

Management Overview of Fiscal Year 2023

(ended March 31,2024)

IHI

May 8, 2024

IHI Corporation

Hiroshi Ide

Representative Director, President, and Chief Executive Officer

- 1. Progress with Group Management Policies 2023**
- 2. Medium- and Long-Term Business Portfolio Stance**
- 3. Growth Businesses (Civil Aero-Engines, Defense, and Space)**
- 4. Development-Focus Businesses (Fuel Ammonia Value Chain)**
- 5. Looking beyond “Group Management Policies 2023”**

Progress with Group Management Policies 2023

Advanced in each business category toward medium-and long-term growth objectives

Development -focus businesses

- **Steadily developed fuel ammonia value chain business, notably by conducting the world's first fuel 20% ammonia substitution demonstration test at JERA's Hekinan Thermal Power Station**

Growth businesses

- **Fully accounted for costs of additional inspection program for PW1100G-JM engines in fiscal 2023**
- **No change in expected number of aircraft on ground or related compensation and additional maintenance costs under program excluding forex impact**
- **Civil aero-engine business entered growth phase, while defense, space, and civil aviation maintenance, repair, and overhaul work expanded steadily**

Core businesses

- **Lifted lifecycle business revenues and orders by 50% from fiscal 2019 level, and seek further profitability gains**
- **Accelerated transformation of low-profit businesses into lean entities through structural reforms, business portfolio reviews, and other initiatives**

Thorough companywide initiatives to bolster operating cash flow
Investments to foster medium- and long-term growth
while maintaining financial discipline

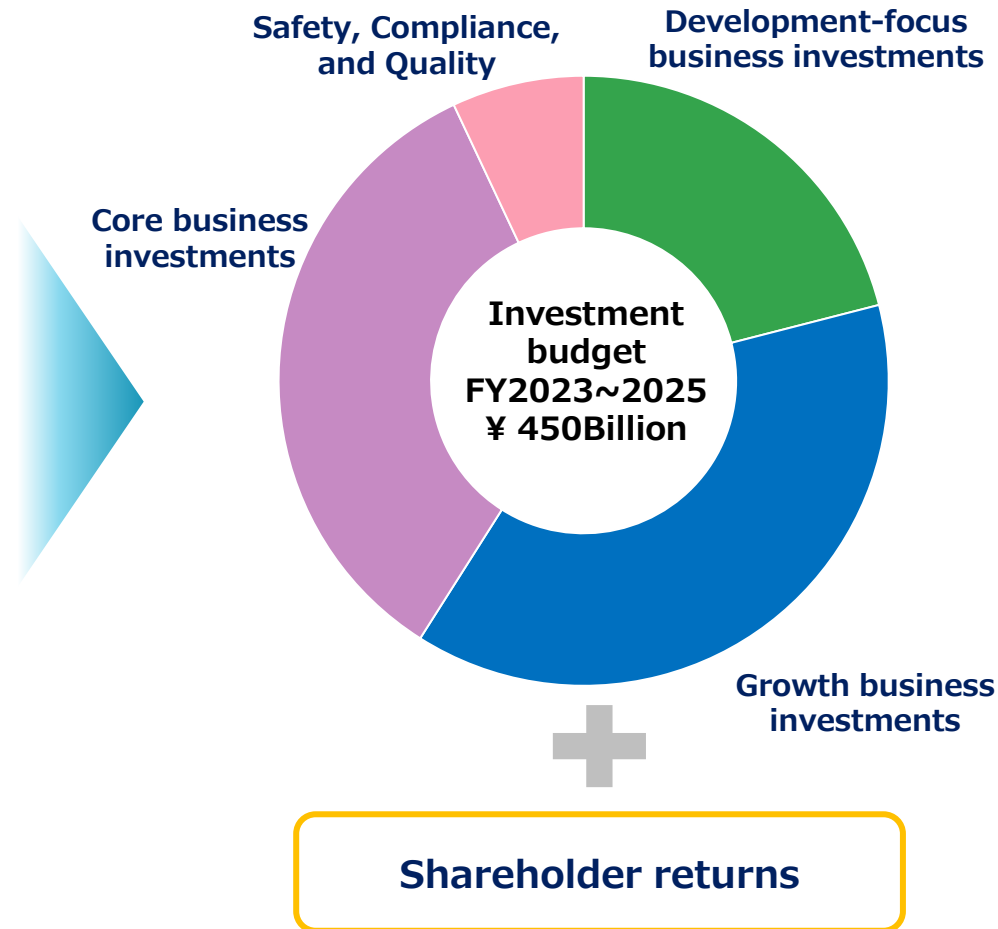
Strengthen operating cash flows

Key initiatives

- Expand civil aero-engine and defense businesses
- Expand profitability through lifecycle businesses
- Reduce working capital

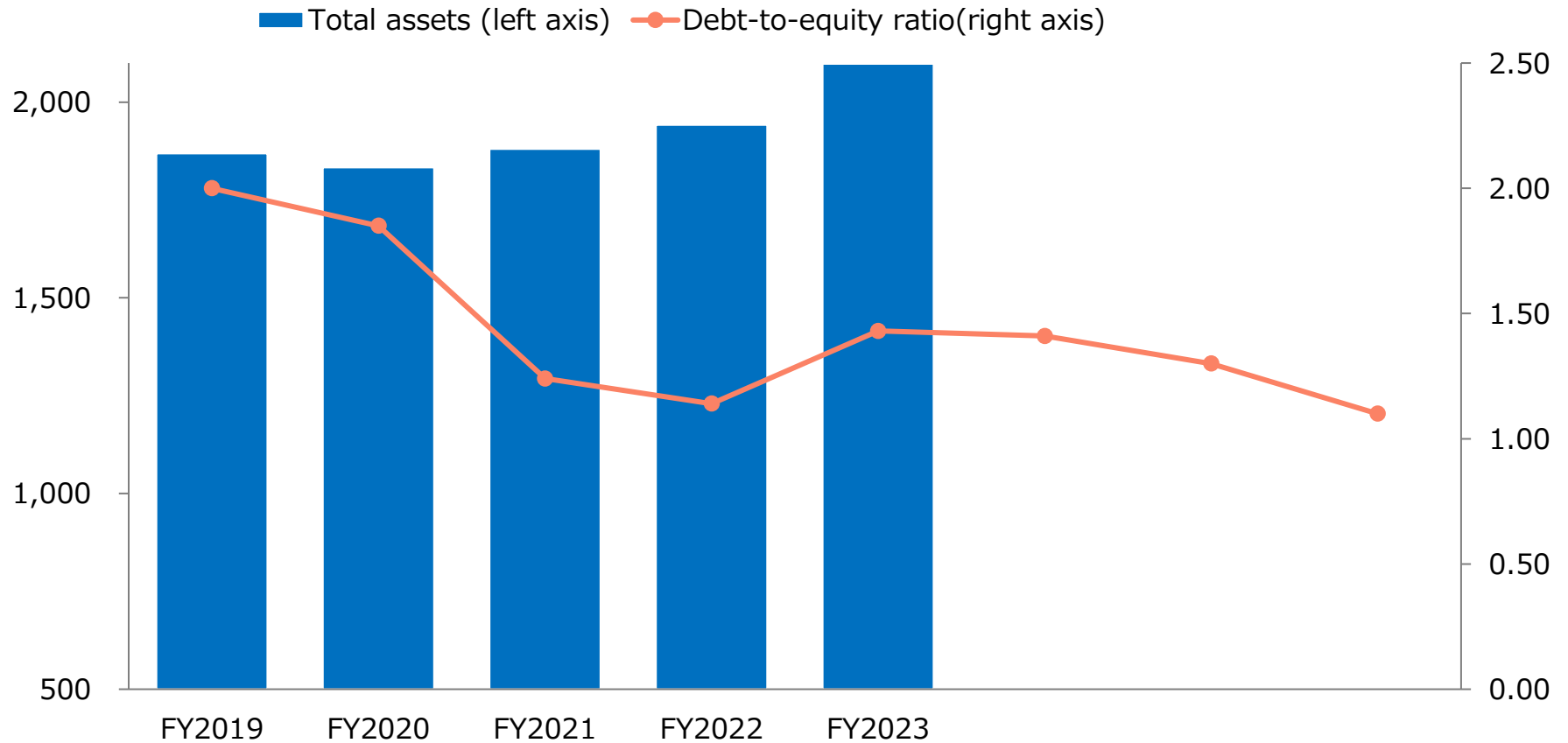
Overhaul business portfolio

Divest assets



Strengthening the Balance Sheet by Profit Growth, Streamlining the Business Portfolio and Asset Sales

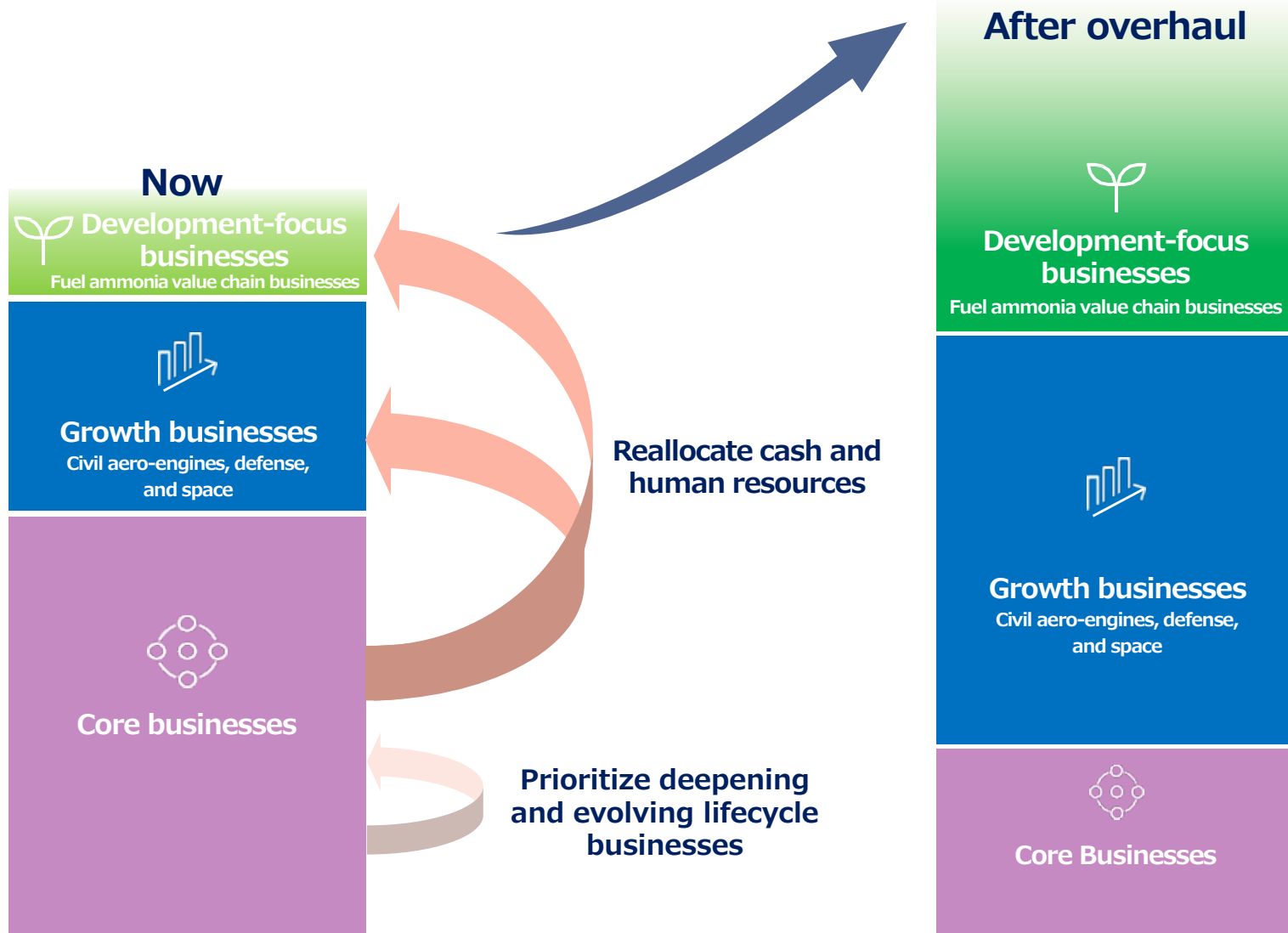
(Billions of yen)



Note: FY2023 represents the year ended March 31,2024

Medium- and Long-Term Business Portfolio Stance

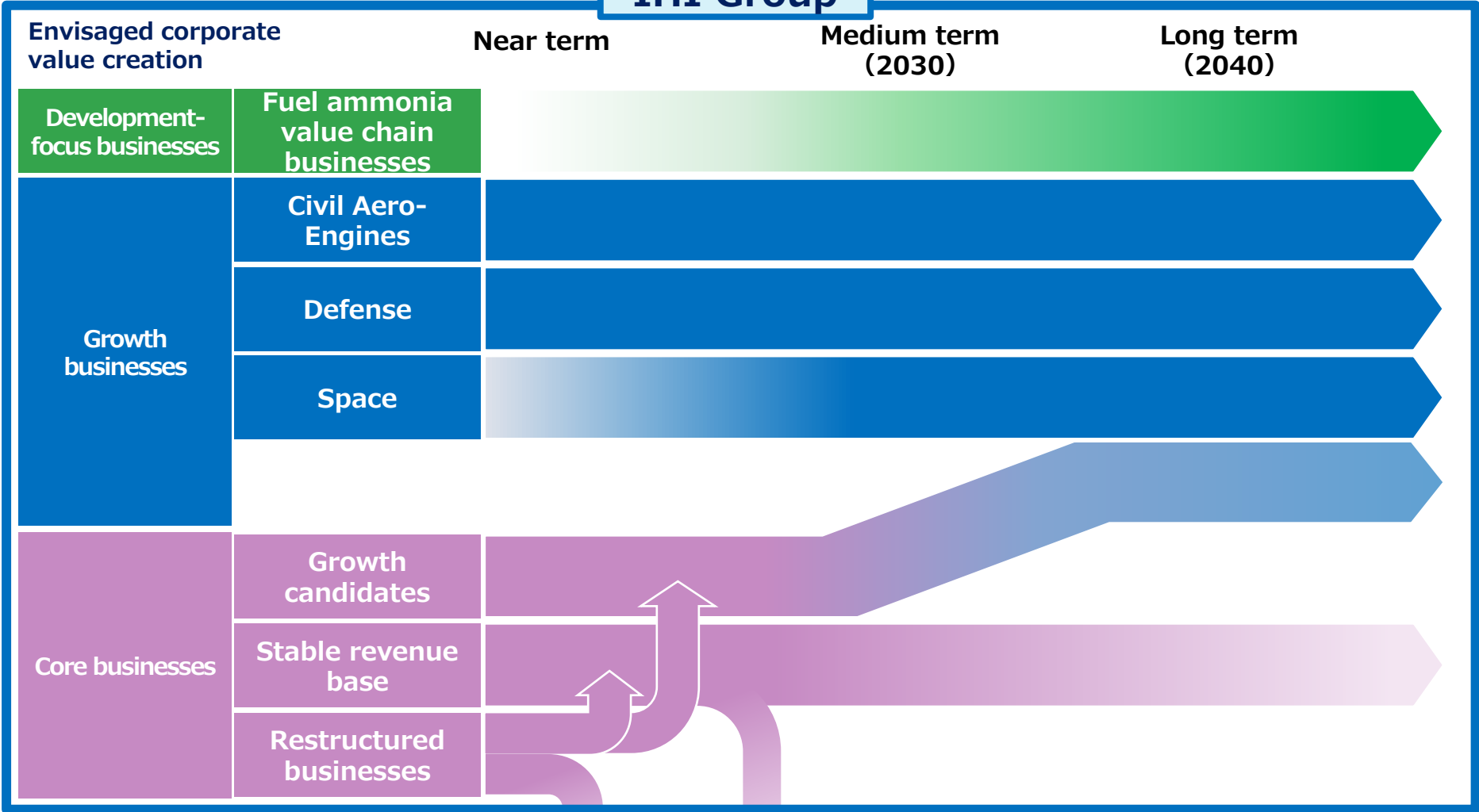
Development-focus and growth businesses to underpin medium- and long-term expansion



Medium- and Long-Term Business Portfolio Stance

Pursue sustainable growth by overhauling businesses

IHI Group



Growth Businesses

(Civil Aero-Engines, Defense, and Space)

Growth Businesses Overview for Civil Aero-Engines, Defense, and Space

Supply core propulsion technologies from space to the oceans

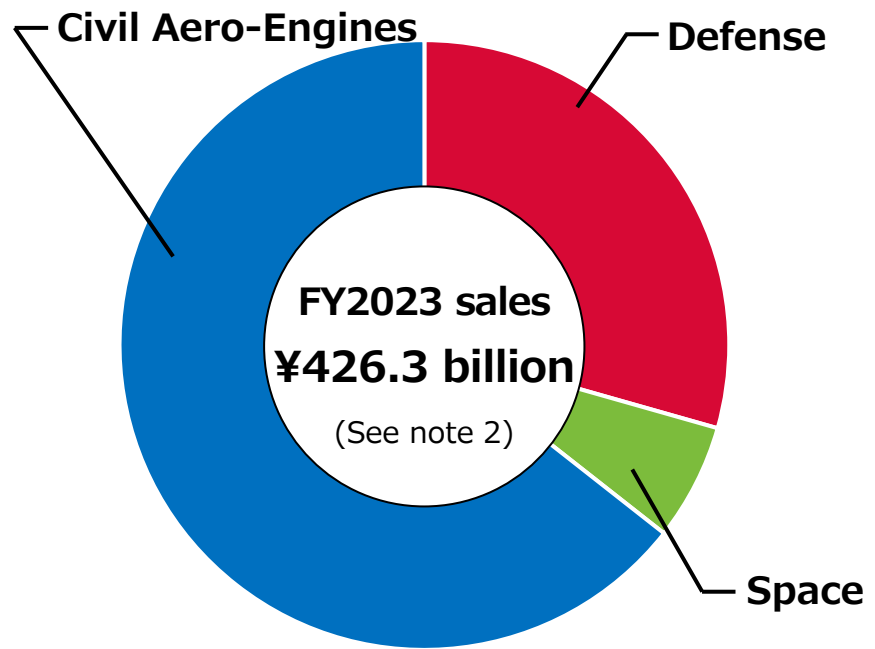
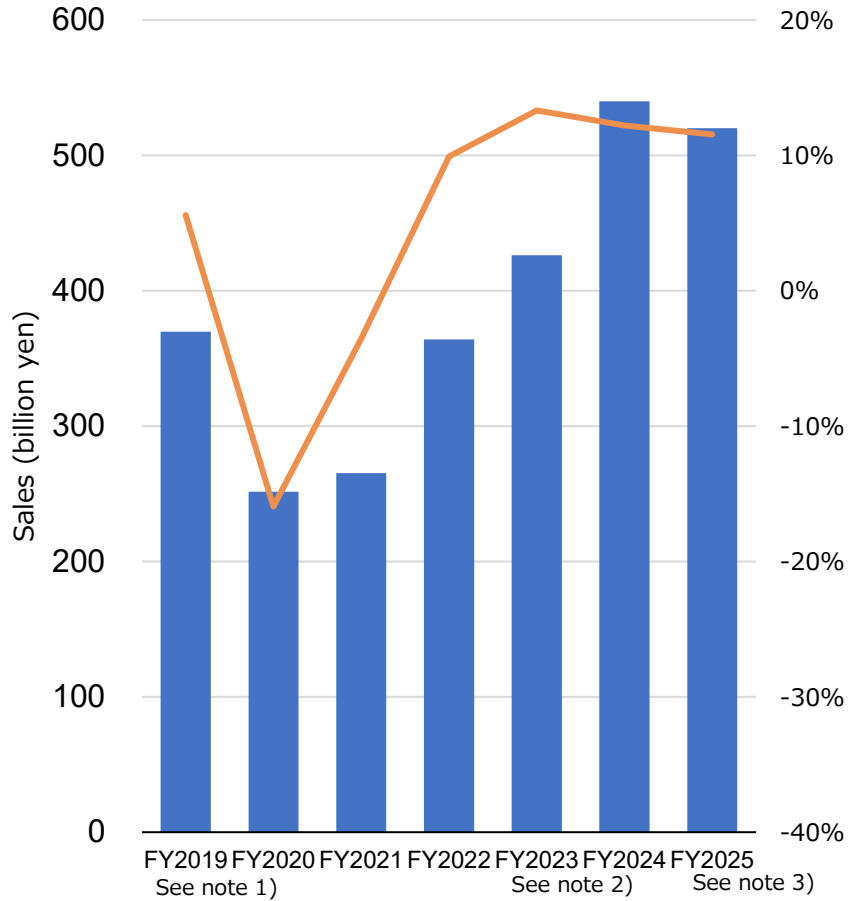
Propulsion

- Hydrogen fuel cell electric propulsion aircraft (Source: *5)
- Hybrid electric propulsion aircraft (Source: *4)
- Civil aircraft (©Airbus)
- Revolutionary aircraft (Source: *5)
- Guided missiles (Source: *6)
- Fighter jets (Source: *3)
- Defense engines
- Civil aero-engines (Courtesy of GE Aerospace)
- Space rockets
- Helicopters (Source: *2)
- Helicopter engines (Source: *8)
- Electrification technologies
- Hydrogen propulsion technology
- Solid-fuel rockets
- Space rockets (©JAXA)
- Ships of the Japan Maritime Self-Defense Force (Source: *1)
- Gas turbines for marine vessels (Source: *7)
- Unmanned underwater vehicles
- Lightweight technologies
- Material technologies
- Turbopumps
- Satellite thrusters
- Satellites and probes (©JAXA)

Note: See Appendix 2 on slide 28 for sources

Growth Businesses Overview for Civil Aero-Engines, Defense, and Space

Sales and operating profits have grown significantly, exceeding pre-pandemic levels



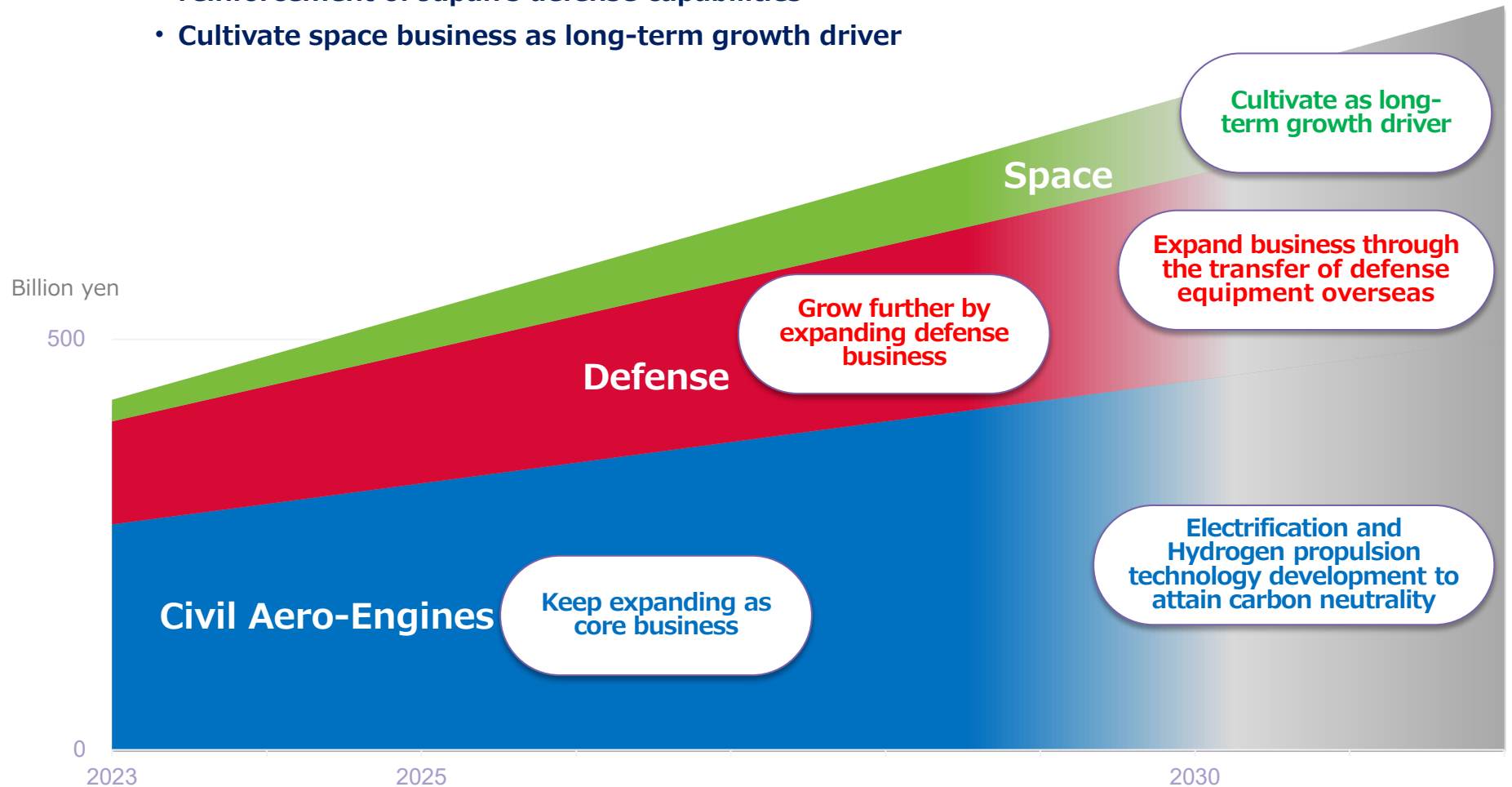
Note 1: FY2019 figures is based on IFRS

Note 2: Excluding impact of PW1100G-JM powder metallurgy issue in FY2023

Note 3: FY2025 forecasts disclosed in Group Management Policies 2023 subject to revisions based on future exchange rate fluctuations

Pursue sustainable growth in civil aero-engine, defense and space segments

- Generate steady growth in civil aero-engine business to meet rising air travel demand
- Expand defense business in response to Japan's Basic Defense Policy , "Fundamental reinforcement of Japan's defense capabilities"
- Cultivate space business as long-term growth driver



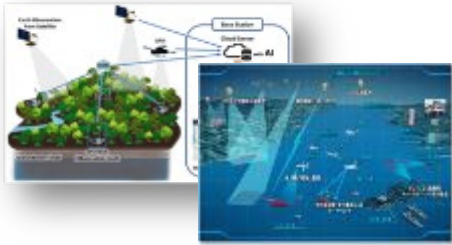
Note: Excluding impact of PW1100G-JM powder metallurgy issue in FY2023

Growth Businesses Future-Oriented Initiatives

Expand and create new businesses by synergizing technologies and expertise in civil and defense business

Cultivate business through dual use in defense and civil sectors

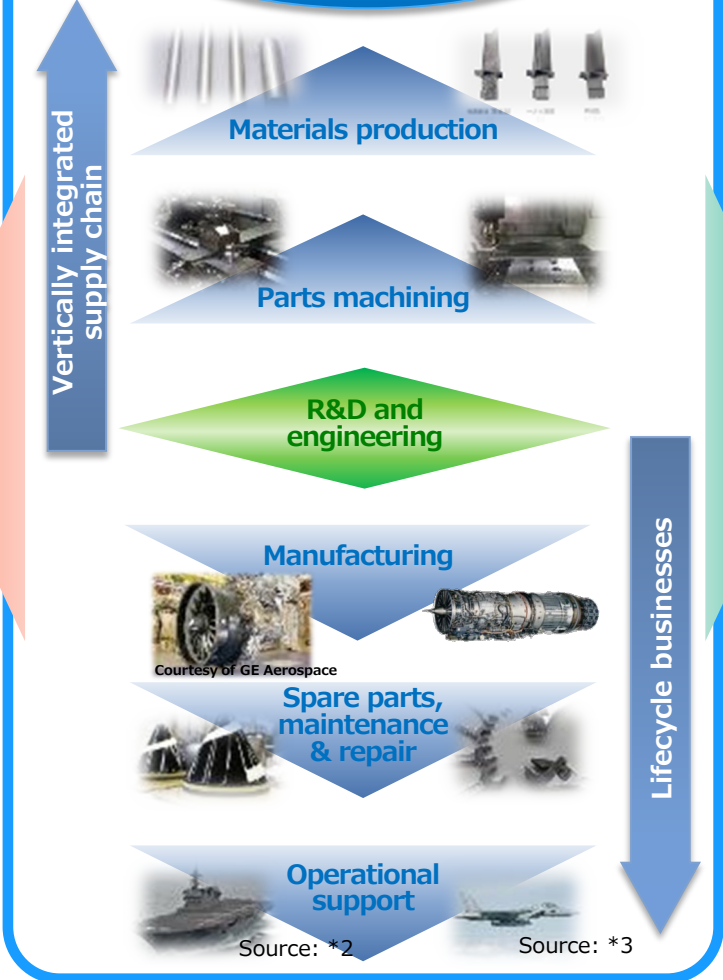
- Apply satellite data in:
- Forest management
 - Multi-domain surveillance systems combined with unmanned vehicles



- Apply solid-fuel rocket technology in:
- Satellite launch business
 - Defense rocket motors



Business structure (create added value)



Operate globally by sharing civil aero-engine through defense expertise

Engine parts exports (Transfer of defense equipment overseas)



F135 engine maintenance



Next-generation fighter aircraft (Global Combat Air Programme)



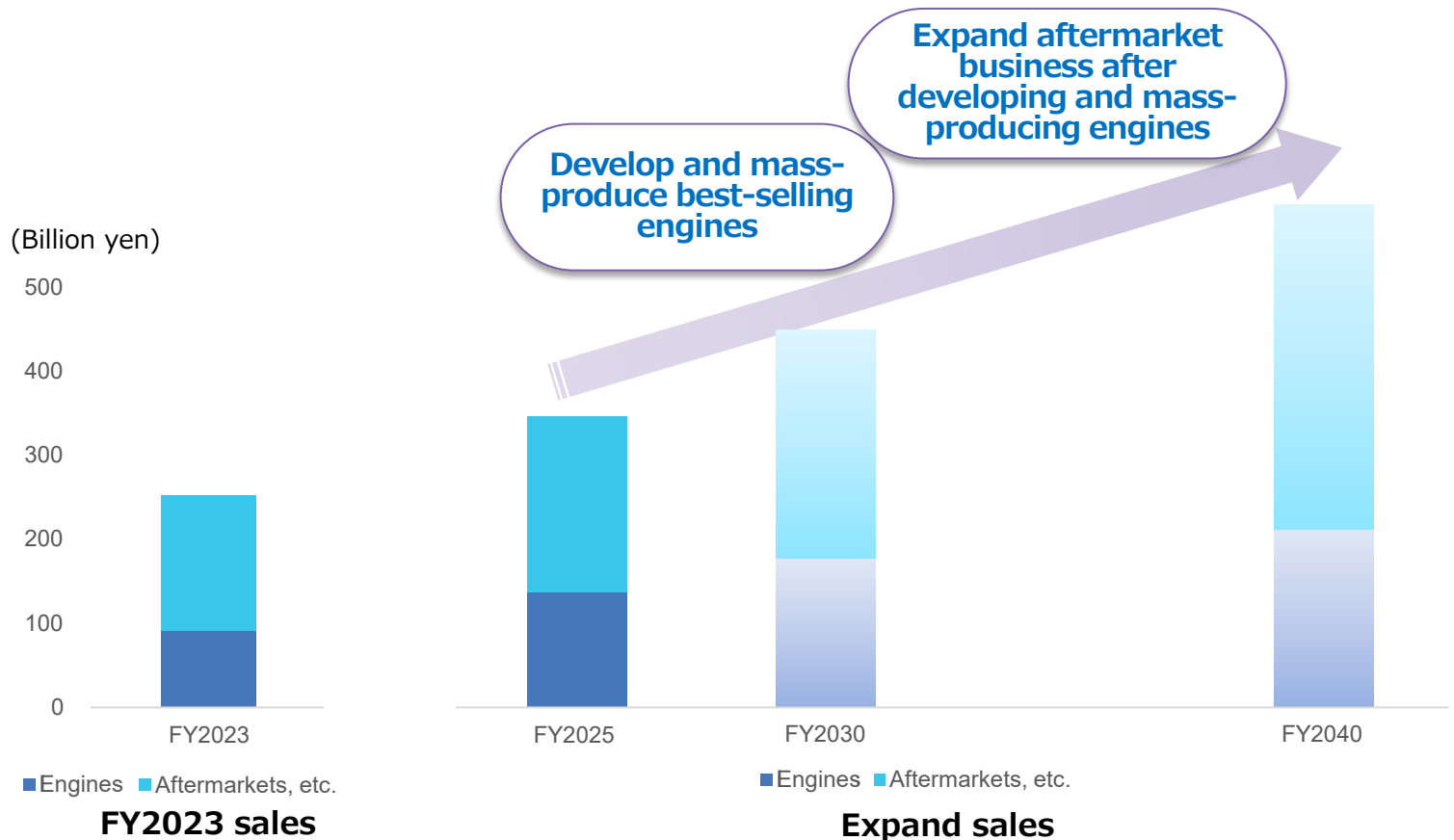
Source: *2

Source: *3

Note: See Appendix 2 on slide 28 for sources 14

Expand sales and improve profitability by linking development and mass production to aftermarket business

- Spare parts sales rebounding, particularly for small and medium-sized models, on air travel growth
- Seeking to enhance sales and profitability by leveraging virtuous circle in aftermarket business for engine development and mass production programs in which IHI has participated



Note: Excluding impact of PW1100G-JM powder metallurgy issue in FY2023

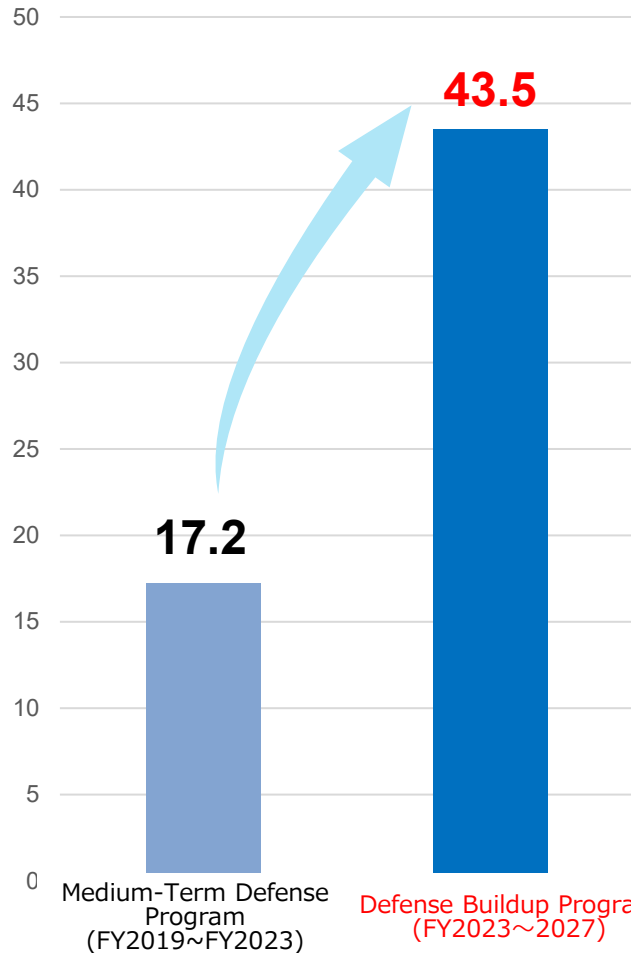
Leverage technological prowess to contribute to “Fundamental reinforcement of Japan’s defense capabilities”

- Japanese government aims to increase defense budget to 2% of GDP by FY2027

Large budget allocations, especially in areas within IHI core competencies

Defense buildup program budgets

(Trillion yen)



Seven priority programs to Fundamental reinforcement of Japan’s defense capabilities

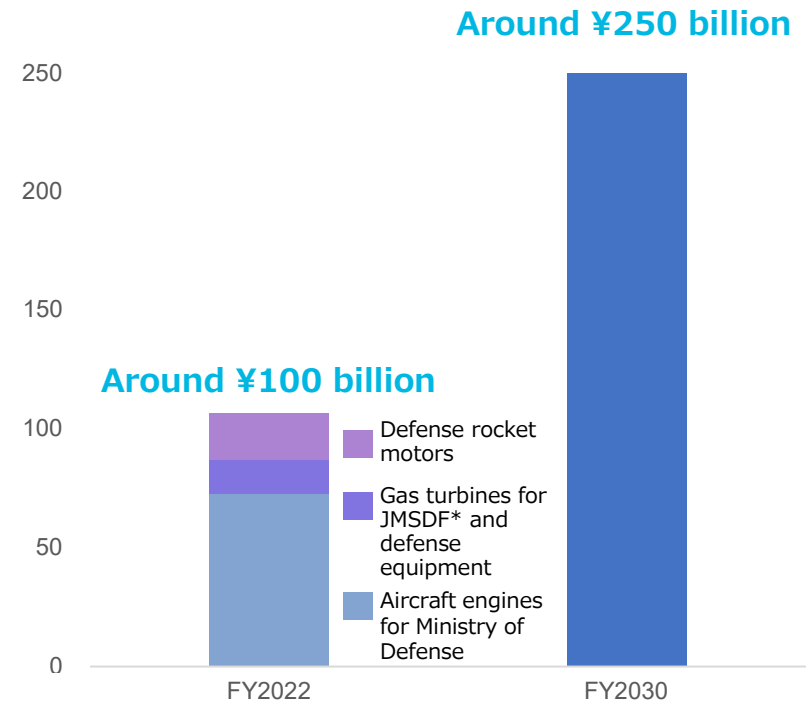
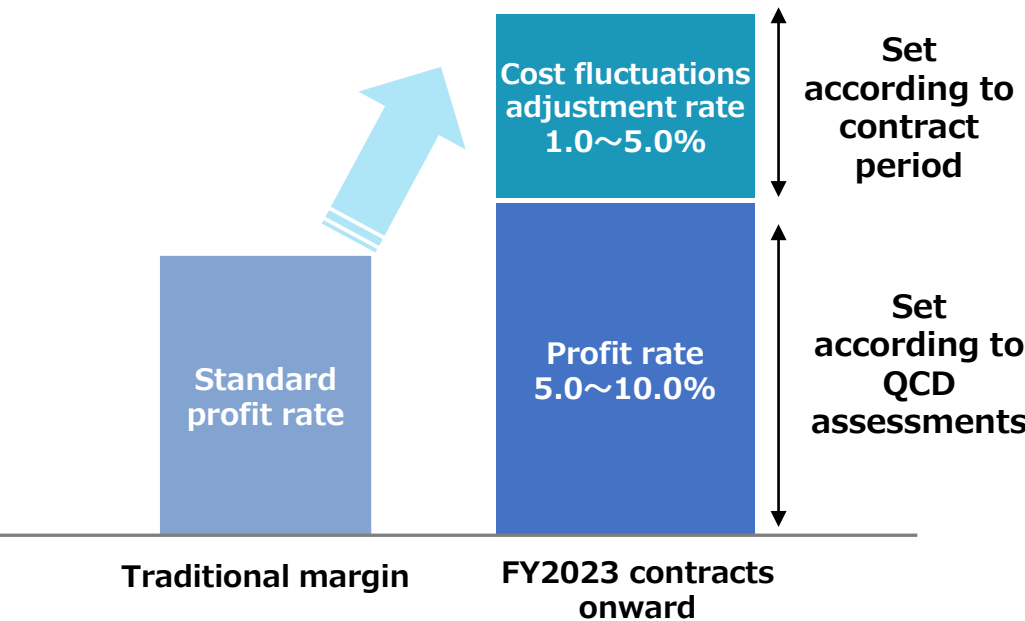
Stand-Off Defense Capabilities	¥0.2→5 trillion	Source: *2
Integrated Air and Missile Defense Capabilities	¥1→3 trillion	Defense rocket motors
Unmanned Defense Capabilities	¥0.1→1 trillion	Unmanned underwater vehicles
Cross-Domain Operation Capabilities	Aero-engines	Space Domain Awareness satellites
Mobile Deployment Capabilities/Civil Protection	Transport aircraft engines	Source: *4 Satellite constellation
Command-and-Control and Intelligence-related Functions	Maritime Domain Awareness	Aero-engine maintenance, repairs, and operations, and auxiliary capabilities
Sustainability and Resiliency	Nuclear, biological, and chemical warning systems and decontamination sets	

Expanding sales and securing appropriate earnings in light of defense budget growth and institutional reforms

Enhancing profit margins as part of defense industry policy

IHI's defense business sales

Targeting 2.5-fold sales growth and 10% profit margin compared with FY2022 levels



* Japan Maritime Self-Defense force

- 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 higher prices and other uncontrollable factors

Enhance collaboration with government and British and Italian companies to advance program

- IHI has participated as engine provider since 2020 in Ministry of Defense's next-generation fighter aircraft development project
- Under GCAP, will play a vital role by stepping up collaboration with the public and private sectors
- Exercise our engineering capability to ensure GCAP's success and contribute to Japan's security and industrial advances



Computer-generated image sourced from *1 in Appendix 2

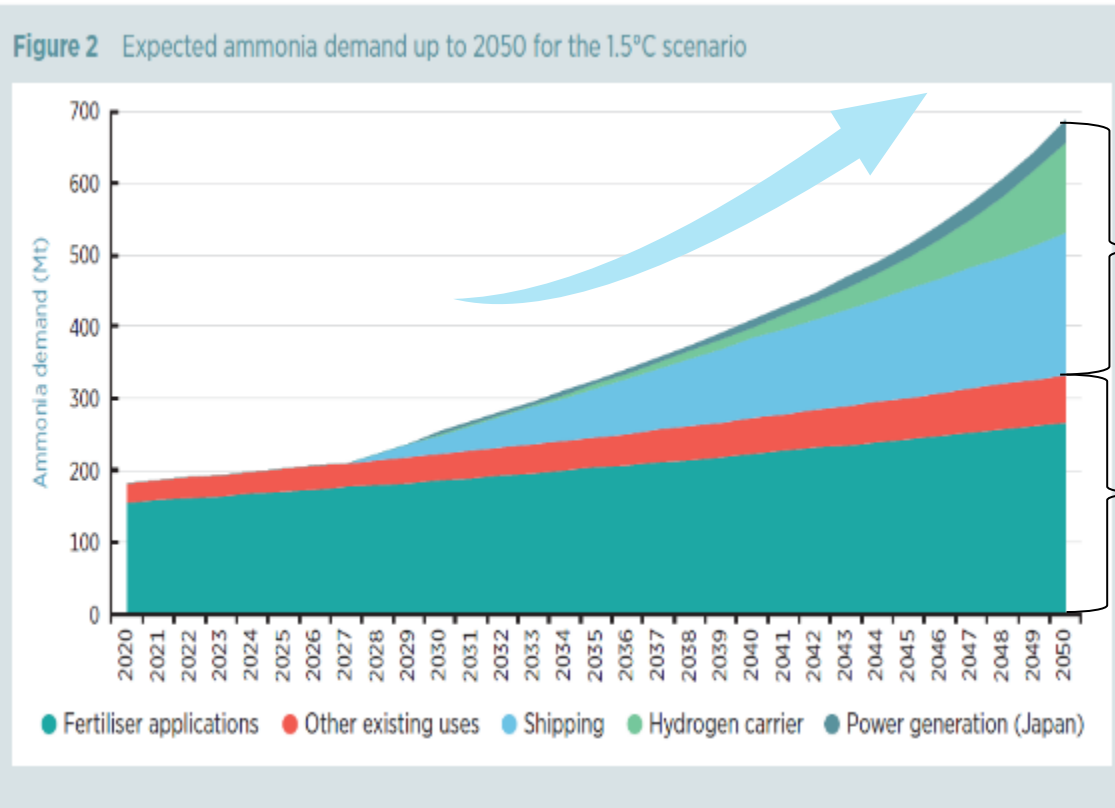
Development-Focus Businesses (Fuel Ammonia Value Chain)

Development-Focus Businesses

Long-Term Expansion of Ammonia Market

Global ammonia demand expected to reach 700 million metric tons by 2050

Global ammonia demand



New markets (around 400 million metric tons by 2050)

- ✓ Power generation
- ✓ Hydrogen carriers
- ✓ Shipping

Existing markets (around 300 million metric tons by 2050)

- ✓ Other existing uses
- ✓ Fertilizers applications

Source : IRENA Innovation Outlook Ammonia 2022

Development-Focus Businesses

Fuel Ammonia Value Chain Goals

Leveraging technological prowess across entire value chain and aiming to expand revenues and maximize earnings upstream, midstream, and downstream

Manufacturing

Storage and transportation

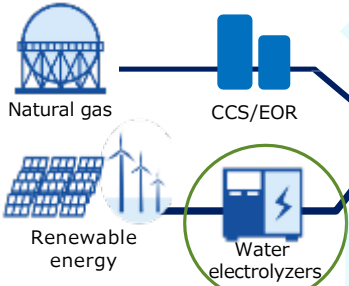
Utilization

Ammonia production technologies

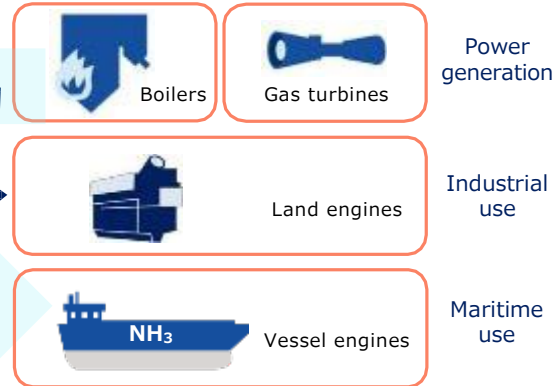
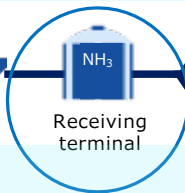
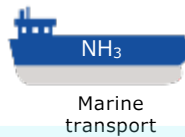
Ammonia receiving and storage technologies

Ammonia combustion technologies

Blue ammonia



Green ammonia



Fuel supply business

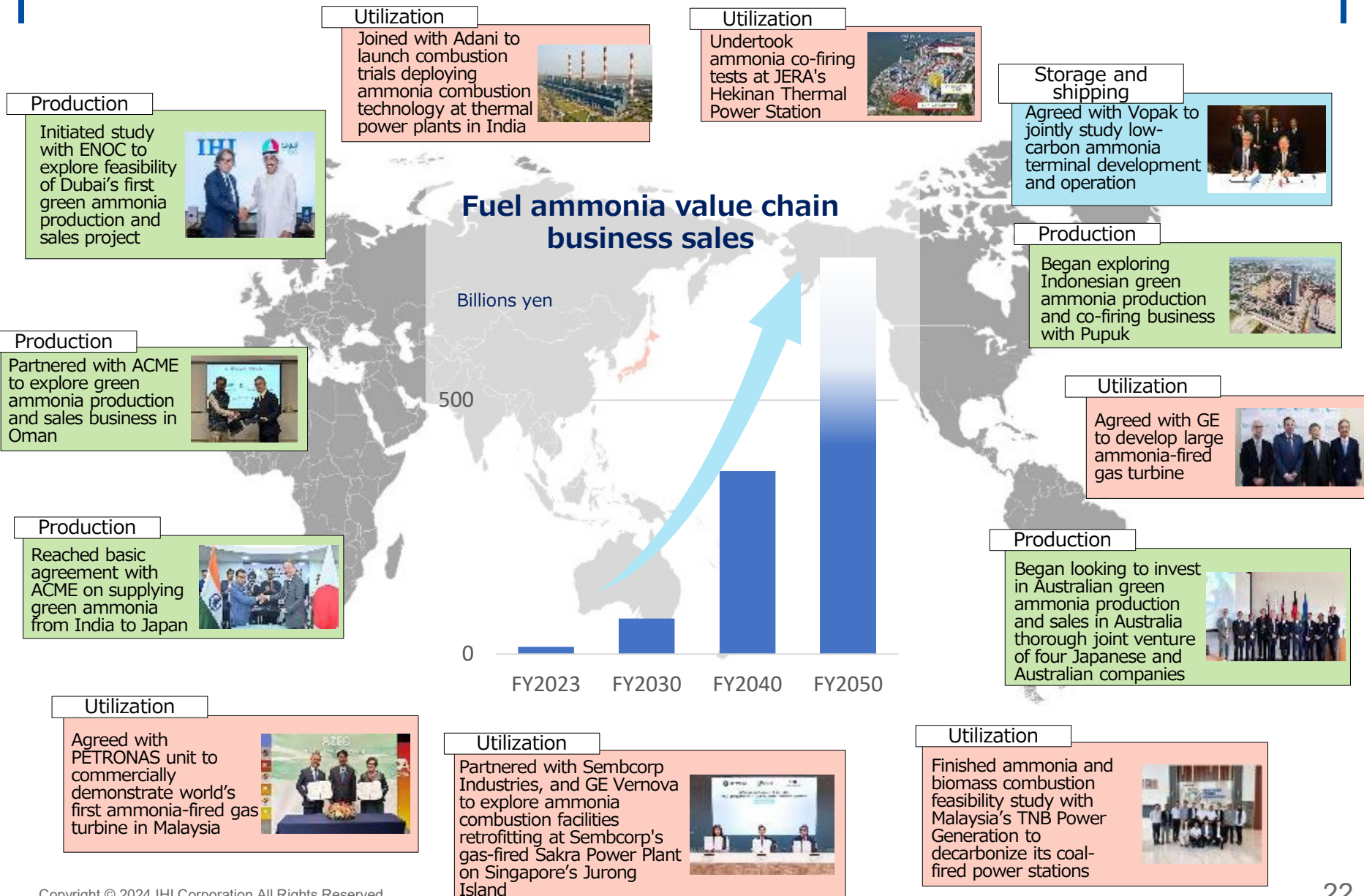
Fuel handling business

Equipment supply and after-service business

Build value chain with global partners

Development-Focus Businesses

Progress with Ammonia Value Chain Businesses



Looking beyond “Group Management Policies 2023”

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.

The background of the slide is a composite image. The top half shows a bright blue sky with fluffy white clouds. The bottom half shows a view of the Earth from space, with the blue and white of the planet's surface and atmosphere visible against the blackness of space. A large, light blue oval is superimposed over the center of the image, containing the main text.

The IHI Group creates Value Chains

Appendix



- ✓ Business Area Briefings (on September 27, 2023)
 - [Resources, Energy & Environment](#)
 - [Social Infrastructure](#)
 - [Industrial Systems & General-Purpose Machinery](#)
 - [Aero Engine, Space & Defense](#)

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- *1 Maritime Self-Defense Force website <https://www.mod.go.jp/msdf/equipment/ships/ddh/izumo/>
- *2 Maritime Self-Defense Force website <https://www.mod.go.jp/msdf/equipment/rotorcraft/patrol/sh60k/>
- *3 Air Self-Defense Force website <https://www.mod.go.jp/asdf/equipment/sentouki/F-15/index.html>
- *4 AIRBUS <https://mediacentre.airbus.com/element?id=542614>
- *5 Wikimedia Commons https://commons.wikimedia.org/wiki/File:Boeing_SUGAR_Volt_concept_aircraft_2010.jpg
- *6 Air Self-Defense Force website <https://www.mod.go.jp/asdf/equipment/other/Patriot/index.html>
- *7 GE Vernova <https://www.gevernova.com/gas-power/products/gas-turbines/lm2500>
- *8 Wikimedia Commons https://commons.wikimedia.org/wiki/File:CT7_T700_P1220751.jpg (Copyright: David Monniaux)

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- *1 Air Self-Defense Force website <https://www.mod.go.jp/asdf/equipment/other/Patriot/index.html>
- *2 Maritime Self-Defense Force website <https://www.mod.go.jp/msdf/equipment/ships/ddh/izumo/>
- *3 Air Self-Defense Force website <https://www.mod.go.jp/asdf/equipment/sentouki/F-15/index.html>
- *4 Ministry of Defense website <https://www.mod.go.jp/j/policy/defense/nextfighter/index.html>

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- *1 Based on Medium-Term Defense Program (FY2019~FY2023) and Defense Build-Up Program
- *2 Maritime Self-Defense Force website <https://www.mod.go.jp/msdf/release/202211/20221121-1.pdf>
- *3 Northrop Grumman <https://wpcontent.ot5o9s93syrb.net/wp-content/uploads/GEOStar-1-DS-64.pdf>
- *4 Cabinet Office website https://www8.cao.go.jp/cstp/anzen_anshin/20221021_meti_3.pdf

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



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.