

Management Briefing for Second Quarter of Fiscal Year 2024

IHI

IHI Corporation

Hiroshi Ide
Representative Director, President, and Chief Executive Officer

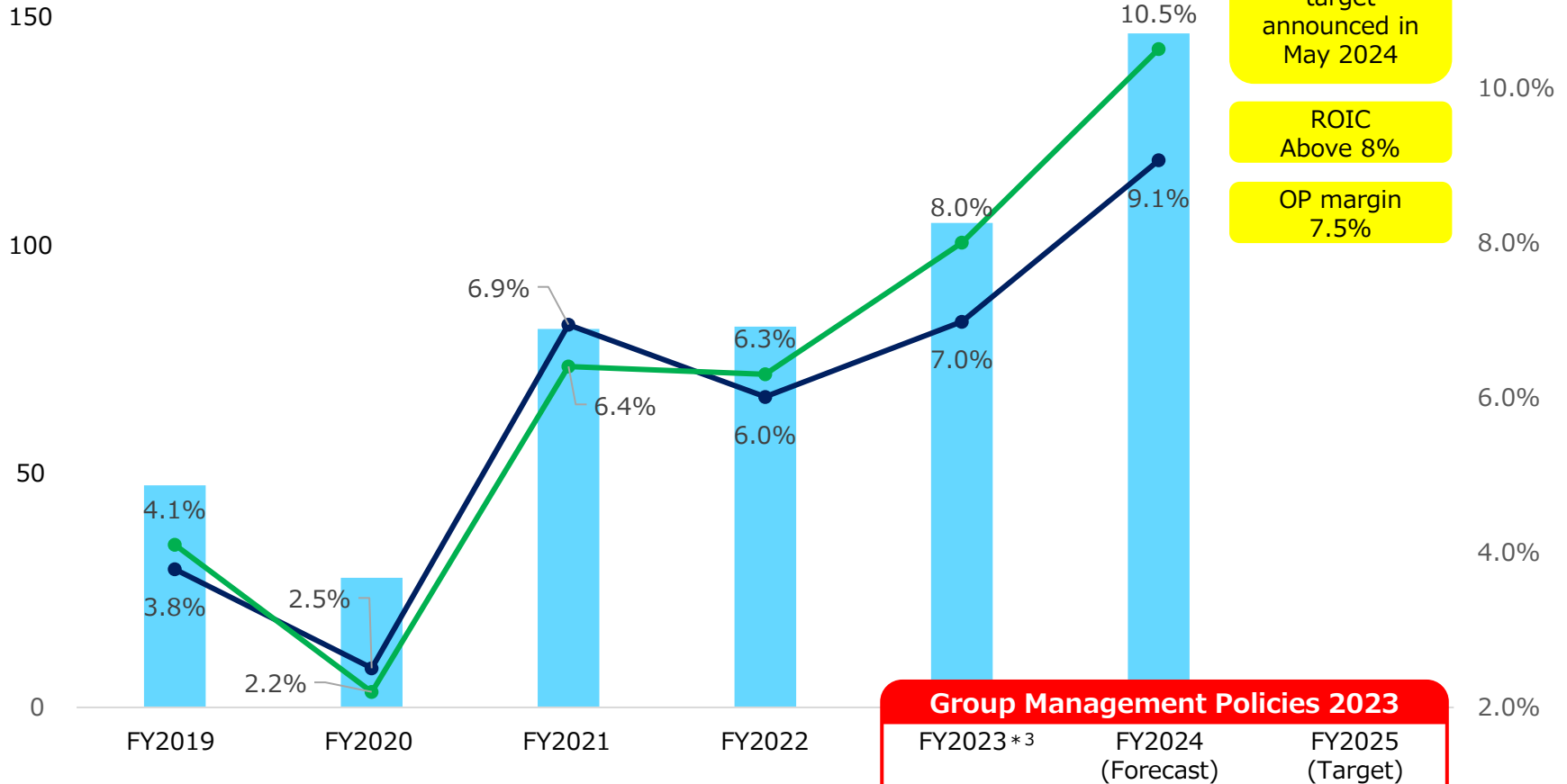
- 1. Progress with Group Management Policies 2023**
- 2. Business Portfolio and Balance Sheet Reforms**
- 3. Growth Businesses (Civil Aero-Engines, Defense, and Space)**
- 4. Development-Focus Businesses (Fuel Ammonia Value Chain)**

1. Progress with Group Management Policies 2023

Progress with Group Management Policies 2023

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

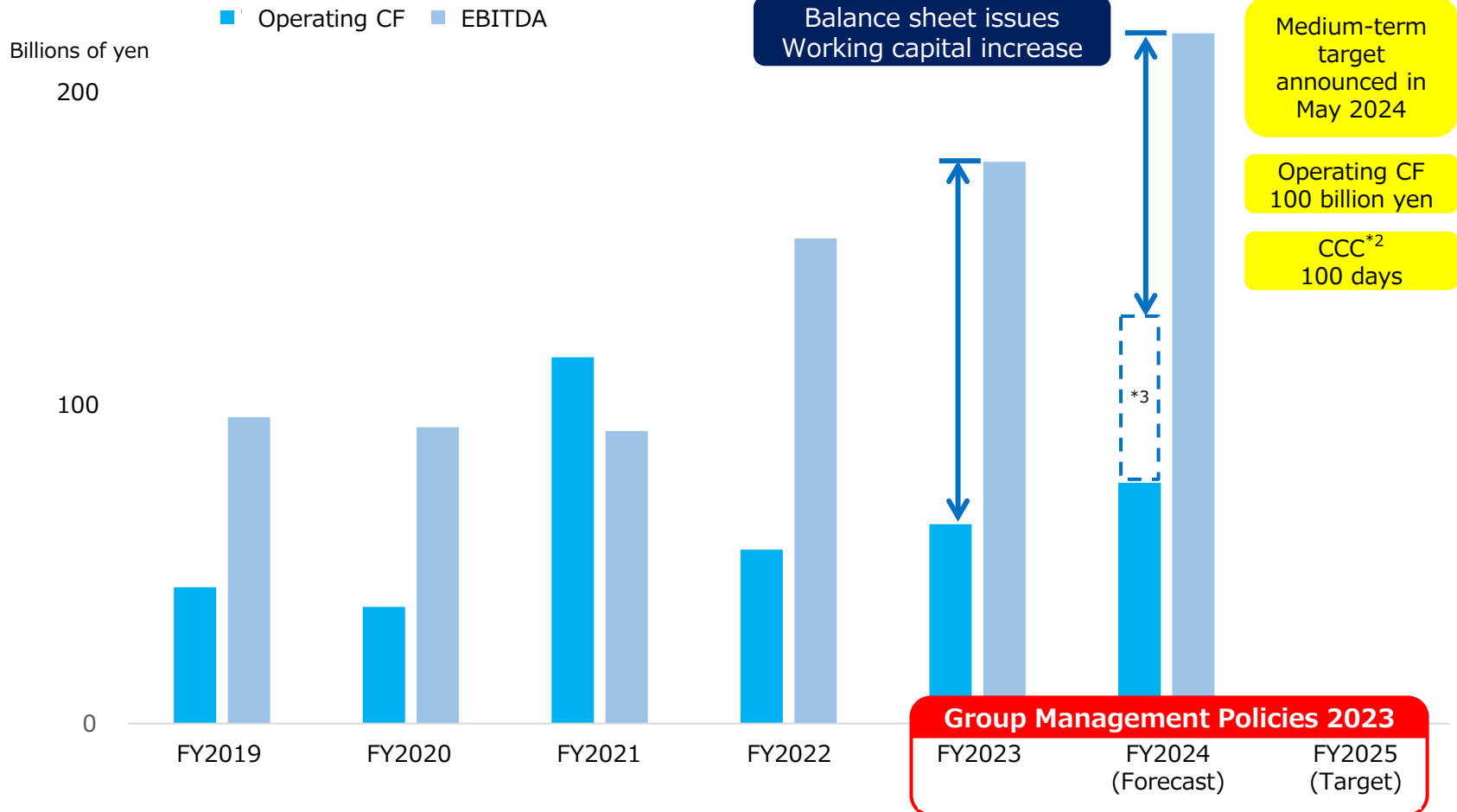
Billions of yen ■ OP profit —●— OP margin —●— ROIC



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

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



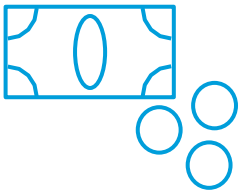
CCC*2	92 days	124 days	112 days	120 days	132 days*1
Total assets	¥1.87 trillion	¥1.83 trillion	¥1.88 trillion	¥1.94 trillion	¥2.10 trillion

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



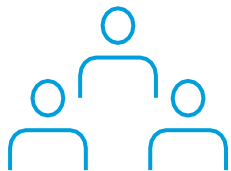
Overhaul business portfolio

- ✓ 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



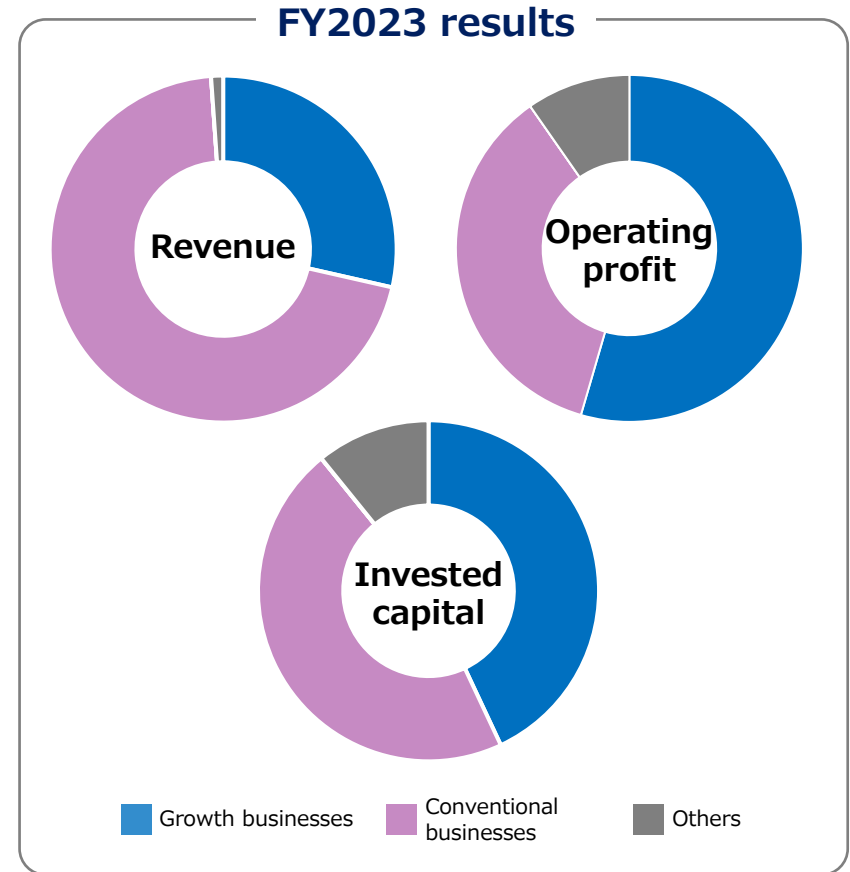
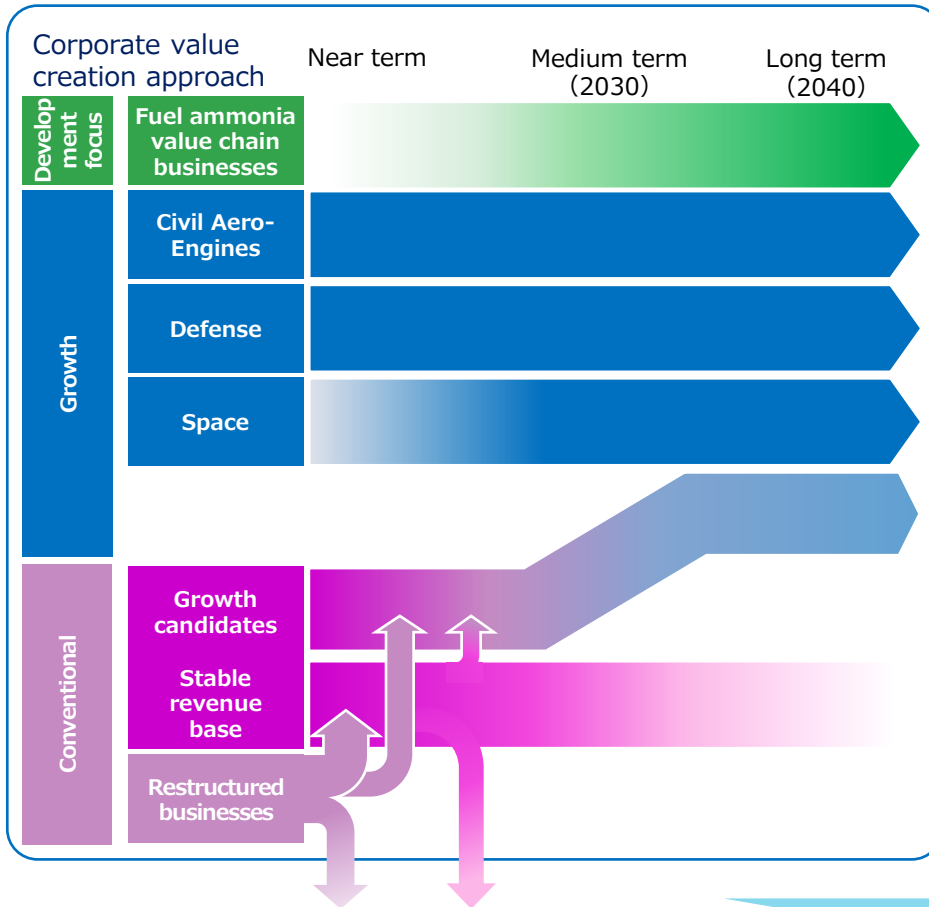
Change mindsets through DEI initiatives

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

2. Overhauling Business Portfolio and Restructuring Balance Sheets

Envisioned Medium-to-Long-Term Business Portfolio

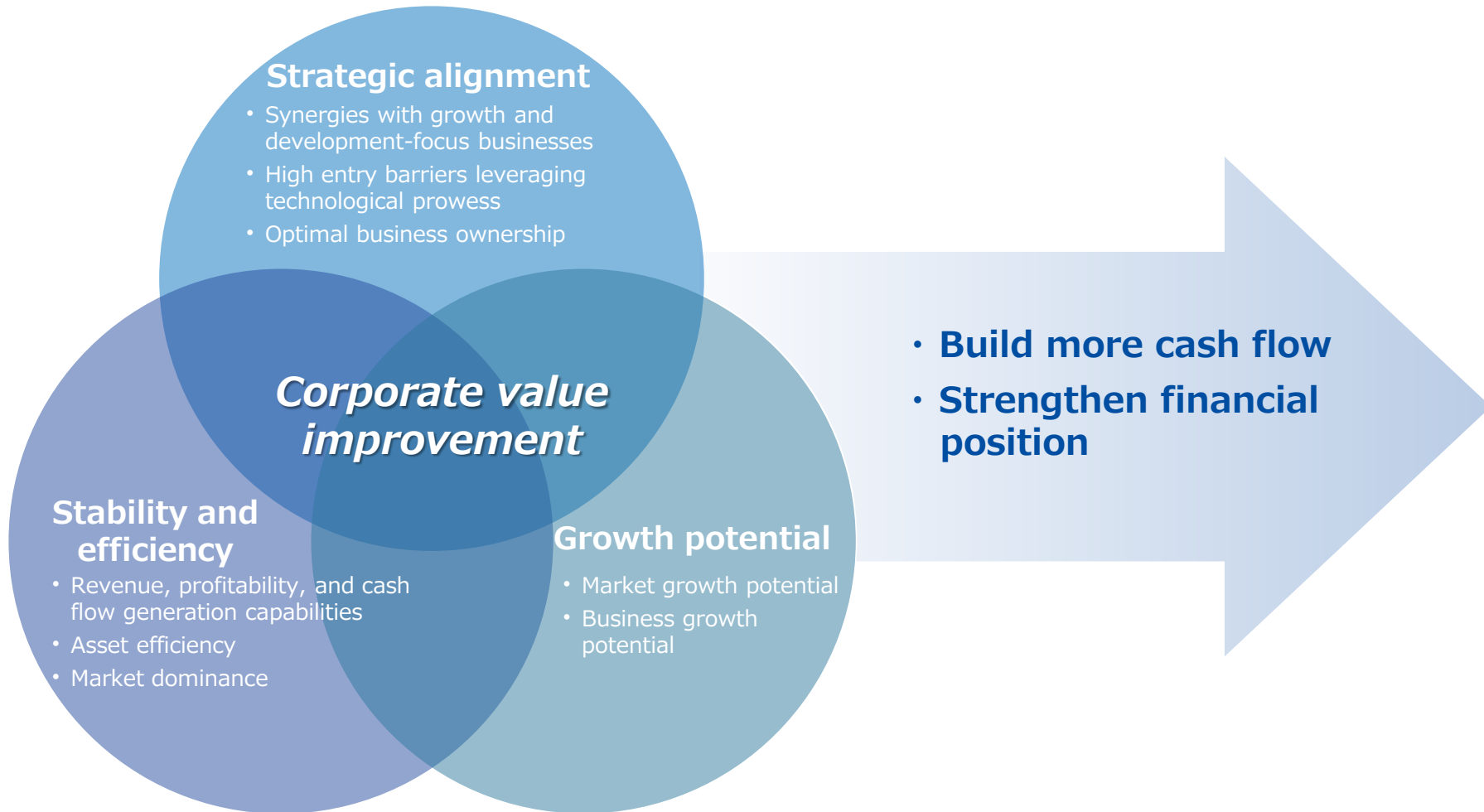
Overhauling business portfolio vital to realize vision and boost corporate value



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

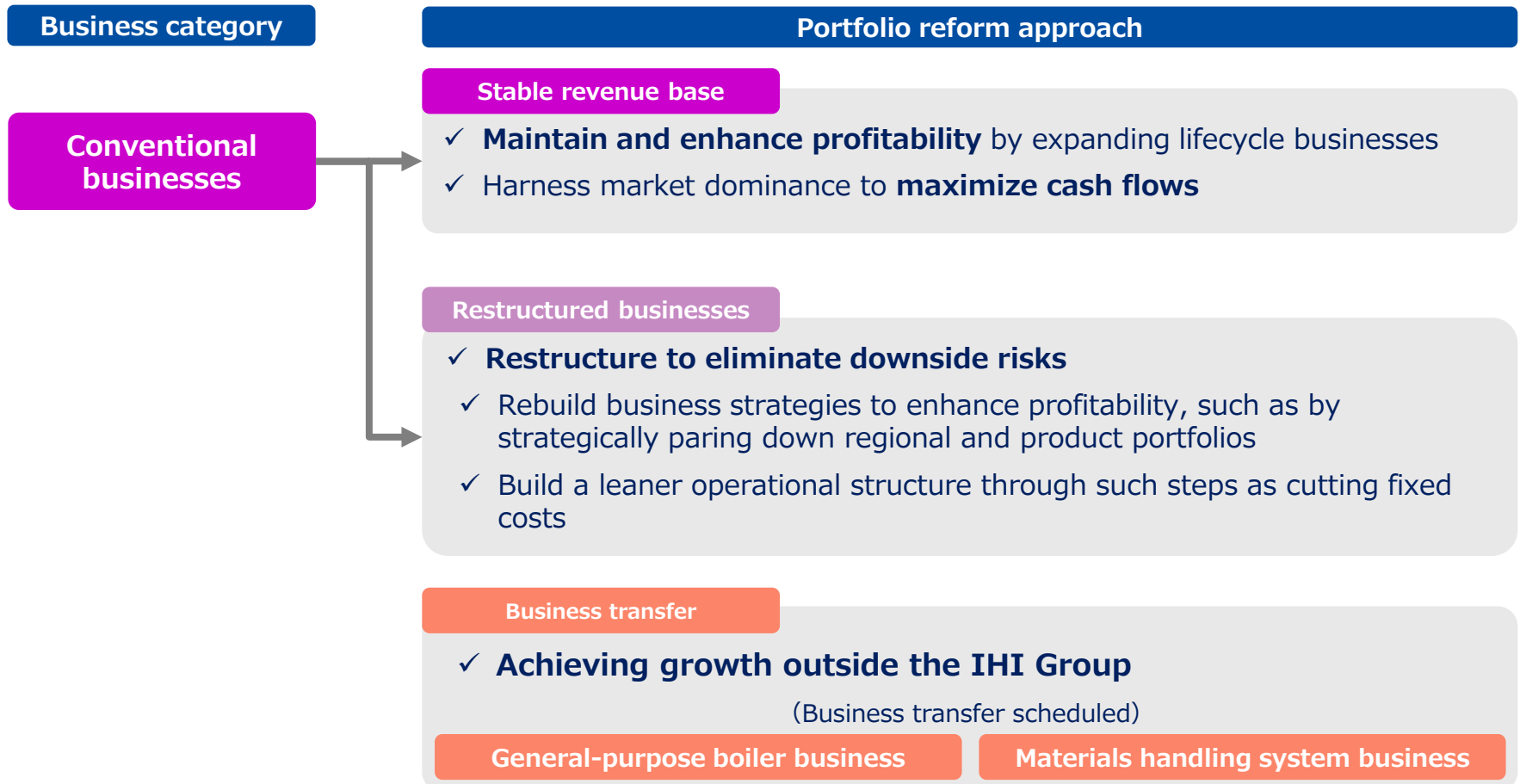
Build portfolio that can deliver steady growth while controlling volatility

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



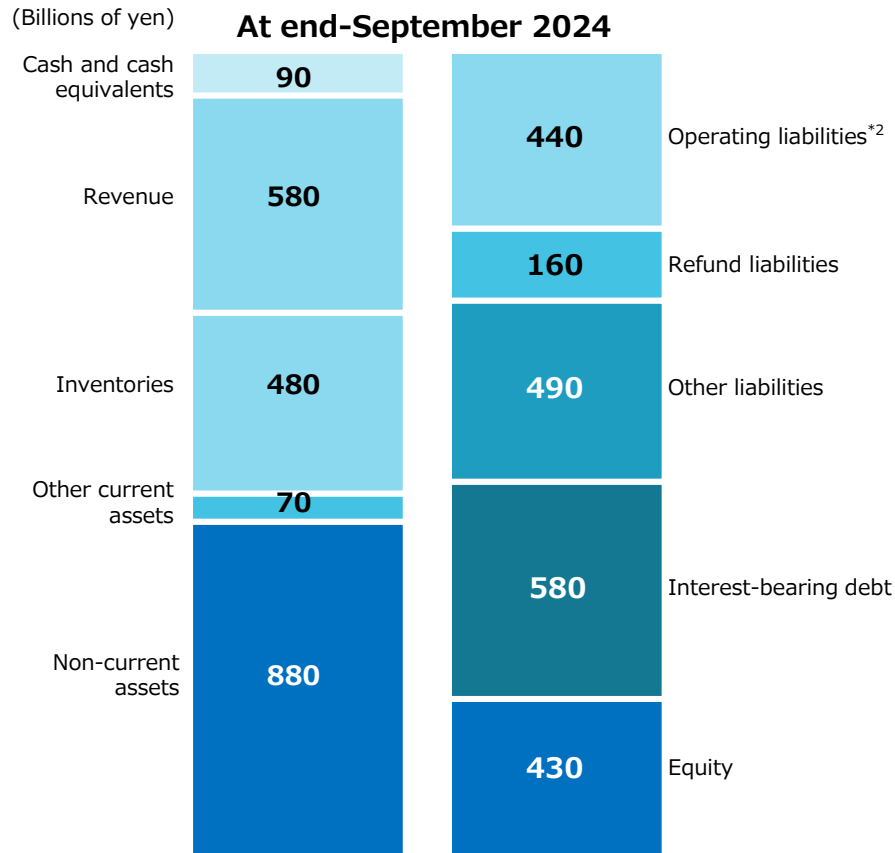
Determine the direction of restructured business by FY2024 and accelerate its implementation from FY2025

- ✓ 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



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

Some reforms underway, will keep urgently pursuing improvements

Business portfolio reforms

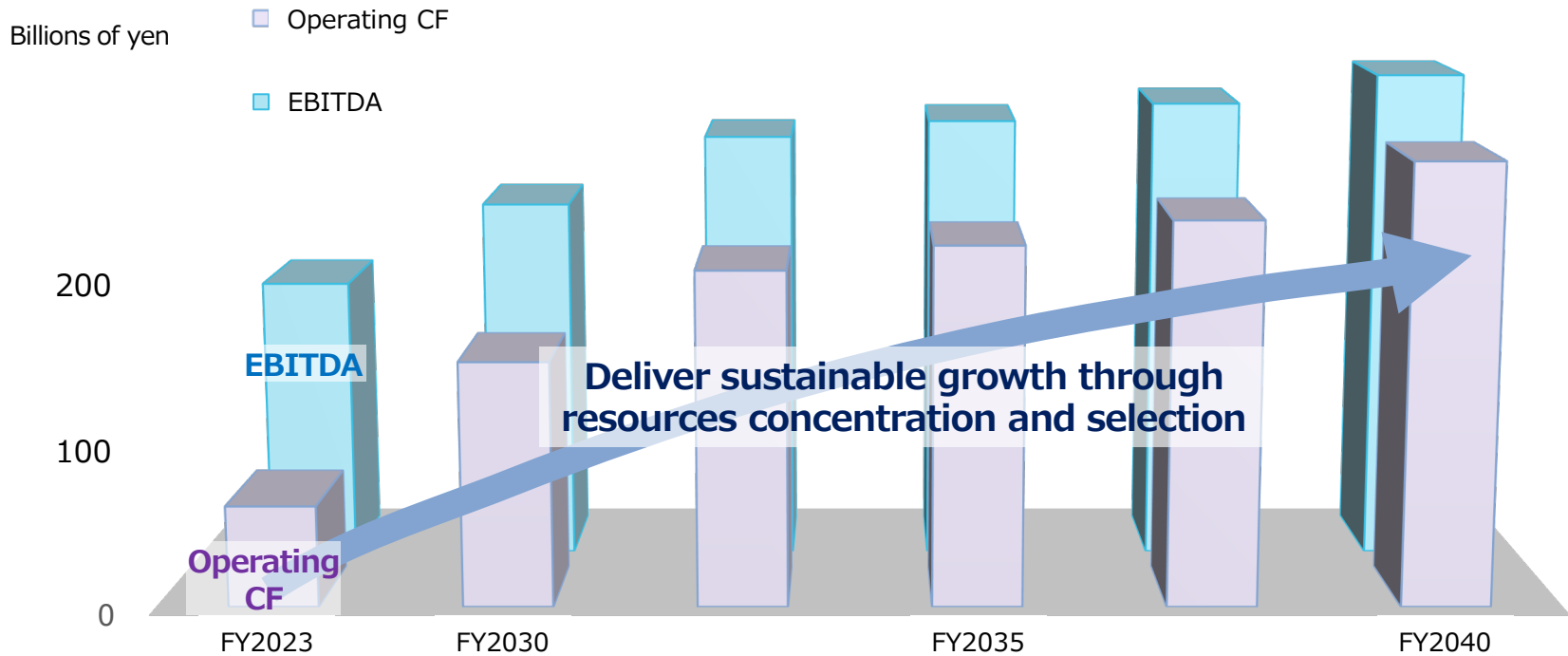
Announcement timing	Businesses	Overview
FY2023	Vehicular turbochargers	<ul style="list-style-type: none"> Fixed asset impairment and other structural reforms at IHI Charging Systems International GmbH (ICSI)
September 26, 2024	Vehicular turbochargers	<ul style="list-style-type: none"> Resolved to dissolve 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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

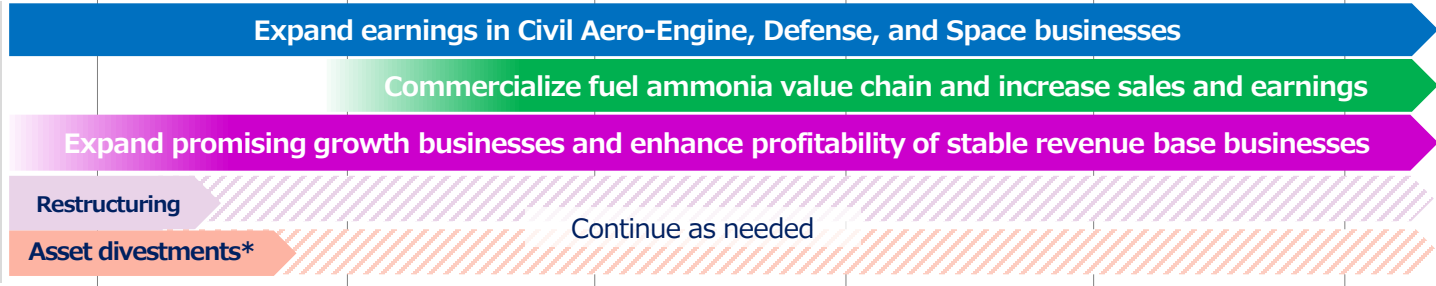
Announcement timing	Businesses	Overview
FY2023	Investment property sales	<ul style="list-style-type: none"> Sold property in Ayase, Kanagawa Prefecture
During FY2024	Investment property sales	<ul style="list-style-type: none"> Planning to sell stakes in properties in Toyosu, Tokyo

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

Operating CF and EBITDA



Corporate value improvement drivers



*Not included in figures above

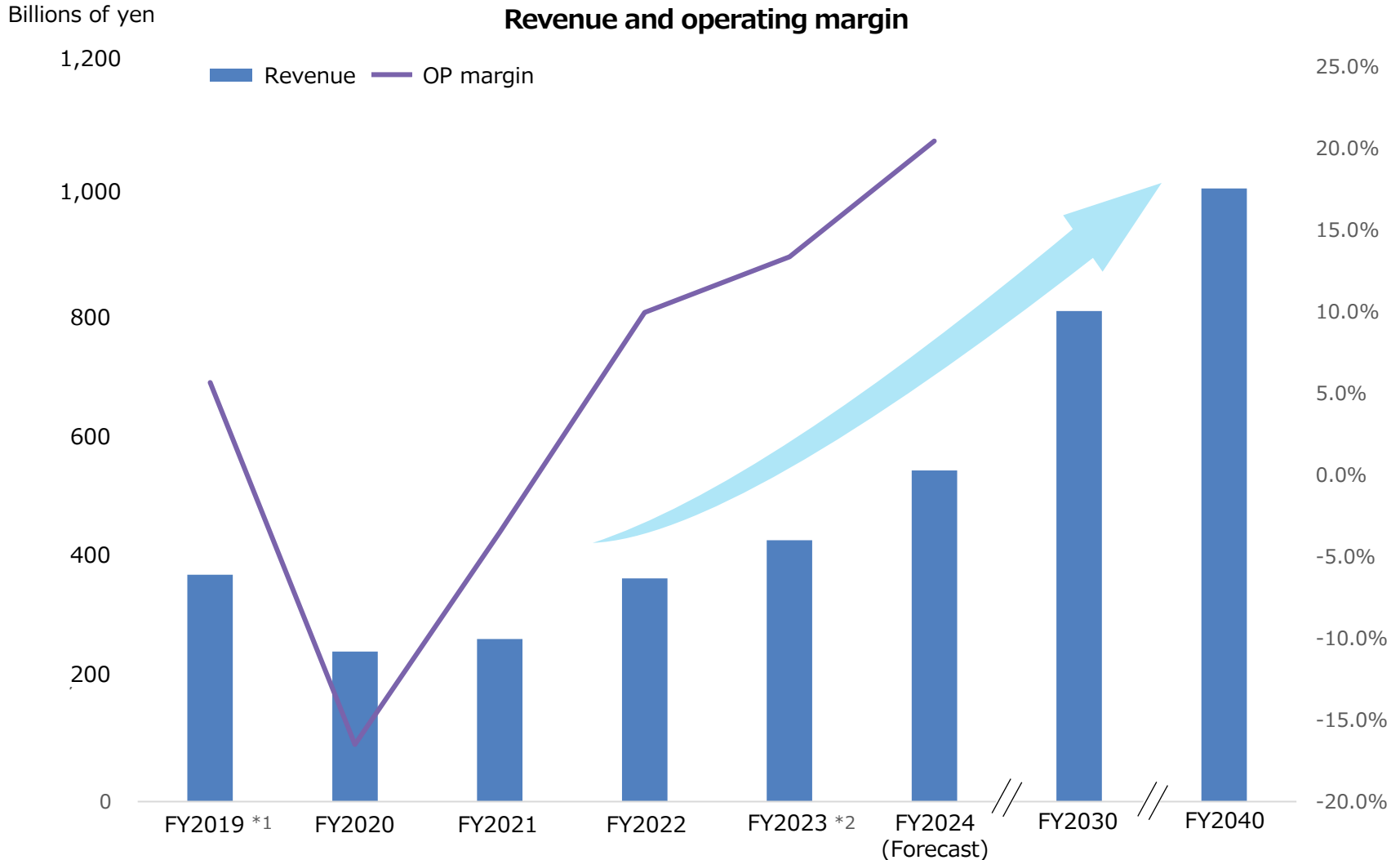
3. Growth Businesses

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



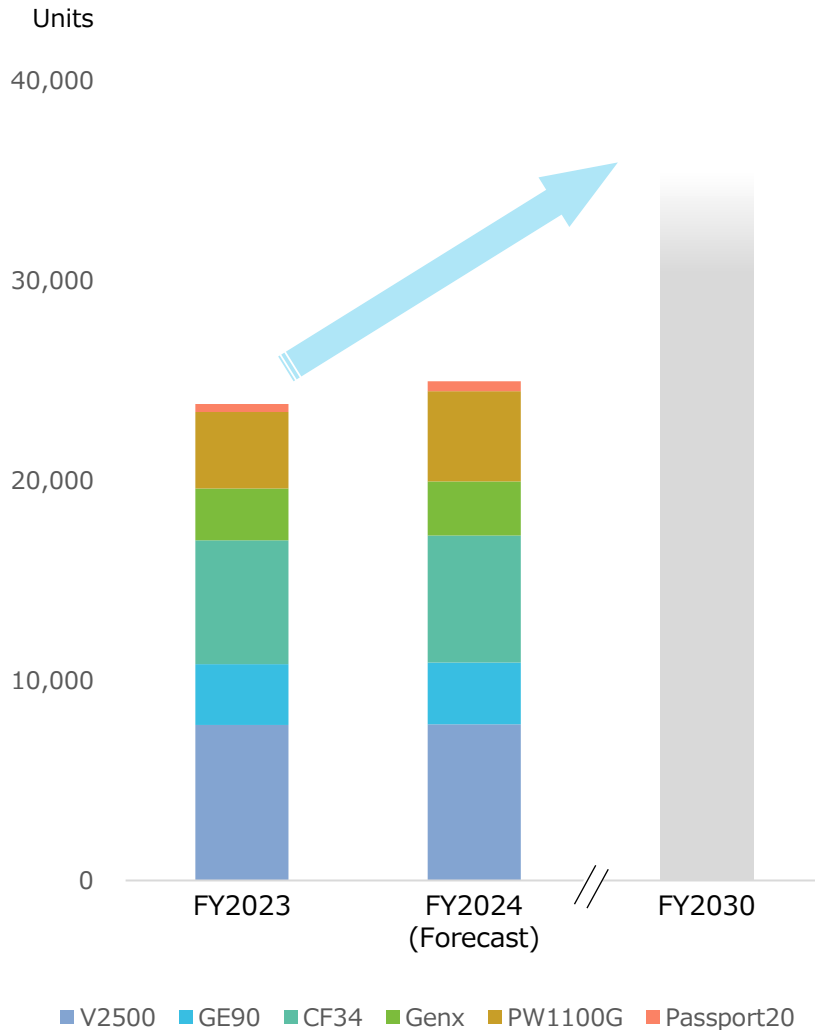
*1 International Financial Reporting Standards applied to fiscal 2019 figures.

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

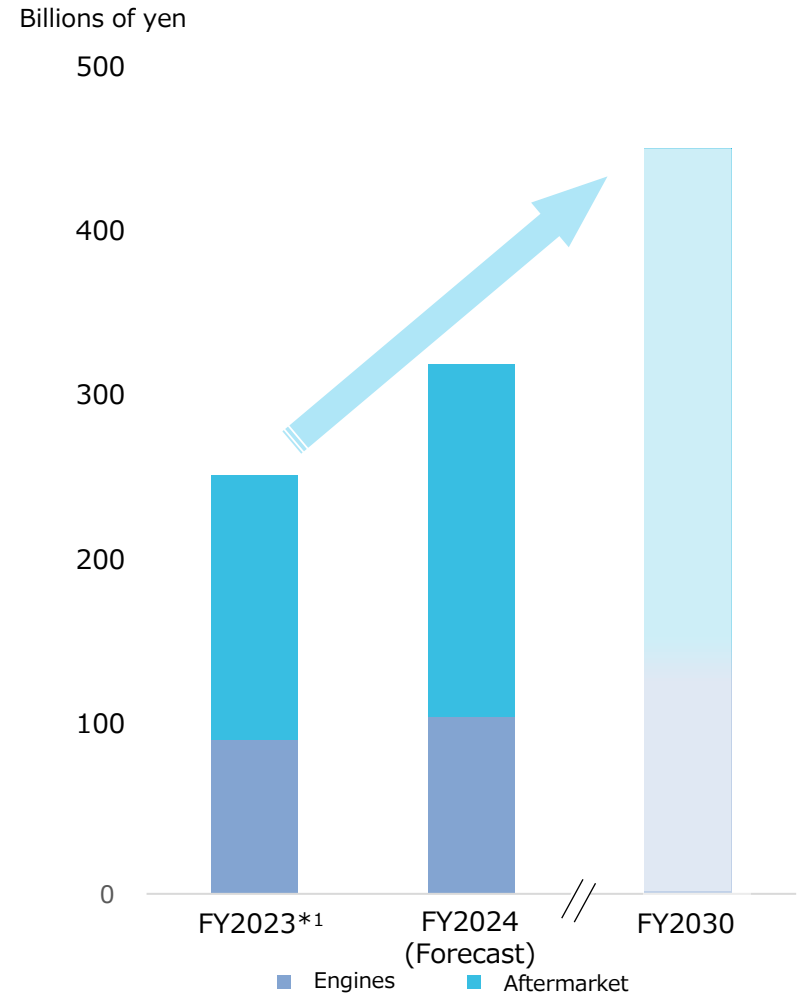
Civil Aero-Engine Business: Business Scale Expansion

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

Cumulative engine shipments



Civil aero-engine business revenue

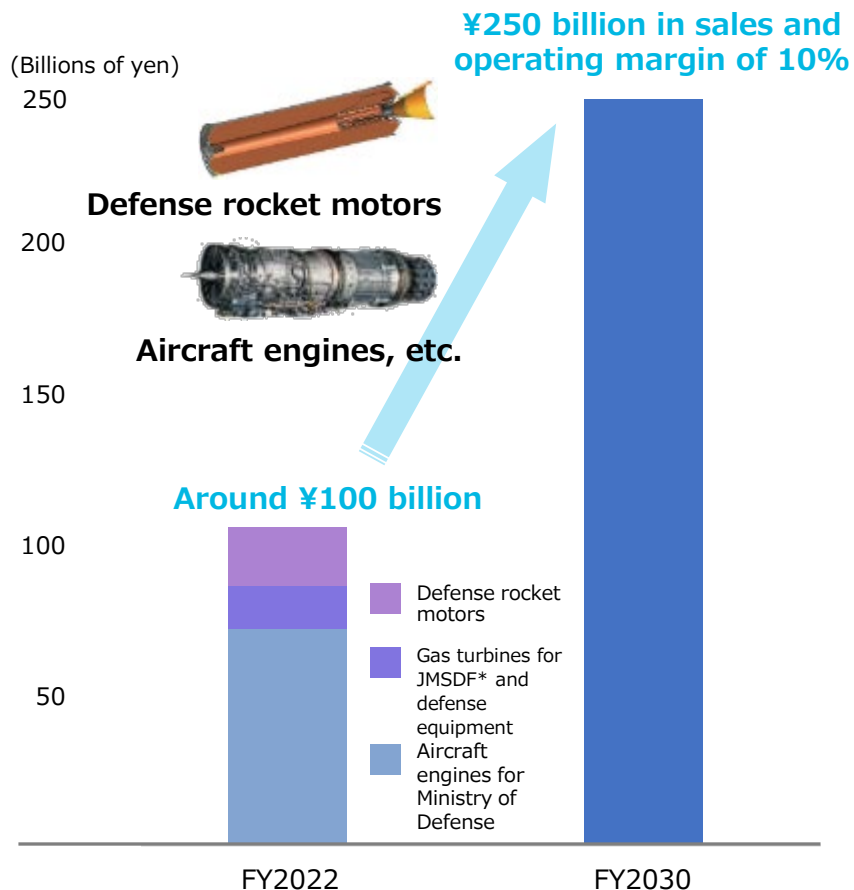


*1 Excluding loss related to the additional inspection program for PW1100G-JM engines.

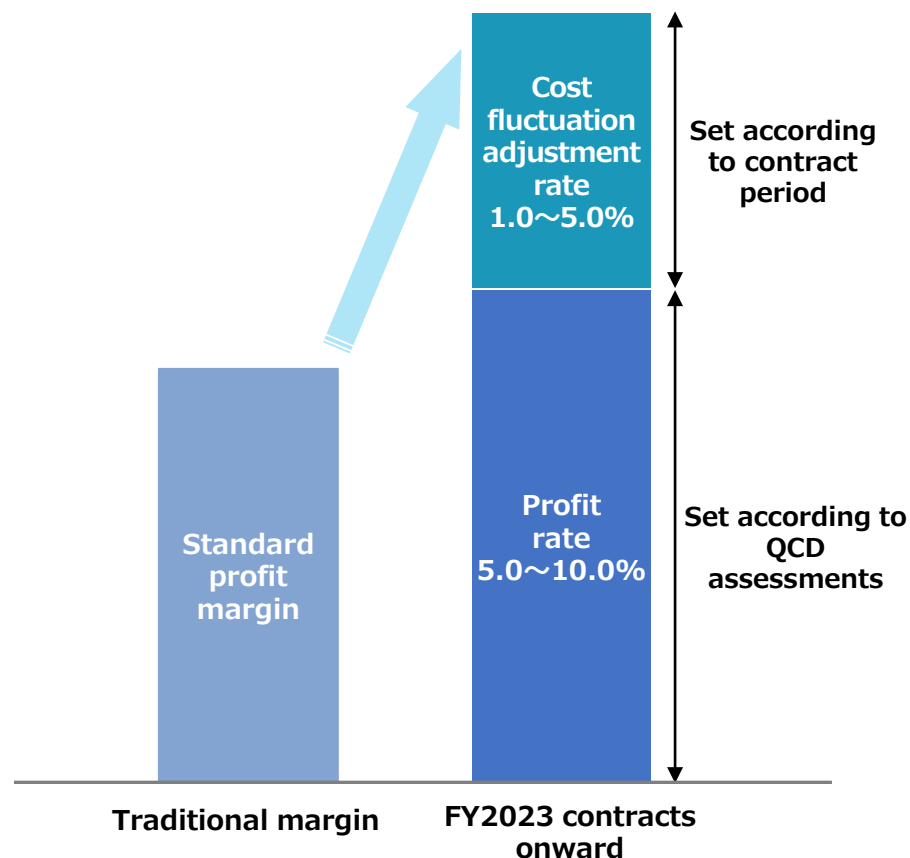
Note: Aftermarket encompasses spare parts + maintenance and parts repairs

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 prices adjustment rate absorbs the risk of cost increases from soaring prices and other uncontrollable factors

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)



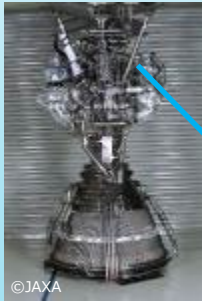
Source: *1 (computer-generated image)

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>

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

IHI's rocket technologies



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World-class liquid engine



IHI developed the turbo pump



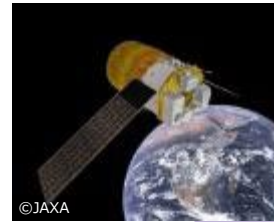
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The world's largest solid-fuel rocket



©JAXA

Government-led space development



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Help transport materials to International Space Station



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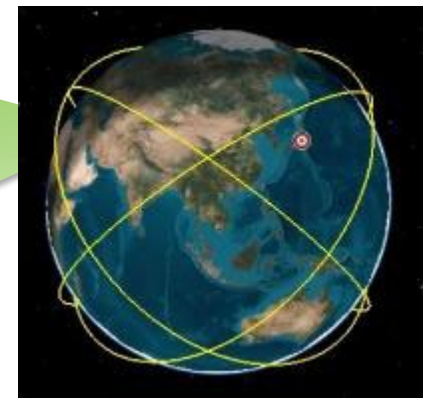
Participate in resupply missions to lunar orbiting crewed station

Expand into private-sector business



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Enter launch services business



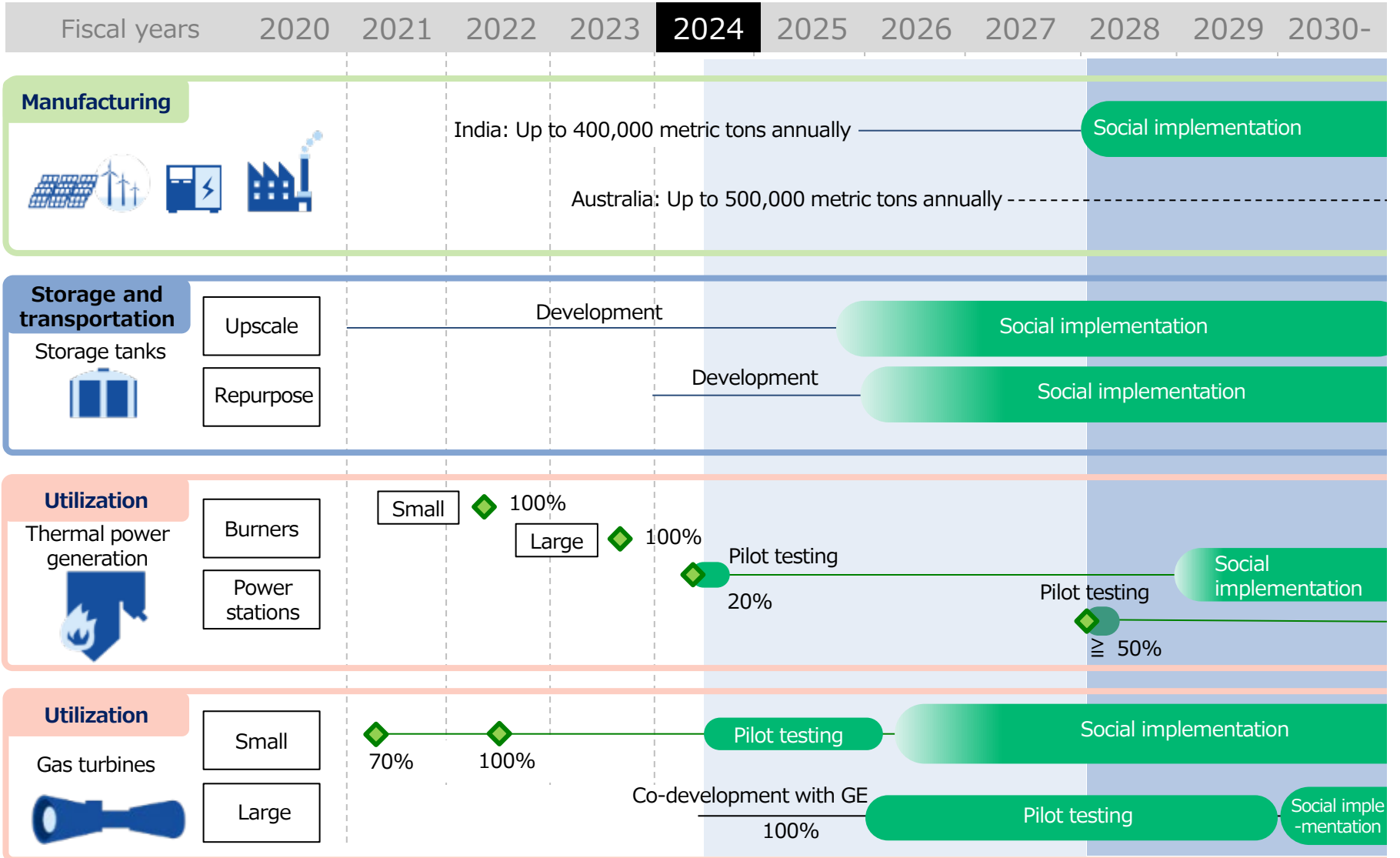
Expand satellite utilization business

4. Development-Focus Businesses

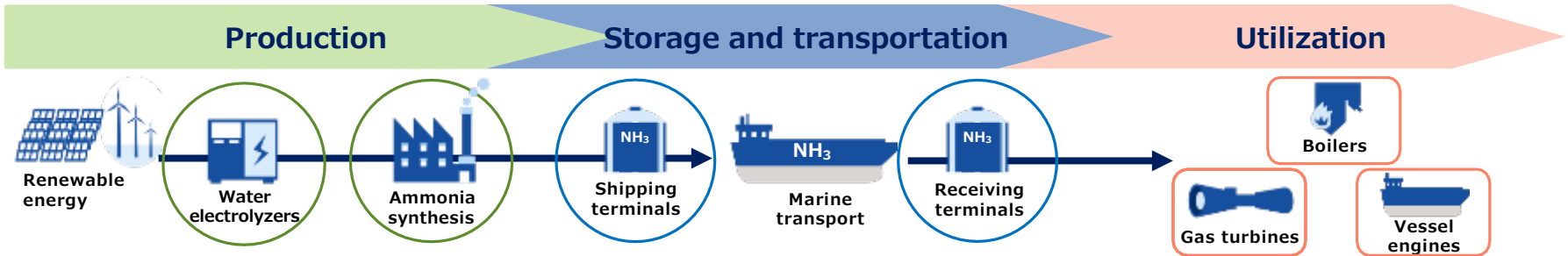
Fuel Ammonia Value Chain

Development-Focus Businesses: Milestones

Expected to accelerate social implementation of fuel ammonia from FY2028



Spearheading global efforts towards social implementation



ACME signing ceremony (image from IHI website)

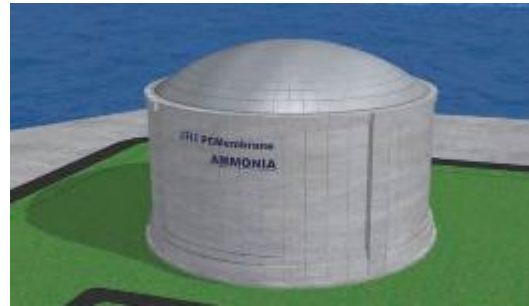
Green ammonia production and supply

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



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

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



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

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

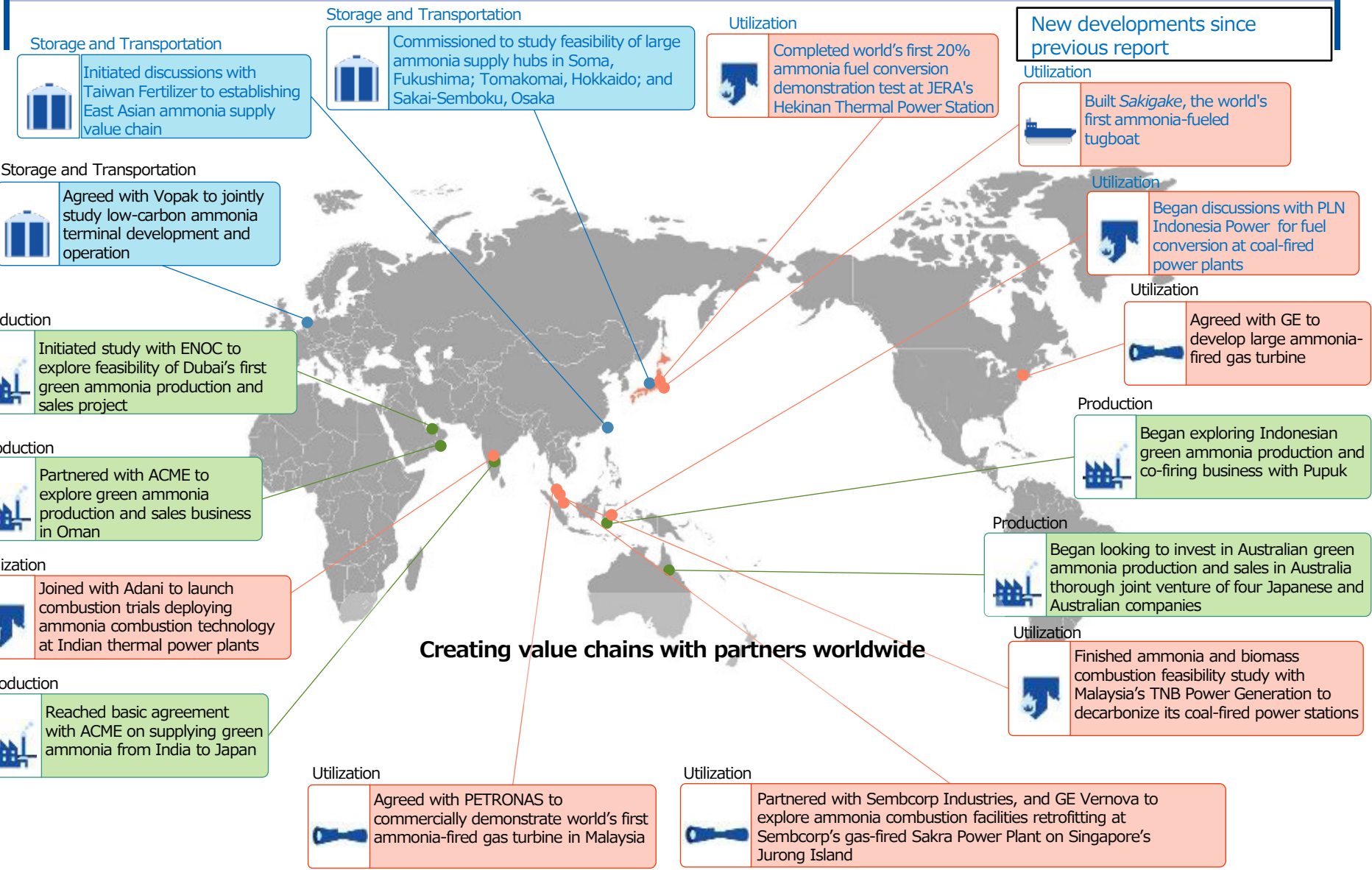
- Conducting long-term durability testing to prepare for commercialization
- Social implementation in 2026

Sakigake, an ammonia-fueled tugboat

- World's first such tugboat for commercial purposes
- Launched demonstration voyage in Tokyo Bay

Development-Focus Businesses

Collaborating with Global Partners



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, semi-transparent white oval is centered over the image, containing the main text.

The IHI Group creates Value Chains



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.