May 9, 2023
IHI Corporation

Q&A for Fiscal 2022 Q4 Results Briefing

1. **What is the purpose of the total investment budget of more than 500 billion yen under 'Group Management Policies 2023'?**
   - We will decisively shift management resources to growth and development-focus businesses from lifecycle and value chain perspectives and transform our operations.
   - We have positioned aero engines and rockets as growth businesses. We will invest in the aero engine business value chain, including by building a new maintenance site and expanding our materials forming businesses. We will additionally invest to develop technologies for advanced, carbon-neutral aircraft that are light and electrified and to reinforce our rocket business. Spending will also extend to launch services and data usage.
   - In clean energy, which we have defined as a development-focus business, we will pursue sustainable growth by investing in gas turbines and other applications as well as in the ammonia value chain.

2. **You target an operating margin of 7.5% under 'Group Management Policies 2023', which is slightly lower than the 8% you pursued through last fiscal year under 'Project Change'. What approach will you take to reach your target?**
   - For 'Group Management Policies 2023', we established our earnings target after factoring in the costs of investing in human resources, R&D, and undertaking extensive structural reforms. It is imperative for us to achieve our 7.5% target.

3. **What is your stance on the Industrial Systems and General-Purpose Machinery segment, which you forecast to deliver particularly high earnings growth under 'Group Management Policies 2023'?**
   - We think that deepening and evolving our lifecycle business to expand its scale should boost profit margins.
   - While our outlook for the vehicular turbocharger business is not upbeat, we have nonetheless received orders for new deals that have positioned us to do a reasonable amount of business in that area for at least the next three years.

4. **Under 'Group Management Policy 2023', you seem to project that earnings growth would be less than revenue expansion levels in the Aero Engine, Space and Defense segment. Why is that?**
   - An aviation demand recovery toward pre-pandemic levels should continue through fiscal 2025, albeit at a slow pace.
   - While earnings from spare parts sales should thus keep recovering moderately, our outlook also factors in the profitability impact of extensive ongoing R&D spending and increases in new engine production.