Response to Operating Environment Changes, Corporate Structure Transformation
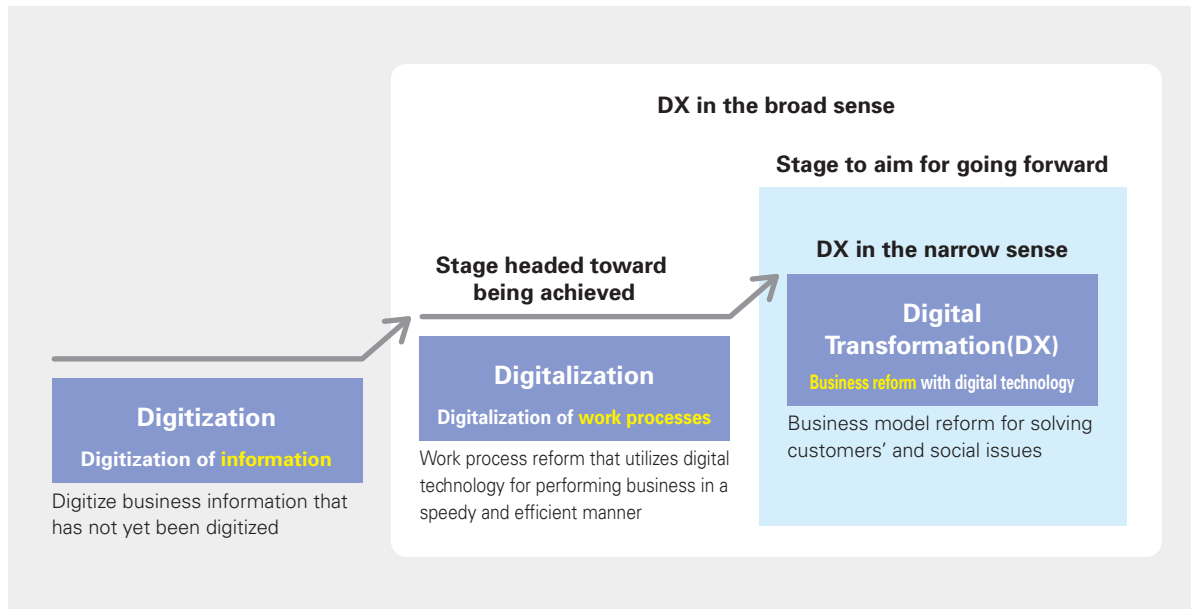
DX strategy

Digital transformation of the IHI Group will be accelerated based on "Group Management Policies 2023" to attain "business transformation to achieve strong sustainable growth" by vigorously promoting "advancement of digital infrastructure that is essential for such transformation" in an effective way.

DX Strategy for the IHI Group

DX Promotion Guidelines

The IHI Group defines DX in the broad sense and includes digitalization. Digitization will be thoroughly implemented first to realize DX with unprecedented speed and scale. Specifically, we will (1) completely break down and reorganize work processes, (2) visualize the work processes using data, (3) first determine what needs to be commonized and standardized, and limit customization as much as possible based on the concept of separation of fixed and variable elements to design/redesign the work process. In doing so, we will strive to eliminate manual data processing and standardize work processes. Then we can finally (4) implement systems, and (5) perform verification and corrections based on data.

DX Strategy by Business

(1) Growth Business: Aero Engines and Space

In the aero engines field, digital infrastructure will be strengthened under the Fit to Standard approach, while at the same time reforms for production efficiency, development processes, and business structure will be promoted along with carbon neutrality. A digital thread will be completed to connect such data comprehensively and realize world-class efficiency so as to achieve "catching up with the world and overtaking it."

(2) Development-focus Business: Clean Energy

New business creation will be actively sought from the viewpoint of lifecycle and value chain. For example, in building an ammonia value chain, we will work with other companies from the course of ammonia production (upstream) to combustion and use (downstream) in utilizing digital technology such as blockchains to heighten green ammonia value and expand its application. We will also aim to establish a method for efficient ammonia production utilizing digital technology.

(3) Core Businesses: Energy, Industrial Systems & General-Purpose Machinery, Social Infrastructure

Toward exploit and evolution of LCB, digital technology will be used to pursue both customer success and work process reform. Specifically, data linkage with customers and partners will allow information regarding status and operation plans for facilities owned by customers including those manufactured by other companies to be gathered, so that we can resolve issues for customers throughout entire lifecycles. In conjunction with this, we will also promote work process reform and enhance speedy development and provision of products and services.

DX Strategy in Head Office Functions

Toward achieving goals in "Group Management Policies 2023," drastic work process reform will be promoted using digital technology for functions of the head office such as finance and human resources, aiming to build a corporate structure that can achieve not only DX but also transformation of businesses.

DX in the broad sense

Stage to aim for going forward

DX in the narrow sense

Stage headed toward being achieved

Digital Transformation(DX)
Business reform with digital technology

Business model reform for solving customers' and social issues

Digitalization
Digitalization of work processes

Work process reform that utilizes digital technology for performing business in a speedy and efficient manner

Digitization
Digitization of information

Digitize business information that has not yet been digitized

Officers' Messages Toward Transformation   **Implementation Strategy to Realize Transformation**   Sustainability Management to Support Transformation   Data

Response to Operating Environment Changes, Corporate Structure Transformation

(1) Financial DX

We will aim to make operations thoroughly efficient and sophisticated for management that can make decisions quickly based on data. Necessary data to do so will be identified, work processes involved in finance and performance of the IHI Group overall will be restructured, and a system for efficient data collection, accumulation, and utilization will be created. Through consolidation, automation, etc. of resulting standardized work processes, we will aim to reduce management/indirect operations and optimize resources.

(2) Human Resources DX

To achieve transformation in business and corporate structure, it is necessary to promote the developing and recruiting of innovative human resources, as well as allocate human resources in an agile and appropriate manner. By building a system to visualize and manage human resource information such as skills, qualifications, evaluations, career history, work engagement, etc. in addition to information such as capabilities required for achieving business strategies (talent management system), we will strive to optimize developing and recruiting human resources and allocating them.

Advancement of Digital Infrastructure Essential for Business Transformation

The following measures will be implemented to achieve (1) digital infrastructure for creating a new business model with global competitiveness, and (2) digital infrastructure for dramatic production and business process reforms, as outlined in "Group Management Policies 2023."

(1) Developing/strengthening of DX and digital human resources

To use digital technology to transform business models and work processes themselves with an understanding of social issues and customer value requires human resources that understand DX and are capable of transformation (DX human resources), as well as human resources that can support such transformation and the DX human resources who promote it using digital technology such as AI/data analysis, information security, and ICT

(digital human resources). To develop DX human resources, we will work alongside the management and specialist human resource training program at IHI Academy to provide education according to job specifications for all IHI Group employees. Our policy is also to actively recruit externally.

(2) Establishment of data management infrastructure

Data governance will be established after which data management infrastructure will be built bundling data and tools that can be used company-wide beyond SBU and business area boundaries, to strive for further advancement. Internal data generated by finance, human resources, and work processes, external data such as data for customers' facilities made by IHI and other companies,

application tools being used at various work sites, etc. will be collected and accumulated and made available for reuse.

(3) Systems and information security

SBUs and subunits have thus far individually invested in systems, but going forward systems governance will be established aiming to optimize investment and costs for systems as a group overall. To carry out DX, it will become necessary to link and share data and information with companies outside the IHI Group, customers, and partners, while meticulous information security measures will be needed. To establish both convenience and security, a network infrastructure will be built based on the concept of zero trust.

● **Overall Image of the Group DX Strategy 2023**