

“Project Change”

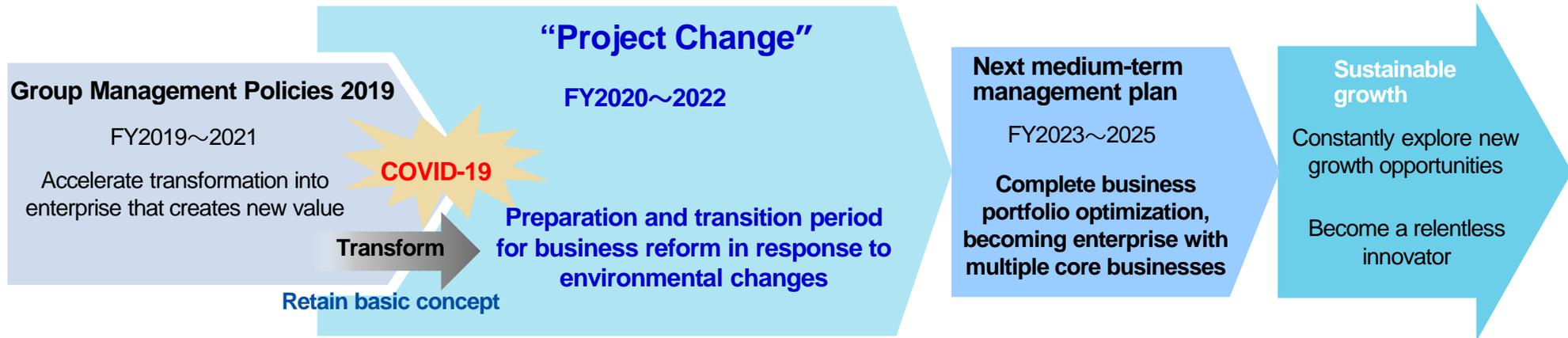
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November 11, 2020

IHI Corporation

Hiroshi Ide, Chief Operating Officer

“Project Change” positioning



“Project Change” emphases

Key management challenges (From May 19, 2020, management review materials)

- 1 Determine post-COVID-19 business direction
- 2 Create growth businesses
- 3 Overcome operating environment changes
- 4 Improve cash flows and strengthen financial position

Response initiatives to tackle challenges

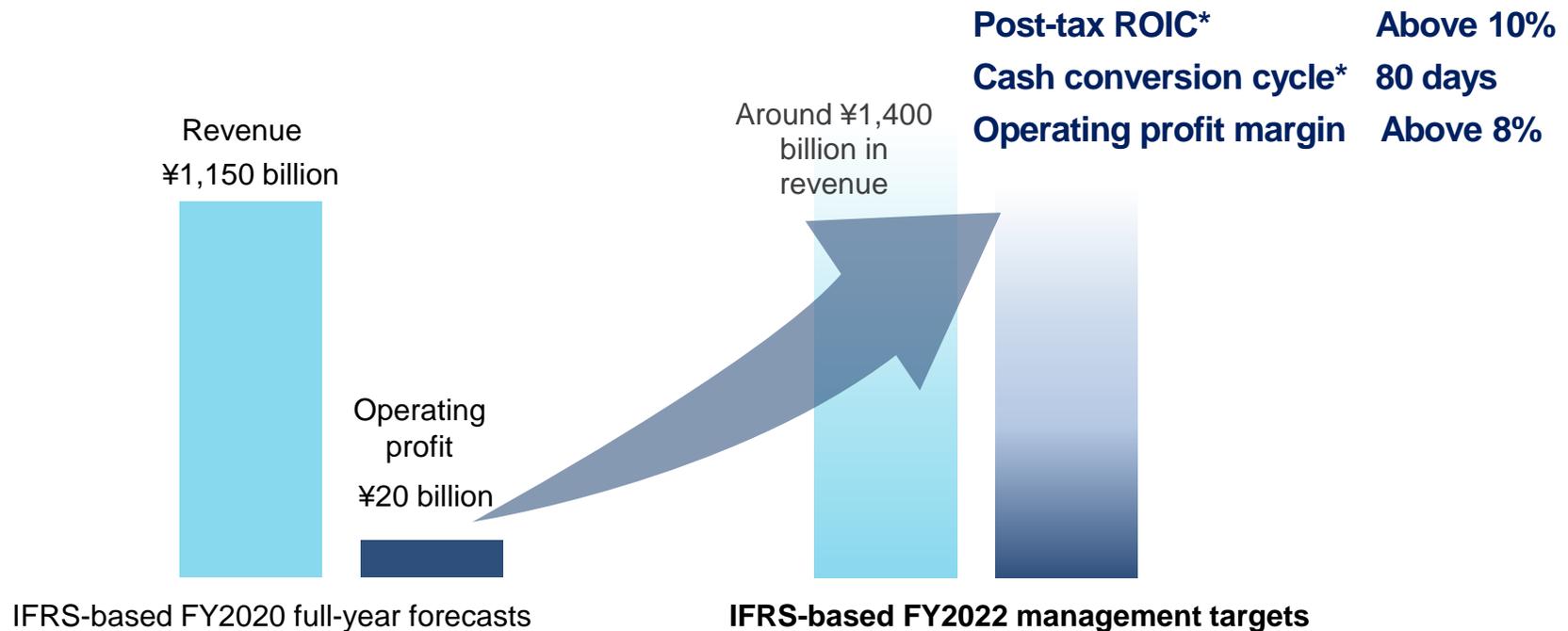
- Return to growth trajectory**
 - Further strengthening earnings foundations
 - Expansion of lifecycle businesses
- Overcome operating environment changes**
 - Reallocate personnel, pursue diversity and inclusion, and adopt new work practices
- Financial strategies**
 - Strengthen cash flow generation, optimal allocation of funds, and Securing financial soundness
- Creation of growth businesses**
 - Redefine of growth businesses

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- **Management Targets**
- **Return to Growth Trajectory**
- **Transform Business Structure**
- **Financial Strategies**
- **Create Growth Businesses**
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Management Targets

FY2022 management targets



**Investing ¥380 billion over three years,
focused on growth businesses**

Post-tax ROIC = (Operating profit + Interest and dividend income) after tax ÷ (Shareholders' equity + Interest-bearing debt)
Cash conversion cycle = Working capital ÷ Revenue x 365 days

Path to Reaching Management Targets

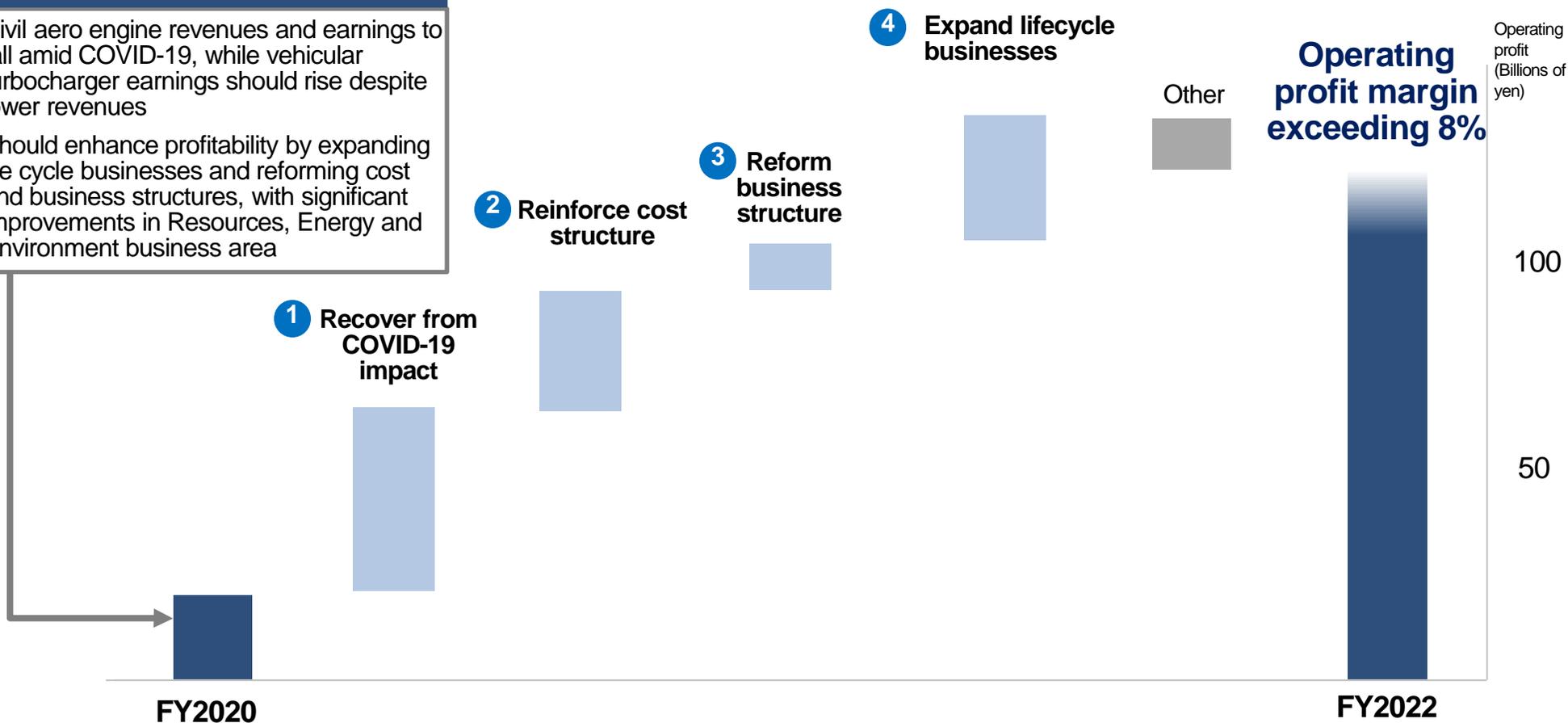


Performance recovery drivers

- 1 Market recoveries (aircraft and automotive demand)
- 2 Reinforce cost structure
- 3 Reform business structure
- 4 Expand lifecycle businesses

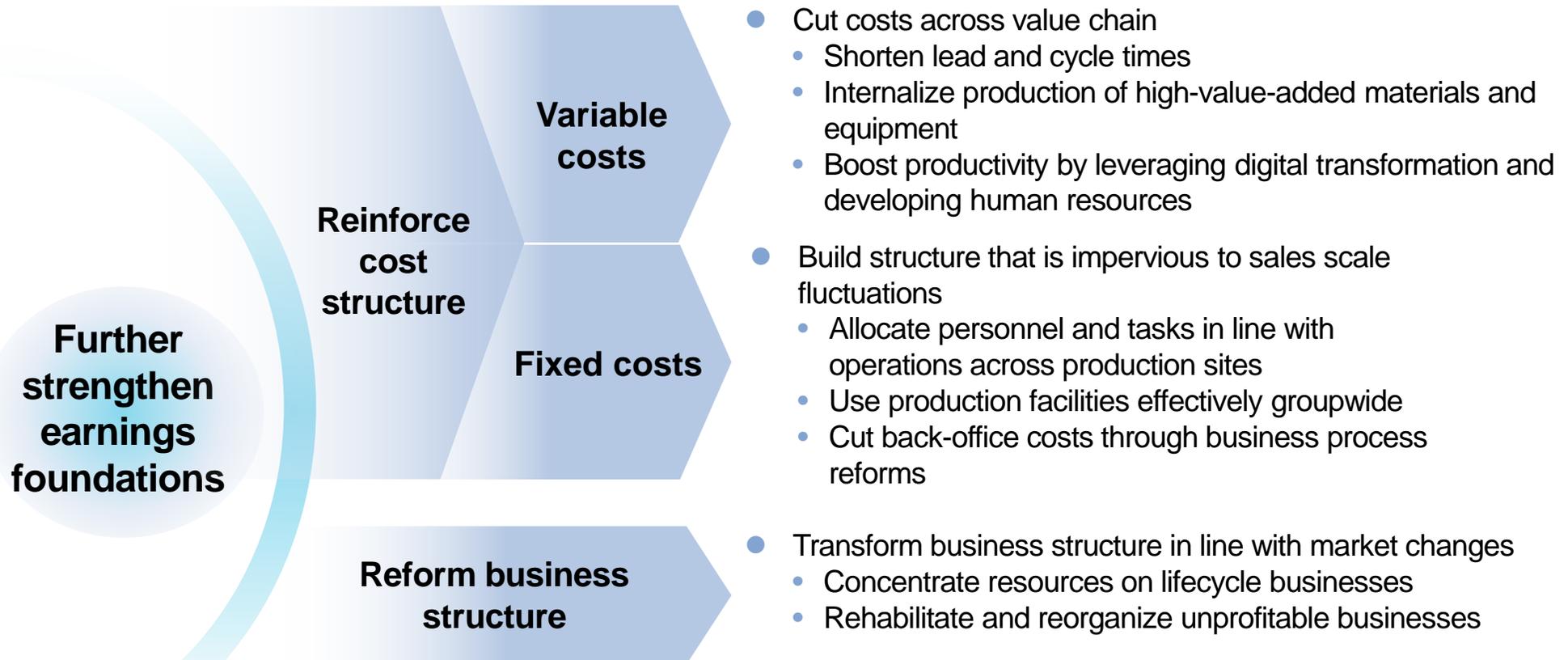
FY2020 results forecast assessments

- Civil aero engine revenues and earnings to fall amid COVID-19, while vehicular turbocharger earnings should rise despite lower revenues
- Should enhance profitability by expanding life cycle businesses and reforming cost and business structures, with significant improvements in Resources, Energy and Environment business area



Further Strengthen Earnings Foundations

Further strengthen earnings foundations and shift to operating environment change-resistant business structure



Strengthen risk management

- Control revenues through strict project management
- Identify business risks across network

Expand Lifecycle Businesses

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Deliver comprehensive services across lifecycles to optimize customer value

Growth to date and future activities

Resources, Energy and Environment

- Leverage digital transformation-based preventive maintenance and steadily roll out in Southeast Asia
- Endeavoring to provide services that cater to diversifying needs, including for high efficiency, fuel conversion, renewable energy stabilization
- Launch operations and maintenance business and cultivate operational optimization solutions

Industrial Systems and General-Purpose Machinery

- Reforming business processes, centered on lifecycle businesses
- Roll out after-sales services initiated in Thailand across Southeast Asia
- Globally deploy digital transformation-based vehicular turbocharger after-sales services

Social Infrastructure and Offshore Facilities

- Steadily develop large-scale, highly complex corrective maintenance capabilities
- Using digital transformation in line with customer needs to shorten construction lead times and enhance economic feasibility and develop more advanced inspection and diagnostics techniques
- Offer comprehensive corrective maintenance support and deploy preventive maintenance (diagnostics, maintenance prioritization and construction)

Aero Engine, Space and Defense

- In civil aero engines, setting up digital transformation-based maintenance sites and bolstering parts repair structure
- In defense, expanding support scope and otherwise providing more advanced rear-area support
- Begin offering launch services in space business

Boost sales of lifecycle businesses by 30% under “Project Change”

Shift to Operating environment Change-Resistant Business Structure **IHI**

Launched initiatives from early FY2020 to tackle operating environment changes, and will accelerate efforts

- Value diversity
- Respect individual success
- Accord importance to pursuing challenges

Strategic alignment

Allocate human resources flexibly and optimally in line with business portfolio

- Prioritize allocations for life cycle businesses, digital transformation, and other areas

Motivate employees

- Unlock potential through exchanges of diverse personnel across internal and external boundaries
- Provide opportunities to tackle challenges and learn
- Offer programs that enable employees to design their careers

Attract professionals

- Clarify duties and posts requiring advanced expertise
- Cultivate change drivers
- Recruit external professionals

Create work environments in which employees can flourish

Respond to operating environment changes

Hybrid teleworking and office work setup

- Reform business processes to create more flexible work environments
- Cultivate work environments that enhance team communication

Create sustainable innovations

Financial Strategies

In undertaking initiatives to reinforce our cash generation capabilities as a top priority, we will maintain a sound financial position and optimally allocate funds to sustainably enhance corporate value

Key challenges

Financial soundness

- Secure sound financial position commensurate with being an enterprise that supports infrastructure development
- A robust financial position that can withstand short-term results fluctuations from changes in operating environment

Fund allocations

- Optimally allocate funds to accelerate business portfolio transformations
- Secure and boldly deploy investment capital to swiftly create new core earnings sources

Reinforce cash generation capabilities

Operating cash flows

Transform business model to generate cash

Match business processes to demand and supply fluctuations

Investment cash flows

Optimize asset portfolio

- Systematically control production through a proactive proposal-based business approach
- Optimize inventory levels by enhancing sales forecast precision based on data
- Constantly track overall supply chain and project operating environment changes
- Shorten lead and cycle times and swiftly and flexibly respond to demand fluctuations
- Produce cash in timely manner from asset portfolio and divest unutilized assets
- Concentrate investments based on business portfolio

Sustainable growth investments

IHI Group's Near-Future Social Infrastructure Contributions

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Help create economies in which nature and technology are in harmony

Social issues

Becoming carbon-free

disaster prevention and disaster mitigation

Fulfilling lifestyles

Decentralized, low-eco-impact community infrastructure

Robust and eco-friendly social infrastructure

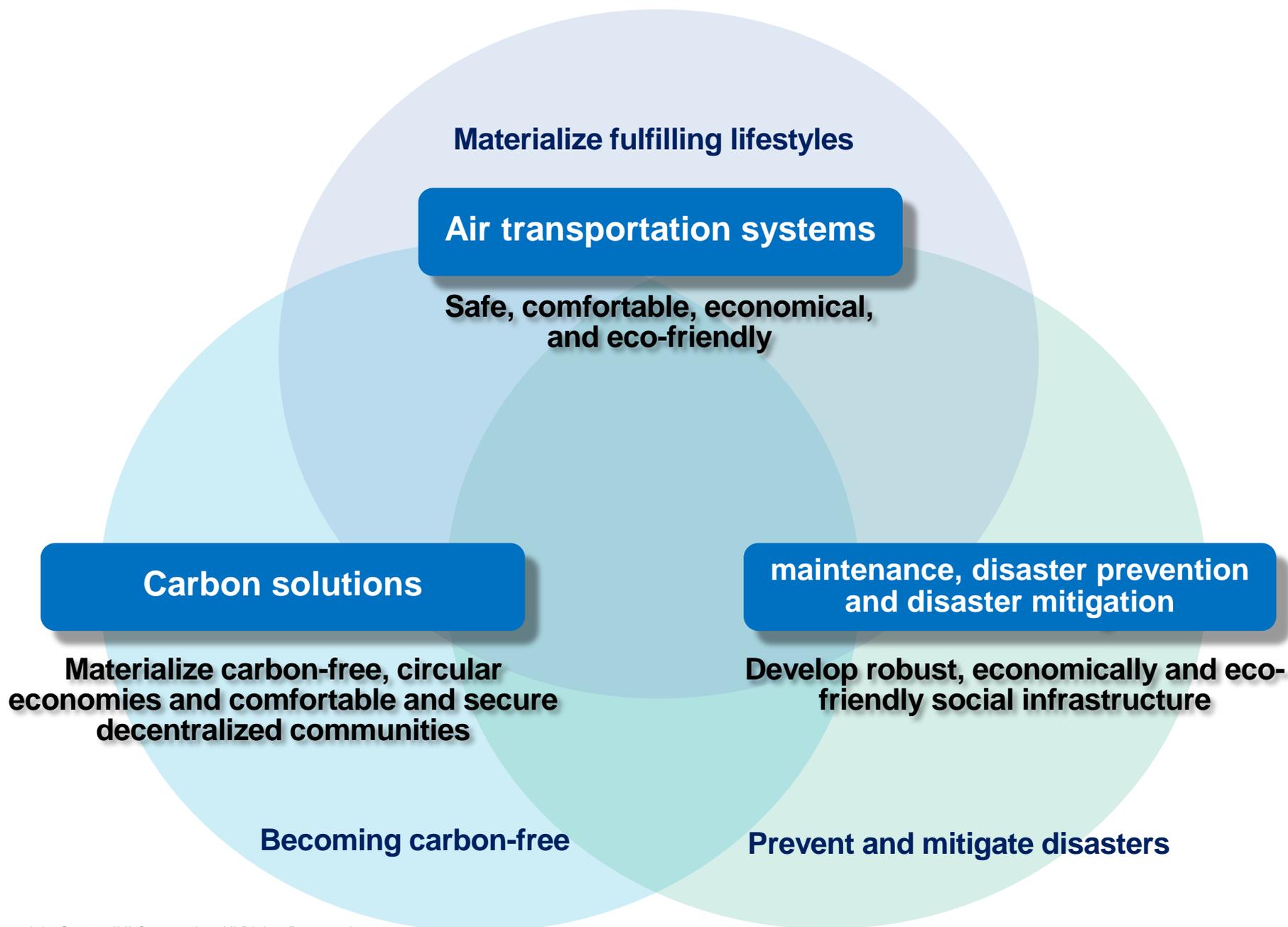
Safe and clean air transportation infrastructure

Circular energy and resources infrastructure

Space infrastructure for creating new societies

Near-future social infrastructures

Redefining Growth Businesses



Initiatives During “Project Change”

Air Transportation Systems

Position Group to become top player in global aerospace sector

- Establish production setup that leverages digital transformation, artificial intelligence, and big data
- Run Tsurugashima maintenance facility to deliver world-class productivity and high-value-added parts repairs
- Fully expand materials businesses
- Develop fiber-reinforced plastics, ceramic matrix composites, and other advanced proprietary technologies
- Swiftly establish electrification technologies for collaboration in domestic and international projects

Carbon Solutions

Become carbon-free in energy and industrial machinery areas and materialize local production and consumption infrastructures

- Upgrade existing power generation facilities to minimize carbon dioxide emissions
- Develop technologies that harness biomass and ammonia
- Leverage data management to optimize energy, logistics, and industrial systems supply chains
- Expand automation product, services, and networks

maintenance, disaster prevention and disaster mitigation

Expand scope of value delivered across infrastructure development value chain, centered on maintenance and disaster prevention and mitigation

- Undertake maintenance from planning stages for significantly aging infrastructure, shortening lead times and reducing costs of this work
- Build and deploy preventive maintenance systems for infrastructure that harness remote monitoring, control, and digital transformation setups
- Develop technologies that encompass running and maintaining transportation infrastructure
- Build and validate systems that integrate waterway infrastructure management

Summary

Make “Project Change” a preparatory period for optimizing business portfolio and create businesses that are as pivotal as aero engines

Return to growth trajectory

Further strengthen earnings foundations

Expand lifecycle businesses

Create growth businesses

Air transportation systems

Carbon solutions

maintenance, disaster prevention and disaster mitigation

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Realize your dreams