

Q&A for Resources, Energy & Environment Business Area Briefing

1. For fiscal 2021, the Resources, Energy & Environment Business Area targets an operating income that is 10 billion higher than the fiscal 2019 level. Which strategic business units would drive that growth? Also, lots of companies say that they aim to expand their services businesses but few actually achieve that. We would like to know if you can really produce results in boilers and ship engines business in two years.

- While we see the boiler services business would largely contribute to earnings, we basically aim to lift the earnings of all business units.
- We think that most services business growth will be overseas. Our unique overseas service business strengths are that we have a network comprising engineering firms in Germany, a manufacturing site in Indonesia, a construction company in Singapore, and a maintenance company in Malaysia. By leveraging these units, we can cover Southeast Asia including Malaysia and Indonesia, where we have a distinct advantage. Our German engineering firm will oversee African and Middle Eastern markets. We won't just leverage artificial intelligence and the Internet of Things, and will also make progress in small ways and collaborate closely with customers so we can generate work orders and make new proposals.

2. How will the sales ratios of equipment and services change by fiscal 2021?

- Services business accounts for 30% to 40% of sales so far. We do not expect a tremendous change in that percentage range by fiscal 2021 as new boiler projects are continuing, while we understand we ultimately have to increase it.

3. Are lifecycle businesses new ones that you will create from scratch like remote services, or are they in existing areas that competitors already engage in?

- Lifecycle business encompass existing and new fields. Services for existing facilities that we have installed would include maintenance that we are responsible for and boiler modifications and improvements. Aside from that, many customers have told us, particularly overseas, of issues they face with utilization rates plunging on their plants. There is strong recognition, including overseas, of the need to cut carbon dioxide emissions. The fact is that such customers expect to IHI's solutions to resolve those issues, and we ought to leverage our technological capabilities to expand lifecycle businesses.

4. You have new projects for coal-fired power plants lined up for the boiler business through fiscal 2021, but the outlook thereafter is adverse. Given that, do you consider downsizing production sites and personnel? Also, for around how long do you expect restart operations work to continue in the nuclear energy business?

- We have two production sites. They are in Aioi, Japan, and Indonesia. Once lifecycle businesses begin in earnest, we should see a lot of work, notably in replacing boiler pressure-resistant components and making parts, so we will need advanced manufacturing facilities and expert welders more than ever before. While some work may shift from factories to frontlines to cater to customer needs, we are not

considering any personnel or other reductions. In fact, we think maintaining current resource levels is fundamental to the way forward.

- In our nuclear energy business, we build our business plan based on the assumption that little will change for the foreseeable future. We have to fulfill our responsibilities, including by developing technologies for decontamination and decommissioning in keeping with national nuclear energy policies.