrease (increase) in inventories and prepayments		(27,685)	(27,629)
Increase (decrease) in trade payables		(21,549)	(15,267)
Increase (decrease) in contract liabilities		2,368	7,390
Other		(20,723)	(10,302)
Subtotal		7,851	16,087
Interest received		94	110
Dividends received		530	573
Interest paid		(935)	(890)
Income taxes paid		(5,916)	(21,216)
Net cash provided by (used in) operating activities		1,624	(5,336)
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets and investment property		(10,382)	(9,792)
Proceeds from sale of property, plant and equipment, intangible assets and investment property	9	24,772	149
Purchase of investments (including investments accounted for using equity method)		(2,431)	(222)
Proceeds from sale and redemption of investments (including investments accounted for using equity method)		—	74
Purchase of equity interest in subsidiaries		—	(64)
Proceeds from sale of equity interest in subsidiaries		—	426
Other		(2,808)	(1,224)
Net cash provided by (used in) investing activities		9,151	(10,653)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		(74,270)	(38,582)
Net increase (decrease) in commercial papers		50,000	—
Proceeds from long-term borrowings		2,500	358
Repayments of long-term borrowings		(7,683)	(386)
Proceeds from issuance of bonds	6	—	20,000
Redemption of bonds	6	(10,000)	—
Repayments of lease liabilities		(5,385)	(4,923)
Dividends paid	7	(3)	(6,076)
Capital contribution from non-controlling interests		24	20
Dividends paid to non-controlling interests		(1,051)	(886)
Increase in other financial liabilities		—	185
Decrease in other financial liabilities		(252)	(300)
Other		270	(6)
Net cash provided by (used in) financing activities		(45,850)	(30,596)
Effect of exchange rate changes on cash and cash equivalents		53	1,941
Net increase (decrease) in cash and cash equivalents		(35,022)	(44,644)
Cash and cash equivalents at beginning of period		120,766	145,489
Cash and cash equivalents at end of period		85,744	100,845

Notes to condensed quarterly consolidated financial statements

1. Reporting entity

IHI is a stock company located in Japan and incorporated in accordance with the Companies Act of Japan. IHI's condensed quarterly consolidated financial statements consist of accounts of IHI and its subsidiaries, as well as IHI's interests in its associates.

The IHI Group operates four main businesses, providing a diverse range of products. The four businesses are: Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense.

2. Basis of preparation

(1) Compliance with IFRS

The condensed quarterly consolidated financial statements of the IHI Group are prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* pursuant to the Article 93 of the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No.64 of 2007) as it meets the requirements for a "specified company complying with designated international accounting standards" as prescribed in Article 1-2 of said Regulation.

The condensed quarterly consolidated financial statements do not contain all the information required by the annual consolidated financial statements and should be used in conjunction with the consolidated financial statements for the previous fiscal year.

The condensed quarterly consolidated financial statements were approved by Hiroshi Ide, Representative Director and President, on August 10, 2022.

(2) Basis of measurement

The IHI Group's condensed quarterly consolidated financial statements have been prepared on the acquisition cost basis, except for certain financial instruments, etc. that are measured at fair value.

(3) Functional currency and presentation currency

The presentation currency of the IHI Group's condensed quarterly consolidated financial statements is Japanese yen, which is also its functional currency, and figures less than one million yen are rounded off to the nearest unit.

3. Significant accounting policies

Significant accounting policies applied by the IHI Group in the condensed quarterly consolidated financial statements are the same as those in the consolidated financial statements for the previous fiscal year.

Income taxes for the condensed quarterly consolidated financial statements are calculated based on the estimated annual effective tax rate.

4. Significant accounting judgements, estimates and assumptions

In preparing the condensed consolidated financial statements in accordance with IFRS, the management is required to make judgements, estimates, and assumptions that affect the adoption of accounting policies and the amounts of assets, liabilities, revenues, and expenses. The IHI Group uses rational methods to make such judgements and estimates, but estimates are inherently subject to uncertainties, and those uncertainties may influence the IHI Group's operating results and financial position as recognized in future.

The estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods.

Significant accounting judgements, estimates and assumptions including the impact of the spread of COVID-19 in the condensed consolidated financial statements are the same as those in the consolidated financial statements for the previous fiscal year.

5. Segment information

(1) Overview of reportable segment

The business segments are constituent units of the IHI Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and evaluating operating performance.

The IHI Group organizes SBUs by products and services and allocates Business Areas to control these SBUs. Each Business Area manages and supervises the SBUs' execution of business strategies, and allocates management resources necessary for execution of the SBUs' business strategies. SBUs shall be the units possessing complete business processes including sales, developments, designs, productions, constructions, services, etc. based on the visions and strategies drawn up by Business Areas. Each SBU is an organization executing business and responsible for ensuring a profit in the SBU.

Based on the above, the IHI Group consists of segments by these Business Areas and sets the Business Areas of "Resources, Energy and Environment," "Social Infrastructure and Offshore Facilities," "Industrial Systems and General-Purpose Machinery," and "Aero Engine, Space and Defense" as its reportable segment. There are no aggregated business segments when deciding the reportable segment.

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

Reportable segment	Main businesses, products and services
Resources, Energy and Environment	Power systems (power systems plants for land use and power systems for ships), Carbon solutions (boilers and storage facilities), 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.

Three months ended June 30, 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	74,281	33,588	86,861	44,566	239,296	5,966	245,262	—	245,262	
Intersegment revenue and transfers	526	1,045	2,029	661	4,261	4,079	8,340	(8,340)	—	
Total	74,807	34,633	88,890	45,227	243,557	10,045	253,602	(8,340)	245,262	
Segment profit (loss) (Note 3)	(265)	2,456	2,902	(7,111)	(2,018)	391	(1,627)	21,886	20,259	

- 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 ¥156 million and unallocated corporate income of ¥21,730 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.

Three months ended June 30, 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	76,943	34,328	90,868	56,696	258,835	5,455	264,290	—	264,290	
Intersegment revenue and transfers	351	803	1,882	707	3,743	4,449	8,192	(8,192)	—	
Total	77,294	35,131	92,750	57,403	262,578	9,904	272,482	(8,192)	264,290	
Segment profit (loss) (Note 3)	3,551	2,183	2,290	1,704	9,728	(199)	9,529	(1,976)	7,553	

- 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 ¥110 million and unallocated corporate expenses of ¥(2,086) 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.

6. Bonds

Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

Bonds redeemed are as follows:

(Millions of yen)

Company	Description	Date of issuance	Amount o issuance	Interest rate (%)	Maturity
IHI	40th Unsecured Bonds	June 17, 2014	10,000	0.592	June 17, 2021

Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

Bonds issued are as follows:

(Millions of yen)

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

7. Dividends

The dividends paid are as follows:

Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

Not applicable

Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

Resolution	Classes of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 23, 2022	Ordinary shares	6,074	40	March 31, 2022	June 24, 2022

Note: Total dividends paid in accordance with the resolution passed at the Ordinary General Meeting of Shareholders held on June 23, 2022 include ¥24 million of dividends for the shares of IHI owned by a trust account for the Board Benefit Trust.

Dividends with effective date after the end of the first quarter of the fiscal year are as follows:

Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

Not applicable

Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

Not applicable

8. Revenue

Disaggregation of revenue recognized from contracts with customers and other sources of revenue, and revenue by major type of goods or services and regional market and the relationships with reportable segment are as follows:

Three months ended June 30, 2021

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

(Millions of yen)

	Reportable segment					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Revenue recognized from contracts with customers	74,281	29,338	86,859	44,479	234,957	5,810	240,767
Revenue recognized from other sources of revenue	—	4,250	2	87	4,339	156	4,495
Total	74,281	33,588	86,861	44,566	239,296	5,966	245,262

Revenue recognized from other sources of revenue includes lease income under IFRS 16 *Leases* (hereinafter, “IFRS 16”).

(2) Breakdown by type of goods or services

(Millions of yen)

	Reportable segment					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Power systems	18,694				18,694		18,694
Carbon solutions	35,209				35,209		35,209
Nuclear energy	6,094				6,094		6,094
Bridges and water gates		17,831			17,831		17,831
Shield systems		5,892			5,892		5,892
Urban development		4,662			4,662		4,662
Vehicular turbochargers			38,350		38,350		38,350
Parking			9,159		9,159		9,159
Rotating machineries			11,974		11,974		11,974
Heat treatment and surface engineering			8,732		8,732		8,732
Transport machineries			7,385		7,385		7,385
Logistics and industrial systems			6,759		6,759		6,759
Civil aero engines				25,607	25,607		25,607
Other	16,491	6,304	6,652	22,754	52,201	10,045	62,246
Intersegment revenue	(2,207)	(1,101)	(2,150)	(3,795)	(9,253)	(4,079)	(13,332)
Revenue from external customers	74,281	33,588	86,861	44,566	239,296	5,966	245,262

(3) Breakdown by region

(Millions of yen)

	Reportable segment					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Japan	35,654	26,180	42,922	19,194	123,950	4,189	128,139
North America	7,716	—	4,006	22,862	34,584	71	34,655
Asia	28,080	5,296	25,433	601	59,410	454	59,864
Europe	964	2,112	11,025	1,909	16,010	1,120	17,130
Central and South America	101	—	3,223	—	3,324	—	3,324
Other	1,766	—	252	—	2,018	132	2,150
Overseas	38,627	7,408	43,939	25,372	115,346	1,777	117,123
Revenue from external customers	74,281	33,588	86,861	44,566	239,296	5,966	245,262

Three months ended June 30, 2022

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

(Millions of yen)

	Reportable segment					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Revenue recognized from contracts with customers	76,943	30,319	90,867	56,690	254,819	5,210	260,029
Revenue recognized from other sources of revenue	—	4,009	1	6	4,016	245	4,261
Total	76,943	34,328	90,868	56,696	258,835	5,455	264,290

Revenue recognized from other sources of revenue includes lease income under IFRS 16.

(2) Breakdown by type of goods or services

(Millions of yen)

	Reportable segment					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Power systems	15,717				15,717		15,717
Carbon solutions	32,357				32,357		32,357
Nuclear energy	15,964				15,964		15,964
Bridges and water gates		20,258			20,258		20,258
Shield systems		5,173			5,173		5,173
Urban development		4,199			4,199		4,199
Vehicular turbochargers			39,919		39,919		39,919
Parking			9,494		9,494		9,494
Rotating machineries			11,757		11,757		11,757
Heat treatment and surface engineering			10,165		10,165		10,165
Transport machineries			8,996		8,996		8,996
Logistics and industrial systems			6,629		6,629		6,629
Civil aero engines				37,624	37,624		37,624
Other	17,519	5,503	6,051	24,912	53,985	9,904	63,889
Intersegment revenue	(4,614)	(805)	(2,143)	(5,840)	(13,402)	(4,449)	(17,851)
Revenue from external customers	76,943	34,328	90,868	56,696	258,835	5,455	264,290

(3) Breakdown by region

(Millions of yen)

	Reportable segment					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Japan	39,115	23,745	42,723	18,490	124,073	4,656	128,729
North America	4,816	—	6,385	34,269	45,470	168	45,638
Asia	30,445	7,549	26,801	562	65,357	157	65,514
Europe	460	3,022	10,726	3,374	17,582	55	17,637
Central and South America	108	12	4,123	—	4,243	—	4,243
Other	1,999	—	110	1	2,110	419	2,529
Overseas	37,828	10,583	48,145	38,206	134,762	799	135,561
Revenue from external customers	76,943	34,328	90,868	56,696	258,835	5,455	264,290

The IHI Group consists of segments by Business Area and sets the Business Areas of Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense, and is engaged in the sale of goods, execution of construction and rendering of services in each Business Area.

The primary method to record revenue for each segment is as follows:

- Resources, Energy and Environment and Social Infrastructure and Offshore Facilities
For revenue from sale of goods, the IHI Group determines that performance obligations have been satisfied when customers obtain control of the goods upon its delivery. Hence, revenue from sale of goods is usually recognized upon the delivery of goods. With regard to the execution of construction contracts and rendering of services including maintenance services, the IHI Group determines that performance obligations are satisfied over time, and revenue is recognized by measuring the progress towards complete satisfaction of said performance obligations to provide such services to customers. The progress is measured by specifying the satisfaction of performance obligations. Measurements are estimated based on the ratio of the costs incurred to satisfy the performance obligations against the total expected costs to fully satisfy the contractual obligations. Revenue is recognized by the cost recovery method when it is not possible to reasonably estimate progress towards satisfaction of performance obligations, but it is probable that the costs incurred will be recovered.
- Industrial Systems and General-Purpose Machinery and Aero Engine, Space and Defense
In the sale of goods mainly in the Civil aero engines Business and the Vehicular turbochargers Business, the IHI Group determines that performance obligations have been satisfied when customers obtain control of the goods upon its delivery. Hence, revenue from sale of goods is usually recognized upon the delivery of goods. In the Civil aero engines Business, revenue decreased after estimating the costs to be borne in connection with the civil aero engine programs in which IHI participates, which are deducted revenue as consideration paid to customers. Furthermore, “Revenue” decreased during reversal as consideration prepaid by customers was recorded in “Other non-current assets”.

When certain refund obligations to customers are expected to arise, such as compensation for damages incurred in association with performance of contracts, the IHI Group reduces revenue to the extent of the estimated refund liability.

The consideration of a transaction is generally received based on the progress for each performance obligation satisfied over time, such as a milestone in the case of a construction contract. The consideration for the sale of goods or rendering of services is mostly received within one year after the performance obligation is satisfied.

In either case, the contract does not include a significant financing component.

Further, IHI provides warranties assuring that a product satisfies specifications as provided in the contract. However, IHI does not identify this warranty as a separate performance obligation because it does not provide a distinct service.

9. Other income

The breakdown of other income is as follows:

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Gain on sale of property, plant and equipment (Note 1)	16,183	80
Gain on sale of investment property (Note 2)	5,595	—
Other	1,202	2,530
Total	22,980	2,610

Notes: 1. Gain on sale of property, plant and equipment

IHI decided to transfer certain non-current assets aiming at securing funds for investment for creating growth businesses to contribute to materialize social sustainability on the basis of “Project Change” announced on November 10, 2020.

Accordingly, IHI has recorded gain on sale of property, plant and equipment in “Other income” in the previous fiscal year.

(Millions of yen)

Details and location of assets	Gain on sale of property, plant and equipment
Land and buildings (including incidental non-current assets) 11-1, Kitahama-machi, Chita, Aichi, Japan (approximately 393,300 m ²)	16,179
Other	4
Total	16,183

2. Gain on sale of investment property

IHI decided to transfer the investment property aiming at securing funds for investment for creating growth businesses to contribute to materialize social sustainability on the basis of “Project Change” announced on November 10, 2020.

Accordingly, IHI has recorded gain on sale of investment property in “Other income” in the previous fiscal year.

(Millions of yen)

Details and location of assets	Gain on sale of investment property
Investment property (trust beneficiary right) Showa-machi, Kanazawa-ku, Yokohama, Kanagawa, Japan (approximately 26,700 m ²)	5,595

10. Earnings per share

(1) Basis for calculating basic earnings per share

(Millions of yen, unless otherwise stated)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit (loss) attributable to owners of parent	14,179	8,494
Profit (loss) not attributable to ordinary shareholders of parent	—	—
Profit (loss) used for calculating basic earnings (loss) per share	14,179	8,494
Weighted-average number of ordinary shares (Thousands of shares)	148,517	151,261
Basic earnings (loss) per share (Yen)	95.47	56.15

(2) Basis for calculating diluted earnings per share

(Millions of yen, unless otherwise stated)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit (loss) used for calculating basic earnings (loss) per share	14,179	8,494
Adjustment to profit (loss)	—	—
Profit (loss) used to calculate diluted earnings (loss) per share	14,179	8,494
Weighted-average number of ordinary shares (Thousands of shares)	148,517	151,261
Increase in ordinary shares		
Share acquisition rights (Thousands of shares)	18	20
Weighted-average number of ordinary shares after dilution (Thousands of shares)	148,535	151,281
Diluted earnings (loss) per share (Yen)	95.46	56.15

Note: Shares of IHI owned by a trust account for the Board Benefit Trust are included in the number of shares issued at the end of the first quarter ended June 30, 2022 and the number of treasury shares excluded for the calculation of the weighted-average number of ordinary shares. For the three months ended June 30, 2022, the weighted-average number of ordinary shares as treasury shares excluded for the calculation of basic earnings per share and diluted earnings per share is 592 thousand shares (552 thousand shares for the three months ended June 30, 2021).

11. Fair value of financial instruments

The fair value measurements of financial instruments measured at fair value are categorized into the following three levels based on the observability and significance of inputs used to measure such financial instruments.

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price
- Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs

(1) Measurement method for fair value

The measurement method for fair value of financial instruments is as follows.

(Cash and cash equivalents, trade and other receivables and trade and other payables)

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

(Bonds and borrowings)

The fair value of bonds is determined based on the market prices or prices provided by financial and other institutions with which the IHI Group does business.

The fair value of borrowings is determined based on the present value of future cash flows discounted at the interest rate to be applied if similar new contracts were entered into.

These liabilities are classified as Level 2.

(Government grants classified under contingent settlement provisions)

The fair value of government grants classified under contingent settlement provisions is determined based on the present value of future cash flows discounted at the interest rate to be applied if similar new contracts were entered into.

These liabilities are classified as Level 2.

(Other financial assets and other financial liabilities)

Derivatives are measured as financial assets or liabilities measured at fair value through profit or loss based on prices provided by the counterparty financial institutions and classified as Level 2.

The fair value of marketable shares and investments in capital is calculated based on the market price at the account closing date and classified as Level 1.

The fair value of non-marketable shares and investments in capital is calculated by the valuation technique using the net asset value, the valuation technique using quoted market prices of comparable companies, and in both cases, they are classified as Level 3.

The significant unobservable inputs are mainly illiquidity discounts, and when illiquidity discounts rise, the fair value falls. The illiquidity discount that is used is 30%.

(2) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows.

Financial instruments whose carrying amount is a reasonable approximation of the fair value are not included in the following table.

(Millions of yen)

	As of March 31, 2022		As of June 30, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost				
Borrowings	312,395	311,918	277,676	277,876
Bonds payable	59,812	59,340	79,726	78,893
Government grants classified under contingent settlement provisions	103,226	100,822	103,475	101,088
Total	475,433	472,080	460,877	457,857

(3) Financial instruments measured at fair value

The fair value hierarchy for financial instruments measured at fair value is as follows:

As of March 31, 2022

(Millions of yen)

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

As of June 30, 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivatives	—	443	—	443
Other	—	1,185	3,345	4,530
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	12,949	—	14,716	27,665
Total	12,949	1,628	18,061	32,638
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	8,371	—	8,371
Total	—	8,371	—	8,371

Transfers between levels of the fair value hierarchy are recognized on the day when the event or change in circumstances that caused the transfer occurred. The IHI Group did not recognize any significant transfers between Level 1 and Level 2 for the previous fiscal year and the three months ended June 30, 2022.

(4) Valuation processes

For financial instruments classified as Level 3, the staff determines the valuation method of target financial instruments and measures the fair value in accordance with the valuation policy and procedures set by the IHI Group. The fair value measurement result is approved by the responsible person.

(5) Reconciliation of financial instruments classified as Level 3 from the beginning to the end of the first quarter.

Changes in financial instruments classified as Level 3 from the beginning to the end of the first quarter are as follows:

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Balance at beginning of period	23,590	17,160
Total gains and losses		
Profit or loss (Note 1)	(2)	355
Other comprehensive income (Note 2)	937	610
Purchases	4	25
Sales	—	(76)
Transfer from Level 3	—	—
Other (Note 3)	(2,633)	(13)
Balance at end of period	21,896	18,061
Changes in unrealized gains or losses recorded in profit or loss on assets held at the end of the reporting period (Note 1)	(2)	355

Notes: 1. Included in “Finance income” and “Finance costs” in the condensed quarterly consolidated statement of profit or loss.

2. Included in “Financial assets measured at fair value through other comprehensive income” in the condensed quarterly consolidated statement of comprehensive income.

3. The impact of change in scope of consolidation is included.

12. Contingent liabilities

(1) Debt guarantees and guarantees in kind

The IHI Group provides debt guarantees and guarantees in kind for borrowings from financial and other institutions taken out by companies such as business counterparties and entities accounted for using the equity method.

There were no significant changes compared to the contents stated in the consolidated financial statements for the previous fiscal year at the end of first quarter ended June 30, 2022.

(2) Other contingent liabilities

There was a construction delay involving a process plant project in North America that was ordered to the consolidated subsidiary IHI E&C International Corporation (hereinafter, "IHI E&C") in the U.S., in 2016. The process plant has been delivered to a customer, and commercial operation of LNG shipping equipment has started by the customer on August 26, 2020.

The IHI Group recognizes that the delay was caused by the customer's circumstances and has continued negotiations enlisting the perspective that additional costs incurred due to the delay could be charged to the customer based on the contract. In 2019, inter-party discussions were held based on the contract terms with the customer, and in March and October 2020 in accordance with the contract terms as the next step, the IHI Group has sincerely held discussions through mediation including third party. However, since no agreement was reached, the IHI Group determined that the discussions had reached a stage where there was no option left but to refer the dispute resolution to the court proceedings in the local court based on the contract terms. As a result, on December 4, 2020, the IHI Group has filed a lawsuit with the local court seeking to have the customer pay approximately 227 million U.S. dollars (approximately ¥31.0 billion at an exchange rate of 136.62 yen to the U.S. dollar) as a claim for a higher contracted amount primarily on the grounds of breach of contract. Meanwhile, on December 4, 2019, at the stage of aforementioned inter-party discussion, IHI E&C received a letter of claim for payment of 117 million U.S. dollars (approximately ¥16.0 billion at an exchange rate of 136.62 yen to the U.S. dollar) from the customer for liquidated damages contractually stipulated in the case of delayed delivery (hereinafter, the "Invoice amount"). However, at this stage, the specific amount charged to IHI E&C by the customer has yet to be disclosed in the ongoing trial. At this point, because it is difficult to reasonably estimate the amount of the effect on the financial position and operating results, the effect of the matter of the Invoice amount has not been reflected in the condensed quarterly consolidated financial statements.

Moreover, it is not possible to predict the outcome of this lawsuit at this point, and detailed disclosure regarding these matters is not being made as it may have a significant impact on the development of this lawsuit.

13. Subsequent events

Not applicable

2. Others

Not applicable

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

Not applicable