

Conventional Businesses

We position the three business fields of Resources, Energy & Environment, Social Infrastructure, and Industrial Systems & General-Purpose Machinery as the businesses that form the core of the IHI Group.

They play the role of generating management resources (cash and human resources) to be invested in the Growth and Development-focus Businesses through exploitation and evolution of Lifecycle businesses (LCB) and structural reforms.

Value to Be Created

Resources, Energy & Environment, Social Infrastructure, and Industrial Systems & General-Purpose Machinery Businesses will create value through the lifecycle of machines and equipment owned by customers (e.g. failure prediction and extension of product life span). We will get into the lifecycle of customer businesses even further and feedback the insights we gain to the customers so as to offer more advanced products and services to them. The Conventional Businesses account for about 79% of the consolidated revenue in fiscal 2023 and about 58% of operating profit excluding special factors.

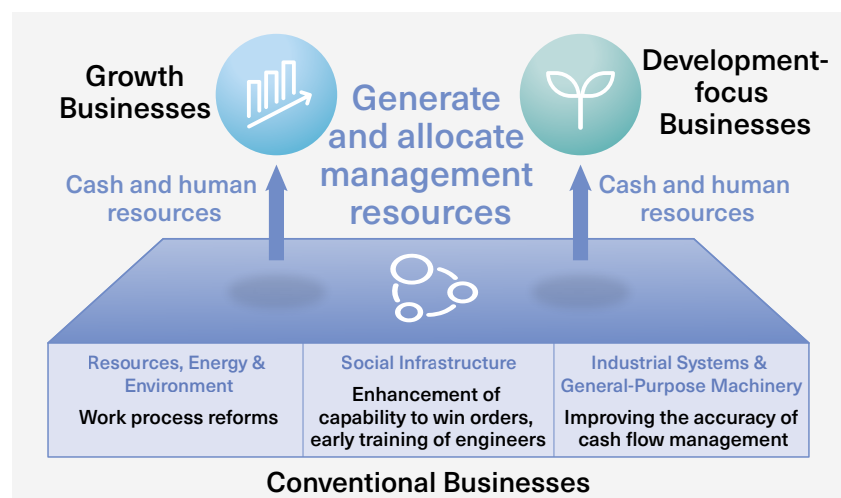
Roles in the “Group Management Policies 2023”

The expected roles of the Conventional Businesses are not only to make profits and earn cash to achieve management targets, but also to generate management resources, such as cash and human resources to be allotted to the Growth Businesses and Development-focus Businesses.

Strategies for Realization

The Conventional Businesses have been driving forward improvement of business efficiency through reduction of working capital, work process reform, and utilization of digital infrastructure so that they can maximize their operating cash flows. Resources, Energy & Environment has embarked on reforms of work processes to transform itself from the existing businesses into a Lifecycle business. Social Infrastructure is driving forward early training of engineers, enhancing the capability to win orders. Industrial Systems & General-Purpose Machinery is implementing measures including to improve the accuracy of cash flow management. We are working on expansion of the Lifecycle businesses in each field and aiming for sustainable growth.

Capital Flow Centered on the Conventional Businesses



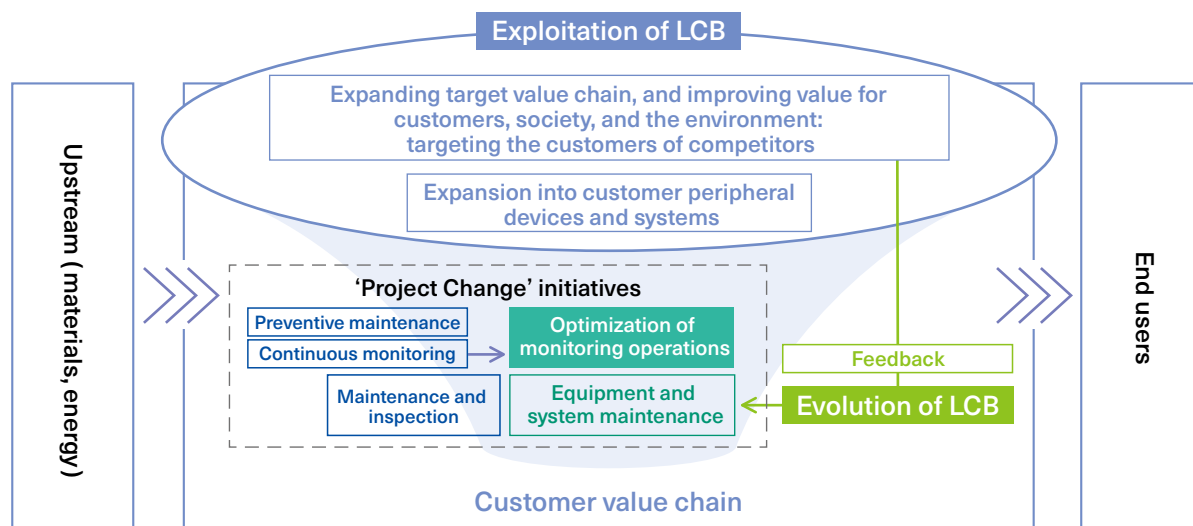
Value Created by Lifecycle Businesses (LCB)

We will accelerate achievement of strong sustainable growth and transformation into a company that can quickly adapt to disruptive environmental changes by transforming the existing business model centered on products and services into a LCB, which offers value throughout the lifecycle of customer businesses.

Growth Strategy of LCB

Resources, Energy & Environment is pursuing LCB-centered work process reform and organizational restructuring, leveraging DX as well as the expansion of the scope of its business, including introduction of LCB in boilers supplied by other companies and nuclear energy projects. In Social Infrastructure, we aim to expand into the infrastructure management business leveraging various DX tools. We will be carrying out bridge maintenance and management operations utilizing the IHI Group's proprietary bridge management support system (BMSS), consulting business including proposals for extending infrastructure life spans, and water gate inspection leveraging the GBRAIN water gate inspection support system and smartphones. Industrial Systems & General-Purpose Machinery boasts a large number of products, diverse human resources and technologies, and customer networks. Leveraging these strengths, we will expand LCB by working on the creation of new value that goes beyond the framework of products and SBU, not constrained by conventional boundaries and adopting the perspective of customers and markets.

Growth Strategy Centered on Exploitation and Evolution of LCB



Trends in LCB's Performance

We started focusing on LCB from fiscal 2019, when the Medium-Term Management Policies "Project Change" was launched. Each business has been strengthening efforts for business expansion and development of mechanisms with LCB in their mind, which has been steadily bearing fruits. In fiscal 2023, net sales of LCB expanded 52% compared to fiscal 2019.

Change in LCB Revenue Index

