

IHI REPORT



Interim Report for the 207th Fiscal Year

April 1st, 2023 to September 30th, 2023



Here, we provide you with the Company's Interim Report for the 207th Fiscal Year (IHI REPORT).

Firstly, as we announced in September of this year, our subsidiary IHI Transport Machinery Co., Ltd. was subject to an on-site investigation by the Japan Fair Trade Commission for suspected violation of the Antimonopoly Act in connection with its parking system business. We take this very seriously and will cooperate fully with future investigations.

Review of first half of FY2023

The financial results for first half of FY2023 showed a significant loss, with revenue of ¥470.3 billion and an operating loss of ¥157.0 billion.

The principal reason for this was the discovery of quality issues in specific parts manufactured by a program partner in the PW1100G-JM engine program, in which the Company participates with an approximate 15% share. Consequently, we record the impact amount related to additional inspection and maintenance costs for the engines containing the affected parts, as well as compensation and other costs paid to airlines for the period during shop visits, according to the Company's share of the program. Appropriate measures have already been taken to address this issue, and no similar issues have occurred.

The PW1100G-JM engine program is expected to contribute to the Company's revenues in the future. We will work with our partners to increase maintenance



Hiroshi Ide

Representative Director and President

capacity, shorten the time until aircrafts resume operations, and work to reduce the impact and restore confidence.

Status of "Group Management Policies 2023" initiatives

While taking measures to reduce losses, under the "Group Management Policies 2023" announced in May of this year, we have classified our businesses into three categories: growth business, development-focus business, and core businesses. Through a bold shift of management resources to the growth business and development-focus business, we are making steady progress in our efforts to achieve sustainable growth.

For example, in the Aero Engines and Space field,

which is the growth business, the current challenge is to respond to the above-mentioned issue. However, demand is expected to grow in both the civilian and defense sectors, and will continue to drive the Company's growth. In the development-focus businesses, we are promoting initiatives for fuel conversion to ammonia, etc. at power generation facilities, and for establishment of a value chain from production to transportation, storage and utilization of fuel ammonia. In the core businesses, we will further expand the lifecycle businesses and thorough business structure reform to secure investment capital for the growth and development-focus businesses.

Please refer to the "Business Area Briefing for FY2023" later in this report for a detailed description of our initiatives in each business area.

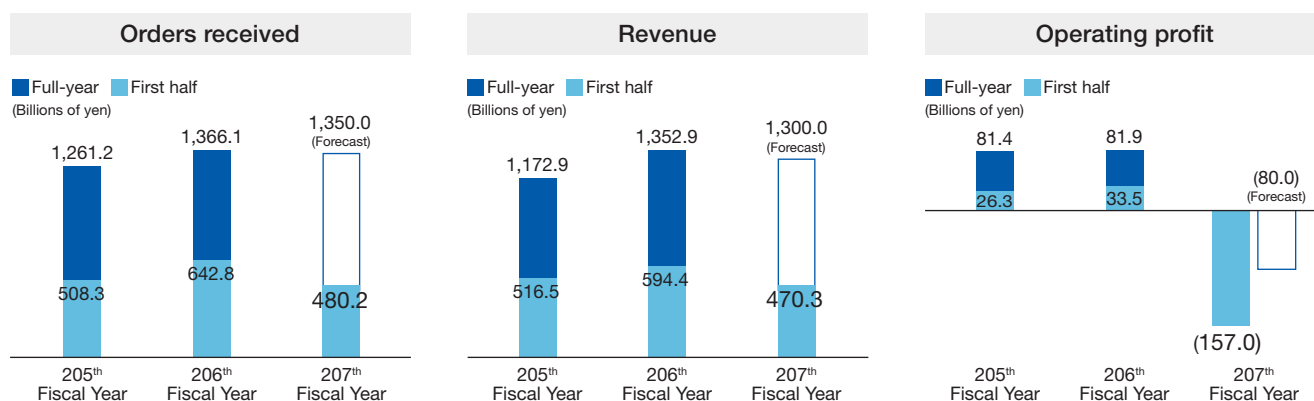
Message to Our Shareholders

The factors driving deterioration of the Company's performance during the period under review were transitory, unlike the downturn in major construction projects in the past, and the Company's growth path will not change. Based on our stable dividend policy, we plan to pay the year-end dividend for the fiscal year under review as announced at the beginning of the fiscal year. We will also ensure that investments in growth and development-focus businesses are made while promoting group-wide cost reductions and reviewing investment priorities.

We will do our utmost to restore trust in the Company and achieve future growth, and we ask you for your continued support.

Consolidated Earnings Highlights (IFRS)

As a result of the one-off accounting treatment for the impact related to the additional inspection program for the PW1100G-JM engine and other factors, revenue fell ¥124.1 billion year on year, and operating profit declined ¥190.5 billion year on year.



Item	FY2023 First half	FY2023 Full-year consolidated forecast
Revenue	¥470.3 billion	¥1,300.0 billion
Operating profit	¥(157.0) billion	¥(80.0) billion
Profit before tax	¥(151.0) billion	¥(80.0) billion
Profit attributable to owners of parent	¥(137.5) billion	¥(90.0) billion

Interim Dividend **¥50** per share

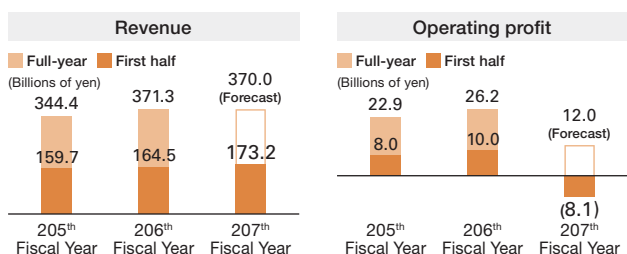
We have set the interim dividend for the six months ended September 30, 2023, at ¥50 per share.

We plan to pay a dividend of ¥50 per share as a year-end dividend for the fiscal year ending March 31, 2024.

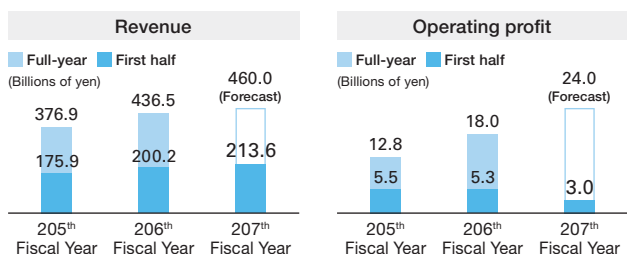
Business Review by Segment



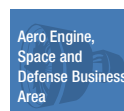
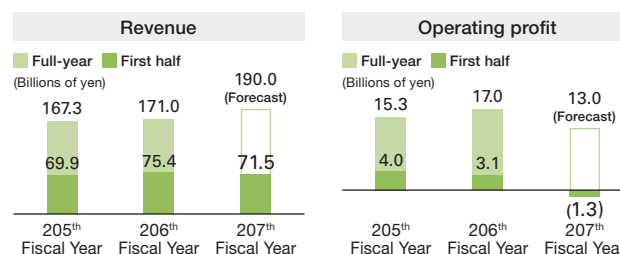
Decreased profit due to factors including the impact of the settlement of a lawsuit in North America, despite increases in revenue from large-scale construction projects in Southeast Asia and the carbon solutions business.



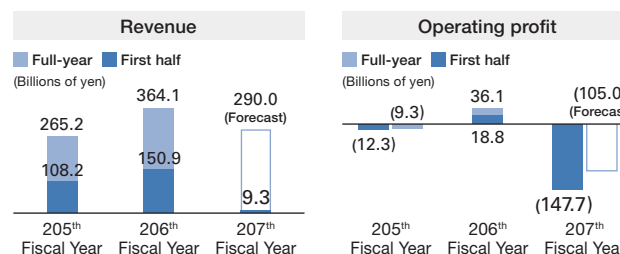
Decreased profit due to the impact of material price hikes in the parking business and increase in selling, general and administrative expenses, etc., despite an increase in revenue in the vehicular turbochargers business.



Decreased revenue and profit due to lower revenue from large-scale overseas construction projects in the bridge and water gates business and the impact of recording the necessary cost in advance.



Experienced substantial decrease in revenue and profit due to the additional inspection program for PW1100G-JM engines.



Business Area Briefing for FY2023

The Business Area Briefing for FY2023 was held on September 20 (Wed.) and 27 (Wed.). At this briefing session, the presidents of each Business Area explained their specific initiatives based on the “Group Management Policies 2023” announced in May of this year. We are pleased to present that content.



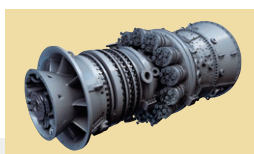
Resources, Energy and Environment Business Area

In the carbon solutions, power systems, and nuclear energy businesses, which form the core of the Group, we will continue to expand our business with an awareness of life cycles and value chains, aiming for operating profit of ¥31.0 billion in FY2025.

In addition, we are proceeding with investments in the clean energy sector, which is expected to grow in the future. In particular, with regard to fuel ammonia, we will begin a demonstration project at the end of this fiscal year for fuel conversion to ammonia at existing coal-fired power generation facilities and we are also working on the development of an ammonia mono-firing gas turbine and other measures aimed at early commercialization of this technology.

Kouji Takeda

Managing Executive Officer;
President of Resources, Energy and Environment Business Area



F-class gas turbine aiming for ammonia mono-firing (Source: GE)



Social Infrastructure Business Area

In this business area, we hold the top market share in Japan in each of our businesses, including bridges and water gates. In the bridge business, we will work to secure orders in Japan on the strength of our comprehensive technological capabilities, from design to maintenance management, and also promote overseas business development based on Turkey and other Asian countries. In the water gate business, as a countermeasure against intensifying natural disasters, we are working to optimize the management of facilities for flood control and water use, and expanding the business.

In the entire business area, in addition to lifecycle business such as maintenance work that we have been engaged in up to now, we will work on initiatives including optimization of infrastructure maintenance management using digital infrastructure, aiming for operating profit of ¥18.0 billion in FY2025.

Takeshi Kawakami

Managing Executive Officer;
President of Social Infrastructure Business Area



Braila Bridge, Romania



Industrial Systems and General-Purpose Machinery Business Area

In the vehicular turbochargers business, we are working to secure cash by steadily capturing existing demand and improving profitability, as well as developing electric superchargers for fuel cells to achieve decarbonization.

In addition, amid efforts to reduce the environmental impacts of factories, etc., we aim to achieve operating profit of ¥40.0 billion in FY2025 by focusing on the rotating machineries business, for which further growth in demand is expected, and the surface engineering business, for which growth is anticipated in the medical, aviation, and decorative fields, and by expanding our lifecycle businesses which focus on the entire value chain for customers in our overall business area.

Yasuhiro Shigegaki

Managing Executive Officer; President of Industrial Systems and General-Purpose Machinery Business Area



M-size electric turbocharger (ETC) for fuel cell systems



Aero Engine, Space and Defense Business Area

In the Aero Engines and Space business, which is positioned as a growth business, we will strengthen and expand the business in both the civil and defense sectors as well as also work on business reform including aiming to realize global top-level production efficiency through the utilization of digital infrastructure and other initiatives.

In addition, to create new business, we are promoting the development of technologies for next-generation aircraft that are carbon-neutral, such as lightweight materials and electrically powered aeroengine component. In the rocket systems and space utilization systems business, in addition to satellite manufacturing, we are working with an awareness of the life cycle and value chain in areas such as launch services and utilization of data acquired from satellite equipment.

Hideo Morita

Director; Managing Executive Officer; President of Aero Engine, Space and Defense Business Area



Image of next-generation fighter aircraft under international joint development (Source: Ministry of Defense)

News

URL <https://www.ihl.co.jp/en/sustainable/social/community/>

Delivery of on-site classes to elementary and junior high school students



Classes given by our employees

The Group is engaged in STEAM* education for elementary and junior high school students in terms of developing the next generation. In the first half of this fiscal year, we held on-site classes in seven prefectures across Japan for a

total of 762 students. In the classes, we presented themes such as on the structure of the jet engine, the Group's core product, and the structure of technologies that contribute to decarbonization such as ammonia combustion and carbon dioxide capture on which we are currently concentrating our efforts, as well as the ecology and biodiversity of each school's neighborhood.

In June of this year, we also held an on-site class at Toyosu Kita Elementary School in Koto-ku, near our Toyosu Head Office, where students learned about the history of the Toyosu neighborhood and future urban development.

We will continue to proactively engage in activities to nurture the seeds of future engineers, value our relationships with as well as co-exist in harmony with the local communities in which we operate.

*Science, Technology, Engineering, Arts, Mathematics



URL <https://www.ihl.co.jp/en/sustainable/finance/>

Initiatives related to human capital finance

The Company has been actively promoting the use of human capital finance and concluded loan agreements with Mizuho Bank, Ltd. in May of this year and with Sumitomo Mitsui Banking Corporation in September of this year.

In human capital finance, financial institutions view human capital as capital creating corporate value and provide loans to companies that make outstanding efforts to achieve sustainable organizational growth. Through monitoring progress on the initiatives and periodic feedback, the program aims for further progress of the penetration and promotion of the initiatives by the financed companies.

In entering into this loan agreement, the Company received high marks for its management's commitment to human capital management, unique human resource development program initiatives, and efforts to create a workplace environment in which each employee's career can be respected.

We will continue to improve both our corporate culture and work environment and promote human capital management.



Corporate Data (As of September 30, 2023)

Trade name	IHI Corporation
Date of establishment	January 17, 1889
Head office	3-1-1 Toyosu, Koto-ku, Tokyo 135-8710, Japan
Capital	107,165,393,180 yen
Number of shareholders	134,050
Website address	https://www.ihico.jp/en/

Corporate Officers (As of September 30, 2023)

Directors

Representative Director and Chairman of the Board	Tsugio Mitsuoka
Representative Director and President	Hiroshi Ide
Representative Directors	Masataka Ikeyama Tsuyoshi Tsuchida
Directors	Hideo Morita Akihiro Seo Jun Kobayashi Yasuaki Fukumoto
Outside Directors	Yoshiyuki Nakanishi Chieko Matsuda Minoru Usui Toshihiro Uchiyama

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Members	Takashi Niimura Seiji Maruyama
Outside Audit & Supervisory Board Members	Aiko Sekine Yumiko Waseda Kazuhiro Muto

Accounting Auditor

Ernst & Young ShinNihon LLC
Tokyo Midtown Hibiya, Hibiya Mitsui Tower, 1-1-2 Yurakucho, Chiyoda-ku, Tokyo

Create a world where nature and technology work in unity

Our Challenge
IHI's Endevours

Introducing IHI's latest initiatives.

"Hissing" Technology that turns CO₂ into TOWN GAS "Methanation" - Part I
We have achieved our first milestone. "Carbon dioxide" into an essential thing for everyone. "Methanation of CO₂" will have the unique ability. Behind our Decarbonization technology, in this episode we introduce the Decarbonization Technology that makes it all come true, from our research facility in Spain!

Management Message
Creating Strong New Business and CSR through AI.

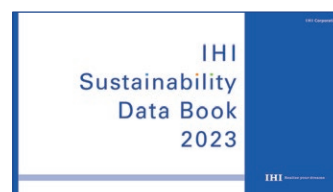
Please visit our renewed website.

Integrated Report



<https://www.ihico.jp/en/ir/library/annual/>

IHI SUSTAINABILITY DATA BOOK



<https://www.ihico.jp/en/sustainable/data/sustainabilitydatabook/>

IHI Realize your dreams

Inquiries regarding administrative procedures for stocks

Stock Transfer Agency Business Planning Department Sumitomo Mitsui Trust Bank, Limited
2-8-4 Izumi, Suginami-ku, Tokyo 168-0063, Japan
Telephone: 0120-782-031 (toll-free in Japan only)