

IHI REPORT



Interim Report for the 205th Fiscal Year

April 1st, 2021 to September 30th, 2021





We will promote ESG management with the aim of achieving a sustainable society and enhance corporate value through the resolution of social issues.

IHI Corporation
Hiroshi Ide President and Chief Executive Officer

Taking a look back at the first half of FY2021, how was IHI's performance until September 30th, 2021?

We were greatly affected by the spread of COVID-19 in the previous fiscal year, but there are signs of recovery in the business environment. In the Aero Engine, Space and Defense Business Area, which was particularly greatly affected, progress made in vaccination programs (primarily in North America and Europe) led to a resumption of operations for domestic routes and short-distance international routes, and in the Civil aero engines Business, we saw a gradual increase in sales of spare parts, resulting in a reduction of deficit.

In addition, as a result of our efforts to

Earnings Highlights

(Billions of yen)

Item	Six months ended September 30, 2021	FY2021 Full-year consolidated forecast
Revenue	516.5	1,180.0
Operating profit	26.3	70.0
Profit before tax	26.6	60.0
Profit attributable to owners of parent	15.1	35.0

strengthen the cost structure, expand Lifecycle Businesses and take other measures under "Project Change," which we announced in November 2020, we recorded increases in revenue across all business areas. Excluding the Social Infrastructure and Offshore Facilities Business Area, which was affected by the sharp rise in steel prices and other factors, operating profit grew in all three of the other business areas.

As a result, during the six months under review, the accounts showed an improvement over the same period of the previous fiscal year, turning profitable at all profit stages, with a revenue of ¥516.5 billion, operating profit of ¥26.3 billion, and profit attributable to owners of parent of ¥15.1 billion.

What are the Company's full-year consolidated forecasts for FY2021?

The restrictions on economic activity caused by the spread of COVID-19 are gradually being relaxed, and we expect a recovery in the global economy, but beyond that many uncertainties remain, such as the shortage of semiconductors, soaring prices for raw materials and marine transportation costs, and a resurgence in COVID-19. However, given the satisfactory progress of various measures being implemented as part of Project Change, for the full-year consolidated

forecasts for FY2021 we are forecasting ¥1,180.0 billion in revenue, operating profit of ¥70.0 billion, and profit attributable to owners of parent of ¥35.0 billion.

We have set the interim dividend for the six months ended September 30, 2021, at ¥30 per share. We plan to pay a dividend of ¥30 per share as a year-end dividend for the fiscal year ending March 31, 2022.

What concrete progress has been made under Project Change, which was announced last year?

Project Change is a period of preparation and transition for reforming businesses to enable them to respond to rapid changes in the operating environment, including COVID-19. The effects of the various measures that the IHI Group has worked as one to drive forward can be seen in the improvement in operating profit.

With the aim of strengthening the cost structure, we achieved further improvement of the break-even point in the Vehicular Turbocharger Business, while in the Resources, Energy and

Environment Business Area, we implemented thorough risk management at the stages of organizing and quoting for projects, aiming to eradicate downturns in construction profits.

We are also expanding our Lifecycle Businesses, and we are steadily winning orders for construction work related to the seismic reinforcement work and repair work of bridges in the Social Infrastructure and Offshore Facilities Business Area, and in the Resources, Energy and Environment Business Area, we are making progress in orders for maintenance and inspection work that utilizes DX*, advanced operating services, and others.

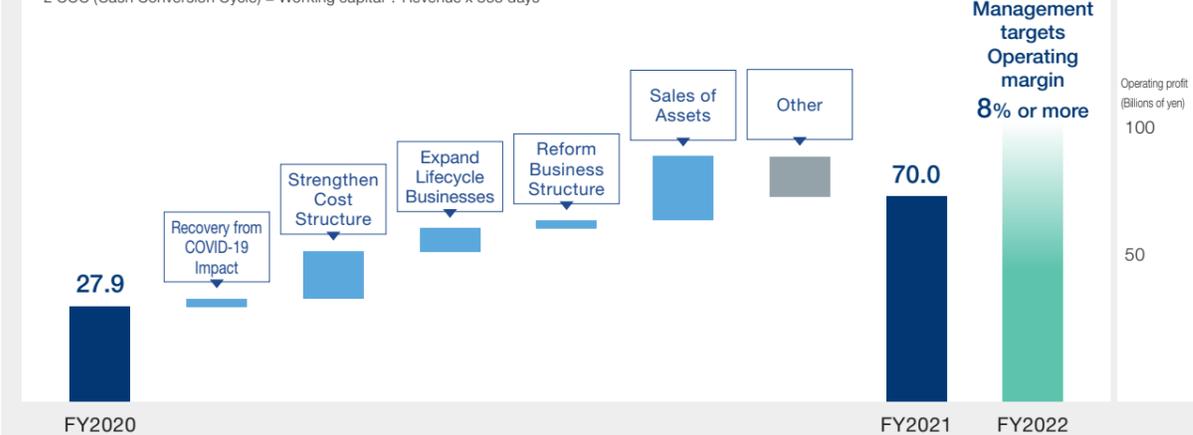
Moreover, we are moving forward with business structure reforms and accelerating initiatives to create new growth businesses, such as by participating in the market for Small Modular Reactors Business, and also transferred the Pharmaceutical EPC Business of IHI Plant Services Corporation to another company.

Going forward, we will continue to implement Project Change measures, and work towards achieving the management targets for FY2022.

*DX: Digital Transformation

Path to Achieving Management Targets

*1 ROIC after tax = (Operating profit + Interest income and dividend income) after tax / (Equity attributable to owners of parent + Interest-bearing liabilities)
 *2 CCC (Cash Conversion Cycle) = Working capital ÷ Revenue x 365 days



Management Targets of "Project Change": ROIC after tax^{*1} 10% or more, CCC^{*2} 80 days, Operating margin 8% or more

Please provide an overview of the ESG management, which was announced on November 9, 2021.

Over the years, the IHI Group has been working to resolve social issues, guided by the management philosophies of “Contribute to the development of society through technology” and “Human resources are our single most valuable asset.” We will continue to resolve social issues through business operations in accordance with the substance of the IHI Group’s ESG Management, which was announced in November 2021, and is an expression of the determination of the IHI Group to achieve a sustainable, mutual growth for the IHI Group and society.

In terms of addressing climate change, which is currently the most significant social issues, we have set targets for making the carbon-neutral value chain by 2050. To achieve carbon neutrality, we will not only reduce CO₂ emitted as a result of the IHI Group’s business operations, but also further promote technology development in such areas as improvements in the efficiency of existing power generation facilities, the use of ammonia, and carbon recycling, thus enabling the customer and the supply chain as a whole to reduce CO₂ emissions through our products and services.

The driving force behind the push toward ESG management and enhancements to corporate value is human resources. In order to encourage a corporate culture that enables active participation by diverse human resources, we will promote a range of initiatives going forward. Respect for human rights is the foundation of all our business activities. With the aim of fostering a corporate culture that respects human rights and of promoting related initiatives across all its business activities, the IHI Group has formulated the “IHI Group Human Rights Policy,” and is building a

global structure to enable the unified management of risks associated with human rights.

Finally, please tell us the areas about which you are most enthusiastic, as President of IHI.

With the business environment in which the IHI Group operates experiencing significant volatility, such as initiatives to deal with climate change, we must adopt an appropriate approach to management that is conscious about society and the environment, and that places ESG at the core of its values.

First, we are seeking to return to a growth trajectory by steadily executing the initiatives in Project Change, and to achieve the management targets for FY2022 of ROIC after tax of 10% or more, a CCC of 80 days, and an operating margin of 8% or more. We will also create new growth businesses to resolve social issues, and achieve sustainable enhancements in corporate value.

We are carefully monitoring the progress of these initiatives on the Board of Directors and elsewhere, and we will work to secure the trust of stakeholders by showing them the results.

I express my heartfelt gratitude to all IHI shareholders and look forward to their continued and invaluable support in the future.

Interim Dividend

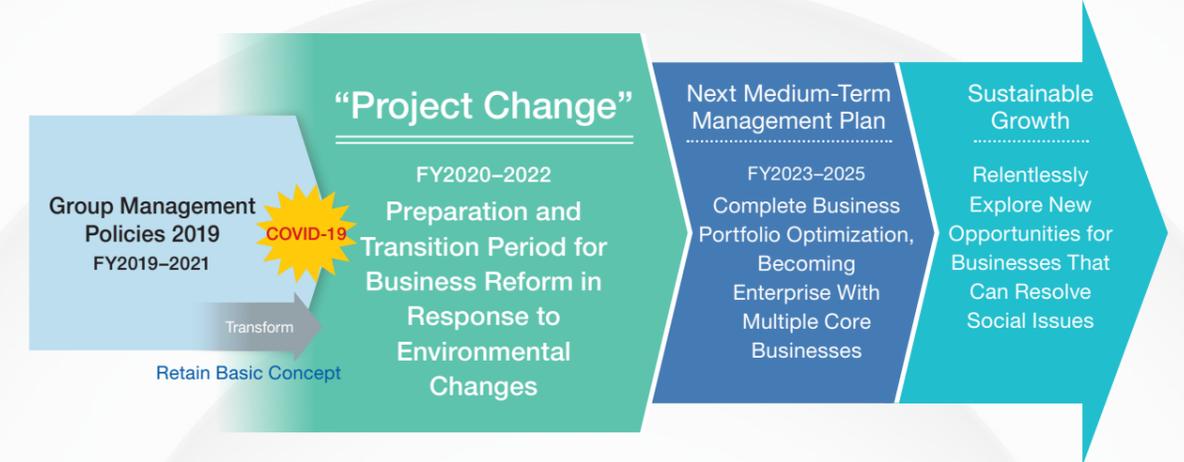
¥30
per share

We have set the interim dividend for the six months ended September 30, 2021, at ¥30 per share.

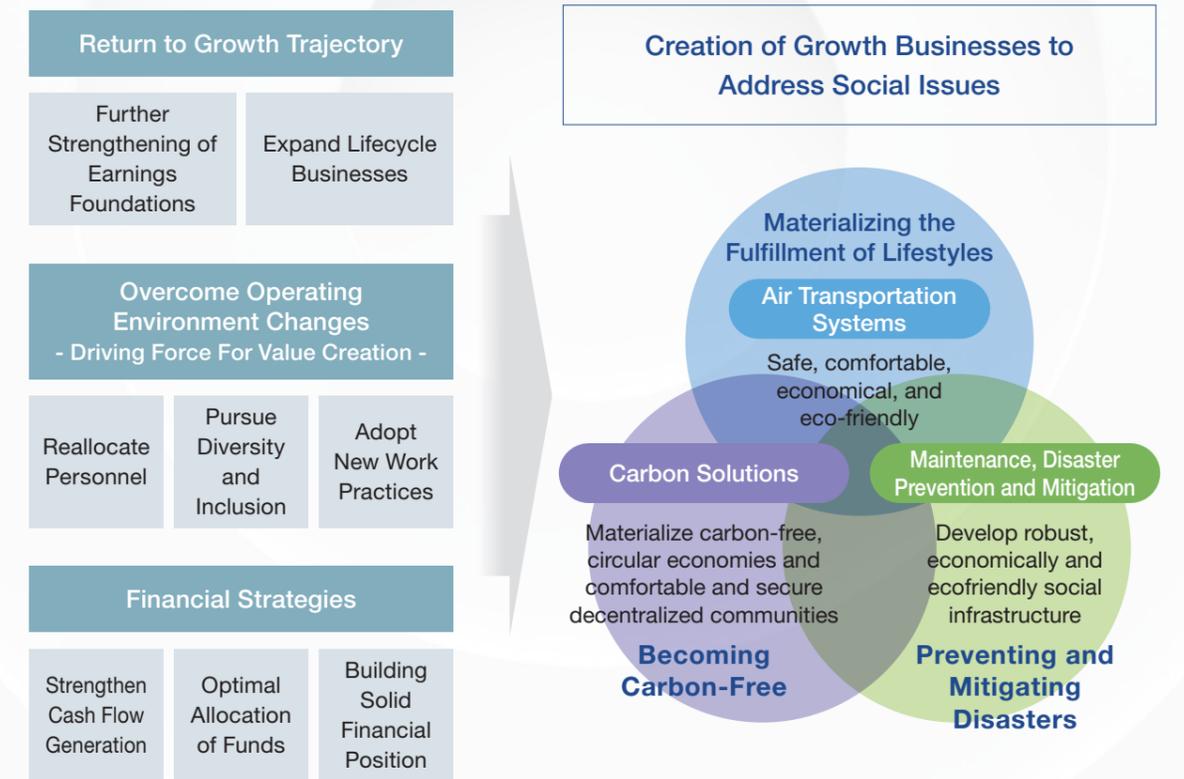
We plan to pay a dividend of ¥30 per share as a year-end dividend for the fiscal year ending March 31, 2022.

Overview of “Project Change”

● “Project Change” Positioning



● “Project Change” Emphases: Management That Embraces ESG Values



Please refer to the IHI Group’s website to track the progress of Project Change.
https://www.ihi.co.jp/en/ir/ir_library/summary/index.html



IHI Group's ESG Management

The IHI Group will help to resolve social issues through business operations to achieve sustainable, mutual growth for the IHI Group and the society.

On November 9, 2021, the IHI Group announced its ESG initiatives, which are at the heart of Project Change, as “the IHI Group’s ESG Management.” Over the years, the IHI Group has been setting as the management philosophies of “Contribute to the development of society through technology” and “Human resources are our single most valuable asset.” Based on these philosophies, we nurture a corporate culture that uphold human rights and in which diverse human resources can actively participate as the driving force to resolve social issues through our business operations, and to create a world where nature and technology work in unity.

Our Sustainability Vision
Create a World Where Nature and Technology Work in Unity



Upholding Human Rights

Building a Diverse and Inclusive Workforce

Securing the Stakeholders' Trust

Management Philosophy

Contribute to the development of society through technology

Human resources are our single most valuable asset



Climate change measures

In terms of specific targets to address climate change, we will bring together all strength of the IHI Group with the aim of making the entire IHI Group value chain carbon neutrality^{*1} by 2050.

IHI Carbon-Neutral 2050

The IHI Group will achieve a carbon-neutral value chain by 2050.

Cut CO₂ emissions to achieve carbon neutrality

Through business operations

Cuts through production

- Proactive adoption of pioneering technologies
- Fuel conversion
- Use renewable energy

Cuts through procurement

- Proactive adoption of environmentally friendly businesses partners

Through products and services

Cuts through existing technologies Transition^{*2}

- Enhance efficiency of existing facilities
- Lighten and electrify products
- Use renewable energy

Cuts through new technologies Transformation^{*3}

- Use hydrogen and ammonia
- Realization of carbon recycling

^{*1} Carbon neutrality: a state in which the difference between emissions of greenhouse gases (such as CO₂) and the volume of greenhouse gases absorbed and eliminated is zero.

^{*2} Transition: the period during which society undergoes a transition toward a business reform for carbon neutrality. IHI will utilize and develop existing technologies to contribute to the shift to low-carbonization/decarbonization efforts.

^{*3} Transformation: the state in which society is transformed to carbon neutrality. IHI will help achieve a carbon-neutral society by introducing and utilizing new technology and mechanisms.

Carbon neutrality through products and services

With the aim of achieving a future carbon-neutral society, the IHI Group will not only provide the carbon solutions technology that it has accumulated over many years of track record and research, but also work to develop new technology.

Transition Examples of cuts through existing technologies

Boost existing power plant efficiency

The IHI Group helps raise the power generation efficiency of customer facilities by providing advanced maintenance and operating services.

The Group is also leveraging its strengths in high combustion technology to contribute to work being undertaken to convert coal-fired boilers to biomass fuel.

Power management systems employing renewable energy

The renewable-energy power management systems provided by the IHI Group combine storage batteries and EMS* to adjust the supply-demand balance for solar power generation, thus contributing to higher efficiency for the power-generation system as a whole.

*EMS: Energy Management System

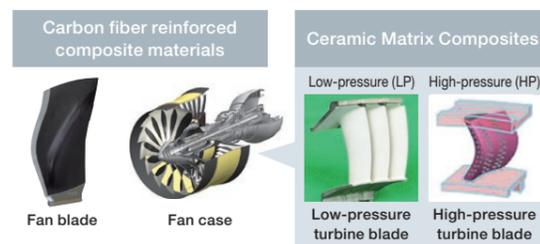


Energy Storage Management System provided by IHI Terrasun Solutions Inc.

Lighten and enhance heat resistance of aviation parts

The International Air Transport Association (IATA) has set a target for the global aviation industry of achieving net zero greenhouse gas emissions for aircraft by 2050. Improvements in fuel-efficiency are a precondition for reductions in aircraft greenhouse gas emissions.

By developing and manufacturing aircraft components that use lighter materials that are capable of withstanding higher temperatures, the IHI Group is helping achieve such improvements in aircraft fuel-efficiency.



Electric turbochargers

The IHI Group has led the industry in commercializing electric turbochargers for fuel cell systems, and is thus contributing to improvements in the efficiency of such systems.



"ETC M" electric turbocharger for fuel cell systems

Transformation Examples of cuts through new technologies

Not only is ammonia easy to manufacture, store, and transport, but it does not emit CO₂ when combusted, and so it is a fuel that can make a significant contribution to reducing greenhouse gas emissions.

By actively working to build a value chain by developing technology for the utilization of hydrogen/ammonia, and developing large receiving terminals for their storage, the IHI Group is helping achieve a carbon-free, recycling-oriented society.

Co-firing ammonia in boilers and gas turbines

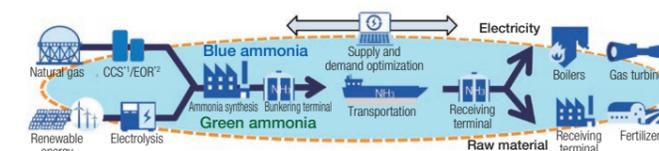
As a project subsidized by the New Energy and Industrial Technology Development Corporation (NEDO), IHI and JERA Co., Inc. are engaged in the world's first demonstration project for the use of high volumes of ammonia at a large commercial coal-fired power station.

From ammonia co-firing to ammonia exclusive firing

NEDO consigned to IHI a project requiring technical development of a 2,000-kW-class gas turbine for the co-firing of liquid ammonia and natural gas, which became the world's first such device to achieve stable combustion of liquid ammonia with a co-firing ratio of 70% on a calorific basis.

Construction of ammonia value chain

The IHI Group is not only involved in combustion technology for ammonia but is also working to build an entire value chain that incorporates "making," "carrying," "storing," and "using," by developing ammonia manufacturing technology, large receiving terminals for ammonia, and so on.



*1 CCS: Carbon dioxide Capture & Storage
*2 EOR: Enhanced Oil Recovery

Commercialization of tropical peatland* consulting

When they dry out, tropical peatlands become extremely prone to fires, and management of groundwater levels is of the utmost importance. The Group commenced a business alliance with Sumitomo Forestry Co., Ltd. with the aim of commercializing tropical peatland consulting. We aim to prevent peat fires, reduce CO₂ emissions, and protect forests by monitoring and predicting groundwater levels in tropical peatlands.

* "Tropical peatland" refers to soil formed by the accumulation of plant remains that have not decomposed in water. They are distributed through Indonesia, the Congo Basin, and the Amazon and have a total surface area worldwide of approximately 50 million hectares (about 1.3 times the land area of Japan).

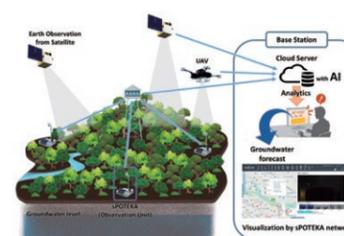


Image of system for predicting groundwater levels

Achieving Carbon Neutrality in 2050

Making Meisei Electric Co., Ltd. a wholly owned subsidiary

On August 1, 2021, IHI made Meisei Electric Co., Ltd. (“Meisei Electric”), a consolidated subsidiary listed on the second section of the Tokyo Stock Exchange, a wholly owned subsidiary.

Since it was established in 1938, Meisei Electric has contributed to the safety and security of society by developing meteorological observation equipment, such as radiosonde and AMeDAS, devices for mounting in rockets, and other products. After entering into a capital and business alliance with IHI in 2012, the company has collaborated with the IHI Group in multiple areas, such as the water gate and space-related businesses.

The background to the recent conversion of Meisei Electric to a wholly owned subsidiary was the desire to leverage its experience and the core technologies of sensing and communications that it has cultivated in the meteorological and space-defense businesses, in the area of “Maintenance, Disaster Prevention and Mitigation,” which has been designated a growth business by the IHI Group, so as to generate further synergies. Meisei Electric’s meteorological observation technology is also being used in the joint initiative between the IHI Group and Sumitomo Forestry Co., Ltd., which began in June 2021, to prevent fires in tropical peatlands.

We will combine the technological knowledge of the IHI Group with Meisei Electric’s technology for measuring the Earth so as to generate further synergistic effects, with the aim of continuing to use predictive capabilities to prevent and mitigate disasters, and providing solutions for monitoring the soundness of social infrastructure.



“sPOTEKA” peatland information observation equipment (Mock-up for exhibition purposes)

Tsurugashima Aero-Engine Maintenance Works begins operation

In June 2021, IHI began operations at the Tsurugashima Aero-Engine Maintenance Works (Tsurugashima City, Saitama), a new maintenance site for civil aero engines. In preparation for a recovery in demand for civil aero engines in a post-COVID-19 world, we are aiming for further expansion in Lifecycle Businesses.

Due to the worldwide spread of COVID-19, global air travel demand underwent a significant temporary decline, but in countries and regions where vaccinations have progressed there has been a trend towards moderate recovery, centered on domestic routes. The IHI Group had worked to strengthen the existing production system, primarily at the Mizuho Aero-Engine Works aero engine maintenance site, but focusing on the demand recovery going forward, it made the decision to begin operations at the Tsurugashima Aero-Engine Maintenance Works. The Tsurugashima Aero-Engine Maintenance Works deploys new technologies such as IoT and AI, and aims to achieve world-leading maintenance service systems.

The IHI Group will continue to work on maintaining its competitiveness in the Aero Engine Business at the top global level, supporting safe, secure, and comfortable travel in aircraft all over the world.



Exterior photo of Tsurugashima Aero-Engine Maintenance Works

IHI
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Inquiries regarding administrative procedures for stocks

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