

IHI Integrated Report 2026	Management Message		Message from the Managing Executive Officer of Finance & Accounting	
	Growth Strategy Toward 2040	Business Strategy		Senior Executive Officers' Tripartite Talk
	Foundations for Value Creation			
	Technology Strategy	Human Capital Strategy		Strengthening Governance and Risk Management
	Review of the "Group Management Policies 2023"			

IHI Compass 2026

IHI's Growth Story

Growth Pathway toward 2040

Building value throughout the lifecycle **A** and climbing the stairs one step at a time. Going further by creating new value chains **B** and scaling the wall to open up new markets that cannot be reached by taking the stairs alone, thereby enabling a leap forward in our businesses.

A Providing value throughout the lifecycle

Even after product implementation, we continue to deliver value to our clients and society through operations, maintenance, and renewal.

B Creating the Value Chains

Leveraging the technologies and expertise developed through our existing businesses, we create new business opportunities together with a diverse range of partners.

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MANAGEMENT MESSAGES

Management Message

Supporting safety and security around the world and continuing to pursue the creation of future value.



Message from the Managing Executive Officer of Finance & Accounting

Building on a strong balance sheet, the IHI Group will create a virtuous cycle of growth investment, business growth, and shareholder returns to achieve the sustainable enhancement of corporate value.



OUR STORY & STRATEGY

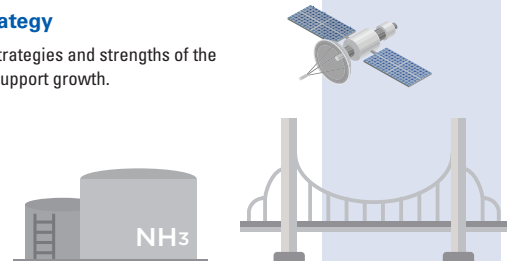
Growth Strategy Toward 2040 (Value Creation Strategy)

Introducing IHI's vision for the future and its approach to growth.



Business Strategy

Introducing the strategies and strengths of the businesses that support growth.



Senior Executive Officers' Tripartite Talk

Making Responsible Decisions
Toward the IHI Group's Desired State.



Foundation for Growth

Technology Strategy



Human Capital Strategy



Strengthening Governance and Risk Management



Review of the "Group Management Policies 2023" P.77

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Top Message



Hiroshi Ide

Representative Director and President
Chief Executive Officer

↓ Supporting the safety, security, and prosperity of people worldwide at its core.

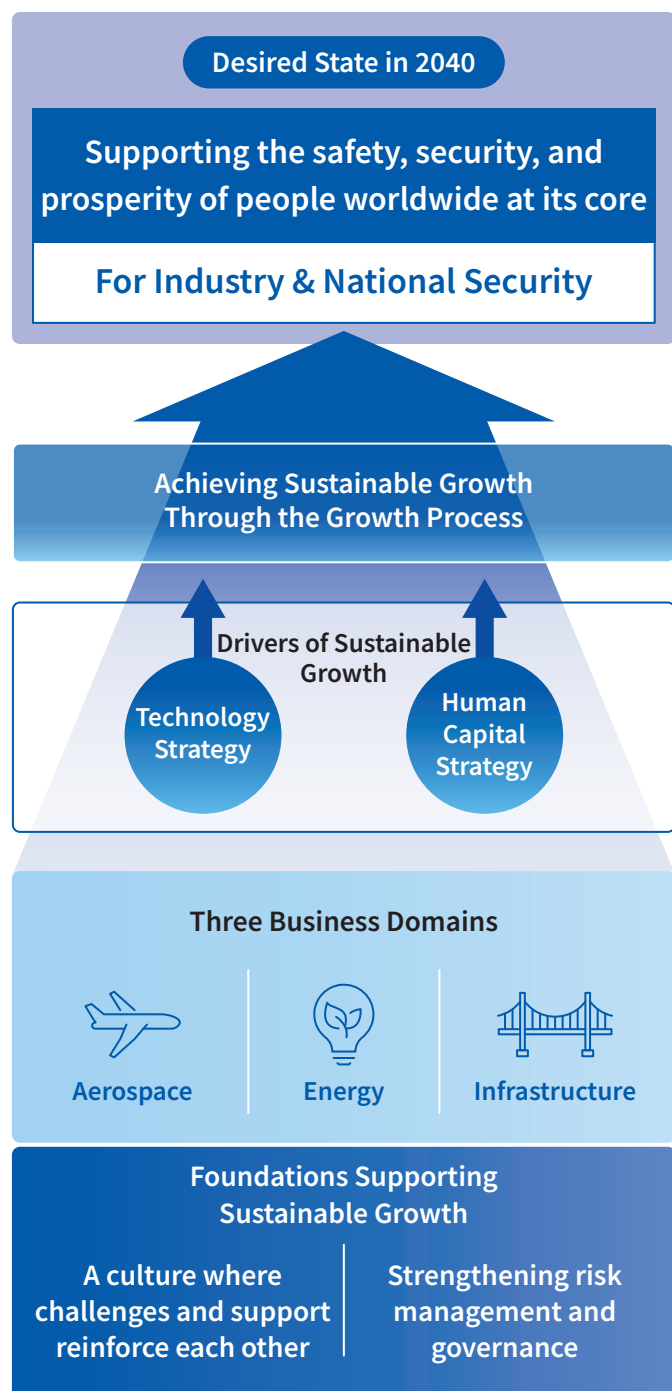
↓ Technology and Human Capital as Driving Forces of Sustainable Growth

↓ Growth Strategy toward 2040

↓ Compliance: the Foundation for Sustainable Growth

Supporting the safety, security, and prosperity of people worldwide at its core.

Looking toward 2040, the IHI Group aims to help restore Japan's industrial competitiveness and national strength to world-leading levels, thereby contributing to the economic, national, and energy security of countries worldwide. To realize this vision, the IHI Group has defined its desired state as "Supporting the safety, security, and prosperity of people worldwide at its core; For Industry & National Security." This defines the IHI Group's Medium-to-Longer-Term Direction.



Adapted and simplified from the diagram on p.4 of "Medium-to-Longer-Term Direction" in the FY2025 Financial Results Briefing (fiscal year ended March 2026)

This strategic direction was shaped by major changes in the global landscape. When I assumed the role of President in 2020, the COVID-19 pandemic was at its height, shaking the very foundations of society. Since then, multiple challenges have continued to unfold simultaneously, including geopolitical risks such as those in Ukraine and the Middle East, energy issues, and information security threats. These developments have changed the environment in which safety and stability were once taken for granted.

In light of these changes in the operating environment, the IHI Group reexamined the role it should play. Since its founding, the Group has leveraged its technological expertise to address critical challenges at the industrial and national levels, thereby supporting essential infrastructure around the world. Building on this history, the Group's management team engaged in extensive discussions and concluded that its role is to support the foundations of industry and help ensure that the societies and economies of each country and region continue to function sustainably.

This approach also resonates with the aspirations of many of the Group's employees, who express a desire to "help solve social challenges" and to "work for the benefit of their countries and local communities."

The reason for including "For Industry & National Security" in the IHI Group's vision is to clearly define the fields in which the IHI Group can leverage its strengths and make a sustained contribution to society. "For Industry" reflects the Group's belief that strengthening the foundations of industry is essential to the long-term stability of society.

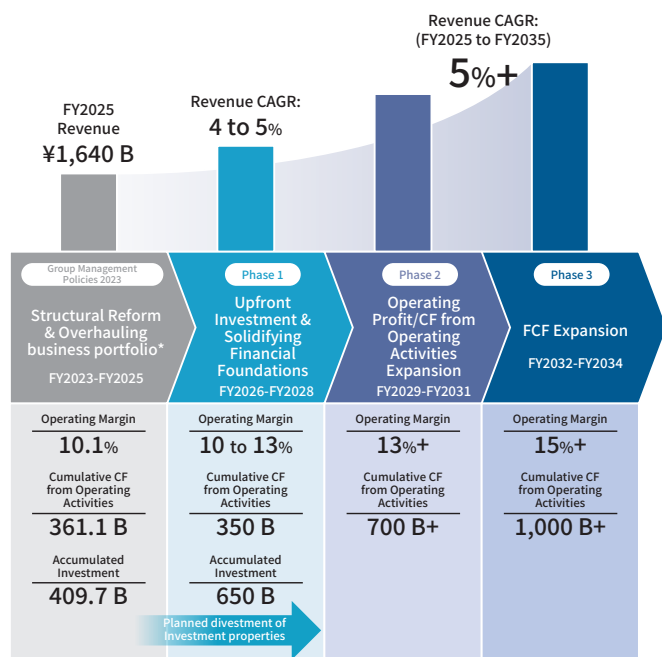
Meanwhile, "National Security" extends beyond defense alone. It encompasses energy security, resilient infrastructure, and safe, sustainable economic activity, all of which form the foundations of nations and societies. At a time of growing global uncertainty, the IHI Group deliberately chose this expression to underscore its commitment to supporting the foundations of society.



Looking back, when I became President in 2020, the IHI Group's immediate priorities were business portfolio transformation, structural reform, and strengthening its financial foundation. Without addressing these issues, the Group would not have been in a position to execute its long-term management strategy. For that reason, the Group undertook a comprehensive review of its business portfolio and strengthened its financial position, establishing the foundation needed to pursue its mid- to longer-term management strategy. The Group is now finally at the starting line for realizing its Medium-to-Longer-Term Direction toward 2040.

Businesses that support industrial infrastructure and national security require a long-term commitment, from technology development through deployment and ongoing operations. The expertise and experience accumulated over that time become enduring sources of competitive advantage. To demonstrate that strength, the IHI Group has therefore chosen to articulate a strategic direction extending 10 to 15 years into the future.

Under this policy, the Group has established a three-phase roadmap toward FY2034: "Phase 1: Upfront Investment and Solidifying Financial Foundations," "Phase 2: Expansion of Operating Profit and Operating Cash Flow," and "Phase 3: Expansion of Free Cash Flow." By the final phase, the Group aims to achieve a revenue CAGR of more than 5%, an operating margin exceeding 15%, and an ROIC of more than 13%.



* incl. allocating resources to the Growth Business and the Development-focus Business

First, the Group has positioned the next three years, designated as "Phase 1," as a period for laying the foundation for growth in "Phase 2" and beyond. To meet growing demand in its key growth businesses, namely civil aero engines, defense, and nuclear energy, the Group will prioritize investments to increase production capacity. At the same time, the Group will further strengthen its financial foundation through measures such as the sale of real estate assets to support these investments. By steadily expanding these growth businesses and increasing earnings from its energy-related operation and maintenance (O&M) business, the Group aims to achieve an operating margin of 10% to 13% during "Phase 1."

In "Phase 2," the Group expects the investments made during "Phase 1" to begin generating returns. As expanded supply capacity enables the Group to capture more orders and improve profitability, it aims to raise its operating margin above 13%. The Group also expects operating cash flow to increase significantly.

In "Phase 3," the Group expects to fully realize the returns on its upfront investments, delivering sustained earnings growth. While achieving an operating margin of at least 15%, the Group will further strengthen its cash-generating capability and target cumulative operating cash flow of more than ¥1 trillion over the three-year period. Discussions with investors about the Group's Medium-to-Longer-Term Direction generated generally positive feedback. Investors agreed that, given the nature of the Group's businesses, its performance should be assessed over the medium- to long-term rather than based solely on short-term results, and generally welcomed the 10-year roadmap. Going forward, the Group will continue discussions with investors and other stakeholders on the specific growth strategies for each of its businesses.

Growth Strategy toward 2040

Looking toward 2040, the IHI Group has defined three business domains for future growth: “Aerospace,” “Energy,” and “Infrastructure.” These domains are not based on the IHI Group’s current business or organizational structure. Rather, they represent the fields where the IHI Group aims to contribute in the years ahead. The IHI Group will look beyond its existing business boundaries to develop new businesses within these three domains.

Historically, the IHI Group has competed on a product and project basis, at times being compared with competitors primarily on price at the order stage. Going forward, the Group aims to move beyond price-based competition on individual orders and shift toward a business model that can generate stable earnings over the long term.

To achieve this, the IHI Group will focus on business opportunities that support industrial infrastructure and national security. These businesses require not only advanced technology, safety and quality, but also a proven track record built over many years and the ability to meet certification and regulatory requirements. Over the years, the IHI Group has developed its businesses in these areas by building on its exceptionally strong technological capabilities. By continually advancing its technologies, the IHI Group is able to solve challenges that are difficult for other companies to address, which is why clients choose the IHI Group. At the same time, the track record and experience accumulated through these projects strengthen clients’ trust and enable the IHI Group to take on increasingly sophisticated challenges. This continuous accumulation of technology, experience, and trust is the source of the IHI Group’s competitiveness.

Furthermore, the IHI Group’s involvement does not end with the delivery of its products. The Group has continued to support their operation, maintenance, and renewal over the long term. This enables clients to use critical equipment and systems reliably for extended periods, thereby helping society maintain and strengthen the infrastructure that supports industrial activity and people’s daily lives. The knowledge gained through years of operational experience also helps improve equipment and services, strengthening the IHI Group’s competitiveness. Going forward, the Group will build on these strengths to further enhance its competitiveness.

Building on these strengths, the Group will bring its technologies and expertise to global markets while pursuing new business opportunities by leveraging technologies and products developed for defense purposes in civilian applications (dual use*). Insights and experience gained in these new markets will inform future technology development, and those technologies will in turn create further business opportunities. By expanding this cycle, the IHI Group aims to achieve sustainable growth.

*Dual use refers to technologies and products that can be utilized for both civil and defense purposes.

In areas where it has strong technological capabilities, the IHI Group will also seek to create new markets. Rather than simply supplying products and technologies, the Group will combine them with operations, maintenance, upgrades, and other related services, thereby creating entirely new markets and securing a leading position by becoming involved from the earliest stages of market formation.

Through this approach, the IHI Group will build on the business opportunities created by its technologies, using its extensive experience and established reputation to strengthen its competitive position. By bringing these strengths to markets around the world and working to create new markets, the Group will continue to support industrial infrastructure and national security.



Growth Strategy toward 2040
(Value Creation Strategy) P.15



Technology and Human Capital as the Driving Forces of Sustainable Growth

To accelerate value creation across the IHI Group, the Group will redefine and strengthen its approach to technology and Human capital in line with the future direction of its businesses.

The value creation framework outlined above can function only when supported by both technology and Human capital. Technology not only defines the business fields in which the IHI Group can compete, but also serves as a starting point for creating new markets. Human capital plays an essential role in envisioning how these technologies can be transformed into viable businesses and turning those ideas into action. Together, these two elements set the value creation process in motion and drive business growth.

For this reason, the IHI Group regards technology and Human Capital as its driving forces.

From a technology perspective, the Group is now identifying the key technology areas that serve as the source of its competitive advantage and strategically concentrating its management resources on them. At the same time, the Group is expanding its capacity to meet growing demand, including through greater use of robotics and AI.

Technology Strategy P.64



In terms of Human capital, the Group is working to attract people with diverse experience and create an environment where each individual can make the most of their abilities. To capture business opportunities, it is not enough simply to respond to the challenges presented by clients. The Group must anticipate changes in society and industry, identify future challenges and needs that clients themselves have yet to recognize, and turn them into tangible products and services. Collaboration among people with diverse backgrounds is essential to achieve this.

Bringing together people with different experiences and values can create friction within an organization. However, I do not see that friction as inherently negative. In fact, I believe it is more dangerous to avoid friction and allow everyone to converge on the same way of thinking. The IHI Group believes it is essential to create new value through open dialogue, where diverse perspectives challenge one another while maintaining mutual respect. Going forward, the Group will promote collaboration among people and with AI as part of an increasingly diverse workforce, turning this diversity into a source of competitive advantage.

The foundation supporting these efforts is an organizational culture where challenges and support reinforce each other to create new value. Crucially, the Group must create an environment that values not just results, but the act of taking on challenges itself, where people feel empowered to support one another. By creating a chain of challenges and support, the Group will accelerate transformation across the entire organization.

At the same time, taking on challenges involves uncertainty. Senior management will support these efforts by understanding risk information from the front lines and taking responsibility for risk management decisions. Rather than simply delegating authority, managers are expected to work alongside employees to determine how to turn ideas into reality and provide the necessary support. By having senior management, managers, and staff each fulfill their respective roles, the Group can take on new challenges while effectively managing risk. Supporting challenges that create new value across the organization in this way will provide the foundation for sustainable growth.

Human Capital Strategy P.67



Compliance: The Foundation of Sustainable Growth

The value creation initiatives described in this report are only possible with sound governance. Strict compliance is an essential prerequisite for sustainable growth.

Following the detection of misconduct at one of the Group's subsidiaries in FY2024, the IHI Group has further strengthened its efforts to improve quality and reinforce compliance. The Group has clarified the respective roles of its business divisions and corporate functions in risk management, while promoting talent rotation across the Group so that operations can be regularly reviewed from fresh perspectives.

The Group has also strengthened dialogue and training to create a workplace where employees can speak up. I have continued to communicate the importance of compliance and the need to improve the Group's organizational culture. Despite these efforts, in June 2026, the Group's subsidiary IHI Aerospace was subject to a suspension of eligibility to participate in competitive bidding by the Group's client Japan Aerospace Exploration Agency (JAXA). Given the priority the Group has placed on compliance, I take this situation extremely seriously. I sincerely apologize to our stakeholders for the concern and inconvenience this has caused.

The Group recognizes that high daily workloads made it difficult for employees to speak up, driven by unreasonable practices that imposed heavy burdens. The Group recognizes these issues as critical challenges that must be addressed.

In response, the IHI Group has established a Risk Monitoring Board under my leadership.

The purpose of the Risk Monitoring Board is to establish an environment that enables senior management to gain visibility into risk-related information arising in the workplace, covering all types of risks, not just quality and compliance. It also aims to identify unreasonable practices and conditions in the workplace through interviews and other means designed to understand workplace realities, and to ensure that issues identified through this process are addressed by management rather than left to individual workplaces. This will help identify problems at an early stage before they develop into quality issues or compliance violations by improving visibility into risk information and resolving unreasonable practices under management leadership, thereby reducing risks and fostering an organizational culture in which concerns can be raised openly.

Driven by technology, the IHI Group will continue to support social infrastructure, contributing to the sustainable development of industry and society. Even amid growing uncertainty, the Group will continue to fulfill its role as a company that provides functions essential to society.

To achieve this, the Group will continue to implement the policies and initiatives outlined above and work together across the Group, from senior management to each employee, to drive sustained growth.

By building on relationships of trust with all its stakeholders and continuing to deliver value over the long term, the IHI Group will achieve sustainable growth in corporate value.

Summary

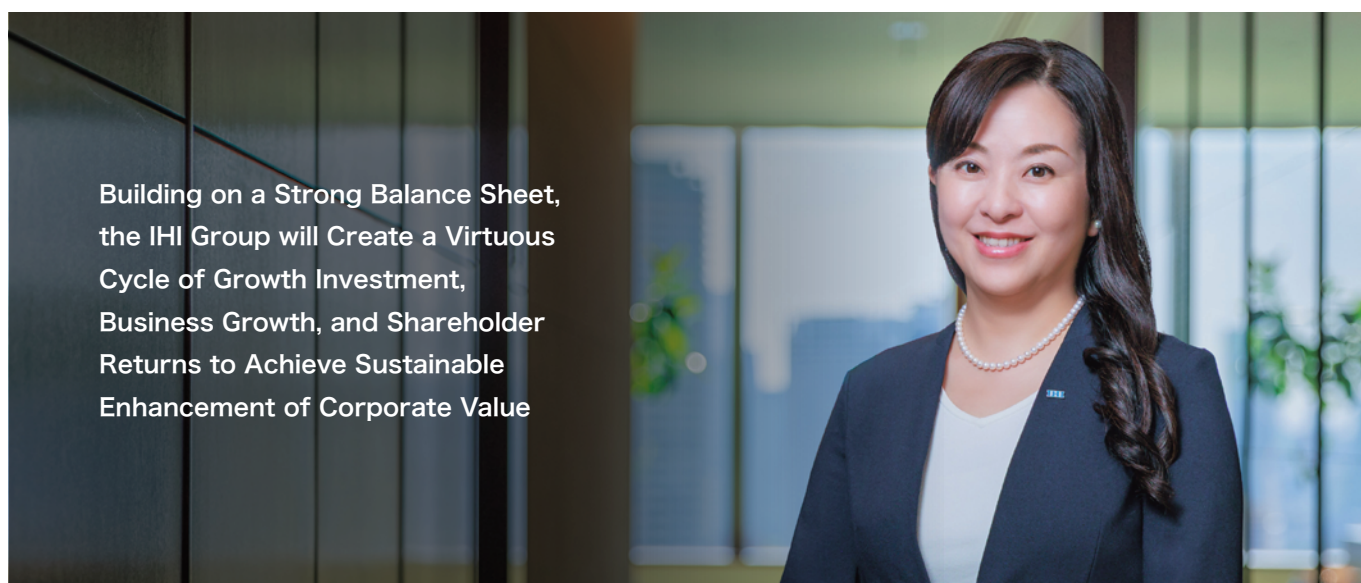
The IHI Group has articulated its Desired State for 2040, “Supporting the safety, security, and prosperity of people worldwide at its core; For Industry & National Security,” and presents its Medium- to Longer-Term Direction toward realizing that state. As a company supporting industrial infrastructure and national security, the Group has identified Aerospace, Energy, and Infrastructure as its three business domains for growth. Drawing on the technologies, track record, and client trust it has built over many years as sources of competitiveness, the IHI Group will pursue new value creation and sustainable growth.

As a key business strategy, the Group will provide value throughout the lifecycle while creating new markets and expanding business opportunities. In addition, it regards technology and human capital as the driving forces of value creation and will foster an organizational culture where challenges and support reinforce each other to create new value, thereby accelerating transformation across the organization.

At the same time, the Group is committed to strict compliance as a foundation for sustainable growth. To this end, it has established the Risk Monitoring Board and is further strengthening risk management across the organization. Building on relationships of trust with stakeholders, the IHI Group will continue to deliver sustainable growth in corporate value.

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Message from the Managing Executive Officer of Finance & Accounting



Hiromi Oshima

Managing Executive Officer
In Charge of Group Finance & Accounting

↓ Building Financial Foundations to Support Long-Term Growth

↓ Proactively Investing in Growth Areas Under Disciplined Capital Allocation

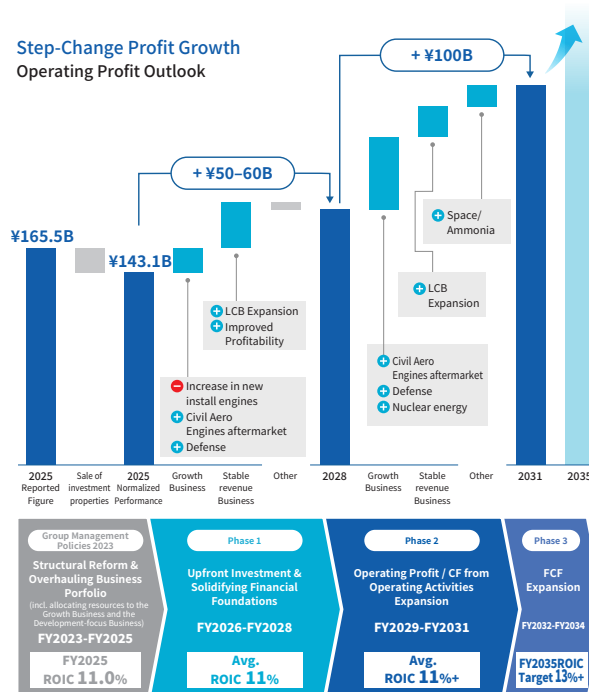
↓ The Two Pillars Supporting Sustainable Growth: Business Strategy and Financial Strategy

↓ Enhancing Corporate Value Through Dialogue with Capital Markets

Building Financial Foundations to Support Long-Term Growth

As its medium- to longer-term direction, the IHI Group has established a roadmap toward 2040. Until now, the Group has presented its Medium-Term Management Plan in three-year increments. However, many of the Group's businesses require 10 to 15 years or more before delivering results, making it difficult for a three-year management plan to adequately communicate the long-term growth story and the time horizon for investment recovery. To present these more clearly, the Group has established a roadmap that positions FY2026-FY2028 as "Phase 1," focused on upfront investment and solidifying financial foundations; FY2029-FY2031 as "Phase 2," focused on expanding operating profit and operating cash flow; and FY2032-FY2034 as "Phase 3," focused on expanding free cash flow.

*Growth Businesses: Civil Aero Engines, Defense, and Nuclear Energy
Development-focus Business: Space, Ammonia
Stable revenue Business: Carbon solutions, Power systems, Parking, Bridges & Water gates



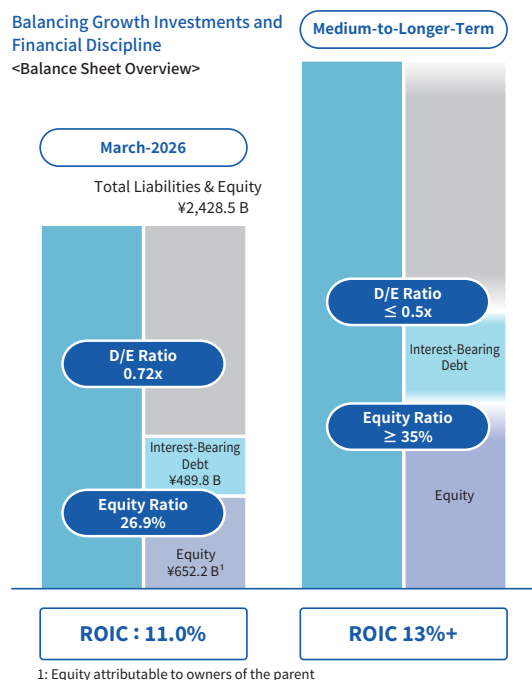
During the period of Group Management Policies 2023 (FY2023-FY2025), the IHI Group reviewed its business portfolio, including business divestitures, and carried out structural reforms designed to improve the profitability of its businesses. As a result, profitability has steadily improved, while capital efficiency and the Group's ability to generate operating cash flow have also increased significantly. Following these reforms, the Group has finally laid the groundwork to pursue transformative medium- to longer-term growth.

The businesses that the IHI Group has identified as growth businesses, including civil aero engines, defense, and nuclear energy, are all expected to achieve strong global growth. To capture this robust demand with certainty, continued proactive investment is essential, including investments in research and development, capital expenditures, and human capital. A strong financial foundation is essential to sustain these investments over the long term.

Although shareholders' equity is steadily increasing as a result of improved earnings, the Group's equity ratio and outstanding debt have not yet reached satisfactory levels. Over the medium- to longer-term, the Group has established targets of a D/E ratio around 0.5x or lower and an equity ratio around 35%. The Group believes these levels are necessary to absorb uncertainties in the external environment while executing an ambitious growth strategy. As the executive officer responsible for finance and accounting, I consider my most important responsibility to be building a strong balance sheet.

Balancing Growth Investments and Financial Discipline

<Balance Sheet Overview>



Proactive Investment in Growth Areas Under Disciplined Capital Allocation

In “Phase 1,” the IHI Group plans to invest ¥650 billion, primarily in growth investments. The Group classifies each business into one of three categories based on its role: “Growth Business,” “Development Business,” or “Stable Revenue Business.” For growth business, the Group prioritizes expanding the top line. For development-focus businesses, the Group aims to establish new pillars of revenue. Meanwhile, for stable revenue businesses, the Group seeks to expand profits and cash generation through its highly asset-efficient lifecycle business (LCB).

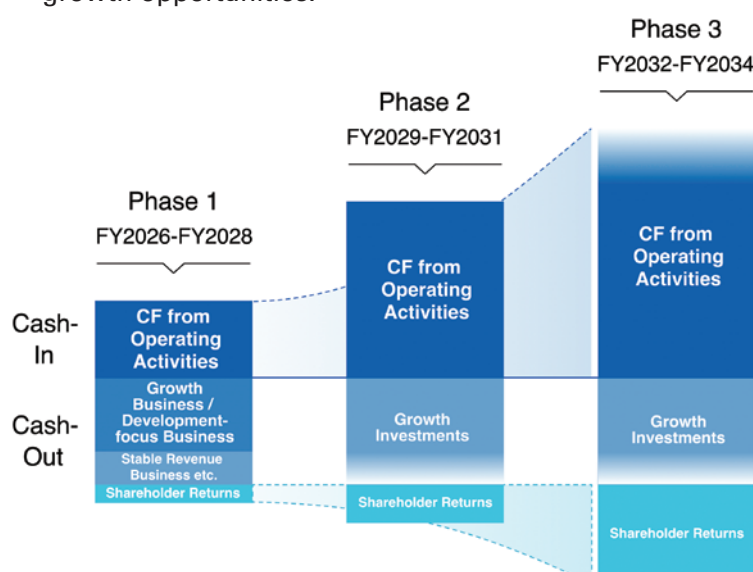
Businesses such as civil aero engines, defense, and nuclear energy all operate in markets that are themselves growing. To capture these opportunities, it is essential that the IHI Group execute investments proactively.

When making investment decisions for each business, the IHI Group places particular emphasis on the cash flow generation and ROIC. However, rather than evaluating ROIC as a single-year point-in-time metric, the Group considers it in balance with long-term returns. ROIC may decline immediately after an investment is made, and some businesses, such as the ammonia value chain and space infrastructure, require a longer-term perspective to develop. That is precisely why, based on the characteristics of each business, the Group assesses performance over separate short-, medium-, and longer-term time horizons, with particular focus on whether the business can generate sufficient cash and deliver returns that exceed the cost of capital. In addition to improving ROIC, the Group will reduce its cost of capital through engagement with the capital markets, thereby expanding the ROIC-WACC spread and enhancing corporate value.

As the executive officer responsible for finance and accounting, I also pay close attention to how the IHI Group approaches and manages risk. I believe risks can be categorized into three types: “risks we should take,” “risks we can take,” and “risks we must not take.” I will fully support taking the risks that are necessary for business growth. On the other hand, I have a responsibility to avoid risks that could threaten the Company’s existence, no matter how attractive the investment opportunity may appear. Even outstanding technologies and ambitious concepts cannot contribute to the sustainable enhancement of corporate value unless they generate earnings and cash. As the executive officer responsible for finance and accounting, I will allocate the Group’s limited management resources, while maintaining financial discipline, to the business areas that are expected to create the greatest value.

Capital Allocation

- In Phase 1, the IHI Group will prioritize proactive upfront investments in Growth business to secure major future growth opportunities.



Business Strategy and Financial Strategy: The Two Pillars Supporting Sustainable Growth

To ensure that the IHI Group's growth strategy is not merely an aspirational vision but continues to be executed, it must be supported by a financial strategy that underpins the Group's business strategy. In other words, advancing the Group's business and financial strategies in an integrated manner is important for achieving sustainable growth.

Based on this philosophy, in April 2025 the IHI Group established the FP&A (Financial Planning & Analysis) team to oversee the Company's overall growth strategy. FP&A is a cross-functional team comprising members of the Finance Department as well as employees rotating in from business divisions. Working closely with the business divisions, FP&A Group connects business strategy and financial strategy while monitoring the progress of the strategy.

Corporate and business divisions, centered around FP&A, now work together as an integrated team to review monthly performance and discuss future outlooks. This not only accelerates the execution of growth strategies but also enables the early identification of potential issues and the prompt implementation of necessary countermeasures.

While reviewing business performance, the Group engages in thorough discussions on whether the assumptions underlying the forecasts established at the beginning of the fiscal year remain valid. If performance is expected to fall short of those forecasts, the Group examines the causes, determines what measures should be taken, and establishes when the shortfall will be recovered. Although this monthly process is by no means easy, the Group believes it is indispensable for achieving its management targets as one unified Group. The Group also believes that rigorous discussions from both perspectives enable it to pursue even higher levels of performance.

In this way, the IHI Group aims to contribute to enhancing corporate value by supporting strategy execution from a financial perspective through FP&A.

Enhancing Corporate Value Through Dialogue with the Capital Markets

To realize the IHI Group's Desired State, enhancing corporate value requires the understanding and support of participants in the capital markets.

In the past, dialogue with the capital markets was conducted only by the President and the executive officer responsible for finance and accounting. Today, however, the IHI Group has expanded participation to include the Executive Vice President, Senior Executive Officers, and business leaders, transitioning to a structure in which the entire management team engages with the capital markets. As a result, the number of long-term-oriented shareholders who understand the Group's longer-term growth strategy has increased.

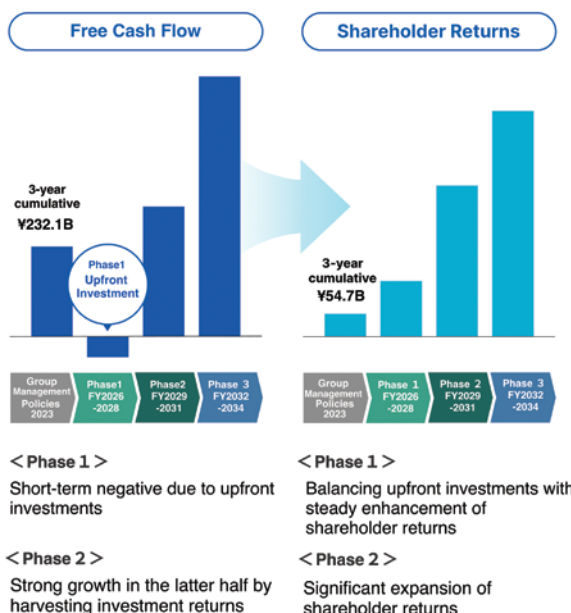
The IHI Group believes that strengthening trust in the Company through this proactive dialogue with the capital markets will ultimately contribute to lowering its cost of capital and expanding the ROIC-WACC spread. Whether the Group's business performance is strong or weak, it is committed to being a company that engages sincerely with the capital markets.

With respect to shareholder returns, in "Phase 1" the IHI Group will prioritize growth investments while aiming for sustained growth in dividends per share. As the Group progresses to "Phase 2" and "Phase 3" and free cash flow expands, it will consider strengthening shareholder returns, including through share repurchases. To further enhance shareholder returns in the future, the Group will steadily execute growth investments in the near term and expand profits, thereby increasing earnings per share and enhancing shareholder value.

My role is to achieve both disciplined growth investment and the establishment of a strong balance sheet that supports the IHI Group's growth strategy over the medium- to longer-term. All management decisions ultimately come down to cash flow and the balance sheet. To realize sustained growth over the medium- to longer-term and further enhance corporate value and shareholder returns, I intend to insulate the company from downside risk and drive business growth from the financial side.

Shareholder Returns Policy

Phase 1: Aim for sustained growth in dividends per share
Phase 2 onward : Pursue further expansion of shareholder returns, considering options other dividends



Summary

The IHI Group is advancing the realization of its desired state in 2040 through the establishment of a strong financial foundation. Under its medium- to longer-term roadmap, FY2026-FY2028 is positioned as a period for upfront investment and solidifying financial foundations, during which the Group will actively invest in growth fields such as civil aero engines, defense, and nuclear energy. In making investment decisions, the Group places emphasis on cash flow generation capability and ROIC. At the same time, it advances its business and financial strategies in an integrated manner to achieve sustainable growth. Through ongoing dialogue with capital markets, the IHI Group aims to strengthen trust in the Group and enhance corporate value sustainably by creating a virtuous cycle of growth investment, profit expansion, and shareholder returns.

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Growth Strategy Toward 2040 (Value Creation Strategy)

Structure of the Growth Strategy

↓ 1 | Overall Vision for Growth Toward 2040

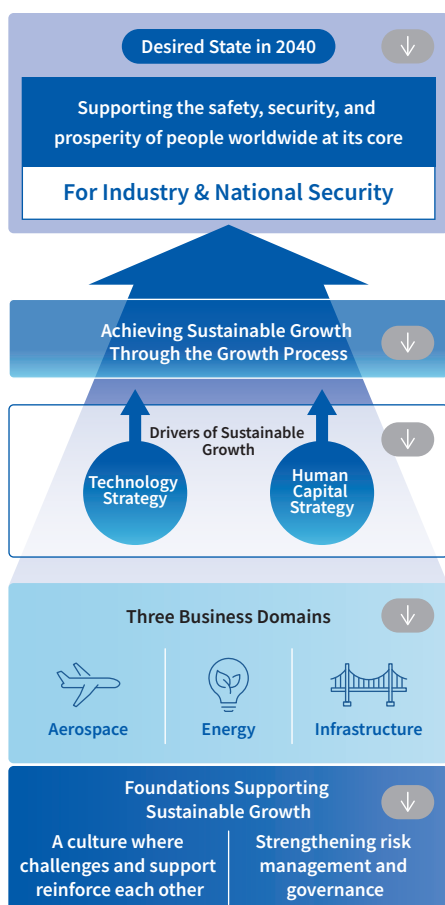
↓ 2 | Desired State in 2040

↓ 3 | Growth Process

↓ 4 | Material Issues

↓ Q&A: Understanding the IHI Group's Growth Strategy

1 Overall Vision for Growth Toward 2040



Looking toward 2040, the IHI Group has set out its desired state as “supporting the safety, security, and prosperity of people around the world at its core,” with the aim of achieving both the sustainable development of society and transformative growth for the IHI Group. Building on the technological capabilities it has cultivated over many years, the Group will continue to develop its businesses by creating high barriers to entry and maintaining its competitive advantage. The Group’s strengths are best demonstrated in fields that support the industrial infrastructure and national security of countries around the world. Based on this approach, the IHI Group has designated Aerospace, Energy, and Infrastructure as the three business domains in which it will pursue both solutions to social challenges and growth toward 2040. With technology and human capital as the sources of its growth, the IHI Group will create value chains and provide value throughout the lifecycle to achieve sustainable growth.

Adapted and simplified from the diagram on p.4 of “Medium-to-Longer-Term Direction” in the FY2025 Financial Results Briefing (fiscal year ended March 2026)

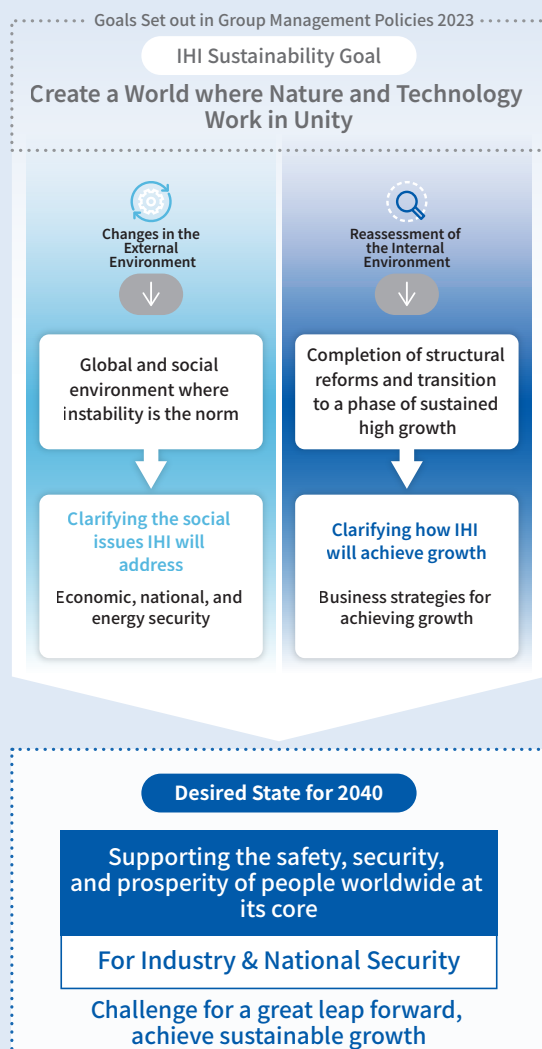
2 Desired State in 2040

Supporting the safety, security, and prosperity of people worldwide at its core

For Industry & National Security

The IHI Group aims to help restore Japan's industrial capabilities and national strength to world-leading levels, while supporting economic, national, and energy security in countries around the world, so that people everywhere can live safe, secure, and prosperous lives.

Redefining Our Desired State



Recognition of the External Environment and Social Issues

The business environment surrounding the IHI Group is changing significantly. The Group recognizes the following as the major opportunities and risks that may affect the Group's businesses.

Opportunities Related to Climate Change Adaptation and Mitigation

- There is a growing need to advance carbon neutrality while adapting to changes in the social environment, including an increase in natural disasters.

Opportunities Arising from Increasing Geopolitical Complexity

- Confrontation and tensions between countries and regions are increasing, creating greater instability in areas such as energy, defense, and trade.

Risks Associated with Technological Innovation

- The pace of technological innovation is accelerating. Maintaining and strengthening competitiveness requires us to continuously enhance the IHI Group's technological capabilities while flexibly incorporating external expertise.

Supply Chain Disruption Risks

- The risk of disruptions to the procurement of raw materials and components due to geopolitical developments, natural disasters, and other factors is increasing.

Risks Associated with a Declining Birthrate and Aging Population

- Population aging and decline are making it increasingly difficult to secure workers and transfer skills to the next generation.

Risks Associated with Advances in AI

- Advances in AI are accelerating. To maintain and strengthen the IHI Group's competitiveness, the Group needs to promote the proactive use of AI while strengthening information security.

Internal Environment

Completion of Structural Reforms and Transition to a Phase of Sustained High Growth

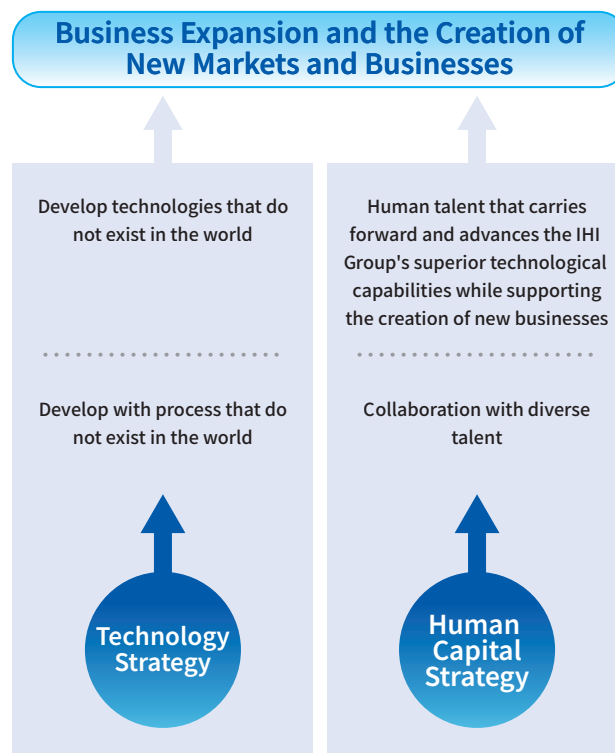
The IHI Group has pursued the transformation of its business foundations and the reform of its business portfolio in response to major changes in the business environment. Under Group Management Policies 2023 in particular, the Group focused on restructuring its core businesses, strengthening its earnings base, and improving capital efficiency. As a result, the IHI Group has reached a significant milestone in the restructuring of its business portfolio, and it is now moving into a new phase aimed at achieving further growth by building on the results of these reforms.

3 Growth Process

The IHI Group examines the key elements that will drive the IHI Group's growth toward 2040.

Technology and Human Capital That Support Growth - Inputs -

Technology Strategy and Human Capital Strategy



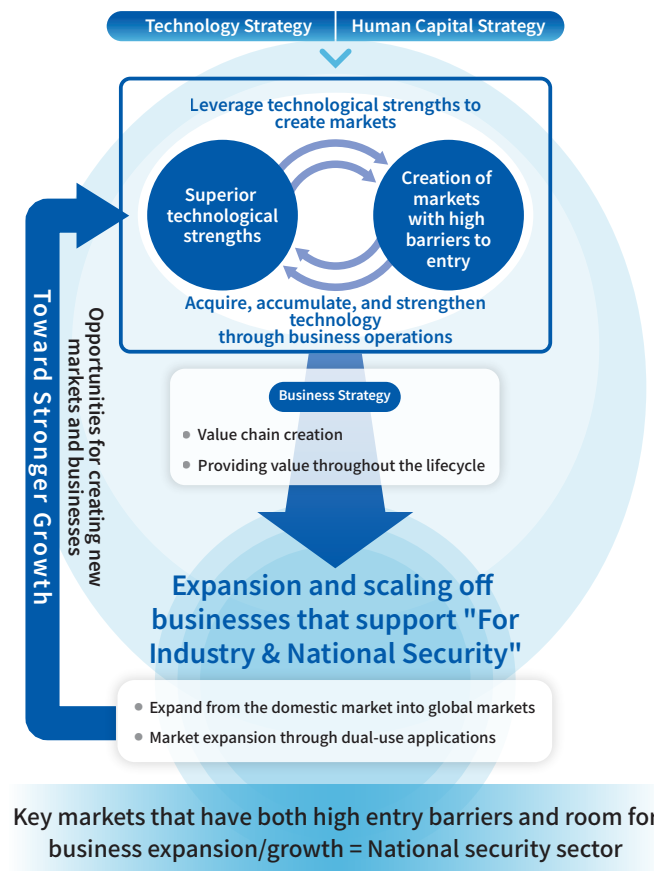
The growth of the IHI Group is underpinned by the technologies it has cultivated over many years and the human capital that translates those technologies into business value.

The IHI Group has developed a diverse range of businesses by drawing on two distinctive technological strengths: "Developing technologies that do not exist in the world," and "developing the processes that do not exist in the world." These technologies provide an essential foundation not only for enhancing the competitiveness of its existing businesses, but also for creating new businesses and markets. By continuously driving innovation, the Group will develop technologies that further strengthen the Group's competitiveness.

At the same time, the challenges facing society and the Group's clients are becoming increasingly sophisticated and complex, and cannot be resolved by any one company alone. The IHI Group will therefore work with clients and partners, drawing on the diverse expertise of people across the Group.

The technologies and human capital cultivated through these efforts, together with the relationships the Group builds with clients and partners, are important management resources that underpin the IHI Group's competitiveness.

Mechanism for Growth - Business Model -



The IHI Group will achieve growth by leveraging technology to solve difficult challenges facing society and its clients, while strengthening the Group's competitiveness through the track record and trust the IHI Group builds. The Group primarily operates in business fields related to industrial infrastructure and national security. In these fields, clients consider more than just price, placing importance on safety, quality, and the ability to ensure stable operations over the long term. By continuously advancing its technologies, the IHI Group has addressed challenges that are difficult for other companies to solve, steadily building a strong track record and trust. This accumulated track record and trust enable the Group to expand into new growth areas and further strengthen its competitiveness.

Going forward, while further strengthening these capabilities, the Group will expand the technologies and expertise it has developed into global markets. It will also broaden its growth opportunities by cross-leveraging technologies and products developed across different fields, including defense and commercial businesses.

The IHI Group's business strategy is to create a virtuous cycle of stable cash generation through "providing value throughout the lifecycle" and creating new growth opportunities through "creating value chains."

Rather than ending its involvement when a product is delivered, the IHI Group remains engaged over the long term in its operation, maintenance, and renewal, building lasting relationships with its clients.

This enables clients to operate products and services reliably over extended periods while maintaining safety and quality and ensuring compliance with regulatory and certification requirements. For society, this also contributes to maintaining and strengthening the infrastructure that supports industry and people's lives.

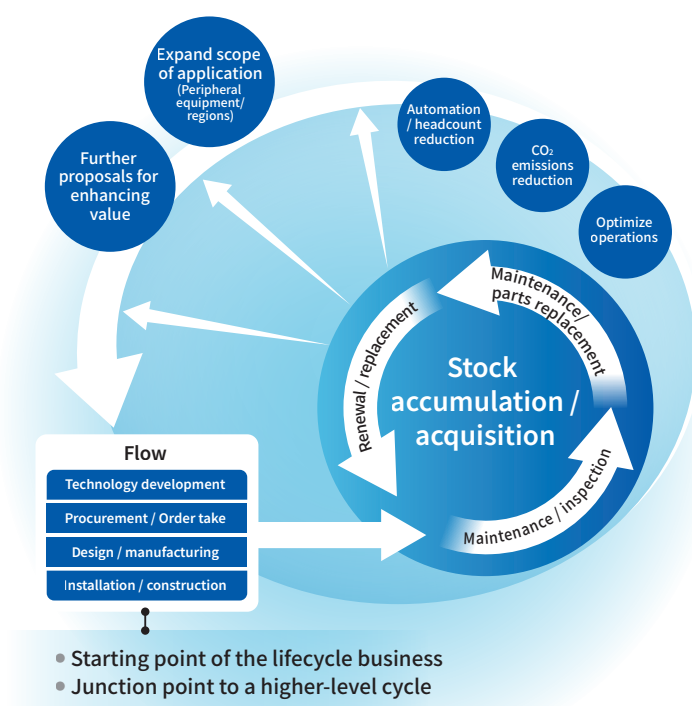
Furthermore, the Group enhances its competitiveness by leveraging operational data generated through this process and insights gained from its interactions with clients to improve the IHI Group's offerings and advance technological development. The IHI Group refers to this approach within the Group as "providing value throughout the lifecycle."

The Group also leverages the cash, talent, and technologies generated throughout the lifecycle to create new markets and stimulate demand. Some of the challenges facing society and its clients cannot be solved by a single product or service alone. In such cases, the Group works together with its clients and partners to combine technologies, products, services, and operational frameworks, thereby creating new markets and business frameworks.

By becoming involved from the early stages of market development, the IHI Group seeks to establish business structures that capitalize on its strengths, while contributing to the resolution of social challenges and achieving business growth. The Group refers to these activities as "creating value chains."

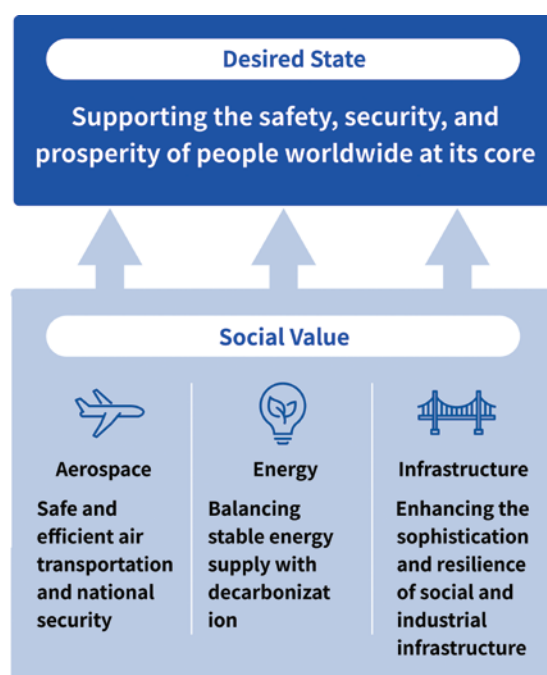
In the new markets created through these efforts, the Group will continue to generate cash by providing value throughout the lifecycle.

The IHI Group will generate stable cash by providing value throughout the lifecycle and reinvest that cash in the creation of new value chains. This cycle drives the IHI Group's sustainable growth.



Adapted and simplified from the diagram
on p.9 of "Medium-to-Longer-Term Direction"
in the FY2025 Financial Results Briefing (fiscal year ended March 2026)

Delivering Value to Society



The IHI Group provides products and services that support industrial infrastructure and national security around the world in the Aerospace, Energy, and Infrastructure domains. In these domains, the Group is required to ensure product safety and information security, support stable operations over the long term, and work to reduce environmental impact.



Aerospace

In the Aerospace domain, the IHI Group primarily supports foundational functions in the aerospace sector related to the movement of people, goods, and information, as well as national security.

With propulsion technology at its core, the Group contributes to safe and secure lives by providing next-generation propulsion systems, strengthening Japan's national security infrastructure, and building space infrastructure.



Energy

In the Energy domain, the IHI Group supports the foundations of society by providing pragmatic solutions to the challenge of achieving both energy security and carbon neutrality.

With technologies related to nuclear power and next-generation clean fuels at its core, the Group contributes to the safe and secure use of energy in Japan and around the world.



Infrastructure

In the Infrastructure domain, the IHI Group builds and maintains urban, transportation, and other social systems that address challenges such as population concentration, aging infrastructure, and climate change.

With technologies related to bridges and industrial machinery at the IHI Group's core, the Group supports people's daily lives and industrial activities.

Foundations for Growth

A culture where challenges and support reinforce each other / Strengthening governance for risk management



A Culture Where Challenges and Support Reinforce Each Other

For the IHI Group to achieve sustainable growth, an organizational culture that supports growth is also essential. The IHI Group faces increasingly complex social issues and client needs, and a growing number of challenges cannot be addressed solely by relying on past successes. The Group therefore needs to remain an organization that continues to take on new challenges.

The IHI Group is fostering a culture that encourages each individual to take on challenges and supports those efforts across the entire organization.

Through this cycle of challenging and supporting one another, the Group will drive the creation of new technologies and businesses.

Human Capital Strategy P.67



Risk Management and Governance

The IHI Group operates in areas that are critical to industrial infrastructure and national security. As a result, each decision the Group makes and every action it takes can have a significant impact on the trust its clients and society.

To achieve sustainable growth, the Group must not only encourage people to take on challenges, but also manage risks appropriately and respond with integrity.

By identifying risks at an early stage, including those related to AI and information security, ensuring rigorous compliance, making appropriate decisions, and ensuring transparency through governance, the IHI Group will maintain the trust of its stakeholders and drive sustainable growth.

Strengthening Governance
and Risk Management
P.72



4 Material Issues



Message from the Executive Officer Responsible for ESG

Akihiro Seo

Managing Executive Officer
In Charge of Group ESG

The IHI Group's Medium-to-Longer-Term Direction is to enhance the sustainability of both society and the IHI Group and, through its businesses, address social issues at the industry and national levels. To achieve this, the Group has identified key management issues (material issues^{*1}) based on long-term opportunities and risks. Under its management philosophy of "Contribute to the development of society through technology," the IHI Group has continued to develop and grow its businesses while contributing to society. I recognize that the concept of double materiality^{*2} is consistent with the IHI Group's management, which seeks to achieve business growth while meeting society's expectations. In this materiality assessment process, the Group took into account its perspective while also referring to the concept of double materiality. With the support of external experts, the Group identified six material issues that it should address.

Going forward, the IHI Group will continue engaging in dialogue with its stakeholders and incorporate the views it receives as it develops specific strategies and KPIs for each material issue.

^{*1} Issues that a company recognizes as particularly important to creating value over the medium to long term and that should be addressed as priorities.

^{*2} An approach to identifying material issues from two perspectives: the impact of corporate activities on society and the environment, and the impact of society and the environment on the company.

Materiality Assessment Process



Understanding the IHI Group's Growth Strategy

Q&A

Q.1

Why has the IHI Group chosen to set out a Medium-to-Longer-Term Direction looking ahead to 2040, rather than a three-year medium-term management policy?

Answer

The IHI Group established its Medium-to-Longer-Term Direction to enable it to take on challenges freely and boldly while maintaining discipline.

To realize its desired state for 2040, the IHI Group needs to create products and services that go beyond what it has done in the past and deliver them to society. In addition, given the nature of the IHI Group's businesses, some initiatives may also take more than 10 years to progress from development to commercialization and, ultimately, to making a broad contribution to society.

The Group therefore needs to do more than simply respond to immediate changes in the business environment as it has done in the past. It needs to accelerate technology and business development from a medium- to long-term perspective. In doing so, it is essential that the Group's employees remain aligned with this direction and take on challenges freely and boldly while maintaining discipline.

For this reason, the IHI Group has established its "Medium-to-Longer-Term Direction" to serve as a guiding framework for decision-making over the long term. By sharing this overarching direction, the Group aims to ensure consistent management decisions and employee actions throughout the organization.

Q.2

Why were "Aerospace," "Energy," and "Infrastructure" selected as our three business domains?

Answer

The purpose is to clearly identify the areas in which the IHI Group can leverage the strengths of the technologies and talent it has developed to contribute to society while achieving growth.

These three domains are critical to supporting people's lives, industrial activity, and national security in countries around the world. By leveraging the technologies and talent it has developed, together with its business operating systems and experience in management decision-making, the Group will build a sustainable competitive advantage. The business domains do not represent a reorganization of the Group's existing business areas or organizational structure into three categories. For example, the "Aerospace" domain is not simply a renaming of the existing "Aero Engine, Space & Defense" business area. Rather, it is a domain in which the IHI Group will combine technologies and talent across traditional boundaries to create new businesses.

How does “providing value throughout the lifecycle” differ from the lifecycle business pursued to date?

Answer

The key difference is that, rather than limiting its efforts to the maintenance and renewal of products and equipment, the IHI Group looks at our clients’ businesses as a whole and broadens the scope of the value it provides.

The IHI Group has supported its clients’ businesses through the operation, maintenance, and renewal of the products and equipment it has delivered. Going forward, the Group will not simply respond to requests concerning products and equipment. It will also seek to understand the underlying business challenges and objectives and propose the solutions best suited to each client.

For example, when a client consults the IHI Group about replacing a piece of equipment, the IHI Group will consider not only the replacement itself but also the role of the equipment and its impact on the overall production process. Based on this understanding, it will propose measures such as optimizing the entire production process, introducing automation, and improving energy efficiency, in addition to installing new equipment.

Why are “technology” and “human capital” the driving forces behind the IHI Group’s growth?

Answer

In the IHI Group’s businesses, its accumulated technologies and human capital directly determine the businesses it can enter and the growth opportunities it can pursue.

In the fields of industrial infrastructure and national security where the IHI Group operates, it is required to meet stringent standards for safety and quality, comply with regulations in each country, and ensure stable operations over the long term. Without the technology and track record needed to meet these requirements, the Group cannot operate in these fields.

Moreover, the Group’s businesses cannot be sustained by technology and products alone.

For example, in its aero engine business, the IHI Group needs to manage complex, long term projects while negotiating with companies in various countries. In building an ammonia value chain, it needs to take into account the different circumstances of each country and company, collaborate with a wide range of stakeholders, and create new markets and business frameworks.

To make these businesses possible, the Group needs both the technology to solve complex challenges and the talent who can bring stakeholders together around that technology and drive long-term business development. This is why the IHI Group regards technology and human capital as the driving forces behind its growth.

Summary

The IHI Group operates across the Aerospace, Energy, and Infrastructure domains to support the safety, security, and prosperity of people around the world.

The Group addresses social challenges related to industrial infrastructure and national security in countries around the world, aiming to contribute to society while achieving business growth.

It achieves sustainable growth by creating value chains and providing value throughout the lifecycle.

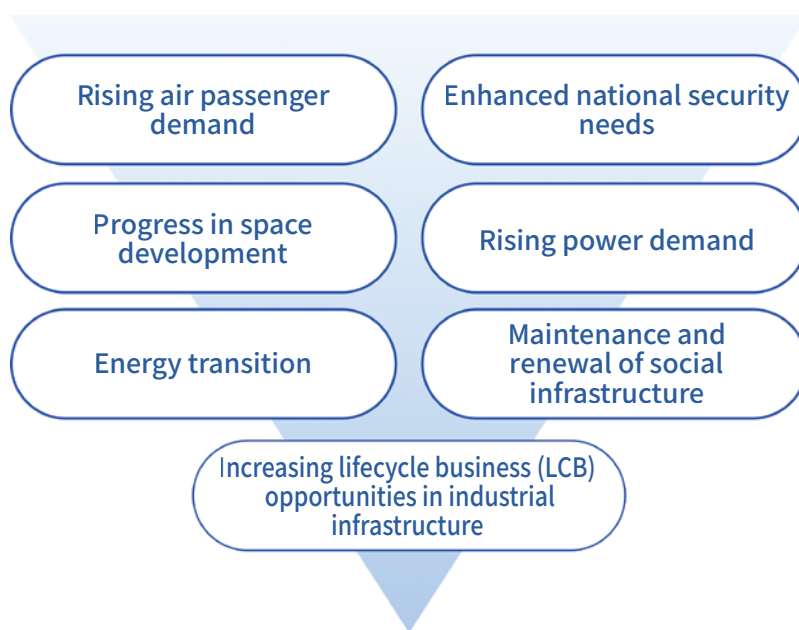
Building on its technological strengths, the IHI Group pursues global expansion and business growth while creating new value.

IHI Integrated Report 2026	Management Message		Message from the Managing Executive Officer of Finance & Accounting	
	Growth Strategy Toward 2040	Business Strategy		Senior Executive Officers' Tripartite Talk
	Foundations for Value Creation			
	Technology Strategy	Human Capital Strategy		Strengthening Governance and Risk Management
	Review of the "Group Management Policies 2023"			

Business Strategy

Business opportunities surrounding the IHI Group are expanding significantly as society and industries change. Specifically, the Group expects growth opportunities in the following seven areas.

Broadening Business Opportunities



Toward a Stage of Rapid Growth

Businesses in Which IHI Operates

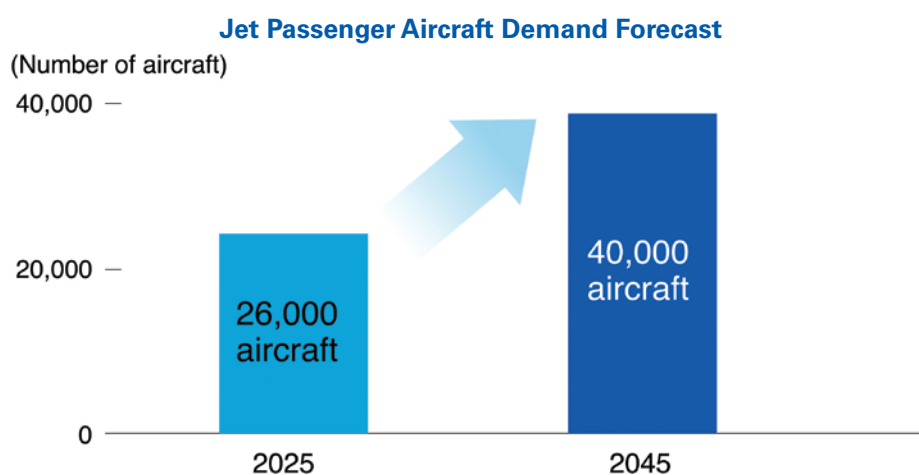
 Civil Aero Engine Business ▶ P.27	 Defense Business ▶ P.32
 Space Business ▶ P.35	 Nuclear Energy Business ▶ P.39
 Ammonia Value Chain Business ▶ P.43	 Bridge and Water Gate Business ▶ P.48
 Carbon Solutions, Power Systems and Other Businesses ▶ P.52	 Parking Systems and Other Businesses ▶ P.55



With the continued growth in air passenger demand, the aircraft and aero engine markets are expected to achieve medium- to long-term growth. Through the international joint development of civil aero engines and its lifecycle business, the IHI Group will capture these growth opportunities.

Market Environment

The global civil aviation market is expected to achieve stable medium- to long-term growth, driven by expanding demand for air travel. As of 2025, approximately 26,000 aircraft are in operation worldwide, and this number is projected to increase to approximately 40,000 by 2045. Because aircraft remain in service for 20 to 30 years or longer after they are introduced, the engine market, which supports these aircraft throughout their operational lives, is also positioned as a long-term growth industry.

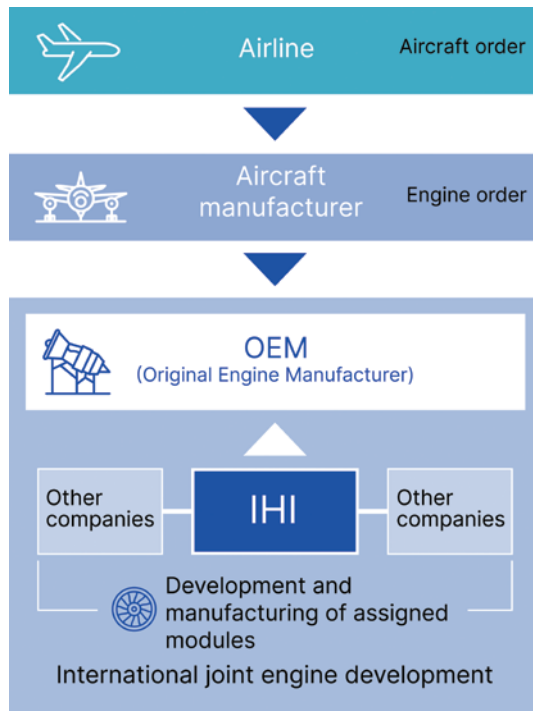


Created by IHI based on Market Forecast for Commercial Aircraft 2026–2045 published by the Japan Aircraft Development Corporation.

The civil aero engine business requires substantial investment and advanced technologies for product development. As a result, it is standard practice for the OEM (Original Equipment Manufacturer) leading the engine development program to form an international partnership, sharing risks and responsibilities with partner companies for development and production. The major engine modules that determine engine performance and reliability are undertaken by a small number of globally capable partner companies with the necessary production capacity and technological expertise.



Industry Structure of the Civil Aero Engine Business



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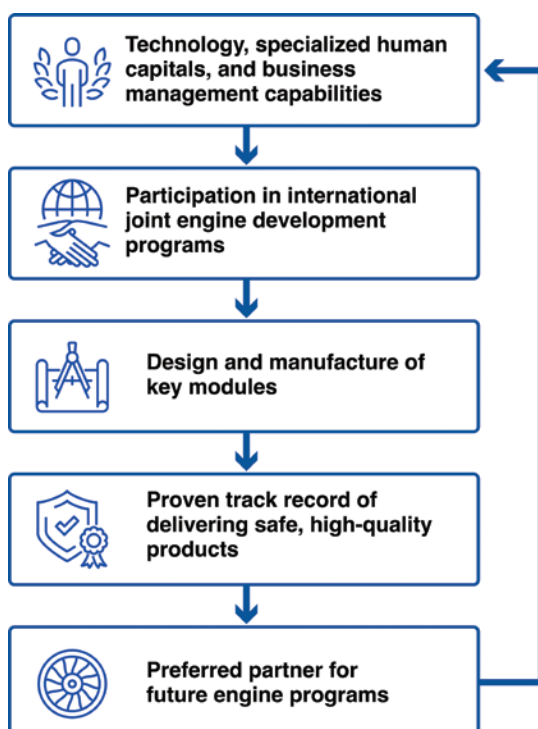
Furthermore, after an aircraft enters service, the aero engine requires regular maintenance, repair, and overhaul (MRO). The aircraft aftermarket, centered on these MRO services and the supply of spare parts, is expected to generate stable demand in line with increases in the number of aircraft in operation and flight hours. Entry into this market is limited to certified providers capable of ensuring safety, reliability, and other required standards.

In this way, the industry is structured to deliver high added value throughout the entire lifecycle, from development and manufacturing to the aftermarket, while maintaining commercial viability.

Business Strategy

Competitive Advantage

Civil Aero Engine Business: Process for Strengthening Competitive Advantage



The IHI Group's aero engine business began with supplying engines for Japan's domestic defense sector. It built its business foundation through licensed production of engines developed in Europe and the United States, as well as the development of its own domestically produced engines, before later expanding into the civil aero engine market. Since then, the Group has continued to strengthen this foundation by participating in the international joint development programs for a wide range of civil aero engines. The Group's sustained competitive advantage in this business does not stem solely from strengths in individual advanced technologies or specific products. Rather, it has been established through the long-term, comprehensive accumulation and continuous evolution of multiple management resources, including technology, human capital, and business management capabilities.



Aero engines must operate under extreme conditions of high temperature, high pressure, and high rotational speed in order to generate powerful propulsion. This requires the sophisticated integration of a wide range of technologies into a single system, including aerodynamics, combustion, materials, structures, cooling, and control. The Group has participated in numerous international joint engine development programs as a partner responsible for the design and manufacture of critical engine modules that have a significant impact on engine performance, durability, and reliability. This ability to provide value based on a deep understanding of the overall engine system and its operating environment is what makes the Group a trusted development partner, rather than merely a component supplier.

Furthermore, ensuring the safety and reliability of aero engines requires the ability to manufacture them with consistently high quality. The Group has established a monozukuri foundation, which means a comprehensive manufacturing foundation, as one of its core competitive strengths. It encompasses a broad range of capabilities, including forging, casting, and composite molding technology; processing technologies such as machining, joining, and surface treatment; and the expertise required to integrate and assure manufacturing processes, including process design, non-destructive inspection, and quality control. This integrated capability enables the Group to reliably supply technologically advanced engine components, including major structural parts, rotating components, and high-temperature-resistant parts.

..... Advanced Technologies

- **Propulsion-related technologies (aerodynamics, combustion, materials, structures, cooling, and control)**
- **Formed and fabricated materials technologies (forging, casting, and composite molding)**
- **Processing technologies (machining, joining, and surface treatment)**

As demands for improved fuel efficiency and reduced environmental impact continue to grow, weight reduction and heat-resistant technologies have become critical areas of competition for next-generation engines. Leveraging a strong technological foundation, the IHI Group is able to integrate the development of materials, structures, manufacturing processes, and quality assurance—including in the fields of composite materials and next-generation heat-resistant materials—thereby contributing to improved overall engine performance. The Group also takes a medium- to long-term perspective on technologies related to composite materials and next-generation heat-resistant materials and has continuously and strategically filed patent applications for more than 20 years. In particular, it has established a patent portfolio covering material properties, structural design, manufacturing processes, and quality assurance, thereby strengthening the protection of the technological foundation described above.

The Group's human capital and organizational capabilities have sustained these technological strengths over the long term. In the civil aero engine business, supply and maintenance support must be provided continuously for decades after an engine enters service. The IHI Group has cultivated specialized talent who understand the entire engine program, including design, manufacturing, MRO, procurement, and quality and schedule management, and who are capable of handling certification as well as technical discussions with OEMs. As this expertise is shared and passed on throughout the organization, it forms the foundation for maintaining competitiveness across generations.



Maximizing Opportunities and Minimizing Risks

..... Maximizing Opportunities

- Strengthen the lifecycle business
- Participate in new engine programs

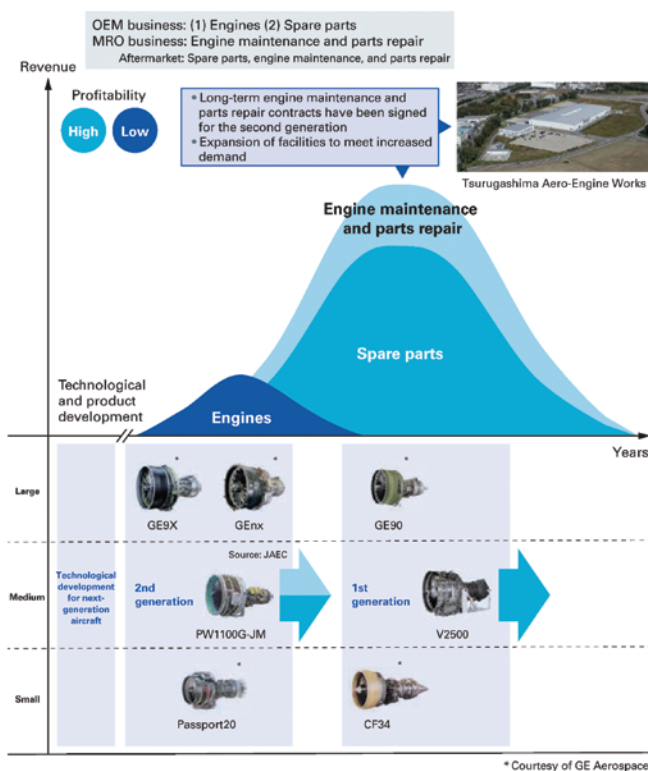
..... Minimizing Risks

- Strengthen the quality certification system
- Strengthen risk management

A defining characteristic of the civil aero engine business is that it extends beyond supplying new engine hardware to encompass services throughout engines' long operational lives. Engines typically remain in service for more than 20 years, generating ongoing business opportunities in maintenance, repair, and parts replacement. The IHI Group collectively refers to these business opportunities as its "lifecycle business".

In recent years, the IHI Group has recognized the lifecycle business as an important business opportunity and has worked to strengthen its MRO operations and spare parts supply capabilities. Through maintenance facilities equipped with state-of-the-art equipment and efficient maintenance systems leveraging digital technologies, the Group will establish a stable and highly profitable business model.

Revenue Model: Civil Aero Engine Business



Participating in future new engine programs is also directly linked to the growth in future aftermarket revenue. Through participation in international joint development programs and the expansion of its technical responsibilities, the IHI Group aims to steadily build long-term revenue opportunities. The Group is already participating in multiple major global engine programs, expanding revenue opportunities in both component supply and the aftermarket. In the civil aero engine business, the Group aims to achieve revenue of approximately ¥600 billion by 2030 and will pursue sustainable growth in this attractive, highly profitable market with high barriers to entry.

While the civil aero engine business offers significant growth opportunities, it is also one in which the impact can be substantial if risks such as demand fluctuations, quality issues, or supply chain uncertainties materialize. To minimize these impacts, the Group has strengthened its quality assurance and risk management systems, and has established organizations and processes capable of detecting and responding to issues at an early stage. In addition, by combining this business with technologically compatible businesses such as the defense and space businesses, the Group is strengthening the resilience of its overall business portfolio.

IHI Group Participation Modules/Components Responsible and Share for Major Engine Programs

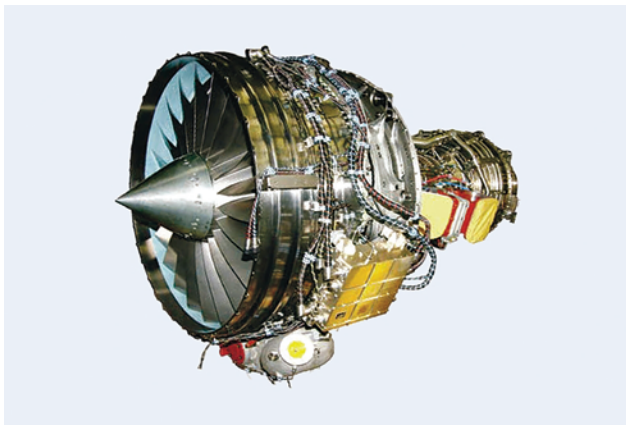
Engine Model (Program)	Modules and Components Handled by the IHI Group and Participation Ratio
V2500	Fan Modules Low-Pressure Shafts IHI Participation Ratio 14%
GE90	Low-Pressure Turbine Blades Turbine Disc Low-Pressure Shaft Other large LPT components IHI Participation Ratio 9%
CF34	Low-Pressure Turbine Module (All LPT Stages) Rear Stages of the High-Pressure Compressor Shaft IHI Participation Ratio 27%
GE9x	Low-Pressure Turbine Rotor Assembly (LPT Blades and Discs) Rear Stages of the High-Pressure Compressor IHI Participation Ratio 13%
PW1100G-JM	Fan Module Low-Pressure Compressor Module IHI Participation Ratio 15%
Passport20	Fan Static Structure Low-Pressure Turbine Gear System IHI Participation Ratio 27%
GE9X	Low-Pressure Turbine Module Long Shaft IHI Participation Ratio 10.5%

Value provided

The value provided by the IHI Group's civil aero engine business extends beyond the supply of components. For airlines, the Group contributes to safe flight operations and lower operating costs by delivering highly reliable, high-performance, durable engines and improving maintenance efficiency. Improvements in engine performance and weight reduction also lead to better fuel efficiency and lower CO₂ emissions, supporting the environmental sustainability of the aviation industry as a whole.

For society, the Group supports the movement of people and goods and contributes to economic vitality by serving as a foundation for safe and efficient air transportation infrastructure. In addition, the creation of value through dual-use applications — by applying technologies developed in the defense and space fields to commercial businesses and, conversely, transferring technologies refined in commercial businesses to the security sector — is another distinctive strength of the IHI Group.

Through its civil aero engine business, the IHI Group will continue to support safe and secure air transportation and contribute to the sustainable development of air transport.



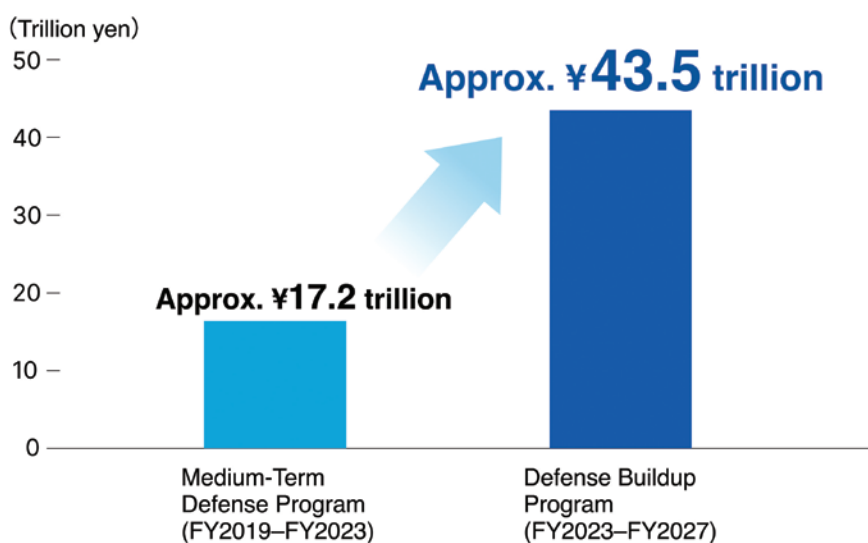
Amid changes in the security environment, the business environment surrounding the defense industry has changed significantly. Leveraging its strength in propulsion technologies, the IHI Group aims both to contribute to the strengthening of defense capabilities and to achieve business growth.

Market Environment

Japan is currently facing the most severe and complex security environment since the end of World War II. As geopolitical risks continue to rise, many countries are strengthening their defense capabilities, and defense investment has become a structural trend rather than a temporary response. In this context, expectations for the IHI Group's contribution to national security are also increasing.

In Japan, the so-called “Three Strategic Documents,” including the National Security Strategy, were formulated at the end of 2022, clearly setting out a fundamental strengthening of the nation's defense capabilities. Total defense spending for the five-year period from FY2023 through FY2027 has been set at ¥43.5 trillion. In the FY2026 budget, defense-related expenditures and other expenditures contributing to national security amount to approximately ¥10.6 trillion, equivalent to approximately 2% of GDP.

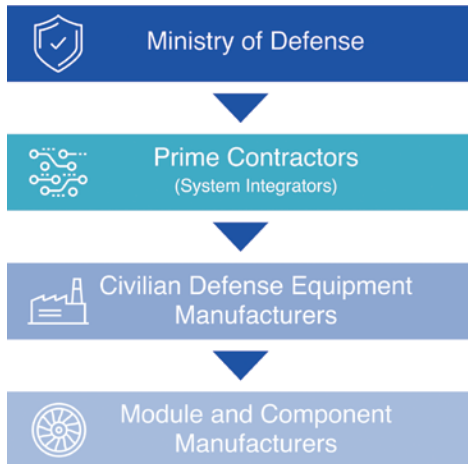
The expenses based on contracts (material expenses) to be newly concluded



In addition to the expansion in scale, the earnings environment is also changing. The National Defense Strategy identifies the defense production and technological base as a component of national defense capability itself, and measures have been implemented to improve profit margins for companies in the defense industry. As a result, the business environment is becoming more conducive to sustainable operations than in the past.



Players in the Defense Industry



The defense industry has a multi-layered structure centered on the defense authorities, comprising prime contractors (system integrators), defense equipment manufacturers, module and component manufacturers, as well as maintenance and logistics support providers. Demand for defense equipment is relatively insulated from economic fluctuations and is formed over the medium term based on national security policy. At the same time, the need to meet high levels of confidentiality and stringent quality requirements and to assume long-term supply responsibilities means that the industry is supported by a limited number of companies with long-established track records and trusted reputations.

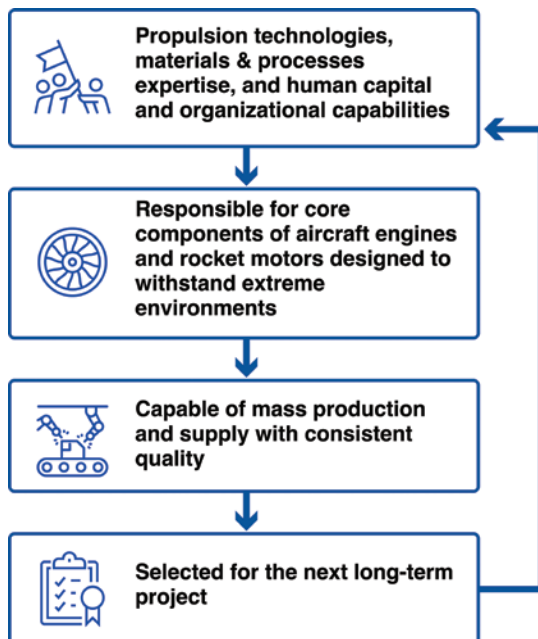
Business Strategy

Competitive Advantage

Under these characteristics of the defense industry, the core of the IHI Group's competitive advantage lies in its technological capabilities in "propulsion". In defense equipment, factors such as range, time to target, flight profile, and survivability directly determine defense capability, and these factors are determined by propulsion systems such as aero engines and rocket motors.

*Characteristics and conditions of flight, including trajectory, altitude, speed, and flight distance.

Defense Business: Process for Strengthening Competitive Advantages



In the fields of defense aero engines and solid rocket motors, the IHI Group has been responsible for critical components requiring exceptional reliability under extreme operating conditions, including rotating components, turbines, and shaft systems, for many years. In addition to achieving the required design performance, these components must be capable of minimizing quality variation in mass production and consistently reproducing the same level of quality throughout their operational life.

Supporting these requirements is the Group's integrated Materials & Processes expertise, which integrates materials, processing, assembly, and testing into a unified cohesive whole. Through its defense and space businesses, the IHI Group has advanced materials with ultra-high heat resistance, composite materials, and formed and fabricated materials technologies, establishing a technological foundation that meets the unique propulsion system requirements of high propulsion, high temperature, and high reliability. This organizational capability to reliably deliver design performance throughout operational use constitutes a competitive advantage in itself.



The people and organizational capabilities supporting the defense business are also key sources of competitiveness. The capabilities required to operate under stringent quality requirements and strict confidentiality, and to complete long-term projects, cannot be developed in a short period of time. The IHI Group develops and accumulates talent capable of consistently managing every stage from design and manufacturing to quality and supply, while preserving and passing on the expertise built through many years of experience.

Maximizing Opportunities and Minimizing Risks

..... Maximizing Opportunities

- Focus on priority areas aligned with government policy
- Strengthen production capacity
- Strengthen procurement systems
- Enhance quality management

..... Minimizing Risks

- Strengthen dual-use production and technology infrastructure
- Reinforce supply chain resilience

Demand is expected to continue growing in the areas where the IHI Group's strength in propulsion-related technologies can be leveraged, driven by efforts to strengthen defense capabilities and advance next-generation defense equipment. The IHI Group will focus its management resources on the Japanese government's priority areas, including stand-off defense capabilities, integrated air and missile defense, and unmanned assets, to capture these growth opportunities.

At the same time, defense equipment frequently requires specification changes or increased production in response to changes in the operating environment and national security requirements. The IHI Group is building a supply system capable of responding flexibly to these changes by strengthening production capacity, reinforcing procurement systems for critical materials and components, and enhancing manufacturing processes and quality management.

During periods of expanding demand, factors such as dependence on specific materials and geopolitical risks can become business risks. The IHI Group is strengthening dual-use technologies and production infrastructure shared between commercial and defense applications while diversifying procurement sources and reinforcing supply chain resilience to achieve both stable supply and business continuity.

From a profitability perspective, the Group is leveraging these changes in the external environment to operate the business with higher profit margins than in the past. Through the medium- to long-term growth of the defense business, the IHI Group aims to achieve revenue of approximately ¥300 billion by 2030.

Value Provided

The defense business is not merely about supplying defense equipment; it is about providing the reliability and technology that support operations over the long term. Going forward, the IHI Group will continue to contribute to Japan's security foundation through the provision of defense equipment and technologies, helping to realize a safe and secure society.



The expansion of space utilization is creating a wide range of business opportunities, from space transportation to satellite data utilization. Leveraging its “Propulsion” technologies and satellite operation technologies, the IHI Group will drive the growth of the space business.

Market Environment

In addition to traditional government-led development, the space industry has experienced accelerated growth in recent years with the entry of private-sector companies. As of 2025, the global space market is estimated by the Space Foundation at approximately US\$680 billion. The market continues to expand, led by satellite services—including communications, broadcasting, and positioning—and ground equipment, as well as launch services and the manufacture and utilization of satellites. In Japan, the government has also set a target of doubling the space-related market, including satellite-based services, from approximately ¥4 trillion to ¥8 trillion by the early 2030s.

The space market can be divided into four segments: the development, manufacturing, and launch of rockets and satellites; satellite operations and ground infrastructure; satellite utilization and services; and space exploration and emerging fields. In recent years, the proliferation of small satellites and advances in data analytics have expanded the use of satellite data to address societal challenges, including disaster response, environmental management, and infrastructure monitoring. Satellite utilization and services account for around 70% of the overall space market. Moreover, as commercial space station initiatives and activities in cislunar space and on the lunar surface are expected to gather momentum, transportation within space—as well as transportation from Earth to space—is likely to become increasingly important.

Meanwhile, competition overseas is intensifying, driven primarily by private-sector companies establishing low-cost, high-frequency launches and developing large-scale satellite constellations. In this environment, the IHI Group will leverage its long-established expertise in propulsion technologies and other space-related technologies to contribute to enhancing the competitiveness of Japan’s space industry and space business by delivering value across areas ranging from launches to infrastructure to the utilization of satellite data.



IHI Group Initiatives

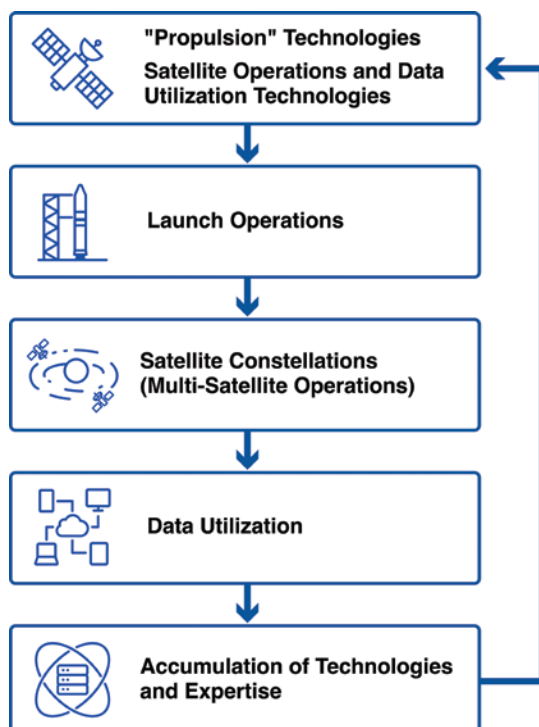
Space Market Segments	IHI Group Initiatives
Development, manufacture, and launch of rockets and satellites 	<ul style="list-style-type: none">■ Development and manufacturing of solid-fuel rockets (Epsilon and H3 solid rocket boosters)■ Development and manufacturing of turbopumps for liquid-fuel rockets (H3)
Satellite operations 	<ul style="list-style-type: none">■ Operation of the IHI Group's own satellites (IHI-SAT series)
Satellite utilization and services (Provision of satellite data, satellite data analysis results, and intelligence) 	<ul style="list-style-type: none">■ Provision of maritime surveillance services■ Expansion into applications such as forest management, disaster management, and resource management■ Provision of SAR satellite data

Business Strategy

Competitive Advantage

- World-class propulsion technologies, represented by solid-fuel rockets
- Satellite operation and data utilization technologies

Process for Strengthening Competitive Advantage



The IHI Group's greatest strengths in its space business are its world-class technological capabilities in propulsion and its engineering capabilities, which enable it to provide an integrated value chain from launch through satellite operation and data utilization. The technologies and expertise it has accumulated over many years, including propulsion technologies represented by solid-fuel rockets, lightweight structural design, manufacturing and quality control, and launch operations, constitute management resources that cannot be acquired in a short period of time. In addition, its operational know-how, including safety reviews and regulatory compliance, together with the trust it has built over many years, are key reasons clients choose the IHI Group.



In the field of launch systems, IHI Aerospace is responsible for the development of the rocket system and the manufacture of the launch vehicle for Epsilon, a solid-fuel rocket that forms a key part of Japan's flagship launch vehicle program. Since the launch of the demonstration vehicle in 2013, the company has contributed to five successful launches. It is currently developing the enhanced Epsilon S rocket to meet growing demand for small satellite launches.



For liquid-fuel rocket engines, the IHI Group has jointly developed liquid oxygen and liquid hydrogen turbopumps with JAXA for the engines of the H3 and is working to deliver high reliability and performance through mass production. In addition, the Group has conducted research and development on liquid-methane-fueled rocket engines for approximately 30 years.

In satellite operations, the IHI Group is one of the few companies in Japan with experience operating its own satellites. Through the IHI-SAT nanosatellite launched in 2021 and the IHI-SAT-2 nanosatellite launched in 2025, the Group has accumulated expertise in data acquisition and analysis from hands-on operations. In the field of satellite applications and services, the Group provides maritime surveillance services and is developing satellite data-based services for applications such as forest monitoring and infrastructure monitoring.

Furthermore, the Group aims to build and operate a satellite constellation combining multiple types of sensors, including optical, SAR*, and hyperspectral sensors, as infrastructure for acquiring and generating satellite data. Both operating multiple types of satellites simultaneously and analyzing and providing the data obtained in an integrated manner require advanced capabilities, and only a limited number of operators are capable of establishing such a system.

The IHI Group will acquire the technologies required to develop and operate satellite constellations and take the lead in their deployment. Furthermore, the Group will leverage the business foundations it has built across the land, maritime, air, and space domains to collect information from multiple sources. By analyzing and providing the collected information in line with client needs, the Group will contribute to realizing a safe and secure society.



*SAR (Synthetic Aperture Radar): A radar for acquiring image information on the shape and characteristics of the Earth's surface by transmitting radio waves from an antenna mounted on a satellite or aircraft toward the ground and capturing the reflected signals from the Earth's surface.



Maximizing Opportunities and Minimizing Risks

..... Maximizing Opportunities

- Capture demand for small and microsatellites
- Develop next-generation space infrastructure
- Expand the dual-use market in satellite data utilization

..... Minimizing Risks

- Address supply constraints
- Strengthen the quality assurance system
- Manage long-term business risks
- Strengthen regulatory compliance

In the rocket launch business, the IHI Group will provide highly reliable launch services centered on solid-fuel rockets to serve the growing launch market for small and microsatellites. While meeting government and national security demand, the Group will also seek to steadily capture demand by supporting the deployment of commercial Earth observation satellites and communications constellations.

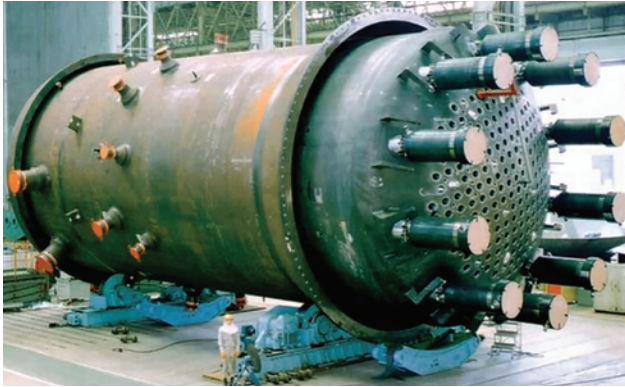
The Epsilon S, currently under development, is a small launch vehicle with the capability to launch approximately 1.2 tonnes of satellite payload. It can carry multiple small and microsatellites and targets the market segment between large and micro launch vehicles. By providing low-cost, flexible launches of multiple satellites, it will support the development of next-generation space infrastructure.

In the satellite data services business, the Group is creating services that address both defense and security needs and civilian demand under its dual-use strategy. In creating these services, the Group is strengthening its organizational competitiveness by flexibly incorporating cutting-edge technologies through collaboration with overseas companies, including ICEYE, and domestic startups. Through its SAR satellite constellation being developed in collaboration with ICEYE, the Group aims to contribute to disaster response and defense and security by providing high-frequency, high-resolution observation data. At the same time, it is expanding civilian services that address social challenges, including forest management, environmental monitoring, infrastructure inspection, water resource management, and agricultural land management.

Meanwhile, the space business is characterized by stringent reliability requirements and long development and operational cycles, giving rise to risks such as supply constraints, procurement of critical materials, quality assurance, and regulatory compliance. The IHI Group will continue to strengthen its business foundation through strategic investments and organizational enhancements, while pursuing both effective risk management and sustainable business growth.

Value Provided

The IHI Group will continue to provide safe and reliable means of space transportation and to use observational information from space, thereby creating equipment and services that contribute to the development of a safer, more secure, and more convenient society. At the same time, the Group will continue to create opportunities for the utilization of space that contribute to the sustainable development of space transportation and to a safer, more secure, and more convenient society.



As the world seeks to meet growing global electricity demand while advancing decarbonization, nuclear power is being reevaluated as an important energy source. The IHI Group will leverage its business capabilities across the entire lifecycle of nuclear power plants—from the design and manufacture of equipment that supports plant safety to plant operational support, maintenance, and waste treatment—to capture growing business opportunities in Japan and overseas.

Market Environment

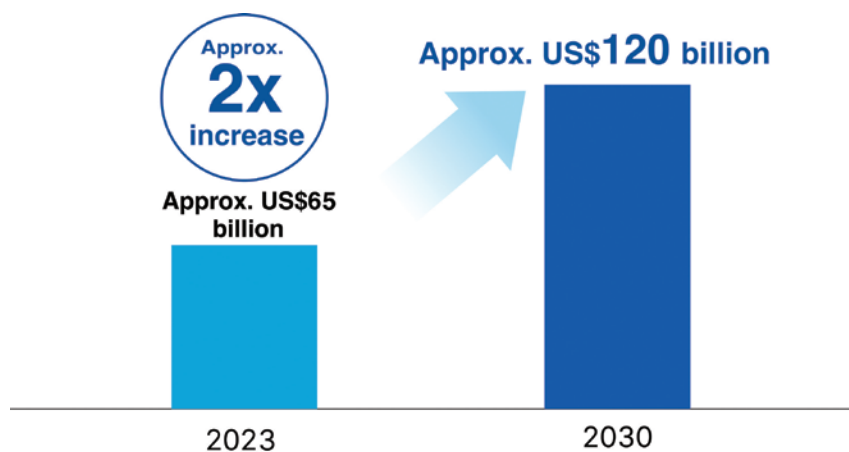
- Increase in electricity demand
- Expansion of demand for decarbonized energy

Global energy consumption is becoming increasingly reliant on electricity, driven by economic growth and urbanization, as well as the expansion of data centers and the semiconductor industry. The International Energy Agency (IEA) points out that, as electricity demand continues to grow, ensuring a stable electricity supply will become more important than ever.

Nuclear energy is being reassessed globally as a source of electricity that emits no greenhouse gas emissions during operation while providing stable output over long periods. At COP28 in 2023, participating countries shared the goal of tripling global nuclear energy capacity by 2050. Global nuclear electricity generation reached a record high in 2024, and around 60 reactors are currently under construction worldwide. The IEA projects that annual investment in the nuclear sector could increase from approximately US\$65 billion in 2023 to around US\$120 billion by 2030. As of 2026, annual investment has increased to approximately US\$80 billion.

*Source: IEA The Path to a New Era for Nuclear Energy

Annual Investment





Business Flow of the Nuclear Industry

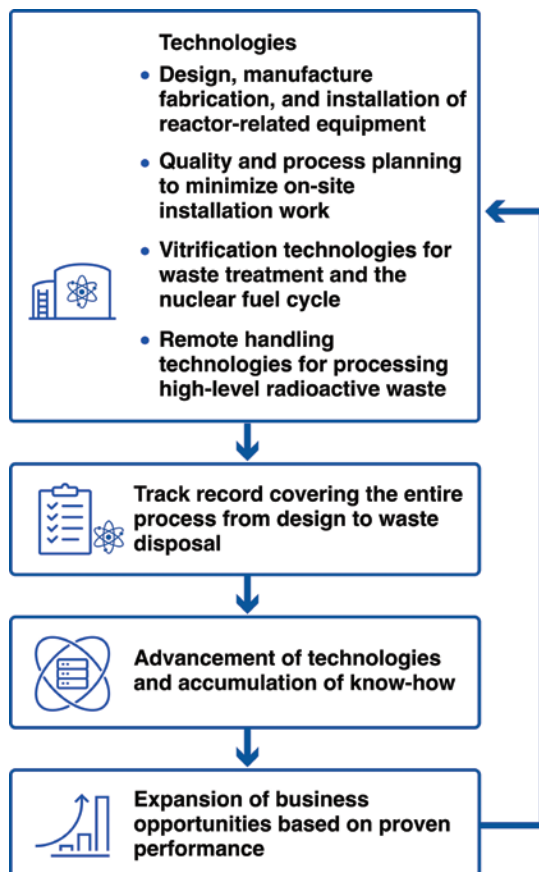


The nuclear industry consists of multiple areas: (1) the design, manufacture, construction, and installation of nuclear power plants and nuclear fuel cycle facilities; (2) operation, maintenance, and equipment replacement; (3) decommissioning; and (4) waste treatment and disposal. Each of these areas requires not only advanced technological capabilities but also strict regulatory compliance and long-term responsibility. Consequently, the nuclear energy business has high barriers to entry and depends on a long track record and established trust.

Business Strategy

Competitive Advantage

Nuclear Energy Business: Process for Strengthening Competitive Advantage



Throughout the lifecycle of nuclear power plants, the IHI Group has been responsible for providing large-scale equipment and related components that support reactor safety. This includes the design, manufacture, and installation of reactor pressure vessels, containment vessels, piping systems, and modules.

These components are required to meet the highest quality standards to ensure the safety and stable operation of nuclear power plants. In addition, during plant construction, they must be delivered to the construction site at the precise time required for installation. To meet these requirements, the design is optimized to facilitate manufacturing and minimize on-site work. During the manufacturing phase, mock-ups and personnel training help ensure both quality and schedule objectives are met. These activities must be carried out in accordance with nuclear-specific quality programs. As a company with a proven track record, the IHI Group also contributes to the restart of nuclear power plants.



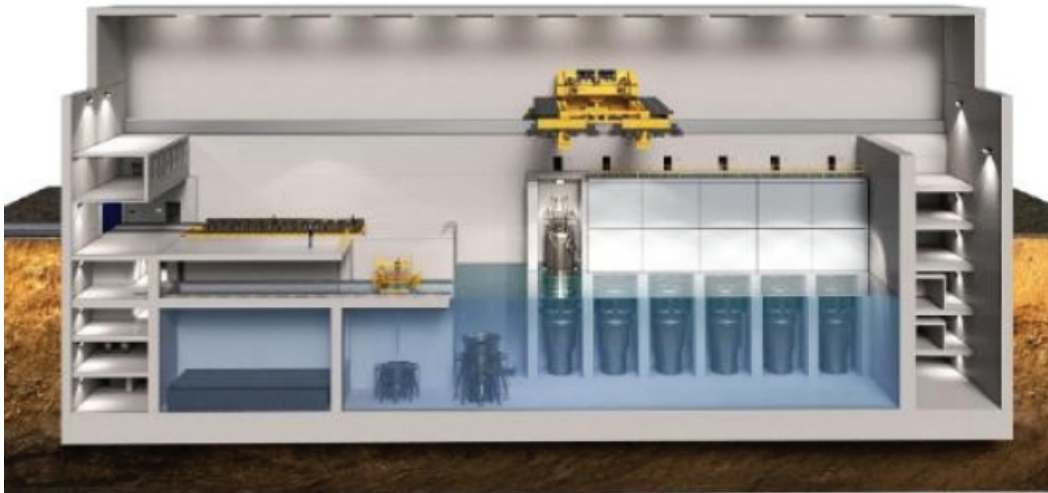
The IHI Group is working to further enhance the performance of ARMUT®, its commercially available ultrasonic flaw detector for nuclear power equipment, with the aim of improving inspection reliability in maintenance operations. To support this development, the Group is leveraging a broad range of information, including intellectual property data, and taking a multifaceted approach to product development.

In the waste treatment and nuclear fuel cycle fields, the IHI Group possesses vitrification technology that solidifies and manages high-level radioactive liquid waste in a stable form. Even on a global scale, only a limited number of companies are capable of providing this technology, making it a key enabling technology for the final disposal of radioactive waste.

Remote handling is essential at facilities that process high-level radioactive liquid waste. The reliable operation and maintenance of equipment and facilities in high-radiation environments require advanced technical capabilities and specialized expertise. By applying these technologies to the decommissioning of the Fukushima Daiichi Nuclear Power Station, the IHI Group contributes to accelerating the process.

The IHI Group is also involved in the field of small modular reactors (SMRs*). SMRs feature designs that enhance safety through their smaller generating capacity, the adoption of passive safety systems, and a reduced number of components. The IHI Group has been involved from the stage of defining design requirements, and in 2025 manufactured a full-scale mock-up of the steel module for the reactor building of an SMR project in Romania. Through these activities, the Group ensures quality and on-time delivery while accumulating expertise for future mass production and other projects.

Small Modular Reactor (SMR)



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*A nuclear reactor designed with a smaller power output per reactor unit, making reactor cooling easier and enhancing safety.



Maximizing Opportunities and Minimizing Risks

..... Maximizing Opportunities

- Respond to domestic demand for safety enhancement work for reactor restarts and equipment upgrades
- Supply equipment for overseas large-scale reactors and SMRs

..... Minimizing Risks

- Technical expertise transfer

The IHI Group views its nuclear energy business as encompassing not only plant construction but also maintenance and equipment upgrades throughout a plant's operating life, as well as its eventual decommissioning. In the domestic market, the Group is responding to demand for safety enhancement work associated with reactor restarts and equipment upgrades, while securing ongoing business opportunities through improvement projects carried out during plant operation. Overseas, in addition to large-scale reactors, the Group anticipates growing demand for equipment for SMRs.

To meet this demand, the Group is strengthening the production capabilities of its Yokohama Works and Aioi Works while expanding its workforce responsible for design, manufacture, quality assurance, and on-site operations.

The Group is also working to pass down the expertise required for the construction of new nuclear facilities. In addition to design expertise that takes construction and operation into account, capabilities in regulatory compliance and the establishment of robust quality assurance systems are also essential. By actively involving junior engineers in active projects and providing them with hands-on experience, the Group is advancing both human capital development and the transfer of technical expertise.

Value Provided

The value the IHI Group's nuclear energy business provides to society lies in helping achieve both a stable energy supply and decarbonization. Nuclear energy can serve as a viable energy source only when maintenance, equipment upgrades, and eventual decommissioning are carried out reliably throughout the plant lifecycle.

The IHI Group provides equipment and technologies that support the safe operation of nuclear power plants while delivering practical solutions throughout their entire lifecycle, including plant upgrades during operation and waste treatment. In doing so, the Group provides tangible support for the safety and reliability that are indispensable to the use of nuclear energy. By helping societies that use nuclear energy maintain the safety and public trust on which its use depends, the IHI Group's nuclear energy business fulfills an essential role. Building on these initiatives, the Group aims to expand revenue from its nuclear energy business to approximately ¥100 billion in the 2030s and achieve further growth in the 2040s.



Ammonia Value Chain Business



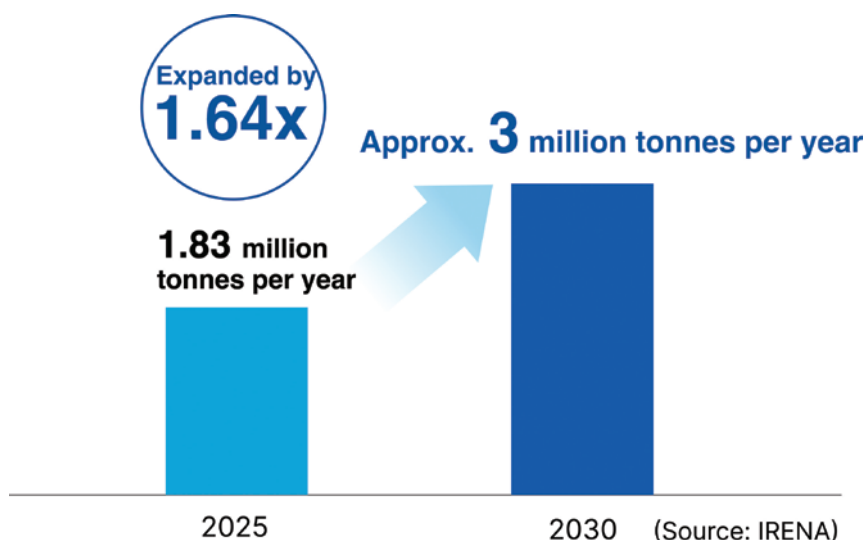
A new market for fuel ammonia is taking shape as part of efforts to realize a decarbonized society. Against this backdrop, the IHI Group is leveraging its strengths in combustion technologies and receiving and storage infrastructure to build an ammonia value chain that connects production through utilization, thereby creating new business opportunities and advancing society's energy transition.

Market Environment

- Growing demand for the transition to carbon-neutral fuels
- Increasing attention from the perspective of energy security

Approximately 200 million tonnes of ammonia are consumed worldwide each year, primarily for use as fertilizer. In recent years, driven by the global push toward decarbonization, its use as a fuel has been explored across a wide range of sectors, including power generation, industry, and shipping. In Japan, the government has set a target of expanding the use of fuel ammonia to approximately 3 million tonnes per year by 2030. In Europe and North America, discussions on the use of ammonia as a decarbonized power generation fuel are also advancing. The fuel ammonia market is still in its early stages of development and is expected to grow over the medium to long term.

Scale of Fuel Ammonia Deployment

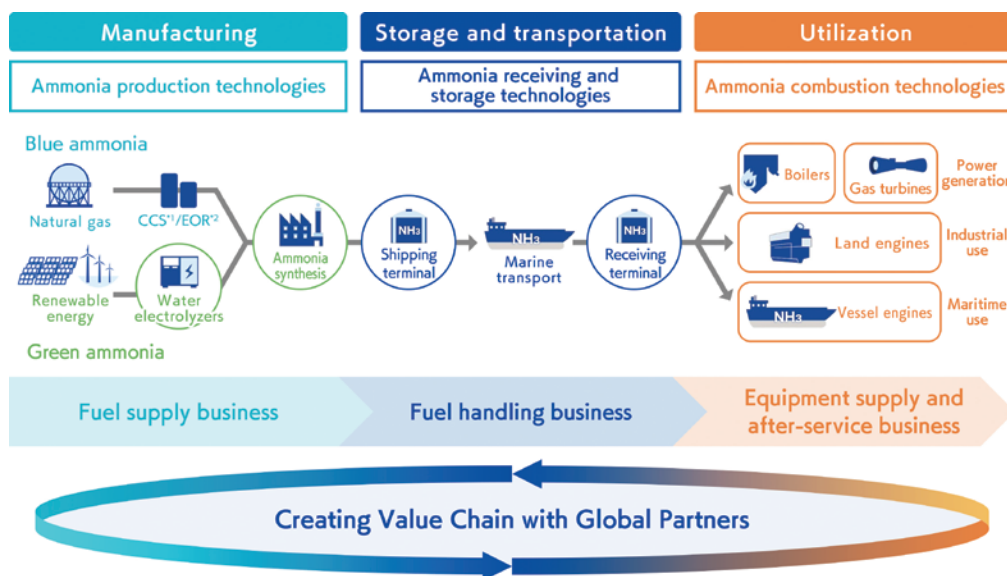




To commercialize ammonia as a fuel, it is necessary to develop the entire value chain, including production, storage, transportation, and utilization in an integrated manner so that it functions as a single, cohesive system. In the existing market, which is centered on fertilizer applications, demand is relatively stable. As a result, specialized players operate in each business segment, and a supply structure based on the division of labor has been established. In contrast, the market for fuel ammonia is still in the process of being established, making integrated management essential to coordinate production and transportation in response to demand trends while ensuring safety.

While this structure creates barriers to entry in the fuel ammonia business, it also has the potential to create new value and generate business opportunities through supply-demand coordination and optimization across the entire value chain.

The Vision for the Fuel Ammonia Value Chain Business



Business Strategy

With the fuel ammonia market still in its early stages, establishing an environment in which clients can use low-cost ammonia safely and stably will be essential to driving future market growth. Building on its strengths in combustion and utilization technologies, receiving and storage facilities, and safety design, the IHI Group is developing an integrated business across the entire value chain, from production to utilization. Through these efforts, the IHI Group aims to contribute to the development of the market while creating new revenue opportunities.



Competitive Advantage

- Industry-leading ammonia combustion technology
- Technologies that enhance clients' economic viability by leveraging existing equipment
- Development and supply capabilities for ammonia receiving and storage facilities cultivated through the LNG business

1. Strengths in Ammonia Combustion Technology

Ammonia consists of hydrogen and nitrogen. One of the challenges associated with its use is that incomplete combustion can generate nitrogen oxides (NO_x), which contribute to air pollution, as well as nitrous oxide (N₂O), a potent greenhouse gas. Drawing on combustion technologies developed through decades of experience in thermal power generation, the IHI Group has established technologies that ensure the complete combustion of ammonia while minimizing these emissions. These technologies are applicable not only in the power sector but also across a wide range of fields, including industrial facilities and marine vessels.

2. Strengths in Technologies That Leverage Existing Facilities

The IHI Group's strength lies in technologies that enable fuel conversion while minimizing clients' capital investment requirements. For example, in the power generation sector, these technologies enable coal and ammonia to be co-fired using existing coal-fired power generation facilities. This supports a smooth transition to clean fuels that emit no CO₂ during combustion. In addition, plants can switch back to coal in the event of an emergency, providing greater operational flexibility.

3. Strengths in Development and Supply Capabilities for Ammonia Receiving and Storage Facilities Cultivated Through the LNG Business

The IHI Group holds a market share of approximately 70% in Japan's ammonia storage tank market. The cost of fuel ammonia is determined by production and distribution costs. If receiving hubs and supply infrastructure are not in place, ammonia must be transported and delivered separately for each client, increasing logistics costs.

By establishing distribution hubs centered on large-scale receiving terminals, ammonia can be imported in large volumes through consolidated shipments, thereby reducing distribution costs.

In addition to the technologies and engineering capabilities cultivated through its LNG business, the IHI Group has an established track record backed by its high domestic market share, and is well positioned to lead the development of large-scale receiving and storage infrastructure and thereby help reduce distribution costs. Furthermore, by participating not only in the development of these facilities but also in their operation, the Group can secure opportunities for recurring revenue.



Because ammonia is toxic, ensuring safety throughout every stage of production, storage, transportation, and utilization is essential. Drawing on its expertise in safety design, construction management, and operation and maintenance developed through its experience in the power generation and industrial plant sectors, the IHI Group provides integrated engineering that ensures the safety of entire facilities. This enables the Group to establish viable ammonia businesses by addressing safety alongside technology, economics, and supply chains.

Among the IHI Group's recent development milestones, it conducted a large-scale demonstration of fuel conversion to ammonia in a power generation boiler in April 2024, using ammonia at a 20% heat input ratio, and achieved favorable results. In June 2026, the Group also completed technical verification toward the commercialization of an ammonia-only burner for boilers, advancing the establishment of the technologies required for fuel conversion. In the gas turbine sector, the Group successfully achieved 100% ammonia combustion in a 2 MW-class small- to medium-sized gas turbine in June 2022. Furthermore, in March 2026, it successfully conducted a 100% ammonia combustion test using the combustor of a GE Vernova large-scale gas turbine.

Ammonia Gas Turbines



While ammonia co-firing (20 to 60%) in coal-fired power plants serves as an important transitional step toward decarbonization, 100% ammonia firing represents one option for achieving further reductions in CO₂ emissions. This, in turn, depends on the successful development of 100% ammonia combustion technology for large-scale gas turbines suitable for utility-scale power generation. The IHI Group is therefore steadily advancing development in accordance with the Group's roadmap to commercialize 100% ammonia-fired gas turbines by 2030.

In parallel with these demonstration tests, the IHI Group has continuously filed patent applications since 2015 for technologies that are critical to commercialization. Among the IHI Group's patented ammonia combustion technologies are innovations that have received high external recognition, including the Invention Award at the FY2025 National Commendation for Invention, presented by the Japan Institute of Invention and Innovation. The IHI Group is also advancing international standardization initiatives, including the publication of ISO/TS 21343, a technical specification for large power generation boilers using fuel ammonia. Together, these demonstration achievements, the IHI Group's intellectual property portfolio, and its international standardization initiatives have helped secure the Group's competitive advantage while strengthening the prospects for future commercialization and revenue generation.



Maximizing Opportunities and Minimizing Risks

..... Maximizing Opportunities

- Business development leveraging the world's only ammonia combustion technology
- Collaboration with partners and government agencies possessing specialized expertise
- Utilization of government support programs

The IHI Group is building its ammonia value chain business across production, storage and transportation, and utilization through collaboration with partner companies and government agencies that possess specialized expertise.

In India, the IHI Group is collaborating with ACME, one of the country's leading renewable energy companies, on a green ammonia production and sales project, aimed at producing ammonia in India and exporting it to Japan. The two companies are jointly advancing development of an ammonia production facility in India, with plans to produce approximately 400,000 tonnes of green ammonia annually by around 2030 for export to the Japanese market. In June 2026, the project was approved by Japan's Minister of Economy, Trade and Industry and Minister of Land, Infrastructure, Transport and Tourism for support under the Contract for Difference Support Scheme*¹ established pursuant to the Hydrogen Society Promotion Act*². Obtaining this approval represents an important milestone in the development and expansion of the ammonia value chain in Japan.

*1 A support scheme administered by the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry (METI) that provides support to bridge the price gap between low-carbon hydrogen and its derivatives, including low-carbon ammonia, and existing fuels and feedstocks, with the aim of establishing supply chains for low-carbon hydrogen and related products.

*2 Act on Promotion of Supply and Utilization of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure.

Steady progress is also being made in developing ammonia supply hubs to store imported ammonia. In collaboration with Hokkaido Electric Power Co., Inc., Mitsui & Co., Ltd., and Tomakomai Futo Co., Ltd., the Group is advancing studies on an ammonia supply hub centered in the Tomakomai area of Hokkaido. In March 2026, the project received certification under the Hub Development Support Program*³ from the Minister of Economy, Trade and Industry and the Minister of Land, Infrastructure, Transport and Tourism.

*3 A program administered by the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry to support the development of infrastructure required for the transportation and storage of low-carbon hydrogen and its derivatives with the aim of accelerating supply and utilization.

Furthermore, to establish a safe and stable ammonia supply system, the IHI Group signed a joint development agreement with Vopak, one of the world's leading terminal operators based in the Netherlands, for the development and operation of ammonia terminals in Japan. The Group is also collaborating with Yara, the world's largest fertilizer producer based in Norway, to optimize ammonia shipping and establish a mutually complementary supply system capable of responding flexibly to fluctuations in supply volumes. Through these initiatives, the IHI Group will leverage the expertise of specialist companies in each field to achieve both safety and economic efficiency.

Value Provided

The IHI Group supports clients in achieving stable and cost-effective decarbonization by curbing CO₂ emissions across the entire ammonia value chain, from production through utilization, while providing an environment in which ammonia can be used safely.

To achieve this, the IHI Group is building an integrated business across the entire ammonia value chain. In addition to producing and supplying fuel ammonia, the IHI Group will provide storage infrastructure, ammonia utilization equipment, and comprehensive operation, maintenance, and parts services. Through these efforts, the IHI Group aims to generate approximately ¥900 billion in revenue by 2050.



Market Environment

- Growing demand for new bridge construction and bridge renewal driven by the concentration of population and urban functions in urban areas
- Growing demand for new bridge construction and bridge renewal driven by increasing logistics volumes
- Growing demand for new water gate construction and water gate renewal driven by rising flood risk associated with climate change
- Growing demand for the renewal of aging bridges and water gates

The environment surrounding social infrastructure is becoming increasingly challenging as populations and urban functions concentrate in urban areas, logistics volumes continue to grow, climate change heightens flood risk, and labor shortages persist in the construction and maintenance sectors. As a result, the challenge of maintaining and operating social infrastructure continues to grow. At the same time, the need to renew aging infrastructure is increasing. Going forward, simply renewing aging infrastructure will not be enough. Infrastructure must be renewed while remaining in use, maintained with a limited workforce, and kept functioning even when unexpected events occur.

As a result, the value expected of social infrastructure is no longer defined solely by the performance of individual assets. It now extends to capabilities such as condition monitoring, operational decision-making, and the ease of asset renewal. The market is also shifting beyond a focus on design and construction toward one in which competitiveness is determined by the capability to deliver services from a lifecycle perspective, encompassing both asset renewal and ongoing operations.



Business Strategy

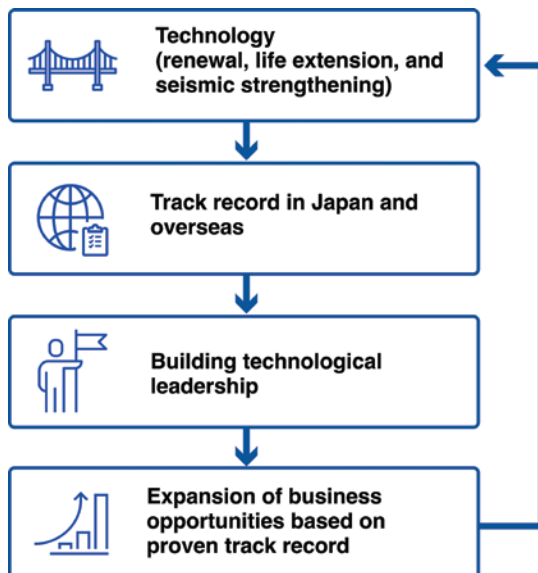
● Bridge Business

In the bridge engineering sector, the capability to design, construct, and execute bridge renewal, service life extension, and seismic strengthening projects while maintaining uninterrupted public use under highly constrained conditions, such as dense urban environments and heavily trafficked routes, has become a key competitive advantage. Through the integration of its bridge business, the IHI Group has established comprehensive lifecycle capabilities encompassing both steel bridges*¹ and prestressed concrete (PC) bridges*². The Group will apply the engineering capabilities developed through bridge projects in Japan and overseas to the renewal and upgrading of bridges.

*1 A bridge that uses steel as the primary structural material for key components such as bridge girders.

*2 A bridge that uses concrete into which compressive stress is introduced in advance.

Bridge Business: Process for Strengthening Competitive Advantage



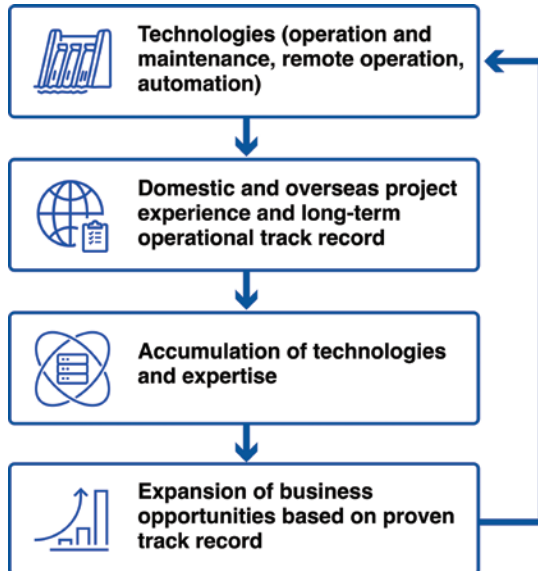
In recent years, market demand has shifted from the renewal of aging infrastructure to upgrading existing infrastructure with advanced capabilities. For example, in the Republic of Türkiye, the IHI Group has been selected for a project to evaluate the use of real-time dynamic pricing, based on measured traffic data, to optimize traffic flow and reduce congestion across existing transportation infrastructure. This initiative expands the capabilities of existing infrastructure, enabling it to address emerging societal challenges.

For more than 20 years, the IHI Group has continuously used patents to protect technologies related to bridge renewal, service life extension, and seismic strengthening. Notably, the frequency with which its bridge renewal patents are cited by other companies has increased fivefold compared with 2019. This indicates that IHI's technologies are contributing to subsequent technological development and are widely used as the basis for bridge design and construction across the industry. As a result, they reinforce the Group's technological leadership while contributing to barriers to entry for competitors.



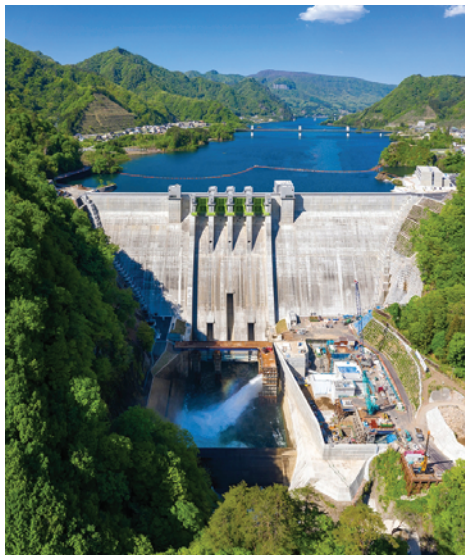
● Water Gate Business

Water Gate Business: Process for Strengthening Competitive Advantage



In the water gate business, the Group's competitive advantage comes from the capabilities it has built across the full lifecycle, from design, manufacturing and installation to inspection and maintenance. These include expertise in operations and maintenance, workforce development, and remote and automated technologies designed to ensure reliable operation during disasters. As climate change increases the need for adaptation to more severe and frequent weather-related disasters, water gates are expected to serve not merely as equipment in terms of their function, but as reliable social infrastructure that functions dependably in emergencies. Such a high level of reliability, represented by watertight technologies such as those used in high-pressure gates, is supported by long-term experience in design, manufacturing, installation, operation and maintenance and the technologies and expertise accumulated through history, making it difficult to replicate in a short period. The Group is also taking steps to protect some of these technologies through patents, further reinforcing its competitive advantage.

Water Gate Equipment for Dams



● Shield Systems Business

In the field of shield tunneling systems (tunneling machines), the Group has continuously expanded its capabilities to support long-distance drives, sharp curves, large-diameter tunnels, and deep underground excavation, enabling the development of underground infrastructure that was previously considered unfeasible. The Group is also advancing technologies that improve the efficiency and reliability of tunnel excavation while minimizing impacts above ground. Through these technological advances, the Group aims to deliver infrastructure more efficiently with a lower environmental footprint, thereby strengthening its competitive advantage.



Maximizing Opportunities and Minimizing Risks

The IHI Group will leverage the expertise gained through maintaining bridges, water gates, tunnels, and other urban and social infrastructure to optimize renewal planning, execute renewal projects in challenging locations, and enable more labor-efficient and autonomous operations. By expanding the value created through maintenance, the Group aims to ensure that urban and social infrastructure continues to function reliably under both normal and emergency conditions. Within this framework, the Group has identified the following three priorities for future business expansion:

1. Leveraging maintenance data and expertise to create value across the entire asset lifecycle, from maintenance through renewal and operations.
2. Improving the efficiency of the movement of people and goods in space-constrained metropolitan areas.
3. Supporting next-generation high-specification roads and automated logistics systems to enhance mobility and logistics across society.

Maintenance is not merely an after-sales service, but a foundation for understanding clients' needs and delivering value throughout the asset lifecycle.

Value Provided

The value provided by the IHI Group extends beyond the delivery of structures and equipment to their renewal and operation. The Group delivers infrastructure that minimizes disruption and functions reliably. In the bridge business, the Group renews and upgrades infrastructure that supports the movement of people and goods, contributing to the continuity of urban activities. In the water gates business, the Group reliably maintains infrastructure that supports flood control and water resource management, including the enhancement of operational capabilities. In the shield systems business, the Group builds underground infrastructure, contributing to the resilience of society.

Furthermore, advancing next-generation mobility and logistics will require the technologies and operational expertise needed to support automated cargo handling and the sharing of arrival information at the interfaces between roads and logistics hubs. Leveraging the expertise and capabilities it has developed through its businesses, the IHI Group is conducting pilot projects to support the deployment of the Autoflow Road. The Group will continue promoting initiatives that integrate road infrastructure with logistics hub operations, enabling logistics to function as an integrated social system.

Going forward, the IHI Group will combine engineering capabilities for highly challenging social infrastructure projects with advances in operation and control enabled by digital technologies. Through these two strengths, the Group will secure a competitive advantage in the market for the renewal and upgrading of urban and social infrastructure, contribute to a safe, secure, and comfortable society, and generate cash on a sustained basis.



Boiler Maintenance

The IHI Group's boiler maintenance business primarily provides maintenance, modification, and renewal services that support the stable operation of existing boilers at thermal power plants and industrial facilities.

Boilers



As one of the world's leading boiler manufacturers, the IHI Group has extensive expertise in boiler design, manufacturing, and construction, together with deep knowledge of the structures and degradation characteristics of boilers and associated equipment. The IHI Group also has technologies for modifying boilers while maintaining their safety and performance. Its strengths include coal-fired power generation technologies such as ammonia co-firing, biomass co-firing, and 100% ammonia combustion technology, which contribute to decarbonization, as well as technologies for effectively utilizing a wide range of fuels, including low-grade coal, which contribute to energy security.

IHI also utilizes the MEDICUS NAVI® remote monitoring system to continuously monitor operating data, detect early signs of abnormalities, and centrally manage maintenance records. This enables optimized scheduled inspections and helps prevent unplanned shutdowns, improving equipment availability while containing maintenance costs.

Recurring maintenance services, including periodic inspections and component replacements, together with retrofit projects to address equipment aging and improve efficiency, generate stable cash flows throughout the equipment lifecycle.

Plant Solutions (including Carbon Solutions)

The IHI Group's Plant Solutions business provides integrated services covering the entire lifecycle of power generation and industrial plants, from engineering, procurement, and construction (EPC) to operation and maintenance. Building on the design and construction expertise and technologies developed through new plant projects, the business extends into long-term operation, maintenance, and retrofit services, delivering value throughout the plant lifecycle.

Plants



For new plants, IHI develops technologies that meet increasingly sophisticated client needs, including higher plant efficiency, labor-saving construction methods, and operational optimization. By strengthening cost competitiveness, these technologies help IHI secure orders on an ongoing basis.

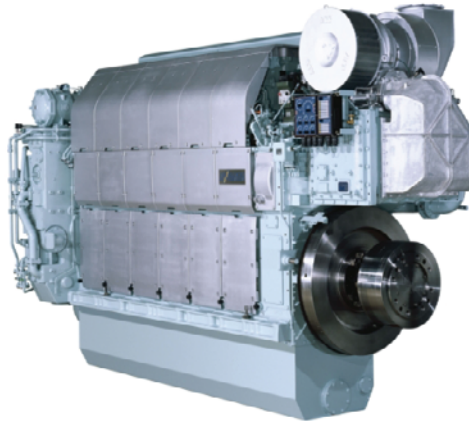
In recent years, IHI has expanded its efforts to include the conversion of existing plants to ammonia fuel to support decarbonization, as well as the expansion and modification of plant facilities in response to changing demand for petrochemical products. IHI has also begun leveraging AI and IoT technologies to introduce smart plant technologies, including operational optimization and remote operation, and to improve the efficiency of engineering and design processes. Through these initiatives, IHI supports the stable operation and extended service life of plants.

By securing new plant projects as a starting point to generate recurring service demand over the plant lifecycle, the Plant Solutions business accumulates earnings and generates cash on an ongoing basis. In this way, the business serves as a stable cash-generating base that supports the IHI Group's investments in growth.

Power Systems

The Power Systems business provides products such as marine and land-based engines, supported by comprehensive lifecycle services, including parts supply, maintenance, and technical support.

Diesel Engines

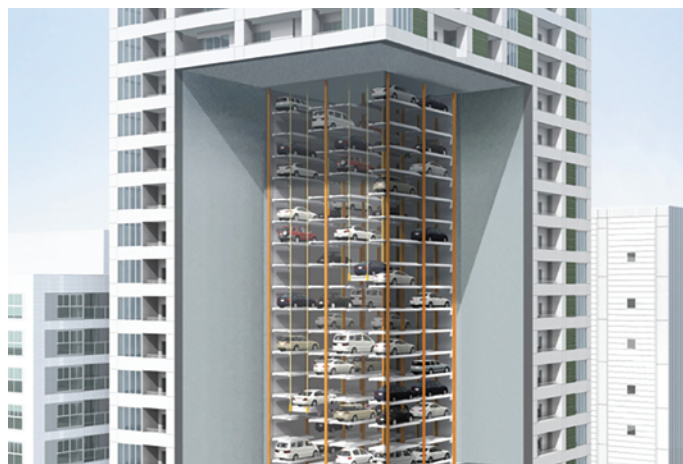


The business model is built around the long-term operation of its engines, providing ongoing operational support that generates recurring revenue throughout the engine's lifecycle.

Because the lifecycle business depends on the sale and adoption of engines, the Group does not simply expand its product lineup. Instead, it selectively and strategically introduces models that draw on the IHI Group's strengths, including its technologies, and meet client needs. Clients' long-term use of these models helps reduce their costs throughout the lifecycle while enabling IHI to generate stable earnings.

In addition to supplying plants and complete engines, the Power Systems business supplies fuel injection systems, a core engine component in which the IHI Group has strengths, for engines manufactured by other companies. Leveraging its expertise in this core engine technology, IHI expands its lifecycle business beyond its own installed base and into the broader engine market.

These initiatives are supported by continued investment in technologies aimed at strengthening the Group's future competitiveness. By applying technologies that improve reliability and maintainability and extend service life to engines and key components, the Power Systems business provides the IHI Group with a stable earnings base.



Parking Systems

The Parking Systems Business provides integrated services for mechanical parking systems, from design, manufacturing, and installation to after-sales service and operational support. With approximately 500,000 units installed and the largest market share in Japan, the company has established a strong business foundation. At the core of its business is an extensive portfolio of existing mechanical parking systems, accumulated through a comprehensive lineup ranging from large-scale to compact models.

Going forward, the Group will focus its resources on major metropolitan areas to expand its high-quality maintenance and lifecycle management business.

It will also respond to renewal needs arising from changes in society and operating conditions, while supporting the safe and reliable long-term use of mechanical parking systems. Through these efforts, the business will contribute to sustainable urban development by extending the use of existing systems and making efficient use of limited urban space.

Underground Parking System





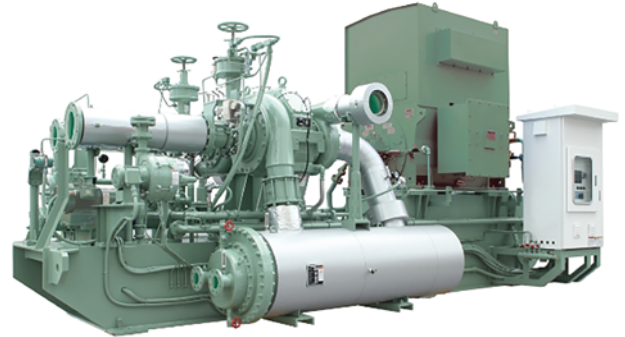
Rotating Machinery Systems

The Rotating Machinery Systems Business provides integrated engineering, manufacturing, installation, and after-sales services for compressors and other rotating machinery. Leveraging its world-class expertise in high-speed rotating machinery, the Group delivers high-efficiency turbo technologies and advanced handling solutions that enable the safe and efficient handling of cryogenic fluids such as LNG and hydrogen. These systems have been successfully supplied to and installed for a wide range of clients.

In addition to maintenance and retrofit services for installed equipment, the Group is expanding comprehensive air audit services that assess compressed air usage across clients' factories. These audits will enable the Group to identify optimization opportunities and recommend improvements, improving efficiency across the entire factory rather than focusing solely on individual equipment.

This integrated approach, from diagnostics and improvement proposals to maintenance support, ensures continuous service throughout the equipment's operational phase while generating long-term revenue opportunities.

Process Gas Turbo Compressors



Heat Treatment & Surface Engineering

In addition to supplying heat treatment and surface engineering equipment, the IHI Group's Heat Treatment and Surface Engineering business offers contract processing services globally.

The Group operates across a diverse range of industries. Historically, the Group's core markets have been tooling and automotive, but the Group is increasingly investing in high-growth sectors such as aerospace, decorative applications, and medical.

Through pre-order sampling support and contract processing services, the Group has accumulated optimal operational know-how.

A key strength of the IHI Group's equipment sales and contract services business is its ability to meet the needs of clients seeking the latest equipment and advanced materials.

Heat Treatment & Surface Engineering Equipment





Logistics and Industrial Systems

The Logistics & Industrial Systems business provides integrated services covering the design, manufacture, installation, and after-sales service of logistics systems combining automated warehouses and a wide range of material handling equipment.

The business's strengths lie in the Group's engineering expertise that enables the Group to respond flexibly to client needs, the Group's responsive service, and the strong client trust the Group has earned through delivering reliable quality. In recent years, in addition to providing equipment and solutions that address the growing demand for automation and labor-saving measures, the Group has been developing systems that enable integrated management of both equipment operating status and workforce activities. Additionally, the Group will leverage equipment data to continuously improve clients' operations and evolve its service offerings, driving the expansion of its value-added solutions business.

Automated Warehouse



Vehicle Turbocharger

The Vehicular Turbocharger Business is engaged in the development, manufacturing, and supply of turbochargers for the automobile industry.

The Group supplies products for a wide range of vehicle models globally. The business's strengths lie in its advanced manufacturing system capable of high-mix production and engineering capabilities to fulfill diverse client specifications. It has also built strong partnerships with automobile manufacturers based on many years of delivery experience. The Group will build a flexible production system responsive to changing market conditions while strengthening client relationships and focusing on enhancing the competitiveness of HEV (hybrid electric vehicle) turbochargers.

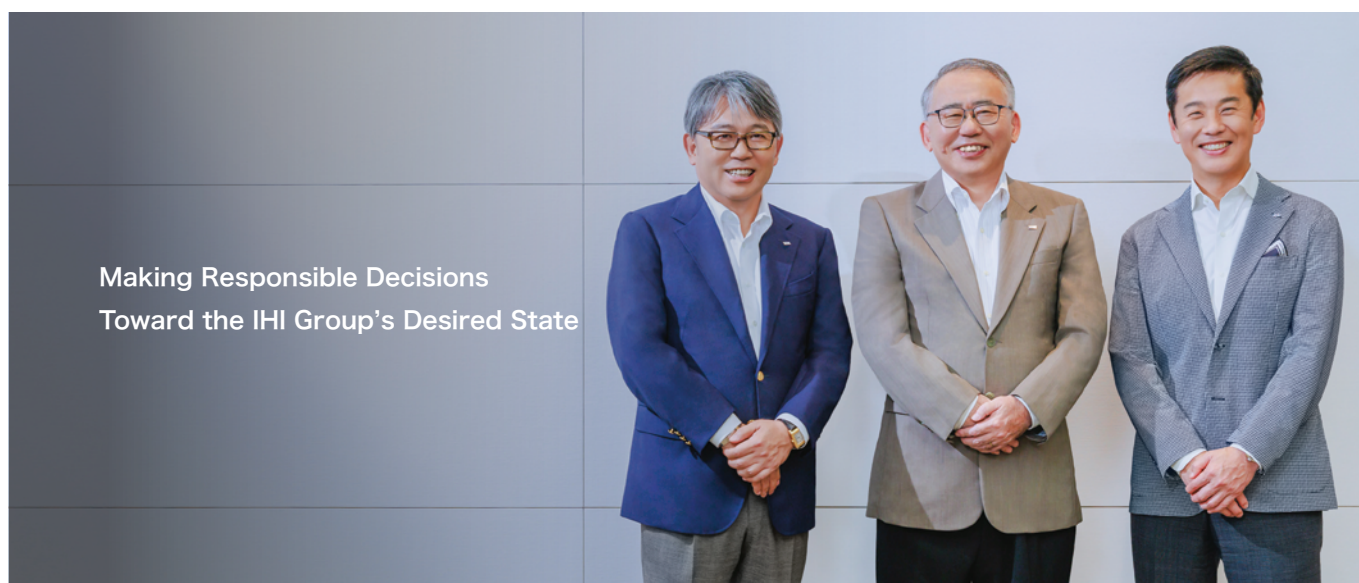
The Group is also actively expanding aftermarket sales to automakers and commercial vehicle clients (buses and trucks) who use the Group's products over extended periods.

Vehicle Turbocharger



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Senior Executive Officers' Tripartite Talk



Jun Kobayashi

Senior Executive Officer
In Charge of Group Business
Development and Operations,
Project Management

Hideo Morita

Senior Executive Officer
General Manager of Corporate Technology Strategy Office,
In Charge of Group Corporate Technology Strategy, Quality
Assurance, Production Base Strategy

Atsushi Sato

Senior Executive Officer
President of Aero Engine,
Space, & Defense Business Area,
In Charge of Group Economic Security,
Business Relating to Procurement

The IHI Group has announced its "Medium- to Longer-Term Direction" toward 2040. As part of this initiative, it has also defined its desired state for 2040: "Supporting the safety, security, and prosperity of people worldwide at its core—For Industry & National Security." The Management Message explains the thinking behind this vision and the direction the Group intends to take.

At the same time, management must make practical decisions about how to allocate limited human capital, facilities, and financial capital, and which priorities to pursue. Such decisions cannot be based solely on short-term financial performance. Instead, they require careful consideration of how to build on the value created by the Group's existing businesses while investing in initiatives that will drive future growth. Three Senior Executive Officers discussed the criteria they use to make these decisions in an uncertain environment.

↓ Investment Approach to Sustaining Long-Term Competitiveness

↓ Approach to Building Businesses from Technology

↓ Response to the Risk of Required Conditions Not Being Met

↓ Resource Allocation Approach

↓ Allocation of Limited Resources

↓ The Value the IHI Group Creates

Investment Approach to Sustaining Long-Term Competitiveness



How do you determine whether an investment will contribute to future competitiveness?

Morita: Not all of the IHI Group's businesses produce visible results immediately after they begin. It often takes a considerable amount of time before they generate profits.

Therefore, if the IHI Group decides whether to "continue" or "discontinue" an initiative based solely on short-term results, it risks terminating initiatives that are, in fact, essential to its future competitiveness.

The first thing the IHI Group assesses is whether an initiative will become a source of future competitiveness and a pillar of future earnings, and whether it is worth pursuing even if it requires a long-term commitment. Based on that assessment, the Group then determines how to manage near-term earnings and the associated investment burden. The reason the IHI Group adopted a time horizon extending to 2040 was not to discuss an idealized vision of the distant future. Rather, it reflects the fact that the appropriate time horizon for evaluating the IHI Group's businesses is inherently not a short-term one.

Sato: The civil aero engine business provides a clear example of this business structure.

New engines do not generate substantial profits immediately upon delivery. Earnings accumulate over an extended period through maintenance, repair, and the supply of spare parts. In fact, engines introduced to the market more than 10 years ago continue to be major sources of earnings today.

In other words, today's investments are primarily aimed at laying the foundation for future earnings rather than generating immediate profits. If investment decisions are based solely on short-term profitability, the future sources of earnings themselves will be diminished. In the civil aero engine business, the IHI Group determines what actions should be taken today based on this inherent time lag.

Kobayashi: The same point applies to the energy and infrastructure businesses. Looking only at existing businesses, concentrating on projects that generate profits over a relatively short period may appear to be the more efficient approach. However, that alone will not create new markets.

New businesses are launched only when multiple conditions are in place. That is why it is essential to secure cash flow from the IHI Group's existing businesses while directing resources toward new initiatives. Determining how to achieve both simultaneously is, in my view, one of management's most important responsibilities.

Resource Allocation Approach



What criteria do you use to determine which businesses should be prioritized for resource allocation?

Morita: Fundamentally, the IHI Group cannot strengthen every business equally. Each of its businesses has contributed to the Group's value to date, but its management resources are finite.

Accordingly, the IHI Group is reviewing how it allocates resources, focusing on the businesses that will continue to generate value and contribute to the Group's overall competitiveness.

The same applies to technology. The IHI Group does not make decisions simply because a technology offers superior performance or is new. What matters is whether that technology will remain a source of competitive advantage over the long term.

For example, technologies that become increasingly difficult for competitors to replicate as quality, track record, and know-how accumulate grow stronger over time. The IHI Group concentrates its resources on such technologies. Conversely, even if a technology is technically viable, the IHI Group assigns it a lower priority if it is unlikely to provide meaningful differentiation or is easily exposed to price competition.

Kobayashi: From a business development perspective, the IHI Group focuses on two points.

The first is whether a business can continue to generate value after delivery rather than ending as a one-time transaction. The second is whether the business can expand through the involvement of the IHI Group.

The important point is that the IHI Group is not simply responding to existing demand. It is considering how to transform a technology into a sustainable business.

Take the IHI Group's ammonia initiatives as an example. Its initial thinking was, "Since the IHI Group can burn ammonia, it only needs to sell that equipment." However, that approach would end with individual equipment deliveries and would offer only limited potential for business expansion.

Instead, the Group has built an integrated business that extends beyond combustion technology to include ammonia fuel production, transportation and storage, supply, and utilization. By establishing the conditions required for social implementation, including government support programs and supporting clients' investment decisions, the IHI Group aims to build a sustainable business that generates long-term value.

In that sense, what the IHI Group considers is not merely the size of the market, but whether it can create a business structure in which value continues to accumulate over time.

Sato: The same basic thinking applies in the aerospace domain.

Taking on a wide range of new projects may increase sales in the short term. However, if the IHI Group's supply capacity is spread too thin, it will be unable to allocate sufficient resources to the areas that should be strengthened.

Accordingly, the IHI Group makes decisions based not on the number of projects, but on where profits will accumulate over the long term. It concentrates its resources on the areas that generate value not only from new engines, but also from subsequent maintenance, repair, and spare parts.

In addition, the aircraft engine business is supported by an integrated ecosystem encompassing high-temperature-resistant materials, the technologies to process those materials, quality assurance, certification, and maintenance systems.

Therefore, the IHI Group identifies which stages of the value chain will generate sustainable profits in the future and determines how to maintain and strengthen the capabilities required for those stages.

Business Strategy P.26



Approach to Building Businesses from Technology



Are there cases where even a mature technology is not commercialized?

Kobayashi: Yes. It is important to distinguish between having the technology and having a viable business.

What the IHI Group evaluates is whether clients that would use the technology will actually make capital investment decisions, whether the necessary regulatory frameworks and commercial ecosystem will be in place, and whether the business can be sustained over the long term.

If these conditions are not met, the technology may be technically mature, but it cannot deliver sufficient value as a business.

In such cases, the IHI Group may continue it as a research and development initiative, explore alternative combinations, or apply the technology within an existing business.

Morita: The same applies from the research and development perspective. Ideally, research investment should lead to a business as quickly as possible. At the same time, even when the technology is ready, the business or market may not yet be ready to adopt it.

In such cases, the IHI Group distinguishes between technologies that are directly linked to current business opportunities, those that further strengthen the competitiveness of existing businesses and those that should be retained as future options.

The Group evaluates each from perspectives such as the time horizon over which it is expected to contribute to a business and the value it can create when combined with a particular business.

The IHI Group's criterion is how the technology will contribute to future competitiveness. The Group assesses not only whether it will generate profits immediately, but also whether it will strengthen the IHI Group's long-term competitive position.

Sato: In the aircraft engine business, the IHI Group also evaluates opportunities from the perspective of the supply systems required to support them. Even when a technology is feasible, it cannot become a sustainable business unless the materials, manufacturing processes, and maintenance capabilities needed to provide it reliably over the long term are in place.

In the aerospace sector in particular, products are expected to be supported reliably over an extended period once they enter service. Therefore, business decisions cannot be based on whether something can be produced. The IHI Group must also assess whether it can continue to be supported throughout its lifecycle, including the resilience and sustainability of the supply chain.

Technology Strategy P.64



Allocation of Limited Resources



With talent and facilities in limited supply, how do you determine priorities across businesses based on strengthening the Group's overall competitiveness?

Morita: While demand remains strong, the IHI Group's capacity to meet it is constrained by limitations in human capital, production facilities, and the supply chain.

Therefore, deciding where to allocate resources is, in itself, the IHI Group's growth strategy.

Kobayashi: Human capital, in particular, is a major constraint. Shifting people to one business inevitably creates shortages in another.

For that reason, the IHI Group makes decisions not from the perspective of individual businesses, but based on where resource allocation will be most effective for the Group as a whole. Building on the strengths and capabilities accumulated through its existing businesses, the Group determines where to make additional resource allocations. What is important in making that decision is not only the business's short-term profitability, but also its future growth potential, how it will contribute to other businesses, and the extent of its impact on the value of the Group as a whole.

Sato: In the civil aero engine and defense aero engine and equipment businesses, the key is not simply to respond to demand by increasing headcount, but to maximize output with a limited workforce.

To achieve this, the IHI Group is advancing initiatives such as automating production processes, leveraging digital technologies, and optimizing work allocation through AI.

Although demand is strong, opportunities will be lost if the IHI Group's supply capacity cannot keep pace. That is why the Group is focused on fundamentally changing the way it operates to improve productivity.

Human Capital Strategy P.67



Response to the Risk of Required Conditions Not Being Met



What are the principal risks associated with the current strategy, and how are you addressing them?

Morita: The greatest risk is that the IHI Group's supply capacity will fail to keep pace with expanding demand. Therefore, the IHI Group is continuously enhancing its supply capacity by reviewing the allocation of resources. The Group is bringing forward the investments it needs and continuously reassessing where and to what extent resources should be allocated so that it does not miss growth opportunities.

Kobayashi: Another risk is that the conditions the IHI Group anticipates may not materialize as planned. Specifically, if clients delay their capital investment decisions, institutional frameworks are not established in a timely manner, or supply systems cannot be developed sufficiently, the launch of the business will be delayed.

Demand does not emerge and expand naturally. Actual transactions materialize only when the necessary conditions, including clients' capital investment decisions, institutional frameworks, and supply infrastructure, are all in place. To address these issues, the IHI Group is working to facilitate clients' capital investment decisions through ongoing dialogue, working to advance the necessary policy and government programs, and building supply systems in collaboration with partners.

Through these initiatives, the IHI Group believes it is important to proactively establish the conditions necessary for the business to move forward.

Sato: In the civil aero engine business, instability in the supply chain is a key risk.

To address this, the IHI Group identifies bottleneck processes and capacity constraints and reinforces the supply chain through the necessary investments and partnerships. It is essential to determine which points would cause the entire operation to stop if disrupted and address those areas as a priority.

Because a delay in a single component or process can readily propagate throughout the entire production system for an aero engine, the foundation of the IHI Group's risk response is to identify vulnerable points in the supply chain in advance and take measures to address them.

The Value the IHI Group Creates



Based on everything discussed so far, could you share the value that the IHI Group aims to create going forward?

Morita: The aerospace, energy, and infrastructure domains in which the IHI Group operates all support the very foundations of society.

In these fields, it is more important to build up technology and a proven track record over a long period of time, thereby earning trust, than to produce results in the short term.

Against this backdrop, the IHI Group's fundamental approach is to identify the businesses in which it can continue to demonstrate competitiveness, concentrate its resources there, and continue creating value over the long term.

Kobayashi: What is important in that process is not to view technology or business in isolation.

As discussed, a business cannot be established through technology alone. It becomes viable only when clients' investment decisions, institutional frameworks, supply systems, and other necessary conditions are in place.

Accordingly, the IHI Group needs to design the business as a whole while considering how those conditions can be put in place and the extent to which it should be involved.

In doing so, the Group aims to build a framework in which value continues to accumulate by identifying where it should create value itself and where it should work with partners.

Sato: This way of thinking is equally important in the Aerospace domain. Over many years, the IHI Group has built the foundation of its business by combining technology, business operations, and supply systems. Going forward, based on that foundation, the key challenge will be how to expand the IHI Group's supply capacity in response to growing demand. In doing so, rather than simply increasing headcount, the Group will respond by fundamentally reexamining the way it produces. The IHI Group believes that continuing to fulfill its responsibilities in the fields where it is needed through these initiatives will ultimately lead to long-term value creation.

Summary

On this page, three Senior Executive Officers of the IHI Group share their perspectives on management and how they seek to build long-term competitiveness. Rather than focusing solely on short-term financial performance, they explain how investment and resource allocation decisions are evaluated based on their potential to strengthen future competitiveness and earnings capacity. They also discuss their approach to strengthening technology, business, and supply systems in an integrated manner, as well as initiatives that support sustainable growth, including commercialization and the enhancement of supply capacity.

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Technology Strategy



Hideo Morita

Senior Executive Officer
General Manager, Corporate Technology Strategy Office

Yoshiaki Matsuzawa

Executive Officer
General Manager of Corporate Research and Development Division

↓ Achieving Sustainable Growth Through Technology

↓ Technology Management That Drives Business Growth

Achieving Sustainable Growth Through Technology

The IHI Group operates businesses that support industrial infrastructure and national security across three domains: energy, aerospace, and infrastructure. These sectors demand exceptionally high levels of reliability and safety, making the Group's decades of accumulated technological expertise, proven track record, and capabilities in certification and regulatory compliance key competitive strengths.

Within this business structure, the IHI Group has grown its businesses by leveraging its technological strengths. As the Group pursues technology development looking ahead to 2040, it will continue to respond to changes in society and the industrial landscape and advance technologies that create new value, drive sustainable growth, and lead to its next stage of development.

The driving force behind this technology-led growth lies in the Group's "fundamental technologies"*¹ in areas such as combustion, thermal and fluid engineering, materials, and structures, as well as its "product-specific technologies"*² in areas such as design, manufacturing, and construction. By combining these technologies, the Group has achieved new levels of performance and functionality. Underpinning this is the broad base of technological expertise the Group has built up over more than 170 years of business operations.

*¹ Technologies that can be applied across multiple products and businesses.

*² Technologies closely tied to specific products or businesses, such as bridge design and construction technologies and aircraft engine component design and manufacturing technologies.

Strong technologies can be broadly classified into two categories. The first is "technology for creating what has never existed before": technology that creates new value by enabling levels of performance and functionality that were previously unattainable. The second is "technology for creating things in ways that have never been done before": technology that transforms approaches to design, production, construction, and other processes, increasing productivity and profitability while maintaining high standards of quality and safety.

A representative example of "technology for creating what has never existed before" is ammonia combustion technology. Achieving stable ammonia combustion requires sophisticated combustion control, and developing this capability demands extensive testing and validation over many years. The expertise and data accumulated through this process cannot be replicated in a short period of time, making them significant key strengths that support the advancement and commercialization of the technology.

Meanwhile, a prime example of "technology for creating things in ways that have never been done before" is the Group's manufacturing technology for small modular reactors (SMRs). Expanding production capacity requires a shift from one-off manufacturing to repeat production. This calls not only for welding technologies capable of handling new materials, complex geometries, and difficult-to-weld areas, but also for automation technologies covering processes such as machining and inspection, as well as the establishment of design, production, and quality management processes that incorporate all of these technologies. By doing so, the Group aims to expand production capacity while maintaining high quality, ultimately improving profitability.

Technology Management That Drives Business Growth

Basic Policy for R&D Investment

Prioritize investments on technology domains

Fuel Ammonia Value Chain

- Advancement of ammonia combustion technology
- Acquisition and enhancement of key technologies of value chain

Aero Engine Material Technology

- Development of new composite materials
- Establishment of a domestic supply chain

Nuclear energy Business

- Advanced production capability for reactor component
- Advancement of vitrification technology
- Establishment of nuclear fuel reprocessing technology

Bridges

- Development of maintenance technologies that enables laborsaving and shorter project timelines
- Advancement of long-span bridge construction



Accelerate the development of a digital technology utilization environment

Establish viable information security framework aligned with diverse requirements

Establishing an AI-enablement environment to accelerate technology development

The IHI Group possesses a diverse range of technologies and expertise developed across its businesses. By taking a Group-wide perspective and combining technologies and expertise from different fields, the Group can develop technologies that lead to the creation of new business opportunities. To pursue a major leap forward and achieve sustainable growth with limited management resources, the Group needs to bring together the diverse technologies and expertise developed across its businesses. This means taking an integrated approach to technology development, quality and design, and production, and translating technologies that will contribute to future growth into viable businesses. Based on this approach, the Group established the Corporate Technology Strategy Office as a dedicated organization responsible for setting the direction of technology development across the Group.

The Corporate Technology Strategy Office works closely with the business divisions and technology development divisions to develop and acquire strong technological capabilities that will drive future business growth. The Office is also building a foundation for technology development by establishing a digital environment that leverages knowledge and data, including the protection of intellectual property and technical information and the use of AI.

In 2026, the Group formalized this approach as a fundamental policy for R&D investment. In addition, to support these efforts, the Group is developing talent with an understanding of both technology and business who can make decisions from the perspective of business growth.

Looking toward 2040, the IHI Group will continue to refine its technological strengths while strengthening its technology management capabilities to translate those strengths into business opportunities. Through these efforts, the Group aims to achieve sustainable, technology-driven growth and contribute to solving the challenges facing society and industry.

Summary

The IHI Group aims to achieve sustainable growth by creating value with technology as the starting point. The Group is strengthening both technologies that create new value and those that enhance productivity and profitability. At the same time, it is advancing technology management that leverages technologies and expertise from across the Group to drive business growth. The Group is also investing in the technologies needed for future growth areas, developing talent, and building the digital foundations.

By continuing to advance its technological strengths and translating them to its businesses, the Group aims to help address the challenges facing society and industry.

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Advancing Value Creation Through Human Capital

Human Capital Strategy

Page Highlights

↓ Message from the Executive Officer for Human Resources

↓ Human Capital Strategy

↓ 1 | Empowering people to reach their full potential and develop the talent that drives sustainable growth

↓ 2 | Fostering a culture where challenge and support reinforce one another to create new value

↓ 3 | Building a new workforce that leverages diversity as a strength



Message from the Executive Officer for Human Resources

Mamiko Saito

Managing Executive Officer
General Manager of Human Resources Division
In Charge of Group Human Resources

The IHI Group has a responsibility to deliver lasting value to society and its customers by securing high standards of reliability, safety, and quality. The Group's technological capabilities, expertise, and talent foundation, which underpin this responsibility, are among its strengths.

At the same time, the Group's tendency to place strong emphasis on proven track records and certainty can make it difficult to move beyond established ways of working. As a result, even when changes in the business environment or customer needs reveal new challenges or opportunities for improvement, it can be difficult to develop initiatives that go beyond existing frameworks.

And once new initiatives begin, it often takes time for them to be adopted and established across the organization.

This is something the IHI Group must change. The Group wants every employee to recognize challenges and opportunities for improvement in their daily work and take concrete actions. And rather than allowing those efforts to end with the individual, the Group needs to ensure that others recognize and embrace them so they can develop into initiatives across the organization.

This is the organizational culture the IHI Group seeks to build, “a culture where challenges and support reinforce each other.” Rather than placing the burden solely on those who take on challenges, the people around them think things through together, move initiatives forward together, and help carry them into what comes next. Without creating this kind of environment, the Group cannot generate the ideas or take on the challenges that lead to unprecedented technological development and business growth.

Creating new value also requires the IHI Group to bring together people with different experiences and areas of expertise. By combining their diverse strengths, they can discover new ways of understanding challenges and approaching them.

An important aspect of this process is using differences in opinions as a source of input to develop better ideas. By bringing diverse perspectives together through open dialogue and constructive debate, the Group can develop improvements and new initiatives that its people could not have conceived alone.

And encouraging new challenges, providing support, and making the most of a diverse workforce all depend on mutual understanding between employees and the company.

When management’s direction is understood and reflected in day-to-day operations, and the challenges and insights that emerge there are fed back to management, a cycle is created. Only when this cycle functions effectively can initiatives avoid ending as one-off efforts and instead build up within the organization over time. In addition, as mutual understanding between management and employees deepens, the Group begins to see behavioral changes where employees are conscious of how their work connects to the broader goals. It is precisely for this reason that the Group places importance on maintaining ongoing dialogue with employees and continually aligning the understanding of management and those on the front lines.

Every new initiative involves uncertainty. Asking people to “embrace new challenges” is not enough. Leadership must also share the risks by providing the necessary support, making decisions, and taking responsibility for the outcomes. As the Managing Executive Officer responsible for Human Resources, I am committed to embedding this initiative throughout the Group’s organization.

The IHI Group believes that when challenges arising from day-to-day work inspire others to take on challenges of their own, and this mindset becomes embedded in the organizational culture, it creates a positive chain reaction. A workplace where the diverse perspectives of the Group’s people and open dialogue are harnessed as organizational strengths is, the Group believes, the foundation that will support the IHI Group’s sustainable growth.

Human Capital Strategy

Future Vision

Balancing a “Good + Strong” company with
People’s “Growth + Well-Being”

Key Initiatives Toward 2040

Unlock the full potential of our people to develop
talent that drives sustainable growth

Build a culture where challenge and support reinforce
each other to create new value

Build an inclusive workforce where people collaborate with
each other and with AI, turning differences into strength

The IHI Group operates businesses that are expected not only to secure high levels of reliability, safety, and quality, but also to fulfill their responsibility to continuously provide stable value to society and customers.

The technological expertise, specialized capabilities, and talent foundation that underpin these businesses are among the IHI Group’s greatest strengths. At the same time, when pursuing new ideas and initiatives, there is also a tendency to seek sufficient track records and a high degree of certainty. As a result, even when changes in the business environment or customer needs present new challenges or opportunities for improvement, it can be difficult to turn them into initiatives that extend beyond the Group’s established ways of working.

Moreover, even when new initiatives are introduced, it often takes time for them to be adopted and embedded across the organization.

As the IHI Group faces the need to respond to these changes, the declining domestic workforce is making it increasingly important for every employee to reach their full potential. There is a need for diverse talent to leverage their respective strengths and translate that potential into organizational strength.

Therefore, the IHI Group positions its people as the source of business competitiveness and has set the following three priorities for initiatives toward 2040.

1 Unlock the full potential of our people to develop talent that drives sustainable growth

In Phase 1 toward 2040 (FY2026–FY2028), securing and developing the talent needed for the Group's growth businesses will be critical. The Group's ability to reliably fulfill its supply responsibilities while maintaining quality in areas such as commercial aero engines, defense, and nuclear power will depend heavily on securing and developing talent. To maintain and further strengthen the superior technological capabilities that are the source of the Group's competitiveness, and to achieve sustained high growth toward 2040, the Group must also continuously develop and secure talent capable of driving business expansion and growth, in alignment with its technology strategy.

Securing and developing human capital will determine which business opportunities the Group can capture and how far it can scale its businesses. This is not merely an issue of staffing, but a management issue to build a robust talent foundation that supports the transfer and advancement of technology and the creation of new business opportunities.

To this end, the IHI Group will transition toward a workforce composition aligned with its business strategy by strengthening mid-career recruitment and shifting resources to growth areas. At the same time, the Group will build mechanisms to continuously develop and secure the talent needed to carry forward and advance its superior technological capabilities and support the creation of new businesses, even amid changes in society and business structures.

In addition to talent responsible for design, manufacturing, and quality assurance, the Group will develop and secure professionals who can drive productivity improvements across processes and sites throughout the entire business. With this, the Group will establish a supply system that steadily responds to expanding demand. Furthermore, the Group will accumulate and deploy the knowledge cultivated through daily operations as an organizational asset, linking it to the improvement of quality and competitiveness.

Looking beyond Phase 1, the IHI Group will continue to secure and develop the technology development professionals needed to support its growth areas, while also strengthening its capacity to develop and secure professionals with an understanding of both its technology and its business who can create and commercialize new business opportunities. Through these efforts, the Group will build an organization that can translate its superior technological capabilities into sustainable growth.

Through these initiatives, the IHI Group will continue to strengthen the talent foundation that drives business growth. At the IHI Academy, an organization reporting directly to the CEO, the Group systematically develops future management leaders and highly specialized professionals capable of driving business transformation by providing challenging work experiences and opportunities to address critical management issues.

2 Build a culture where challenge and support reinforce each other to create new value

The IHI Group operates businesses in which a high level of reliability is essential. As a result, its ways of working have traditionally emphasized proven approaches and certainty. However, as social issues become increasingly complex and customer needs evolve more rapidly, sustaining growth requires more than building on past achievements and expertise. It also requires embracing new ideas and diverse perspectives to continually evolve the Group's businesses.

In this environment, it is essential that every employee proactively identifies challenges, takes initiative, and puts those ideas into action. The IHI Group defines these behaviors as: "Set a Goal," "Tackle Issues," "Cross Boundaries," and "Implementation," and evaluates employees on how they translate these behaviors into tangible results in their day-to-day work.

At the same time, to make it a matter of course for every employee to take a step forward and act proactively every day as an organization, it is important to realize that such voluntary actions have led to personal growth and to accumulate those experiences.

To make this possible, the IHI Group needs to foster a culture that encourages individual initiative and responds to new ideas with “Let’s give it a shot!” and turns personal challenges into challenges shared by the entire organization. By learning from failures and growing together, the Group will build an organization where challenge and support reinforce each other.

This was developed as the Group’s vision of what it aspires to become by 2040, based on more than 2,000 survey responses from IHI Group employees, dialogue between senior management and employees, workshops, and other initiatives. The IHI Group regards this culture, in which challenges and support reinforce each other to create new value, as an essential foundation for sustainable high growth. The Group will continue working to embed this culture across the organization and make it a reality.

3 Build an inclusive workforce where people collaborate with each other and with AI, turning differences into strength

To realize the IHI Group’s desired state in 2040 of supporting the safety, security, and prosperity of people worldwide at its core, the Group must incorporate the perspectives of people with diverse backgrounds into its business so that it can better understand the needs and challenges of the societies it serves. The Group has also recognized that the diverse backgrounds, experiences, and individuality of its people bring new perspectives to the IHI Group and serve as a driving force for transformation. With this in mind, the Group has worked to create a work environment and organization that embraces diversity as part of its management strategy.

Against the backdrop of an increasingly complex business environment and a declining labor force, the IHI Group needs to turn diversity into a tangible organizational strength by enabling people with different knowledge, experiences, and values to work together and make the most of one another’s strengths.

Beyond collaboration among diverse talent, the IHI Group believes it is also necessary to build teams comprising a diverse workforce, including AI, in which each member demonstrates their respective strengths. AI is not intended to replace people. Rather, it is a means of supporting the Group’s employees in their work while enhancing productivity and added value. By redirecting the time and capacity freed up through the use of AI toward more advanced work and new initiatives, the Group will improve both the quality and speed of its work.

The IHI Group will continue transforming itself into an organization where diverse talent and AI work together as a team, each fulfilling their respective roles, to solve challenges.

Through these priority initiatives, the IHI Group will maximize individual capabilities and harness them as an organizational strength, creating an organization capable of delivering market-winning technologies and tangible business results. At the same time, the Group will respect each individual’s aspirations and support individuals in realizing their aspirations both within and beyond the IHI Group by providing flexible options. Through these efforts, the Group aims to achieve both a “Good + Strong” company with People’s “Growth + Well-Being”

Organizational Culture
(Sustainability Website)



Summary

The IHI Group Human Capital Strategy was developed to strengthen the talent foundation that supports the Group’s businesses, where technological expertise and reliability are critical.

On this page, the IHI Group’s Executive Officer Responsible for Human Resources discusses the importance of building “a culture where challenges and support reinforce each other,” and introduces the strategic priorities that will guide the Group’s initiatives toward 2040.

IHI Integrated Report 2026	Management Message		Message from the Managing Executive Officer of Finance & Accounting	
	Growth Strategy Toward 2040	Business Strategy		Senior Executive Officers' Tripartite Talk
	Foundations for Value Creation			
	Technology Strategy	Human Capital Strategy		Strengthening Governance and Risk Management
	Review of the "Group Management Policies 2023"			

The Foundation for Value Creation

Strengthening Governance and Risk Management

The IHI Group enhances management decision-making and oversight through the Board of Directors and committees. The diagram below shows the overall governance framework and the mechanisms through which its effectiveness is enhanced.

Independent Director Nakanishi discusses the achievements and challenges of the Board of Directors, Nomination Advisory Committee, and Remuneration Advisory Committee.

Perspectives for Understanding Governance

- ↓ Achievements and Challenges of the Board of Directors
- ↓ Achievements and Challenges of the Nomination Advisory Committee
- ↓ Achievements and Challenges of the Remuneration Advisory Committee

Risk Management

- ↓ Strengthening Compliance in Risk Management



Independent Director
Chairperson of the Nomination Advisory Committee
Chairperson of the Remuneration Advisory Committee
*Titles as of May 2026.

Yoshiyuki Nakanishi

From June 2026:
Independent Director, Chairman of the Board, Member of the Nomination Advisory Committee, and Member of the Remuneration Advisory Committee.

Achievements and Challenges of the Board of Directors in FY2025

Clarifying the Desired State in 2040 and the Management Direction, in the Medium-to-Longer-Term Direction

Achievements

Progress in business portfolio overhaul and deeper discussions on medium- to long-term value creation and capital allocation

Improvement in the quality of Board discussions through advance briefings and off-site meetings

Challenges

Translation of the Medium-to-Longer-Term Direction into business strategies and resource allocation

Early identification of risks and verification of the effectiveness of measures to prevent recurrence

Medium-to-Longer-Term Direction

The Board of Directors discussed several themes related to the Medium-to-Longer-Term Direction toward 2040. In particular, the concept of “For Industry & National Security” was examined with great care, taking into account how it would be perceived by external stakeholders.

Through these discussions, “National Security” was defined not as a concept limited to defense, but as a broader commitment to providing the essential foundation that supports the safety and security of society as a whole. It was consequently positioned as a key pillar of the IHI Group’s long-term growth.

Looking ahead, the Board has identified two key areas for oversight: (1) how the Medium-to-Longer-Term Direction will be reflected in efforts to strengthen the competitiveness of each business and in resource allocation decisions, and (2) how the organizational capabilities required to execute the strategy, including through CEO succession planning, will be sustained on an ongoing basis. The Board will continue to oversee both the decision-making process and outcomes to ensure that management objectives and investment decisions remain aligned with the Group’s Medium-to-Longer-Term Direction.

Growth Strategy Toward 2040
(Value Creation Strategy) P.15



Review of FY2025 and Key Challenges

During FY2025, the Board advanced discussions on the Company’s business portfolio, with a focus on the growth prospects of both the Company and the industry, as well as the allocation of management resources. As a result, the discussion expanded beyond the divestiture or restructuring of individual businesses to consider which business areas should drive value creation in a manner consistent with the Group’s Medium-to-Longer-Term Direction.

At the same time, the challenges for further enhancing the effectiveness of the Board of Directors are also clear. While the quality of Board discussions has improved through briefings prior to the Board meetings for independent directors and more substantive discussions at off-site meetings, there remains room for improvement in clearly defining the key issues for discussion and in providing concise explanations and materials that contain sufficient information for effective deliberation, so that the Board can focus its limited meeting time on the most important matters.

Preventing misconduct and ensuring the timely identification of risks remain among the Board’s highest priorities. Executive management is reviewing both the framework for consolidating and monitoring risk information and the internal audit function. The Board of Directors will continue to assess not only whether the necessary structures and rules are in place, but whether risks are being identified and addressed at an early stage in practice, and whether these efforts are helping to build and sustain an organizational culture that prevents similar incidents from recurring. While the Board views these strengthening efforts as a step forward, it will continue to monitor whether they are leading to earlier risk identification and more effective responses. As an independent director, I expect these measures will become firmly established as an effective organizational framework.

Achievements and Challenges of the Nomination Advisory Committee through FY2025

Achievements

Systematization of discussions on CEO succession planning

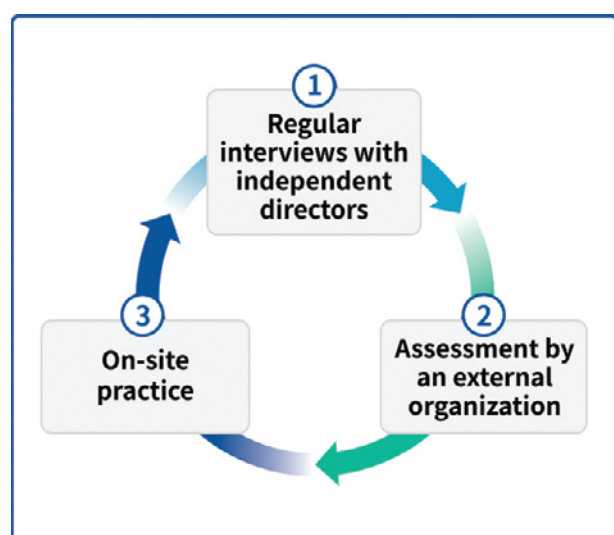
Enhanced objectivity in the evaluation process through CEO candidate shortlisting and the use of external assessments

CEO candidates are evaluated from multiple perspectives through interviews with independent directors.

Challenges

Verification of the effectiveness of the CEO succession planning system

Ensuring diversity, including the appointment of female and non-Japanese executives and directors



Discussions on CEO succession have been proceeding systematically in the Nomination Advisory Committee. The Committee considers that progress is being made in developing a structured succession planning process, including defining the talent needed to support the Group's Medium-to-Longer-Term Direction, identifying and maintaining a list of successor candidates, and utilizing external assessments (see note) as part of the evaluation process.

Since 2022, the Committee has also provided opportunities for independent directors to meet directly with executive officers, enabling them to gain a multifaceted understanding of each candidate's character and suitability.

Note: Evaluation of candidates by external assessment organizations

While the framework is becoming more established, regular evaluation is necessary to ensure its effectiveness. The Nomination Advisory Committee believes discussions should be further deepened from the perspective of whether the company is acquiring and developing a sufficient pool of CEO candidates in light of changes in the medium- to long-term business environment. Specifically, the Committee will assess whether succession candidates are systematically gaining the necessary experience and whether the feasibility of the CEO succession plan is being adequately ensured.

In addition, regarding the composition of the Board of Directors, the Nomination Advisory Committee shares the view that, from the standpoint of independence and objectivity, it is desirable to maintain a majority of independent directors on the Board.

With respect to director selection, the Nomination Advisory Committee places greater emphasis on ensuring a diversity of perspectives than on strictly aligning with the defined skills matrix. The Committee is closely monitoring progress in initiatives to enhance diversity, including the appointment of female and non-Japanese directors.

Achievements and Challenges of the Remuneration Advisory Committee through FY2025

Achievements

Strengthened incentive function through the revision of performance-based bonuses and share compensation

Enhancement of the evaluation framework through the incorporation of ESG indicators, enabling a more comprehensive and quantitative assessment

Challenges

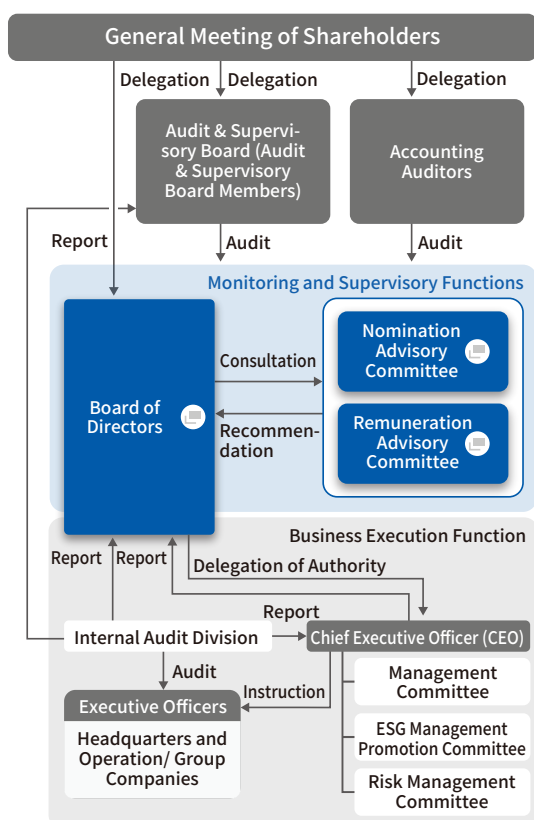
Verification of the appropriateness of the performance indicators

The Remuneration Advisory Committee has been reviewing the executive remuneration system to strengthen its incentive function. As part of the 2025 revision, it restructured both the performance-based bonus and share remuneration programs. Under the previous system, the performance-based bonus did not function sufficiently as an incentive. The evaluation framework has therefore been revised to more appropriately reflect contributions to profit generation and cash generation. In addition, to encourage executives to focus on enhancing medium- to long- term corporate value and to make decisions from a shareholder-oriented perspective, a restricted stock compensation plan has been introduced.

Efforts are underway to establish a quantitative and multidimensional evaluation system by incorporating ESG metrics (greenhouse gas emissions reduction, improvement of employee engagement, and initiatives to promote DE&I) into the evaluation in FY2024. An important issue going forward will be assessing the extent to which these metrics are actually linked to management decision-making and behavioral change. Discussions should continue from the perspective of ensuring that the compensation system functions effectively.

Yoshiyuki Nakanishi

IHI Group Monitoring and Supervisory Functions



Role of the Board of Directors

Determines the strategic direction of the Group and oversees the execution of management



Nomination Advisory Committee

- Provides recommendations to the Board of Directors regarding CEO and director nominations
- Provides recommendations to the Board of Directors regarding succession planning



Remuneration Advisory Committee

Provides recommendations to the Board of Directors regarding the executive compensation system

Executive Remuneration System



Strengthening Compliance in Risk Management

In June 2026, IHI AEROSPACE CO., LTD., a consolidated subsidiary of IHI Corporation, received a five-month suspension of eligibility to participate in competitive bidding from the Japan Aerospace Exploration Agency (JAXA), due to the confirmation of claims for payment based on reports that were inconsistent with the facts in contracts with JAXA relating to maintenance work for tools and equipment.

In response to past incidents of misconduct, the IHI Group has implemented measures to prevent recurrence and reinforced compliance throughout the Group. However, the confirmation of this new case in the course of those efforts has made us keenly aware that our initiatives remain insufficient in certain respects. To ensure that similar incidents never occur again, top management continues to communicate to all employees the message that “Compliance is a core value that each and every one of us must uphold. Without thorough compliance, there will be neither survival nor growth for the IHI Group.” We are also promoting workplace-based dialogue initiatives and enhancing training programs tailored to each employee level, including executives, managers, and new employees. Through these initiatives, we aim to transform our corporate culture from one in which concerns about inappropriate conduct go unspoken to one in which every employee takes personal ownership of compliance, puts it into practice, and resolves issues autonomously.

Business Ethics & Compliance

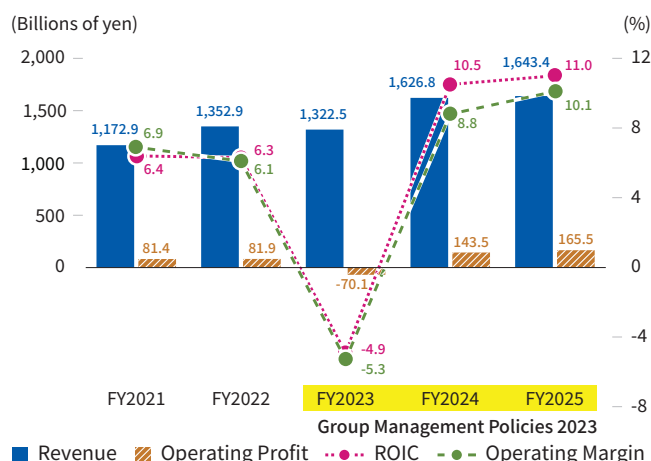


Summary

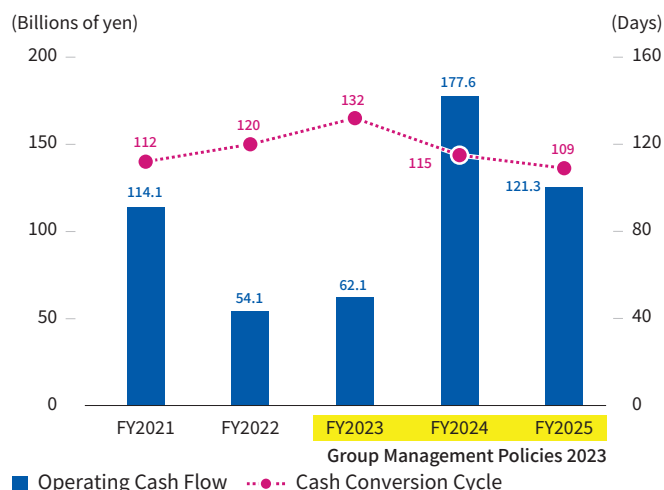
Through the oversight of its Board of Directors and the Nomination and Remuneration Advisory Committees, the IHI Group works to ensure sound management decisions and enhance medium- to long-term corporate value. This page outlines the achievements and key challenges of each governance body from the perspective of independent directors and explains how the Group evaluates and strengthens strategic execution, management talent development, and the effectiveness of its executive compensation system.

Review of the "Group Management Policies 2023": Performance

Business Performance Trends



Cash Flow Performance Trends



Note: Fiscal years are from April to March.

Revenue

Group Management Policies 2023
Target

(Reference)
¥1,700 billion

Group Management Policies 2023
Results

¥1,643.4 billion

Operating Margin

Group Management Policies 2023
Target

7.5%

Group Management Policies 2023
Results

10.1%

Operating Profit

Group Management Policies 2023
Target

—

Group Management Policies 2023
Results

¥165.5 billion

ROIC

Group Management Policies 2023
Target

8% or more

Group Management Policies 2023
Results

11.0%

Operating Cash Flow

Group Management Policies 2023
Target

—

Group Management Policies 2023
Results

¥121.3 billion

Cash Conversion Cycle

Group Management Policies 2023
Target

100 days

Group Management Policies 2023
Results

109 days

Message from the
Managing Executive Officer of
Finance & Accounting P.10

