

Results for the Six Months Ended September 30, 2023 Management Review

IHI

November 7, 2023

IHI Corporation

Hiroshi Ide, President and Chief Executive Officer

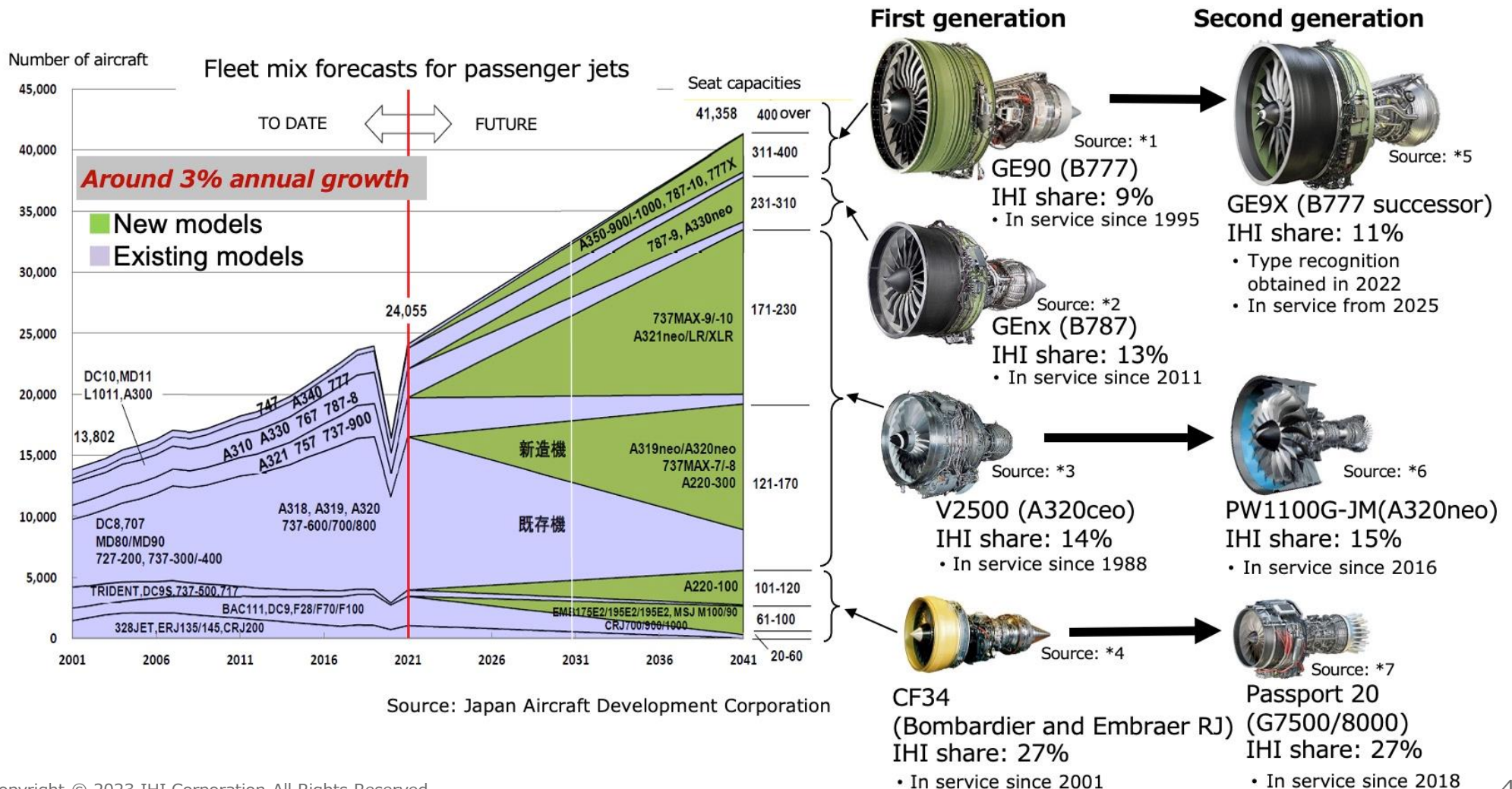
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- Surging maintenance frequency for Pratt & Whitney-manufactured components made of powder metallurgy materials for PW1100G-JM jet engine owing to policy of repeated inspections and shortened service lives
- Total costs for the entire program, including compensation to customers and additional maintenance expenses, should be around \$7 billion.
- IHI will post full program share of about 15%, including future maintenance costs, in current fiscal year.
- Collaborate with program partners to boost overall maintenance capacity, IHI will reduce impact of issue, and alleviate impact on customer operations to restore confidence.
- While program may temporarily depress earnings, long-term impact on profitability of civil aero-engine business should be limited.
- Continuing to position as growth business, and IHI will keep investing and undertaking measures to deliver world-leading production efficiency.

Impact of Additional PW1100G-JM Inspection Program: Business Growth

- With global demand for aircraft poised to steadily expand, IHI participates in programs to develop and mass-produce best-selling engines all classes, from small through large and super-large models.
- Cumulative sales exceeding 3,000 units for PW1100G-JM, second-generation small to medium-sized engine for volume zone, with spare parts demand expected to rise



- Boost production and enhance profitability to cater growing aviation demand
- Expand defense and space businesses to meet growing needs safety and security needs

Participating in international next-generation fighter development program



Computer-generated image courtesy of Ministry of Defense

SM-3 Block II A ballistic missile developed by Japan and United States



Image courtesy of Ministry of Defense

- Final new power plant boiler installation progressing smoothly, and IHI have received string of orders for gas turbine power generation construction work that should contribute to life cycle business.
- In thermal power field, looking to expand life cycle business by monitoring customers' operating data and converting fuel
- Expanding nuclear power business after fiscal 2025, including for restarts, decommissioning, and small modular reactors

Power plant remote monitoring



Entering small modular reactor market by investing in NuScale Power, LLC



Envisaged facility when completed

- Large bridge construction projects progressing well in Romania, Bangladesh, India, and other overseas locations
- Undertaking maintenance projects (including for Daishi Bridge replacement and Second Bosphorus Bridge rehabilitation project) and expanding Bridge Management Support System projects
- Utsunomiya Light Rail trains contributing to new urban development

Braila Bridge in Romania



Utsunomiya Light Rail train



- Unit production of vehicular turbochargers has steadily recovered.
- Have secured new orders from leading overseas automakers
- Demand in heat treatment and surface engineering businesses expanding for medical, aerospace, decorative, fuel cell separator, and semiconductor applications
- Expanding product lineup and strengthening product competitiveness in compressor business, which should grow on need to lower environmental impact and rising demand for hydrogen, ammonia, and other gases

Vehicular turbocharger



Thermal and heat treatment

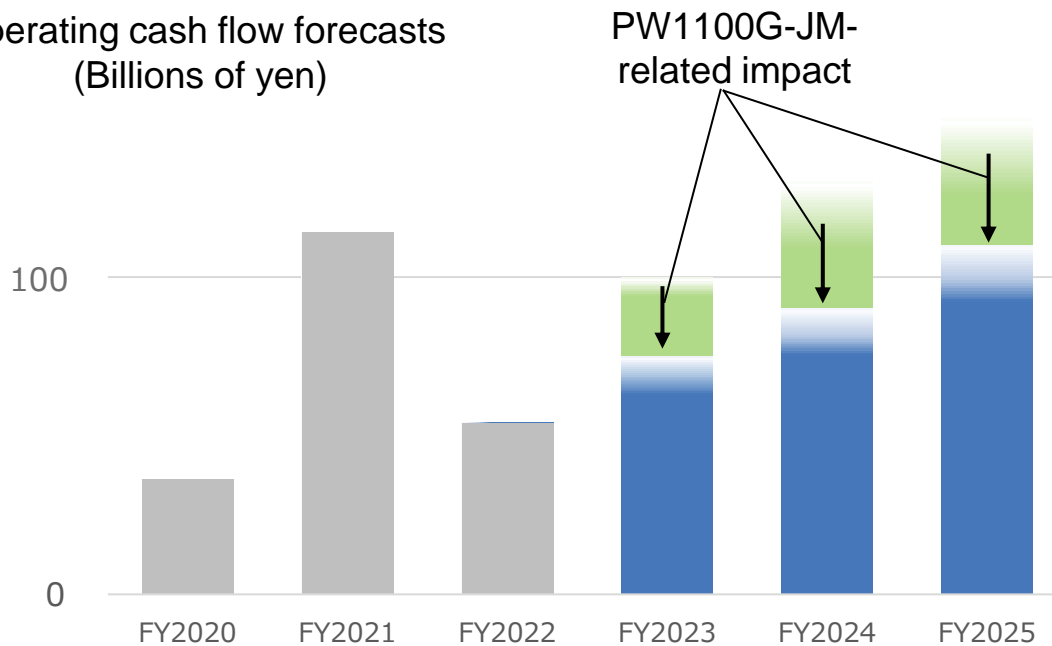
Four globally competitive Group companies

	Heat treatment	Surface engineering
Equip- ment	IHI Vacuum heat treatment furnaces and hot presses No. 1 in Japan, no.4 in world	HAUZER BERNEX (Acquired in 2008) World no.1
Process- ing services	VTN DIE HÄRTEREIEN (Acquired in 2015) No.4 in Germany	ionbond (Acquired in 2012) World no.2

Resource allocations

While retaining policy of allocating investments centering on growth and development-focus businesses, IHI will keep to cutting costs and reassess investment priorities.

Operating cash flow forecasts
(Billions of yen)



Management targets

Fiscal 2025 management targets unchanged

Completed one-time posting for PW1100G-JM-related expenses in fiscal 2023

	FY2025
Operating profit margin	7.5%
ROIC (after tax)	8% or higher
Cash Conversion Cycle	100 days
(Reference) Revenue	1.7 trillion yen

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

Shareholder returns

Fiscal 2023 dividend forecast unchanged

Targeting consolidated dividend payout ratio of 30% in line with basic policy of delivering stable dividends

Links for Sources on slide 4

- *1 <https://www.geaviation.com/commercial/engines/ge90-engine>
- *2 <https://www.geaviation.com/commercial/engines/genx-engine>
- *3 <https://www.mtu.de/engines/commercial-aircraft-engines/narrowbody-and-regional-jets/v2500/>
- *4 <https://www.geaerospace.com/propulsion/commercial/cf34>
- *5 <https://www.geaviation.com/commercial/engines/ge9x-commercial-aircraft-engine>
- *6 <https://www.mtu.de/maintenance/commercial-aircraft-engine-services/engine-portfolio-mro/narrowbody-and-regional-jets/pw1100g-jm/>
- *7 https://www.ihico.jp/all_news/2016/aeroengine_space_defense/1190378_1652.html

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