



IHI Corporation

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February 8, 2022

CONSOLIDATED FINANCIAL REPORT FOR THE NINE MONTHS ENDED DECEMBER 31, 2021 <IFRS>

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

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Submission date of Quarterly Securities Report: February 10, 2022 (planned)

Commencement of Dividend Payments: —

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 NINE MONTHS ENDED DECEMBER 31, 2021 (APRIL 1, 2021 to DECEMBER 31, 2021)

(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
Nine months ended December 31, 2021	816,192	6.7%	45,515	—	47,778	—	30,463	—
Nine months ended December 31, 2020	765,261	—	(1,160)	—	(7,294)	—	(7,652)	—

	Profit Attributable to Owners of Parent	Percentage Change	Comprehensive Income	Percentage Change	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
Nine months ended December 31, 2021	27,632	—	35,295	—	184.36	184.34
Nine months ended December 31, 2020	(10,113)	—	(5,516)	—	(68.07)	(68.07)

(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 December 31, 2021	1,820,826	354,041	330,058	18.1%
As of March 31, 2021	1,832,891	327,727	300,769	16.4%

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, 2021	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2022	—	30.00	—	—	—
Fiscal year ending March 31, 2022 (Forecast)	—	—	—	40.00	70.00

(Note) Revisions to the dividend forecasts most recently announced: Yes

3. CONSOLIDATED FORECASTS OF RESULTS FOR THE FISCAL YEAR ENDING MARCH 31, 2022 (APRIL 1, 2021 to MARCH 31, 2022)

(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	1,190,000	6.9%	80,000	186.1%	70,000	153.5%	40,000	205.5%	266.88

(Note) Revisions to the forecasts of results most recently announced: Yes

* NOTES

(1) Changes in significant subsidiaries during the nine months

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

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

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

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

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

As of December 31, 2021	154,679,954 shares
As of March 31, 2021	154,679,954 shares
- (ii) Number of treasury shares owned at the end of the period

As of December 31, 2021	3,430,719 shares
As of March 31, 2021	6,165,348 shares
- (iii) Average number of shares outstanding during the period

Nine months ended December 31, 2021	149,881,918 shares
Nine months ended December 31, 2020	148,578,118 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 nine months ended December 31, 2021, there was an easing of restrictions on activity that had been imposed following the spread of COVID-19, as well as signs of a rally in production and consumption activity, but the prolongation of the impact of semiconductor shortages and soaring raw material prices have hindered the recovery of the Japanese economy. For the world economy, the spread of vaccinations and implementation of economic policies led to signs of a revival, primarily in Europe and the U.S., but the recovery has been slow in emerging countries and developing countries. Both in Japan and overseas, the economic outlook is uncertain due to factors such as the spread of new variants of COVID-19 leading to the imposition of restrictions on economic activity.

In the IHI Group's main business, the Civil aero engines Business is affected by COVID-19 and long-distance international routes are still affected by the continuation of immigration restrictions. On the other hand, the demand for aero transportation on domestic and short-distance international routes is recovering, and along with this the sales of spare parts are on the rise.

In the Vehicular turbochargers Business the number of delivery is sluggish because of the shortage of semiconductors in the automobile industry and the production adjustment due to supply chain disruption caused by the restrictions on economic activity with the spread of COVID-19. It is expected that the shortage of semiconductors will be resolved and the supply chain will return to normal, and the production of automobile company will return to normal next fiscal year.

Under this business environment, orders received of the IHI Group during the nine months ended December 31, 2021 increased 23.5% from the previous corresponding period to ¥843.8 billion. Revenue increased 6.7% from the previous corresponding period to ¥816.1 billion.

In terms of profitability, all the profit items turned profitable. Operating profit increased ¥46.6 billion to ¥45.5 billion due mainly to increased revenue in the Nuclear energy Business and the Heat treatment and surface engineering Business, and increased sales of spare parts in the Civil aero engines Business in addition to sale of property, plant and equipment. Profit before tax increased ¥55.0 billion to ¥47.7 billion, an increase in profit margin due to factors such as improvements in foreign exchange gain / loss. Profit attributable to owners of parent increased ¥37.7 billion to ¥27.6 billion.

Results by reportable segment for the nine months ended December 31, 2021 are as follows:

(Billions of yen)

Reportable segments	Orders received			Nine months ended December 31, 2020		Nine months ended December 31, 2021		Changes from the previous corresponding period (%)	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Changes from the corresponding period (%)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)
Resources, Energy and Environment	154.3	270.7	75.5	224.1	11.2	242.7	12.2	8.3	9.1
Social Infrastructure and Offshore Facilities	98.9	119.6	20.9	103.9	10.1	111.7	5.2	7.6	(49.0)
Industrial Systems and General-Purpose Machinery	253.1	272.7	7.8	271.7	5.6	271.9	9.5	0.1	69.6
Aero Engine, Space and Defense	165.5	170.3	2.9	161.1	(29.8)	178.0	(5.5)	10.5	—
Reportable Segments total	671.9	833.4	24.0	760.9	(2.7)	804.5	21.4	5.7	—
Others	49.2	39.0	(20.7)	34.4	1.8	42.4	3.8	23.4	112.3
Adjustment	(37.8)	(28.6)	—	(30.0)	(0.1)	(30.8)	20.2	—	—
Total	683.3	843.8	23.5	765.2	(1.1)	816.1	45.5	6.7	—

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 third quarter were ¥1,820.8 billion, down ¥12.0 billion compared with the end of the previous fiscal year. This was due to decreases in trade and other receivables, down ¥56.7 billion and cash and cash equivalents, down ¥37.9 billion, while there were increases in contract assets, up ¥42.5 billion and inventories, up ¥41.6 billion.

Total liabilities were ¥1,466.7 billion, down ¥38.3 billion compared with the end of the previous fiscal year. This was due to decreases in trade and other payables, down ¥14.5 billion and bonds and borrowings(current), down ¥12.8 billion. The balance of interest-bearing liabilities, including lease liabilities, was ¥575.9 billion, down ¥30.0 billion from the end of the previous fiscal year.

Equity was ¥354.0 billion, up ¥26.3 billion compared with the end of the previous fiscal year. This includes profit attributable to owners of parent of ¥27.6 billion.

As a result of the above, the ratio of equity attributable to owners of parent increased from 16.4% at the end of the previous fiscal year to 18.1%.

Cash flows

At the end of the third quarter, the outstanding balance of cash and cash equivalents was ¥82.7 billion, down ¥37.9 billion from the end of the previous fiscal year.

Net cash flows from operating activities were ¥4.2 billion surplus. This was due to increases in collection of trade receivables, while there were increases in inventories and prepayments, as well as contract assets.

Net cash flows from investing activities were ¥1.5 billion surplus. This was due mainly to proceeds from sale of the site of the former Aichi Headquarters Representative's Office, etc., while there were purchases of property, plant and equipment.

Net cash flows from financing activities were ¥45.4 billion in excess of expenditures. This was due to expenditure for repayments of borrowings, while there were proceeds from issuances of commercial papers.

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

While economic and social activities are expected to continue while taking all possible measures against the spread of COVID-19 and the global economy is expected to recover, there are many uncertainties remain with regard to the economy outlook, such as monetary tightening in the U.S., political conflicts between Europe, the U.S., and China, and the emergence of geopolitical risks. In addition, there is a growing trend to emphasize sustainability around the world, and in particular, the efforts of governments and corporations to tackling climate change are attracting a great deal of 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. At present, IHI is strengthening its activities to utilize ammonia as a fuel and to build supply chains, such as demonstration project related to ammonia co-firing at a large-scale commercial coal-fired power plant, development of ammonia exclusive firing technology for gas turbines, etc.

Under these circumstances, the IHI Group announced the "IHI Group's ESG Management" in November 2021, and reiterated its commitment to placing ESG at the center of its management. We are committed to solving climate change issues through our business activities and realizing a sustainable world in which nature and technology work in unity, while upholding human rights and creating a corporate culture in which diverse and inclusive workforce are built.

For the IHI Group's consolidated forecasts of results for the fiscal year ending March 31, 2022, revenue is expected to increase by ¥10.0 billion from the previous forecast announced on November 9, 2021 to ¥1,190.0 billion, because revenue is expected to increase in the Resources, Energy and Environment due to the progress in the overseas projects in the Carbon Solutions Business and increased works in the Nuclear energy Business, while revenue is expected to decrease in the Industrial Systems and General-Purpose Machinery. Profitability is expected to improve due to increased sales of spare parts and the effect of a yen depreciation in the Civil aero engines Business, while the Vehicular turbochargers Business have been affected by effects of semiconductor shortages. As a result, operating profit is expected to increase by ¥10.0 billion to ¥80.0 billion, profit before tax is expected to increase by ¥10.0 billion to ¥70.0 billion, and Profit attributable to owners of parent is expected to increase by ¥5.0 billion to ¥40.0 billion.

Note that foreign exchange rate of ¥105/US\$1 has been assumed in the above forecasts in the fourth quarter ending March 31, 2022.

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 light of the profit level of the current fiscal year's forecast, IHI decided to increase the forecast for the year-end dividend by 10 yen from the previous forecast announced on November 9, 2021 to 40 yen per share.

2. CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO

(1) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	120,766	82,783
Trade and other receivables	344,535	287,811
Contract assets	111,830	154,362
Other financial assets	1,391	2,895
Inventories	326,470	368,155
Other current assets	41,668	65,795
Total current assets	946,660	961,801
Non-current assets:		
Property, plant and equipment	252,510	237,826
Right-of-use assets	117,794	111,060
Goodwill	5,876	5,837
Intangible assets	121,265	119,806
Investment property	144,183	139,183
Investments accounted for using equity method	48,460	54,631
Other financial assets	49,056	47,281
Deferred tax assets	70,455	69,536
Other non-current assets	76,632	73,865
Total non-current assets	886,231	859,025
Total assets	1,832,891	1,820,826

(1) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities:		
Trade and other payables	234,451	219,916
Bonds and borrowings	158,377	145,533
Lease liabilities	17,630	16,763
Other financial liabilities	11,742	9,052
Income taxes payable	5,125	15,839
Contract liabilities	165,818	173,412
Provisions	26,738	21,320
Other current liabilities	144,907	132,486
Total current liabilities	764,788	734,321
Non-current liabilities:		
Bonds and borrowings	304,735	295,472
Lease liabilities	125,193	118,147
Other financial liabilities	103,428	108,773
Deferred tax liabilities	3,132	3,171
Retirement benefit liability	180,720	183,450
Provisions	6,338	7,247
Other non-current liabilities	16,830	16,204
Total non-current liabilities	740,376	732,464
Total liabilities	1,505,164	1,466,785
Equity		
Share capital	107,165	107,165
Capital surplus	51,735	47,014
Retained earnings	148,428	170,281
Treasury shares	(15,953)	(8,844)
Other components of equity	9,394	14,442
Total equity attributable to owners of parent	300,769	330,058
Non-controlling interests	26,958	23,983
Total equity	327,727	354,041
Total liabilities and equity	1,832,891	1,820,826

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

CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Nine months ended December 31, 2020 and 2021

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Revenue	765,261	816,192
Cost of sales	645,057	672,355
Gross profit	120,204	143,837
Selling, general and administrative expenses	117,835	126,609
Other income	4,157	34,429
Other expenses	7,686	6,142
Operating profit (loss)	(1,160)	45,515
Finance income	1,447	4,778
Finance costs	7,167	3,466
Share of profit of investments accounted for using equity method	(414)	951
Profit (loss) before tax	(7,294)	47,778
Income tax expense	358	17,315
Profit (loss)	(7,652)	30,463
Profit (loss) attributable to:		
Owners of parent	(10,113)	27,632
Non-controlling interests	2,461	2,831
Profit (loss)	(7,652)	30,463
Earnings per share		
Basic earnings (loss) per share (yen)	(68.07)	184.36
Diluted earnings (loss) per share (yen)	(68.07)	184.34

Three months ended December 31, 2020 and 2021

(Millions of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Revenue	283,555	299,644
Cost of sales	237,139	243,631
Gross profit	46,416	56,013
Selling, general and administrative expenses	40,812	44,383
Other income	567	10,907
Other expenses	1,230	3,398
Operating profit	4,941	19,139
Finance income	523	2,980
Finance costs	2,813	1,040
Share of profit of investments accounted for using equity method	(1,143)	86
Profit before tax	1,508	21,165
Income tax expense	1,153	7,847
Profit	355	13,318
Profit (loss) attributable to:		
Owners of parent	(334)	12,461
Non-controlling interests	689	857
Profit	355	13,318
Earnings per share		
Basic earnings (loss) per share (yen)	(2.25)	82.39
Diluted earnings (loss) per share (yen)	(2.25)	82.38

CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nine months ended December 31, 2020 and 2021

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit (loss)	(7,652)	30,463
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,200	(192)
Remeasurements of defined benefit plans	21	(118)
Share of other comprehensive income of investments accounted for using equity method	99	92
Total of items that will not be reclassified to profit or loss	1,320	(218)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,500	4,539
Cash flow hedges	(67)	2
Share of other comprehensive income of investments accounted for using equity method	(617)	509
Total of items that may be reclassified to profit or loss	816	5,050
Other comprehensive income, net of tax	2,136	4,832
Comprehensive income	(5,516)	35,295
Comprehensive income attributable to:		
Owners of parent	(8,277)	31,952
Non-controlling interests	2,761	3,343
Comprehensive income	(5,516)	35,295

Three months ended December 31, 2020 and 2021

(Millions of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Profit	355	13,318
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	551	(186)
Remeasurements of defined benefit plans	(162)	—
Share of other comprehensive income of investments accounted for using equity method	60	(47)
Total of items that will not be reclassified to profit or loss	449	(233)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	741	4,101
Cash flow hedges	(35)	70
Share of other comprehensive income of investments accounted for using equity method	(400)	330
Total of items that may be reclassified to profit or loss	306	4,501
Other comprehensive income, net of tax	755	4,268
Comprehensive income	1,110	17,586
Comprehensive income attributable to:		
Owners of parent	207	16,346
Non-controlling interests	903	1,240
Comprehensive income	1,110	17,586

(3) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended December 31, 2020

(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, 2020	107,165	51,779	136,516	(15,899)	(5,067)	(255)	5,406
Profit (loss)			(10,113)				
Other comprehensive income					622	(85)	1,278
Total comprehensive income	—	—	(10,113)	—	622	(85)	1,278
Purchase of treasury shares				(312)			
Disposal of treasury shares		(2)		235			
Dividends			(2,980)				
Share-based remuneration transactions		(72)					
Changes in equity interest in subsidiaries							
Transfer from other components of equity to retained earnings			50				(29)
Other			(96)		(21)		
Total transactions with owners	—	(74)	(3,026)	(77)	(21)	—	(29)
Balance as of December 31, 2020	107,165	51,705	123,377	(15,976)	(4,466)	(340)	6,655

	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, 2020	—	533	617	280,178	25,862	306,040
Profit (loss)			—	(10,113)	2,461	(7,652)
Other comprehensive income	21		1,836	1,836	300	2,136
Total comprehensive income	21	—	1,836	(8,277)	2,761	(5,516)
Purchase of treasury shares			—	(312)		(312)
Disposal of treasury shares		(101)	(101)	132		132
Dividends			—	(2,980)	(3,098)	(6,078)
Share-based remuneration transactions			—	(72)		(72)
Changes in equity interest in subsidiaries			—	—	52	52
Transfer from other components of equity to retained earnings	(21)		(50)	—		—
Other			(21)	(117)	(75)	(192)
Total transactions with owners	(21)	(101)	(172)	(3,349)	(3,121)	(6,470)
Balance as of December 31, 2020	—	432	2,281	268,552	25,502	294,054

(3) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended December 31, 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)			27,632				
Other comprehensive income					4,518	19	(99)
Total comprehensive income	—	—	27,632	—	4,518	19	(99)
Purchase of treasury shares		0		(107)			
Disposal of treasury shares				123			
Dividends			(4,555)				
Share-based remuneration transactions		(38)					
Changes in equity interest in subsidiaries		(4,683)		7,093			
Transfer from other components of equity to retained earnings			(896)				778
Other			(328)			(46)	
Total transactions with owners	—	(4,721)	(5,779)	7,109	—	(46)	778
Balance as of December 31, 2021	107,165	47,014	170,281	(8,844)	5,620	(88)	8,618

	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)			—	27,632	2,831	30,463
Other comprehensive income	(118)		4,320	4,320	512	4,832
Total comprehensive income	(118)	—	4,320	31,952	3,343	35,295
Purchase of treasury shares			—	(107)		(107)
Disposal of treasury shares		(122)	(122)	1		1
Dividends			—	(4,555)	(3,966)	(8,521)
Share-based remuneration transactions			—	(38)		(38)
Changes in equity interest in subsidiaries			—	2,410	(2,348)	62
Transfer from other components of equity to retained earnings	118		896	—		—
Other			(46)	(374)	(4)	(378)
Total transactions with owners	118	(122)	728	(2,663)	(6,318)	(8,981)
Balance as of December 31, 2021	—	292	14,442	330,058	23,983	354,041

(4) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Cash flows from operating activities		
Profit (loss) before tax	(7,294)	47,778
Depreciation, amortization and impairment losses	60,251	55,298
Finance income and finance costs	1,603	1,364
Share of loss (profit) of investments accounted for using equity method	414	(951)
Loss (gain) on sale of property, plant and equipment, intangible assets and investment property	(1,673)	(31,237)
Decrease (increase) in trade receivables	41,763	52,210
Decrease (increase) in contract assets	(22,896)	(41,345)
Decrease (increase) in inventories and prepayments	(42,493)	(43,380)
Increase (decrease) in trade payables	(44,255)	(11,656)
Increase (decrease) in contract liabilities	6,566	7,024
Other	(47,426)	(24,711)
Subtotal	(55,440)	10,394
Interest received	283	274
Dividends received	2,105	1,301
Interest paid	(3,640)	(2,553)
Income taxes paid	(12,262)	(5,135)
Net cash provided by (used in) operating activities	(68,954)	4,281
Cash flows from investing activities		
Purchase of property, plant and equipment, intangible assets and investment property	(44,783)	(30,508)
Proceeds from sale of property, plant and equipment, intangible assets and investment property	7,275	36,948
Purchase of investments (including investments accounted for using equity method)	(10,732)	(2,887)
Proceeds from sale and redemption of investments (including investments accounted for using equity method)	650	13
Proceeds from sale of equity interest in subsidiaries	295	144
Other	817	(2,207)
Net cash provided by (used in) investing activities	(46,478)	1,503

(4) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(38,529)	(70,387)
Net increase (decrease) in commercial papers	24,000	80,000
Proceeds from long-term borrowings	114,851	10,915
Repayments of long-term borrowings	(37,752)	(23,737)
Proceeds from issuance of bonds	30,000	—
Redemption of bonds	(10,000)	(20,000)
Repayments of lease liabilities	(14,341)	(15,204)
Decrease (increase) in treasury shares	131	(5)
Dividends paid	(2,979)	(4,559)
Capital contribution from non-controlling interests	52	63
Dividends paid to non-controlling interests	(3,173)	(3,966)
Increase in other financial liabilities	1,825	1,938
Decrease in other financial liabilities	(637)	(762)
Other	183	229
Net cash provided by (used in) financing activities	63,631	(45,475)
Effect of exchange rate change on cash and cash equivalents	1,710	1,708
Net increase (decrease) in cash and cash equivalents	(50,091)	(37,983)
Cash and cash equivalents at beginning of period	145,738	120,766
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(10)	—
Cash and cash equivalents at end of period	95,637	82,783

(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.

SEGMENT INFORMATION

1. Overview of reportable segments

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 act consistent business process including sales, development, design, production, construction, service, etc. based on the visions and strategies drawn up by business area. 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 segments. There are no aggregated business segments when deciding these reportable segments.

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

Reportable segments	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 segments

The IHI Group's information about reportable segments are as follows:
Intersegment revenue and transfers are based on actual market pricing.

Nine months ended December 31, 2020

(Millions of yen)

	Reportable Segments					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	222,705	100,274	262,327	159,211	744,517	20,744	765,261	–	765,261	
Intersegment revenue and transfers	1,426	3,645	9,403	1,950	16,424	13,671	30,095	(30,095)	–	
Total	224,131	103,919	271,730	161,161	760,941	34,415	795,356	(30,095)	765,261	
Segment profit (loss) (Note 3)	11,233	10,197	5,613	(29,832)	(2,789)	1,821	(968)	(192)	(1,160)	

- Notes: 1. The “Others” classification consists of business that is not included in reportable segments. 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 ¥386 million and unallocated corporate expenses of ¥(578) million.
3. Segment profit (loss) is adjusted with operating profit (loss) in the condensed quarterly consolidated financial statement of profit or loss.

Nine months ended December 31, 2021

(Millions of yen)

	Reportable Segments					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	241,429	105,998	265,055	175,705	788,187	28,005	816,192	–	816,192	
Intersegment revenue and transfers	1,358	5,794	6,932	2,308	16,392	14,472	30,864	(30,864)	–	
Total	242,787	111,792	271,987	178,013	804,579	42,477	847,056	(30,864)	816,192	
Segment profit (loss) (Note 3)	12,252	5,201	9,519	(5,564)	21,408	3,866	25,274	20,241	45,515	

- Notes: 1. The “Others” classification consists of business that is not included in reportable segments. 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 ¥(130) million and unallocated corporate income of ¥20,371 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.

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable