

June 5, 2024

IHI Corporation
3-1-1 Toyosu, Koto-ku, Tokyo

Our Opinion on the Proxy Advisory Reports by ISS

With respect to “Proposal No. 2: Election of Twelve (12) Directors” (the “Proposal”) to be submitted to the 207th Annual General Meeting of Shareholders of IHI Corporation (hereafter “IHI”) to be held on June 26, 2024, the proxy advisory firm Institutional Shareholder Services Inc. (“ISS”) issued a report recommending a vote against the election of Candidate No. 1, Tsugio MITSUOKA, and Candidate No. 2, Hiroshi IDE.

ISS has cited the reason for their recommendation as that IHI’s financial performance fell below the standard for financial performance set by ISS.

We would like to explain our opinion on the opposing recommendation reports from ISS as follows. We would like to ask our shareholders to review the Notice of Convocation of the Annual General Meeting of Shareholders and IHI’s opinion and gain an understanding of the Proposal.

1. Opposing recommendation by ISS

Regarding proposals for election of directors, ISS’s voting policy recommends voting against the top executive of a company if the average ROE over the past five years is less than 5%, unless an improvement is observed.

On May 8, 2024, IHI announced its consolidated financial results for the fiscal year ended March 31, 2024, with an operating loss of 70.1 billion yen and a loss attributable to owners of parent of 68.2 billion yen. With these financial results, the ROE for the fiscal year was a negative 16.9%, and the average ROE for the past five years was below the standard set by ISS, as shown in the table below.

FY2019	FY2020	FY2021	FY2022	FY2023	Average of past 5 years
2.8%	4.5%	19.3%	11.0%	-16.9%	4.14%

However, excluding the impact of one-time factors including the additional inspection program for PW1100G-JM engines and a loss from a legal settlement agreement at an overseas subsidiary, operating profit for the fiscal year would be a record high 104.2 billion yen, profit attributable to owners of parent would be 71.8 billion yen, and the average ROE would be approximately 15.2%.

With regard to the consolidated earnings forecast for the fiscal year ending March 31, 2025, which has already been announced, we anticipate improvements due to increasing demand in the Aero Engine, Space and Defense Business, as well as efforts to improve profitability in other business areas. Operating profit is expected to reach a record high 110.0 billion yen, with profit attributable to owners of parent of 60.0 billion yen.

As described above, although IHI posted a temporary loss due to one-time factors in the fiscal year, our earning power is steadily improving, and we believe we can achieve sustainable growth in the future.

(END)

For contact regarding this matter

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