

# Management Briefing for Second Quarter of Fiscal Year 2025

IHI

November 6, 2025

**IHI Corporation**

Hiroshi Ide  
President and Chief Executive Officer

- 1. Progress of Group Management Policies 2023**
- 2. The future direction of each Business Area**

# 1. Progress of Group Management Policies 2023

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|   |   |
|---|---|
| <p><b>Strengthening Growth and Development-focus Businesses</b></p> | <ul style="list-style-type: none"><li>● <b>Expanded the Growth Businesses</b><ul style="list-style-type: none"><li>➢ Launched full-scale operation of a new facility to expand Civil aero engine maintenance business</li><li>➢ Participating as the engine contractor in the Japan, UK and Italy's joint next-generation fighter development program</li><li>➢ Enhancing manufacturing capacity for next-generation advanced reactors (SMR) related equipment (facility expansion and mockup production)</li></ul></li><li>● <b>Created new value chains</b><ul style="list-style-type: none"><li>➢ Participating in the green ammonia production, supply, storage, and utilization business</li><li>➢ Accelerating partnerships for the satellite constellation business</li></ul></li></ul>  |
| <p><b>Overhauling business portfolio</b></p>                        | <ul style="list-style-type: none"><li>● <b>Improved the profitability and efficiency of Conventional businesses</b><ul style="list-style-type: none"><li>➢ Focused management resources on high-profit products and regional segments</li><li>➢ Liquidated subsidiary and consolidated our European sites in Vehicular turbochargers business</li><li>➢ Strengthened competitiveness by integrating the two domestic bridge subsidiaries</li></ul></li><li>● <b>Achieved growth by utilizing external capital</b><ul style="list-style-type: none"><li>➢ Business transferred: Packaged boilers, Materials handling systems, Turf care machinery, Concrete construction materials</li><li>➢ Business transfer decided: Transport systems (scheduled for transfer in Dec 2025), Weather, disaster prevention, space (scheduled for transfer in Feb 2026)</li></ul></li></ul> |
| <p><b>Improving capital efficiency</b></p>                          | <ul style="list-style-type: none"><li>➢ Divested investment properties (including in Toyosu in Tokyo, and Ayase in Kanagawa Prefecture)</li><li>➢ Sold policy shareholdings</li><li>➢ Agreed to transfer a portion of shares of Japan Marine United Corporation (JMU)</li></ul>   |

## Main KPIs Set to Hit Record Highs

### Main Financial KPIs

(Forecasts of FY2025)



#### Sustainable growth

Orders  
Record High

**¥1,850.0 Bil.**  
(CAGR 9%\*)

Revenue  
Record High

**¥1,640.0 Bil.**  
(CAGR 7%\*)

Operating profit  
Record High

**¥160.0 Bil.**  
(+¥78.1 Bil.\*)

EBITDA  
Record High

**¥230.0 Bil.**  
(+¥78.9 Bil.\*)



#### Profitability and efficiency

CF from  
operating activities

**¥100.0 Bil.**

Operating margin

**9.8%**  
(+ 3.7pt\*)

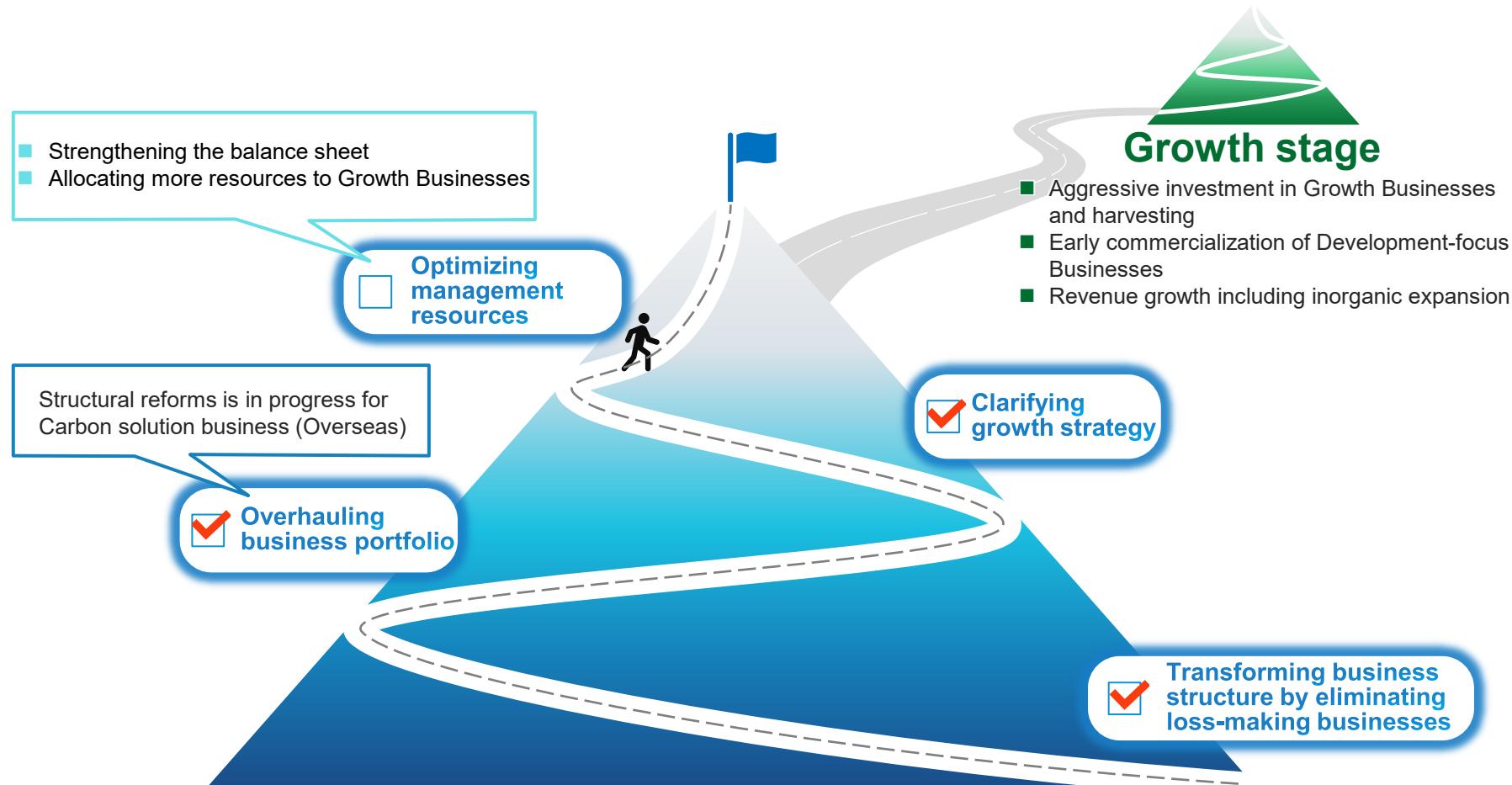
ROIC

**10.6%**  
(+ 4.3pt\*)

\*Changes since the launch of "Group Management Policy 2023"  
(end of fiscal year 2022)

## Final stage of structural reform: Entering a New Growth Phase in the next fiscal year

- ✓ Structural reforms are nearing completion; remaining initiatives are **strengthening the balance sheet** and **allocating resources to the Growth businesses**
- ✓ From the next fiscal year, we aim to significantly expand revenue, **driven by the Growth Businesses: Civil aero engines, Defense aero engines and equipment, and Nuclear energy**



## **2. The future direction of each Business Area**

The IHI logo is positioned on a horizontal blue bar. The letters "IHI" are written in a bold, white, sans-serif font. The bar is located at the bottom of the slide, spanning most of the width of the content area.

# **(1) Resources, Energy & Environment Business Area**

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### Scaling Up Our Business: Boosting Cash Flow with LCB, Powered by Nuclear Energy

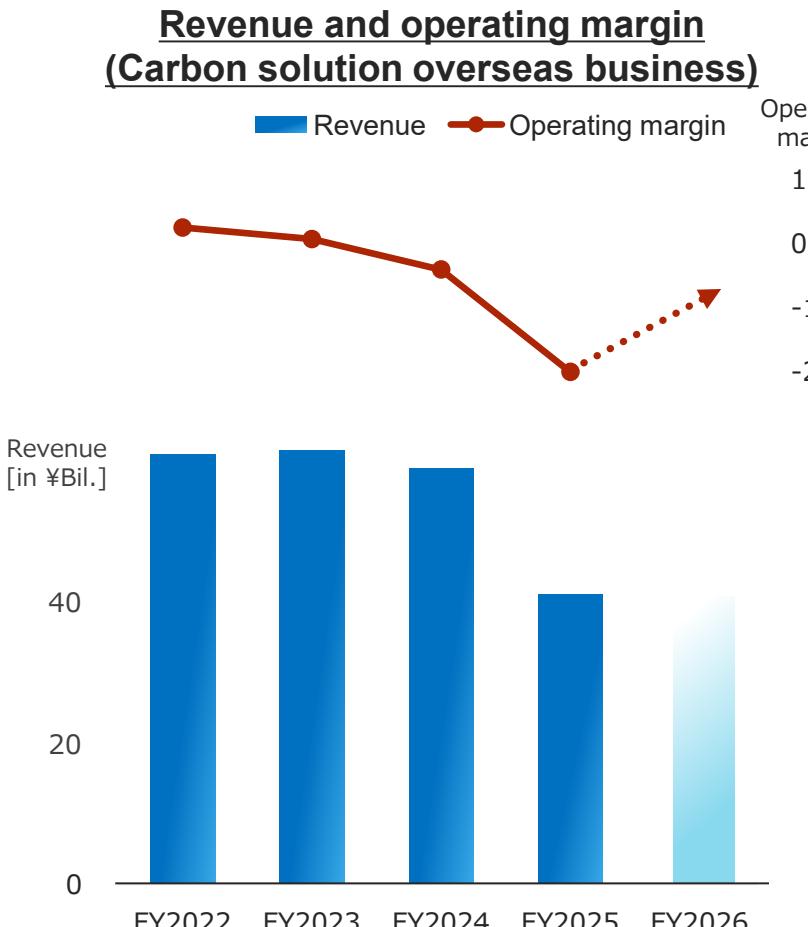
- ✓ Orders increased significantly in the Nuclear energy, Power systems, and Carbon solution domestic businesses, driven by our initiatives for business growth.
- ✓ Structural reforms to improve profitability in the Carbon solution overseas business is currently in progress

|                                     | Business                           | Orders YoY          | Revenue YoY         | Operating margin YoY |
|-------------------------------------|------------------------------------|---------------------|---------------------|----------------------|
| <b>Growth Business</b>              | <b>Nuclear energy</b>              | <b>+ ¥48.6 Bil.</b> | <b>+ ¥18.0 Bil.</b> | <b>Same level</b>    |
| <b>Stable revenue base Business</b> | <b>Power systems</b>               | <b>+ ¥2.6 Bil.</b>  | <b>+ ¥5.2 Bil.</b>  | <b>+ 2.1pt</b>       |
| <b>Restructured Business</b>        | <b>Carbon solutions (Domestic)</b> | <b>+ ¥18.9 Bil.</b> | <b>+ ¥8.1 Bil.</b>  | <b>Same level</b>    |
|                                     | <b>Carbon solutions (Overseas)</b> | <b>▲ ¥14.4 Bil.</b> | <b>▲ ¥17.3 Bil.</b> | <b>▲ 16.0pt</b>      |

Note: Due to rounding, each figure may not match the difference between the full-year figures for FY2024 and FY2025 as presented in the "Financial Results for Second Quarter FY2025 (IFRS)".

## Overseas Subsidiaries with Declining Performance: Direction to Be Decided This Fiscal Year

- ✓ Due to changes in the external environment, **the performance of overseas subsidiaries in Carbon solution business has stagnated**, putting pressure on the profits of our group
- ✓ **Structural reforms** to improve profitability is currently **in progress**



### ■ 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

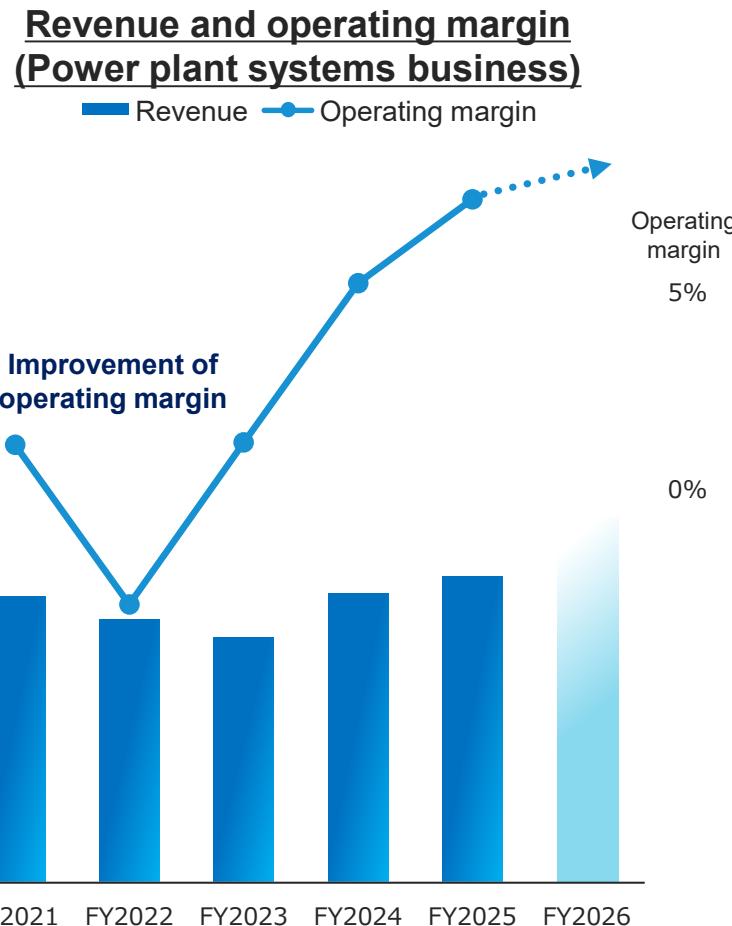
### ■ Engineering business

**Steinmüller Engineering GmbH** (based in Europe)

- Focus on projects where we have strengths

### Driving Profitability Toward a 10% Operating Margin

- ✓ Through comprehensive structural reforms, **the operating margin has achieved a V-shaped recovery** since FY2022
- ✓ **Further strengthening profitability** in marine engines and power generation engines for data centers



#### ■ Reformed business structure

- Shifted prices appropriately with immediate response to the external environment
- Focused on models with high marginal profit
- Reduced fixed costs and SG&A expenses in line with the scale of the business

#### ■ Enhance profitability further

- Focus on segments with strong demand (e.g., marine engines, power generation engines for data centers)
- Expand LCBs by leveraging our high market share
- Maximize marginal profit through in-house production of key components

## Expanding the Nuclear Business with World-Class Advanced Technology

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

### Front-end areas

#### Power Plant : Restart

- Onagawa-2, Kashiwazaki-6 completion
- Plan to accommodate restart of about 10 units

#### Power Plant : Key component

- World-class manufacturing technologies and capabilities

- Reactor pressure vessel (57% share in JPN)
- Primary containment vessel (54% share in JPN)



Source: IHI Corporation

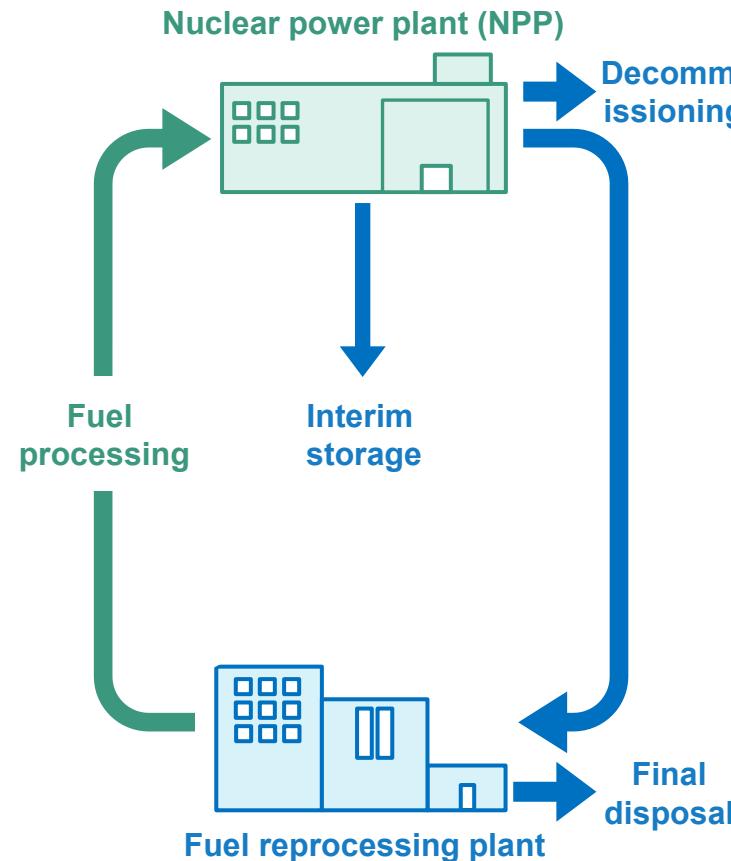
#### Power Plant : SMR

- NuScale Power has received design certification in the U.S. market
- IHI is leading in the development of equipment manufacturing technology



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### Back-end areas

#### Decommissioning

- Fuel debris retrieval
- Contaminated water management

#### Interim storage

- Preparing to manufacture transport and storage casks

#### Fuel reprocessing plant

High-level liquid waste vitrification facility  
(Japan's sole supplier)

- Safety measures towards completion



Source: Atomic Energy Society of Japan

Vitrified Waste Storage facility  
(Japan's sole supplier)

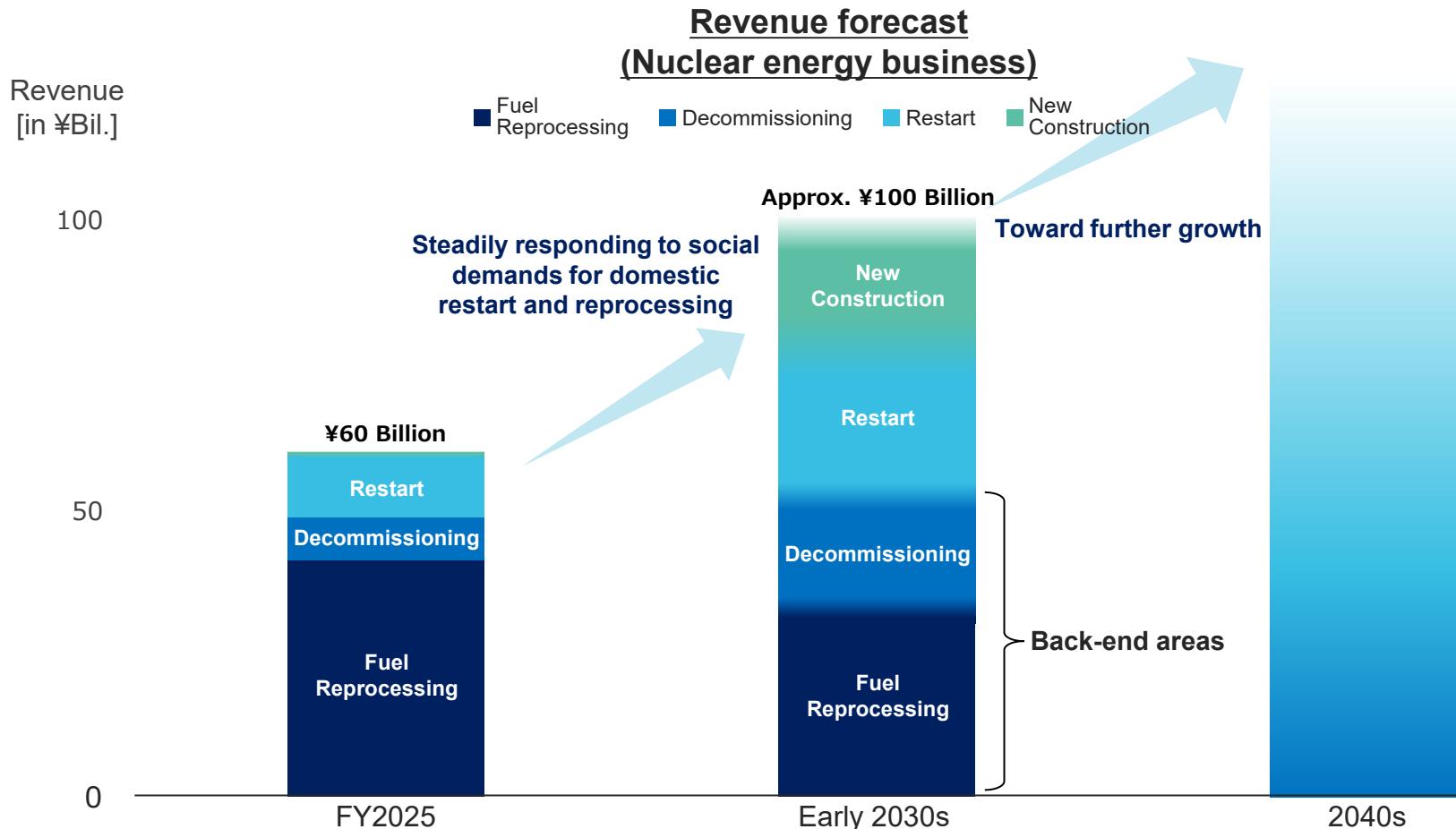
- Expansion into waste treatment & storage



Source: Japan Nuclear Fuel Limited

### Strong Orders Driven by Strong Demand: Revenue Target to Be Achieved Ahead of Schedule

- ✓ Currently, the restart and nuclear fuel reprocessing businesses are performing well. After the completion of the reprocessing plant, we will provide stable operational support.
- ✓ In the medium to long term, we will respond to rapidly growing demand for new overseas projects with world-class major equipment manufacturing technology, driving top-line growth.



## **(2) Social Infrastructure Business Area**

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### Driving Profitable Growth with Technical Expertise, Especially in Bridges Business

- ✓ Through structural reforms, we **are focusing on projects where we can leverage our strengths**, resulting in a significant improvement in operating margins
- ✓ In Bridges business, we are accelerating the development of operations by leveraging **the technical synergy between new construction and maintenance**

| Business                | Operating profit YoY | Operating margin YoY |
|-------------------------|----------------------|----------------------|
| Bridges and water gates | + ¥5.0 Bil.          |                      |
| Shield systems          |                      | + 5pt                |

**Stable revenue  
base Business**

#### Our technical strengths of Bridges business

##### New construction

- Extensive track record in large-scale bridge construction over many years
- World-class construction engineering know-how



Strengthening competitiveness  
through mutual utilization of  
technical strengths

##### Maintenance

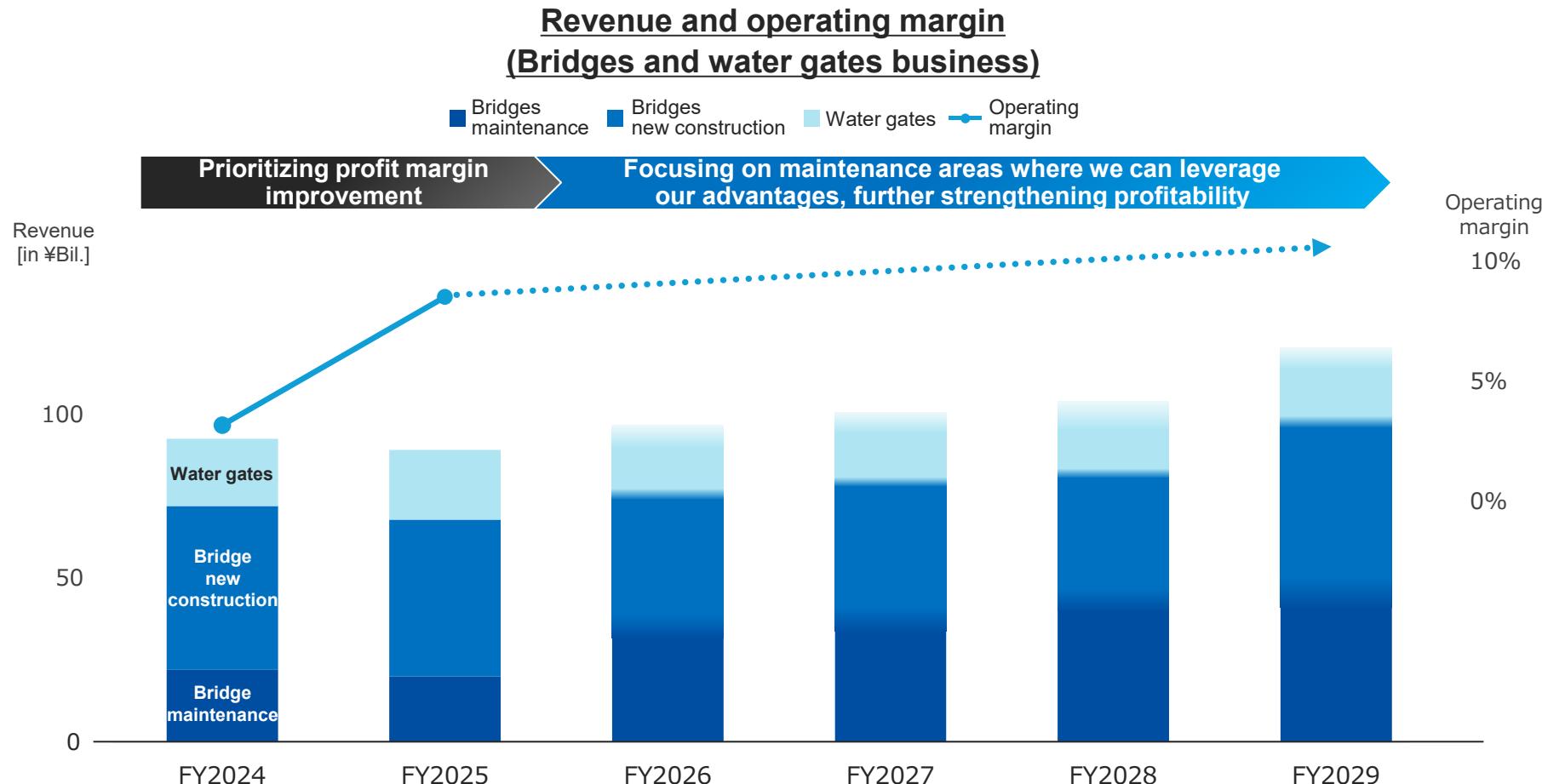
- Structural analytics and design skills built through years of experience in Japan
- Top-class construction capabilities for high-complexity projects



Source: Metropolitan Expressway Co., Ltd

## Building a Business Structure for Steady 10%+ Operating Margins

- ✓ Until FY2025, we have **prioritized improving operating margins** by selectively focusing on projects
- ✓ In the coming years, we will aim to **enhance profitability by focusing on highly profitable bridge maintenance projects** that demand advanced technical expertise



## **(3) Industrial Systems & General-Purpose Machinery Business Area**

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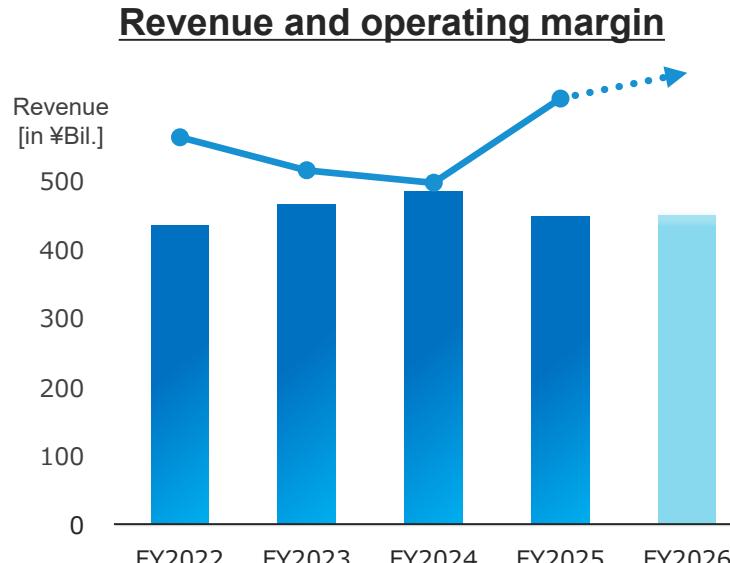
### Achieving Higher Profitability and Stable Cash Flow Growth

- ✓ Through structural reforms such as focusing on highly profitable models and strengthening LCB, the profitability of each business has improved
- ✓ We will maximize cash flow by fully leveraging our broad customer base across various industries.

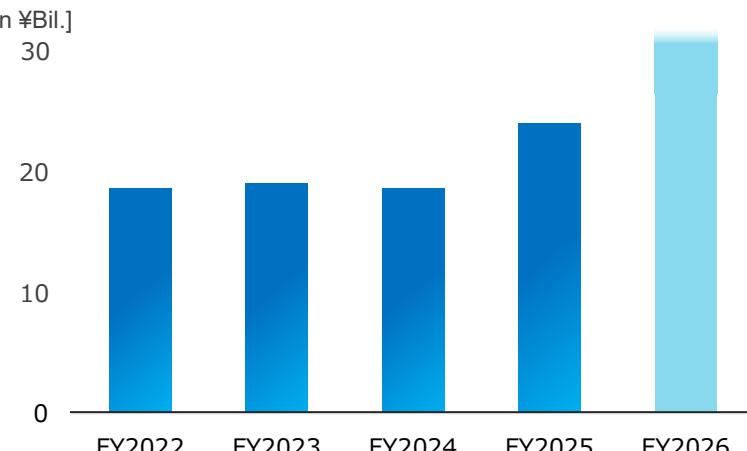
|                                     | Business   | Operating Profit YoY <sup>*</sup> | Operating Margin YoY <sup>*</sup> | CF from operating activities YoY |
|-------------------------------------|--|-----------------------------------|-----------------------------------|----------------------------------|
| <b>Stable revenue base Business</b> | Vehicular turbochargers<br>Parking<br>Rotating machineries<br>Heat treatment and surface engineering<br>Logistics and industrial systems, etc. | + ¥14.6 Bil.                      | + 4pt                             | + ¥5.4 Bil.                      |

※Figures after excluding special factors

#### Performance trends of the Business Area

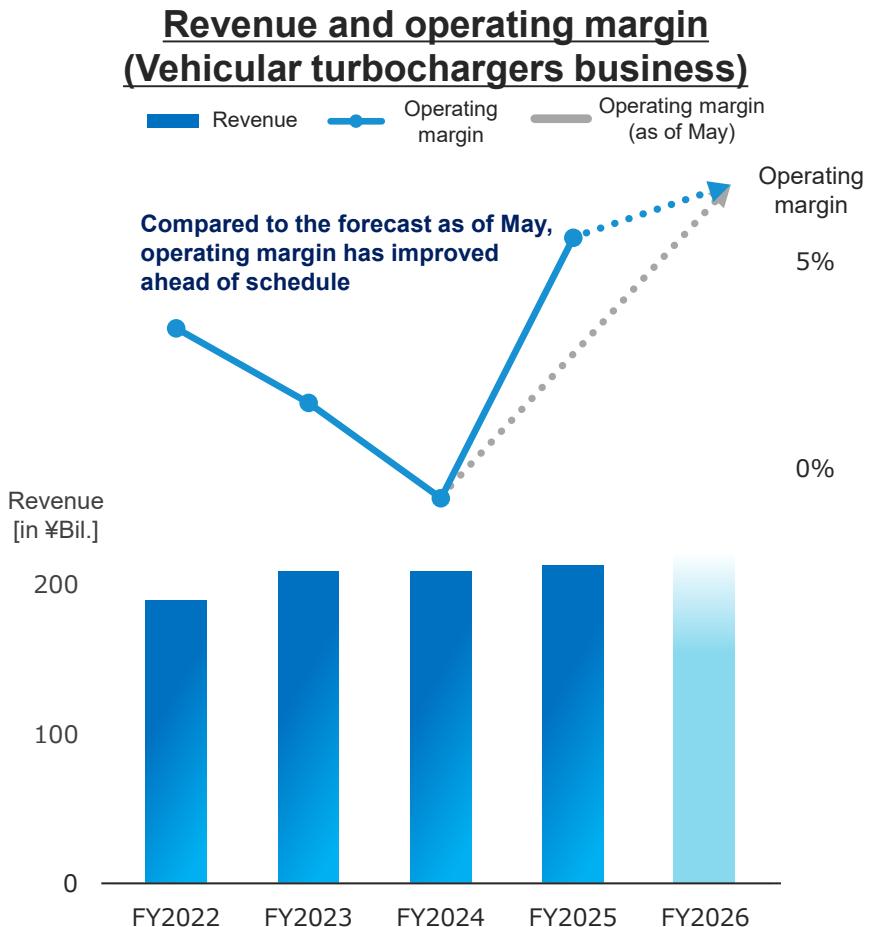


#### CF from operating activities



## Structural Reforms Led to Early Profitability Improvement

- ✓ By **optimizing production sites**, including the closure of overseas facilities, we have **reduced fixed costs**
- ✓ In addition, with progress in **appropriate price shifting**, **profit margins recovered ahead of schedule**



### ■ Reformed business structure

- Closed and restructured overseas production sites
- Optimized production scale at domestic plants
- Shifted prices appropriately with immediate response to the external environment

### ■ Enhance profitability further

- Reduce cost through supply chain management
- Optimize fixed costs through resource allocation to other businesses

## **(4) Aero Engine, Space & Defense Business Area**

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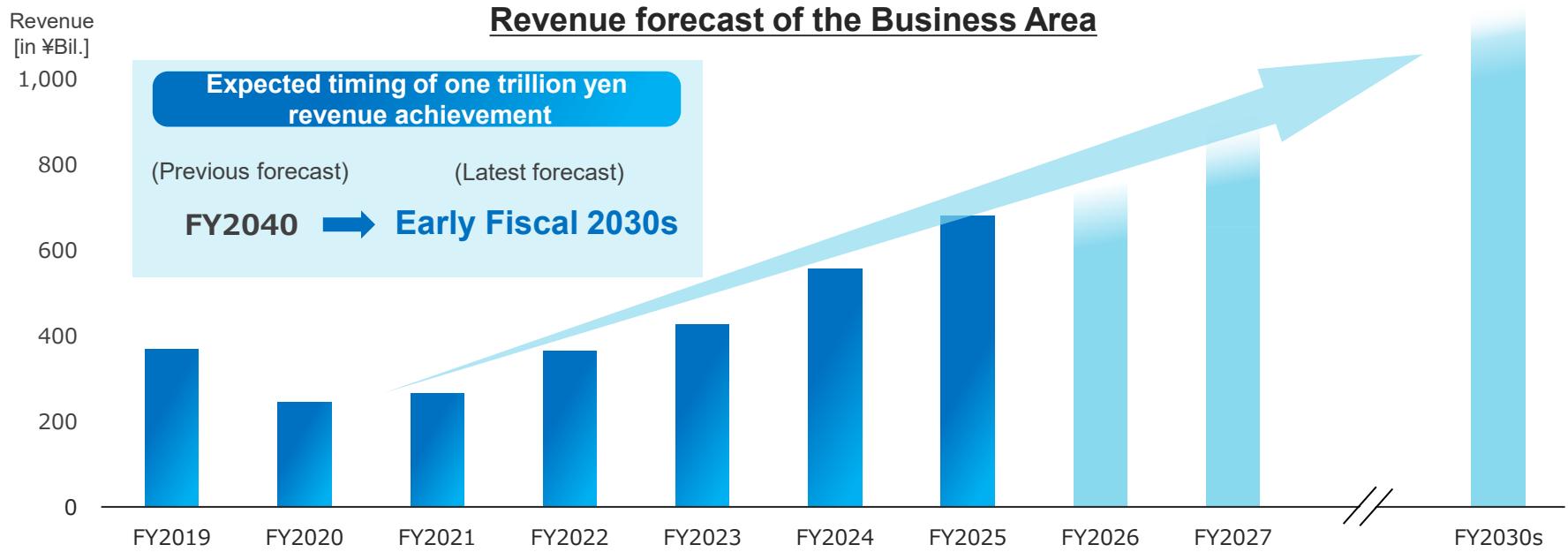
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### Accelerating Toward 1 Trillion Yen Revenue Milestone

- ✓ We will continue to prioritize the allocation of management resources to Civil aero engines and Defense aero engines and equipment business, ensuring the capture of robust demand
- ✓ Over the medium to long term, we aim to expand revenue in space-related businesses, such as satellite constellations

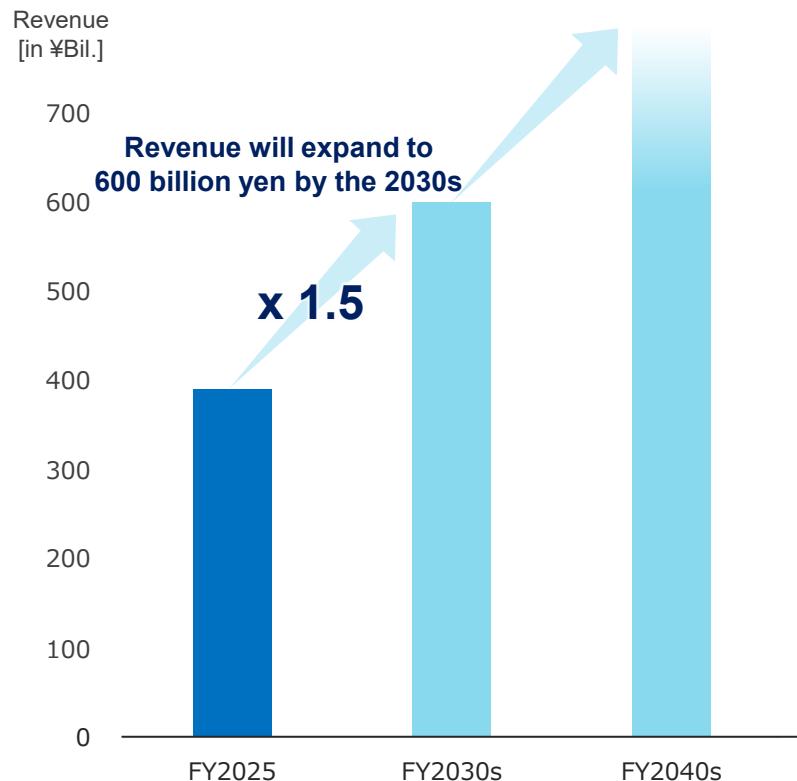
|                            | Business   | Revenue Forecast for the Early Fiscal 2030s | Operating margin Forecast for the Early Fiscal 2030s |
|----------------------------|--|---|--|
| Development-focus Business | Space  |   |  |
| Growth Business            | Civil aero engines<br>Defense aero engines and equipment | Over ¥1 trillion                            | 15~20%   |



## Driving Remarkable Growth via Fundamental Production and Supply System Enhancement

- ✓ With rising aircraft demand, the business is expected to experience substantial growth, mainly in the aftermarket
- ✓ With the aim of expanding business scale and improving profitability, we are working to enhance maintenance and repair capabilities and ensure the stable supply of critical materials

### Revenue forecast (Civil aero engines business)



### ■ Enhance maintenance and repair capabilities

- Constructing of a new repair facility (Phase 1) at the Tsurugashima Aero-Engine Works
- Transfer of human resources from other sectors and talent acquisition through industry-academia collaboration



Tsurugashima Aero-Engine Works



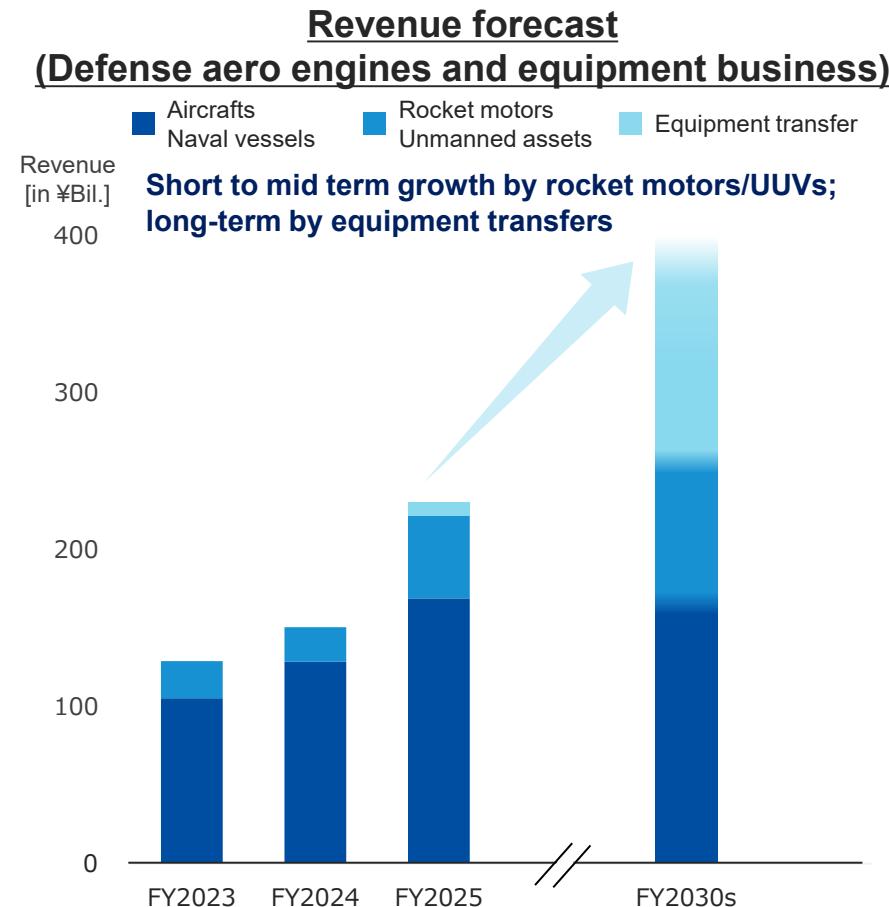
Training center  
at Mizuho Aero-Engine Works

### ■ Ensure the stable supply of critical materials

- Strengthen the supply system for castings and forgings through collaboration with domestic manufacturers and other partners
- Enhance supply capacity through quality and productivity reforms and facility expansion

## Further contributions to the Japanese government's policy of "Fundamental Reinforcement of Defense Capabilities"

- ✓ In the short to medium term, revenue of solid rocket motors and UUVs\* is expected to increase, driven by rising demand for missiles and unmanned assets
- ✓ In the long term, we aim for further business growth through the expansion of "Transfer of Defense Equipment and Technology" in cooperation with the government



### ■ Solid rocket motors business

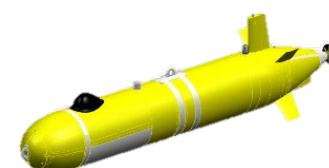
- Strengthen world-class production and technological infrastructure
- Construct a dedicated production facility to support increased production

### ■ Transfer of Defense Equipment and Technology

- Enhance production capacity for engine components
- Jointly develop the next-generation fighter aircraft and build a mass production system.
- Expand engine maintenance and parts business for F-35 fighter

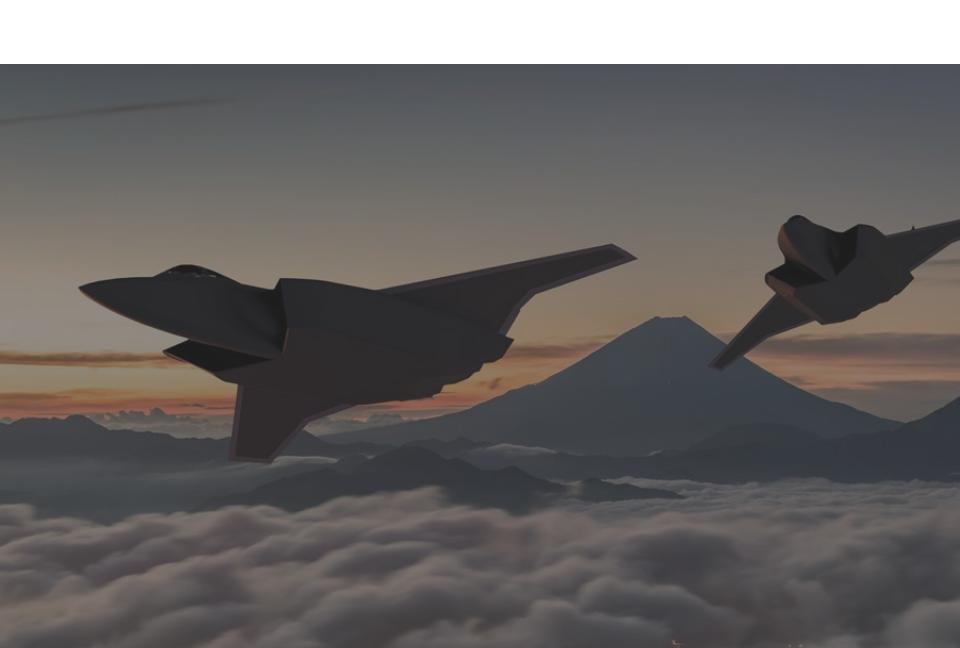
### ■ Unmanned assets business

- Expand the UUV business
- Provide new services through collaboration with marine domain awareness system



\*UUV (Unmanned Underwater Vehicle)

Marine domain awareness system



# Moving forward to the next management plan





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.