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1. Resources, Energy & Environment Business Area Outline
Resources, Energy & Environment Business Area Outline

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- Health & Safety G.
- Planning & Control Dept.
- Strategy Development Dept.
- Business Development Dept.
- Sales Strategy & Coordination Dept.
- Quality Assurance Dept.
- Procurement Center

Power Systems SBU*

- Niigata Power Systems Co., Ltd.*
- Diesel United, Ltd.*

*To be merged on July 1, 2019, into IHI Power Systems (provisional name)

Boiler SBU

Aioi Works

Nuclear Energy SBU

Yokohama Works

Plants SBU
(IHI Plant Services Corporation)

Asia EPC SBU
(Jurong Engineering Limited)

FY2018 Segment Sales
(¥377.0 billion)

- Boilers 33%
- Power systems 25%
- Plants 20%
- Nuclear energy 9%
- Asia EPC 13%

- Hiroshi Ide: Executive officer and president of business area
- Yoshinori Komiya: Executive office and vice president of business area
- Kouji Takeda: Executive officer and vice president of business area and president of IHI Plant Services Corporation
Resources, Energy & Environment Business Strategies

(1) Direction

Contribute to carbon-free and recycling societies by providing optimal integrated solutions for each region and customer

Environment
Assess and lower carbon dioxide emissions in framework of life cycle and recycling-based society

Renewable resources
Create new resources in carbon-free and recycling societies

Renewable energy usage
Pursue regional and industry decentralization and renewable energy-based society

Depleted resources usage
Minimize life cycle carbon dioxide emissions

Carbon dioxide emissions reduction approaches

1. Lower emission rates
Higher performance and efficiency, fuel conversion, and renewable resource usage, etc.

2. Use less energy
Energy conservation and management, etc.

3. Increase absorption and usage
Resources creation and chemicals conversion, absorption, and storage, etc.

Addressing social issues
While energy 4D+E* megatrends initiatives are accelerating to combat climate change, lower environmental impact and cut carbon dioxide emissions

* Decarbonization, Decentralization, Digitization, Deregulation, and Electrification

Halve carbon dioxide emissions of domestic and overseas customers by 2035

Solutions proposals
Use existing technologies
Develop new technologies
Collaborate with other companies

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Strengthen business foundations

Reinforce core technologies and enhance customer value in lifecycles

- Fully employ such strengths as ultra-super critical pressure, biomass incineration, and fuel handling technologies
- From the perspective of globalizing the cycle value chain, supply plant systems and services that cater to diversifying social needs, notably for high efficiency, distribution, fuel diversification, and renewables stabilization, to create new energy businesses
- Conceive and materialize with partners the development of infrastructure that encompasses industrial estate development that incorporates the energy businesses created, distributed energy supply businesses, and other elements

Build a robust operational structure

Create a lean and flexible organization by reforming business structure

- Digitize to establish shared business platforms and optimally allocate resources across the Group to drive business structure reforms, to build a robust business management structure that is efficient with lean and flexible business operations

Accelerate preparations for tomorrow

Create new value for carbon-free and recycling societies

- Develop diverse technologies that help reduce carbon dioxide emissions while exploring an effective business model and formulating a technology portfolio that is pivotal for tomorrow’s businesses
Value chain encompassing carbon-free and recycling societies

- Remote islands
  - Water electrolysis
  - Storage and carbon capture and utilization
  - Energy carrier
    - Dispersion and diversification
      - Virtual power plant
        - Energy storage
        - Renewable energy microgrid
          - Mobility
            - Water electrolysis
            - Hydrogen
        - Advanced operations (O&M, AI, and IoT)
          - Fuel conversion
            - Dispersion and diversification
              - Carbon capture
                - Load adjustment
              - Virtual power plant
                - Energy storage
                - Demand response
              - Power to X (gas, fuel, and raw materials)
                - Carbon capture
                  - Biomass and thermoelectric power supply
                  - Direct carbon dioxide usage
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## Medium- and long-term roadmap under business strategies

<table>
<thead>
<tr>
<th>Short term (to 2021)</th>
<th>Medium term (to 2023)</th>
<th>Long term (from 2024)</th>
</tr>
</thead>
<tbody>
<tr>
<td>In short term, reduce CO2 emissions by expanding lifecycle businesses. Cultivate renewable energy and new decarbonization businesses and help lower CO2 emissions</td>
<td><strong>CO2 emissions reduction rate</strong>&lt;br&gt;- Energy management business development&lt;br&gt;  - Renewable energy penetration and stable needs&lt;br&gt;  - Utility optimization&lt;br&gt;  - Infrastructure development in off-grid areas</td>
<td><strong>New decarbonization businesses</strong>&lt;br&gt;- Carbon capture, utilization and storage&lt;br&gt;  - Hydrogen and ammonia production use&lt;br&gt;  - CO2 value conversion&lt;br&gt;- Operating rate improvements and operational advances&lt;br&gt;  - Global expansion&lt;br&gt;  - Remote monitoring and anomaly detection</td>
</tr>
<tr>
<td><strong>Renewable energy</strong></td>
<td></td>
<td><strong>Renewable resources</strong></td>
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<tr>
<td><strong>Nonrenewable resource usage</strong></td>
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</tbody>
</table>
Resources, Energy & Environment Business Area Strategies

(5) Direction: Focuses in three areas

Nonrenewable resource usage

Reinforce lifecycle business to lower carbon dioxide emissions and increase customer value

- Identify customers’ intrinsic needs and provide solutions
- Develop lifecycle business through high performance and efficiency
- Engage in advanced digitally based (monitoring and Digital Twin) operations and management
- Expand scope of business from business to industrial use and cater to diverse needs
- Enhance globalization by bolstering collaboration with overseas business sites

Renewable energy

Cut carbon dioxide emissions by harnessing renewables and managing energy

- Stabilize renewable energy and formulate comprehensive proposals that encompass everything from supply through demand
- Optimally manage energy operations in on-grid areas

Renewable resources

Develop technologies for carbon-free and recycling societies and cultivate new businesses

- Develop technologies for hydrogen production, ammonia, and methanation usage
- Use biomass and develop business for fuel diversification
Expand life cycle businesses and enhance customer value

<table>
<thead>
<tr>
<th>Year</th>
<th>Boilers</th>
<th>Power systems</th>
<th>Plants</th>
<th>Nuclear energy</th>
<th>Asia EPC</th>
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<tr>
<td>2019</td>
<td>• Reinforce overseas services</td>
<td>• Cultivate overseas marine engine services businesses</td>
<td>• Reinforce domestic services businesses</td>
<td>• Run business based on government nuclear energy policies</td>
<td>• Expand oil and gas and existing power plant businesses</td>
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<tr>
<td>2020</td>
<td></td>
<td>• Cultivate small distributed power and services businesses</td>
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<td>2021</td>
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Three-year roadmap

Assess markets and build partnerships
Create partner and system concepts
Expand scope of equipment handled
Regional expansion
Provide comprehensive lifecycle services

2019
2020
2021

**Boilers**

- Reinforce overseas services

**Power systems**

- Cultivate overseas marine engine services businesses
- Cultivate small distributed power and services businesses

**Plants**

- Reinforce domestic services businesses

**Nuclear energy**

- Run business based on government nuclear energy policies

**Asia EPC**

- Expand oil and gas and existing power plant businesses
- Enter emerging markets

---

**Graphs:**

- Sales
- Operating income (operating margin)

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3. Individual Business Strategies
Core Businesses
Boiler Business

Push ahead with robust maintenance inspections and drive efficiency to lower carbon dioxide emissions

Transition to lifecycle business

Involve ourselves closely in customer operations and switch to a comprehensive proposal-based model from the perspectives of utilization rates, operational costs, and initial investments

Japanese market: Endeavor to enhance customer value

- Undertake initiatives to shorten processes and lift operational rates
- Propose business conversion flows to customers extending from running facilities to maintenance, upgrades, and engineering (also take same approach overseas)

Overseas markets: Endeavor to enhance value and expand business

- For existing thermal power stations, drive advances and ensure high efficiency, centered in Southeast Asia, North Africa, and the Middle East
- Step up strategic collaborations with IHI global network entities Jurong Engineering Limited in construction, Steinmüller Engineering GmbH in engineering, PT. Cilegon Fabricators in manufacturing, and IHI POWER SYSTEM MALAYSIA SDN. BHD. (maintenance) to create overall value for the supply chain
- Collaborate with domestic power companies to undertake operations and optimize plants overall, including by increasing operational rates
Boiler Business

Remote monitoring business in Malaysia

- DCS
- PI interface
- Monitoring PC @Site
- Firewall
- PI Server
- Firewall
- Internet
- Monitoring PC @Client Head Office

Remote monitoring technologies at IHI POWER SYSTEM MALAYSIA SDN. BHD.
Power Systems Business

Bolster core technologies and improve customer value in lifecycles

Marine-use power systems: Expand market share, centered on tugboats in this core business, and strengthen technological capabilities

• Step up marketing activities and use overseas sites to expand our global market share
• Ultimately develop technologies that cater to automation and electrification

Land-use power systems: Priority investment area for expansion; identify markets and differentiate with technology

• Collaborate with customers to supply optimal energy infrastructures in off-grid areas
• Develop high-performance engines
• Cater to diversifying needs by strengthening product lineup

Lifecycle services: Establish integrated structure to handle everything from project creation to sales

• Involve ourselves in customer operations and apply remote monitoring technologies and supply parts to optimize operations, thereby expanding operations and maintenance businesses in emerging nations
• Cultivate long-term agreements to stabilize operations and help enhance customer value
Lowering Carbon Dioxide Emissions for a Recycling Society
Lowering Carbon Dioxide Emissions for a Recycling Society

(1) Methanation

(2) Compact Reactor

(3) Global Ammonia Network

(4) Palm Business
IHI has jointly researched methanation technologies with the Institute of Chemical and Engineering Sciences (ICES) of Singapore’s National Agency for Science, Technology And Research since 2011. Methanation entails processes to cause reactions with carbon dioxide emissions from power plants and factories with hydrogen to create methane as a useful energy source.

We developed a proprietary catalyst that delivers outstanding reaction efficiency and durability. We completed a methanation demonstration equipment employing the catalyst, installing it at ICES.

Methane from methanation can be fed through existing pipelines to power stations for fuel or for use as City Gas. We will help materialize a recycling society by leveraging promising carbon dioxide conversion technologies.

Text from IHI press release issued on May 13, 2019
We developed a compact reactor that is just one-tenth the size of conventional counterparts, lowering carbon dioxide emissions from high fuel efficiency and materializing a very eco-friendly business solution.

**Carbon dioxide emission reductions**
- Carbon dioxide emissions around 10% lower owing to high fuel efficiency
- Clearing domestic and overseas benchmark values

**Downsizing**
- One-tenth size of conventional models
- 1/10

**Modular construction method**
- Lowering local construction risks

**Compact reactor**
- We developed a highly efficient reactor employing advanced microreaction engineering
- Thermal transfer and reaction performances are around 10-fold better

**Maintenance**
- Developed catalyst with advanced structure and slashed catalyst replacement times by one to three weeks
- Shortened maintenance shutdown periods and improved operational efficiencies

**Flexibility**
- Eventually apply to an array of chemical processes
- For local production and consumption of maritime resources and shale oil and gas
(3) Global Ammonia Network

Constructing a carbon-free energy supply chain with ammonia, which is easy to transport and store

Advantages of ammonia

- Easy to liquefy, store, and transport
- Accessible through existing manufacturing and transportation infrastructures
- Directly usable as a fuel

Large centralized global ammonia network
(4) Palm Business

Leverage IHI’s technology to resolve issues in world's largest vegetable oil industry and contribute to social sustainability

Palm farm

Palm oil mill

Old palm trees

Palm fresh fruit bunch

Palm empty fruit bunch

Oil palm trunk

Empty fruit bunch

Palm oil mill effluent

Clean water

Crude palm oil

Fuel pellets

Housing materials

Bioplastics

Fuel pellets

Bioplastics

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