



IHI Corporation

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Tokyo 135-8710, Japan
May 9, 2023

CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2023 <IFRS>

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

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Annual General Meeting of Shareholders: June 23, 2023 (planned)
Commencement of Dividend Payments: June 26, 2023 (planned)
Submission date of Annual Securities Report: June 23, 2023 (planned)

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

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

Figures are in Japanese yen rounded to the nearest millions.

1. CONSOLIDATED PERFORMANCE FOR THE FISCAL YEAR ENDED MARCH 31, 2023 (APRIL 1, 2022 to MARCH 31, 2023)

(1) Consolidated Business Results

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

	Revenue	Percentage Change	Operating Profit	Percentage Change	Profit before Tax	Percentage Change	Profit	Percentage Change
Fiscal year ended March 31, 2023	1,352,940	15.3%	81,985	0.6%	64,865	(26.0%)	48,380	(29.8%)
Fiscal year ended March 31, 2022	1,172,904	5.4%	81,497	191.5%	87,637	217.3%	68,919	306.5%

	Profit Attributable to Owners of Parent	Percentage Change	Comprehensive Income	Percentage Change	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)	Profit to Equity Attributable to Owners of Parent	Profit before tax to Total Assets	Operating Profit to Revenue
Fiscal year ended March 31, 2023	44,545	(32.6%)	65,775	(25.5%)	294.48	294.44	11.0%	3.4%	6.1%
Fiscal year ended March 31, 2022	66,065	404.6%	88,240	205.3%	439.77	439.73	19.3%	4.7%	6.9%

(Reference) Share of profit (loss) of investments accounted for using equity method

Fiscal year ended March 31, 2023: ¥ (8,374) million

Fiscal year ended March 31, 2022: ¥ 1,187 million

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent	Equity Attributable to Owners of Parent per Share (Yen)
As of March 31, 2023	<u>1,941,964</u>	<u>456,251</u>	<u>431,245</u>	<u>22.2%</u>	<u>2,850.48</u>
As of March 31, 2022	1,879,673	407,039	382,134	20.3%	2,526.33

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of Period
Fiscal year ended March 31, 2023	54,116	(52,347)	(24,043)	124,743
Fiscal year ended March 31, 2022	114,155	27,926	(121,489)	145,489

2. DIVIDENDS

(Record Date)	Dividends per Share			Total Amount of Dividend Payment (Millions of yen)	Dividend Payout Ratio (Consolidated)	Ratio of Dividend to Equity Attributable to Owners of Parent (Consolidated)
	Interim (Yen)	Year-end (Yen)	Annual (Yen)			
Fiscal year ended March 31, 2022	30.00	40.00	70.00	10,629	15.9%	3.1%
Fiscal year ended March 31, 2023	40.00	50.00	90.00	13,668	<u>30.6%</u>	3.3%
Fiscal year ending March 31, 2024 (Forecast)	50.00	50.00	100.00		30.4%	

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

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

	Revenue		Operating Profit		Profit before Tax		Profit Attributable to Owners of Parent		Basic Earnings per Share (Yen)
Full-year	1,450,000	7.2%	90,000	<u>9.8%</u>	85,000	<u>31.0%</u>	50,000	<u>12.2%</u>	329.21

(Note) Please refer to “A. Forecasts of consolidated results” of “(2) FUTURE OUTLOOK” in “1. SUMMARY OF BUSINESS RESULTS” on page 9 for the suppositions that form the assumptions for the forecasts above and related matters.

* NOTES

(1) Changes in significant subsidiaries during the period

(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 March 31, 2023	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 March 31, 2023	3,391,607 shares
As of March 31, 2022	3,419,631 shares
- (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	151,267,168 shares
Fiscal year ended March 31, 2022	150,225,564 shares

(REFERENCE) OVERVIEW OF NON-CONSOLIDATED PERFORMANCE (JAPANESE GAAP)

NON-CONSOLIDATED PERFORMANCE FOR THE FISCAL YEAR ENDED MARCH 31, 2023

(APRIL 1, 2022 to MARCH 31, 2023)

(1) Non-Consolidated Business Results

(Millions of yen, except per share figures; percentages show the rate of increase or decrease from the fiscal year)

	Net Sales	Percentage Change	Operating Profit	Percentage Change	Ordinary Profit	Percentage Change	Profit	Percentage Change
Fiscal year ended March 31, 2023	535,285	26.4%	<u>28,027</u>	–	<u>57,025</u>	<u>580.7</u>	<u>51,275</u>	<u>11.3%</u>
Fiscal year ended March 31, 2022	423,640	4.4%	(24,118)	–	8,377	–	46,084	187.8%

	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Fiscal year ended March 31, 2023	<u>338.97</u>	<u>338.93</u>
Fiscal year ended March 31, 2022	306.76	306.74

(2) Non-Consolidated Financial Position

(Millions of yen, except per share figures)

	Total Assets	Net Assets	Equity to Total Assets	Net Assets per Share (Yen)
As of March 31, 2023	<u>1,269,179</u>	<u>339,998</u>	<u>26.8%</u>	<u>2,246.23</u>
As of March 31, 2022	1,228,221	299,167	24.3%	1,976.14

(Reference) Equity at the end of the period (non-consolidated)

As of March 31, 2023: ¥339,829 million

As of March 31, 2022: ¥298,912 million

* This consolidated financial report is not subjected to the audit 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. SUMMARY OF BUSINESS RESULTS

(1) SUMMARY OF BUSINESS RESULTS AND FINANCIAL POSITION

A. Summary of business results for the fiscal year ended March 31, 2023

During the current fiscal year, the outlook remained uncertain due to heightened geopolitical risks, such as the lengthening of the Russian invasion upon Ukraine, and inflation and monetary tightening policies internationally. On the other hand, the sluggish Chinese economy showed a temporary recovery mainly in domestic demand, triggered by the lifting of the zero-Covid policy. In the Japanese economy, as economic activities normalize after COVID-19, the economy is gradually recovering, although it is still affected by global inflation.

In the IHI Group's main business, the Civil aero engines Business, although the supply chain disruptions continue, sales of spare parts remained generally steady along with the recovery in demand for aero transportation which had been depressed by COVID-19.

In the Vehicular turbochargers Business, although the shortage of semiconductors is being resolved, the production volume of automobile companies recovered only moderately due to concerns about the risk of a global economic slowdown.

In the IHI Group's businesses as a whole, although the soaring prices of raw material has affected the profitability of many of its business, steadily reflecting that in sales prices and improved construction profitability, in addition to the yen depreciation, are beginning to show results.

Under the "Project Change" initiative, the IHI Group positioned the period up to the current fiscal year as a period of preparation for business reforms in response to changes in the business environment, and has worked to return to a growth trajectory and create growth businesses. In particular, the IHI Group has been promoting a shift in its business model from products and services to providing value throughout the product lifecycle (lifecycle business) and strengthening its earnings base.

With this initiatives, orders received of the IHI Group for the current fiscal year increased 8.3% from the previous fiscal year to ¥1,366.1 billion. Revenue increased 15.3% from the previous fiscal year to ¥1,352.9 billion.

In terms of profit, operating profit increased ¥0.4 billion to ¥81.9 billion due to increased sales of spare parts and improved profitability in the Civil aero engines Business, increased profit resulted from increased revenue in the Nuclear energy Business, and improved profitability in the Carbon solutions Business, as well as the effect of yen depreciation, despite decreased profit due to the sales of assets in the previous fiscal year and the effect caused by the soaring prices of raw materials. Both sales and operating profit increased in all of the reportable segments. On the other hand, profit before tax decreased ¥22.7 billion to ¥64.8 billion due to decreased share of loss of investments accounted for using equity and recording of foreign exchange losses, profit attributable to owners of parent decreased ¥21.5 billion to ¥44.5 billion.

The business environments by reportable segment for the fiscal year ended March 31, 2023 are as follows:

Resources, Energy and Environment

The movement toward carbon neutrality is accelerating in many countries around the world, and the challenges of reducing environmental impact are becoming more diverse, depending on the country, region, and customer circumstances. The move away from fossil resources is not limited to the utility sector, such as electricity and gas in the energy sector, but is also spreading to the industrial sector, such as steel and chemicals, where there is

a growing trend to shift carbon neutral in the manufacturing process of materials.

In this Business Area, the IHI Group will develop high-value-added life cycle businesses that contribute to reducing the environmental impact, such as maintaining high efficiency in operation and improving maintenance efficiency by utilizing digital technology in the energy and industrial infrastructures already in operation in the world. In addition, the IHI Group will build infrastructure to promote the use of ammonia, which does not emit CO₂ during combustion, and promote carbon recycling technology that captures CO₂ generated in the energy chain, including methanation, and reuses it as a resource. By promoting these initiatives together with its customers, the IHI Group will contribute to the stable supply of energy and the transition to a carbon neutral society.

Social Infrastructure and Offshore Facilities

In Japan, the national land resilience policy continues to be implemented as a countermeasure against aging infrastructure and severe natural disasters caused by climate change, and further promotion of watershed flood control, bridge maintenance, repair, and post-maintenance is required. Meanwhile, with a declining population, labor shortages in the construction sector have become the norm, and there is a need to improve productivity by promoting labor saving, automation, and DX in order to steadily develop and maintain the infrastructure. In this Business Area, the IHI Group will continue to provide strong and sustainable social infrastructure systems in the fields of transportation infrastructure, disaster prevention and mitigation, and water management, both domestically and globally, by expanding its lifecycle business to increase value for customers.

Industrial Systems and General-Purpose Machinery

Although the disruption caused by the lockdown in China, which had a major impact mainly on the automotive industry, has been resolved, in the industrial sector as a whole, soaring labor, raw material, and energy prices have become the norm, and supply shortages of materials and equipment and long deliver times continue. On the other hand, as megatrends in the industrial sector, the need for carbon neutral, especially in energy-intensive industries, and the need for labor saving due to a shrinking workforce are growing even more. In addition, the fragmentation of the global economy is driving the shift to an autonomous society with local production for local consumption. These changes provide opportunities to create new businesses. In this Business Area, the IHI Group will focus on the lifecycle of its customers' business activities and work to solve various issues related to decarbonization and labor saving and to rebuild industrial infrastructures that meet the characteristics of global regions. In order to do that, the IHI Group will propose new value that transcends the boundaries of existing businesses and promote the development of new services that utilize its advanced digital infrastructure.

Aero Engine, Space and Defense

Global passenger demand is steadily recovering, and its engines' superiority in fuel efficiency and operating costs has led to a continued recovery in aftermarket earnings.

In response to the increased defense budget and market expansion in the space industry, the IHI Group will also aim to create new value and improve its competitiveness in the defense and space businesses.

On the other hand, supply chain disruptions and soaring prices continue, and the future business environment remains uncertain. To build a business structure that can overcome change, the IHI Group will accelerate growth by further strengthening its cost structure, including productivity improvement through DX sophistication.

In order to fully support its customers' aircraft operations as demand recovers in earnest, the IHI Group will work to strengthen its response in the aftermarket and promote the development of new engines with higher efficiency and lower fuel consumption through the advancement of its original technologies and manufacturing

capabilities. In addition, the IHI Group is working to provide products and systems that are safe, comfortable, and reduce the burden on the environment, with a view to the adoption of electrification and sustainable aviation fuels that are anticipated in the future.

Results by reportable segment for the fiscal year ended March 31, 2023 are as follows:

(Billions of yen)

Reportable segment	Orders received			Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		Changes from the previous fiscal year (%)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Changes from the previous fiscal year (%)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)
Resources, Energy and Environment	373.8	393.4	5.2	344.4	22.9	371.3	26.2	7.8	14.2
Social Infrastructure and Offshore Facilities	181.0	134.0	(25.9)	167.3	15.3	171.0	17.0	2.2	11.2
Industrial Systems and General-Purpose Machinery	384.5	455.9	18.6	376.9	12.8	436.5	18.0	15.8	40.2
Aero Engine, Space and Defense	304.7	372.7	22.3	265.2	(9.3)	364.1	<u>36.1</u>	37.3	–
Reportable segment total	1,244.1	1,356.2	9.0	1,154.0	41.8	1,343.1	<u>97.5</u>	16.4	<u>133.1</u>
Others	54.7	53.9	(1.5)	62.7	(1.0)	54.2	1.3	(13.5)	–
Adjustment	(37.6)	(44.0)	–	(43.9)	40.6	(44.4)	(16.8)	–	–
Total	1,261.2	1,366.1	8.3	1,172.9	81.4	1,352.9	<u>81.9</u>	15.3	<u>0.6</u>

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

B. Profit Distribution

IHI shall follow its basic policy to pay out stable dividends and determine the amount of dividends after taking into account a broad range of factors, including investments for improvement of corporate value and enhancement and reinforcement of equity capital with a target consolidated dividend payout ratio of around 30%.

In consideration of the profit level for current fiscal year, IHI plans to pay a dividend of ¥90 per share (interim dividend already paid: ¥40, year-end dividend: ¥50) for the fiscal year ended March 31, 2023.

C. Summary of financial position for the fiscal year ended March 31, 2023

Assets, liabilities and equity

Total assets at the end of the fiscal year ended March 31, 2023 were ¥1,941.9 billion, up ¥62.2 billion compared with the end of the previous fiscal year. The major items of increase were inventories, up ¥34.3 billion and trade and other receivables, up ¥30.4 billion. The major item of decrease was cash and cash equivalents, down ¥20.7 billion.

Total liabilities were ¥1,485.7 billion, up ¥13.0 billion compared with the end of the previous fiscal year. The major item of increase was bonds and borrowings, up ¥21.4 billion. The balance of interest-bearing liabilities, including lease liabilities, was ¥519.4 billion, up ¥13.9 billion from the end of the previous fiscal year, which included the Transition Bond issued as part of its initiatives to become carbon neutral.

Equity was ¥456.2 billion, up ¥49.2 billion compared with the end of the previous fiscal year. This includes profit attributable to owners of parent of ¥44.5 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 22.2%.

Cash flows

At the end of the current fiscal year, the outstanding balance of cash and cash equivalents was ¥124.7 billion, down ¥20.7 billion from the end of the previous fiscal year.

Net cash flows from operating activities were ¥54.1 billion in excess of incomes. This was due to profit while there were increases in inventories in preparation for higher procurement costs and delays in the delivery of procurement.

Net cash flows from investing activities were ¥52.3 billion in excess of expenditures. This was due to acquisitions of property, plant and equipment.

Net cash flows from financing activities were ¥24.0 billion in excess of expenditures. This was due to dividend payments and repayment of financial liabilities.

(2) FUTURE OUTLOOK

A. Forecasts of consolidated results

Concerns of an economic downturn in Europe, the U.S. and elsewhere worldwide have been mounting due to lengthening of the Russian invasion upon Ukraine, political conflicts between U.S. and China, along with inflation and acceleration of monetary tightening internationally. Expectations for growth in Chinese economy are also fading.

Although the Japanese economy is expected to gradually recover as social and economic activities normalize, the outlook remains uncertain due to rising raw material prices and interest rates, as well as rising prices throughout the supply chain and delivery management risks. Also, in the medium and long term, the trend to focus on sustainability such as the environment, the circular economies and respect for human rights is expected to develop, the responses of governments and companies will attract attention.

The IHI Group has formulated a new three-year medium-term management plan, “Group Management Policies 2023” (refer to the disclosure material released as of today, May 9, 2023) which begins in fiscal 2023. In order to respond to dramatic changes in the business environment and to transform its business into one that achieves sustainable high growth, the IHI Group will boldly shift its management resources and investments to growth businesses in the aero engine and rocket fields, which are driving its growth, and to development businesses in the clean energy field, which is expected to become future business pillars. In its core businesses of Resources, Energy and Environment, Social Infrastructure, and Industrial Systems and General-Purpose Machinery, the IHI Group will continue to create a continuous growth scenario through the transformation of its business portfolio and generate cash necessary for investments. In addition, the IHI Group will invest in the human resources and DX necessary to achieve these goals, and promote the transformation of its corporate culture and corporate structure.

With regard to the consolidated forecasts of results for the fiscal year ending March 31, 2024, the IHI Group is expecting revenue of ¥1,450.0 billion, operating profit of ¥90.0 billion, profit before tax of ¥85.0 billion, and profit attributable to owners of parent of ¥50.0 billion.

Foreign exchange rate assumed in the above forecasts is ¥130/US\$1.

B. Profit distribution

IHI plans to pay a dividend of ¥100 per share (interim dividend:¥50, year-end dividend:¥50) for the fiscal year ending March 31, 2024.

2. SELECTION OF ACCOUNTING STANDARDS

The IHI Group has adopted the International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2021. This change is aimed to facilitate the international comparability of the IHI Group’s financial statements in capital markets and to improve the quality of group management through unification of accounting policies.

3. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO

(1) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	145,489	124,749
Trade and other receivables	347,998	<u>378,446</u>
Contract assets	126,560	144,740
Other financial assets	3,193	4,368
Inventories	340,125	374,523
Other current assets	60,627	58,918
Total current assets	1,023,992	<u>1,085,744</u>
Non-current assets:		
Property, plant and equipment	230,306	225,032
Right-of-use assets	109,034	102,432
Goodwill	6,094	6,486
Intangible assets	120,998	123,736
Investment property	137,679	142,550
Investments accounted for using equity method	56,732	56,578
Other financial assets	43,167	43,042
Deferred tax assets	78,428	82,280
Other non-current assets	73,243	74,084
Total non-current assets	855,681	<u>856,220</u>
Total assets	1,879,673	<u>1,941,964</u>

(1) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities:		
Trade and other payables	235,414	247,086
Bonds and borrowings	95,220	140,370
Lease liabilities	17,061	16,726
Other financial liabilities	14,636	14,551
Income taxes payable	18,005	9,685
Contract liabilities	214,726	201,883
Provisions	22,433	22,942
Other current liabilities	156,180	178,358
Total current liabilities	773,675	831,601
Non-current liabilities:		
Bonds and borrowings	276,987	253,291
Lease liabilities	116,285	109,101
Other financial liabilities	103,681	95,479
Deferred tax liabilities	3,485	4,470
Retirement benefit liability	175,328	167,595
Provisions	7,348	7,948
Other non-current liabilities	15,845	16,228
Total non-current liabilities	698,959	654,112
Total liabilities	1,472,634	1,485,713
Equity		
Share capital	107,165	107,165
Capital surplus	47,052	46,741
Retained earnings	213,026	<u>251,915</u>
Treasury shares	(8,815)	(8,746)
Other components of equity	23,706	34,170
Total equity attributable to owners of parent	382,134	<u>431,245</u>
Non-controlling interests	24,905	25,006
Total equity	407,039	<u>456,251</u>
Total liabilities and equity	1,879,673	<u>1,941,964</u>

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Revenue	1,172,904	1,352,940
Cost of sales	963,497	1,070,935
Gross profit (loss)	209,407	282,005
Selling, general and administrative expenses	176,600	<u>201,158</u>
Other income	71,452	11,805
Other expenses	22,762	10,667
Operating profit (loss)	81,497	<u>81,985</u>
Finance income	9,577	2,431
Finance costs	4,624	11,177
Share of profit (loss) of investments accounted for using equity method	1,187	(8,374)
profit (loss) before tax	87,637	<u>64,865</u>
Income tax expense	18,718	16,485
profit (loss)	68,919	<u>48,380</u>
profit (loss) attributable to:		
Owners of parent	66,065	<u>44,545</u>
Non-controlling interests	2,854	3,835
profit (loss)	68,919	<u>48,380</u>
Earnings per share		
Basic earnings per share (yen)	439.77	<u>294.48</u>
Diluted earnings per share (yen)	439.73	<u>294.44</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit (loss)	68,919	<u>48,380</u>
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,989	1,946
Remeasurements of defined benefit plans	3,794	5,923
Share of other comprehensive income of investments accounted for using equity method	614	816
Total of items that will not be reclassified to profit or loss	6,397	8,685
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	11,807	6,616
Cash flow hedges	108	153
Share of other comprehensive income of investments accounted for using equity method	1,009	1,941
Total of items that may be reclassified to profit or loss	12,924	8,710
Other comprehensive income, net of tax	19,321	17,395
Comprehensive income	88,240	<u>65,775</u>
Comprehensive income attributable to:		
Owners of parent	83,998	<u>61,670</u>
Non-controlling interests	4,242	4,105
Comprehensive income	88,240	<u>65,775</u>

(3) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Fiscal year ended March 31, 2022

	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)			66,065				
Other comprehensive income					11,729	(206)	2,229
Total comprehensive income	—	—	66,065	—	11,729	(206)	2,229
Purchase of treasury shares				(109)			
Disposal of treasury shares		5		154			
Dividends			(4,555)				
Share-based remuneration transactions		(5)					
Changes in ownership interest in subsidiaries		(4,683)		7,093			
Transfer from other components of equity to retained earnings			3,416				765
Other			(328)			(46)	
Total transactions with owners	—	(4,683)	(1,467)	7,138	—	(46)	765
Balance as of March 31, 2022	107,165	47,052	213,026	(8,815)	12,831	(313)	10,933

	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)			—	66,065	2,854	68,919
Other comprehensive income	4,181		17,933	17,933	1,388	19,321
Total comprehensive income	4,181	—	17,933	83,998	4,242	88,240
Purchase of treasury shares			—	(109)		(109)
Disposal of treasury shares		(159)	(159)	—		—
Dividends			—	(4,555)	(3,978)	(8,533)
Share-based remuneration transactions			—	(5)		(5)
Changes in ownership interest in subsidiaries			—	2,410	(2,326)	84
Transfer from other components of equity to retained earnings	(4,181)		(3,416)	—		—
Other			(46)	(374)	9	(365)
Total transactions with owners	(4,181)	(159)	(3,621)	(2,633)	(6,295)	(8,928)
Balance as of March 31, 2022	—	255	23,706	382,134	24,905	407,039

Fiscal year ended March 31, 2023

	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)			<u>44,545</u>				
Other comprehensive income					7,561	861	1,922
Total comprehensive income	—	—	<u>44,545</u>	—	7,561	861	1,922
Purchase of treasury shares				(13)			
Disposal of treasury shares		5		82			
Dividends			(12,148)				
Share-based remuneration transactions		3					
Changes in ownership interest in subsidiaries							
Transfer from other components of equity to retained earnings			6,573				208
Other		(319)	(81)		(2)		
Total transactions with owners	—	(311)	(5,656)	69	(2)	—	208
Balance as of March 31, 2023	<u>107,165</u>	<u>46,741</u>	<u>251,915</u>	<u>(8,746)</u>	<u>20,390</u>	<u>548</u>	<u>13,063</u>

	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)			—	<u>44,545</u>	3,835	<u>48,380</u>
Other comprehensive income	6,781		17,125	17,125	270	17,395
Total comprehensive income	6,781	—	17,125	<u>61,670</u>	4,105	<u>65,775</u>
Purchase of treasury shares			—	(13)		(13)
Disposal of treasury shares		(87)	(87)	—		—
Dividends			—	(12,148)	(4,490)	(16,638)
Share-based remuneration transactions			—	3		3
Changes in ownership interest in subsidiaries			—	—	21	21
Transfer from other components of equity to retained earnings	(6,781)		(6,573)	—		—
Other		1	(1)	(401)	465	64
Total transactions with owners	(6,781)	(86)	(6,661)	(12,559)	(4,004)	(16,563)
Balance as of March 31, 2023	<u>—</u>	<u>169</u>	<u>34,170</u>	<u>431,245</u>	<u>25,006</u>	<u>456,251</u>

(4) CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit (loss) before tax	87,637	<u>64,865</u>
Depreciation, amortization and impairment losses	84,193	70,934
Finance income and finance costs	2,391	3,319
Share of loss (profit) of investments accounted for using equity method	(1,187)	8,374
Loss (gain) on sale of property, plant and equipment, intangible assets and investment property	(66,051)	(5,468)
Decrease (increase) in trade receivables	(2,521)	(23,896)
Decrease (increase) in contract assets	(11,480)	(14,821)
Decrease (increase) in inventories and prepayments	(15,320)	(33,708)
Increase (decrease) in trade payables	(5,082)	5,002
Increase (decrease) in contract liabilities	47,026	(14,843)
<u>Increase (decrease) in allowance for doubtful accounts</u>	<u>(342)</u>	<u>7,118</u>
Other	<u>3,312</u>	<u>26,902</u>
Subtotal	122,576	93,778
Interest received	396	867
Dividends received	2,153	1,205
Interest paid	(3,615)	(3,858)
Income taxes paid	(7,355)	(37,876)
Net cash provided by (used in) operating activities	114,155	54,116
Cash flows from investing activities		
Purchase of property, plant and equipment, intangible assets and investment property	(45,574)	(62,577)
Proceeds from sale of property, plant and equipment, intangible assets and investment property	73,229	7,373
Purchase of investments (including investments accounted for using equity method)	(3,124)	(4,288)
Proceeds from sale and redemption of investments (including investments accounted for using equity method)	4,591	2,283
Purchase of equity interest in subsidiaries	–	(64)
Proceeds from sale of equity interest in subsidiaries	144	1,224
Other	(1,340)	3,702
Net cash provided by (used in) investing activities	27,926	(52,347)

(4) CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(50,579)	14,372
Proceeds from long-term borrowings	14,625	30,216
Repayments of long-term borrowings	(36,570)	(42,630)
Proceeds from issuance of bonds	–	20,000
Redemption of bonds	(20,000)	–
Repayments of lease liabilities	(20,553)	(21,505)
Decrease (increase) in treasury shares	(6)	(13)
Dividends paid	(4,541)	(12,110)
Capital contribution from non-controlling interests	85	822
Dividends paid to non-controlling interests	(3,966)	(4,490)
Increase in other financial liabilities	3,464	5,168
Decrease in other financial liabilities	(3,513)	(13,332)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(542)
Other	65	1
Net cash provided by (used in) financing activities	(121,489)	(24,043)
Effect of exchange rate change on cash and cash equivalents	4,131	1,528
Net increase (decrease) in cash and cash equivalents	24,723	(20,746)
Cash and cash equivalents at beginning of period	120,766	145,489
Cash and cash equivalents at end of period	145,489	124,743

(5) NOTES TO THE 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 consolidated financial statements are the same as those in the consolidated financial statements for the previous fiscal year.

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 ¥11,206 million for the fiscal year ended March 31, 2023.

SEGMENT INFORMATION

1. Overview of reportable segment

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

The IHI Group organizes SBUs by products and services and allocates Business Areas to control these SBUs. Each Business Area manages and supervises the SBUs' execution of business strategies, 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.

Fiscal year ended March 31, 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						
Revenue										
Revenue from external customers	342,430	157,445	369,848	262,295	1,132,018	40,886	1,172,904	–	1,172,904	
Intersegment revenue and transfers	2,019	9,905	7,141	2,994	22,059	21,877	43,936	(43,936)	–	
Total	344,449	167,350	376,989	265,289	1,154,077	62,763	1,216,840	(43,936)	1,172,904	
Segment profit (loss) (Note 3)	22,992	15,363	12,854	(9,370)	41,839	(1,011)	40,828	40,669	81,497	
Segment assets	300,107	290,963	329,745	716,302	1,637,117	184,138	1,821,255	58,418	1,879,673	
Others										
Depreciation and amortization	6,115	10,186	13,623	31,821	61,745	2,894	64,639	9,797	74,436	
Impairment losses	193	775	3,996	–	4,964	4,793	9,757	–	9,757	
Share of profit (loss) of investments accounted for using equity method	11	–	(444)	1,337	904	283	1,187	–	1,187	
Investments accounted for using equity method	162	–	4,108	27,818	32,088	24,644	56,732	–	56,732	
Capital expenditures	5,351	6,319	9,620	15,119	36,409	1,715	38,124	5,205	43,329	

- 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.
 - The details of adjustment are as follows:
 - Adjustment of segment profit (loss) represents intersegment transactions of ¥(222) million and unallocated corporate income of ¥40,891 million. Unallocated corporate income mainly consists of gain on sale of property, plant and equipment and gain on sale of investment property.
 - Adjustment of ¥58,418 million for segment assets includes eliminations of intersegment receivables and payables of ¥(123,741) million and corporate assets unallocated to each reportable segment of ¥182,159 million among cash and cash equivalents, property, plant and equipment, and other financial assets. It mainly consists of IHI's surplus funds under management, including cash and deposits, and securities.
 - Adjustment of depreciation and amortization represents depreciation and amortization not allocated to each reportable segment.
 - Adjustment of capital expenditures represents corporate capital expenditures not allocated to each reportable segment.
 - Segment profit (loss) is adjusted with operating profit (loss) in the consolidated statement of profit or loss.

	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					
Revenue									
Revenue from external customers	369,721	166,155	428,195	360,272	1,324,343	28,597	1,352,940	–	1,352,940
Intersegment revenue and transfers	1,676	4,883	8,331	3,900	18,790	25,680	44,470	(44,470)	–
Total	371,397	171,038	436,526	364,172	1,343,133	54,277	1,397,410	(44,470)	1,352,940
Segment profit (loss) (Note 3)	26,264	17,089	18,018	<u>36,171</u>	<u>97,542</u>	1,333	<u>98,875</u>	(16,890)	<u>81,985</u>
Segment assets	352,349	298,835	340,142	<u>744,051</u>	<u>1,735,377</u>	193,996	<u>1,929,373</u>	12,591	<u>1,941,964</u>
Others									
Depreciation and amortization	6,162	10,194	12,164	29,594	58,114	1,496	59,610	9,506	69,116
Impairment losses	421	149	104	–	674	1,144	1,818	–	1,818
Share of profit (loss) of investments accounted for using equity method	(82)	–	121	(836)	(797)	(7,577)	(8,374)	–	(8,374)
Investments accounted for using equity method	2,356	–	4,330	32,982	39,668	16,910	56,578	–	56,578
Capital expenditures	5,853	15,349	12,999	17,462	51,663	3,430	55,093	6,061	61,154

- 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.
 - The details of adjustment are as follows:
 - Adjustment of segment profit (loss) represents intersegment transactions of ¥164 million and unallocated corporate expenses of ¥(17,054) million. Unallocated corporate expenses mainly consist of general and administrative expenses that are not attributable to reportable segment.
 - Adjustment of ¥12,591 million for segment assets includes eliminations of intersegment receivables and payables of ¥(155,746) million and corporate assets unallocated to each reportable segment of ¥168,337 million among cash and cash equivalents, property, plant and equipment, and other financial assets. It mainly consists of IHI’s surplus funds under management, including cash and deposits, and securities.
 - Adjustment of depreciation and amortization represents depreciation and amortization not allocated to each reportable segment.
 - Adjustment of capital expenditures represents corporate capital expenditures not allocated to each reportable segment.
 - Segment profit (loss) is adjusted with operating profit (loss) in the consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS (CHANGES IN ACCOUNTING ESTIMATES)”.

EARNINGS PER SHARE

(1) Basis for calculating basic earnings per share

(Millions of yen, unless otherwise stated)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit (loss) attributable to owners of parent	66,065	<u>44,545</u>
Profit (loss) not attributable to ordinary shareholders of parent	—	—
Profit (loss) used for calculating basic earnings per share	66,065	<u>44,545</u>
Weighted-average number of ordinary shares (Thousands of shares)	150,226	151,267
Basic earnings (loss) per share (Yen)	439.77	<u>294.48</u>

(2) Basis for calculating diluted earnings per share

(Millions of yen, unless otherwise stated)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit (loss) used for calculating basic earnings (loss) per share	66,065	<u>44,545</u>
Adjustment to profit (loss)	—	—
Profit (loss) used to calculate diluted earnings (loss) per share	66,065	<u>44,545</u>
Weighted-average number of ordinary shares (Thousands of shares)	150,226	151,267
Increase in ordinary shares		
Share acquisition rights (Thousands of shares)	13	18
Weighted-average number of ordinary shares after dilution (Thousands of shares)	150,238	151,286
Diluted earnings (loss) per share (Yen)	439.73	<u>294.44</u>

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 fiscal year and the number of treasury shares excluded for the calculation of the weighted-average number of ordinary shares. For the fiscal year ended March 31, 2023, the weighted-average number of ordinary shares as treasury shares excluded for the calculation of basic earnings (loss) per share and diluted earnings (loss) per share is 592 thousand shares (581 thousand shares for the fiscal year ended March 31, 2022).

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable