Management Overview of Fiscal Year 2024

(ended March 31, 2025)

May 8, 2025

IHI Corporation

Hiroshi Ide
President and Chief Executive Officer

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1. Achievements in Fiscal 2023 and 2024

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Achievements in Fiscal 2023 and 2024

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Strengthening growth and development-focus businesses	▪ **Reinforced civil aero-engine and defense businesses** • Invested in civil aero-engine MRO business at Tsurugashima Works • Started maintaining F-35 fighter engines • Expanded exports to U.S. OEMs of domestic engine components for fighter aircraft made under license ▪ **Cultivated fuel ammonia business** • Participated in green ammonia production and supply projects • Developed and commercialized boiler, gas turbine, and marine engine utilization technologies
Overhauling business portfolio	▪ **Restructured vehicular turbocharger business** • Began liquidating overseas consolidated subsidiary (production should end in June 2025) • Consolidated European production sites ▪ **Finished transferring general-purpose boiler business** ▪ **Resolved to transfer materials handling systems business** (in July 2025) ▪ **Resolved to transfer turf care machinery business** (in June 2025) ▪ **Resolved to transfer concrete construction materials business** (in October 2025)
Improving capital efficiency	▪ **Divested investment properties** (including in Toyosu in Tokyo, and Ayase in Kanagawa Prefecture) ▪ **Sold policy shareholdings**

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Strengthening growth and development-focus businesses

• We invested in the civil aero-engine MRO business at the Tsurugashima Works and started maintaining fighter jet engines.

• In the fuel ammonia business, we progressed in cultivating and applying utilization technologies.

Overhauling business portfolio

• For exmample, we pressed forward with structural reforms in the vehicular turbocharger business

• We resolved to transfer four businesses presented here to optimal partners.

Improving capital efficiency

• We divested investment properties and policy shareholdings

So, as you can see, over the past two years we decisively strengthened growth and development-focus businesses while undertaking structural reforms.

Achievements in Fiscal 2023 and 2024[*1]

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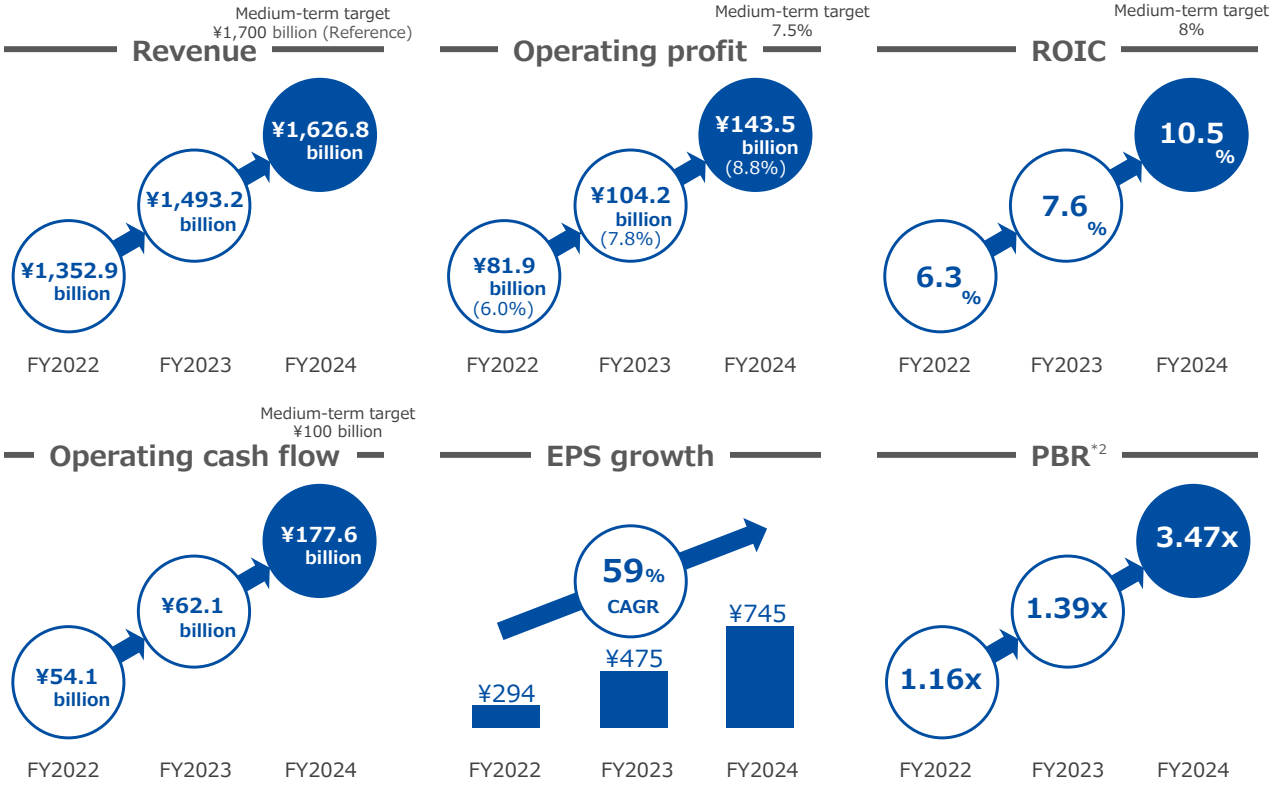
Strategically shifted management resources to return to growth



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*1. Calculated using fiscal 2023 figures after excluding special factors
*2: Based on closing share prices at fiscal year-ends

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Trends of KPIs

Significant improvements have been achieved across all indicators.

We have also achieved ahead of schedule the targets set in the Group Management Policy 2023, such as an operating profit margin of 7.5% and ROIC of 8% or higher.

However, challenges that still need to be addressed remain, and we will talk about these issues and corresponding measures on the following pages.

2. Our Challenges

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Business Portfolio Issues

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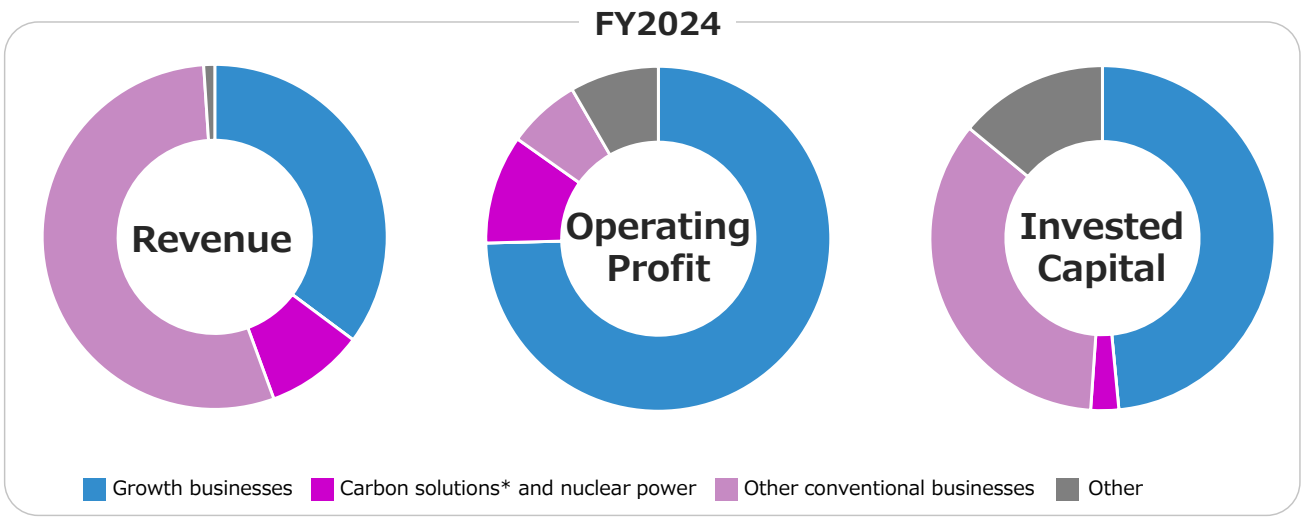
Low profitability and efficiency of conventional businesses

- ✓ Restructure underperforming businesses in FY2025 to **dramatically enhance their profitability and capital efficiency**
- ✓ **Expand stable cash flows** by **allocating resources** to capital-efficient carbon solutions* and nuclear power businesses offering market growth potential



＊Excluding the following foreign subsidiaries of the Carbon Solutions strategic business unit
- IHI Terrasun Solutions
- IHI Power Generation Corp.
- Steinmüller Engineering GmbH

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Business portfolio issues

The three pie charts represent the performance for fiscal year 2024.

Please pay attention to the light pink areas, which represent the performance of other conventional businesses other than Carbon Solutions business and Nuclear Power business.

While accounting for more than 50% of revenue and more than 30% of invested capital, these segments deliver very low profitability and efficiency.

We will tackle those issues by undertaking structural reforms in fiscal 2025.

The dark pink sections represent the performance of the Carbon Solutions and Nuclear Power businesses.

On the upside, the areas in dark pink, Carbon Solutions and Nuclear Power, should experience market growth. They also already deliver high capital efficiency, so we will allocate resources to them to generate stable cash flows.

Balance Sheet Issues

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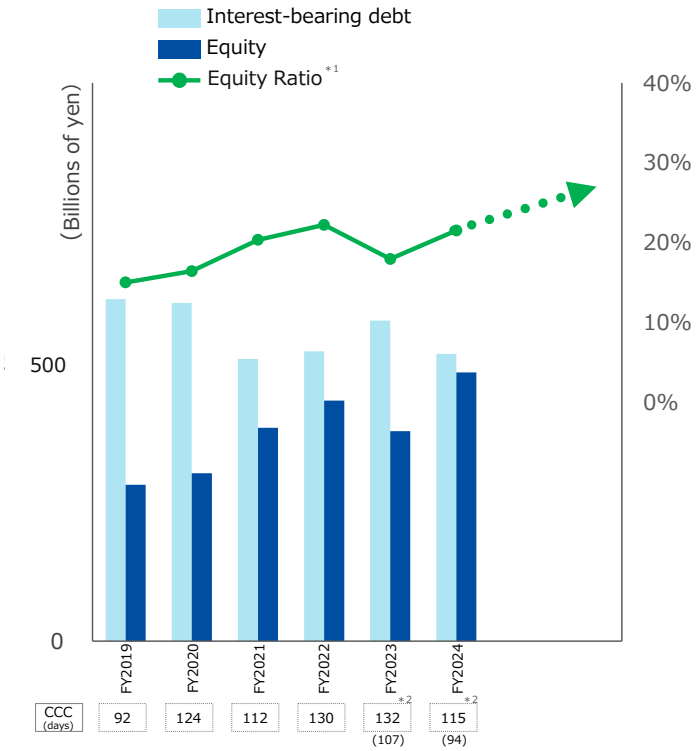
Improving financial position but still need to solidify financial foundations

✓ Tighten financial discipline and aim for **further improvement in the equity ratio**[*1]



Reduce working capital

- Strengthen groupwide efforts to cut inventories
- Accelerate accounts receivables collections and increase advance received

Reform business structure

- Reduce invested capital in businesses delivering low returns on such allocations

Strategically divest assets

- Investment properties
- Policy shareholdings (listed shares)

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*1:Ratio of equity attributable to Owners of parent
*2: Excluding impact of Special factors (values including special factors are shown in parentheses)

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Issues related to the balance sheet

Although financial stability has been improving year by year, further solidifying the financial foundation is necessary.

In fiscal year 2025, we will accelerate the reduction of working capital and the strategic divestment of assets.

3. Tackling Conventional Business Issues

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Resources, Energy & Environment Business Area
(Overseas Subsidiaries)

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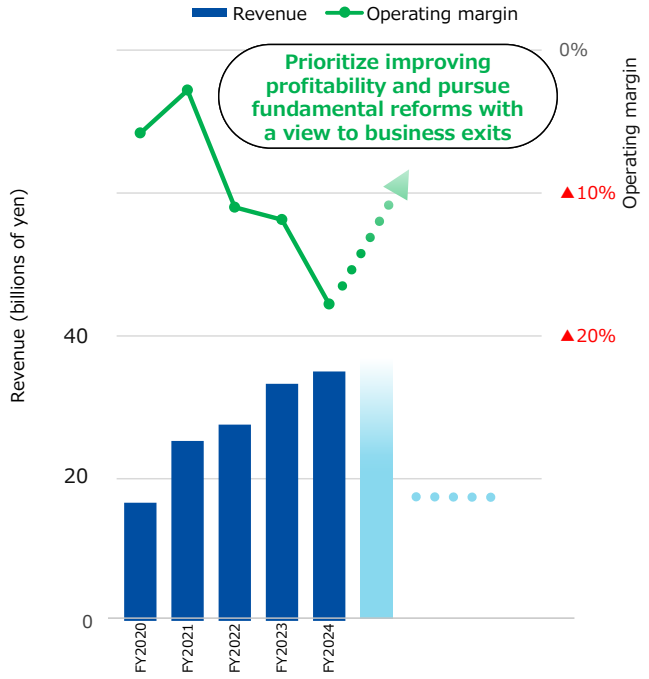
Eliminate downside risks by exiting unprofitable businesses and transforming business model

✓ Reinforce corporate governance and improve profitability while looking to **exit non-profitable businesses**

Revenue and operating margin aggregate for three businesses



Energy management services business

IHI Terrasun Solutions (operates primarily in North America)

- Eliminate downside risks by selectively taking orders
- Manage fixed costs in line with business scale

Biomass power business

IHI Power Generation Corp. (operates in North America)

- Exit unprofitable power generation business

Engineering business

Steinmüller Engineering GmbH (based on Europe)

- Focus business model away from scale toward profitability

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Resources, Energy & Environment Business Area

The graph on the left presents performances at three overseas subsidiaries.

Their profitability is low.

In fiscal 2025, we will implement extensive structural reforms, including by possibly exiting unprofitable businesses.

Social Infrastructure Business Area
(Concrete Construction Materials, Shield Systems, and Transportation Systems)

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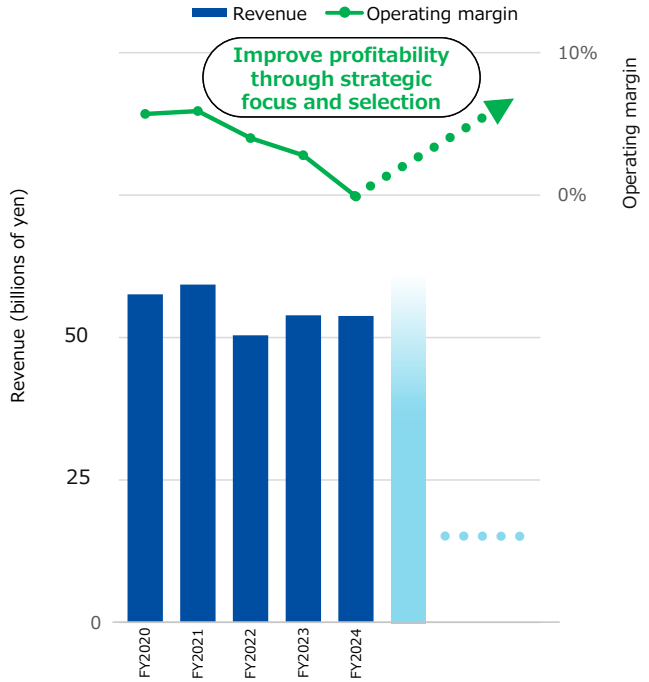
Accelerate business and product portfolio reforms within business area to boost profitability

✓ **Transition to consistently high-margin businesses** while adopting market changes

Revenue and operating margin aggregate for three businesses



Concrete construction materials

- transfer to optimal partner that can generate mutual synergies

Shield systems

- Focus on emerging markets where demand is strong and we have competitive potential
- Improve cost competitiveness by consolidating global production sites

Transportation systems

- Enhance profitability by specializing in competitive models

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Social Infrastructure Business Area

To respond to The market climate is changing rapidly here.

To respond to rapid changes in the external environment, we aim to enhance profitability by accelerating the reform of our business and product portfolio.

I will share specific endeavors.

• Transfer the concrete construction materials business to an optimal partner.

• The shield systems business will focus on highly profitable regions while reducing costs through the consolidation of global production sites.

• The transportation systems business will enhance profitability by specializing in competitive models.

Industrial Systems & General-Purpose Machinery Business Area
(Vehicular Turbocharger Business)

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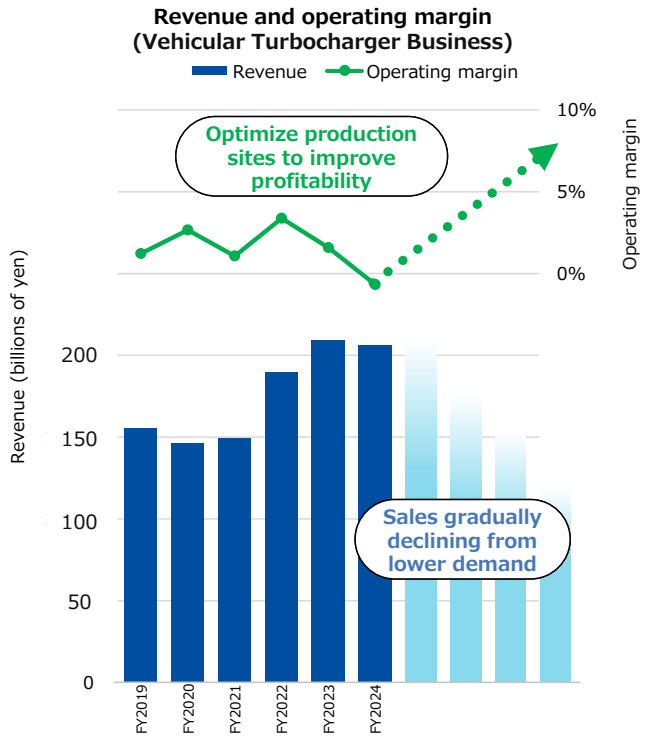
Transform to structure that can generate earnings and cash even in challenging business climate

✓ Transition from sales-oriented to **cash-driven** operations



Conduct zero-based review for production sites

- Close German production site
- Reorganize global production network
- Optimize production scale at domestic plants

Flexibly shift resources according to business scale

- Allocate resources to growth businesses

Maximize marginal profit

- Appropriate price shifting with immediate response to external conditions
- Reduce costs through supply chain management

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Industrial Systems & General-Purpose Machinery Business Area

Explain the vehicular turbocharger business with many challenges.

As the light blue bars in the graph show, sales should gradually decline over the medium term amid declining demand for internal combustion engine vehicles.

In such a challenging business environment, we implemented structural reforms in FY 2024 to maintain profitability.

In FY 2025, we will implement a zero-based review for production sites, allocating resources according to our business scale, and reducing costs.

4. Driving Energy Business Growth

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Energy Market Trends and IHI Group Strengths

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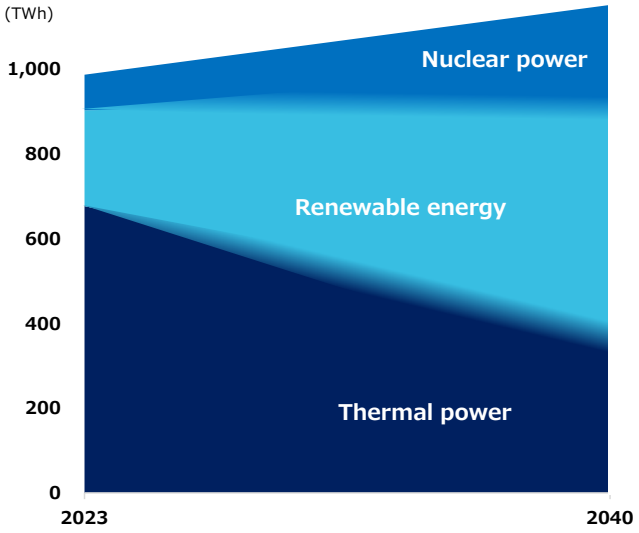
Rising electricity demand underscores need to establish an economically viable power generation mix

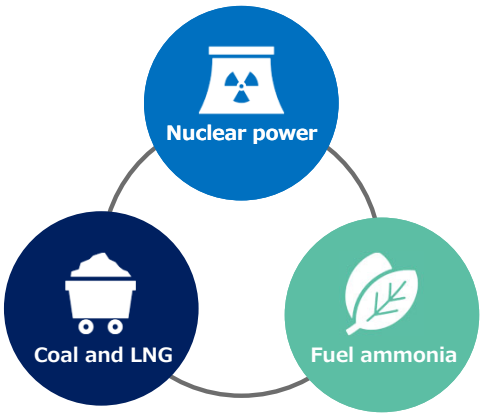
- ✓ **Electricity demand should increase** with digital and green transformation progress
- ✓ Progressing toward carbon neutrality through **economically viable energy mix**

The 7th Strategic Energy Plan
(Power generation mix)



IHI Group Energy business strengths

✓ World-class manufacturing technologies and capabilities



✓ Advanced thermal energy combustion and materials technologies

✓ Global value chain leader

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Overviewing energy market trends

The graph on the left illustrates the power generation mix outlook outlined in the Japanese government's 7th Strategic Energy Plan.

Electricity demand should increase with advances in digital and green transformation.

The challenge under such conditions will be to achieve economically viable carbon neutrality.

We will contribute overcome that challenge by harnessing the strengths shown on the right.

IHI Group Energy Business Strategies

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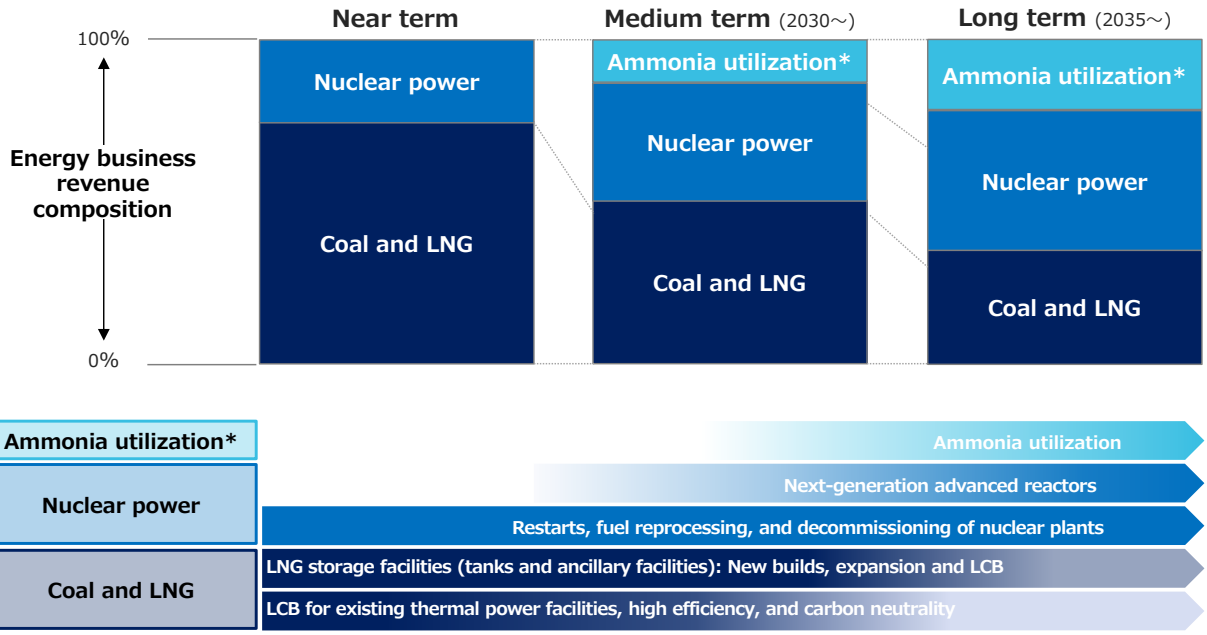
Leverage technological strengths to drive a global energy transition

- ✓ Expand global business and earnings scale by **tailoring energy mixes to countries and regions**
- ✓ **Shift product portfolio as** energy transition **needs evolve**



*Excluding fuel ammonia production and supply businesses

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Our energy business strategy

As mentioned earlier, the required power generation mix evolves over time.

Furthermore, it varies depending on the geographical environment and industrial structure of each country or region.

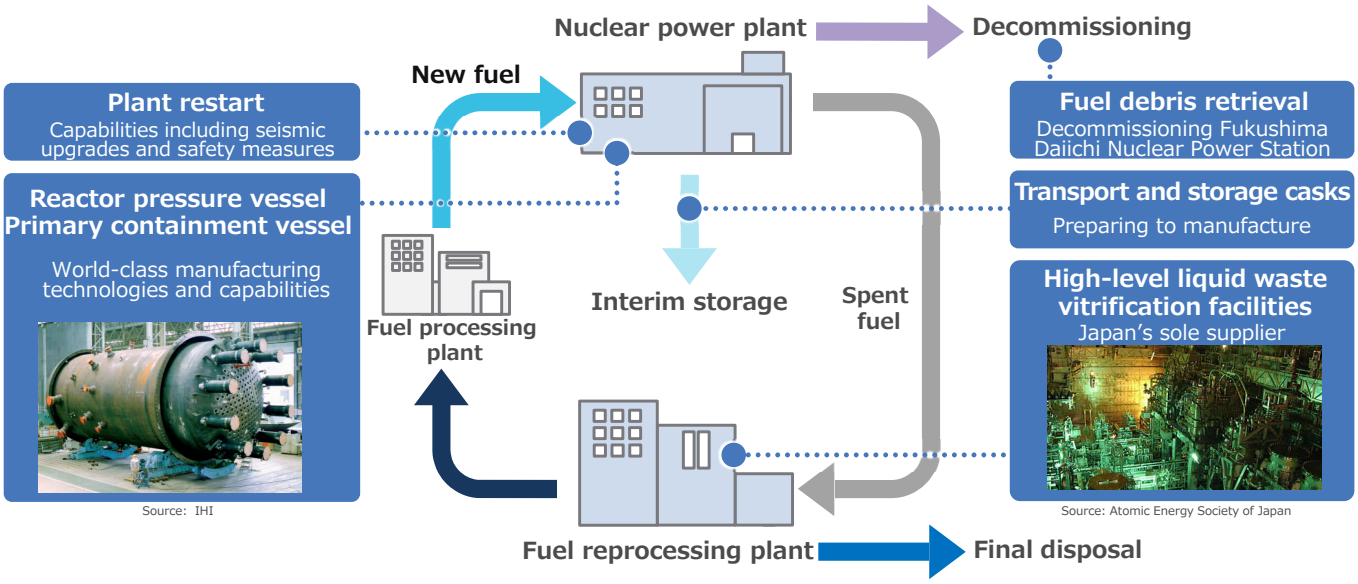
We will draw on our technological strengths to tailor energy mix solutions for each country and region and spearhead a global energy transition, expanding our business scale and earnings.

Growth Candidate: Nuclear Business Strengths

IHI

Nuclear business expansion leveraging world-class advanced technology

- ✓ **World-class manufacturing technologies and capabilities** in pressure vessel and other key components for nuclear power plants
- ✓ The **only player in Japan with high-level radioactive waste management technology** in back-end areas



Source: IHI

Source: Atomic Energy Society of Japan

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The strengths of our nuclear power business

The central diagram shows the life cycle of nuclear power generation

As shown on the left, we have world-class manufacturing technologies and capabilities for vital nuclear power plant equipment.

In addition, IHI possess the only design and manufacturing capability in Japan for processes referred to as back-end fields, such as fuel reprocessing.

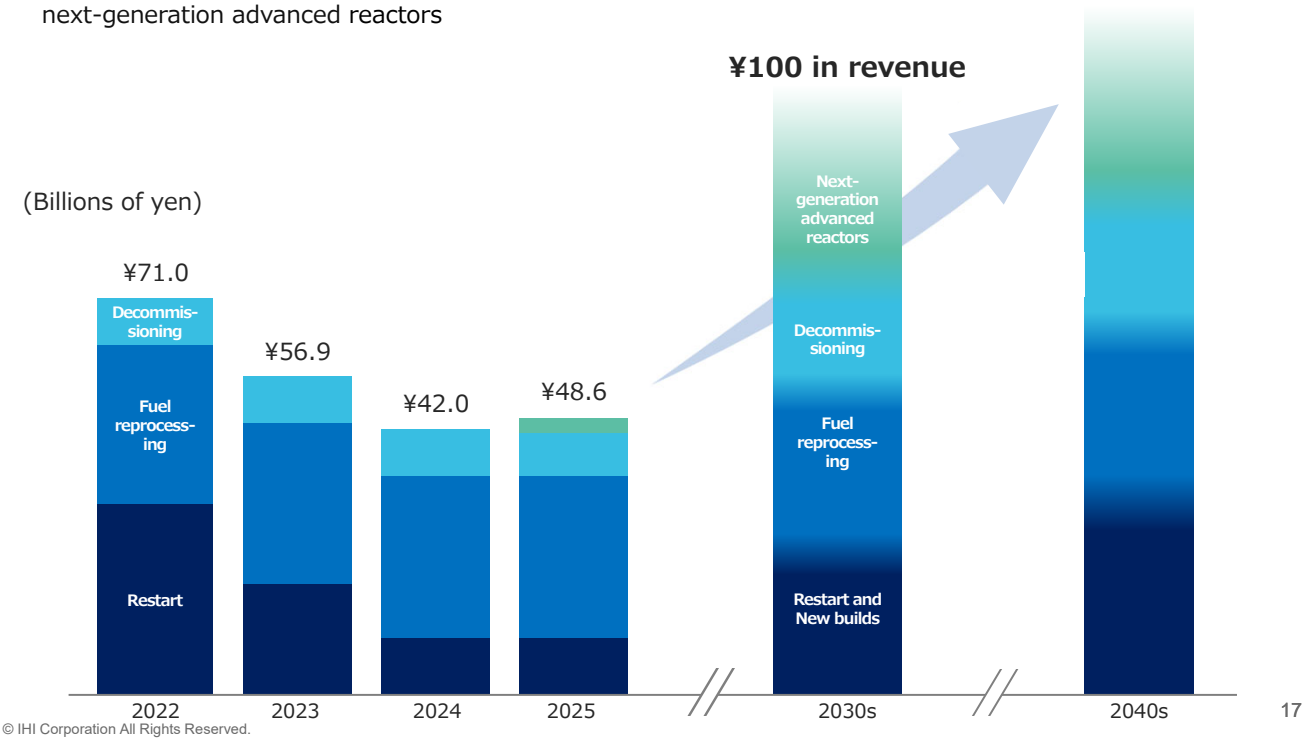
Our strength lies in having world-class manufacturing technologies and capabilities across the entire life cycle of nuclear power, a clean energy source

Growth Candidate: Nuclear Power Business Expansion

IHI

Generate ¥100 billion in revenue in 2030s by meeting rising electricity demand

- ✓ **Expand business scale by bolstering structure** for fuel reprocessing, decommissioning, and other back-end operations
- ✓ Leverage world-class manufacturing technologies and capabilities to **globally deploy** large and small next-generation advanced reactors



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Outlook for our nuclear power business

We aim to generate ¥100 billion in revenue by the 2030s to meet rising electricity demand.

Our first step will be to expand back-end operations by reinforcing organizational structure

We also seek to grow our front-end business, including next-generation advanced reactors, over the medium through long terms.

5. Outlook for Growth Businesses

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Growth Businesses: Civil Aero-Engine Business Outlook

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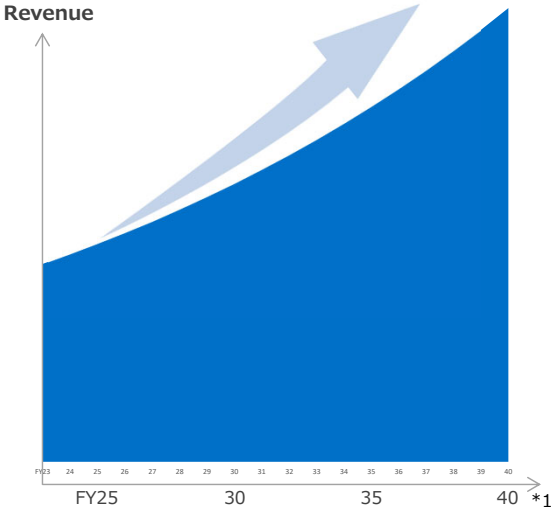
Grow revenue beyond market growth and enhance profitability

- ✓ Aircraft demand should **steadily increase over medium through long terms**
- ✓ Looking to **boost revenue and profit margins** beyond aircraft demand growth levels, with aftermarket business driving progress

Civil aero-engine business revenue forecast

Market growth rate*1 2~3% < **Business growth rate 5%**



- ➢ **Invest extensively to boost capacity** for engine maintenance and parts repairs
- ➢ Leverage design and manufacturing expertise to **develop** competitive **parts repair technology**

Tsurugashima Works maintenance and parts repair facility

- ➢ Apply high value-added parts with proprietary composite materials for advanced narrow-body aircraft

Proprietary composite materials

Components employing composite materials

*1. IHI estimates based on Worldwide Market Forecast 2024–2043 for commercial aircraft, published by Japan Aircraft Development Corporation in March 2024

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The outlook for our civil aero engine business

The graph on the left illustrates projected sales in this business.

We seek a growth rate exceeding that of the overall market.

We will accordingly invest heavily to strengthen our maintenance and repair capabilities and expand our aftermarket business.

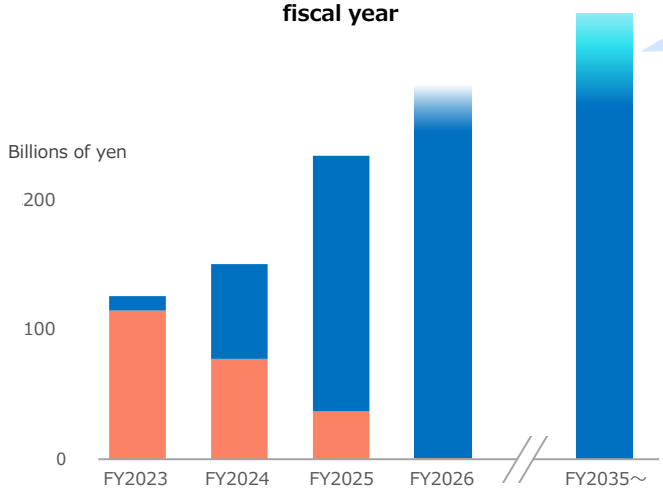
Growth Businesses: Defense Business Outlook

IHI

Deploy globally, expand scale, and boost profitability ahead of schedule

- ✓ Largely complete transition to the new contract scheme by FY2026, **attain 10% operating margin ahead of schedule**
- ✓ **Grow further** over medium through long terms, not only augmenting domestic businesses but also **expanding global operations in collaboration with government**

Contract scheme breakdowns by fiscal year



Global business deployment

- ➢ Parts supply for original equipment manufacturers
- ➢ F135 global maintenance program
- ➢ Solid-fuel rocket motor supply
- ➢ Mass production and support for Global Combat Air Programme

Contracts before FY2022

Contracts after FY2023*

* Operating margin of 5–10% based on quality, cost, and delivery (assessments by Acquisition, Technology & Logistics Agency)

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The outlook for our defense business

We now present the outlook for our other key area, the defense business.

Revenue is steadily advancing toward our target of ¥250 billion.

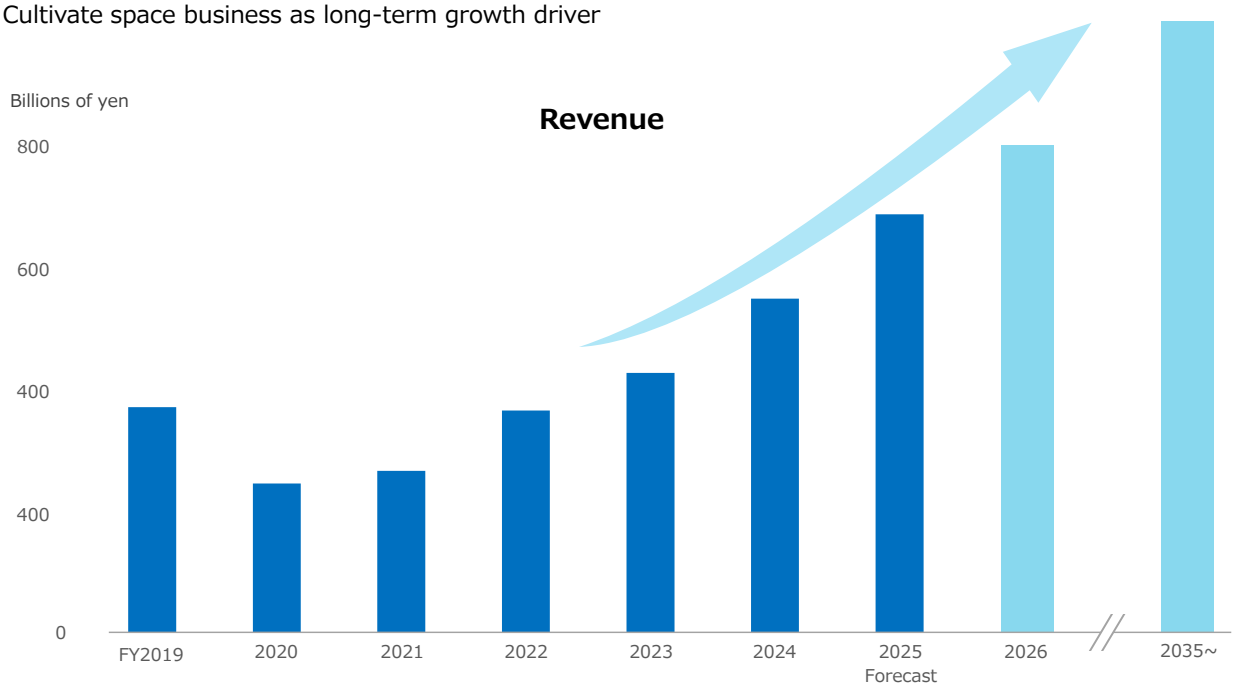
On the earnings front, the new contract scheme is accounting for more of revenue, so we expect to reach a 10% operating margin ahead of schedule.

We aim to expand our global defense business, growing at a pace exceeding defense budget increases.

Growth Businesses: Business Scale over Medium and Long Terms IHI

Steadily expanding business scale, set to reach ¥800 billion in revenue ahead of schedule

- ✓ Aircraft demand gradually increasing, with aggressive investments driving growth beyond market rates
- ✓ Seeking to further expand global business while boosting defense business for domestic market in response to government policy to lift national defense capabilities
- ✓ Cultivate space business as long-term growth driver



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Projected growth in the civil aero engine and defense businesses

We now anticipate reaching our earlier projected ¥800 billion in revenue by around 2030, which would be ahead of schedule.

We will continue to capitalize on growth opportunities, expanding revenue to around ¥1 trillion.

Heading into the final year of the “Group Management Policies 2023”

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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

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Keywords

- Accelerating reforms as the final stage of the "Group Management Policy 2023”
- Compliance as our cornerstone
- Enhancement of corporate value

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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.