February 8, 2019

IHI Corporation

Q&A for Fiscal 2018 Third-Quarter Results Teleconference

1. **Was your third-quarter operating profit in line with projections?**
   - Unfortunately, additional expenses for projects in the North American Process plant Business were higher than forecast, detracting from operating profit.
   - In other businesses, we reached or slightly exceeded targets.

2. **Did you book charges in the third quarter for process plant projects under way in North America?**
   - For the Resources, Energy and Environment Business Area, we are posting 6 billion yen more than initially envisaged in costs for projects in the North American Process plant Business.
   - We have started negotiating with customers to recoup additional expenses attributable to them, and are making requests for work on which costs are finalized. We cannot be certain that we will recoup all expenses. We will focus on increasing contract amounts.

3. **In the Resources, Energy and Environment Business Area, your full-year orders received forecast for boilers is considerably lower than previously. Why is that?**
   - That is because orders received were pushed back. We had anticipated that we would receive overseas orders for large boilers by the end of this fiscal year, but for one major project the customer postponed its order to next fiscal year.
   - Except for the nuclear power business, we have lowered our initial full-year orders received forecast for the Resources, Energy and Environment Business Area.

4. **What are conditions like in the Chinese market for your vehicular turbocharger business?**
   - With new auto demand polarizing in China market, models employing our vehicular turbochargers are quite popular.

5. **Your full-year operating profit forecast for the Aero Engine, Space and Defense Business Area includes a 3 billion earnings decline from fluctuations in construction profitability. What specific decrease is that? What is the operating profit outlook next fiscal year for the Aero Engine, Space and Defense Business Area?**
   - The 3 billion yen decline is due largely to a hike in raw materials costs. We are retaining our unit sales forecast for this fiscal year for the new PW1100G-JM engine.
   - We are yet to finalize figures for next fiscal years, so we cannot provide details. But we can say that we initially expected operating profit to hit bottom this fiscal year, and there may be no change in that situation for some time.

6. What was the thinking behind fully reversing your 11.0 billion yen risk buffer?

- Our risk buffer for this fiscal year is different than previously. Our full-term operating profit forecast for this fiscal year reflected improvements we would undertake to reach our targets under Group Management Policies 2016, and factored in the risk of failing to attain our projection. Our improvement initiatives have progressed well overall. Although we would have preferred to generate slightly higher earnings, we reversed the buffer for the additional costs that we booked for the North American Process plant Business.