



IHI Corporation

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 November 9, 2021

CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 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: November 11, 2021 (planned)
 Commencement of Dividend Payments: December 10, 2021 (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, 2021 (APRIL 1, 2021 to SEPTEMBER 30, 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
Six months ended September 30, 2021	516,548	7.2%	26,376	—	26,613	—	17,145	—
Six months ended September 30, 2020	481,706	—	(6,101)	—	(8,802)	—	(8,007)	—

	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, 2021	15,171	—	17,709	—	101.68	101.67
Six months ended September 30, 2020	(9,779)	—	(6,626)	—	(65.80)	(65.80)

(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, 2021	1,774,304	341,504	318,221	17.9%
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)	—	—	—	30.00	60.00

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

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	1,180,000	6.0%	70,000	150.3%	60,000	117.3%	35,000	167.3%	234.59

(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: 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 September 30, 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 September 30, 2021	3,431,688 shares
As of March 31, 2021	6,165,348 shares
- (iii) Average number of shares outstanding during the period

Six months ended September 30, 2021	149,198,798 shares
Six months ended September 30, 2020	148,616,040 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 currency exchange rates 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, 2021 the Japanese economy showed a steady recovery especially in the export from manufacturing industry, but the business sentiment has been stagnant in some industries such as the service industry, and the recovery was delayed, especially in personal consumption, due to the issuance of a state of emergency. Furthermore, recovery of export from manufacturing industry which has supported the economic recovery until now are slowing down since August, especially in the automobile industry, due to global shortage of semiconductors and supply chain disruption. The world economy, centered on the U.S. and China, was showing signs of recovery due to the progress of vaccination programs and economic policies, but there is delay in recovery in Southeast Asia region. In addition, shortage of semiconductors, and soaring prices of raw materials and transportation costs are beginning to affect corporate performance.

In the IHI Group's main business, the Civil aero engines Business which is greatly affected by COVID-19, the demand for aero transportation on domestic routes and short-distance international routes is recovering especially in North America and Europe where vaccination programs are progressing. On the other hand, on long-distance international routes, immigration restrictions in each country have not been loosened due to the worldwide spread of the highly contagious variant of COVID-19, and the demand for aero transportation remains stagnant. Although the sales of spare parts are gradually recovering since it bottomed out in the first quarter of the previous fiscal year, the recovery trend is different for each model, and it is expected to take some time for the demand for aero transportation to recover to the level before the spread of COVID-19. Furthermore, in the Vehicular turbochargers Business the number of delivery has been steadily recovering, however, 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 activities with the spread of COVID-19.

Under this business environment, orders received of the IHI Group during the six months ended September 30, 2021 increased 19.3% from the previous corresponding period to ¥508.3 billion. Revenue increased 7.2% from the previous corresponding period to ¥516.5 billion.

In terms of profitability, all the profit items turned profitable. Operating profit increased ¥32.4 billion to ¥26.3 billion due mainly to sale of Property, plant and equipment in addition to the convergence of unprofitable projects in the Carbon solutions Business, increased revenue and strengthening of the cost structure in the Vehicular turbochargers Business and the Heat treatment and surface engineering Business, and increased sales of spare parts in the Civil aero engine Business. Profit before tax increased ¥35.4 billion to ¥26.6 billion, an increase in profit margin due to factors such as improvements in foreign exchange gain / loss. Profit attributable to owners of parent increased ¥24.9 billion to ¥15.1 billion.

Results by reportable segment for the six months ended September 30, 2021 are as follows:

(Billions of yen)

Reportable segments	Orders received			six months ended September 30, 2020		six months ended September 30, 2021		Changes from the previous corresponding period (%)	
	six months ended September 30, 2020	six months ended September 30, 2021	Changes from the corresponding period (%)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)	Revenue	Operating profit (loss)
	Resources, Energy and Environment	100.5	147.1	46.3	142.4	4.1	159.7	8.0	12.1
Social Infrastructure and Offshore Facilities	65.6	87.7	33.7	65.4	5.6	69.9	4.0	6.9	(28.4)
Industrial Systems and General-Purpose Machinery	159.3	179.5	12.6	172.4	0.1	175.9	5.5	2.0	—
Aero Engine, Space and Defense	90.6	86.8	(4.2)	99.2	(16.8)	108.2	(12.3)	9.1	—
Reportable Segments total	416.2	501.2	20.4	479.6	(6.9)	513.8	5.2	7.1	—
Others	33.2	24.8	(25.3)	22.0	0.8	24.5	1.4	11.5	79.3
Adjustment	(23.4)	(17.6)	—	(19.9)	0.0	(21.9)	19.6	—	—
Total	426.0	508.3	19.3	481.7	(6.1)	516.5	26.3	7.2	—

(2) EXPLANATION REGARDING CONSOLIDATED FINANCIAL POSITION

Assets, liabilities and equity

Total assets at the end of the second quarter were ¥1,774.3 billion, down ¥58.5 billion compared with the end of the previous fiscal year. This was due to decreases in trade and other receivables, down ¥60.6 billion and cash and cash equivalents, down ¥40.9 billion, while there were increases in inventories, up ¥31.8 billion and contract assets, up ¥12.6 billion.

Total liabilities were ¥1,432.8 billion, down ¥72.3 billion compared with the end of the previous fiscal year. This was due to decreases in trade and other payables, down ¥30.7 billion and bonds and borrowings(current), down ¥21.8 billion. The balance of interest bearing liabilities, including lease liabilities, was ¥570.4 billion, down ¥35.4 billion from the end of the previous fiscal year.

Equity was ¥341.5 billion, up ¥13.7 billion compared with the end of the previous fiscal year. This includes profit attributable to owners of parent of ¥15.1 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 17.9%.

Cash flows

At the end of the second quarter, the outstanding balance of cash and cash equivalents was ¥79.8 billion, down ¥40.9 billion from the end of the previous fiscal year.

Net cash flows from operating activities was some surplus. This was due to increases in collection of trade receivables, while there were increases in inventories and prepayments and decreases in trade payables.

Net cash flows from investing activities was ¥2.7 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 was ¥43.8 billion in excess of expenditures. This was due mainly to repayments of borrowings.

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

The IHI Group expects the suppression of economic activities caused by the spread of COVID-19 to gradually dissolve and for the global economy to recover, however, in addition to the shortage of semiconductors, soaring prices of raw materials and transportation costs, and the spread of variant of COVID-19, political and economic rivalry between the U.S. and China and other geopolitical risks could create obstacles to global economic recovery, and many uncertainties remain with regard to the business outlook. Furthermore, the shift that focuses on sustainability is rapidly accelerating all over the world, such as rising international awareness of climate change on a global scale, and the growth in ESG investment in response to investors' expectations.

In order 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. During the six months, we are accelerating our efforts to realize a carbon-free society and a circular economy with the aim of establishment of an ammonia supply chain, such as demonstration project related to ammonia co-firing at a large-scale commercial coal-fired power plant, development of a large-scale ammonia receiving terminal, etc.

Today, the IHI Group announced our ESG initiatives, which are at the heart of "Project Change", as "IHI Group's ESG Management" (see disclosure document dated today). The IHI Group's management philosophies are "Contribute to the development of society through technology" and "Human resources are our single most valuable asset". Based on these philosophies, 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. In terms of tackling climate change, IHI Group has the ambition to make its entire value chain carbon-neutral by 2050. To achieve this, we will mobilize the collective strength of the IHI Group.

The IHI Group's consolidated forecasts of results for the fiscal year ending March 31, 2022 remain unchanged from previous forecasts announced on August 10, 2021, because revenue is expected to decrease due to delays in the progress of overseas projects, but we expect an increase in revenue mainly due to the depreciation of the yen against assumptions. Profitability is also expected to decrease due to soaring steel prices and marine transportation costs, and the impact of reduced automobile production due to the shortage of semiconductors, but overall there is no change to the previous forecast due to the depreciation of the yen against assumptions. Note that foreign exchange rate of ¥105/US\$1 has been assumed in the above forecasts in and after the third quarter ending December 31, 2021.

About concerning dividends, the Board of Directors resolved today to pay an interim dividend (30 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, 2021	As of September 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	120,766	79,855
Trade and other receivables	344,535	283,874
Contract assets	111,830	124,517
Other financial assets	1,391	1,774
Inventories	326,470	358,317
Other current assets	41,668	58,298
Total current assets	946,660	906,635
Non-current assets:		
Property, plant and equipment	252,510	241,882
Right-of-use assets	117,794	113,465
Goodwill	5,876	5,726
Intangible assets	121,265	118,719
Investment property	144,183	142,022
Investments accounted for using equity method	48,460	53,584
Other financial assets	49,056	47,339
Deferred tax assets	70,455	70,128
Other non-current assets	76,632	74,804
Total non-current assets	886,231	867,669
Total assets	1,832,891	1,774,304

(1) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

As of March 31, 2021 As of September 30, 2021

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities:		
Trade and other payables	234,451	203,665
Bonds and borrowings	158,377	136,507
Lease liabilities	17,630	17,128
Other financial liabilities	11,742	8,805
Income taxes payable	5,125	10,329
Contract liabilities	165,818	171,474
Provisions	26,738	24,516
Other current liabilities	144,907	127,144
Total current liabilities	764,788	699,568
Non-current liabilities:		
Bonds and borrowings	304,735	296,315
Lease liabilities	125,193	120,492
Other financial liabilities	103,428	107,192
Deferred tax liabilities	3,132	3,146
Retirement benefit liability	180,720	182,720
Provisions	6,338	7,181
Other non-current liabilities	16,830	16,186
Total non-current liabilities	740,376	733,232
Total liabilities	1,505,164	1,432,800
Equity		
Share capital	107,165	107,165
Capital surplus	51,735	46,982
Retained earnings	148,428	162,382
Treasury shares	(15,953)	(8,847)
Other components of equity	9,394	10,539
Total equity attributable to owners of parent	300,769	318,221
Non-controlling interests	26,958	23,283
Total equity	327,727	341,504
Total liabilities and equity	1,832,891	1,774,304

**(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

Six months ended September 30, 2020 and 2021

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Revenue	481,706	516,548
Cost of sales	407,918	428,724
Gross profit	73,788	87,824
Selling, general and administrative expenses	77,023	82,226
Other income	3,590	23,522
Other expenses	6,456	2,744
Operating profit (loss)	(6,101)	26,376
Finance income	924	1,798
Finance costs	4,354	2,426
Share of profit of investments accounted for using equity method	729	865
Profit (loss) before tax	(8,802)	26,613
Income tax expense	(795)	9,468
Profit (loss)	(8,007)	17,145
Profit (loss) attributable to:		
Owners of parent	(9,779)	15,171
Non-controlling interests	1,772	1,974
Profit (loss)	(8,007)	17,145
Earnings per share		
Basic earnings (loss) per share (yen)	(65.80)	101.68
Diluted earnings (loss) per share (yen)	(65.80)	101.67

Three months ended September 30, 2020 and 2021

(Millions of yen)

	Three months ended September 30, 2020	Three months ended September 30, 2021
Revenue	264,112	271,286
Cost of sales	219,473	222,487
Gross profit	44,639	48,799
Selling, general and administrative expenses	39,895	41,808
Other income	2,269	542
Other expenses	5,198	1,416
Operating profit (loss)	1,815	6,117
Finance income	259	1,657
Finance costs	2,348	1,256
Share of profit of investments accounted for using equity method	(1,611)	(1,651)
Profit (loss) before tax	(1,885)	4,867
Income tax expense	654	3,062
Profit (loss)	(2,539)	1,805
Profit (loss) attributable to:		
Owners of parent	(3,612)	992
Non-controlling interests	1,073	813
Profit (loss)	(2,539)	1,805
Earnings per share		
Basic earnings (loss) per share (yen)	(24.31)	6.62
Diluted earnings (loss) per share (yen)	(24.31)	6.62

CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended September 30, 2020 and 2021

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit (loss)	(8,007)	17,145
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	649	(6)
Remeasurements of defined benefit plans	183	(118)
Share of other comprehensive income of investments accounted for using equity method	39	139
Total of items that will not be reclassified to profit or loss	871	15
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	759	438
Cash flow hedges	(32)	(68)
Share of other comprehensive income of investments accounted for using equity method	(217)	179
Total of items that may be reclassified to profit or loss	510	549
Other comprehensive income, net of tax	1,381	564
Comprehensive income	(6,626)	17,709
Comprehensive income attributable to:		
Owners of parent	(8,484)	15,606
Non-controlling interests	1,858	2,103
Comprehensive income	(6,626)	17,709

Three months ended September 30, 2020 and 2021

(Millions of yen)

	Three months ended September 30, 2020	Three months ended September 30, 2021
Profit (loss)	(2,539)	1,805
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	318	187
Remeasurements of defined benefit plans	—	58
Share of other comprehensive income of investments accounted for using equity method	7	114
Total of items that will not be reclassified to profit or loss	325	359
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(397)	(57)
Cash flow hedges	(58)	34
Share of other comprehensive income of investments accounted for using equity method	(226)	192
Total of items that may be reclassified to profit or loss	(681)	169
Other comprehensive income, net of tax	(356)	528
Comprehensive income	(2,895)	2,333
Comprehensive income attributable to:		
Owners of parent	(3,955)	1,479
Non-controlling interests	1,060	854
Comprehensive income	(2,895)	2,333

(3) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended September 30, 2020

(Millions of yen)

	Equity attributable to owners of parent			
	Share capital	Capital surplus	Retained earnings	Treasury shares
Balance as of April 1, 2020	107,165	51,779	136,516	(15,899)
Profit (loss)			(9,779)	
Other comprehensive income				
Total comprehensive income	—	—	(9,779)	—
Purchase of treasury shares				(312)
Disposal of treasury shares		4		212
Dividends			(2,980)	
Share-based remuneration transactions		(105)		
Changes in equity interest in subsidiaries				
Transfer from other components of equity to retained earnings			196	
Other			(96)	
Total transactions with owners	—	(101)	(2,880)	(100)
Balance as of September 30, 2020	107,165	51,678	123,857	(15,999)

	Equity attributable to owners of parent							Non-controlling interests	Total
	Other components of equity						Total		
	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Share acquisition rights	Total			
Balance as of April 1, 2020	(5,067)	(255)	5,406	—	533	617	280,178	25,862	306,040
Profit (loss)						—	(9,779)	1,772	(8,007)
Other comprehensive income	378	51	683	183		1,295	1,295	86	1,381
Total comprehensive income	378	51	683	183	—	1,295	(8,484)	1,858	(6,626)
Purchase of treasury shares						—	(312)		(312)
Disposal of treasury shares					(84)	(84)	132		132
Dividends						—	(2,980)	(1,069)	(4,049)
Share-based remuneration transactions						—	(105)		(105)
Changes in equity interest in subsidiaries						—	—	36	36
Transfer from other components of equity to retained earnings			(13)	(183)		(196)	—		—
Other	(21)					(21)	(117)	(73)	(190)
Total transactions with owners	(21)	—	(13)	(183)	(84)	(301)	(3,382)	(1,106)	(4,488)
Balance as of September 30, 2020	(4,710)	(204)	6,076	—	449	1,611	268,312	26,614	294,926

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

	Equity attributable to owners of parent							Non-controlling interests	Total
	Other components of equity						Total		
	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Share acquisition rights	Total			
Balance as of April 1, 2021	1,102	(61)	7,939	—	414	9,394	300,769	26,958	327,727
Profit (loss)						—	15,171	1,974	17,145
Other comprehensive income	472	(47)	128	(118)		435	435	129	564
Total comprehensive income	472	(47)	128	(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 equity interest in subsidiaries						—	2,410	(2,366)	44
Transfer from other components of equity to retained earnings			755	118		873	—		—
Other		(46)				(46)	(390)	(2)	(392)
Total transactions with owners	—	(46)	755	118	(117)	710	1,846	(5,778)	(3,932)
Balance as of September 30, 2021	1,574	(154)	8,822	—	297	10,539	318,221	23,283	341,504

(4) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit (loss) before tax	(8,802)	26,613
Depreciation, amortization and impairment losses	41,030	36,914
Finance income and finance costs	972	1,118
Share of loss (profit) of investments accounted for using equity method	(729)	(865)
Loss (gain) on sale of property, plant and equipment, intangible assets and investment property	(1,650)	(21,871)
Decrease (increase) in trade receivables	70,986	55,963
Decrease (increase) in contract assets	(20,598)	(12,440)
Decrease (increase) in inventories and prepayments	(43,339)	(36,434)
Increase (decrease) in trade payables	(48,939)	(26,081)
Increase (decrease) in contract liabilities	14,306	5,598
Other	(40,690)	(25,852)
Subtotal	(37,453)	2,663
Interest received	179	194
Dividends received	814	880
Interest paid	(2,493)	(1,837)
Income taxes paid	(9,159)	(1,713)
Net cash provided by (used in) operating activities	(48,112)	187
Cash flows from investing activities		
Purchase of property, plant and equipment, intangible assets and investment property	(33,083)	(19,098)
Proceeds from sale of property, plant and equipment, intangible assets and investment property	7,232	24,952
Purchase of investments (including investments accounted for using equity method)	(572)	(2,694)
Proceeds from sale and redemption of investments (including investments accounted for using equity method)	206	13
Proceeds from sale of equity interest in subsidiaries	310	144
Other	(3,336)	(602)
Net cash provided by (used in) investing activities	(29,243)	2,715

(4) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(59,916)	(5,576)
Net increase (decrease) in commercial papers	27,000	—
Proceeds from long-term borrowings	61,501	4,347
Repayments of long-term borrowings	(19,688)	(19,516)
Proceeds from issuance of bonds	30,000	—
Redemption of bonds	(10,000)	(10,000)
Repayments of lease liabilities	(9,359)	(9,867)
Decrease (increase) in treasury shares	131	(3)
Dividends paid	(2,975)	(5)
Capital contribution from non-controlling interests	36	45
Dividends paid to non-controlling interests	(1,143)	(3,409)
Increase in other financial liabilities	543	508
Decrease in other financial liabilities	(431)	(535)
Other	(179)	137
Net cash provided by (used in) financing activities	15,520	(43,874)
Effect of exchange rate change on cash and cash equivalents	953	61
Net increase (decrease) in cash and cash equivalents	(60,882)	(40,911)
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	84,846	79,855

(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.

Six months ended September 30, 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						
Revenue										
Revenue from external customers	141,622	63,125	166,005	98,118	468,870	12,836	481,706	–	481,706	
Intersegment revenue and transfers	872	2,327	6,440	1,131	10,770	9,179	19,949	(19,949)	–	
Total	142,494	65,452	172,445	99,249	479,640	22,015	501,655	(19,949)	481,706	
Segment profit (loss) (Note 3)	4,162	5,604	120	(16,860)	(6,974)	816	(6,158)	57	(6,101)	

- 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 ¥464 million and unallocated corporate expenses of ¥(407) million.
3. Segment profit (loss) is adjusted with operating profit (loss) in the condensed quarterly consolidated financial statement of profit or loss.

Six months ended September 30, 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						
Revenue										
Revenue from external customers	158,687	65,960	170,534	106,736	501,917	14,631	516,548	–	516,548	
Intersegment revenue and transfers	1,028	3,980	5,437	1,533	11,978	9,925	21,903	(21,903)	–	
Total	159,715	69,940	175,971	108,269	513,895	24,556	538,451	(21,903)	516,548	
Segment profit (loss) (Note 3)	8,064	4,011	5,542	(12,324)	5,293	1,463	6,756	19,620	26,376	

- Notes: 1. The “Others” classification consists of business that is not included in reportable 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 ¥(100) million and unallocated corporate income of ¥19,720 million. Unallocated corporate income mainly consists of gain on sale of property, plant and equipment and gain on sale of investment property.
3. Segment profit (loss) is adjusted with operating profit (loss) in the condensed quarterly consolidated financial statement of profit or loss.

SIGNIFICANT SUBSEQUENT EVENTS

Not applicable