May 13, 2021
IHI Corporation

Q&A for FY2020 Results Briefing

1. **How definite is your FY2021 operating profit forecast for Industrial Systems and General-Purpose Machinery?**
    - An upside change in construction profitability in that segment largely reflected improvements in the vehicular turbocharger business.
    - This segment posted virtually no operating profit in the first half of FY2020 because of the COVID-19 pandemic but began generating earnings in the second half on a recovery from the impact of that pandemic and efforts to reinforce the cost structure.
    - We accordingly expect second-half conditions to continue, with earnings improving significantly in FY2021.

2. **What is the outlook for the civil aero engines business in FY2021?**
    - Higher costs from higher production of new engines will probably offset gains from increased spare parts sales.
    - We look to shrink losses from last fiscal year by reinforcing our cost structure, mainly through productivity gains.

3. **Tell us about your lifecycle business results and forecasts.**
    - The boiler business was the prime driver of higher sales in FY2020.
    - In FY2021, we anticipate gains in energy businesses and in Industrial Systems and General-Purpose Machinery, where we have devoted considerable attention to digitizing processes.

4. **Why did you lower your vehicular turbocharger business sales forecast for China but lift it for North America?**
    - That’s because of a semiconductor shortage in China, although that situation should be temporary because it has resulted largely from model changes.
    - In North America, we look for our business to recover from the pandemic, and will expand mass production for new projects.

5. **Your projected capital expenditures and research and development expenses for FY2021 still seem tight in comparison with FY2019 levels. Does that mean that you are freezing or curbing this spending as in FY2020?**
    - In FY2021, we do not plan to freeze or curb spending at FY2020 levels. Our forecasts came from closely scrutinizing plans at the planning stage.
    - Our FY2019 capital expenditures were larger, partly because they included investments relating to a new aero-engine maintenance facility in Tsurugashima, Saitama Prefecture.

6. **Are you making Meisei Electric a wholly owned subsidiary to generate synergies with your space development business?**
    - That’s naturally a consideration. Meisei Electric’s camera and sensing technologies are vital for the IHI

Group's space development business. Meisei Electric and IHI Aerospace collaborated in developing the Hayabusa asteroid probe reentry capsule and camera.

- Also, we look to leverage Meisei Electric's technologies in diverse fields, including meteorological ones that help prevent and mitigate disasters, as well as carbon emissions-related technologies.

7. Roughly what asset sale and buffer levels have you factored into your FY2021 earnings forecast? Do you plan to keep selling assets in fiscal 2022 and beyond?

- FY2020 gains on sales of assets were around ¥20 billion. For FY2021, we anticipate around ¥50 billion in gains on sales of assets. After factoring buffers in, the net gains would be ¥18 billion.
- We aim to complete asset sales to secure resources for creating growth businesses by FY2021, and will consider actions as appropriate.