

## **Q&A for Fiscal 2021 First-Half Results Briefing**

- 1. What is the outlook for a recovery of the civil aero engines business? Might this business return to the black next fiscal year?**
  - There was a moderate recovery in the first half of the year, primarily in engines for small and medium-sized aircraft. The turnaround pace could slow in the second half, however, reflecting such factors as the spread of the COVID-19 Delta variant in India and Europe and travel restrictions in China.
  - For next fiscal year, we will explore a return to profitability for the civil aero engines business on domestic flight demand recovering, developed nations lifting entry restrictions, and operations expanding for small and medium-sized aircraft in India and Southeast Asia.
  
- 2. How are you progressing with your carbon solutions as part of ESG management?**
  - We have garnered great interest from companies worldwide for our ammonia co-firing demonstration project with JERA. We look for operations to take shape in or beyond fiscal 2025, when we complete demonstrations.
  - For power management systems employing renewable energy, IHI received major orders in North America, where demand is rising for systems that integrate solar power generation and storage batteries. Our proprietary software has earned an excellent reputation for post-installation updateability, so it offers potential.
  
- 3. How have surging materials and transportation costs affected IHI?**
  - The impact has not been great. As well as incorporating provisions that directly reflect rising steel and transportation costs in prices, we were quite quick to act, notably by bringing materials orders forward and changing or adding more suppliers, and will keep taking such steps down the track.
  
- 4. What progress have you made in strengthening the civil aero engines business cost structure?**
  - Progress has been slower than we forecasted for the full year. We are making headway, however, and expect our efforts to bear fruit in the second half.
  
- 5. How has the semiconductor shortage affected your vehicular turbochargers business?**
  - It hampered revenue somewhat in the first half. Still, we anticipate a turnaround in automobile unit production, which should be back on track during this year and recover to initial levels in the fourth quarter.
  - That said, the recovery outlook reflects some uncertainties, and we have allocated a risk buffer.