



IHI Corporation

Toyosu IHI Bldg.
1-1, Toyosu 3-chome, Koto-ku
Tokyo 135-8710, Japan
November 8, 2022

CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2022 <IFRS>

IHI Corporation (IHI) is listed on the Prime Market of the Tokyo Stock Exchange, Nagoya Stock Exchange, Sapporo Securities Exchange and Fukuoka Stock Exchange with the securities code number 7013.

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

Submission date of Quarterly Securities Report: November 10, 2022 (planned)
Commencement of Dividend Payments: December 9, 2022 (planned)

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

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

Figures are in Japanese yen rounded to the nearest millions.

1. CONSOLIDATED PERFORMANCE FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2022 (APRIL 1, 2022 to SEPTEMBER 30, 2022)

(1) Consolidated Business Results

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

	Revenue	Percentage Change	Operating Profit	Percentage Change	Profit before Tax	Percentage Change	Profit	Percentage Change
Six months ended September 30, 2022	594,456	15.1%	33,526	27.1%	39,516	48.5%	22,921	33.7%
Six months ended September 30, 2021	516,548	7.2%	26,376	—	26,613	—	17,145	—

	Profit Attributable to Owners of Parent	Percentage Change	Comprehensive Income	Percentage Change	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Six months ended September 30, 2022	21,115	39.2%	37,757	113.2%	139.59	139.57
Six months ended September 30, 2021	15,171	—	17,709	—	101.68	101.67

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent
As of September 30, 2022	1,903,428	437,717	411,045	21.6%
As of March 31, 2022	1,879,673	407,039	382,134	20.3%

2. DIVIDENDS

(Yen)

(Record Date)	Dividends per Share				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-end	Annual
Fiscal year ended March 31, 2022	—	30.00	—	40.00	70.00
Fiscal year ending March 31, 2023	—	40.00	—	—	—
Fiscal year ending March 31, 2023 (Forecast)	—	—	—	40.00	80.00

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

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

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

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

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

* NOTES

(1) Changes in significant subsidiaries during the six months

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

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

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

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

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

As of September 30, 2022	154,679,954 shares
As of March 31, 2022	154,679,954 shares
- (ii) Number of treasury shares owned at the end of the period

As of September 30, 2022	3,415,063 shares
As of March 31, 2022	3,419,631 shares
- (iii) Average number of shares outstanding during the period

Six months ended September 30, 2022	151,262,281 shares
Six months ended September 30, 2021	149,198,798 shares

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

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

(Cautionary statements on forward-looking statements)

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

(How to obtain supplementary material on financial results)

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

1. QUALITATIVE INFORMATION REGARDING CONSOLIDATED RESULTS

(1) EXPLANATION REGARDING BUSINESS RESULTS

During the six months ended September 30, 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 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)
Adjustment	(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.

(2) EXPLANATION REGARDING CONSOLIDATED FINANCIAL POSITION

Assets, liabilities and equity

Total assets at the end of the second quarter 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. 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, which included the Transition Bond issued as part of our initiatives to become carbon-neutral.

Equity was ¥437.7 billion, up ¥30.6 billion compared with the end of the previous fiscal year, which included 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%.

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.

Net cash flows from operating activities were ¥9.9 billion excess of expenditure. This was due to increases in inventories, prepayments and tax payment, while there were decreases in trade receivables.

Net cash flows from investing activities were ¥21.6 billion excess of expenditure. This was due mainly to acquisitions of property, plant and equipment.

Net cash flows from financing activities were ¥19.3 billion excess of expenditure. This was due to dividend payments and repayments of borrowings, while there were proceeds from issuance of bonds.

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

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

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

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.

The IHI Group’s consolidated forecasts of results for the full fiscal year ending March 31, 2023 remain unchanged from previous forecasts announced on August 9, 2022, in terms of both revenue and profit, despite improved profitability in the Civil aero engines Business and the yen depreciation, due to the revision of spare parts sales forecast caused by labor shortage in the airline industry and recording of restructuring expenses in the Marine large bore engines Business.

Note that foreign exchange rate of ¥130/US\$1 has been assumed in the above forecasts in and after the third quarter ending December 31, 2022.

Concerning dividends, the Board of Directors resolved today to pay an interim dividend (40 yen per share) as

previously announced in the dividend forecast. There is also no change in the forecast for the year-end dividend.

2. CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO

(1) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	145,489	95,333
Trade and other receivables	347,998	341,217
Contract assets	126,560	143,352
Other financial assets	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	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

(1) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities:		
Trade and other payables	235,414	222,085
Bonds and borrowings	95,220	129,281
Lease liabilities	17,061	16,280
Other financial liabilities	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	276,987	249,251
Lease liabilities	116,285	112,805
Other financial liabilities	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)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Revenue	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	23,522	3,173
Other expenses	2,744	2,628
Operating profit (loss)	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)	101.68	139.59
Diluted earnings (loss) per share (yen)	101.67	139.57

Three months ended September 30, 2021 and 2022

(Millions of yen)

	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)	6.62	83.44
Diluted earnings (loss) per share (yen)	6.62	83.43

CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended September 30, 2021 and 2022

(Millions of yen)

	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	(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)

	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	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	359	93
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	169	5,590
Other comprehensive income, net of tax	528	5,683
Comprehensive income	2,333	19,045
Comprehensive income attributable to:		
Owners of parent	1,479	18,149
Non-controlling interests	854	896
Comprehensive income	2,333	19,045

(3) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended September 30, 2021

(Millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2021	107,165	51,735	148,428	(15,953)	1,102	(61)	7,939
Profit (loss)			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							
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

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Share acquisition rights	Total			
Balance as of April 1, 2021	—	414	9,394	300,769	26,958	327,727
Profit (loss)			—	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			—	—	(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

(3) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended September 30, 2022

(Millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2022	107,165	47,052	213,026	(8,815)	12,831	(313)	10,933
Profit (loss)			21,115				
Other comprehensive income					13,028	(1,304)	2,191
Total comprehensive income	—	—	21,115	—	13,028	(1,304)	2,191
Purchase of treasury shares				(7)			
Disposal of treasury shares		3		17			
Dividends			(6,074)				
Share-based remuneration transactions		(75)					
Changes in ownership interest in subsidiaries							
Transfer from other components of equity to retained earnings			262				(128)
Other		(13)	(81)	(1)	(2)		
Total transactions with owners	—	(85)	(5,893)	9	(2)	—	(128)
Balance as of September 30, 2022	107,165	46,967	228,248	(8,806)	25,857	(1,617)	12,996

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Share acquisition rights	Total			
Balance as of April 1, 2022	—	255	23,706	382,134	24,905	407,039
Profit (loss)			—	21,115	1,806	22,921
Other comprehensive income	134		14,049	14,049	787	14,836
Total comprehensive income	134	—	14,049	35,164	2,593	37,757
Purchase of treasury shares			—	(7)		(7)
Disposal of treasury shares		(20)	(20)	—		—
Dividends			—	(6,074)	(951)	(7,025)
Share-based remuneration transactions			—	(75)		(75)
Changes in ownership interest in subsidiaries			—	—	248	248
Transfer from other components of equity to retained earnings	(134)		(262)	—		—
Other			(2)	(97)	(123)	(220)
Total transactions with owners	(134)	(20)	(284)	(6,253)	(826)	(7,079)
Balance as of September 30, 2022	—	235	37,471	411,045	26,672	437,717

(4) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	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	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)

(4) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
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	—	20,000
Redemption of bonds	(10,000)	—
Repayments of lease liabilities	(9,867)	(9,777)
Dividends paid	(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 change 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

(5) NOTES TO THE CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON PREMISE OF GOING CONCERN

Not applicable

CHANGES IN ACCOUNTING POLICIES

Significant accounting policies applied by the IHI Group in the condensed quarterly consolidated financial statements are the same as those in the consolidated financial statements for the previous fiscal year. Income taxes for the condensed quarterly consolidated financial statements are calculated based on the estimated annual effective tax rate.

CHANGES IN ACCOUNTING ESTIMATES

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

As a result, revenue, operating profit, and profit before tax each increased by ¥5,529 million for the six months ended September 30, 2022.

SEGMENT INFORMATION

1. Overview of reportable segment

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

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

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

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

Reportable segment	Main businesses, products and services
Resources, Energy and Environment	Power systems (power systems plants for land use and power systems for ships), Carbon solutions, Nuclear energy (components for nuclear power plants)
Social Infrastructure and Offshore Facilities	Bridges and water gates, Transport systems, Shield systems, Concrete construction materials, Urban development (real estate sales and rental)
Industrial Systems and General-Purpose Machinery	Vehicular turbochargers, Parking, Rotating machineries (compressors, separation systems, turbochargers for ships), Heat treatment and surface engineering, Transport machineries, Logistics and industrial systems (logistics systems, industrial machineries)
Aero Engine, Space and Defense	Aero engines, Rocket systems and space utilization systems, Defense systems

2. Information about reportable segment

The IHI Group's information about reportable segment are as follows:

Intersegment revenue and transfers are based on actual market pricing.

Six months ended September 30, 2021

(Millions of yen)

	Reportable segment					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:
- The "Others" classification consists of business that is not included in reportable segment. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations.
 - Adjustment of segment profit (loss) represents intersegment transactions of ¥ (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.
 - 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					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:
- The "Others" classification consists of business that is not included in reportable segment. It includes inspection and measurement business, the manufacture and sale of equipment and the like related to such business, and other service operations.
 - Adjustment of segment profit (loss) represents intersegment transactions of ¥335 million and unallocated corporate expenses of ¥ (4,413) million. Unallocated corporate expenses mainly consist of general and administrative expenses that are not attributable to reportable segment.
 - Segment profit (loss) is adjusted with operating profit (loss) in the condensed quarterly consolidated financial statement of profit or loss.

3. Matters about changes of reportable segment, etc.

Changes in accounting estimates

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

For further details, please refer to “(5) NOTES TO THE CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS (CHANGES IN ACCOUNTING ESTIMATES)”.

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable