May 20, 2019
IHI Corporation

Q&A for Social Infrastructure & Offshore Facilities Business Area Briefing

1. **Under your previous medium-term plan, you targeted an operating margin of 7.5% in fiscal year 2018 for the Social Infrastructure & Offshore Facilities Business Area. The result was 9.9%, which was considerably higher than expected. What changed for the better over the past three years, and what did you improve?**
   - We progressed more than anticipated under that plan in four respects. The first was that we steadily secured orders for the Linear Chuo Shinkansen and Tokyo-Gaikan Expressway. The profit margins on these major projects have been favorable. Second, we steadily increased the profitability of urban development business. The third factor was the absence of the floating LNG storage facilities and offshore structures business, as we stopped production in that area in the previous fiscal year. Fourth, we enhanced the profitability of our bridge business.

2. **We understand you improved the profitability of your bridge business over the past three years. How did you achieve that? Besides, you secured a lot more bridge conservation orders in Japan. What's the potential of that business?**
   - Over the past three years and in fiscal year 2018 in particular, IHI Infrastructure Systems enhanced productivity and reviewed and rectified lines at its Sakai Works. It conducted assessments from bidding stages of what had been very unprofitable work, and greatly reduced low-profit operations that had impeded performance.
   - The bridge strategic business unit posted 70 to 80 billion yen in sales, and we look to boost that figure to 150 to 170 billion yen 10 years hence. We accordingly seek to lift sales in maintenance business from current 20 billion to around 50 billion yen.

3. **We assume that most shield systems order growth this fiscal year would come from domestic demand. How much is the rough scale of overseas demand in the future? Around how much do you plan to grow the shield business?**
   - We expect sales to rise from the current 20 to 25 billion yen, to 40 billion yen or so in 10 years time. Terratec's sales would augment this, at more than 5 billion yen. We plan to broaden our presence a little more. I think we are solidly placed for the foreseeable future in view of our involvement in large projects, including the Linear Chuo Shinkansen.

4. **We understand you plan to participate in major projects overseas. What risk management approaches will you take?**
   - As far as possible, we will avoid projects in countries where we have not entered yet, and will localize operations. We will collaborate with partners that are familiar with those countries. We will not entrust risk management to the frontlines, and will endeavor to enhance expertise at head quarter and business bases to reduce risks.

5. **Do you undertake selection and concentration in this business area? What's your stance on transport systems?**

- We intend to keep expanding our transport infrastructure operations as part of our social infrastructure business. Transport systems encompass not just bullet train and expressway systems, and we are a powerful player in such niches as snowplows and diesel railcars. We see we would not encounter major hitches in retaining businesses in which we have solid positions.

6. “Offshore Facilities” are part of the business area name. How do you plan to treat that business in the future?

- Offshore Facilities means our floating LNG storage facilities business at our Aichi works, which we ended production. While the business will continue as long as we keep providing maintenance services, we do not have a plan to do something big in this business area.