

Quarterly Securities Report

(The Second Quarter of 206th Term)

From July 1, 2022 to September 30, 2022

IHI Corporation

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Company name	株式会社IHI (Kabushiki Kaisha IHI)
Company name in English	IHI Corporation
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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 Six months ended September 30, 2021	206th term Six months ended September 30, 2022	205th term
Accounting period	From April 1, 2021 To September 30, 2021	From April 1, 2022 To September 30, 2022	From April 1, 2021 To March 31, 2022
Revenue (Millions of yen) [the second quarter]	516,548 [271,286]	594,456 [330,166]	1,172,904
Operating profit (loss) (Millions of yen)	26,376	33,526	81,497
Profit (loss) before tax (Millions of yen)	26,613	39,516	87,637
Profit (loss) attributable to owners of parent (Millions of yen) [the second quarter]	15,171 [992]	21,115 [12,621]	66,065
Comprehensive income attributable to owners of parent (Millions of yen)	15,606	35,164	83,998
Equity attributable to owners of parent (Millions of yen)	318,221	411,045	382,134
Total assets (Millions of yen)	1,774,304	1,903,428	1,879,673
Basic earnings (loss) per share (Yen) [the second quarter]	101.68 [6.62]	139.59 [83.44]	439.77
Diluted earnings (loss) per share (Yen)	101.67	139.57	439.73
Ratio of equity attributable to owners of parent (%)	17.93	21.59	20.33
Cash flows from operating activities (Millions of yen)	187	(9,972)	114,155
Cash flows from investing activities (Millions of yen)	2,715	(21,684)	27,926
Cash flows from financing activities (Millions of yen)	(43,874)	(19,385)	(121,489)
Cash and cash equivalents at end of period (Millions of yen)	79,855	95,333	145,489

- Notes: 1. Summary of business results of the reporting company are not presented, because IHI prepares condensed quarterly consolidated financial statements.
2. Monetary amounts and ratios less than one unit are rounded off.
3. 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 (145 consolidated subsidiaries and 25 associates accounted for using the equity method as of September 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 six months ended September 30, 2022, there were no significant changes in the contents of the businesses operated by the IHI Group (IHI and its affiliated companies). Changes in principle affiliated companies are as follows.

(Resources, Energy and Environment)

From the first quarter of the fiscal year ending March 31, 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.

From the second quarter of the fiscal year ending March 31, 2023, one subsidiary of IHI E&C International Corporation ceased to exist because its liquidation was completed.

(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 affiliated company of IHI because of the transfer of its shares to the third party.

From the second quarter of the fiscal year ending March 31, 2023, SHANGHAI STAR MODERN AGRICULTURE EQUIPMENT CO.,LTD is already proceeding with that liquidation process, and as that importance has diminished, it was excluded from the scope of consolidation. In addition, one subsidiary of Indigo TopCo Ltd. ceased to exist because its liquidation was completed.

II. Overview of business

1. Business risks

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

Although 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 changes in the business structure of the IHI Group and their impact due to fluctuations in economic activities under the coexisting with COVID-19, heightened global geopolitical risks such as the lengthening of the Russian invasion upon Ukraine, global inflation including soaring prices of resource and energy, significant fluctuations in exchange rates caused by the U.S. monetary policy, concerns about a global economic recession, and the strict application of ESG.

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 second quarter (September 30, 2022).

(1) Overview of operating results

During the six months ended September 30, 2022, in the global economy, economic conditions have been on the downside due to heightened geopolitical risks, such as the lengthening of the Russian invasion upon Ukraine, and inflation and acceleration of monetary tightening policies internationally. Meanwhile, although the Japanese economy staged a gradual recovery with the nation's economy holding on a path toward striking a balance between social and economic activity as it progressively transitioned to a new phase of coexistence with COVID-19, the effects of the rapid yen depreciation due to the situation of the global economy is becoming apparent.

In the IHI Group's main business, the Civil aero engines Business, although a serious labor shortage in the airline industry mainly in North America recently begins affecting the results of IHI Group, overall, sales of spare parts remained steady along with the recovery in demand for aero transportation which had been depressed by COVID-19.

In the Vehicular turbochargers Business, production is recovering from restrained economic activity in China and the production adjustment by automobile companies in response to the global shortage of semiconductors.

Although the current soaring prices of raw materials has affected the profitability of many of our businesses, the steady contract amount negotiation, activities to improve construction profitability and the effect of the yen depreciation have contributed to our business performance.

Under this business environment, orders received of the IHI Group during the six months increased 26.4% from the previous corresponding period to ¥642.8 billion. Revenue increased 15.1% from the previous corresponding period to ¥594.4 billion. In terms of profit, operating profit increased ¥7.1 billion to ¥33.5 billion due to increased sales of spare parts and improved profitability in the Civil aero engines Business and increased profit resulted from increased revenue in the Nuclear energy Business, as well as the effect of significant yen depreciation, despite decreased profit due to the sales of property, plants and equipment in the corresponding period. Profit before tax increased ¥12.9 billion to ¥39.5 billion due to a favorable turnaround in foreign exchange gains (losses), despite decreased share of profit (loss) of investments accounted for using equity, profit attributable to owners of parent increased ¥5.9 billion to ¥21.1 billion.

Results by reportable segment for the six months ended September 30, 2022 are as follows:

(Billions of yen)

Reportable segment	Orders received			Six months ended September 30, 2021		Six months ended September 30, 2022		Changes from the previous corresponding period (%)	
	Six months ended September 30, 2021	Six months ended September 30, 2022	Changes from the previous corresponding period (%)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)
Resources, Energy and Environment	147.1	210.9	43.4	159.7	8.0	164.5	10.0	3.0	25.2
Social Infrastructure and Offshore Facilities	87.7	55.5	(36.7)	69.9	4.0	75.4	3.1	7.9	(22.5)
Industrial Systems and General-Purpose Machinery	179.5	223.6	24.6	175.9	5.5	200.2	5.3	13.8	(2.8)
Aero Engine, Space and Defense	86.8	149.2	71.8	108.2	(12.3)	150.9	18.8	39.4	—
Reportable segment total	501.2	639.3	27.6	513.8	5.2	591.1	37.4	15.0	607.2
Others	24.8	25.5	2.6	24.5	1.4	22.0	0.1	(10.0)	(88.1)
Adjustments	(17.6)	(22.0)	—	(21.9)	19.6	(18.8)	(4.0)	—	—
Total	508.3	642.8	26.4	516.5	26.3	594.4	33.5	15.1	27.1

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 increased at subsidiaries in Southeast Asia.

Although revenue decreased in the Power systems Business, revenue increased in the Nuclear energy Business, etc.

Operating profit increased due to the progress of construction in the Nuclear energy Business, despite recording of restructuring expenses in the Power systems Business.

<Social Infrastructure and Offshore Facilities>

Orders received decreased in the Bridges and water gates Business.

Although revenue decreased in the Shield systems Business and the Urban development Business, revenue increased in the Bridges and water gates Business.

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

<Industrial Systems and General-Purpose Machinery>

Orders received increased in the Vehicular turbochargers Business and the Rotating machineries Business.

Revenue increased in the Vehicular turbochargers Business and the Heat treatment and surface engineering Business.

Operating profit decreased due to the decrease in profitable projects in the Logistics and industrial systems Business and the Parking Business, while increased in the Rotating machineries Business and 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 depreciation in the Civil aero engines Business.

Operating profit increased due to increased sales of spare parts, improved profitability and yen depreciation in the Civil aero engines Business.

(2) Analysis of financial position

Total assets at the end of the second quarter ended September 30, 2022 were ¥1,903.4 billion, up ¥23.7 billion compared with the end of the previous fiscal year. The major items of increase were inventories, up ¥54.6 billion and contract assets, up ¥16.7 billion and investment property, up ¥7.9 billion. The major items of decrease were cash and cash equivalents, down ¥50.1 billion and trade and other receivables, down ¥6.7 billion

Total liabilities were ¥1,465.7 billion, down ¥6.9 billion compared with the end of the previous fiscal year. The major item of decrease was trade and other payables, down ¥13.3 billion.

Equity was ¥437.7 billion, up ¥30.6 billion compared with the end of the previous fiscal year. This includes profit attributable to owners of parent of ¥21.1 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 21.6%.

(3) Cash flows

At the end of the second quarter, the outstanding balance of cash and cash equivalents was ¥95.3 billion, down ¥50.1 billion from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash flows from operating activities were ¥9.9 billion excess of expenditure (the previous corresponding period: ¥0.1 billion excess of incomes). This was due to increases in inventories, prepayments and tax payment, while there were decreases in trade receivables.

(Cash flows from investing activities)

Net cash flows from investing activities were ¥21.6 billion excess of expenditure (the previous corresponding period: ¥2.7 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 ¥19.3 billion excess of expenditure (the previous corresponding period: ¥43.8 billion excess of expenditure). This was due to dividend payments and repayments of borrowings, while there were proceeds from issuance of bonds.

(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 second quarter ended September 30, 2022, the balance of interest-bearing liabilities, including lease liabilities, was ¥507.6 billion, up ¥2.0 billion from the end of the previous fiscal year. This was mainly due to external borrowings and the issuance of bonds to cover the increase in working capital for business activities. At the end of the second quarter ended September 30, 2022, the outstanding balance of cash and cash equivalents was ¥95.3 billion, down ¥50.1 billion from the end of the previous fiscal year. This primarily reflected expenditures of working capital for business activities etc.

Regarding funding liquidity, in addition to overdraft facilities with major banks, 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.

In terms of diversification of fundraising, IHI issued transition bonds in June 2022 as part of our efforts to achieve carbon-neutral. The funds raised through the issuance of the transition bonds will be used for initiatives aimed at creating new growth businesses.

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

In the six months ended September 30, 2022, the IHI Group spent ¥12.9 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 six months ended September 30, 2022.

Whereas the balance between social and economic activity is poised to strengthen through a progressive transition to a new phase of coexistence with COVID-19, concerns of an economic downturn in Europe, the U.S. and elsewhere worldwide have been mounting amid uncertainties ahead, such that include the lengthening of the Russian invasion upon Ukraine, political conflicts between U.S. and China, along with inflation and acceleration of monetary tightening internationally. Also, in the medium and long term, the trend to focus on environment, circular economies, sustainability such as respect for human rights is expected to develop, the responses of governments and companies will attract attention.

To respond to the speed of change in these environments, the IHI Group is promoting “Project Change” aimed returning to growth trajectory by further strengthening earnings foundations and expanding the lifecycle businesses, and creating growth businesses that contribute to the realization of a sustainable society.

As an effort for creating growth businesses, IHI has developed gas turbine capable of burning 100% liquid ammonia and succeeded in ammonia co-firing of boilers used for thermal power generation in Malaysia and Indonesia.

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 second quarter ended September 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 second quarter (Shares) (September 30, 2022)	Number of issued shares as of the filing date (Shares) (November 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 November 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 July 1, 2022 to September 30, 2022	—	154,679	—	107,165	—	54,520

(5) Major shareholders

(As of September 30, 2022)

Name	Address	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan (Holder in Trust)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan	23,549	15.50
Custody Bank of Japan, Ltd. (Holder in Trust)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	14,323	9.43
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	4,597	3.02
IHI Supplier Stock Ownership Association	1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan	2,785	1.83
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan	2,703	1.78
IHI Employee Stock Ownership Association	1-1, Toyosu 3-chome, Koto-ku, Tokyo, Japan	2,566	1.68
Sumitomo Life Insurance Company	18-24, Tsukiji 7-chome, Chuo-ku, Tokyo, Japan	2,284	1.50
MSIP CLIENT SECURITIES (standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	25 CABOT SQUARE, CANARY WHARF, LONDON E14 4QA, U.K. (9-7, Otemachi 1-chome, Chiyoda-ku, Tokyo, Japan)	1,783	1.17
JPMorgan Securities Japan Co., Ltd.	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan	1,741	1.14
JP MORGAN CHASE BANK 380634 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (15-1, Konan 2-chome, Minato-ku, Tokyo, Japan)	1,694	1.11
Total	—	58,029	38.16

- Notes:
1. The figures of “Number of shares held” and “Shareholding ratio (%)” in the above table are rounded down to one unit.
 2. Although IHI holds its own treasury shares by 2,822 thousand shares, it is excluded from major shareholders above.
 3. In the above table, the following owned shares are held through trust.
 - The Master Trust Bank of Japan (Holder in Trust)
 - Custody Bank of Japan, Ltd. (Holder in Trust)
 - Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.

(6) Voting rights
 (i) Issued shares

(As of September 30, 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 2,822,700	—	—
Shares with full voting rights (others)	Ordinary shares 151,477,900	1,514,779	—
Shares less than one unit	Ordinary shares 379,354	—	Shares less than one unit (100 shares)
Number of issued shares	154,679,954	—	—
Total number of voting rights	—	1,514,779	—

- Notes:
1. Ordinary shares in “Shares less than one unit” include 63 shares of treasury shares held by IHI, 36 shares whose ownership has not yet been transferred and which have been registered in the name of Japan Securities Depository Center.
 2. Ordinary shares in “Shares with full voting right (others)” include 800 shares whose ownership has not yet been transferred and which have been registered in the name of Japan Securities Depository Center. These shares constitute eight units of voting rights and included in the figure in “Number of voting rights.”
 3. Ordinary shares in “Shares with full voting rights (others)” include 592,300 shares of IHI owned by a trust account for the Board Benefit Trust.

(ii) Treasury shares, etc.

(As of September 30, 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	2,822,700	—	2,822,700	1.82
Total	—	2,822,700	—	2,822,700	1.82

Notes: 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 three months ended September 30, 2022 (from July 1, 2022 to September 30, 2022) and the six months ended September 30, 2022 (from April 1, 2022 to September 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 September 30, 2022
Assets			
Current assets			
Cash and cash equivalents	11	145,489	95,333
Trade and other receivables	11	347,998	341,217
Contract assets		126,560	143,352
Other financial assets	11	3,193	5,000
Inventories		340,125	394,742
Other current assets		60,627	66,021
Total current assets		1,023,992	1,045,665
Non-current assets			
Property, plant and equipment		230,306	226,274
Right-of-use assets		109,034	105,240
Goodwill		6,094	6,589
Intangible assets		120,998	119,409
Investment property		137,679	145,649
Investments accounted for using equity method		56,732	59,501
Other financial assets	11	43,167	43,658
Deferred tax assets		78,428	78,337
Other non-current assets		73,243	73,106
Total non-current assets		855,681	857,763
Total assets		1,879,673	1,903,428

(Millions of yen)

	Notes	As of March 31, 2022	As of September 30, 2022
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	11	235,414	222,085
Bonds and borrowings	6, 11	95,220	129,281
Lease liabilities		17,061	16,280
Other financial liabilities	11	14,636	19,216
Income taxes payable		18,005	17,603
Contract liabilities		214,726	219,652
Provisions		22,433	26,556
Other current liabilities		156,180	148,237
Total current liabilities		773,675	798,910
Non-current liabilities			
Bonds and borrowings	6, 11	276,987	249,251
Lease liabilities		116,285	112,805
Other financial liabilities	11	103,681	99,771
Deferred tax liabilities		3,485	3,489
Retirement benefit liability		175,328	178,427
Provisions		7,348	7,511
Other non-current liabilities		15,845	15,547
Total non-current liabilities		698,959	666,801
Total liabilities		1,472,634	1,465,711
Equity			
Share capital		107,165	107,165
Capital surplus		47,052	46,967
Retained earnings		213,026	228,248
Treasury shares		(8,815)	(8,806)
Other components of equity		23,706	37,471
Total equity attributable to owners of parent		382,134	411,045
Non-controlling interests		24,905	26,672
Total equity		407,039	437,717
Total liabilities and equity		1,879,673	1,903,428

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

Condensed quarterly consolidated statement of profit or loss

Six months ended September 30, 2021 and 2022

(Millions of yen)

	Notes	Six months ended September 30, 2021	Six months ended September 30, 2022
Revenue	5,8	516,548	594,456
Cost of sales		428,724	471,648
Gross profit (loss)		87,824	122,808
Selling, general and administrative expenses		82,226	89,827
Other income	9	23,522	3,173
Other expenses		2,744	2,628
Operating profit (loss)	5	26,376	33,526
Finance income		1,798	12,596
Finance costs		2,426	2,997
Share of profit (loss) of investments accounted for using equity method		865	(3,609)
Profit (loss) before tax		26,613	39,516
Income tax expense		9,468	16,595
Profit (loss)		17,145	22,921
Profit (loss) attributable to:			
Owners of parent		15,171	21,115
Non-controlling interests		1,974	1,806
Profit (loss)		17,145	22,921
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	10	101.68	139.59
Diluted earnings (loss) per share (Yen)	10	101.67	139.57

Three months ended September 30, 2021 and 2022

(Millions of yen)

	Notes	Three months ended September 30, 2021	Three months ended September 30, 2022
Revenue		271,286	330,166
Cost of sales		222,487	256,314
Gross profit (loss)		48,799	73,852
Selling, general and administrative expenses		41,808	46,829
Other income		542	563
Other expenses		1,416	1,613
Operating profit (loss)		6,117	25,973
Finance income		1,657	1,889
Finance costs		1,256	893
Share of profit (loss) of investments accounted for using equity method		(1,651)	(4,355)
Profit (loss) before tax		4,867	22,614
Income tax expense		3,062	9,252
Profit (loss)		1,805	13,362
Profit (loss) attributable to:			
Owners of parent		992	12,621
Non-controlling interests		813	741
Profit (loss)		1,805	13,362
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	10	6.62	83.44
Diluted earnings (loss) per share (Yen)	10	6.62	83.43

Condensed quarterly consolidated statement of comprehensive income
Six months ended September 30, 2021 and 2022

(Millions of yen)

	Notes	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit (loss)		17,145	22,921
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	11	(6)	2,320
Remeasurements of defined benefit plans		(118)	134
Share of other comprehensive income of investments accounted for using equity method		139	(143)
Total of items that will not be reclassified to profit or loss		15	2,311
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		438	11,373
Cash flow hedges		(68)	(442)
Share of other comprehensive income of investments accounted for using equity method		179	1,594
Total of items that may be reclassified to profit or loss		549	12,525
Other comprehensive income, net of tax		564	14,836
Comprehensive income		17,709	37,757
Comprehensive income attributable to:			
Owners of parent		15,606	35,164
Non-controlling interests		2,103	2,593
Comprehensive income		17,709	37,757

Three months ended September 30, 2021 and 2022

(Millions of yen)

	Notes	Three months ended September 30, 2021	Three months ended September 30, 2022
Profit (loss)		1,805	13,362
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	11	187	150
Remeasurements of defined benefit plans		58	29
Share of other comprehensive income of investments accounted for using equity method		114	(86)
Total of items that will not be reclassified to profit or loss		<u>359</u>	<u>93</u>
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(57)	3,928
Cash flow hedges		34	951
Share of other comprehensive income of investments accounted for using equity method		192	711
Total of items that may be reclassified to profit or loss		<u>169</u>	<u>5,590</u>
Other comprehensive income, net of tax		<u>528</u>	<u>5,683</u>
Comprehensive income		<u><u>2,333</u></u>	<u><u>19,045</u></u>
Comprehensive income attributable to:			
Owners of parent		1,479	18,149
Non-controlling interests		854	896
Comprehensive income		<u><u>2,333</u></u>	<u><u>19,045</u></u>

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

(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, 2021		107,165	51,735	148,428	(15,953)	1,102	(61)	7,939
Profit (loss)				15,171				
Other comprehensive income						472	(47)	128
Total comprehensive income		—	—	15,171	—	472	(47)	128
Purchase of treasury shares					(104)			
Disposal of treasury shares					117			
Dividends	7							
Share-based remuneration transactions			(70)					
Changes in ownership interest in subsidiaries			(4,683)		7,093			
Transfer from other components of equity to retained earnings				(873)				755
Other				(344)			(46)	
Total transactions with owners		—	(4,753)	(1,217)	7,106	—	(46)	755
Balance as of September 30, 2021		107,165	46,982	162,382	(8,847)	1,574	(154)	8,822

	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, 2021		—	414	9,394	300,769	26,958	327,727	
Profit (loss)				—	15,171	1,974	17,145	
Other comprehensive income		(118)		435	435	129	564	
Total comprehensive income		(118)	—	435	15,606	2,103	17,709	
Purchase of treasury shares				—	(104)		(104)	
Disposal of treasury shares			(117)	(117)	—		—	
Dividends	7			—	—	(3,410)	(3,410)	
Share-based remuneration transactions				—	(70)		(70)	
Changes in ownership interest in subsidiaries				—	2,410	(2,366)	44	
Transfer from other components of equity to retained earnings		118		873	—		—	
Other				(46)	(390)	(2)	(392)	
Total transactions with owners		118	(117)	710	1,846	(5,778)	(3,932)	
Balance as of September 30, 2021		—	297	10,539	318,221	23,283	341,504	

Six months ended September 30, 2022

(Millions of yen)

	Equity attributable to owners of parent							
	Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
						Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 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	7			(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						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, 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	7			—	(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	

(4) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Notes	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities			
Profit (loss) before tax		26,613	39,516
Depreciation, amortization and impairment losses		36,914	34,516
Finance income and finance costs		1,118	1,617
Share of loss (profit) of investments accounted for using equity method		(865)	3,609
Loss (gain) on sale of property, plant and equipment, intangible assets and investment property		(21,871)	(185)
Decrease (increase) in trade receivables		55,963	13,113
Decrease (increase) in contract assets		(12,440)	(11,259)
Decrease (increase) in inventories and prepayments		(36,434)	(47,135)
Increase (decrease) in trade payables		(26,081)	(16,898)
Increase (decrease) in contract liabilities		5,598	1,680
Other		(25,852)	(5,513)
Subtotal		2,663	13,061
Interest received		194	266
Dividends received		880	976
Interest paid		(1,837)	(1,851)
Income taxes paid		(1,713)	(22,424)
Net cash provided by (used in) operating activities		187	(9,972)
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets and investment property		(19,098)	(25,299)
Proceeds from sale of property, plant and equipment, intangible assets and investment property	9	24,952	269
Purchase of investments (including investments accounted for using equity method)		(2,694)	(889)
Proceeds from sale and redemption of investments (including investments accounted for using equity method)		13	2,061
Purchase of equity interest in subsidiaries		—	(64)
Proceeds from sale of equity interest in subsidiaries		144	426
Other		(602)	1,812
Net cash provided by (used in) investing activities		2,715	(21,684)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		(5,576)	(6,272)
Proceeds from long-term borrowings		4,347	1,158
Repayments of long-term borrowings		(19,516)	(12,158)
Proceeds from issuance of bonds	6	—	20,000
Redemption of bonds	6	(10,000)	—
Repayments of lease liabilities		(9,867)	(9,777)
Dividends paid	7	(5)	(6,052)
Capital contribution from non-controlling interests		45	248
Dividends paid to non-controlling interests		(3,409)	(951)
Increase in other financial liabilities		508	724
Decrease in other financial liabilities		(535)	(6,297)
Other		134	(8)
Net cash provided by (used in) financing activities		(43,874)	(19,385)
Effect of exchange rate changes on cash and cash equivalents		61	885
Net increase (decrease) in cash and cash equivalents		(40,911)	(50,156)
Cash and cash equivalents at beginning of period		120,766	145,489
Cash and cash equivalents at end of period		79,855	95,333

Notes to condensed quarterly consolidated financial statements

1. Reporting entity

IHI Corporation (hereinafter, "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 (hereinafter, the "IHI Group"), 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 November 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, except for changes in accounting estimates described below.

(Changes in accounting estimates)

For estimates of a part of consideration payable to a customer incurred related to the civil aero engine programs in which IHI participates, primarily due to the progress in performance improvement of the aero engines and the decrease in actual payments, IHI changed to the method based on the burden after performance improvement from the second quarter ended September 30, 2022.

As a result, revenue, operating profit, and profit before tax each increased by ¥5,529 million for the six months ended September 30,

2022.

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, 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.

Six months ended September 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	158,687	65,960	170,534	106,736	501,917	14,631	516,548	—	516,548	
Intersegment revenue and transfers	1,028	3,980	5,437	1,533	11,978	9,925	21,903	(21,903)	—	
Total	159,715	69,940	175,971	108,269	513,895	24,556	538,451	(21,903)	516,548	
Segment profit (loss) (Note 3)	8,064	4,011	5,542	(12,324)	5,293	1,463	6,756	19,620	26,376	

- 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 ¥ (100) million and unallocated corporate income of ¥19,720 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.

Six months ended September 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	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:
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 ¥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.
 3. Segment profit (loss) is adjusted with operating profit (loss) in the condensed quarterly consolidated financial statement of profit or loss.

(3) Matters about changes of reportable segment, etc.

(Changes in accounting estimates)

IHI changed the method regarding the estimation of a part of consideration payable to a customer incurred related to the civil aero engine programs in which IHI participates from the second quarter ended September 30, 2022 as described in above “Changes in accounting estimates”. Therefore, IHI has similarly changed the measuring method of revenue in the Aero Engine, Space and Defense.

For further details, please refer to “Changes in accounting estimates” of “4. Significant accounting judgements, estimates and assumptions” in “Notes to condensed quarterly consolidated financial statements” under “IV. Financial information”.

6. Bonds

Six months ended September 30, 2021 (From April 1, 2021 to September 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

Six months ended September 30, 2022 (From April 1, 2022 to September 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:

Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

Not applicable

Six months ended September 30, 2022 (From April 1, 2022 to September 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 second quarter of the fiscal year are as follows:

Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

Resolution	Classes of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Meeting of the Board of Directors held on November 9, 2021	Ordinary shares	4,555	30	September 30, 2021	December 10, 2021

Note: Total dividends paid in accordance with the resolution passed at the Meeting of the Board of Directors held on November 9, 2021 include ¥18 million of dividends for the shares of IHI owned by a trust account for the Board Benefit Trust.

Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

Resolution	Classes of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Meeting of the Board of Directors held on November 8, 2022	Ordinary shares	6,074	40	September 30, 2022	December 9, 2022

Note: Total dividends paid in accordance with the resolution passed at the Meeting of the Board of Directors held on November 8, 2022 include ¥24 million of dividends for the shares of IHI owned by a trust account for the Board Benefit Trust.

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:

Six months ended September 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	158,687	57,419	170,531	106,563	493,200	14,319	507,519
Revenue recognized from other sources of revenue	—	8,541	3	173	8,717	312	9,029
Total	158,687	65,960	170,534	106,736	501,917	14,631	516,548

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	38,416				38,416		38,416
Carbon solutions	76,403				76,403		76,403
Nuclear energy	16,343				16,343		16,343
Bridges and water gates		33,637			33,637		33,637
Shield systems		12,080			12,080		12,080
Urban development		9,606			9,606		9,606
Vehicular turbochargers			70,299		70,299		70,299
Parking			19,609		19,609		19,609
Rotating machineries			23,718		23,718		23,718
Heat treatment and surface engineering			18,689		18,689		18,689
Transport machineries			16,428		16,428		16,428
Logistics and industrial systems			14,953		14,953		14,953
Civil aero engines				54,094	54,094		54,094
Other	32,146	14,748	12,785	61,360	121,039	24,556	145,595
Intersegment revenue	(4,621)	(4,111)	(5,947)	(8,718)	(23,397)	(9,925)	(33,322)
Revenue from external customers	158,687	65,960	170,534	106,736	501,917	14,631	516,548

(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	85,150	50,348	88,400	54,003	277,901	11,087	288,988
North America	13,458	—	7,991	47,952	69,401	(135)	69,266
Asia	54,127	11,964	47,952	999	115,042	1,003	116,045
Europe	2,093	3,648	19,499	3,905	29,145	2,502	31,647
Central and South America	198	—	6,349	(129)	6,418	2	6,420
Other	3,661	—	343	6	4,010	172	4,182
Overseas	73,537	15,612	82,134	52,733	224,016	3,544	227,560
Revenue from external customers	158,687	65,960	170,534	106,736	501,917	14,631	516,548

Six months ended September 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	163,783	64,616	196,948	149,493	574,840	11,073	585,913
Revenue recognized from other sources of revenue	—	8,045	2	11	8,058	485	8,543
Total	163,783	72,661	196,950	149,504	582,898	11,558	594,456

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	32,660				32,660		32,660
Carbon solutions	73,746				73,746		73,746
Nuclear energy	28,772				28,772		28,772
Bridges and water gates		43,862			43,862		43,862
Shield systems		9,349			9,349		9,349
Urban development		8,565			8,565		8,565
Vehicular turbochargers			89,948		89,948		89,948
Parking			20,012		20,012		20,012
Rotating machineries			26,398		26,398		26,398
Heat treatment and surface engineering			21,674		21,674		21,674
Transport machineries			15,912		15,912		15,912
Logistics and industrial systems			14,169		14,169		14,169
Civil aero engines				94,705	94,705		94,705
Other	37,799	13,667	12,611	66,113	130,190	22,094	152,284
Intersegment revenue	(9,194)	(2,782)	(3,774)	(11,314)	(27,064)	(10,536)	(37,600)
Revenue from external customers	163,783	72,661	196,950	149,504	582,898	11,558	594,456

(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	80,802	48,432	88,581	53,957	271,772	10,211	281,983
North America	9,422	—	14,275	87,639	111,336	241	111,577
Asia	67,973	16,441	64,335	1,192	149,941	318	150,259
Europe	1,330	7,737	20,850	6,657	36,574	152	36,726
Central and South America	161	20	8,598	—	8,779	—	8,779
Other	4,095	31	311	59	4,496	636	5,132
Overseas	82,981	24,229	108,369	95,547	311,126	1,347	312,473
Revenue from external customers	163,783	72,661	196,950	149,504	582,898	11,558	594,456

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)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Gain on sale of property, plant and equipment (Note 1)	16,276	185
Gain on sale of investment property (Note 2)	5,595	—
Other	1,651	2,988
Total	23,522	3,173

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 393,000 m ²)	16,179
Other	97
Total	16,276

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
Land as investment property Showa-machi, Kanazawa-ku, Yokohama, Kanagawa, Japan (approximately 27,000 m ²)	5,595

10. Earnings per share

(1) Basis for calculating basic earnings per share

(Millions of yen, unless otherwise stated)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit (loss) attributable to owners of parent	15,171	21,115
Profit (loss) not attributable to ordinary shareholders of parent	—	—
Profit (loss) used for calculating basic earnings (loss) per share	15,171	21,115
Weighted-average number of ordinary shares (Thousands of shares)	149,199	151,262
Basic earnings (loss) per share (Yen)	101.68	139.59

	Three months ended September 30, 2021	Three months ended September 30, 2022
Profit (loss) attributable to owners of parent	992	12,621
Profit (loss) not attributable to ordinary shareholders of parent	—	—
Profit (loss) used for calculating basic earnings (loss) per share	992	12,621
Weighted-average number of ordinary shares (Thousands of shares)	149,881	151,264
Basic earnings (loss) per share (Yen)	6.62	83.44

(2) Basis for calculating diluted earnings per share

(Millions of yen, unless otherwise stated)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit (loss) used for calculating basic earnings (loss) per share	15,171	21,115
Adjustment to profit (loss)	—	—
Profit (loss) used to calculate diluted earnings (loss) per share	15,171	21,115
Weighted-average number of ordinary shares (Thousands of shares)	149,199	151,262
Increase in ordinary shares		
Share acquisition rights (Thousands of shares)	15	20
Weighted-average number of ordinary shares after dilution (Thousands of shares)	149,214	151,282
Diluted earnings (loss) per share (Yen)	101.67	139.57

	Three months ended September 30, 2021	Three months ended September 30, 2022
Profit (loss) used for calculating basic earnings (loss) per share	992	12,621
Adjustment to profit (loss)	—	—
Profit (loss) used to calculate diluted earnings (loss) per share	992	12,621
Weighted-average number of ordinary shares (Thousands of shares)	149,881	151,264
Increase in ordinary shares		
Share acquisition rights (Thousands of shares)	16	21
Weighted-average number of ordinary shares after dilution (Thousands of shares)	149,896	151,284
Diluted earnings (loss) per share (Yen)	6.62	83.43

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 second quarter ended September 30, 2022 and the number of treasury shares excluded for the calculation of the weighted-average number of ordinary shares.

The weighted-average number of ordinary shares as treasury shares excluded for the calculation of basic earnings per share and diluted earnings per share is 592 thousand shares for the six months ended September 30, 2022, (569 thousand shares for the six months ended September 30, 2021), 592 thousand shares for the three months ended September 30, 2022, (586 thousand shares for the three months ended September 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 are calculated based on the market price at the account closing date and classified as Level 1.

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

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 September 30, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost				
Borrowings	312,395	311,918	298,827	298,491
Bonds payable	59,812	59,340	79,742	79,039
Government grants classified under contingent settlement provisions	103,226	100,822	98,462	96,261
Total	475,433	472,080	477,031	473,791

(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 September 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	—	428	—	428
Other	—	1,192	3,595	4,787
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	9,590	—	16,605	26,195
Total	9,590	1,620	20,200	31,410
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	6,343	—	6,343
Total	—	6,343	—	6,343

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 six months ended September 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 second quarter.

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Balance at beginning of period	23,590	17,160
Total gains and losses		
Profit or loss (Note 1)	85	539
Other comprehensive income (Note 2)	439	408
Purchases	60	2,131
Sales	(157)	(23)
Transfer from Level 3	—	—
Other (Note 3)	(2,634)	(15)
Balance at end of period	21,383	20,200
Changes in unrealized gains or losses recorded in profit or loss on assets held at the end of the reporting period (Note 1)	85	539

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 second quarter ended September 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 ¥32.9 billion at an exchange rate of 144.72 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 ¥16.9 billion at an exchange rate of 144.72 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

At the Board of Directors' meeting held on November 8, 2022, the following details concerning the interim dividend were resolved.

Total amount allocated for the interim dividend	6,074 millions of yen
Dividends per share	40 yen
Effective date and payment date	December 9, 2022

Note: The interim dividend is paid to shareholders or registered pledgees of shares whose names are written in the shareholder register as of September 30, 2022.

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

Not applicable