Management Briefing for Second Quarter of Fiscal Year 2024

IHI

IHI Corporation

Hiroshi Ide
President and Chief Executive Officer

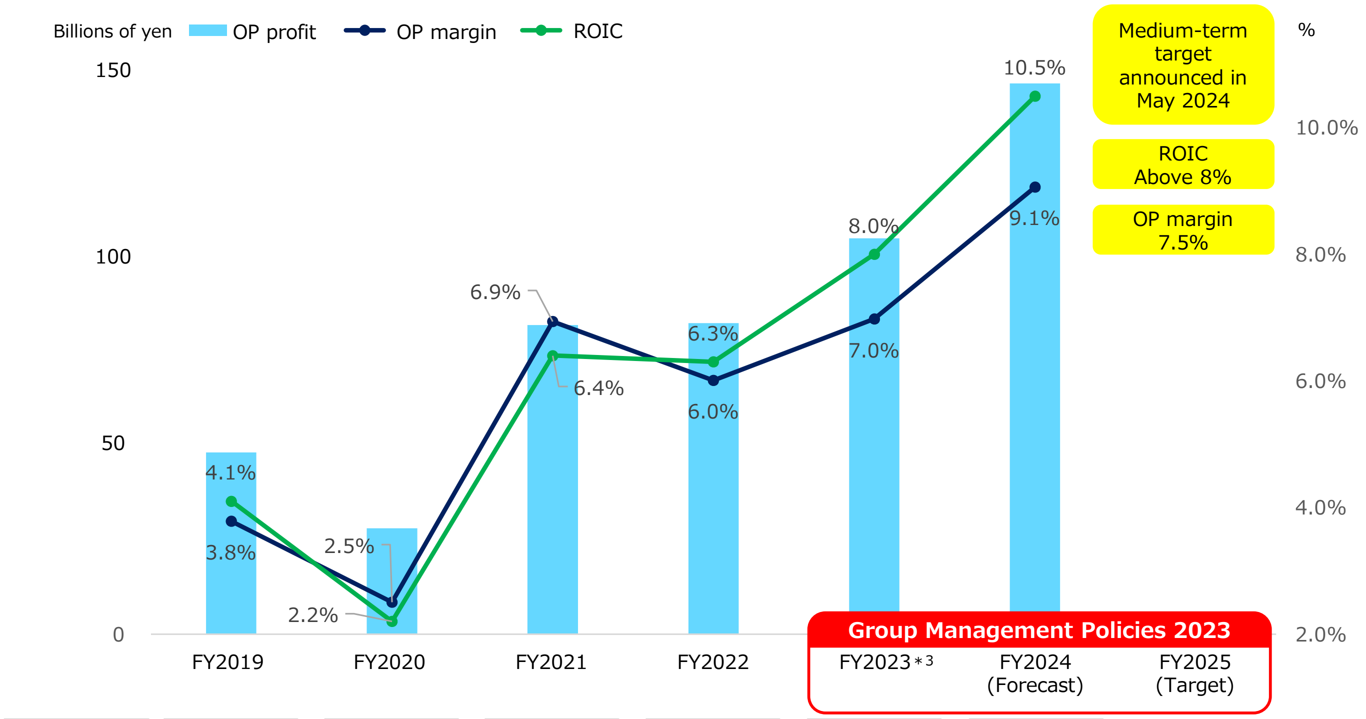
Contents

1. Progress with Group Management Policies 2023

Progress with Group Management Policies 2023

IHI

Boosted profitability on Civil Aero-Engine and LCB*1 expansions and achieved medium-term target ahead of schedule



LCB ratio＊2	100%	113%	117%	136%	152%	149%

＊1. Lifecycle businesses
＊2. LCB revenue after excluding Civil Aero-Engine, Defense, and Space businesses, with base year set at 100% for fiscal 2019
＊3. Excluding impact of Special factors in fiscal 2023

Here are the trends in operating profit, operating margin, and ROIC since fiscal 2019.

The yellow boxes on the far right of the slide show Management Policies 2023 targets.

As you can see, we delivered solid performance recoveries from fiscal 2021 after the pandemic hit us hard in fiscal 2020. We thereafter posted steady increases.

Profitability improved on a Civil Aero-Engine business turnaround in line with global passenger demand growth and expansions in lifecycle businesses in the conventional businesses.

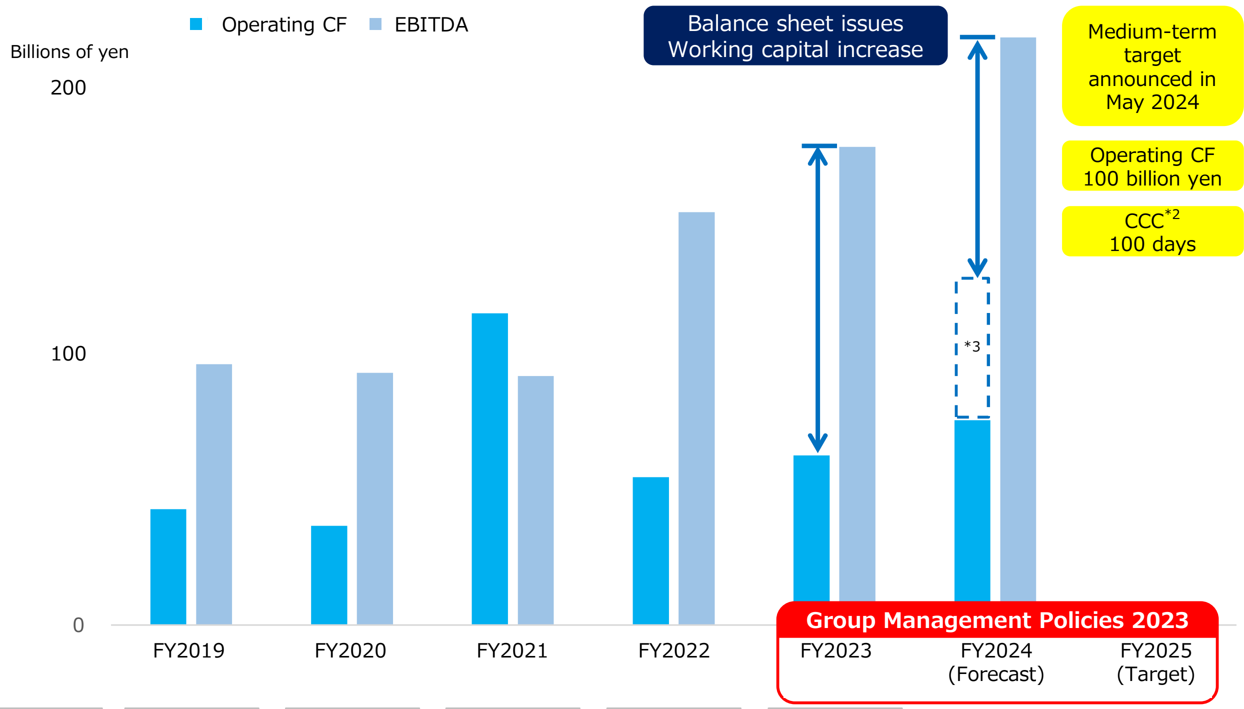
We achieved our medium-term ROIC target of 8% and OP margin target of 7.5% ahead of schedule.

As you can see, we are steadily enhancing our ability to generate profits while harnessing our assets efficiently.

Progress with Group Management Policies 2023

IHI

While profitability benchmark EBITDA grew significantly, faced issues with operating cash flow levels and cash conversion cycle



	FY2019	FY2020	FY2021	FY2022	FY2023
CCC*2	92 days	124 days	112 days	120 days	132 days*1
Total assets	¥1.87 trillion	¥1.83 trillion	¥1.88 trillion	¥1.94 trillion	¥2.10 trillion

*1. Excluding impact of Special factors in fiscal 2023, *2. Cash conversion cycle,
*3. Expenditures related to the additional inspection program for PW1100G-JM engines : 50 billion Yen

In the chart, you see operating cash flows in dark blue bars and EBITDA in light blue bars.

EBITDA has grown steadily, while operating cash flow levels have remained low.

This significant difference reflects an increase in working capital.

This is due to the accumulation of parts inventories in some industries as they continue to experience supply chain disruptions since the pandemic.

While it will be challenging to reach medium-term targets of 100 billion yen in operating cash flow and a cash conversion cycle of 100 days, we are stepping up group-wide efforts to reduce working capital as we move toward these goal.

Attaining Group Management Policies 2023 Goals

IHI

Accelerate reforms and strengthen growth foundations to support next medium-term plan and beyond

Overhaul business portfolio

- ✓ Accelerate cash and talent shifts to growth and development-focus businesses
- ✓ Restructure businesses with underperforming profitability and capital efficiency

Restructure balance sheets

- ✓ Make capital costs and returns a greater management priority
- ✓ Swiftly restore financial health by shrinking working capital, selling assets and divesting businesses

Change mindsets through DEI initiatives

- ✓ Encourage employees to change their behavior and become " Change Agent "
- ✓ Empower all employees to leverage their strengths and accelerate change

In the remaining 18 months of our current medium-term management plan, we will accelerate the reforms we show here.

First, we will overhaul our business portfolio.

- We will intensively invest cash and talent in growth and development-focus areas. We have already transferred hundreds of employees within the Group.
- We will also restructure businesses with underperforming profitability and capital efficiency, and will detail a little later.

Next, we will restructure our balance sheets.

- As I mentioned earlier, we face major balance sheet issues that we have to address.
- We will swiftly restore our financial health while focusing more on capital costs and returns.

Finally, we will undertake DEI initiatives that are the cornerstone of everything we do.

- Employee mindsets will shape the speed of our reforms.
- While we encourage employees to change their mindsets, we will create an environment where all employees can leverage their strengths to thrive and to accelerate change.

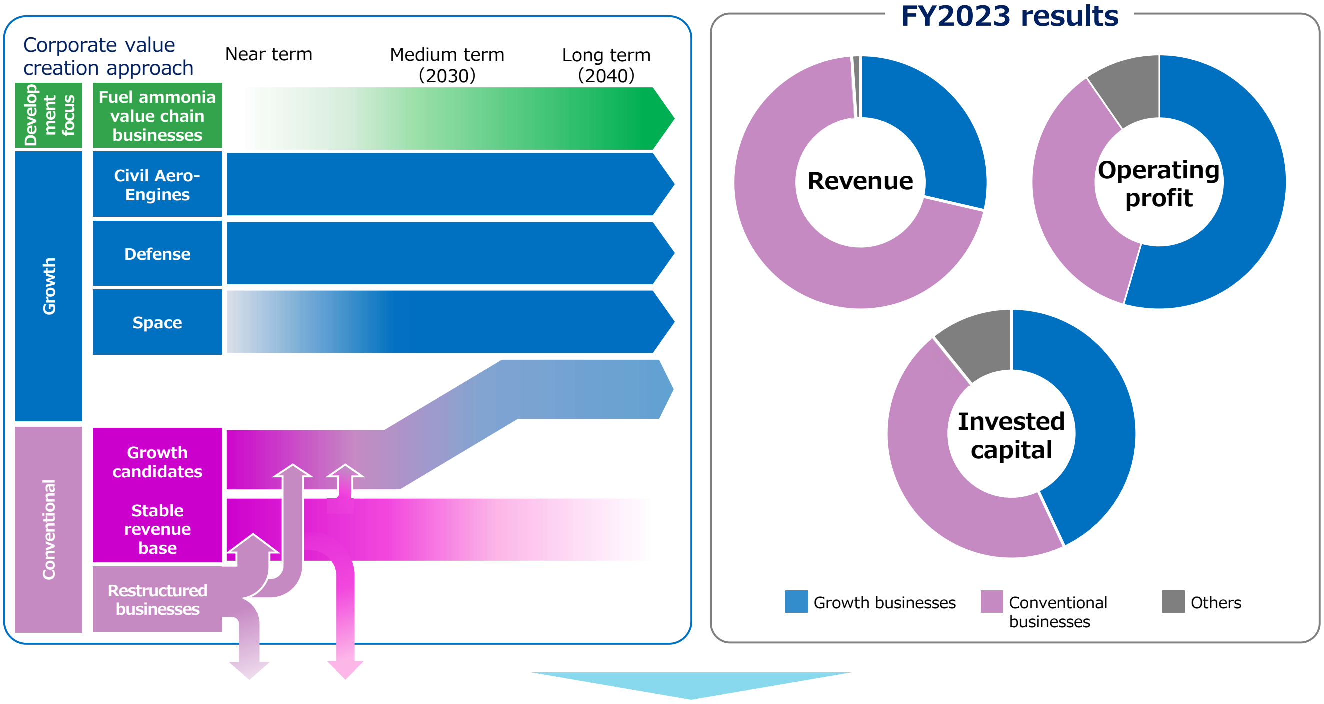
We will accordingly focus on solidifying growth foundations toward and beyond our next medium-term management plan.

2. Overhauling Business Portfolio and Restructuring Balance Sheets

Envisioned Medium-to-Long-Term Business Portfolio

IHI

Overhauling business portfolio vital to realize vision and boost corporate value



- ✓ Growth businesses highly profitable, generating just under 60% of operating profit
- ✓ Conventional businesses not very profitable or efficient

The diagram on the left illustrates the IHI Group vision presented in May this year.

Our Civil Aero-Engine, Defense, Space, and fuel ammonia value chain businesses form the twin pillars of corporate value creation.

On the right, the pie chart shows our fiscal 2023 results and our current state.

As you can see, our growth businesses have been highly profitable, utilizing capital efficiently and generating just under 60% of our operating profit.

In contrast, our conventional businesses represent just under 70% of sales and just below 50% of invested capital, yet they are less profitable and efficient. That is a major issue

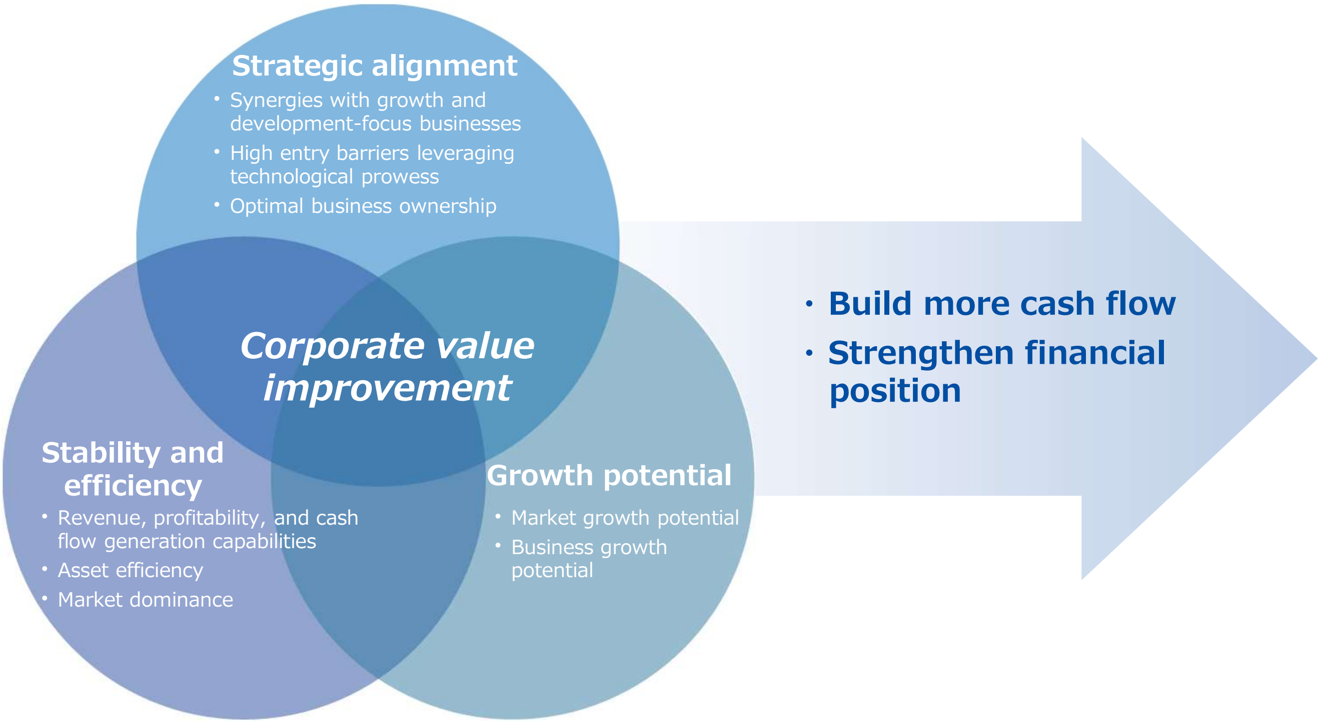
We must restructure our conventional business portfolio to achieve our vision.

Business Portfolio Assessment Criteria

IHI

Build portfolio that can deliver steady growth while controlling volatility

✓ Increase greater emphasis on stability and efficiency, in addition to strategic alignment and growth potential



Here, we will show you three criteria for assessing our business portfolio.

The first criterion is strategic alignment, or whether there are synergies with our Civil Aero-Engine and fuel ammonia value chain businesses and whether our businesses can establish high barriers to entry by harnessing our technological prowess.

The second criterion is growth potential, or whether our markets or businesses offer growth potential.

The third criterion is business stability and efficiency.

As you would expect, the Civil Aero-Engine business has high growth and profitability potential but is also cyclical and inherently volatile.

In view of these growth business characteristics, we need businesses that can absorb this volatility to sustainably enhance our overall corporate value.

Business Portfolio Strategy: Conventional Businesses

IHI

Determine the direction of restructured business by FY2024 and accelerate its implementation from FY2025

- ✓ Conventional businesses to generate stable revenue and cash flow base sustainably supporting Group’s overall portfolio
- ✓ Restructure nonperforming businesses to enhance profitability and generate cash flow

Business category	Portfolio reform approach
Conventional businesses	**Stable revenue base** ✓ **Maintain and enhance profitability** by expanding lifecycle businesses ✓ Harness market dominance to **maximize cash flows**
	Restructured businesses ✓ **Restructure to eliminate downside risks** ✓ Rebuild business strategies to enhance profitability, such as by strategically paring down regional and product portfolios ✓ Build a leaner operational structure through such steps as cutting fixed costs
	Business transfer ✓ **Achieving growth outside the IHI Group** (Business transfer scheduled) General-purpose boiler business / Materials handling system business

As I mentioned earlier, our conventional businesses are essential to build a stable and sustainable portfolio.

Their prime role is to support growth and development-focus businesses and stabilize our groupwide portfolio.

First, by expanding lifecycle businesses and maximizing cash flow, we seek to become more profitable and generate resources to invest in growth and development-focus businesses.

We will then adopt growth strategies for conventional businesses offering medium- to long-term growth potential.

Unfortunately, however, some of the conventional businesses are not fulfilling their primary role.

We will overhaul those businesses to eliminate downside risks and enhance profitability. We will determine the direction of restructuring by the end of FY2024, and accelerate implementation of actions from FY2025.

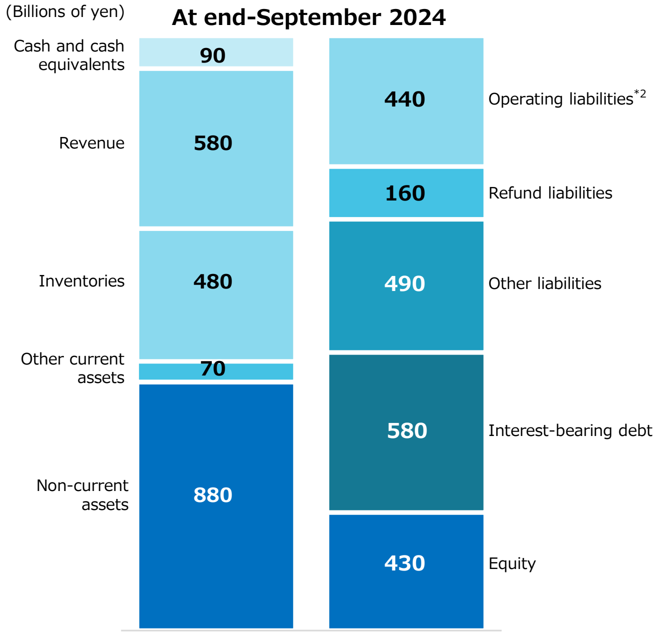
We will also consider devesting businesses, if they can achieve sustainable greater growth outside of our group.

Restructuring Balance Sheets

IHI

Optimize invested capital and focus on capital costs and returns

✓ Swiftly restore D/E ratio to around 1.1[*1] and boost equity ratio to at least 20%



Total assets: ¥2,100 billion
D/E ratio: 1.36 times
Equity ratio: 18.6%[*2]

※1

*1. Equity ratio = Ratio of equity attributable to owners of parent
*2. Operating liabilities = Trade payables + Contract liabilities + Refund liabilities

Reduce working capital

Step up efforts to lower groupwide inventories

Accelerate accounts receivable collections and increase advances received

Systematically divest assets

Investment properties

Sell all policy shareholdings(Listed shares)

Reform business structure

Reduce invested capital in or divest low-ROIC businesses

I will now discuss balance sheet restructuring.

Key challenges are high working capital levels, a high debt-to-equity ratio, and a low equity ratio.

To build a healthier financial position, we will start by thoroughly reducing working capital.

We will then improve capital efficiency by selling investment properties and policy shareholdings.

With respect to the restructuring businesses I mentioned in the previous slide, we will optimize invested capital to streamline the balance sheets.

We thereby seek to swiftly restore the debt-to-equity ratio to around 1.1 and boost the equity ratio to at least 20%.

We will focus our efforts on our balance sheets, engaging in practices that prioritize capital costs and returns.

Progress with Business Portfolio and Balance Sheet Reforms

IHI

Some reforms underway, will keep urgently pursuing improvements

Business portfolio reforms

Announcement timing	Businesses	Overview
FY2023	Vehicular turbochargers	• Fixed asset impairment and other structural reforms at IHI Charging Systems International GmbH (ICSI)
September 26, 2024	Vehicular turbochargers	• Resolved to dissolve ICSI • Will concentrate European vehicular turbocharger business at Italian subsidiary • Will gradually transfer production to other foreign subsidiaries
October 28, 2024	General-purpose boiler business	• Resolved to transfer shares of IHI General-purpose boiler Co., Ltd. (IBK) to TAKUMA CO., LTD. • Scheduled to transfer 100% of IBK shares on April 1, 2025
November 6, 2024	Materials handling system business	• Resolved to transfer IHI Transport Machinery Co., Ltd. (IUK) material handling system business to Tadano Ltd. • Scheduled to be transferred on July 1, 2025

Balance sheet reforms

Announcement timing	Businesses	Overview
FY2023	Investment property sales	• Sold property in Ayase, Kanagawa Prefecture
During FY2024	Investment property sales	• Planning to sell stakes in properties in Toyosu, Tokyo

This slide presents a summary of our reform efforts. The top section outlines business portfolio reforms.

Starting with the vehicular turbocharger business, in the last year we restructured a German subsidiary, including fixed asset impairment, due to profitability challenges. We recently announced the closure of this unit.

Next is business transfer. We will transfer the general-purpose boiler business to Takuma. The materials handling system business will be transferred to Tadano. These businesses will achieve sustainable growth with the new partners.

As part of ongoing efforts to streamline our balance sheets, we plan to sell investment properties for the second consecutive year.

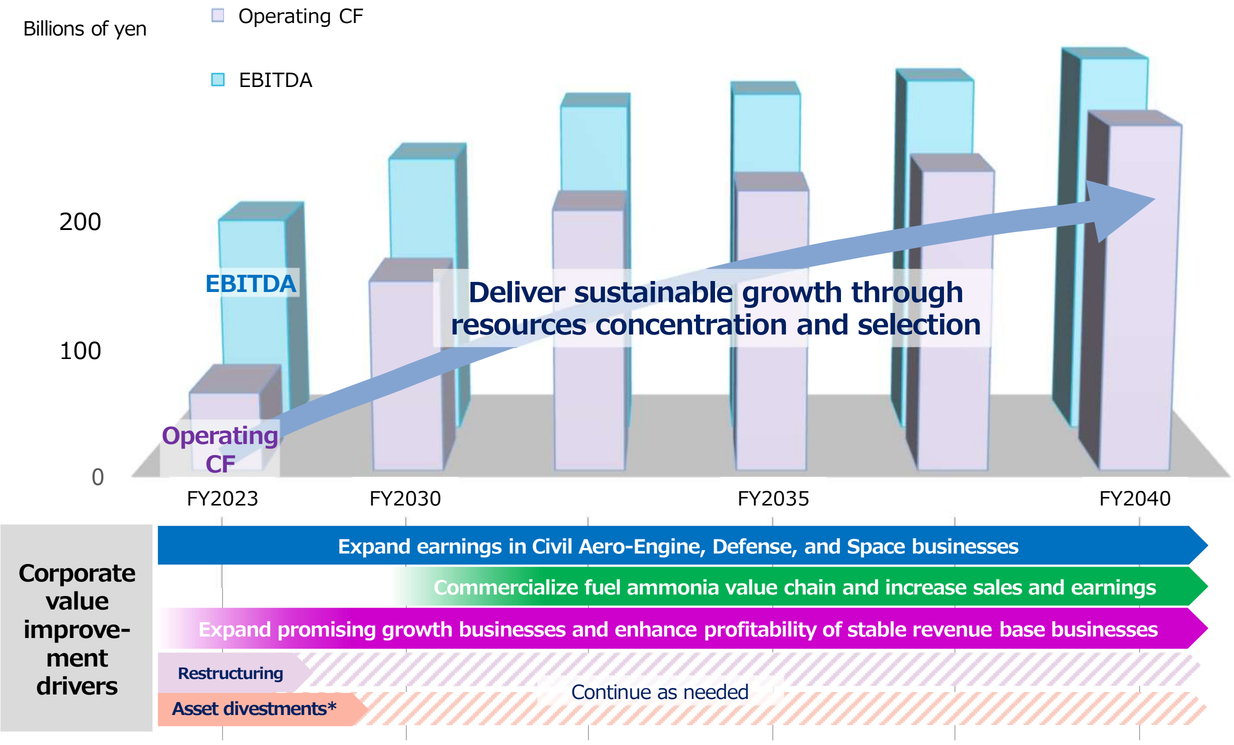
We will continue to move forward with these reforms at a rapid pace, and keep everyone informed of our progress

Generating Sustainable Value

IHI

Keep undertaking operating reforms and boost corporate value over medium to long terms

Operating CF and EBITDA



*Not included in figures above

Here, we reiterate our vision for generating long-term value.

As mentioned at the beginning of my presentation, we will accelerate reforms over the remaining 18 months of our current medium-term management plan.

By fostering a reform-oriented culture, we seek to build an organization that can constantly undertake business improvements reforms beyond this plan and boost corporate value over the medium to long terms.

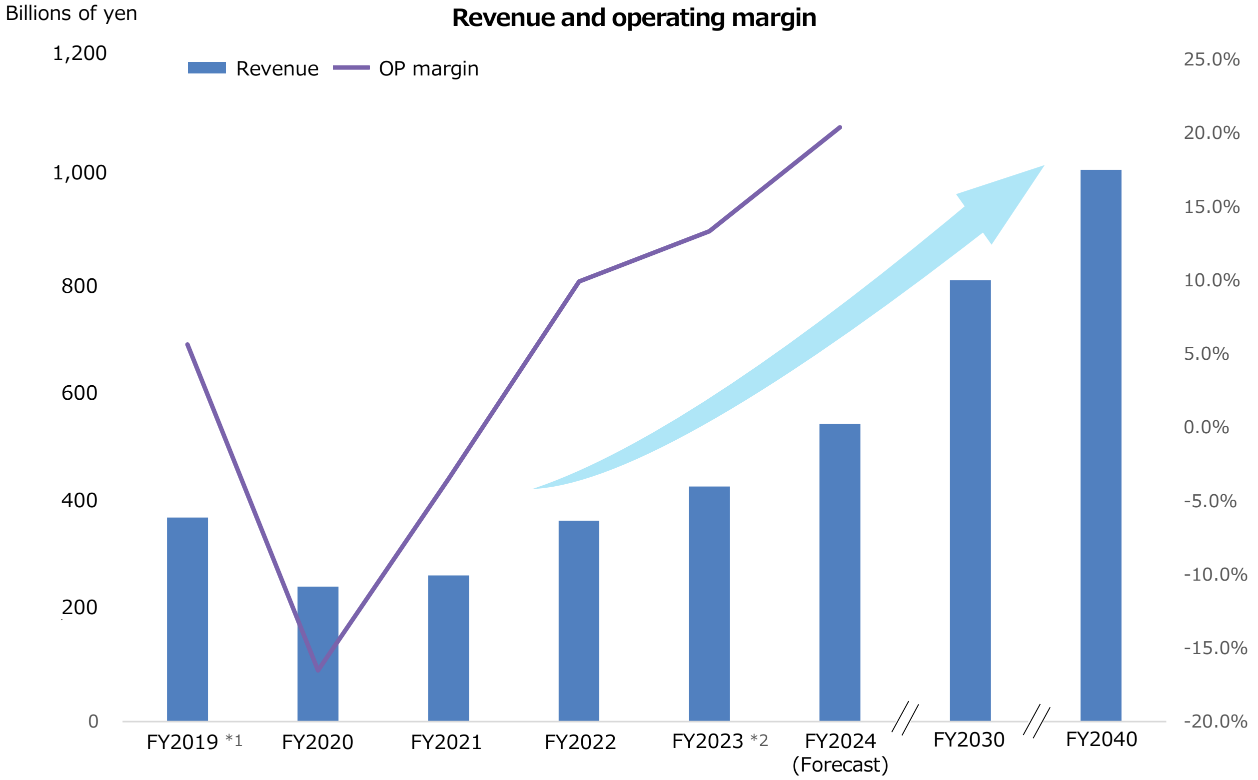
3. Growth Businesses

Civil Aero-Engines, Defense, and Space

Civil Aero-Engine, Defense, and Space Business Growth Prospects

IHI

Targeting ¥800 billion in revenue by FY2030 and ¥1,000 billion by FY2040



*1 International Financial Reporting Standards applied to fiscal 2019 figures.
*2 Excluding loss related to the additional inspection program for PW1100G-JM engines.

First, I will present results over the past five years and our outlooks for our Civil Aero-Engine, Defense, and Space businesses.

We have significantly increased revenue and operating margins, which have far exceeding pre-pandemic levels. In view of favorable market growth prospects, we look forward to even better outcomes.

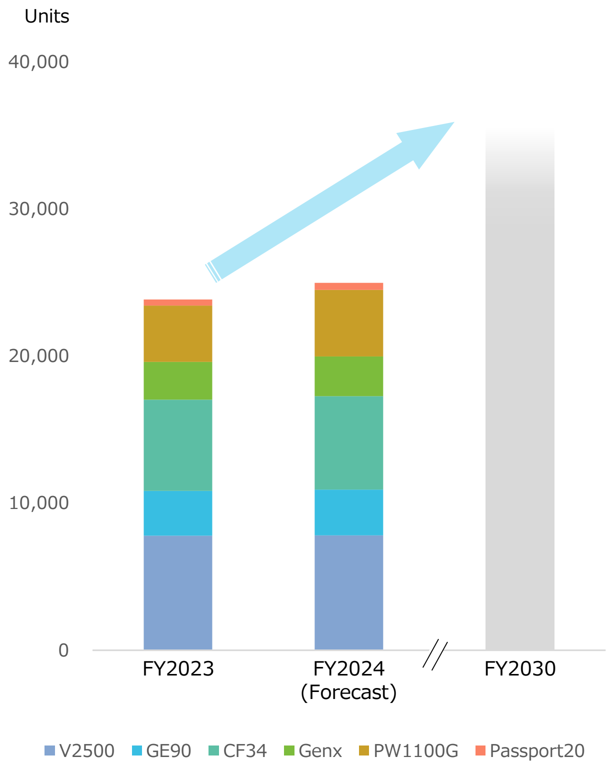
We will continue to capitalize on growth opportunities, expanding revenue from these businesses to 800 billion yen by fiscal 2030 and 1,000 billion yen by fiscal 2040.

Civil Aero-Engine Business: Business Scale Expansion

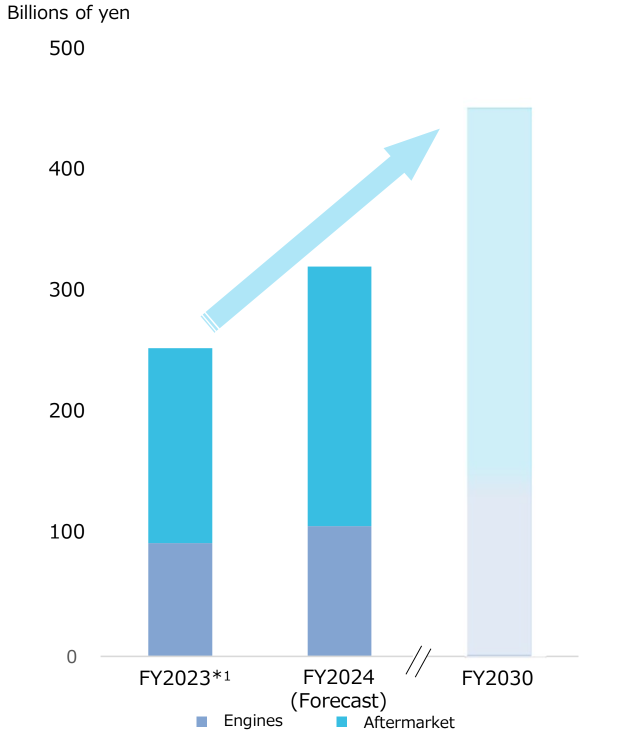
IHI

Total engine shipments have steadily increased, with aftermarket revenue growth being even faster

Cumulative engine shipments



Civil aero-engine business revenue



*1 Excluding loss related to the additional inspection program for PW1100G-JM engines.

Note: Aftermarket encompasses spare parts + maintenance and parts repairs

Next, we show where our Civil Aero-Engine business stands.

The graph on the left shows cumulative engine shipments. The number of engines installed on aircraft have steadily increased.

The graph on the right shows our targets for fiscal 2030. For the Civil Aero Engines business as a whole, we are aiming to increase revenue to the level of 450 billion yen.

To give you the breakdown of the revenue, dark blue bar indicates engines and light blue bar indicates after-market, which includes spare parts, maintenance and parts repairs.

As the total number of engines in operation continues to grow, the revenue of the aftermarket business will expand faster than the engine business.

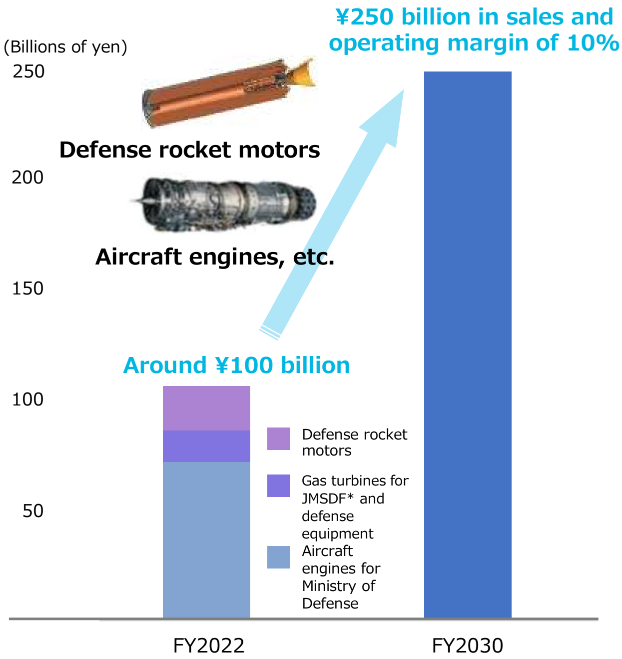
In terms of profitability, the after-market business is higher than the engine business, so we can expect profit growth to outpace revenue growth.

Defense Business: Increase Scale and Profitability

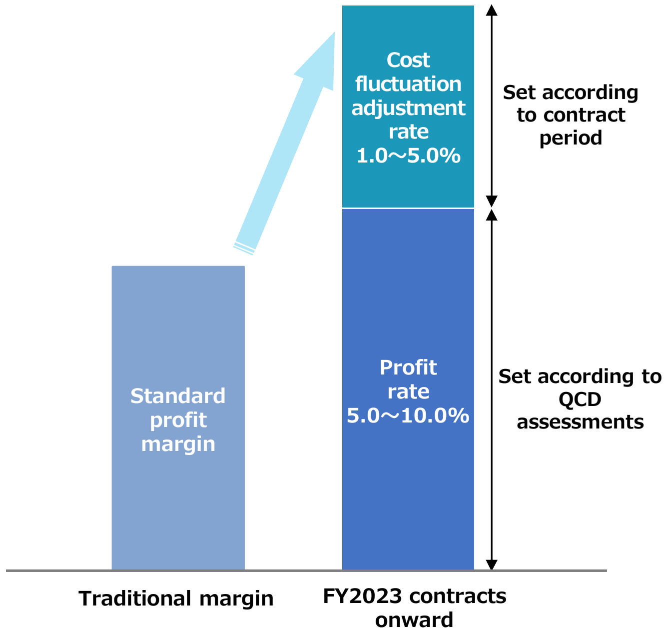
IHI

FY2030 targets: Sales of ¥250 billion and operating margin of 10%

IHI's defense business sales



Enhance profit margins as part of defense industry policy



- Corporate efforts reflected in profit margins through Ministry of Defense evaluations of quality, cost, and delivery management
- Deploying a cost fluctuation adjustment rate absorbs the risk of cost increases from soaring prices and other uncontrollable factors

Next, I would like to touch on another pillar, which is Defense business.

We expect the revenue to reach around 250 billion yen by FY2030, centering around Defense Rocket Motors and Aircraft Engines, with an operating profit margin target of 10%.

Compared to the Civil Aero Engine business, the defense business is relatively more stable and requires less amount of investment that we need to work on.

Therefore by expanding the defense business, we expect that it will help absorb the volatility of Civil Engine business.

Defense Business: Strengthen Global Deployment

IHI

Leverage long experience in developing and manufacturing defense engines to strengthen global deployment of defense business

Export licensed domestic engine parts to U.S. original equipment manufacturer

Help strengthen alliance between Japan and United States by complementing IHI and original equipment manufacturer production capabilities

Maintenance business for engines mounted on F-35 fighter jets

(From June 29, 2023, press release)

In Asia-Pacific, serving as regional maintenance depot alongside Australia

International joint development for next-generation fighter aircraft (GCAP)

Playing a vital role by stepping up collaboration with the public and private sectors

Source:*1 Ministry of Defense website
https://www.mod.go.jp/j/policy/defense/nextfighter/index.html

Engine parts exports to original equipment manufacturers, as shown in the upper part of the slide, complement Japanese and U.S. production capabilities and help strengthening national alliances. We look to expand the range of engine models we cover.

Regarding the F-35 engine maintenance business shown in the lower left of the slide, we are collaborating with friendly nations that operate the F-35 to bolster the production and maintenance infrastructure.

The lower right of the slide highlights international joint development program called Global Combat Air Programme in collaboration with Japanese, British, and Italian governments and companies.

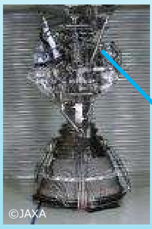
Beyond these endeavors, we will harness our extensive experience to engage in projects that contribute to Japan’s security and reinforce the global expansion of our Defense business.

Space Business: Grow through Public-Private Collaboration

IHI

Expand contributions to nation's space development and commercialize launch services

IHI's rocket technologies



World-class liquid engine

IHI developed the turbo pump

The world's largest solid-fuel rocket

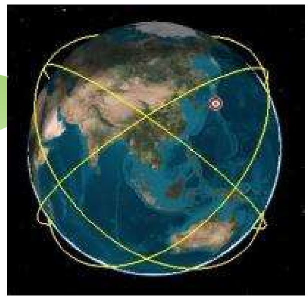
Government-led space development

Help transport materials to International Space Station

Participate in resupply missions to lunar orbiting crewed station

Expand into private-sector business

Enter launch services business



Expand satellite utilization business

We position the Space business as a long-term growth driver. The slide illustrates the development of this business.

Building on our rocket and other foundational technologies, we are first contributing to government-led space development initiatives.

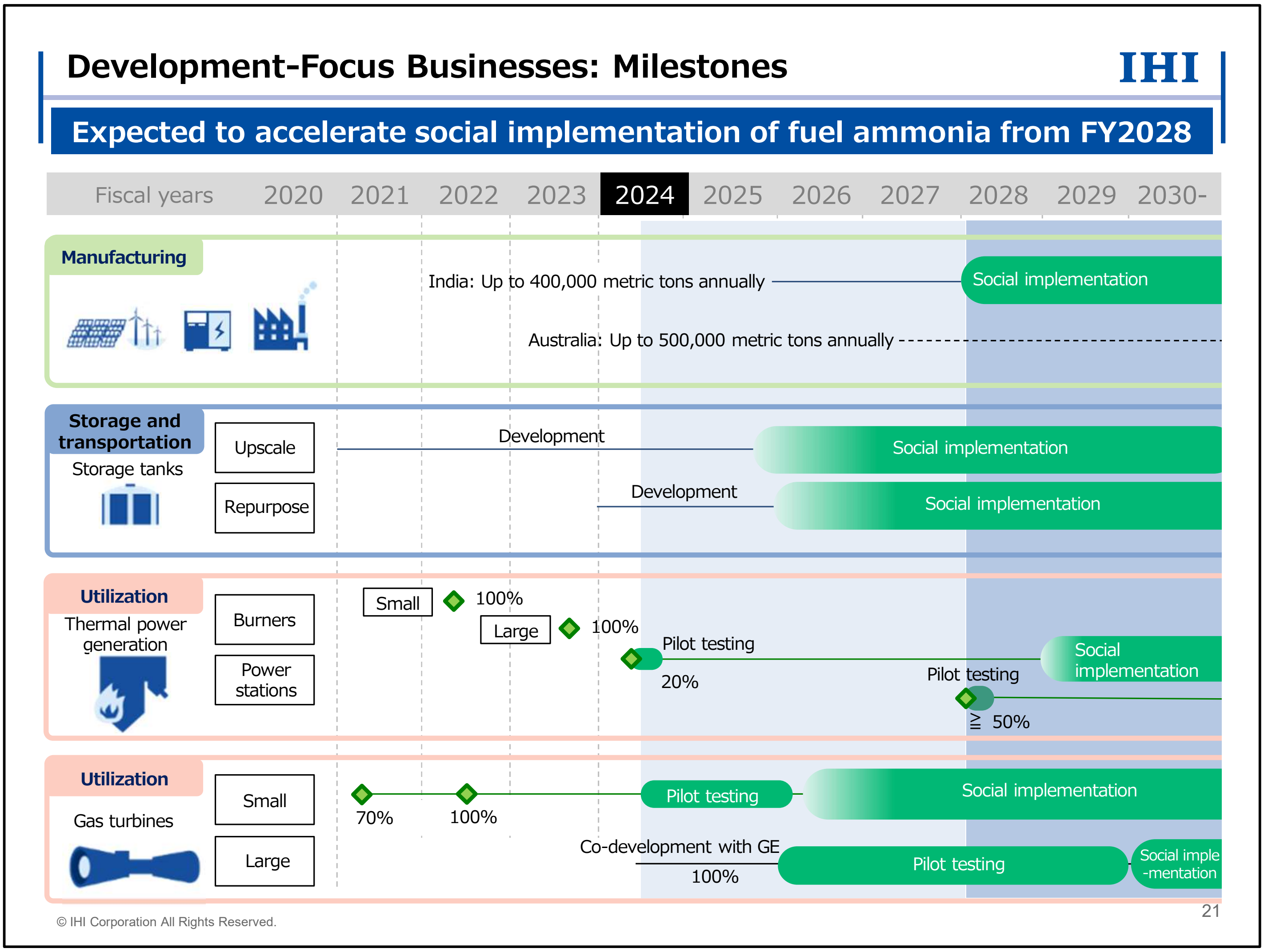
The Basic Plan for Space Policy, announced in 2023, emphasizes collaboration between the public and private sectors to address space security and global challenges and create new industries.

Alongside of that plan, we plan to leverage our production and technological infrastructure that we have built out through government projects, collaborate with other companies and try to grow the business in a mid to long term.

4. Development-Focus Businesses

Fuel Ammonia Value Chain

IHI



This page shows the key milestone of our fuel ammonia value chain business.
Since around 2020, we have undertaken a range of fuel ammonia R&D activities.
With production and utilization R&D nearing completion, we are pushing ahead with demonstration tests to prepare for social implementation, starting from fiscal 2028.

Production
We look to commercially supply and receive green ammonia from India and Australia, which are ideal renewable energy locations, from fiscal 2028.

Storage and Transportation
We are developing large ammonia storage tanks with a view to social implementation in fiscal 2026. We also expect to complete development work to repurposing LNG storage tanks by fiscal 2026.

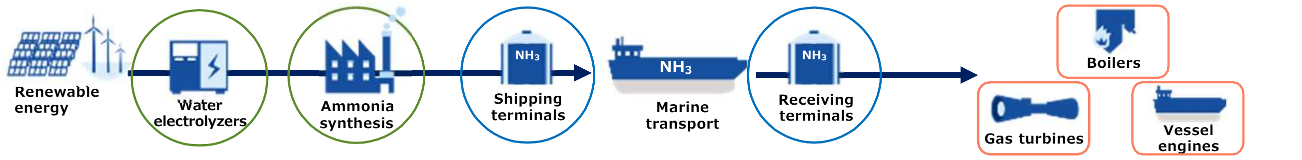
Utilization
We are progressing well with pilot tests for fuel ammonia usage in thermal power plants and gas turbines, and look to fully scale the social implementation of fuel ammonia value chain social in 2028.

Development-Focus Businesses: Successes

IHI

Spearheading global efforts towards social implementation

Production | Storage and transportation | Utilization



ACME signing ceremony (image from IHI website)

Computer-generated image of ammonia storage tank (image from IHI website)

Sakigake, an ammonia-fueled tugboat (image from IHI website)

Green ammonia production and supply

ACME (India)
- Initiating production and supply in 2028
- Up to 400,000 metric tons annually

Australia
- Exploring investments in production and sales
- Up to 500,000 metric tons annually

Ammonia storage tanks
- 2026: Social implementation of large tanks and complete LNG repurposing effort

Large ammonia receiving terminals
- Selected for feasibility study by Japanese government
- Participating in work in Tomakomai, Soma, and Osaka
- Scheduled to be realized by 2030

Ammonia fuel conversion for thermal power plants
- Completed world's first successful 20% fuel conversion demonstration
- 50% fuel conversion demonstration after 2028

2MW class ammonia-fueled gas turbines
- Conducting long-term durability testing to prepare for commercialization
- Social implementation in 2026

***Sakigake*, an ammonia-fueled tugboat**
- World's first such tugboat for commercial purposes
- Launched demonstration voyage in Tokyo Bay

Recent initiative highlights

Production and supply

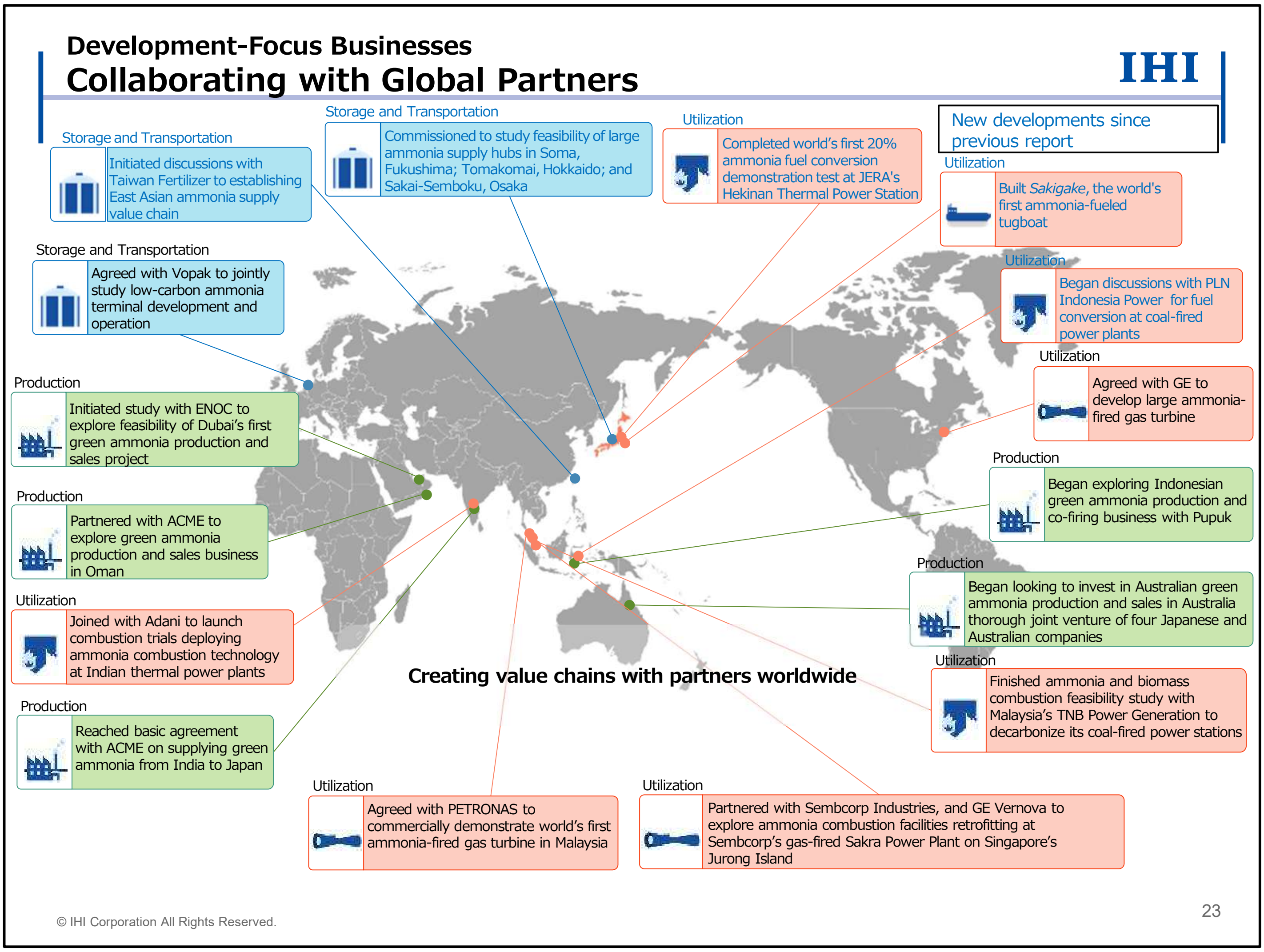
We will initiate green ammonia supply with ACME of India Corporation in 2028.
We are also exploring investments in green ammonia production and sales in Australia.

Storage and Transportation

We plan to commercialize ammonia storage tanks (with PC membranes) in 2026.
Japanese government commissioned us to take part in a feasibility study for large ammonia receiving terminals project. We are fully engaged with the program and expect the effort to be complete by 2030.

Utilization

For thermal power plants, we completed the world's first successful 20% ammonia fuel conversion demonstration test, as we mentioned in May.
We plan to undertake a 50% fuel conversion demonstration test is in 2028.
Demonstration tests in other areas are going well, including for small gas turbines and tugboats.



Initiatives with global partners

The projects in blue text in the upper part of the slide are new developments since our briefing in May this year.

We are pushing forward with our global partners to progress in creating a fuel ammonia value chain.

Looking beyond "Group Management Policies 2023"

IHI

By integrating, uniting, and enhancing the diverse technologies as the sources of our value, we forge new value for our customers moving beyond traditional products and services

Technology is the cornerstone of everything we do and the value we deliver. It spans everything from the regular to the revolutionary. We enhance the strength and value of our technologies by strategically combining them.

Historically, we have focused on delivering value through products. In coming years, we will concentrate more on value itself, seamlessly aligning it with what our customers seek. We remain committed to forging meaningful connections with the value we provide.

IHI

IHI
Realize your dreams

Forward-looking figures shown in this material with respect to IHI’s performance outlooks and other matters are based on currently available information, and therefore contain risks and uncertainties. Consequently, you should not place undue reliance on these performance outlooks in making investment decisions. Actual results could differ materially from those discussed in these performance outlooks due to several important factors. They include political environments in areas in which IHI operates, general economic conditions, and the yen exchange rate including its rate against the US dollar.