

## Value Creation Story to Achieve IHI Sustainability Goal

In order to realize the IHI Sustainability Goal to "Create a World where Nature and Technology Work in Unity," the IHI Group has drawn up a value creation story looking 10 years into the future, which helps guide the ESG management practices guided by our unchanging desire to tackle social issues since our founding.

### Key points of business process

The business process at the center of the IHI Group's value creation story is based on the "Group Management Policies 2023" and its forward-looking focus on the theme of "creating value chains."

In "creating value chains," we must create markets rooted in our technological and product strengths and offer value that exceeds expectations. To achieve this, it is important to view the entire market from

a value chain perspective and a lifecycle perspective, and to chain value from upstream (raw material procurement and manufacturing) to downstream (sales and after-sales services).

### Our awareness of social issues

Since its establishment, the IHI Group has sought to address social issues through its business activities and to increase both social and corporate value. This commitment

endures today as our management philosophy to "Contribute to the development of society through technology."

In a rapidly changing social environment, the IHI Group engages in dialogue with stakeholders to identify key social issues and bases its business activities on these priorities. At present, we have identified "decarbonization," "resilience," "ecosystem," and "security" as issues to be resolved, and we are actively working toward each. Specifically, we will provide value to society through "achievement of carbon neutrality," "realization of resilient social infrastructure," "building an ecosystems," and "contribution to social security."

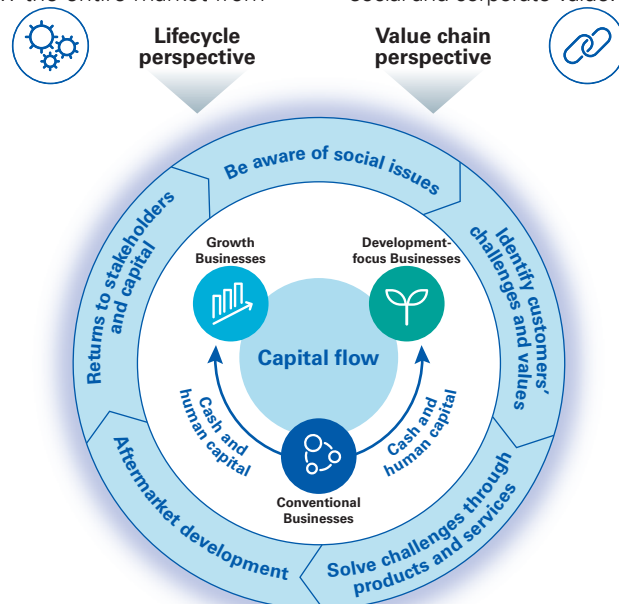
► See "IHI Group Material Issues" for information about our identification of social issues. p.19

### Identifying customers' challenges and values

The IHI Group seeks to address social issues through its business while achieving sustainable growth for both society and the Group itself. To accomplish this, it is vital to examine customer needs from both a value chain perspective and a lifecycle perspective, uncovering issues and sources of value that customers may not yet recognize themselves.

Traditionally, the IHI Group has delivered value created through its technologies primarily in the form of products. Going forward, by accurately understanding the intrinsic issues and requirements of our customers, we will develop new products and services that integrate engineering and after-sales services, alongside our continued provision of advanced technologies and products. Through these efforts, we will support the sustainable growth of our customers' businesses and contribute to the resolution of social issues.

► See "IHI Group's Competitive Advantage" for more information about identifying issues and values p. 26



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**Solving challenges through products and services and developing the aftermarket**

The IHI Group's businesses consist of Growth Businesses (aero engine and space), Development-focus Businesses (clean energy), and Conventional Businesses (resources, energy & environment, social infrastructure, and industrial systems & general-purpose machinery). In the Conventional Businesses, the Group aims to exploit and evolve the provision of value (through lifecycle businesses, or LCBs) with focus on the entire lifecycle of customers' businesses. Cash and human capital generated by the Conventional Businesses are strategically invested in Growth and Development-focus Businesses.

The IHI Group seeks to become a leading player in emerging markets by leveraging its technological strengths and pursuing the creation of value chains from the perspective of "what markets we can build." To this end, we place emphasis on expanding our presence in the aftermarket to increase points of contact with customers and to gain insights that drive product enhancements and the creation of new value.

Moreover, many of the social issues addressed by the IHI Group are of a scale

that cannot be resolved by our efforts alone. It is therefore essential to build trust-based relationships with a wide range of stakeholders, including those in different countries and regions, and to establish systems for co-creating value chains. Through these initiatives, undertaken across the entire Group, the IHI Group continues to take on the challenge of building a sustainable society.

▶ See "Business Story" for more information about the evolution of our business activities. p. 56

**Returns to stakeholders and capital**

The social and financial value gained by solving social issues will be returned to stakeholders. To realize the IHI Sustainability Goal, the Group will make investments toward solving these social issues and improve its corporate value. In the "Group Management Policies 2023," the Group plans to allocate about 60% of its total investment budget of about 450.0 billion yen for the Growth Businesses and the Development-focus Businesses.

**Output and outcome generated by the IHI Group**

The value the IHI Group will offer to society through its business activities can be roughly divided into value co-created with stakeholders and value the IHI Group offers to society. The value co-created with stakeholders promotes mutual sustainable

growth. On the other hand, the value IHI offers to society is something that will solve the social issues it has currently grasped and will contribute to raising the sustainability of society.

**Achievement of carbon neutrality**

By creating value throughout the value chain, including transitioning to manufacturing facilities that enable the monitoring and control of CO<sub>2</sub> emissions and building partnerships, based on the acquisition of transformational human capital and fostering DE&I, we will promote energy transformation for our customers, thereby achieving carbon neutrality.

**Building an ecosystem**

By promoting the creation of products and services that realize labor saving, energy saving, and automation throughout the entire value chain, the IHI Group works to collaborate with partner companies and organizations that use the Group's technologies as a starting point to build an industrial ecosystem that can resolve social issues.

**Realization of resilient social infrastructure**

As a leading aero engine company, we support air transport and contribute to the realization of resilient social infrastructure by creating value throughout the lifecycle. This value includes maintenance, disaster prevention and mitigation, such as preventive maintenance of bridges, maintenance of water gate facilities, and advancement of water management, utilizing sensing and monitoring technologies.

**Contribution to social security**

Through shifting human capital to Growth and Development-focus Businesses, building value throughout the value chain, and improving production efficiency through DX, we will contribute to social security by strengthening defense capabilities, which is a Growth Business, and creating an ammonia value chain, a Development-focus Business, to achieve a stable energy supply.