

Management Review of FY2021 Results and Progress with Project Change

IHI

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IHI Corporation

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- Positioning



- Project Change emphases: **Management that embraces ESG values**

Return to growth trajectory

Further strengthen earnings foundations
Expand lifestyle businesses

Overcome operating environment changes to drive value creation

Reallocate personnel
Pursue diversity and inclusion
Adopt new work practices

Financial strategies

Strengthen cash flow generation
Allocate funds optimally
Build solid financial position

Create growth businesses that address social issues

Materialize fulfilling lifestyles

Air transportation systems

Safe, comfortable, economical, and eco-friendly

Carbon solutions

Materialize carbon-free, circular economies and comfortable and secure decentralized communities

Become carbon-free

Maintenance and disaster prevention and mitigation

Develop robust, economical and eco-friendly social infrastructure

Prevent and mitigate disasters

FY2021 results assessment

- Boosted revenues and earnings (to new high) in FY2021
- Steadily expanded lifecycle businesses
- Accelerated efforts to create growth businesses

Business climate

- Frequent and major natural disasters
- Prolonged impact of COVID-19 pandemic
- Surging toward carbon neutrality
- Increasingly uncertain world situation



A world that normalizes dramatic changes

Issues

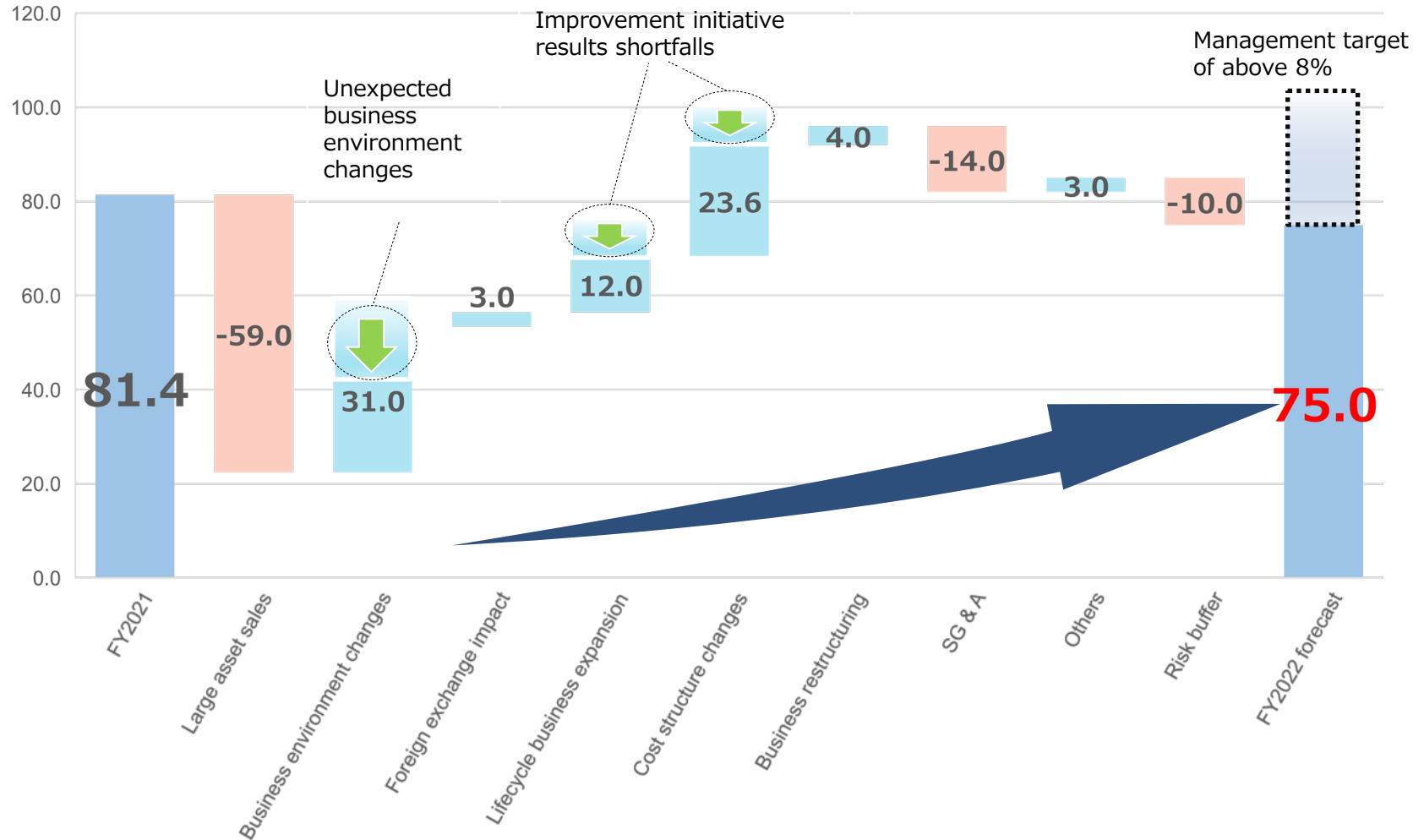
- Establish change-resistant earnings base (strengthen cash flow generation)
- Overhaul business structure based on assumption of dramatic change normalization

	FY2021	FY2022 forecasts	FY2022 targets
Revenue	¥1,172.9 billion	¥1,300.0 billion	—
Operating profit	¥81.4 billion*	¥75.0 billion	—
Operating profit margin	6.9%	5.8%	8.0%
Cash conversion cycle	112 days	99 days	80 days
Profit attributable to owners of the parent	¥66.0 billion	¥40.0 billion	—
Annual Dividends	¥70 (Interim ¥30, Year-end ¥40)	¥80 (Interim ¥40, Year-end ¥40)	—

*Including ¥59.0 billion gain from large asset sales

Factors in operating profit change

(Billions of yen)



Targeting record operating profit by reinforcing business earnings foundations in response to operating climate changes and risks

Management Targets

Strengthening Cash Flow Generation

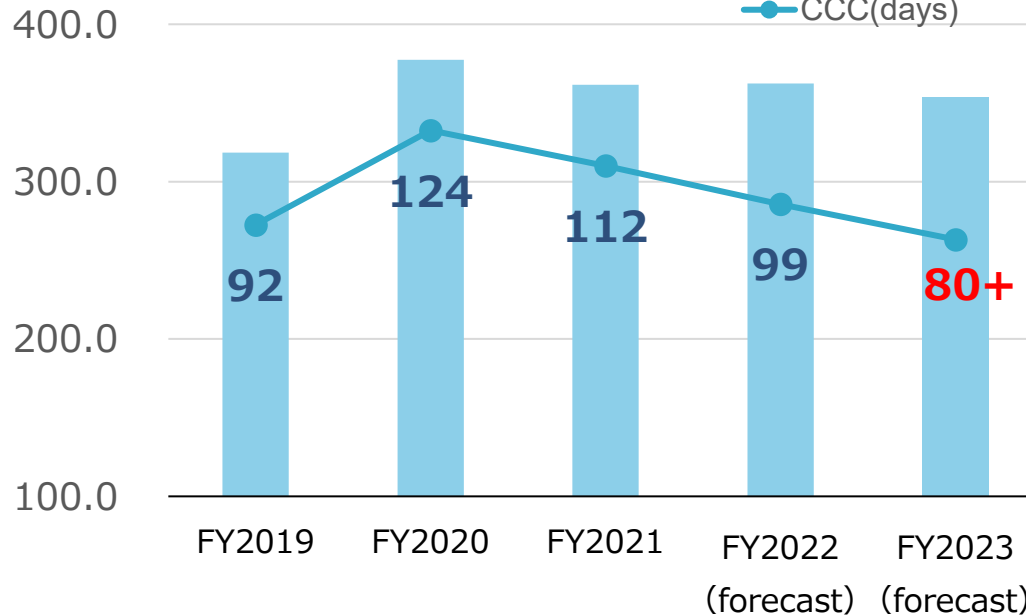
Assessment and outlook

- Progressing with business operations pursuing cash generation and efforts to constrain working capital
- **Steadily improving** cash conversion cycle, albeit likely to miss 80-day target
- Operating cash flow exceeded **¥100 billion** for first time in FY2021; seeking further expansion in FY2022

Cash conversion cycle

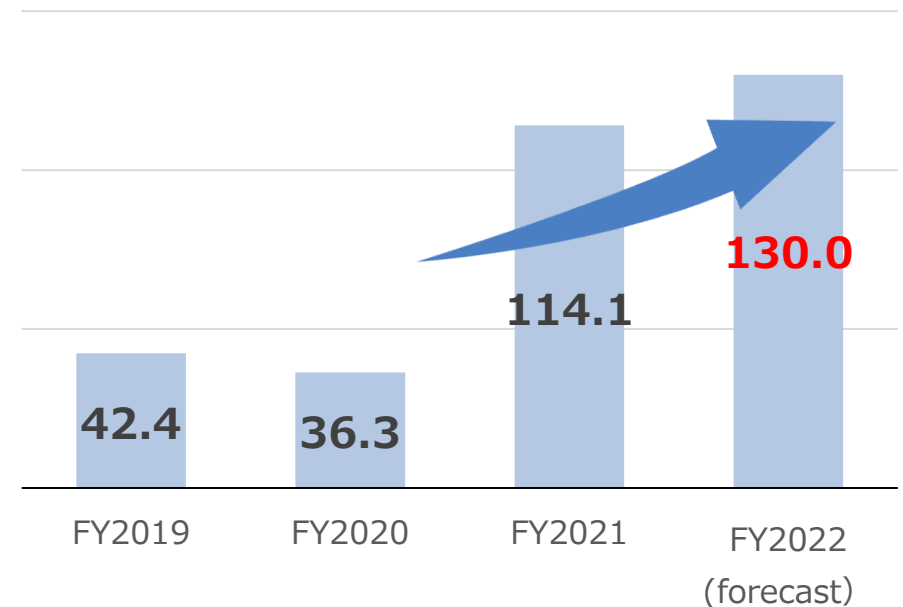
Billions of yen

Working capital
CCC(days)



Operating cash flow

Billions of yen



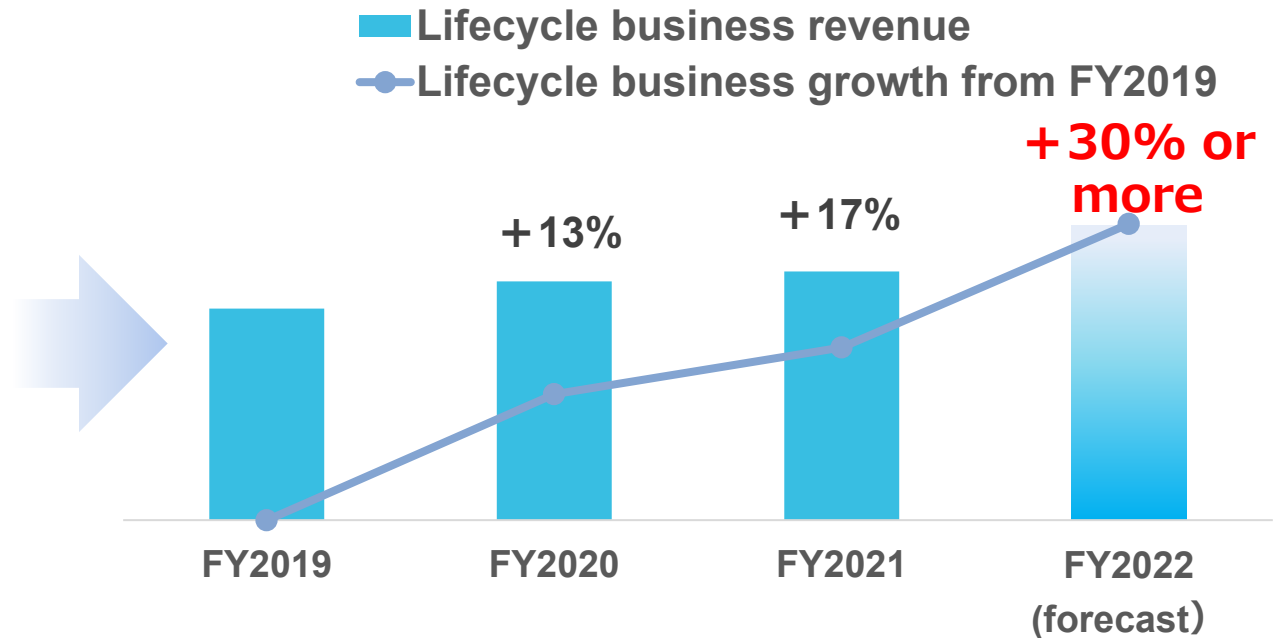
Assessment and outlook

- Lifecycle business revenue rose 17% in FY2021
- Looking to attain target in FY2022 on outcomes from measures
(increase by more than 30% from FY2019 level after excluding Aero Engine, Space and Defense numbers)

Lifecycle business expansion efforts



Lifecycle Business sales



FY2021 results

Expanded lifecycle businesses and generated cash flow

Lifecycle businesses

- Undertook construction to meet new standards for restarting nuclear power plants
- Received orders for long-term maintenance of biomass power generation facilities and energy storage systems, including for operations and maintenance

Business structure reforms

- Signed memorandum of understanding to transfer large-bore marine engines business
- Transferred pharmaceutical plant engineering, procurement, and construction business

Growth business initiatives

- Verified and developed ammonia combustion technology and deployed it overseas in drive to reach carbon neutrality by 2050
- Participated in small modular reactor business

Lifecycle business highlight



Received energy storage systems and long-term maintenance order for one of biggest solar power facilities in United States

Future efforts

Further expand lifecycle businesses and swiftly commercialize new carbon solutions-related businesses

FY2021 results

Expanded lifecycle businesses by securing large maintenance projects

Lifecycle businesses

- Received record bridge maintenance orders
- Set up Disaster Prevention and Water Gate Technical Training Research Facility and initiated early training of engineers

Lead time reductions and digital transformation

- Shortened overall lead times by reviewing bridge production processes and deploying digital transformation
- Reformed businesses by employing building information modeling and construction information management data in design through maintenance

Growth business initiatives

- Secured maintenance projects for Japan's national resilience plan
- Expanded business by upgrading water usage and flood control systems

Lifecycle business highlight



Received order to replace hanger cables on Fatih Sultan Mehmet Bridge in Turkey

Future efforts

Focus resources on lifecycle businesses, including to expand post-construction maintenance and provide preventive maintenance in bridge business

FY2021 results

Grew rotating machinery and thermal and surface treatment businesses and increased orders from lifecycle business and business process reform efforts

Lifecycle businesses

- Integrated services sites for multiple businesses
- Deployed subscription-based digital services that help streamline customer operations

Cost structure reinforcement

- Obtained orders by shortening delivery times, such as by cutting lead time for vacuum furnace construction from five months, to two
- Leveraged ICT to submit quotations early and thus create opportunities to win orders

Growth business initiatives

- Developed fuel cell vehicle electric turbocharger
- Became business entity that resolves carbon dioxide reduction, energy conservation, and automation challenges

Growth business highlight



Concluded technical alliance in electromotive turbochargers with world's biggest automotive powertrain engineering company

Future efforts

Flexibly tackle automotive production recovery, reform business processes, drive digital transformation to expand lifecycle businesses, and bolster Southeast Asian services businesses

FY2021 results

Steadily improved civil aero engine business by capitalizing on domestic and short-haul international flight recoveries

Cost structure reinforcement

- Employed just-in-time procurement and digital transformation to stabilize processes and steadily enhance manufacturing productivity for new engines

Lifecycle businesses

- Launched Lifecycle Solutions Center to build structure to expand engine maintenance business

Growth business initiatives

- Accelerated development of composite fan blades and ceramic matrix composites
- Participated from conceptual design stage of next-generation engines

Lifecycle business highlight



Civil aero engine facility in Tsurugashima, Saitama Prefecture, took steps to expand lifecycle business by preparing for civil aviation demand recovery and growth

Future efforts

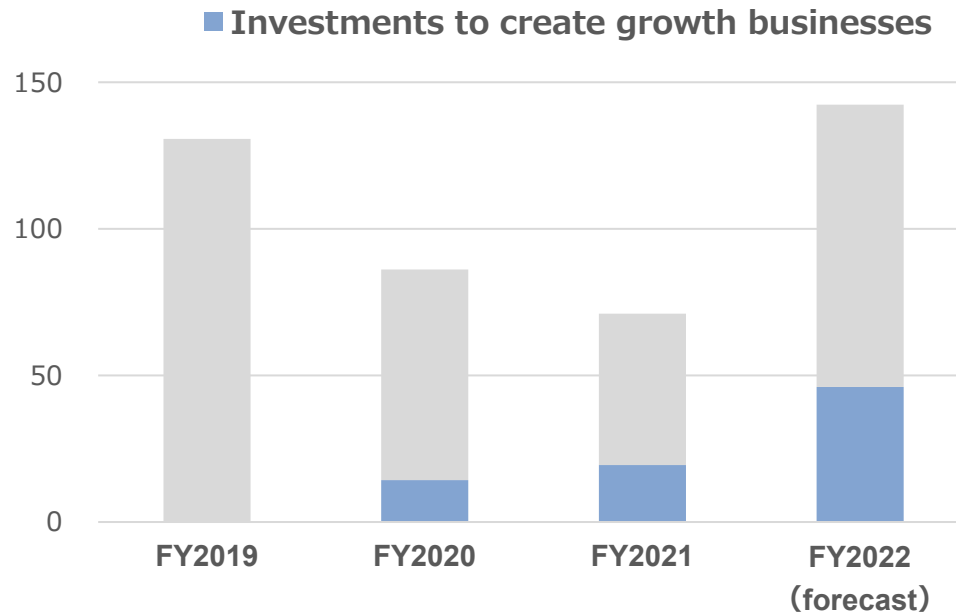
Reinforce profit structure by shifting resources and pushing ahead with digital transformation to regain growth trajectory

FY2022 investment plans

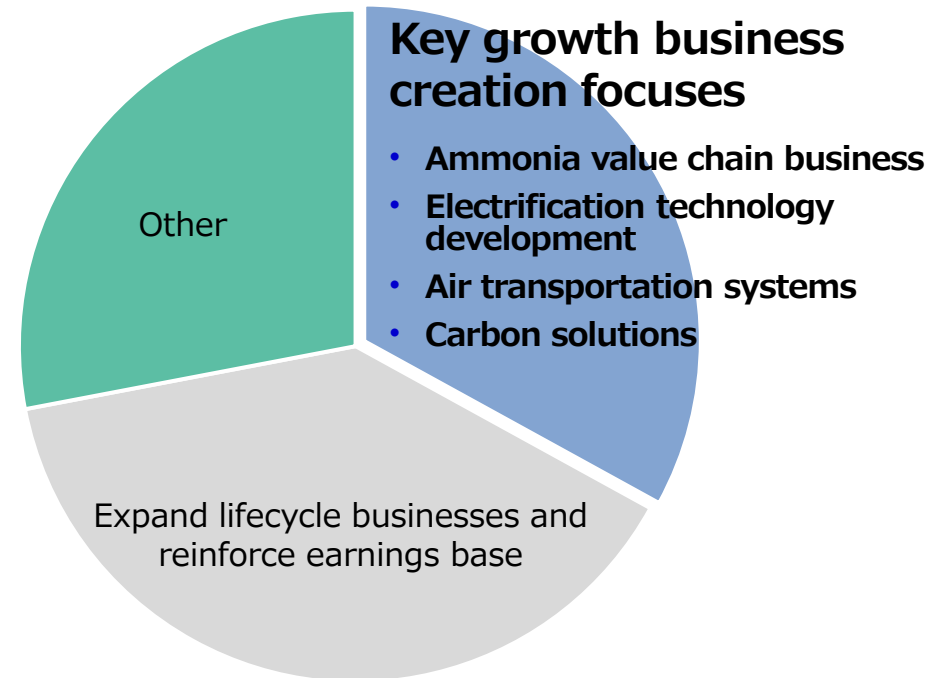
- Invest more than prior to pandemic
- Allocate more than 30% of investments to creating growth businesses

Investments since FY2019

Billions of yen



FY2022 investment targets



- Transferred major fixed assets in FY2020 and FY2021 to secure investment resources
- In FY2022, planning to raise funds through transition bonds in FY2022, prospective applications including zero-emissions mobility, ammonia mono-firing, ammonia value chain construction, and carbon recycling

Began mulling ammonia production business

- Established new organization to build value chain covering production through usage
- Initiated carbon-free ammonia production method study in Tasmania, Australia



Illustration of ammonia plant

Developing ammonia receiving and storage technology

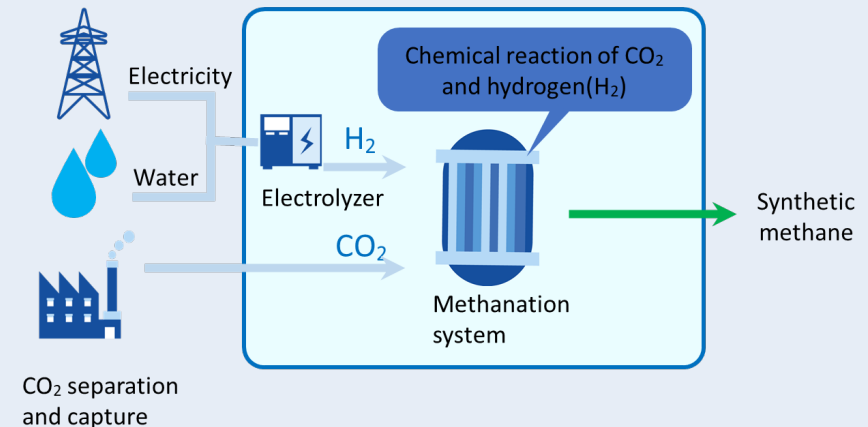
- Began studying establishment of ammonia import base and ammonia co-firing demonstration with existing facilities with Idemitsu Kosan Co., Ltd.
- Started assessing establishment of large ammonia supply chain in anticipation of ammonia distribution volume growth



Illustration of large ammonia receiving terminal

Developing carbon recycling technologies

- Delivered IHI's first methanation unit to Asahi Group research facility
- Accelerated research and development into methanation, low-grade olefins, sustainable aviation fuels, and other areas with Singapore's Institute of Sustainability for Chemicals, Energy and Environment



Methanation framework

Participating in small modular reactor business

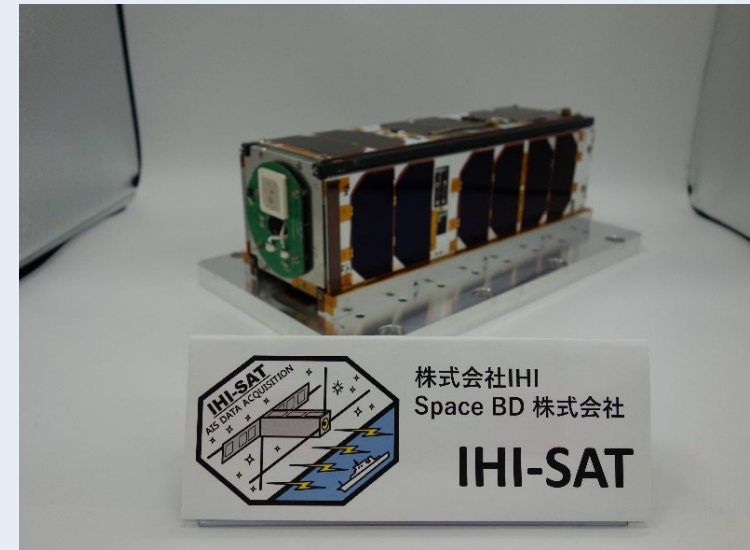
- Invested in NuScale Power LLC in United States with Japan Bank for International Cooperation and JGC Holdings Corporation
- IHI planning to play pivotal role in business by providing key equipment and engineering services



Illustration of completed facility

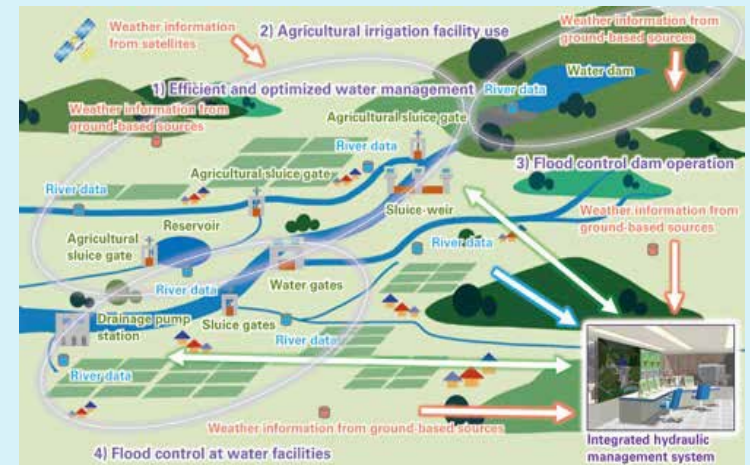
Rocket, satellite, and data applications

- Deployed IHI-developed nanosatellite
- Accelerated efforts to secure orders for commercial missions and launch services
- Formed business alliance with Sumitomo Forestry for satellite data-based management of tropical peatlands



Conservation & disaster prevention and mitigation

- Contributing to disaster prevention and mitigation through advanced water utilization and flood control management systems
- Developing sluice gate inspection support system that streamlines and automates inspections



Integrated water usage and management concept

Stock included in leading ESG index

On April 1, 2022, global index provider FTSE Russell included IHI in the FTSE Blossom Japan Sector Relative Index, which the Government Pension Investment Fund of Japan uses as a benchmark for ESG investments



IHI transition bond issue selected for Japanese government model projects

Ministry of Economy, Trade and Industry selected a transition bond that IHI plans to issue in fiscal 2022 as one of its 2021 Climate Transition Finance Model Projects



Joining United Nations Global Compact

IHI signed and registered as a participant in the United Nations Global Compact initiative, which brings businesses together in the drive for a better world





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