

**IHI**

IHI Integrated Report  
**2025**

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## Editorial Policy

In the *IHI Integrated Report 2025*, we continue to present our value creation story, themed on “creating value chains,” as we did in the previous year. In this report for the fiscal year ended March 31, 2025, we have enhanced the specificity of this value creation story. We have described, as concretely as possible, how the concept of “creating value chains,” is reflected in corporate activities. In doing so, we have sought to give our readers a clear sense of the narrative that connects our medium- to long-term vision of the future with the step-by-step initiatives we are pursuing now. We want stakeholders to recognize that “creating value chains,” is not merely a concept, but a strategy for building the IHI Group’s competitive advantage.

When engaging in dialogue with stakeholders, we intend to place concrete action results at the center of the discussion. We will share not only positive outcomes, but also unforeseen results and challenges, to build anticipation for the IHI Group’s next steps. Through these forums for dialogue, we hope to receive a wide range of candid opinions and advice, which will lead to further improvement and growth. We also hope that this report will inspire a sense of excitement and hope for the future, while encouraging opportunities for dialogue with a broader range of stakeholders.

### Editorial Team of the *IHI Integrated Report*

### Disclosure framework

The *IHI Integrated Report* discloses our policies and strategies for achieving sustainable growth, as well as our progress and achievements in a consistent story. By organizing financial and non-financial information in an integrated manner and showing the connection between material issues and management, we will deepen dialogue with stakeholders and strengthen relationships of trust. We also publish a *Sustainability Data Book* that contains comprehensive non-financial information to enable stakeholders to analyze this kind of information about the Group.

Main Items	Annual Report		Latest Information
Non-financial		 <ul style="list-style-type: none"> <li>● <b>Sustainability Data Book</b>  <a href="https://www.ihi.co.jp/en/sustainable/data/sustainabilitydatabook/">https://www.ihi.co.jp/en/sustainable/data/sustainabilitydatabook/</a> </li> <li>● <b>Corporate Governance Report</b>  <a href="https://www.ihi.co.jp/en/ir/library/governance/_cms_conf01/_icsFiles/afieldfile/2024/12/17/Corporate_Governance_Report.pdf">https://www.ihi.co.jp/en/ir/library/governance/_cms_conf01/_icsFiles/afieldfile/2024/12/17/Corporate_Governance_Report.pdf</a> </li> </ul>	 <p><b>IHI website: Sustainability</b></p> <p><a href="https://www.ihi.co.jp/en/sustainable/">https://www.ihi.co.jp/en/sustainable/</a></p>
Financial	<b>Integrated Report</b>	 <ul style="list-style-type: none"> <li>● <b>Annual Securities Report</b></li> </ul>	 <p><b>IHI website: Investor Relations</b></p> <p><a href="https://www.ihi.co.jp/en/ir/">https://www.ihi.co.jp/en/ir/</a></p>

### Scope

IHI Corporation and its major Group companies

### Reporting Period

This report covers fiscal 2024, which began on April 1, 2024 and ended on March 31, 2025. However, information prior to and after this period may also be included.

### Inquiries

Please contact us via the inquiry form on the IHI website.  
[https://www.ihi.co.jp/en/contact/form/form\\_ihi\\_20701.html](https://www.ihi.co.jp/en/contact/form/form_ihi_20701.html)

### Information framework

In response to the requests of stakeholders, the IHI Group discloses information through several mediums.

### Disclaimer on Forward-looking Statements

This report contains not only past and present facts regarding the IHI Group, but also plans and forecasts as of the report’s date of issue and future projections based on management plans and policies. These future projections are based on assumptions and judgments made in light of information available at the time they were made, and changes in conditions could cause the results of future business activities or events to differ materially from those projected. We appreciate our readers’ understanding of these points.

## Structure of the Integrated Report

### What we aim to convey in this report

The *IHI Integrated Report 2025*'s story centers on the theme of “creating value chains”. It explains how the IHI Group is taking steps to transform itself into a company that “creates value chains”, viewed from the perspectives of the entire value chain, core technologies, human resources, corporate culture, alongside our competitive strengths. By presenting both long-term strategies and the results of short-term initiatives, plus progress in value creation strategy, this report shows how the IHI Group’s efforts to become a company that “creates value chains” will enhance corporate value.

IHI Sustainability Goal

**Create a World where Nature and Technology Work in Unity**

Creating value chains



#### Creating value chains by identifying essential issues and needs, and connecting and integrating diverse core technologies

This section outlines what “creating value chains” means, presenting the strategies and framework through which the IHI Group leverages its competitive strengths to achieve the sustainable enhancement of both social and corporate value.



#### Building earning power as a unified Group through Growth, Development-focus, and Conventional Businesses

This section presents the value creation story from a business perspective, introducing the progress of strategies and key focus points across Growth, Development-focus, and Conventional Businesses to “create value chains” and achieve sustainable growth.

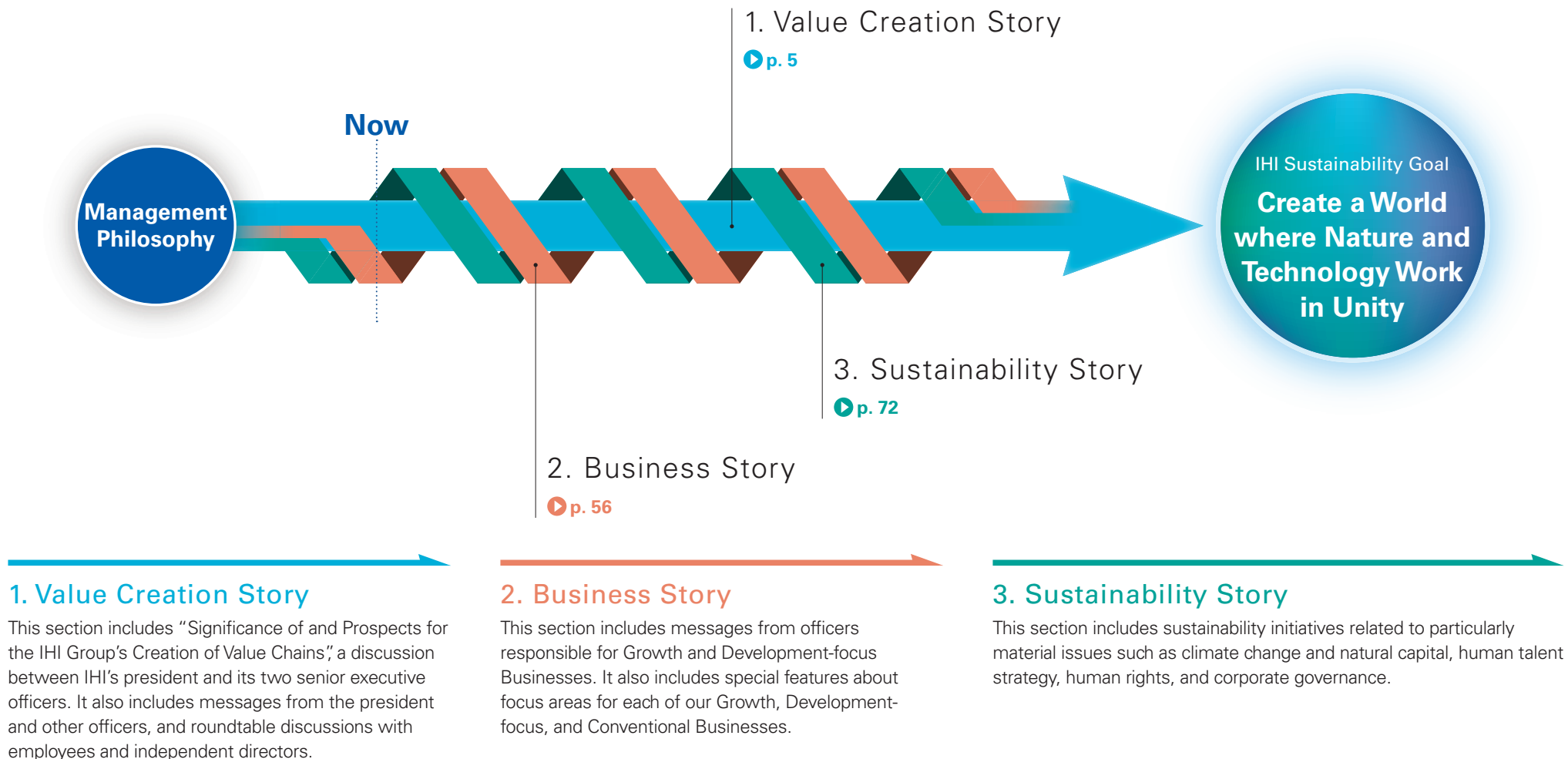


#### Advancing sustainability management through the integration of business and ESG activities

This section takes a sustainability perspective on the value creation story, highlighting progress in ESG management and focusing on material issues such as Climate Change, Diversity, Equity and Inclusion, Human Rights, and Securing and maintaining stakeholder trust.

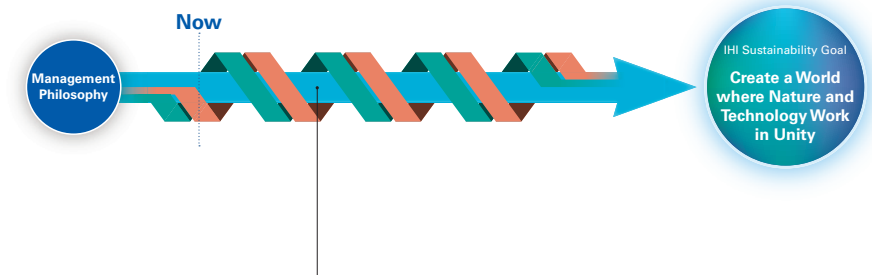
## Structure of the Integrated Report

The IHI Sustainability Goal is to “Create a World where Nature and Technology Work in Unity,” and the Group is working to make this a reality by “creating value chains.” The *IHI Integrated Report 2025* will focus on this theme of “creating value chains” as it presents the top management’s approach, business operations, and progress in ESG management. We aim to communicate this information to our stakeholders in an easy-to-understand manner through three chapters: the Value Creation Story, the Business Story, and the Sustainability Story.





- 06 Management Message
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# VALUE CREATION STORY

Creating value chains by identifying essential issues and needs, and connecting and integrating diverse core technologies

## Management Message

**Accelerating transformation  
for new value in value chain creation,  
built on diverse  
IHI Group technologies**

**Hiroshi Ide**

Representative Director and President,  
Chief Executive Officer



## Management Message

**Confronting complex social challenges to reshape ourselves and the future**

Today, we find ourselves in an increasingly unpredictable world, shaped by overlapping global issues such as rising geopolitical tensions and shifting trade policies. These conditions directly and indirectly affect the IHI Group, which operates across international borders. Faced with mounting challenges both at home and abroad, we are constantly under pressure to address each and make key decisions. The reality is that overcoming one challenge reveals yet another just behind it. To overcome these challenges and reach our desired goals, nimble and swift organizational management is essential. Our decision-making must also be both quick and precise.

At the heart of this kind of decision-making lies a management philosophy that has guided us from the beginning: “Contribute to the development of society through technology,” and “Human resources are our single most valuable asset.” These principles remain at the unshakeable heart of the IHI Group, unchanged even as the external environment continues to evolve. We are convinced that we can “Create a World where Nature and Technology Work in Unity,” precisely because technology and people are at the very core of our values. While some, including in the West, have begun to question the value of ESG initiatives, IHI Group is staying the course. We will do what needs to be done to bring about the kind of world we want to see. The fiscal year under review

marks the final stage of our “Group Management Policies 2023,” where we have aimed to fulfill our commitments and, as I will show, where we have demonstrated ourselves capable of delivering results. Over the past two years, we have worked to transform our businesses by enhancing value across the entire lifecycle and throughout the value chain. We have also pursued a bold reallocation of management resources to reinforce our portfolio of Growth Businesses and Development-focus Businesses.

**Record revenue and operating profit, but cash generation remains a challenge**

In the fiscal year ended March 31, 2025, we achieved record highs in orders, revenue, operating profit, and profit, driven by strong growth in our civil aero engine and defense businesses. These results are the fruit of long-term investment and sustained commitment from my IHI colleagues across the Group. When I joined IHI in the 1980s, thermal and nuclear power plants formed the Group’s core businesses. This foundation generated the resources needed for our first foray into the international joint development of commercial aero engines. At the time, the aero engine business was still emerging; however, our predecessors, supported by the aforementioned core businesses, steadily evolved their technologies. Today, it has become a pillar of Group performance. Today’s strong performance is the result of our collective Group efforts and forward-looking strategic investments.

Demand for commercial aero engines continues to rise, accompanied by growing demand for spare parts as passenger traffic steadily recovers. For our defense business, in response to new government policies aimed at enhancing national capabilities, we are working to meet growing demand. These sectors that were once considered “Development-focus Businesses” are now firmly “Growth Businesses.” Together, Aero Engine, Space, and Defense Business now account for over 80% of operating profit. Still, these sectors remain susceptible to market fluctuations. It is, therefore, critical that we establish additional business pillars to secure a stable and sustainable earnings base. One such potential focus is clean energy, including fuel ammonia. We





## Management Message

aim to further strengthen our corporate value by reinvesting earnings from our Growth Businesses and Conventional Businesses into this and other emerging fields.

While the Group's overall earning power is improving, we find ourselves tasked with bridging the gap between profit and cash generation. Under the "Group Management Policies 2023," we set a target of over 100 billion yen in operating cash flow, which we exceeded in fiscal 2024 by reaching over 170 billion yen. However, this result stemmed in part from temporary factors, such as reductions in working capital and tax refunds. Sustaining this level in fiscal 2025 and beyond will require further action, including structural improvements. A first step is to transform internal mindsets. Though more and more IHI Group



employees are being mindful of cash flow, many of our practices remain entrenched in old business traditions. For example, the assumption that customer payment terms are unchangeable still persists. Yet a thoughtful reassessment of the gap between payments in and payments out can help reduce working capital. Staff in sales and administration must act with the readiness to negotiate with customers, unbound by past conventions.

In fiscal 2025, as in the prior year, we will pursue two key priorities: thoroughly improving cash flow with the participation of all IHI members, and reflecting on all our business practices and reorganizing them accordingly. Each business is addressing specific challenges toward better cash flow—improving payment terms and reducing inventory, for instance—while building a healthier balance sheet. In parallel, we are encouraging employees to reassess their own businesses from the perspectives of growth and profitability, moving beyond long-held assumptions. In this way, we are building a stronger foundation for sustainable growth across the IHI Group.

### **Integration, unification, and enhancement of technologies for value chain creation and gaining competitive advantage**

In my May 2024 address during a Management Overview, I announced that "The IHI Group creates Value Chains" was to become the message guiding our direction beyond the "Group Management Policies 2023." As outlined in last year's Integrated Report, this

message reflects the IHI Sustainability Goal to "Create a World where Nature and Technology Work in Unity." Through ongoing discussions, senior management has gradually reached a shared understanding: we must move beyond simply supplying products. We must build services that amplify the value and competitiveness of IHI offerings throughout their use and lifespan.

The value that the IHI Group offers comes from its diverse technologies. We have long contributed to society in the form of diverse products that embody the value of our technologies. Senior management and employees alike have sought to boost product performance within their own spheres of responsibility. However, I must state plainly: we will not achieve sustainable growth with business as usual. Take compressors, for instance. Competing only on product efficiency invites pricing pressure. The underlying customer need here is often labor reduction or automation at their factories or other sites. Our mission is to address these profound needs directly. To do so, we combine technologies and offer engineering and after-sales services that go beyond the product itself. This integrated approach allows us to build value chains on top of our compressor products that heighten competitiveness. We refer to this set of processes as "integrating," "uniting," and "enhancing" technologies.

A representative example of these processes is our fuel ammonia value chain businesses. Here, we are building a robust value chain from upstream production

## Management Message

to downstream usage, anchored by our globally unique ammonia combustion technology and proven storage expertise. Across our Growth Businesses and even our Conventional Businesses, we will continue to pursue competitive advantage by aligning our proprietary technologies to capture opportunities across entire value chains and product lifecycles.

### Finalizing discussions to establish a business portfolio resilient against external shocks

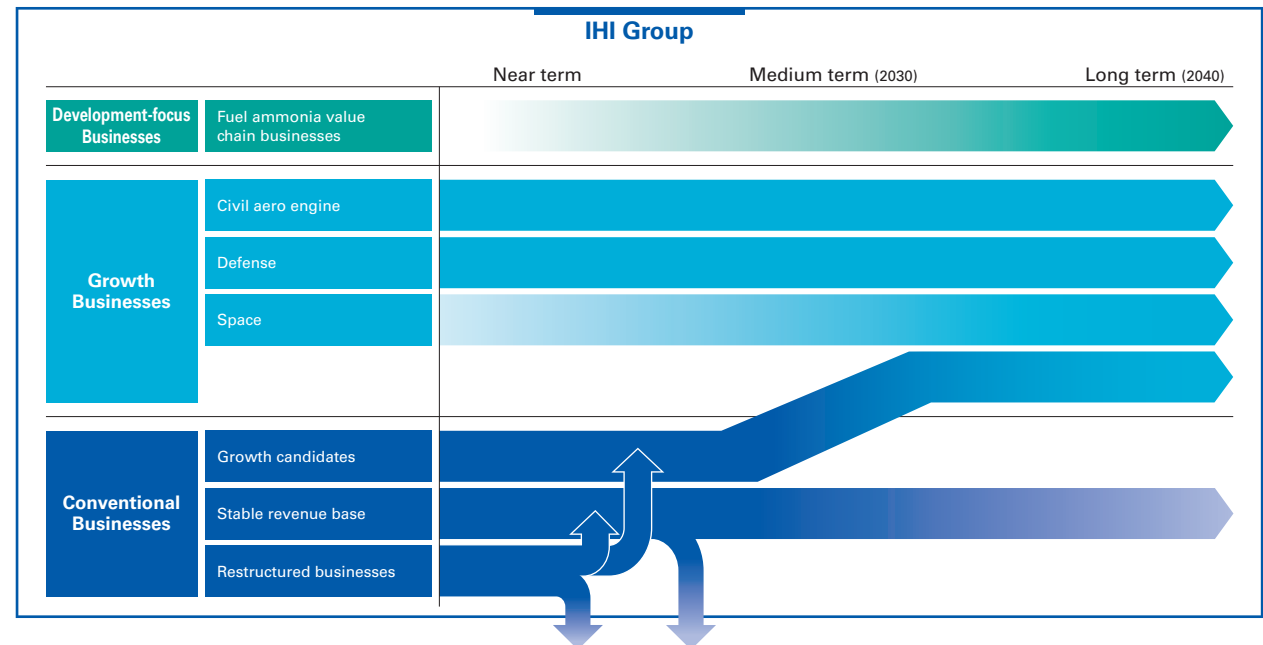
Our aim is to build a balanced business portfolio, one less susceptible to external shifts and capable of stable cash generation. Discussions about such a business portfolio are to conclude during the period for the “Group Management Policies 2023.” This undertaking is essential for the IHI Group’s continued growth. Management Committee members regularly convene with corporate divisions such as finance and corporate planning to analyze business structure and discuss how to rebalance our portfolio. These analyses are followed by in-depth discussions with each business division before key decisions are made from a management perspective. All technologies and businesses within the IHI Group hold social value. However, it is essential they be placed under the ownership best suited to environmental adaptation. The key is to determine whether IHI is the best owner for a given business or whether another party is better suited, and to select the path that benefits all involved. Our decisions regarding the transfer of

businesses such as turf care machinery and general-purpose boilers in fiscal 2024 were based on the belief that such changes would enhance competitiveness and facilitate the development of high-value-added products. While we believe this was the right course for both businesses and employees, we understand that portfolio changes can be unsettling, and we have taken care to communicate transparently. Although we have focused first on divestitures, we are also flexibly exploring inorganic growth strategies—including M&A and alliances—depending on the nature and potential

of each business. Our core decision criteria include growth potential and earnings stability and efficiency. Furthermore, we emphasize synergies and strategic fit with areas mentioned earlier, such as commercial aero engines and fuel ammonia, and whether we can build barriers to entry with our technological capabilities.

Looking ahead to the revenue structure we expect to have around 2030, the Aero Engine, Space & Defense Business will continue to be a pillar of our earnings, though their volatility threatens to destabilize our performance. For example, significant losses

### Envisaged corporate value creation



## Management Message

were incurred in 2020 through 2022 as a result of the pandemic and in 2023 due to the powder metallurgy issue found in the PW1100G-JM commercial aero engine. However, at the time of these events, revenues and profits from the other three business areas kept overall Group performance up. Thus, it is very important to maintain earning power in each of the four business areas. In light of this, the Group will continue to pursue a balanced portfolio where a greater proportion of businesses can provide stable cash generation.

### **Embedding DE&I and creating an organization where all individuals are empowered to drive change**

In addition to the human capital shift and mid-career recruitment associated with business portfolio realignment, the IHI Group must create a climate where a diverse workforce can thrive, particularly as globalization accelerates and joint development projects increase across our Growth Businesses. To this end, we have made “perceive DE&I as personal, and incorporate it into activities” a key policy as of fiscal 2024 and will accelerate these efforts further in fiscal 2025.

Some of our more rigorous businesses demand high technical skill and confidentiality, which has historically led to a degree of organizational homogeneity. Yet, to lead global initiatives, we must embrace dynamic internal change and involve individuals with varied experiences, skills, and

perspectives not previously present. The creation of new value will rely on talent exchange across divisions and active knowledge sharing. A company, I believe, should be a collective shaped by diverse views and perspectives. We are encouraging all employees to take ownership of DE&I and adjust their behavior to realize their full potential.

Alongside DE&I, it is equally important to foster psychological safety. Although frontline employees have always had varied insights, their voices rarely reached senior management. Following my appointment as president in 2020, I began visiting offices and affiliated companies, both online and in person after the pandemic subsided, to speak directly with employees. In discussions with more than 2,500 employees held over five years, I have listened to their concerns—one of the most pressing being the practice of delegating unmanageable tasks down the line. Employees were forced to accept tasks even when they were impossible or inconsistent. This creates strain on teams in the field and, over time, culminates in critical organizational issues. To prevent recurrence, we must build an environment where it is a firmly rooted concept that employees feel free to speak and confident that their voices will be heard by leadership. To that end, I am continuing my dialogue with division managers and field teams. I call upon all division heads to engage with their teams as I have, listening carefully to the voices of those on the ground.

Currently, we are advancing initiatives to support

DE&I and psychological safety while preserving the strengths of our organizational culture. These efforts to build a diversity-forward environment include our work to revise personnel systems, expanding our training programs, and strengthening cultural foundations underpinning DE&I. As DE&I’s importance takes root across the Group, there is a growing awareness in our workplaces that each person plays a role in this effort. I will continue to take the lead in encouraging behavioral change by showing how each employee can take ownership of DE&I.



Dialogue session between President Ide (far back on the right) and employees

## Management Message

### Building trust through sound governance and sustained engagement with capital markets

In last year's integrated report, I committed to eliminating negative surprises in all areas, including compliance and safety. Despite this, fiscal 2024 brought unfortunate instances of misconduct at consolidated subsidiaries. As president, I offer my sincere apologies to our customers, shareholders, and all concerned parties for the resulting inconvenience. At the same time, we are witnessing an encouraging rise in compliance awareness, with employees increasingly voicing concerns in response to messages from senior management about compliance. To prevent future issues, we are introducing talent rotation and other mechanisms designed to detect early signs of potential problems. In ensuring psychological safety, we are also implementing a self-reporting system and related measures aimed at preventing misconduct.

Alongside these efforts, we continue to enhance governance in order to build stakeholder trust. As of June 2025, the proportion of independent directors has increased from one-third to one-half. Going forward, this proportion will continue to serve as an indicator as we further reinforce supervisory functions. In addition, we are promoting individuals with diverse backgrounds to the roles of independent director and executive officer, enhancing the quality of our corporate management.

Furthermore, through dialogue with independent

directors and stakeholders, we have come to recognize succession planning as a critical issue, and we are working to design clear pathways for future leaders to gain the necessary insight and capabilities. The IHI Group views dialogue with our independent directors as one effective way to tackle this challenge. Our independent directors possess a deep understanding of our business and share a genuine concern for the future of the IHI Group. By engaging with them, we aim to develop stronger leadership capabilities among those tapped for future senior management positions.

In our communications with capital markets, we have placed emphasis over the past year on increasing both the quality and quantity of our engagement. Where previously such meetings were attended only by myself and our general manager of the Finance & Accounting Division, we now include senior executive officers and other directors in proactive IR efforts, both in Japan and overseas. Through these interactions, we have learned that investors are particularly focused on the IHI Group's growth trajectory and structural changes over the next five to ten years—far beyond the horizon of the three-year Group Management Policies.

These many dialogues often provide valuable insights that help refine our management direction, and even shed light on the issues we face. For instance, shortly after launching the "Group Management Policies 2023," I presented about our portfolio reforms to a group of European institutional

investors. One investor remarked, "I understand your aims, but can they truly be realized?" This comment underscored that our plans, while sound in concept, would be judged by our ability to execute them. It was a moment that reinforced for me that strategizing capability alone is insufficient; what earns trust is follow-through. With this realization, we have renewed our commitment to diligent execution in our management. Looking ahead, we will continue to reflect investor perspectives in management in a timely manner. The IHI Group will remain united in striving to earn trust through tangible achievement of quantitative targets.



The IHI Group ALL Hands Meeting, held with the purpose of activating two-way communication between management and employees



## Management Philosophy and IHI Sustainability Goal

### Management Philosophy

Contribute to the development of society through technology  
Human resources are our single most valuable asset

### IHI Sustainability Goal

Create a World where Nature and Technology Work in Unity

The IHI Group Management Philosophy carries a spirit of passion and conviction that has been handed down through generations. The origins of IHI trace back to 1853, when a shipyard was established in the wake of the arrival of Perry's Black Ships. We believe that the foundation of IHI was driven by a strong aspiration to use the power of technology to offer hope and a future to Japan, a nation on the cusp of facing the world's open, rough seas.

Our guiding philosophy—**"Contribute to the development of society through technology"**—has remained unchanged from our founding to the present day. Since its establishment, the IHI Group has met numerous challenges and led innovations that have supported the development of social infrastructure, introducing many Japan-first technologies and products. Our business areas have expanded from shipbuilding to energy infrastructure and aero engines, continuously broadening in scope. At the foundation of these efforts lies a profound regard for people. To build society and to create technology is, ultimately, a human endeavor. The belief that **"Human resources are our single most valuable asset"** forms the core of the IHI Group and has been the driving force behind its over 170-year history.

At the same time, the fabric of modern society grows more complex and diverse. Societal demands shift daily, amid accelerating climate change, escalating international tensions, and greater attention to human rights and DE&I. IHI confronts these challenges head-on and continues to pursue new frontiers through the combined strength of its people and technology.

The IHI Sustainability Goal—**"Create a World where Nature and Technology Work in Unity"**—is not a mere slogan. It is a statement of intent: to create a society where all people, including future generations, can live in safety and prosperity, while preserving a sustainable global environment on which life depends. This enduring mission expresses the IHI Group's reason for being: to continue fulfilling the expectations of society through its unwavering commitment to people and technology, in every era.

## Our Businesses at a Glance

Since its founding more than 170 years ago, the IHI Group has leveraged technologies cultivated in shipbuilding as a springboard to expand the scope of its business. Today, we are engaged in four business areas Resources, Energy & Environment; Social Infrastructure; Industrial Systems & General-Purpose Machinery; and Aero Engine, Space & Defense. Going forward, we will continue contributing to the development of society through our businesses.

### Resources, Energy & Environment Business Area



IHI's products and services provide the energy and industrial growth needed for the modern conveniences we enjoy, while also being environmentally friendly. We strive to provide comprehensive solutions tailored to each specific region and customers, in order to contribute to decarbonization and the circular economy.

Revenue

**¥411.4 billion**

Main businesses

#### Conventional Businesses

- Carbon solutions (power plants, process plants)
- Power systems (power systems for land use, reciprocating engines, gas turbines)
- Nuclear energy (components for nuclear power plants)

#### Development-focus Businesses

- Carbon solutions (utilization of ammonia, carbon recycling, methanation, etc.)
- Power systems (ammonia-fired engines, electrification of ships, etc.)

### Social Infrastructure Business Area



Our years of experience with bridges and water gates has resulted in technology and intuition capable of providing safe and reliable public infrastructure throughout the world, as well as continued service throughout the product's lifecycle.

Revenue\*1

**¥146.0 billion**

Main businesses

#### Conventional Businesses

- Bridges and water gates
- Shield systems
- Transportation systems

### Industrial Systems & General-Purpose Machinery Business Area



From compressors to parking systems and heat treatment facilities, we offer a diverse selection of solutions worldwide. We also contribute to the development of industry infrastructure by collaborating with our customers to optimize operations over the entire product lifecycle.

Revenue\*2

**¥484.8 billion**

Main businesses

#### Conventional Businesses

- Vehicular turbocharger
- Parking
- Rotating machinery (compressors/separation systems/turbochargers for ships)
- Heat treatment and surface engineering
- Logistics and industrial systems (logistics systems / industrial machines)

### Aero Engine, Space & Defense Business Area



We will leverage our core technology in "Propulsion" to open new vistas for air transportation, defense systems, and space utilization, helping to bring forth a safe and affluent society.

Revenue

**¥555.7 billion**

Main businesses

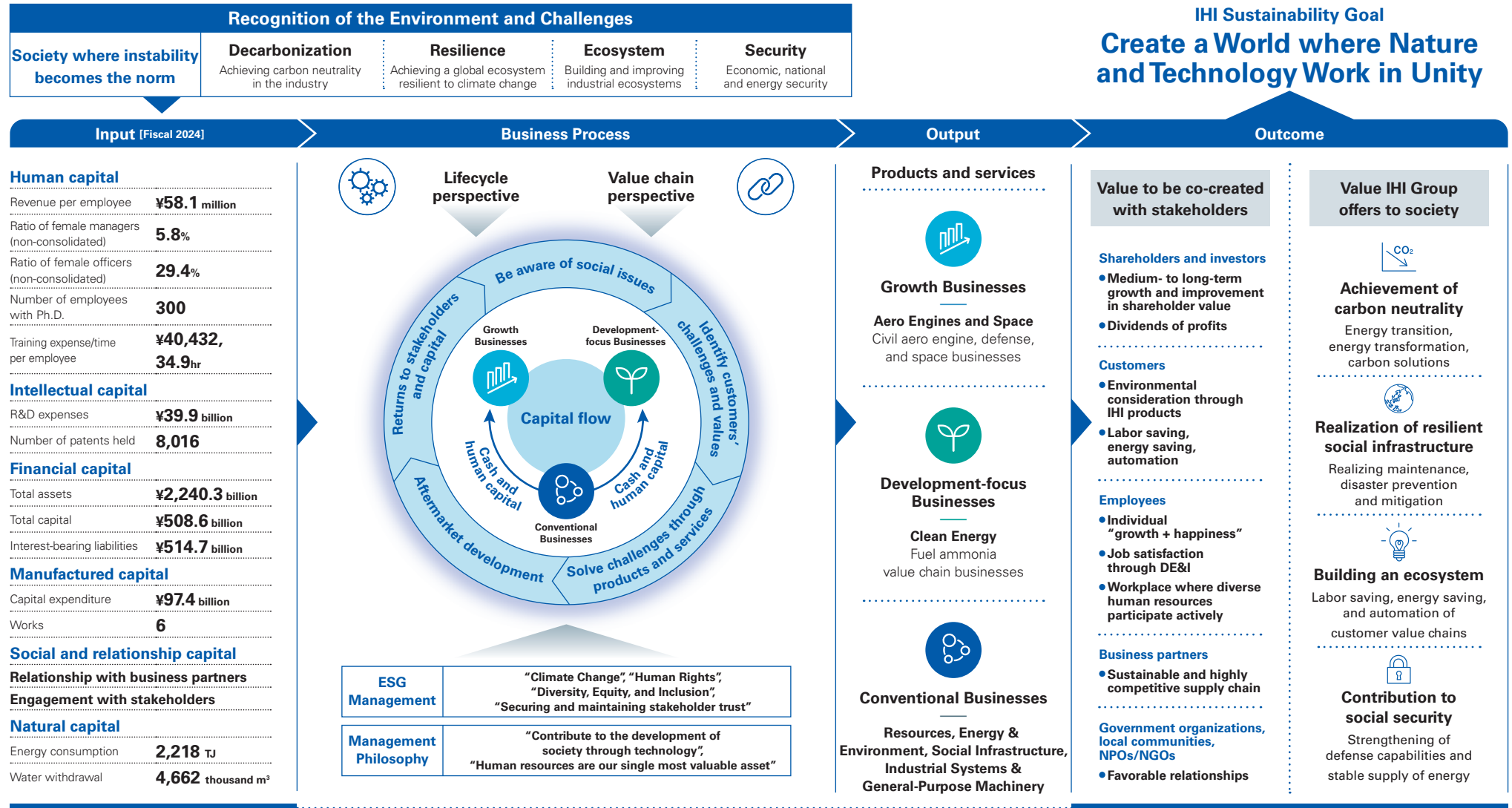
#### Growth Businesses

- Aero engines (civil and defense)
- Defense systems
- Rocket systems and space utilization systems

\*1 Revenue includes concrete construction materials and excludes urban development

\*2 Revenue includes transport machinery

## Value Creation Process Diagram



## 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."

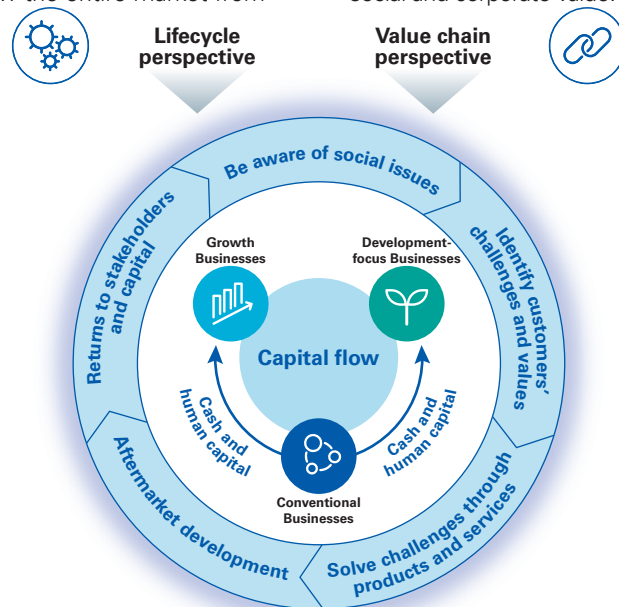
► See "IHI Group Material Issues" for information about our identification of social issues. p.19

### 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





## Value Creation Story to Achieve IHI Sustainability Goal

**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.

## The IHI Group's management capital

The IHI Group seeks to address social issues and achieve sustainable growth through the use of management capital.

	Vision	Input	Our awareness of the situation	Main improvement measures
<b>1</b>  <b>Human capital</b>	<p>The IHI Group has been strengthening human capital based on the “Group Human Talent Strategy 2023” linked with the “Group Management Policies 2023.” In order to achieve business transformation and corporate structural reform, we will implement human talent strategies aiming to balance a “Good + Strong” company and “Growth + Happiness” for all individuals.</p>	<p>*Fiscal year ended March 31, 2025</p> <ul style="list-style-type: none"> <li>● Revenue per employee <b>¥58.1</b> million</li> <li>● Ratio of female managers (non-consolidated) <b>5.8%</b></li> <li>● Ratio of female officers (non-consolidated) <b>29.4%</b></li> <li>● Number of employees with Ph.Ds <b>300</b></li> <li>● Training time and expense per employee 34.9hr, ¥40,432</li> </ul>	<ul style="list-style-type: none"> <li>● Bringing about change requires fresh ideas and insights from talent outside our organization</li> <li>● To transform into a company that “creates value chains,” behavioral change is required by each and every employee</li> </ul>	<ul style="list-style-type: none"> <li>● Aggressive recruitment of mid-career hires</li> <li>● Revision of evaluation and compensation systems to where any employee, may take on challenges freely and repeatedly</li> <li>● Introduction of the Career Challenge Program, an internal side job system, and a second job program</li> <li>● Development of management and professional human capital by the IHI Academy</li> </ul>
<b>2</b>  <b>Intellectual capital</b>	<p>We will work on technology development to continuously provide new value, aiming to solve issues faced by society and our customers. Aiming to expand Growth Businesses, create business in Development-focus Businesses, and strengthen the competitiveness of Conventional Businesses, we will conduct everything from basic research to practical application in collaboration with a variety of partners.</p>	<ul style="list-style-type: none"> <li>● R&amp;D expenses <b>¥39.9</b> billion</li> <li>● Number of patents held <b>8,016</b></li> </ul>	<ul style="list-style-type: none"> <li>● To survive and lead amid harsh global competition, we must remain at the forefront of cutting-edge ecosystems and cultivate robust partnerships with top-tier institutions and enterprises</li> </ul>	<ul style="list-style-type: none"> <li>● Introduction of an R&amp;D support system for technological innovation from a long-term perspective</li> <li>● Pursuit of open innovation with enterprises and research institutions and building a “coalition of the capable”</li> </ul>
<b>3</b>  <b>Financial capital</b>	<p>We will strengthen our cash flow generation and actively invest in business transformation to achieve sustainable high growth, while balancing the expansion of our financial base and shareholder returns. In returning profits to shareholders, we aim to provide stable increases in dividends.</p>	<ul style="list-style-type: none"> <li>● Total assets <b>¥2,240.3</b> billion</li> <li>● Total capital <b>¥508.6</b> billion</li> <li>● Interest-bearing liabilities <b>¥514.7</b> billion</li> </ul>	<ul style="list-style-type: none"> <li>● Achieved record-high figures in orders received, revenue, operating profit, and profit</li> <li>● Issues remain in generating cash flows</li> </ul>	<ul style="list-style-type: none"> <li>● Transformation of mindsets toward reducing working capital</li> <li>● Integrated management system for strategy and finance through Strategy and Performance Confirmation Meetings</li> </ul>

## The IHI Group's management capital

	Vision	Input	Our awareness of the situation	Main improvement measures
<b>4</b>  <b>Manufactured capital</b>	Through our products and services, we aim to solve social issues and realize a safe, secure, and affluent society. We aim to establish manufacturing sites that place the highest priority on the safety and quality of our products and services, minimize environmental impact, and give full consideration to the safety of our employees.	<ul style="list-style-type: none"> <li>Capital expenditure <b>¥97.4</b> billion</li> <li>Works <b>6</b></li> </ul>	<ul style="list-style-type: none"> <li>New repair building at Tsurugashima Aero-Engine Works scheduled to start operation in FY2026</li> </ul>	<ul style="list-style-type: none"> <li>Improve production efficiency through DX</li> <li>Establishment of the Transformation Center in Growth Businesses</li> </ul>
<b>5</b>  <b>Social and Relationship Capital</b>	We uphold Human Rights, customer relationships, supply chain management, corporate citizenship, and others as material issues, strengthen engagement with the social and relationship capital, and engage with stakeholders in other countries and regions under the leadership of the top management.	<ul style="list-style-type: none"> <li>Relationship with business partners</li> <li>Engagement with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Engagement must be improved with various stakeholders to create value chains</li> </ul>	<ul style="list-style-type: none"> <li>IHI Group Human Rights Committee reorganized as the Human Rights and DE&amp;I Committee</li> <li>Human rights impact assessments (FY2022 to FY2024)</li> <li>Lectures on respect for human rights</li> <li>Contract concluded with EcoVadis to strengthen supply chain management</li> </ul>
<b>6</b>  <b>Natural capital</b>	We established the Environment Committee chaired by the officer in charge of ESG. The committee deliberates and determines the measures to address Climate Change, Circular Economy, and Conservation of the Global Environment in plants and offices. The environmental management system has been established at each primary production plant as we strive to enhance the level of environmental management.	<ul style="list-style-type: none"> <li>Energy consumption <b>2,218</b>TJ</li> <li>Water withdrawal <b>4,662</b> thousand m<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>Reduction of 9,000 t-CO<sub>2</sub>e by FY2024 against the target of 12,000 t-CO<sub>2</sub>e reduction in total Scope 1 and 2 emissions</li> <li>Coal-fired power generation boilers account for the majority of Scope 3 emissions. With the completion of new boiler construction, emissions are expected to decrease significantly from FY2026 onwards</li> </ul>	<ul style="list-style-type: none"> <li>Energy transition using fuel substitution technology with fuel ammonia</li> <li>Energy transformation through ammonia-fueled gas turbines, aircraft electrification, and fuel substitution</li> <li>Carbon solutions with carbon dioxide capture, utilization and storage (CCUS) and methanation technologies</li> </ul>
<b>Corporate culture that leverages capital</b>	<div> <div> <b>Our vision</b> A corporate culture in the IHI Group that values diversity and is founded in respect for human rights. Based on this culture, we encourage our employees to take on challenges without fear of failure in order to build businesses that solve social issues. </div> <div> <b>Improvement measures</b> <ul style="list-style-type: none"> <li>Taking ownership of DE&amp;I</li> <li>Establishing opportunities for dialogue between the president and employees</li> <li>Internal lectures on respect for human rights</li> <li>Compliance</li> <li>Creating safe and secure workplaces</li> </ul> </div> </div>			

## IHI Group Material Issues

The IHI Group has identified material issues to be prioritized to achieve sustainable growth as a company and realize a sustainable society.

As part of Project Change, formulated in 2020, the IHI Group is striving to "Create a World where Nature and Technology Work in Unity" in the near future. By setting this goal, the social issues the Group need to address along with the values it aims to provide have been clarified. The Group has re-identified and revised its material issues according to the significance of each of the social issues to address with the goals of becoming carbon-free, disaster prevention and mitigation, and materializing fulfilling lifestyles.

Subsequently, IHI Group ESG Management announced in November 2021 aims to address the global challenge of climate change, respect the human rights of those involved in the Group's businesses, and empower diverse human resources as the driving force behind value creation. The Group has identified particularly important issues that should be prioritized as ensuring that its human resources are active and earning trust from its stakeholders through integrity management.

### Identification Process of Material Issues





## IHI Group Material Issues

## Targets and results regarding material issues

	Material Issues		Vision	Metrics and Targets	Main Results for FY2024
Environment	Climate Change			<ul style="list-style-type: none"> <li>2050: Achieve carbon neutrality throughout the entire value chain</li> <li>FY2030: Reduce GHG emissions (Scope 1, 2) in half compared to FY2019</li> <li>FY2025: Reduce GHG emissions (Scope 1, 2) by 12,000 t-CO<sub>2</sub>e compared to FY2022</li> <li>FY2025: Reduce energy consumption intensity by 3% compared to FY2022</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions (Scope 1, 2): 197,274 t-CO<sub>2</sub>e, reduced by 18,479 t-CO<sub>2</sub>e (compared to FY2022)</li> <li>Energy consumption intensity: 13.6TJ/10 billion JPY, reduced by 19.6% (compared to FY2022)</li> </ul>
	Conservation of the Global Environment		<ul style="list-style-type: none"> <li>Reduce the environmental impact of the entire social system</li> </ul>	<ul style="list-style-type: none"> <li>Environmental accidents: 0</li> <li>Environmental law violations: 0</li> </ul>	<ul style="list-style-type: none"> <li>Environmental accidents: 0</li> <li>Environmental law violations: 0</li> </ul>
	Circular Economy			<ul style="list-style-type: none"> <li>FY2025: Reduce waste emissions by 3% or more compared to FY2022</li> <li>FY2025: Reduce water withdrawal by 3% or more compared to FY2022</li> <li>FY2025: Determine final disposal amount of more than 90 wt% of all waste</li> </ul>	<ul style="list-style-type: none"> <li>Waste emissions: 21,942 t, reduced by 4.8% (compared to FY2022)</li> <li>Reduction in water withdrawal: 4,662 thousand m<sup>3</sup>, increased by 15.5%* (compared to FY2022)</li> <li>* Water withdrawal increased due to increased production</li> <li>Final disposal amount: 59.3 wt% of all waste was determined</li> </ul>
Society	Diversity, Equity, and Inclusion		<ul style="list-style-type: none"> <li>Employees are fully able to demonstrate their talents based on common values</li> <li>Connecting the power of diversity to value creation</li> </ul>	<ul style="list-style-type: none"> <li>FY2030: Increase the ratio of female Officers to 30% or higher</li> <li>FY2030: Increase the ratio of female Managers to 15%</li> <li>FY2026: Increase the ratio of female Managers to 7%</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of female Officers: 29%</li> <li>Ratio of female Managers: 5.8%</li> <li>Ratio of female hires (university graduates): 19.8%</li> </ul>
	Work-style and Operational Process Reforms		<ul style="list-style-type: none"> <li>Improving productivity within the entire organization</li> </ul>	<ul style="list-style-type: none"> <li>FY2026: Increase the ratio of female hires to approximately 20% among university graduates</li> <li>FY2026: Increase the employment rate of people with disabilities to 2.7%</li> </ul>	<ul style="list-style-type: none"> <li>Employment rate of people with disabilities: 2.58%</li> <li>Employee engagement: 55 points (improved by 1 point compared to FY2023)</li> </ul>
	Occupational Health and Safety		<ul style="list-style-type: none"> <li>Ensure workplace environment in which all employees can work safely and in good health</li> </ul>	<ul style="list-style-type: none"> <li>FY2024: Occupational health and safety rate Less than 0.6 (works divisions) Less than 1.2 (construction divisions)</li> </ul>	<ul style="list-style-type: none"> <li>Cases of occupational accidents (injuries with no time lost or higher, in Japan): 66</li> <li>Occupational health and safety rate: 1.21 (works divisions), 2.13 (construction divisions)</li> </ul>
	Human Rights		<ul style="list-style-type: none"> <li>Proactively fulfill the responsibility toward respecting human rights for all people</li> </ul>	<ul style="list-style-type: none"> <li>Conduct human rights impact assessments for about 160 IHI Group Companies in three years</li> </ul>	<ul style="list-style-type: none"> <li>Total number of companies conducting human rights impact assessments: 143 (of which 47 in FY2024)</li> <li>Established a reporting desk as a grievance mechanism that can be utilized by all stakeholders in the IHI Group's value chain</li> </ul>
	Supply Chain Management		<ul style="list-style-type: none"> <li>Build sustainable supply chains</li> </ul>	—	<ul style="list-style-type: none"> <li>Selected 514 important first-tier business partners (24% of approximately 9,000 first-tier business partners)</li> </ul>
	Corporate Citizenship		<ul style="list-style-type: none"> <li>Engage in social contribution activities that enhance the value of the IHI Group while helping to foster the creation of a habitable and prosperous world</li> </ul>	—	<ul style="list-style-type: none"> <li>Total expenditure for social contribution activities: 483 million JPY (49 million JPY decrease compared to the previous fiscal year)</li> </ul>
	Customer Relationships		<ul style="list-style-type: none"> <li>Pay full attention to the safety of the products and services and continue to improve the quality level of the products and services by confirming whether they satisfy customers and users</li> </ul>	—	<ul style="list-style-type: none"> <li>QMS certification acquisition rate for IHI and subsidiary companies in Japan and overseas: 79% (57 out of 72 target locations)</li> </ul>
Governance	Securing and Maintaining Stakeholder Trust	Corporate Governance	<ul style="list-style-type: none"> <li>To earn the trust and support of the IHI Group's shareholders over the long term</li> </ul>	—	<ul style="list-style-type: none"> <li>Introduced ESG Index for the purpose of promoting ESG management in performance-based bonuses (annual incentives) for Officer remuneration</li> </ul>
		Compliance	<ul style="list-style-type: none"> <li>Not only complying with laws and regulations, but also accurately understanding the changing values and demands of society and fulfilling its expectations</li> </ul>	—	<ul style="list-style-type: none"> <li>Compliance Hotline reports: 246 (including 9 compliance violations)</li> <li>Competition law violations: 1</li> <li>Anti-corruption law violations: 0</li> </ul>
		Risk Management	<ul style="list-style-type: none"> <li>Ensuring business continuity and the safety of Officers, employees, and their families; securing, preserving managerial resources, and maintaining public trust</li> </ul>	—	<ul style="list-style-type: none"> <li>Formulated policies, identified issues, and considered corrective measures regarding risk management</li> <li>Clarified the roles and responsibilities of each business division and corporate division and implemented risk management activities</li> </ul>
		Innovation Management	<ul style="list-style-type: none"> <li>Keep providing solutions that help solve social issues through the engineering capabilities centering on "Monozukuri" technology</li> <li>Utilizing intellectual property as a key management resource in the business activities to help solve social issues and increase customer value</li> </ul>	—	<ul style="list-style-type: none"> <li>Research and development expenses: 39.9 billion JPY</li> <li>Patent acquisitions: 598</li> <li>Patents held: 8,016 (4,029 in Japan, 3,987 overseas)</li> </ul>
		Information Security	<ul style="list-style-type: none"> <li>Ensure the confidentiality of customer and business partner information, along with company management and technical information, etc.</li> </ul>	—	<ul style="list-style-type: none"> <li>Information security measures evaluation: 3.8 (out of 5)</li> </ul>
		Timely and Proper Disclosure	<ul style="list-style-type: none"> <li>Honestly fulfill accountability for management direction and major operations</li> </ul>	—	<ul style="list-style-type: none"> <li>Dialogue conducted with investors: 604 companies (180 Japanese investors, 424 overseas investors)</li> <li>Dialogue conducted with bond investors: 19 companies (12 bond investors, 3 banks, 4 financial institutions)</li> </ul>

## Top Management Tripartite Talk



**Hideo Morita**  
Senior Executive Officer

**Hiroshi Ide**  
Chief Executive Officer

**Jun Kobayashi**  
Senior Executive Officer

## Significance of and Prospects for the IHI Group's Creation of Value Chains

The IHI Group has introduced a new guideline to create value chains, charting a course beyond its "Group Management Policies 2023."

Why is value chain creation critical to the Group's philosophy to "Create a World where Nature and Technology Work in Unity"? Three of IHI's top executives discussed the significance and prospects of this endeavor.

### Value chain perspectives as a foundation for new value creation

— Could you explain how the idea of value chain creation first emerged within the IHI Group?

**Ide:** Around 2017, the concept of shifting from selling things to selling value became the topic of lively discussion within the IHI Group. Initially, as a manufacturing enterprise, the IHI Group was uneasy with the notion of selling value. Over time, however, its members came to appreciate the importance of value creation; specifically, that value lies not only in the product itself but also in the surrounding processes.

— Was that the starting point for the current value chain approach?

**Ide:** At the time, our focus was on enhancing product and plant performance, yet we lacked insight into how those assets were used after delivery and how they related to earlier and later stages. We came to see that by understanding the value created throughout a product or plant's lifespan, including what kind of surrounding processes existed, we could deliver more meaningful value in

## Top Management Tripartite Talk

our products and services. Although we were not firmly aware of the term “value chain” at the time, we began to realize the importance of the concept, which was the starting point for our current efforts.

— For Mr. Morita and Mr. Kobayashi, what were your impressions of this shift in thinking?

**Morita:** I believe this is a vital perspective for engineers. The term “selling value” is often linked to aftermarket services, but what matters most is viewing the entire product lifecycle as a continuum and not just looking at the latter processes. A value chain, as the name suggests, systematically connects each step, offering systematic clarity on what must be achieved.

**Kobayashi:** When I took on responsibility for the fuel ammonia value chain businesses, Mr. Ide instructed me to adopt a value chain mindset. Unlike the supply chain, which emphasizes logistics and efficiency, the value chain focuses on maximizing customer value rather than just how a product is made. In the case of fuel ammonia, we work not only on equipment sales but also on production and receiving terminals, thereby enhancing the market value of our equipment offerings. This

provides customers with clear reasons to choose IHI Group equipment, while also maximizing its value for them. We believe that in addition to providing products and services, we must continue to focus on the processes surrounding these products and services to create new business opportunities and create a chain of value.

### Business and technology evolution through building value chains

— What changes do you foresee in the IHI Group’s business operations through the lens of value chain thinking?

**Ide:** Corporate activities must constantly evolve. Similarly, the IHI Group has evolved by shifting its business focus from shipbuilding (sea) to energy (land), and now to aero engines (air). As we continue this evolution going forward, I am emphasizing the need to focus discussions on how our own technologies and products can proactively address customer needs. Until now, the IHI Group has mainly taken a passive stance, providing products in response to customer requests. However, this risks relinquishing leadership in our businesses to others. Even with superior products, if we simply do what our customers ask,

we may end up competing on price alone, which will eventually exhaust us. For this reason, we must create markets rooted in our technological and product strengths and offer value that exceeds expectations. By intentionally linking our value (i.e., by creating a value chain), I believe we can escape price-based competition and achieve sustainable growth.

**Morita:** I believe that our engineers must also undergo a transformation in direction. Making a value chain requires the engineering ability to integrate systems and equipment, and engineering is an area where IHI excels. That strength depends on our foundational technologies, which are a great source of strength for us and which we must continue to refine. For example, the IHI Group was able to manufacture industry-leading high-efficiency boilers because of its advanced materials technology. The fuel ammonia value chain businesses are also founded in combustion technologies developed in the coal-fired power sector. We believe that continually refining and deepening these cutting-edge technologies is essential for realizing a value chain.

**Kobayashi:** Ammonia is currently attracting attention for its value as a transition fuel bridging a carbon society to a hydrogen society, and promises even



more diverse applications ahead. If coal-fired power plants are decommissioned, the value of fuel ammonia use would decline, given that it would be co-fired with coal. By pursuing power generation using large gas turbines exclusively fired with fuel ammonia, we can harness this as a sustainable fuel and build a sustainable business model unaffected by changes in the social structure. Ammonia also holds promise for applications outside the energy sector. We intend to pursue novel uses and help shape future markets and paradigms.



## Securing competitive advantage through value chain development

— What role does each member of senior management play in driving the efforts described so far?

**Ide:** Whenever we launch a new initiative or a policy that diverges from conventional practice, there is always a certain amount of resistance. In such situations, we recognize that it is our responsibility as upper management to clearly communicate our objectives and



the reasons for them to our colleagues and to gain their understanding. Moreover, value chain creation requires partnerships beyond the Group; it cannot be completed solely from within. We are actively cultivating relationships through executive-level outreach to achieve this. Furthermore, when building platforms from scratch, such as with ammonia, strategic investments and human capital allocation are vital. I see this as an important role for me.

**Morita:** While Mr. Ide leads major efforts inside and outside the Group, my focus is on strengthening the technical and production foundations of the value chain. For us, “technical capabilities” span traditional and modern technologies, quality control, and productivity enhancement. By aligning these elements effectively, we can develop strong value chains to serve our businesses. While strength does not always equate to profitability, technological competitiveness is essential for a sustainable value chain. Whereas trading companies have financial and networking strengths, the IHI Group’s competitive advantage lies in its technological, development, and production site capabilities, and I am responsible for these areas.

**Kobayashi:** My role as general manager of Business Development Division is

precisely to create new businesses. This does not mean chasing opportunities in existing markets, but creating new markets through our technological edge. Leveraging the cutting-edge technologies Mr. Morita described, we aim to build new markets, creating significant social impact and contributing to the IHI Group’s performance.

**Ide:** As Mr. Morita says, technology anchors value chains. Moreover, not only core technologies but also technologies that can address peripheral issues are required. For example, the commercialization of ammonia for fuel depends not only on combustion technologies but also on having technology to ensure safety. We must identify and reinforce weaker areas in the value chain to strengthen and differentiate the entire chain. I hope Mr. Morita will lead with a bird’s-eye view from a technical perspective and Mr. Kobayashi similarly from a business one.

**Morita:** There are multiple approaches to reinforcing a value chain. This can come in the form of compensating for weaknesses and erecting barriers to entry throughout the chain, or establishing world-class technologies in specific fields to make your presence dominant. In any case, it is important that engineers do not work in

isolation, but rather that they are managed in an organizational manner, meaning that their areas for demonstrating competitive advantage and future direction are clearly defined. For example, since extremely high technological standards are required in the field of aero engines, barriers to entry are high worldwide, and market expansion directly leads to business growth.

Therefore, we must continue to emphasize R&D in areas where we can leverage our current strengths and continue to gain technological competitive advantage.

**Kobayashi:** The barriers to entry mentioned by Mr. Morita are an extremely important perspective. Creating a value chain means forming a new market yourself and becoming a leader in that market. This offers competitive advantages for us and puts up barriers to entry for other companies. However, in order to create a market, the value we offer must be accepted by society. Innovation is complete only when it is accompanied by social acceptance, such as assurance of safety and institutional alignment. We must be constantly attuned to this reality as we proceed with our efforts.

## Value chain perspectives offer insights to organizational and human capital growth

— What is the strategic significance of adopting a value chain viewpoint?

**Ide:** Manufacturers often concentrate so heavily on the product that they lose sight of their surrounding environment and customer relationships. Frequently, the connection with customers ends once delivery is complete. However, by engaging in the aftermarket, we expand touchpoints, stabilizing revenue through repair parts and services and gathering feedback to refine products. This is what we have termed “lifecycle business,” an area we will continue to emphasize. Furthermore, we believe that by introducing a broader value chain orientation, our field of view, areas of activity, and target markets will be further expanded. This offers each employee the opportunity to reexamine their role and potential, which is significant in that it can help them sharpen their skills and advance their careers.

**Morita:** Speaking in terms of career development, emphasis has traditionally been on what we have called “I-shaped talent,” who cultivate expertise in a

specific field, or “T-shaped talent,” who have insights across multiple disciplines. However, recent years have revealed a need for evolution toward “π (pi)-shaped talent,” who specialize in multiple fields. Creating a value chain requires such a broader perspective and knowledge than before, no one person can handle this alone. We need talent with varying expertise and value systems, and diverse collaboration across disciplines, nationalities, languages, and backgrounds is essential. Building these collaborative skills is as important as technical proficiency.

— Is this why IHI places such emphasis on diversity, equity & inclusion (DE&I)?

**Morita:** Exactly. To extend the value chain, welcoming diversity is not enough—it must be actively integrated. Generally, diverse teams are shown to achieve better results, though aligning varied viewpoints can be difficult. It is our job as management to harness this diversity and drive collective performance.

**Kobayashi:** Value chains are rarely confined to a single country. In our work as a unified Group to develop a value chain, it is essential to go beyond internal DE&I promotion and understand the

energy policies and cultural contexts of each country and region, broadening our field of view. Doing so will broaden employee perspectives and deepen their insight. In this sense, I feel the value chain perspective is deeply meaningful.

## Key issues in value chain creation: Cultivating talent and deepening external collaboration

— What are the key challenges you face in building value chains?

**Morita:** From my perspective, the greatest challenge at present is the issue of human capital. IHI Group engineers are often introverted and tend to be self-reliant. This can be seen as the downside of our 170-year history of technical mastery, where we have always had the spirit of catching and overtaking our rivals. However, this has also fostered a preference for working within one’s area of expertise. Building a value chain requires collaboration across domains. To do this, in addition to internal human capital development, we must be open to external talent and foster systems and environments that welcome diverse contributors.

**Kobayashi:** As Mr. Morita said, value chain creation cannot be done by a single company, but instead depends on external



partnerships. Collaboration agreements, joint ventures, and other forms of collaboration can take many forms, but in each case, working with others involves certain difficulties. Though there are situations where we feel it would be more efficient to complete the work solely internally, we recognize that daring to overcome these situations is an important challenge for the future.

— What is your view on participating in top ecosystems of leading businesses and research institutions?



## Top Management Tripartite Talk

**Ide:** We are already working to take part in top ecosystems and will expand those efforts. Gaining entry is not difficult with strong name recognition and technological credentials, but being seen as a truly valuable partner requires commitment. Therefore, we believe that it is very important to have the kind of conviction and preparedness that we bring to the table.

**Morita:** In these situations, a give-and-take attitude is naturally required. To be recognized as a true partner, we must offer valuable insights and expertise, not just receive them. This demands broad technical capability and cutting-edge technologies in focused areas. This is a very high hurdle, but we see it as a challenge worth overcoming.

### Collective job satisfaction as a driver of sustainable societal and corporate development

— For some time, the IHI Group has been working to build value chains around elements such as fuel ammonia. What kind of response have you seen so far?

**Ide:** We recognize that the creation of a value chain for fuel ammonia is still in the development stages. In recent years, talk of a “hydrogen and ammonia society” has become common, but ammonia was still mostly at the laboratory level until recently. Reaching the demonstration stage and commencing commercialization in fiscal 2024 was a major achievement for us. At the same time, we feel a strong sense of responsibility and pressure to ensure that we meet rising expectations for ourselves.

— How is the progress in building value chains in areas other than fuel ammonia?

**Ide:** In the nuclear energy area, a certain value chain and industry structure already exists. However, since the Great East Japan Earthquake in 2011, the way things are done in Japan has changed dramatically, and there is a need to restructure the existing value chain. Meanwhile, overseas markets are increasingly reassessing nuclear power. We are identifying vulnerabilities and shortcomings in the current chain, particularly in Japan, and examining how

IHI Group technological strengths can complement these. Similarly, in the aero engine and space sectors, the challenge is to review and redesign existing value chains. The key is not to wait for direction from outside, but to proactively determine what value the IHI Group can offer to society and propose it. I am convinced that such an active approach is the key to building a true value chain.

— What is the direction you should aim for in the medium to long term in order to create value chains in the future?

**Kobayashi:** The IHI Group’s businesses contribute to the construction and safety of infrastructure on a global scale. Through the value chains we build, we aim to support better social infrastructure across a range of fields, including energy, transportation, and space. Our goal is to continue to be a source of such social value.

**Morita:** In a world of increasing threats to safety and stability on a global scale, we must continuously ask how to improve lives. The IHI Group has long supported public safety through its businesses, and this sense of mission is deeply ingrained

in our employees. Internal surveys reflect strong alignment with our Management Philosophy, which is very encouraging. We will continue to foster that sense of mission and conduct business that inspires confidence in the future.

**Ide:** The two pillars of the IHI Group’s Management Philosophy, “Contribute to the development of society through technology” and “Human resources are our single most valuable asset,” are closely related. In fact, nearly all employees cite a desire to address social issues as a motivation for joining us. This aspiration drives our value chain creation efforts. I am convinced that the IHI Group’s reason for being is to discover the factors that impede the development of society and to solve them with the power of technology. We will continue to value the growth and job satisfaction of each and every employee, while building an organization and culture that can bring them together to achieve sustainable development of society and the Group.

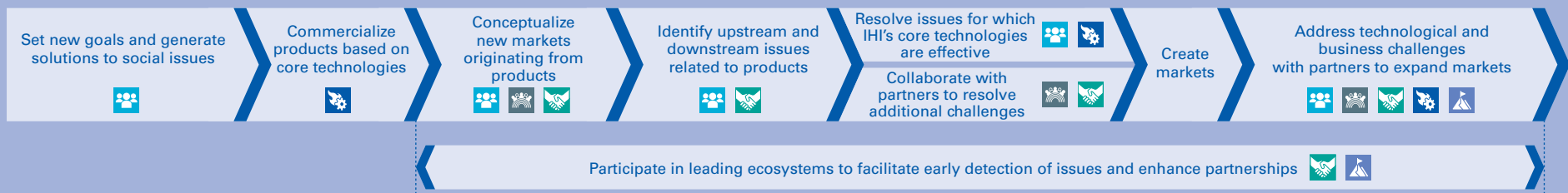
## IHI Group's Competitive Advantage

The IHI Group creates value chains by leveraging its diverse talent and technological capabilities, with a focus on resolving social challenges. We build competitive advantages by developing technologies and products and establishing partnerships to create markets (value chains) as a top player. This is supported by resource allocation and governance.

► p. 21 Top Management Tripartite Talk    ► p. 27 Message from the Managing Executive Officer (ESG)

### Value chain creation process fueled by the Group's competitive strengths

#### Value chain creation process



#### IHI's competitive strengths (1)

##### Diverse human capital



A talent pool with advanced business and technical skills committed to resolving social issues



A corporate culture of DE&I that respects diverse experiences and individuality, tackles issues, and crosses boundaries



A talent pool with diverse business experience, including global business and collaboration with government agencies

► p. 29 Message from the Executive Officer (Human Resources)

#### IHI's competitive strengths (2)

##### Technological capabilities



Continuous development capabilities of world-first technologies



Demonstrating strong technological capabilities within leading ecosystems

► p. 35 Message from the Managing Executive Officer (Group Engineering)

#### Resource allocation and governance

##### Initiatives to realize competitive advantage

- Disciplined investments and resource reallocation toward growth areas
- Improvement of cash flow and strengthening of financial foundations
- Monitoring by the Board of Directors boasting diverse experience
- Thorough compliance to prevent misconduct

► p. 39 Message from the Executive Officer (Finance & Accounting)  
 ► p. 50 IHI Independent Directors Roundtable

## Message from the Managing Executive Officer (ESG)



**Akihiro Seo**  
Managing Executive Officer  
in Charge of Group ESG

## Solving society's sustainability challenges as a method for strengthening competitiveness and creating value

### **Cultivating new markets to support social sustainability and enhance the IHI Group's competitiveness**

Since its founding, the IHI Group has addressed social issues related to infrastructure and industry through technological solutions. Today, the global challenges of climate change, biodiversity, and human rights concerns have grown more pressing and complex. These evolving

challenges call for a fundamental reexamination of the role of corporate activities and their relationship with society. The IHI Group is responding by reassessing its understanding of these issues, placing sustainability at the core of its management, and continuing its transformation into an enterprise that leverages sustainability as a source of competitive strength. At the heart of the IHI Group's sustainability efforts is the aspiration to "Create a World

where Nature and Technology Work in Unity." To this end, the Group is pursuing greater corporate value based on four identified items of materiality: Climate Change; Human Rights; Diversity, Equity, and Inclusion; and Securing and maintaining stakeholder trust.

The IHI Group's businesses are distinguished by their direct connection with social sustainability, addressing issues such as climate change, energy efficiency, and infrastructure resilience. To further sharpen our competitiveness, we are advancing initiatives in creating value chains. By establishing chains of value in which products and services enhance one another and by building ecosystems around key hardware (our core technologies and products), we are pioneering new markets. This framework for value chain creation allows the IHI Group to achieve both the resolution of social challenges and the enhancement of the Group's competitiveness. Together with our stakeholders, we will pursue the formation of a sustainable society and corporate growth by taking the lead in shaping new markets that emerge with the resolution of social challenges.

### **Harnessing environmental impact reduction as a business opportunity and pursuing sustainable growth for society and the IHI Group**

The IHI Group places the challenge of Climate Change at the heart of its business strategy, contributing directly to social sustainability by providing products and services that reduce environmental impact. For example, the IHI Group's technologies applied in factories that improve energy efficiency and streamline processes via automation not only reduce the environmental impact of the manufacturing

## Message from the Managing Executive Officer (ESG)

industry, but also help customers lower costs. Similarly, our technologies for improving aero engine fuel efficiency contribute directly to CO<sub>2</sub> emission reduction in the aviation sector and support broader decarbonization in the industry through sustainable aviation fuels (SAFs) and aircraft electrification. We are also accelerating overall industrial decarbonization through innovative technologies such as ammonia combustion in the field of clean energy. These technologies generate new value by combining economic value with environmental value, thereby accelerating our response to Climate Change.

As the officer in charge of the Group's ESG efforts, one of my key roles is to help employees understand that the Group's products and services inherently support the reduction of environmental impact, and that their spread constitutes the practice of ESG management. I strive to raise awareness so that employees are tangibly aware of how their own work contributes to society's sustainability. In discussions with employees, I occasionally hear concerns regarding the competitiveness of our offerings. Some even mention that we have not properly presented to our customers the value we bring in reducing environmental impact. We emphasize the importance of quantifying not only productivity improvements but also the value of reducing environmental impact from performance improvements and of developing a framework to communicate that value effectively to gain customer understanding.

### Advancing DE&I to build psychological safety and a competitive edge

With respect to the two items of materiality of Diversity, Equity, and Inclusion and Human Rights, we are carrying out priority measures to have employees "perceive DE&I as personal, and incorporate it into activities," something each employee is called to engage with directly. To ensure the IHI Group builds competitiveness and remains innovative as it reallocates resources to the aero engine business and reconfigures its portfolio, we must establish a flexible organization that draws upon the strengths of diverse talent and synergies across businesses.

When employees take ownership of DE&I, it fosters a shift in individual awareness and behavior, which in turn supports a broader transformation in corporate culture. This sense of personal engagement cultivates empathy and initiative, helping to dismantle unconscious biases. Other complementary efforts—including leadership development, open communication, mental health support, fair evaluations, and team-building—are vital in creating an environment of high psychological safety. These initiatives are being advanced in close coordination with the officer in charge of human resources. Establishing a workplace where all employees can harness their individuality is one of my central missions as the officer in charge of ESG.

### Securing and maintaining stakeholder trust as a foundation for sustainable corporate management

We recognize that materiality must be updated regularly. In doing so, two key principles must be upheld. First, our items of materiality must remain aligned with our management philosophy and be capable of contributing to evolving societal needs. Second, they must contribute to greater competitiveness of the Group's businesses. Materiality, in our view, should embody both of these elements. We will continue to identify items of materiality based on the concept of double materiality, striving to balance sustainable societal growth with our own corporate development.

In the realm of investor relations, we explain how the Group's ESG initiatives convert to competitive strength and value, and we encourage investors to view the Group's long-term sustainability and growth favorably. We believe that consistent engagement has deepened understanding of our value creation story and contributed to the Group's rising market valuation.

Through ESG management, the IHI Group will continue its efforts to "Create a World where Nature and Technology Work in Unity." Amid an increasingly uncertain environment, we will remain unwavering in our founding spirit by confronting social challenges with resolve. We are committed to building a sustainable future in partnership with our stakeholders, drawing on the strength of our technological capabilities as a platform.



## Message from the Executive Officer (Human Resources)



**Mamiko Saito**  
Executive Officer  
In Charge of  
Group Human Resources

## Fostering an environment where diverse human capital thrive and individual growth strengthens the whole

### Group Human Talent Strategy 2023

The IHI Group has begun its transformation into a company that “create value chains.” Central to this effort is the belief that organizational change cannot occur without individual change; each employee must take ownership of their actions, and must understand that their behavior contributes directly to the company’s evolution. As the officer in charge of human capital, my task is to build systems and cultivate an environment in which employees across the Group can make full use of their capabilities,

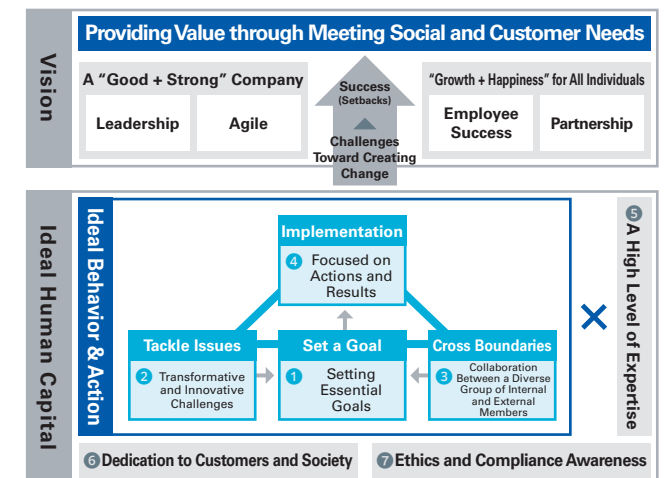
guided by a shared foundation of values.

Our Group Human Talent Strategy 2023 (▶ p. 79), shaped by the “Group Management Policies 2023,” sets forth a vision of both a “Good and Strong” company and “Growth and Happiness” for individuals. We believe institutional reform and cultivating a corporate culture that can encourage challenges for transformation will encourage behavioral change; in turn, this change will become the engine of broader organizational transformation.

### Making individual success the source of collective growth

Sustainable growth for the IHI Group depends upon the success of each individual. With this in mind, we have outlined seven elements for the human capital we seek to cultivate. Among these, we emphasize and encourage four “Ideal Behaviors & Actions”: “Set a Goal,” “Tackle Issues,” “Cross Boundaries,” and “Implementation.” We do not see these behaviors as directives to be enforced; instead, we encourage employees to think independently about how they might act, and to engage in open dialogue with their supervisors to align their aspirations with the company’s objectives.

Bringing about change also requires fresh ideas and insights from talent outside our organization. Though the recruitment of new graduates had been the mainstream, active mid-career recruitment has now allowed us to bring in new perspectives and experience. In FY2024, mid-career





## Message from the Executive Officer (Human Resources)

hires across the Group outnumbered new graduate hires, leading to greater diversity of talent.

Under these circumstances, we need programs that support the self-driven career development of employees with diverse backgrounds. As of FY2024, we have revised our evaluation and compensation systems to where any employee, regardless of age or tenure, may take on challenges freely and repeatedly. Now, performance is assessed not by age or years of service, but by demonstrated behavior and tangible results; this approach enables us to recognize and elevate talent wherever it resides, including amid mid-career hires. We are also taking steps to support senior employees. For example, we have abolished wage reductions previously applied to employees aged 60 or older. In doing so, we aim to encourage continued self-driven growth with strong motivation while ensuring that both employees and their company move forward with shared purpose.

### Stimulation of tackling issues and crossing boundaries

In my work, I emphasize helping employees to tackle issues and cross boundaries. This means to step out of their comfort zone, both in work and in territory. Though they may face failure, they are committed to tackling issues. I believe that these desires by individual employees, backed by supportive organizations, will drive transformation.

To support such efforts, we maintain the Career Challenge Program, which makes positions throughout the Group visible and accessible to internal candidates. Employees may express interest and seek transfers based on their ambitions. We have also introduced a system for

concurrent in-house positions, through which employees may devote part of their working time to projects beyond their main responsibilities, recruiting colleagues and working to bring their projects to commercial viability. In addition, our second job program permits employees to engage in concurrent work with companies outside our Group or as freelancers, drawing upon their IHI experience in new environments.

For each of our employees to tackle issues and cross boundaries with ownership in their daily work, trust between supervisors and their teams is essential. Accordingly, we are focusing on strengthening our middle management—especially in day-to-day communication, such as through one-on-one meetings. From FY2025, we will also implement 360-degree feedback, enabling managers to better understand their strengths and areas for development, and thereby refine their leadership skills.

### Cultivating leaders who will drive transformation

The IHI Academy, which reports directly to the CEO, serves as a central platform for cultivating talent capable of driving Group transformation and playing an active role globally. The academy's programs focus on two principal domains: the Management/DX Field, and the Professional Field. These programs are not confined to classroom learning; they are practical, experience-based efforts to develop conceptualization skills and organizational leadership, with an eye toward delivering value to society and our customers. To widen opportunities, we have introduced open applications for the entry levels of the management and DX programs. Through this approach, we are identifying and supporting a diverse pool of motivated

individuals who will lead the next generation.

We hope that those who complete the IHI Academy's programs will return to their respective workplaces and, through their efforts to lead ambitious efforts to create new value, initiate change not only in themselves but also in those around them, generating a whirlwind of transformation.

### Fostering a healthy organizational culture

We believe that the backgrounds, experiences, and personalities of our diverse human capital bring new insights that will be the driving force behind the creation of value chains. To this end, we are committed to fostering mindsets grounded in diversity, equity, and inclusion (DE&I), and to transforming into a necessary organizational culture where diversity becomes a source of strength in value creation. We have defined FY2024 as "Year 1 of DE&I." Throughout this first formal year of engagement, we actively created opportunities for dialogue and experience, including training sessions and a global panel discussion attended by the CEO during our All Hands Meeting. Such efforts have helped build a common understanding of DE&I across our organization.

We believe that this deepening awareness of DE&I contributes directly to a healthier organizational culture. In this culture, where individuals feel respected, valued, and free to express their views, we will continue to support mobility across business organizations, encourage dialogue at all levels, and strive toward a workplace culture that is inclusive, thoughtful, and conducive to both individual growth and collective progress.

## Roundtable on Transformational Talent



**Tetsu Suzuki**

Industrial Systems & General-Purpose Machinery Business Area  
Vehicular Turbochargers Business Unit  
Development Department, Engineering Center

**Mamiko Saito**

Executive Officer in charge of Group Human Resources  
General Manager of Human Resources Division

**Soichi Noguchi**

Head of IHI Academy

**Harue Tsukioka**

Aero Engine, Space & Defense Business Area  
Space System  
Business Development Office

### The Contributions of Transformational Talent

## Leveraging insights and challenges gained through cross-boundary experiences to drive organizational transformation

Two employees who participated in the IHI Academy program sat down with Soichi Noguchi, appointed head of the academy in April 2025, and Mamiko Saito, executive officer in charge of Group Human Resources, to exchange views on the insights and discoveries gained through the academy and to discuss what is needed to drive future transformation across the IHI Group.

### Why we seek transformational talent

**Noguchi** Please explain the definition of transformational talent within the IHI Group. Also, why does the Group need to undergo transformation across the entire organization? Could you please share your perspective on the current challenges?

**Saito** In the IHI Group, transformational talent refers to individuals who possess the passion and insight needed for the

entire Group to adapt to changes in the business environment, and who serve as symbolic figures, continuously exerting a positive influence on their colleagues. The IHI Group aims to transform itself into a company that creates value chains in order to respond to the rapidly changing social environment. To achieve this, each employee must continuously and proactively adapt their behavior throughout their career, especially by tackling issues

## Roundtable on Transformational Talent

and crossing boundaries. We recognize that creating supportive environments and systems for employees is an ongoing challenge in fostering this behavior.

### Growth achieved through the IHI Academy program

**Saito** First, please tell us about your career at the IHI Group and what you have gained from your experience at the IHI Academy.

**Suzuki** Since joining the Company, I have been involved in the development of vehicular turbochargers. Although typically designed separately from the engine, the two operate closely together, making it essential to consider them jointly from the early stages of development. On one occasion, I proposed this approach during a joint workshop with a major automobile manufacturer. This led to further collaborative development, and I was subsequently assigned to work at their company.

**Saito** Mr. Suzuki, you participated in the IHI Academy's Change Leader Program (CLP), an action learning program\* focused on transformational leadership, where participants develop a vision for change in their workplace and repeatedly engage in acquiring knowledge and skills, applying them, and reflecting on their progress. Has your experience there been useful in your work?

**Suzuki** I gained two key insights from

the CLP. The first was to think from a holistic structure perspective. Instead of focusing solely on the product I was responsible for, I worked backward from the overall mobility ecosystem to consider what kind of engines and turbochargers would be needed. This approach helped clarify the challenges and made it easier to find breakthroughs.

The second key learning was the importance of open dialogue. During the CLP, we shared in-depth personal introductions that go beyond typical workplace conversations. This helped me understand others' perspectives and backgrounds, and truly appreciate the value of building trust. I now actively foster open communication at work, which has helped strengthen our team dynamics.

**Saito** Taking a holistic view and approaching development with a reverse-engineering mindset are indispensable for value chain creation. Ms. Tsukioka, could you share your perspective?

**Tsukioka** For about 10 years after joining the Company, I worked as a plant design engineer, handling everything from basic design through to commissioning. Later, I was seconded to Paul Wurth IHI Co., Ltd., which designs and supplies steelmaking equipment. Working in an organization of around 100 people where information about

company-wide operations was shared in detail, I came to recognize the importance of a management perspective. This experience inspired me to request a transfer to the Corporate Planning Division, where I gained the ability to view the Company from a long-term perspective through work such as formulating management policies. I am currently part of the Space System Business Development Office, where I am exploring new business opportunities through the use of data obtained from space.

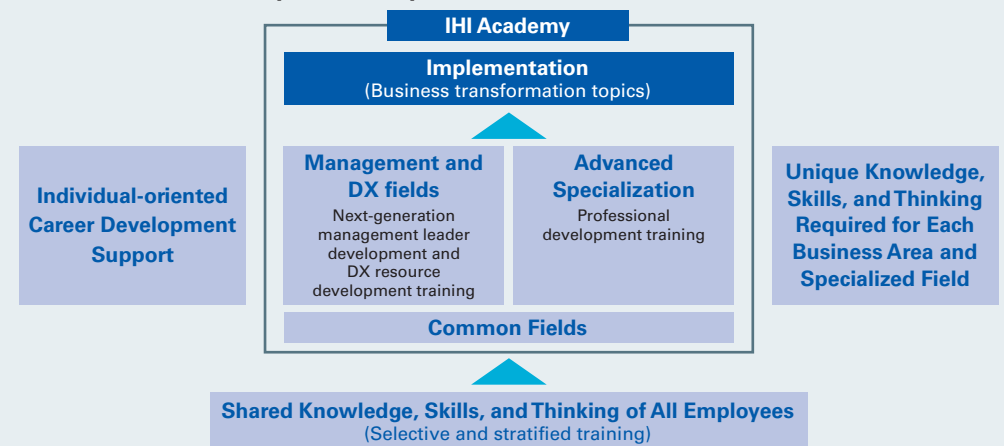
**Saito** Ms. Tsukioka, what did you learn through the IHI Academy's Cross-Boundary Program\*?

**Tsukioka** I participated in a local government's problem-solving program, conducted interviews with residents, and

based on the findings, proposed new administrative services to the mayor, receiving feedback in return. By hearing directly from residents on-site, I deeply realized the importance of a customer perspective that truly captures the needs of users. I also strongly felt the difficulty of bridging the gap between the perspectives of service providers and users, and striving to arrive at the best possible solution while understanding both viewpoints.

**Saito** When working within the IHI Group, I often feel that, as a general tendency among IHI Group employees, while they excel at delving deeply into individual issues, there remains a challenge in cultivating the ability to take a broad, high-level perspective and see the bigger picture.

### Overview of human capital development



\* Both the Change Leader Program and the Cross-Boundary Program are part of the management and DX fields.

## Roundtable on Transformational Talent

Mr. Noguchi, what are your thoughts?

**Noguchi** I also began my career as an engineer within the IHI Group, so I deeply understand the joy of manufacturing and the fulfillment that comes from focusing on the task at hand. However, the environment surrounding the IHI Group is undergoing significant changes, and simply maintaining the status quo will no longer suffice. Precisely because we have a 170-year history, we must not remain tied to the past but instead have the resolve to boldly embrace transformation. We must shed our old shell and move forward into the next era.



### Embracing diverse perspectives gained through crossing boundaries to drive transformation forward

**Saito** Mr. Noguchi, you crossed from the IHI Group to Japan Aerospace Exploration Agency (JAXA) and then returned. Did you notice any changes upon your return?

**Noguchi** I felt a significant change. When I was first with the IHI Group, it was during the era of “Japan as Number One.” There was strong confidence in our own technologies, and little awareness or willingness to incorporate outside perspectives. Now, starting with the management team, there is a heightened sensitivity toward transformation. However, a gap remains between headquarters’ awareness of the need for transformation and that of frontline teams, and bridging this gap is a key challenge going forward.

**Suzuki** Development teams are often absorbed in daily operations, making it difficult to focus on future transformation. So I think it’s important to bridge the awareness gap between on-site environments and headquarters.

**Tsukioka** To gain support and cooperation for new challenges, it’s crucial to clearly explain the risks and returns and ensure mutual understanding. However, since this process takes time, it remains the biggest challenge on the front lines of new business development.

**Saito** It appears that both of you are facing challenges in rallying support from others to drive significant initiatives forward. Do you have any advice, Mr. Noguchi?

**Noguchi** There are limits to what one person can do. I hope IHI Academy

graduates share their experiences with each other to discover insights for driving transformation. We are currently in a time of great societal change, where the mindset of innovators and change-makers is essential.

**Saito** I sincerely hope that talented individuals like you both will take the lead in driving transformative change that inspires and engages those around you. A sense of excitement is essential when tackling new challenges. Please always maintain a mindset that finds joy in the process of creation.

**Suzuki** I aim to foster a culture where people are genuinely motivated and find joy in their work, instead of feeling compelled or pressured.

**Noguchi** Mr. Suzuki, since you have been seconded to an automobile manufacturer, would you say that automobile development cycles are shorter than those at the IHI Group? Looking further to the United States, SpaceX manufactures two rocket engines per day, demonstrating a remarkable speed. There are companies around the world with astonishingly fast business processes. I hope you bring the insights you’ve gained outside back to the IHI Group and help shift the Company’s mindset as a whole. Talent like Mr. Suzuki, who brings an outside perspective, is a driving force.

**Saito** What kind of people do you think are needed for the IHI Group to drive transformation forward?

**Suzuki** I feel that the IHI Group still has a strong silo mentality. We need people who can consciously take a holistic, bird’s-eye view of the entire organization. Additionally, career hires bring new perspectives by leveraging their skills and experience to tackle IHI Group’s challenges, aiming to achieve what they couldn’t accomplish at other companies. I want to work with people like that.



**Tsukioka** Space System Business Development Office, which I belong to, was established in April 2023, and unlike most of the IHI Group, it has many mid-career hires. People from different industries have come together, sharing their expertise and cooperating toward a common goal, creating a strong team.

**Saito** Having team members with



## Roundtable on Transformational Talent

diverse experiences, skills, and perspectives accelerates transformation.

### An organizational culture that maintains psychological safety fosters individual growth

**Noguchi** What are some of the difficulties that you face in your work?

**Tsukioka** I want to take on challenges without fear of failure, but from a management perspective, we have to consider the impact if risks materialize, so it's difficult to determine how much risk to accept. New business development requires speed, but risk analysis is also indispensable, and balancing the two is challenging.



**Noguchi** A project that engineers have earnestly worked on is not considered a failure for the company, even if it ultimately does not yield results. New initiatives inevitably involve risks, but accepting those risks and making decisions despite them is the true role of a leader. A

leader must first make a decision, then concretely plan how to execute it. Once a decision is made, it is important not to shoulder the burden alone but to delegate authority boldly and involve those around you. Proceeding by consensus is not always the right approach, and valuable opportunities for transformation can be lost during that time. We want to cultivate leaders at the IHI Academy who can make responsible decisions.

**Suzuki** To make decisions that involve taking risks, I believe it is essential to gain actual experience by trying things out and making decisions.

**Noguchi** For that reason, ensuring psychological safety is crucial. Fear of being held accountable for failure stifles transformation. A culture that accepts failure is essential. This is vital not only for fostering openness about failures and mistakes but also for preventing misconduct.

Risks can never be completely eliminated, but it is necessary to clearly show the potential returns and have someone make a decisive decision to move forward. Relying too much on consensus and always choosing the safest options will not lead to genuine growth. Leaders need the courage to take risks.

**Suzuki** Even before taking the CLP, I was involved in new business initiatives, and

I truly feel that being in an environment where “anything goes” creates opportunities for challenge and growth.

**Saito** The IHI Group fosters an atmosphere that encourages challenges, but factors like psychological safety and market changes can sometimes make it difficult to freely take on new challenges. We will continue to create an environment where bold challenges are encouraged.

### Individual growth fuels organizational vitality

**Saito** Could you share a moment at work where you felt you grew, thanks to your IHI Academy experience?



**Suzuki** I have become more proactive in communicating with people I hadn't interacted with before. I have started reaching out to learn about processes beyond my responsibilities and can now openly point out any concerns I notice. Soon after my secondment to the

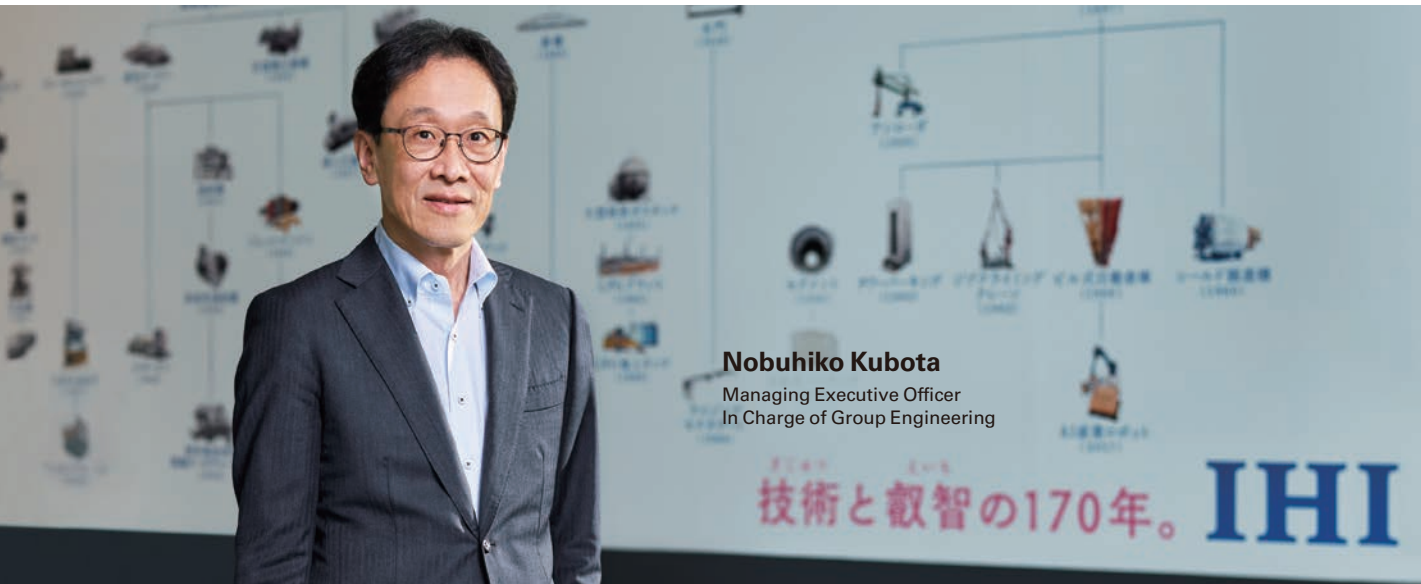
automaker, I sensed an issue in a report from a U.S.-based engineer and voiced my concerns directly. When those around me acknowledged the problem, it made me realize how much I had grown.

**Tsukioka** Being able to consider things from multiple perspectives has been a major area of growth for me. In new business development, I have learned to think not only as a project member but also to consider the broader impact on the Company as a whole. Also, when we hit our limits as a team, I did not hesitate to seek advice beyond our organization. Being able to receive input from diverse perspectives is a direct result of my experience at IHI Academy.

**Noguchi** Engineers often judge growth by measurable outcomes, but what truly matters is the sense of personal enrichment and growth one experiences throughout the process leading to those results. By articulating that growth and sharing it with others, the organization can undergo more positive transformation. I look forward to both of you expressing and sharing the growth you've experienced. Let's work together to drive transformation.



## Message from the Managing Executive Officer (Group Engineering)



**Nobuhiko Kubota**  
Managing Executive Officer  
In Charge of Group Engineering

## Pioneering global markets and shaping the future through technological innovation

### Building a sustainable future on generations of technology excellence

Since its founding as a shipyard in the mid-19th century, the IHI Group has cultivated strengths in a wide array of technologies—from engines and rotating machinery to hull construction. These foundational capabilities have evolved into the cornerstones of our present mainstay businesses, including aero engines, boiler combustion, and large-scale structure manufacturing. Our unwavering commitment to technological advancement, passed from one generation to

the next, remains the driving force behind IHI's innovation.

Today, building on this pursuit of technology, our researchers work to support innovation within a global ecosystem of leading scholars and industry partners (what we call "top ecosystems"). Through this engagement, we stay abreast of the latest trends in technology, regulation, and policy, both in Japan and abroad. These insights help strengthen the IHI Group's foundations for developing new businesses and products.

### Toward competitiveness drawn from ecosystems and technology roadmaps

The IHI Group draws upon the insights gained from global collaboration within top ecosystems to advance targeted initiatives across each of our Growth Businesses, Development-focus Businesses, and Conventional Businesses. To chart our long-term course with specificity, we have established a technology roadmap extending to the year 2050. This roadmap identifies key technical fields critical to the advancement of each business area, alongside the systematic creation of products and services that address pressing social challenges.

In particular, we aim to achieve sustainable business growth and improve profitability by investing human and financial resources with emphasis on our Growth Businesses and Development-focus Businesses. The Corporate Research and Development Division fosters an environment where researchers are encouraged to pursue basic research with a clear view toward future societal application.

### Technology strategy driving growth and development areas

In our Growth Businesses, we are focusing on the development of new materials and the advancement of production technology to reduce the weight of next-generation aircraft. In January 2025, we also began operating a demonstration facility for sustainable aviation fuel (SAF), which synthesizes fuel directly from CO<sub>2</sub>. This test will validate the raw material synthesis process of SAF, with the aim of supplying SAF to airlines by 2030. Looking further ahead, we are developing electrification technologies for aero engines and advancing hydrogen-based solutions that

## Message from the Managing Executive Officer (Group Engineering)

we believe will form a future source of competitive strength.

In our Development-focus Businesses, we are making significant progress on technologies for the ammonia value chain, which is central to the realization of a decarbonized society. In partnership with JERA Co., Inc., we succeeded for the first time in the world in replacing 20% of coal with ammonia at a commercial coal-fired power plant. We have also achieved successful continuous operation of a gas turbine running entirely on liquid ammonia, and interest in commercial adoption continues to grow. Further, in August 2024, we completed the world's first tugboat powered by an ammonia-fueled marine engine, which completed its demonstration voyage successfully. In November, we also successfully developed ammonia production equipment using green hydrogen derived from renewable energy. These outcomes are supporting our efforts in intellectual property development, international standard-setting, and the gradual resolution of challenges related to societal implementation and monetization.

### Strengthening global competitiveness through technological leadership

The scope of technologies being developed by the IHI Group covers markets on a global scale and exists in a highly competitive environment. To survive and lead within this scope, we must remain at the forefront of cutting-edge ecosystems and cultivate robust partnerships with top-tier institutions and enterprises.

Active participation in these pioneering communities enables us to help set international standards from a technical perspective, identify potential obstacles at an early stage, and preemptively work toward timely solutions. We are especially

focused on advancing ammonia combustion and aero engine technologies. To enhance our global presence, we are engaging in direct dialogue with international stakeholders in these areas.

Furthermore, by pursuing open innovation with enterprises and research institutions, we have built a "coalition of the capable," enabling us to shorten development cycles and increase the viability of societal implementation. We are proud to play a central role in the global top ecosystem surrounding ammonia combustion technology and are pursuing similar leadership in adjacent fields.

Through these efforts, the IHI Group will continue to assert its position in international markets and demonstrate technological leadership in the service of a sustainable society.



### Technological innovation that drives the future

The IHI Group is seeking to create new technologies, guided by the aspiration to "Create a World where Nature and Technology Work in Unity." To support this vision, we have dedicated approximately 20% of our R&D budget to long-term technological exploration and have established a system allowing researchers to allocate 20% of their working hours to freely pursue their own ideas, creating an environment conducive to the pursuit of our future world and the technologies it will contain. This initiative has attracted individuals motivated by the desire to contribute meaningfully to society and has helped cultivate an organizational culture that values intellectual curiosity and the courage to take on new challenges.

In my responsibility for engineering in the IHI Group, I am committed to preserving our world-class foundation in core technologies, building a well-optimized technology portfolio through the selection and concentration of resources, and overseeing a technology strategy that will enable the realization of a sustainable future. By drawing on the capabilities we have refined over generations, the IHI Group will continue to create value, address societal challenges, and earn the profound trust of stakeholders in Japan and around the world.

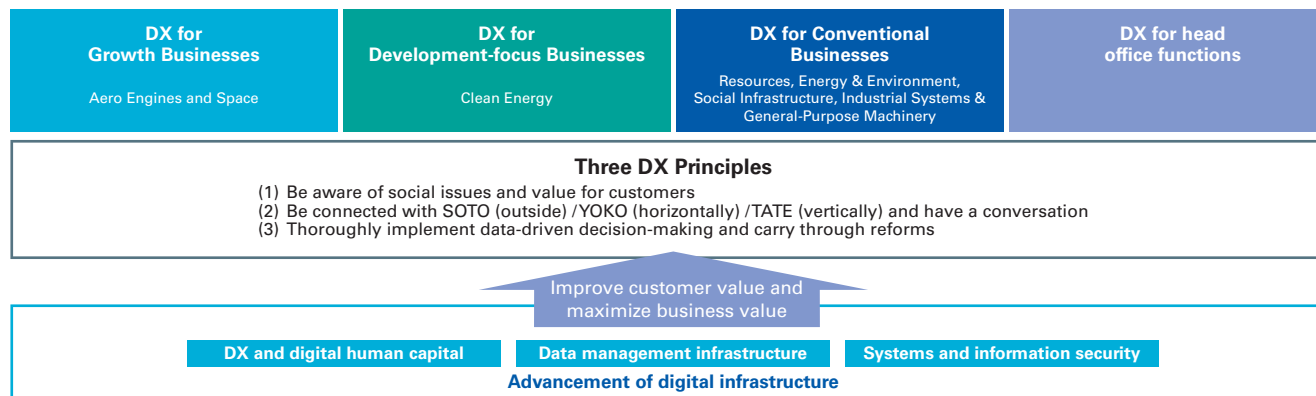
## DX Strategy

# We will drive sustainable growth through the advancement of digital infrastructure and decisive reallocation of management resources.

### Importance of digital technologies in creating value chains— Transforming our business processes

In line with the “business transformation to achieve strong sustainable growth” outlined in the “Group Management Policies 2023,” we are undertaking reforms across our Growth, Development-focus, and Conventional Businesses by reassessing production efficiency and business structures, as well as optimizing inventories to improve cash generation. In support of this transformation across the IHI Group and to achieve greater efficiency, we are working to establish optimized systems as the Group. To do so, it is necessary to revise legacy business methods and simplify rules.

To realize these objectives, we are promoting “advancement of digital infrastructure.” Legacy systems have been developed over many years to digitize individual tasks, leading to duplicated functions and other complexities that hinder the full application of modern digital technologies. Looking ahead five years, our aim is to establish a unified infrastructure system designed as it ought to be, building a digitally integrated foundation optimized for effective data utilization. Achieving this goal requires ensuring both robust information security and the availability of data in a format that is easily usable. To that end, we are undertaking a comprehensive initiative to establish a data management infrastructure. As an essential effort in this area, we have also set



### Chie Fukuoka

General Manager of  
Intelligent Information Management Division



“developing/strengthening of DX and digital human capital” as a key milestone.

The Three DX Principles (“Be aware of social issues and value for customers”; “Be connected with SOTO (outside) / YOKO (horizontally) / TATE (vertically) and have a conversation”; and “Thoroughly implement data-driven decision-making and carry through reforms”), which were formulated in fiscal 2022, are important guidelines for achieving transformation. Resolving social issues is not something a single company can achieve on its own; such outcomes can only come from collaboration with diverse organizations, each contributing expertise in pursuit of shared goals. To play our part, we must apply our strengths to also enhance our own value. We will establish a digital infrastructure to convert and share our long-accumulated manufacturing industry knowledge as data, thereby enabling smoother business transformation.

### Digital strategy deployment in Growth, Development-focus, and Conventional businesses—Transformation of unique business processes and products

#### Growth Businesses

Within our Growth Businesses, we have established the Transformation Center to lead fundamental reform of production efficiency and business structures. This center

## DX Strategy

seeks to achieve world-class production performance through maximum utilization of digital technology and is promoting four integrated initiatives: business structure reforms (including comprehensive ERP\* upgrading), development process reforms (via model-based systems engineering), carbon neutrality (by reducing CO<sub>2</sub> emissions), and production efficiency reforms (aimed at achieving zero-defect quality). Efforts to reduce inventories as part of the production efficiency initiative have already delivered several billion yen in improvements, with tangible results beginning to emerge.

\* Enterprise resource planning

### Development-focus Businesses

In the Development-focus Businesses, we are working to increase the value of the entire ammonia value chain. Within this, to increase the value and applicability of green ammonia, we are collaborating with external partners to build a platform that visualizes CO<sub>2</sub> emissions from production to usage by leveraging blockchain technology.

### Conventional Businesses

In our Conventional Businesses, we are reforming our work processes using digital technologies to leverage and evolve the lifecycle businesses (LCBs). These efforts aim to bring greater customer success and expedite delivery timelines, thereby resolving customer challenges throughout the product lifecycle.

One such initiative involves developing technologies and products to address issues such as flooding. By gathering and analyzing data on weather, river levels, and water gate operation records, the project seeks to

automate gate operations that previously depended on human experience and intuition, thereby mitigating flood risk and streamlining water usage for agriculture.

In parallel, as part of our LCB initiatives for various power plant types, we are developing systems to detect anomalies by collecting and analyzing operational data. By shifting from manual to digital management of power generation facilities, we aim to secure safe and stable operations.

### Proactive use of generative AI

To support these transformations, we are actively introducing generative AI, including large language models (LLMs), while implementing safeguards against risks such as information leaks. In June 2023, ChatGPT was made available to IHI Group employees. Use of generative AI in drafting and summarizing documents is spreading across the Group and is estimated to be delivering efficiencies equivalent to over 270 full-time employees.

Going forward, we plan to further apply internal data to enable comprehensive use of generative AI in reforming work processes such as engineering chains. Our roadmap for expanding the use of LLMs consists of three steps: use of public LLMs for business tasks, integration with internal data, and the development of LLM systems tailored to individual business areas.

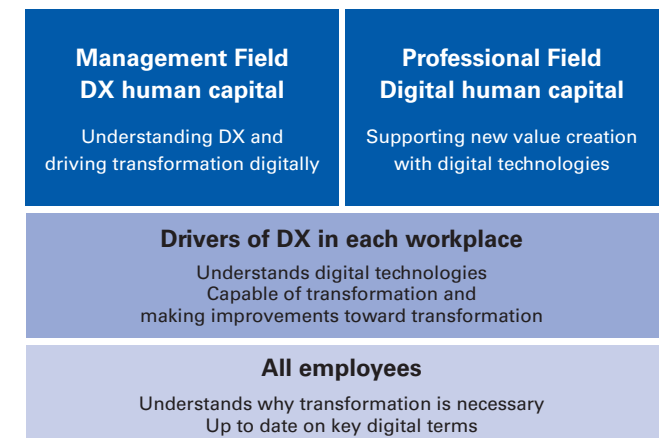
### The future of our digital strategy

As we approach the final year of the “Group Management Policies 2023” and look ahead to our next management policies, the IHI Group will continue to promote initiatives that digitally accelerate transformation toward the creation of value chains.

In support of these efforts, we must cultivate human capital who understand digital transformation, lead transformation initiatives, and use digital technology to foster new value. To do this, it is essential that we cultivate DX human capital (in the Management Field) and digital human capital (in the Professional Field). Through measures such as educational programs for senior management candidates, data scientist training, AI contests, and DX leadership activities, we will develop DX promotion leaders and human capital with specialized skills, while also providing DX literacy education for all employees to build a system that enables the entire organization to adapt to digital transformation.

Through these efforts, we aim to build a sustainable business model to solve social issues and contribute to the future as a leader in value creation for the next generation.

### DX and digital human capital in the IHI Group



## Message from the Executive Officer (Finance & Accounting)



**Hiromi Oshima**  
Executive Officer,  
In Charge of Group Finance & Accounting

### Supporting sustainable business growth with a firm financial base built on greater profitability and cash generation

#### **My mission as the officer in charge of the IHI Group's Finance and Accounting**

As the officer in charge of the Group's Finance and Accounting, my role is to establish a firm financial base that enables the execution of the Group's growth strategies with confidence. While the CEO is tasked with the expansion-oriented role of driving sustainable top-line

growth, those in my role assume a resilience-oriented role, shielding the organization from downside risks.

In fiscal 2025, we will continue to pursue efforts to enhance business profitability and reinforce Group-wide cash flow generation capabilities. At the same time, we are working to improve capital efficiency and financial soundness by reducing working capital and divesting non-

business-use assets.

We believe that these initiatives will, over time, earn recognition from a broader base of global investors and contribute to a higher credit rating in the medium to long term. As an early milestone of the IHI Group's rising profile in capital markets, in May 2025, IHI was selected for inclusion in the MSCI ACWI (All Country World Index) global equity index.

#### **Integrating strategy and profit planning for more effective growth strategies**

Early in my career as a CPA, I worked in audits mainly for the manufacturing industry, where I was fortunate enough to gain firsthand knowledge of manufacturing cost structures and profit generation. The steady, persistent cost-reduction efforts I witnessed left a lasting impression. It became a fundamental tenet for me to understand that this frontline strength, which fuels incremental improvements in profitability, is a pillar of growth and evolution in Japanese industry. Motivated to apply my expertise more directly to business operations, I transitioned from an auditing firm to an operating company, where I engaged in a wide range of functions surrounding business management, including accounting and financial operations (e.g., account settlement and fund procurement), as well as corporate planning, investor relations, and M&A.

Through this broad experience, I came to view both the financial and strategic planning functions as core drivers of corporate growth. At many Japanese companies, accounting and finance are generally managed by separate organizations from corporate planning, which



## Message from the Executive Officer (Finance & Accounting)

often results in inefficiencies when linking the two calls for disproportionate effort. In contrast, overseas it is common for CFOs to oversee both areas, serving as financial strategists. This is the model I aspire to. In April 2025, we took a structural step in this direction by merging parts of the Finance & Accounting Division and Corporate Planning Division to establish the FP&A (Financial Planning & Analysis) Group.

### FP&A: A new, strategic group overlooking the entire Company

The FP&A Group is a mixed team of people who have been rotated in from multiple business divisions, combined with members from the Finance & Accounting Division. Combining these business structure and model-minded members with their quantitatively capable colleagues enables us to approach portfolio reform through both strategic and numerical lenses. Now, we can monitor strategy implementation with a more objective, metrics-based view.

Until the end of fiscal 2024, meetings on numerical target progress and business strategy were held separately; however, beginning in fiscal 2025, we have integrated these discussions into our new Strategy and Performance Confirmation Meetings. This change in meeting organization has led to more grounded and productive conversations backed by quantitative data.

The FP&A Group will continue to promote portfolio reform with a unified strategic and numerical focus, while nurturing management talent capable of viewing the Group holistically, irrespective of their original organization within the Group.

### “The best so far” is not enough: Rigorously boosting profitability and managing cash

In fiscal 2024, the Group achieved record-high figures in orders received, revenue, operating profit, and profit. We also met the fiscal 2025 targets outlined in the “Group Management Policies 2023” a year ahead of schedule, namely an operating profit margin of 7.5% (result: 8.8%) and a post-tax ROIC of 8.0% or higher (result: 10.5%). Significant growth in our mainstay civil aero engine business and higher revenue and profitability in our defense business played a key role in these results. As for our task of improving cash flow, we also successfully boosted operating cash flow to 177.6 billion yen, driven by boosted EBITDA (an indicator of earning power) and unified Group efforts to reduce working capital. Subtracting our investment cash flow of 58.8 billion yen, we achieved free cash flow of 118.8 billion yen for the fiscal year. These results demonstrate our ability to generate operating cash flow exceeding 100 billion yen on a stable basis.

Despite this strong performance meeting targets ahead of the “Group Management Policies 2023” schedule, we view these achievements as a waypoint rather than a final destination. With global economic uncertainty expected in fiscal 2025, we are finalizing our business portfolio reforms ahead of our next medium-term management plan, set to begin in fiscal 2026, as well as rigorous profitability improvement and cash management practices.

As for our cash conversion cycle (CCC), we recognize we still have room for improvement to reach our targets. This is why we continue to designate “thoroughly improving cash flow with the participation of all IHI members” as a priority measure, maintained from the previous fiscal year.

Repeated messaging has deepened understanding of employees in each business division and on the frontlines, and their awareness of CCC and cash generation has greatly improved. For example, business divisions are creatively visualizing inventories, helping those in the field to work together and reduce inventories to appropriate levels. Other business divisions with many long-term projects are applying new and innovative ideas to quickly recover cash more effectively, including seeking advances from early project stages. While fundamental, these initiatives are critical. We believe that the consistent and thorough execution of these basics is key to improving cash flow.

There are still issues to be addressed on the balance sheet. As of the end of fiscal 2024, our financial structure has improved, with the ratio of equity attributable to owners of the parent to total assets reaching 21.5% and the D/E ratio standing at 1.01 times. However, a considerable amount of interest-bearing liabilities remains, and our capital levels are still inadequate. We will work to strengthen cash flow generation, enhance profitability, and accelerate the divestment of non-business-use assets in order to reduce liabilities and build up capital, with the aim of building a

### Results for FY2024

Revenue <b>¥1,626.8 billion</b> +¥304.2 billion	Operating profit <b>¥143.5 billion (8.8%)</b> +¥213.6 billion (+14.1pt)	EBITDA <b>¥215.6 billion (13.3%)</b> +¥215.0 billion (+13.3pt)
Profit (Attributable to owners of parent) <b>¥112.7 billion</b> +¥180.9 billion	Operating cash flow <b>¥177.6 billion</b> +¥115.5 billion	Return on invested capital (ROIC) <b>10.5%</b> +15.4pts

## Message from the Executive Officer (Finance & Accounting)

more resilient balance sheet.

### Capital allocation strategy for sustainable growth

Under the “Group Management Policies 2023,” we aim to consistently generate 100 billion yen or more in annual operating cash flow and have allocated 450 billion yen in total investment over the plan’s three-year period.

These funds will be sourced from operating cash flow, structural reforms, and asset sales. Approximately 60% of this capital is earmarked for investments in Growth Businesses and Development-focus Businesses. In fiscal 2025, the final year of the plan, we will continue this policy, investing in core and high-growth areas on the medium to long term such as the Aero Engine, Space & Defense Business, carbon solutions, nuclear energy, and fuel ammonia value chain businesses. On the investment side, we remain committed to disciplined execution, balancing investments for Growth Businesses and Development-focus Businesses with financial soundness, and carefully assessing returns and risks from a medium-to long-term perspective.

As for shareholder returns, our policy during the medium-term management plan period has been to prioritize investment and financial reinforcement in these growth areas, while steadily increasing dividends in line with growth. For fiscal 2024, the dividend per share has been set at 120 yen, an increase of 20 yen over the previous fiscal year. We will communicate our medium-to long-term shareholder return policy for the next medium-term management plan in due course.

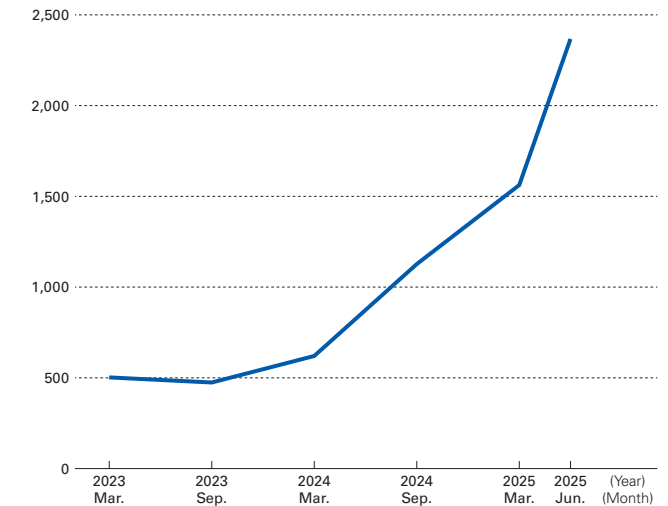
### A 35-year and all-time record share price

In fiscal 2024, our share price reached its highest level since our stock was listed, reflecting capital market support for our business portfolio reforms, the expansion of our civil aero engine and defense businesses, and yen depreciation. As of June 20, 2025, our market capitalization stood at 2.4 trillion yen, exceeding President Ide’s personal aspiration to reach 1.5 trillion yen stated in the Management Message on page 10 of the *IHI Integrated Report 2024*.

We believe this high market valuation is driven by two key factors. First, our strengths in growth strategy and technology are clearly articulated and underpinned by results. In our current medium-term management plan, we have clearly identified Growth Businesses and Development-focus Businesses and are investing a

### Market capitalization

(Billions of yen)



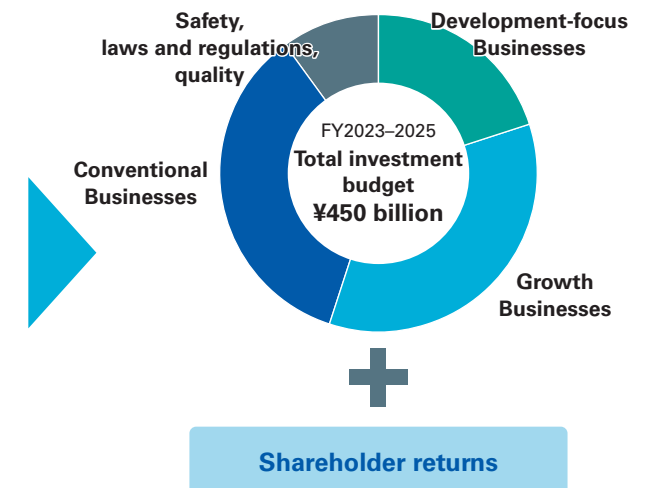
### Resource allocation strategy

#### Enhancement of operating cash flows

- Expand the civil aero engine and defense businesses
- Increase profitability by leveraging LCBs
- Reduce working capital, etc.

#### Structural reform Business portfolio reform

#### Asset sales



## Message from the Executive Officer (Finance & Accounting)

significant portion of our management resources in these areas. In particular, the Aero Engine, Space & Defense Business Area is expanding its performance significantly as a Growth Business.

Second, we are decisively executing structural reforms in underperforming businesses. We conduct detailed internal analysis of the external environment surrounding each of our Conventional Businesses, customer trends, and the competitive landscape, as business and corporate functions work together to examine and implement strategies and initiatives aimed at improving profitability. In the course of our discussions, we decided to transfer the businesses for which we determined that we were not the best owner, and to pursue the realization of business growth in a new environment and with new partners.

As mentioned above, we feel that investors appreciate our consistent approach to portfolio reform, in which we are pursuing investment in Growth Businesses and Development-focus Businesses and further future growth, while at the same time undertaking fundamental reforms in underperforming businesses.

In investor relations, we emphasize communicating our equity story from a medium- to long-term perspective. By clarifying our medium- to long-term growth roadmap, rather than merely explaining our current performance, we are trying to provide our unique answer to the question, “Why IHI?”—that is, why invest in IHI? Since fiscal 2024, we have greatly expanded opportunities for direct dialogue between management (including the CEO) and investors, which we believe has contributed to deeper understanding of our growth strategy.

With our share price on the rise in the previous fiscal year, the conglomerate discount has gradually been disappearing. This has led to a shift in shareholder composition away from value investors and toward growth-oriented and overseas institutional investors, which reflects rising expectations for IHI’s future.

### **Building a robust financial base facilitating proactive growth activities by each of our businesses**

Over the years, the IHI Group has refined its technological capabilities into businesses that support development

on a national level and global economic infrastructures and nations, including in areas such as civil aero engines, defense, energy, and bridges. We are proud of the fact that IHI is built on an excellent business portfolio, with many areas promising significant market growth ahead. Our goal is to ensure that these “uniquely IHI” businesses continue to grow steadily over the medium to long term.

Within this, the finance function’s mission is to provide the solid and all-encompassing foundation necessary for business divisions to take on bold challenges. Given rising geopolitical risks and increasing macroeconomic volatility, building a robust balance sheet that can absorb some business risk has become a mission of greater importance than ever before. Specifically, we will continue to manage downside risk, optimize fixed costs, improve profitability, enhance cash flow generation, and advance business portfolio reform.

While the CEO takes an expansionary approach to our top-line, I will focus on building resilience and strengthening the IHI Group’s corporate value through sound financial stewardship.

## Progress of the “Group Management Policies 2023”

The IHI Group is working to achieve the management targets set forth in its three-year medium-term management plan, “Group Management Policies 2023” (FY2023–2025), and to realize the IHI Group Sustainability Goal. To achieve this, we are advancing business transformation to drive strong, sustainable growth and developing our capabilities to realize transformation.

### Overview of the “Group Management Policies 2023”

In May 2023, we announced the medium-term management plan, “Group Management Policies 2023,” with fiscal 2023 as the first fiscal year. This plan categorizes our existing businesses into three categories: Growth Businesses, Development-focus Businesses, and Conventional Businesses. The two pillars that support our medium- to long-term growth are the civil aero engines, defense, and space businesses, which are the Growth Businesses, and the fuel ammonia value chain businesses, which form the Development-focus Businesses. We aim to leap forward and become a sustainable high-growth company by boldly shifting management capital (human capital and cash) from Conventional Businesses to these aforementioned pillar businesses. In our Conventional Businesses, we will focus on leveraging and evolving our lifecycle businesses (LCBs) to improve profitability and maximize cash generation. We will also focus on development and recruitment of the human capital required for business and corporate structure

transformation, and improve the value we provide by pursuing advancement of our digital infrastructure and raising the efficiency of our work processes.

### Progress of the “Group Management Policies 2023”

In fiscal 2024, the second year of the “Group Management Policies 2023,” our civil aero engine and defense businesses grew significantly, with orders received, revenue, operating profit, and profit all reaching record highs. As a result, we achieved an operating profit margin of 8.8% and ROIC of 10.5%, beating the respective targets of 7.5% and 8% or more (after tax for ROIC) a year ahead of schedule. Challenges remain for us to address, however, such as low profitability and capital efficiency in some of our Conventional Businesses. In fiscal 2025, the final year of the medium-term management plan, we will continue to boldly shift management resources and aggressively invest in Growth Businesses that will drive the Group’s growth and in Development-focus Businesses that will become future business pillars. In addition,

### Progress toward management targets

Assumed foreign exchange rate: 140 yen per dollar

	FY2022	FY2023	FY2024	FY2025 [Forecast]
Operating profit margin	6.1%	(5.3%)	8.8%	9.1%
ROIC [after tax]	6.3%	(4.9%)	10.5%	9.9%
CCC	120 days	132 days*	115 days*	123 days*
Revenue	¥1,352.9 billion	¥1,322.5 billion	¥1,626.8 billion	¥1,650.0 billion
Dividends per share	¥90	¥100	¥120	¥140

\* Excludes losses recorded related to impact from the PW1100G-JM engine additional inspection program and the IHI E&C settlement

### Progress made by each business

#### Steadily implemented initiatives to achieve “Group Management Policies 2023”

#### Development-focus Businesses

Fuel ammonia value chain businesses

**Many milestones were successfully hit in FY2024. These businesses are expected to contribute to financial results starting in 2030. Expected to become a business that will be a pillar matching the Growth Businesses in the medium to long term**

- Participation in green ammonia production and supply business
- Progress in developing and commercializing utilization technologies

#### Growth Businesses

Civil aero engines, defense, and space businesses

**Favorable business environment continued as airline passenger demand increased**

- In the civil aero engine business, aiming to grow our business in the aftermarket sector and increase capacity for engine maintenance and parts repair
- Started engine maintenance business for the F-35 fighter aircraft
- Expansion of exports to U.S. OEMs of engine parts for licensed fighter aircraft domestically produced
- International joint development of next-generation fighter aircraft (under GCAP\*)

\* Global Combat Air Program

#### Conventional Businesses

Resources, Energy & Environment, Social Infrastructure, Industrial Systems & General-Purpose Machinery

**Business structural reforms have yielded some positive impact. Reforms will continue swiftly**

- Although the lifecycle businesses (LCBs) are currently in a transitional period due to a major project and revenue will temporarily decline, the potential for cash flow generation over the medium to long term remains large
- Will invest resources in carbon solutions and nuclear energy, capital-efficient businesses with market growth potential, to generate stable cash flow
- In FY2025, will continue structural reform of low-revenue and low-efficiency businesses

## Progress of the “Group Management Policies 2023”

we intend to improve the profitability and efficiency of our Conventional Businesses by decisively implementing business structure reforms, which will lead to an optimized business portfolio for our Group and further progress in the next medium-term management plan, which will begin in fiscal 2026.

### Resource allocation

In addition to continuously generating operating cash flows of more than 100 billion yen, the “Group Management Policies 2023” set a total investment budget of 450 billion yen, of which approximately 60% is

to be invested in Growth and Development-focus Businesses.

An ample operating cash flow of 177.6 billion yen was secured in fiscal 2024 (versus 62.1 billion yen in fiscal 2023), backed by profit before income taxes swinging significantly back into the black, plus a reduction in working capital. Free cash flow (FCF) after deducting investment cash flow of 58.8 billion yen was 118.8 billion yen (versus 10.4 billion yen in fiscal 2023). Capital expenditures amounted to 97.4 billion yen (versus 71.2 billion yen in fiscal 2023), and R&D expenses amounted to 34.0 billion yen (versus 39.3 billion yen

in fiscal 2023). Investments have generally trended according to plan.

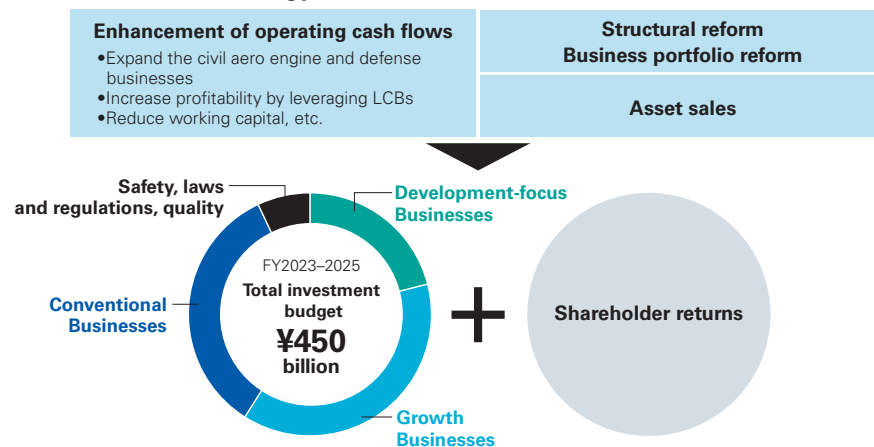
Dividends per share for fiscal 2024 were increased by 20 yen from the previous fiscal year to 120 yen (interim dividend of 50 yen and year-end dividend of 70 yen). The ratio of dividends to equity attributable to owners of parent (DOE) rose to 4.2% (versus 3.7% in fiscal 2023), supported by a sharp recovery in ROE.

### Balance sheet reform

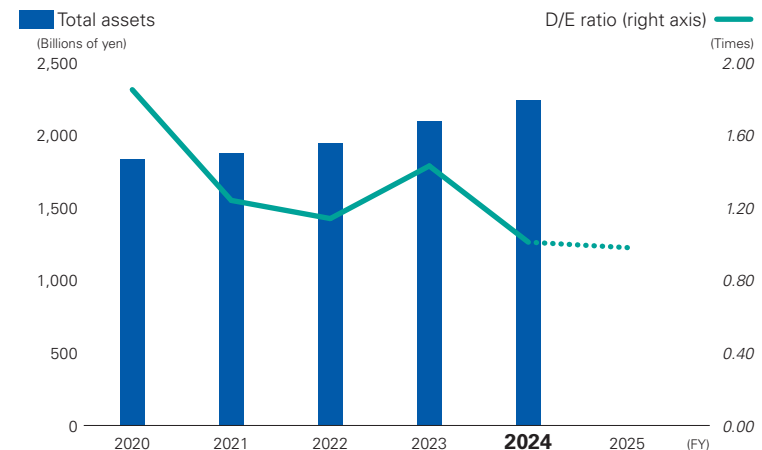
In fiscal 2024, the ratio of equity attributable to owners of the parent to total assets improved significantly

from the fiscal 2023 results of 17.9% to 21.5%, reflecting a recovery in business performance. The D/E ratio also improved from 1.43 times to 1.01 times, thanks to a reduction in interest-bearing liabilities. Although our financial soundness is improving year by year, we recognize the need to further strengthen our financial base. In fiscal 2025, we will enhance our ability to generate operating cash flow and strengthen our financial structure through reduction of working capital and business restructuring.

### Resource allocation strategy



### Changes in total assets and D/E ratio





## Business Overview

### Aero Engine, Space & Defense Business

**¥555.7 billion** ..... **34%**

- Civil aero-engines ..... 22%
- Defense aero engines and equipment ..... 9%
- Others ..... 3%

### Other and adjustments\*1

**¥28.8 billion** ..... **2%**

### Industrial Systems & General-Purpose Machinery Business

**¥484.8 billion** ..... **30%**

- Vehicular turbochargers ..... 13%
- Parking ..... 4%
- Rotating machinery ..... 4%
- Heat treatment and surface engineering ..... 3%
- Transport machinery ..... 2%
- Logistics and industrial systems ..... 2%
- Others ..... 2%

\*1 Urban development results have been reclassified from "Social Infrastructure" to "Other and adjustments"

### Resources, Energy & Environment Business

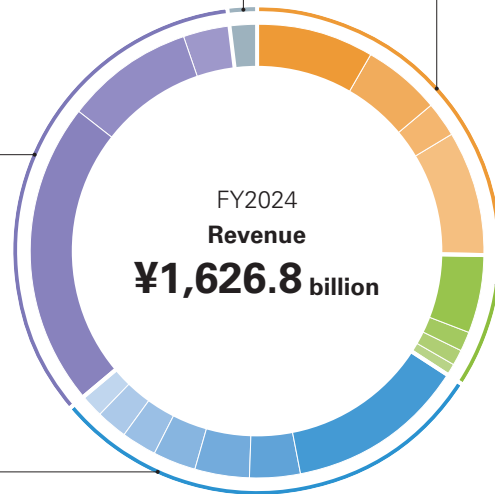
**¥411.4 billion** ..... **25%**

- Carbon solutions ..... 9%
- Power systems ..... 6%
- Nuclear energy ..... 3%
- Others ..... 9%

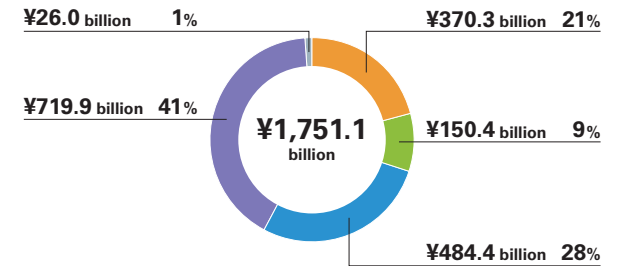
### Social Infrastructure Business

**¥146.0 billion** ..... **9%**

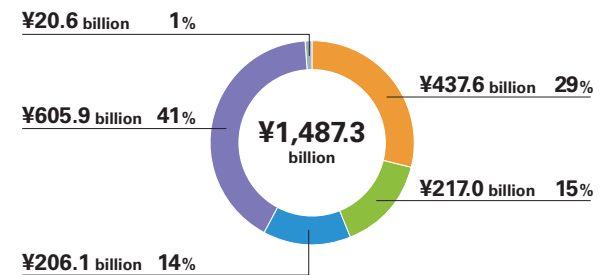
- Bridges and water gates ..... 6%
- Transport systems ..... 1%
- Shield systems ..... 1%
- Others ..... 1%



### Orders received (FY2024)



### Order backlog (FY2024)



### Performance by business area\*2, 3

(Billion of yen)

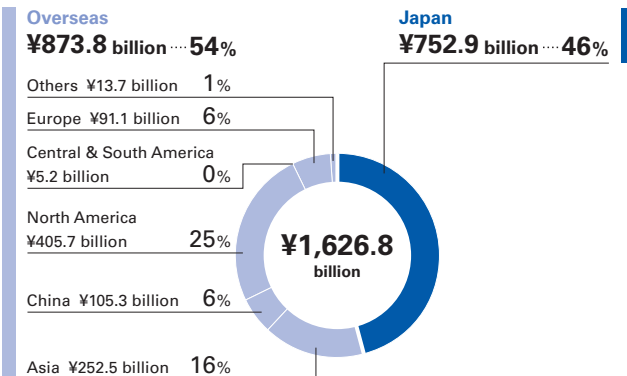
	FY2023 (Result)			FY2024 (Result)			FY2025 (Forecast)		
	Revenue	Operating profit	Operating profit margin	Revenue	Operating profit	Operating profit margin	Revenue	Operating profit	Operating profit margin
Resources, Energy & Environment	419.6	32.4	7.7%	411.4	16.1	3.9%	380.0	24.0	6.3%
Social Infrastructure	154.3	4.9	3.2%	146.0	(4.2)	(2.9)%	130.0	7.0	5.4%
Industrial Systems & General-Purpose Machinery	466.1	12.7	2.7%	484.8	10.8	2.2%	440.0	25.0	5.7%
Aero Engine, Space & Defense	426.3	56.8	13.3%	555.7	122.7	22.1%	680.0	109.0	16.0%
Other	72.7	14.5	—	77.2	16.8	—	70.0	25.0	—
Adjustments	(46.0)	(17.2)	—	(48.4)	(18.7)	—	(50.0)	(40.0)	—
Total	1,493.2	104.2	7.0%	1,626.8	143.5	8.8%	1,650.0	150.0	9.1%
FX rates	\$145.27 yen			\$152.84 yen			\$140.00 yen		

\*2 FY2023 results exclude special factors

\*3 FY2024 results for "Urban development" under Social Infrastructure have been reclassified to "Other"

Note: Sum of percentages for all segments may not total 100%, as figures are rounded to the nearest 100 million yen.

### Revenue by region (FY2024)



## Business Overview

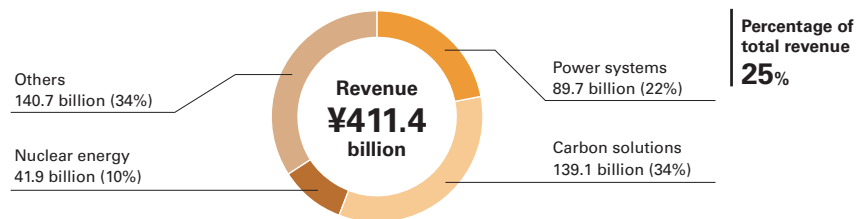
## Resources, Energy &amp; Environment Business Area



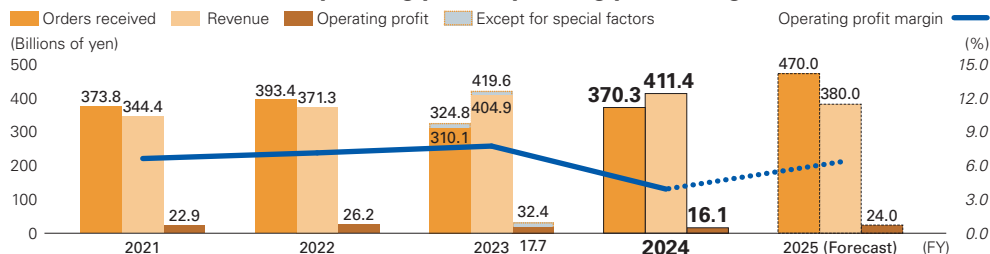
In addition to the IHI Group's extensive track record in thermal power generation and combustion technologies, we also possess world-leading carbon solution (CS) technologies, such as the use of ammonia, a fuel that emits no CO<sub>2</sub> during combustion.

We also offer our lifecycle businesses (LCBs), which contribute to improving efficiency, reducing environmental impact, and extending service life of customers' facilities and plants. In the nuclear energy business, IHI has world-leading manufacturing technology and production capacity for major components such as pressure vessels and containment vessels, and is the only company in Japan with such technology in the reprocessing and decommissioning of nuclear energy facilities. The IHI Group is committed to proactively doing business to help ensure the safe use of nuclear energy. We aim to achieve carbon neutrality in the electricity, industrial, and transportation markets.

## Major product revenue



## Orders received, revenue, operating profit, operating profit margin



## Recognition of the market environment (opportunities and risks)

Around the world, businesses are rushing to build data centers that require enormous amounts of electricity, and demand for electricity is expected to increase in emerging countries amid population and economic growth. We recognize that even though energy demand is on the rise, the medium- to long-term direction toward achieving a decarbonized society has not changed. The IHI Group contributes to the stable, efficient, and environmentally friendly supply of energy through its business in the clean energy and nuclear energy fields.

## Opportunities

- Strong electricity demand for data centers
- Growing global demand for nuclear power generation and supply of various equipment for small modular reactors (SMRs)
- Balancing expansion of energy demand with the reduction of GHG emissions in emerging countries
- Increase in capital investments related to ammonia to realize a decarbonized society

## Risks

- Rising investment costs for decarbonization and stagnation of related businesses
- Fragmentation of economic activities due to geopolitical factors and actions for economic security
- Intensification of business competition in emerging countries

## Business strategy

We aim to increase operating profit and maximize cash flow by optimizing our business structure through restructuring and resource reallocation. In our CS business, we will strengthen our sales force, and will expand LCBs to meet customer needs. In the nuclear energy business, we will steadily take orders for construction to address the restart of nuclear power plants and spent fuel reprocessing plants, steadily carry out decommissioning projects, and acquire new overseas construction projects. In the power systems business, we will advance profit structure reforms and strengthen LCBs. The Asian EPC business will be developed in coordination with the CS business, with emphasis on profitability and cash flow.

## Achievements

In FY2024, orders received grew in the CS and nuclear energy businesses. Revenue was also up year on year thanks to clearing our order backlog. Operating profit declined due to LCBs entering a transitional period and deteriorating revenue of subsidiary companies overseas in the CS business. Although a slight decrease in revenue is expected for FY2025, operating profit is projected to increase (¥24.0 billion) due to improved profitability of LCBs and affiliated companies overseas in CS, stable earnings in the nuclear energy business, and improved profitability of the power systems business.

## Business Overview

## Social Infrastructure Business Area



In the Social Infrastructure Business, we have a variety of businesses related to infrastructure development and have cultivated a diverse range of technical insights and business development capabilities. In our bridges and water gate business, we boast a high market share in Japan, leveraging our engineering and

construction capabilities for providing services in all phases from engineering through construction to maintenance. Furthermore, we have considerable experience in the construction of long-span bridges overseas. We have also secured the top market share in Japan within our transportation systems and shield systems businesses. We will contribute to the provision and maintenance of safe, secure, and resilient infrastructure facilities through these businesses.

### Recognition of the market environment (opportunities and risks)

In Japan, the government is advancing the Fundamental Plan for National Resilience

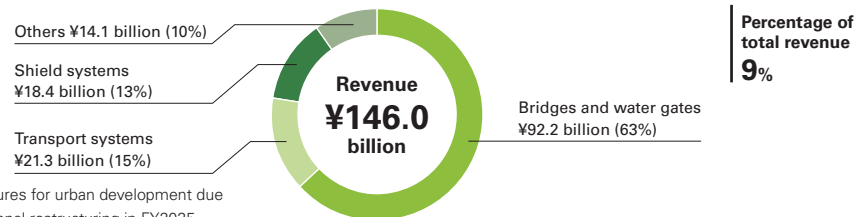
to address aging infrastructure facilities and natural disasters caused by climate change. In addition to strengthening road network functions, repairing aging bridges, and promoting watershed flood control, a shift is underway toward preventive maintenance. Due to new upper limit regulations on overtime work in the construction industry, which took effect in April 2024, there is a significant labor shortage in the sector. Improving productivity through the introduction of labor-saving and automation technologies, as well as the promotion of digital transformation (DX), is becoming increasingly important.

we will advance business structure reforms, including the optimization of our organizational structure and a review of our product portfolio, to strengthen our ability to take orders. In the bridges and water gates business, we aim to achieve global growth, improve profitability, and optimize business scale by applying seismic reinforcement and maintenance technologies developed in Japan to overseas construction projects and by applying the long-span bridge technologies and comprehensive management expertise accumulated overseas to construction projects in Japan.

### Achievements

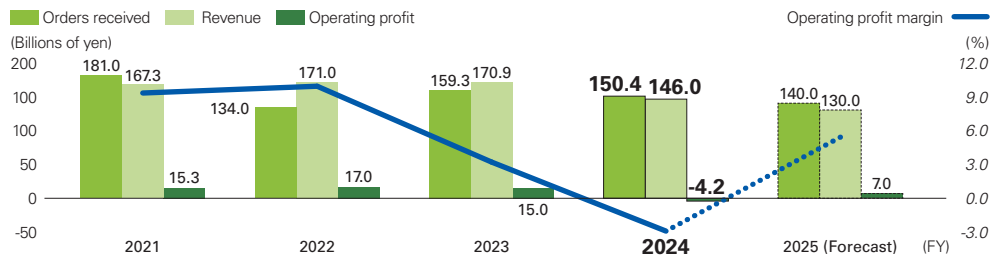
Orders received in FY2024 increased 5.3% year on year to 150.4 billion yen as the order environment continued to be strong, with a focus on the bridges and water gates business and the transport systems business. Meanwhile, revenue amounted to 146.0 billion yen, down 5.3% year on year. Operating profit amounted to a loss of 4.2 billion yen due to one-time restructuring costs of 6.4 billion yen resulting from the transfer of the concrete construction materials business and the deteriorating profitability of the transport systems business. In FY2025, although revenue is expected to decline due to a decrease in order backlog, the absence of structural reform expenses and improved profitability of the bridges and water gates business are expected to result in operating profit returning to the black at a level of 7.0 billion yen.

### Major product revenue\*1



\*1 Excludes figures for urban development due to organizational restructuring in FY2025

### Orders received, revenue, operating profit, operating profit margin\*2



\*2 Performance up to FY2023 includes figures for urban development

#### Opportunities

- Strong demand for new bridges in developing countries
- Increase in demand for renewal and maintenance of infrastructure facilities (LCBs) in Japan, semi-developed countries and developed countries

#### Risks

- Decrease in new public investment projects in Japan
- Decrease in installation engineers and worker shortages
- Decrease in competitiveness due to slow response to changes in the business environment

### Business strategy

We will ensure cash flow generation by visualizing information on individual projects and SBU working capital, improving administrative business processes, and strengthening monitoring systems. In addition,

## Business Overview

## Industrial Systems &amp; General-Purpose Machinery Business Area



We have established a solid position in several fields within this market, including the third largest share of the global market for vehicular turbochargers (No. 1 in Japan), the No. 1 share of the global market for

cryogenic (ultra-low temperature) LNG BOG reciprocating compressors and surface treatment equipment, and the No. 1 share of the domestic market for mechanical parking systems and vacuum heat treatment equipment. The IHI Group leverages its unique technological strengths in high-speed rotation, thermal and fluid mechanics, and control cultivated over many years to provide solutions that contribute to industrial decarbonization, reduction of environmental impact, and automation and labor saving. By advancing collaboration across product and business areas, we also aim to expand our lifecycle businesses (LCBs) and maximize cash flow.

### Recognition of the market environment (opportunities and risks)

The global automobile market is seeing a temporary slowdown in the shift toward battery-electric vehicles (BEVs), with increased demand for plug-in hybrid electric vehicles (PHEVs) and hybrid electric vehicles (HEVs), and we expect a certain level of demand for vehicular turbochargers until around 2030. In addition, we recognize two major medium- to long-term trends in the industrial sector: labor shortages in developed countries and the growing need for carbon neutrality. Meanwhile, we will closely monitor and address the ongoing rise in material prices and personnel expenses, as well as economic slowdowns in Europe and China and changes in the international supply chain due to U.S. tariff policies.

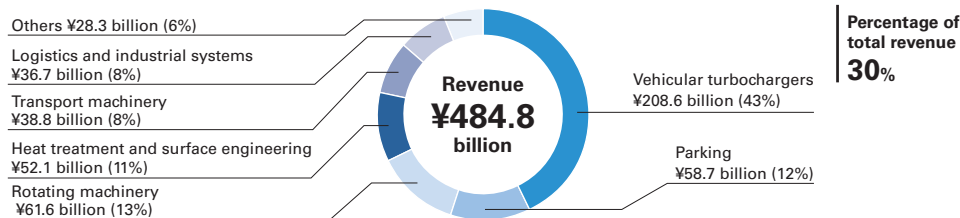
### Business strategy

Within the rotating machinery business, we will focus on compressors and strengthen our LCBs both in Japan and overseas. In addition, we will expand applications for process gases, targeting markets for gases such as ammonia and hydrogen. As for parking, we will expand our maintenance and repair services for mechanical parking facilities and improve profitability. In vehicular turbochargers, we will aim to improve profitability and maximize cash flow by passing on price increases to clients, reorganizing global production plants, and optimizing fixed costs in anticipation of a decline in demand associated with the shift to BEVs in the medium to long term.

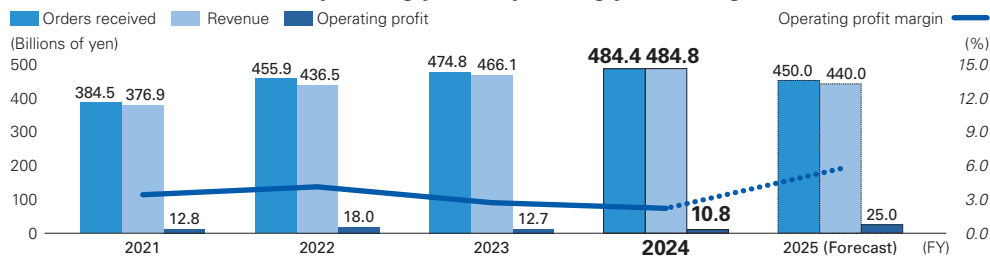
### Achievements

Orders received in FY2024 remained steady at 210.2 billion yen, flat year on year, driven by strong demand for vehicular turbochargers. In all business areas, this increased 2.0% year on year to 484.4 billion yen, and revenue increased 4.0% to 484.8 billion yen. Operating profit decreased 15.4% to 10.8 billion yen, mainly due to delays in sales price negotiations for vehicular turbochargers and structural reform expenses. LCBs recorded the fourth straight year of operating profit increases. In FY2025, we expect to return to profitability through measures such as passing on price increases.

### Major product revenue



### Orders received, revenue, operating profit, operating profit margin



#### Opportunities

- Growing global need for decarbonization
- Growing need for automation and labor saving
- Expansion of LCBs through business development across SBUs
- Increase in ammonia and hydrogen-related capital investments

#### Risks

- Shift to BEVs in the automobile industry
- Changing international supply chains

## Business Overview

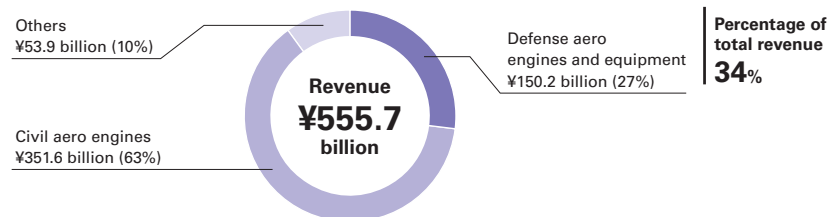
## Aero Engine, Space &amp; Defense Business Area



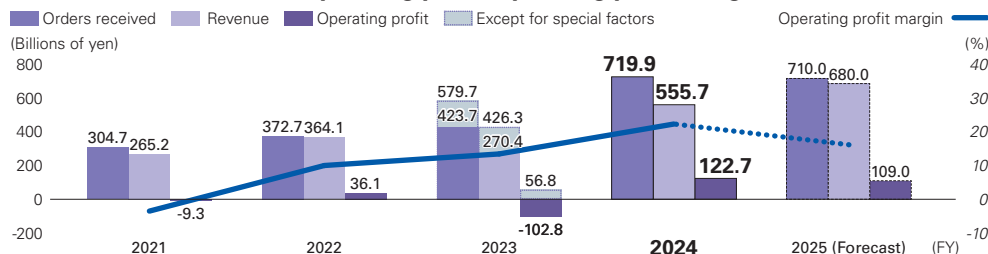
In the Aero Engine, Space & Defense Business Area, we contribute to building an affluent, safe, and secure society by leveraging our world-class core technology in "Propulsion." In the civil aero engine business, we participate in a broad range of

engine development programs and deliver high-quality parts, with composite materials being one of our key strengths. We also supply spare parts and conduct repairs and overhauls that support stable operations. In the defense business, in line with the Japanese government's policy of fundamental reinforcement of defense capabilities, we are reinforcing our business foundation and pursuing growth through global initiatives in cooperation with the government, such as the next-generation fighter aircraft jointly developed with the U.K. and Italy. In the space business, we are developing new ventures, primarily for security-related applications, amid ongoing expansion in the space industry.

## Major product revenue



## Orders received, revenue, operating profit, operating profit margin



## Recognition of the market environment (risks and opportunities)

With global passenger traffic expected to maintain its steady growth, airlines are placing substantial orders for new aircraft. Under these conditions, demand in the aftermarket area is also increasing. Furthermore, under Japan's National Security Strategy, profitability is anticipated to rise due to higher defense budgets and adjustments to contract details. Advances in the space industry are expected to lay the foundations for new commercialization of space-related services. However, concerns remain regarding risks such as supply chain fragmentation and sudden declines in airline transportation demand.

## Opportunities

- Stable growth in global passenger traffic will drive demand for new engines and aftermarket services
- Expansion of defense budget and improvement in profitability
- Increase in demand for rockets that accompany the growing demand for small-sized satellite launches

## Risks

- Supply chain pressure
- Information leaking owing to cyberattacks
- Sudden decline in air transportation demand owing to infectious diseases, etc.
- Changes in security policies and geopolitical landscapes

## Business strategy

We aim to maximize cash flow by reducing working capital while linking robust demand growth to increased revenue. In the civil OEM aero engine business, we will work to shorten inventory turnover days while sustaining an expanded production system. In the civil MRO business, we will pursue stable growth in the parts and repair business. In the defense business, we will enhance profitability through the steady delivery of orders. In the space business, we will take over solid fuel rocket operations from JAXA, establish a mass production system, and advance new ventures such as satellite constellations.

## Achievements

Orders received in fiscal 2024 totaled ¥719.9 billion, an increase of 69.9% over the previous fiscal year. Revenue rose by 105.5% to ¥555.7 billion, with revenue from civil aero engines increasing approximately 3.6 times to ¥351.6 billion and revenue from defense aero engines and equipment rising 20% to ¥150.2 billion. Operating profit increased 2.2 times to ¥122.7 billion (operating profit margin 22.1%). This was a result of increased sales of spare parts, improved profitability in defense projects, and other factors. The Group achieved record-high figures in orders received, revenue, and operating profit. For fiscal 2025, although we expect to maintain the trend of revenue growth, we forecast a decline in profit due to the appreciation of the yen and the deferral of maintenance costs.



## Independent Directors Roundtable

# Advice and supervision by the IHI Group's independent directors strengthen our governance and serve as a foundation for sustainable improvement of the Group's corporate value.

Advanced governance by the Board of Directors serves as a platform for the IHI Group's sustainable value improvement. Following strong performance in the fiscal year ended March 31, 2025, how can the Group further enhance corporate value amid structural reforms, including the transformation of its business portfolio? To answer this question, a roundtable discussion was held with four of the Group's independent directors, moderated by Mr. Shigeru Uchigasaki, President and CEO of Human Resources Governance Leaders Co., Ltd. (Held in April 2025)



**Toshihiro Uchiyama**

Independent Director  
Remuneration Advisory  
Committee Member  
Nomination Advisory  
Committee Member

**Chieko Matsuda**

Independent Director  
Nomination Advisory  
Committee Member

**Shigeru Uchigasaki**

President and CEO,  
Human Resources  
Governance Leaders Co., Ltd.

**Yoshiyuki Nakanishi**

Independent Director  
Chairperson of Remuneration  
Advisory Committee  
Chairperson\* of Nomination  
Advisory Committee

**Minoru Usui**

Independent Director  
Remuneration Advisory  
Committee Member  
Nomination Advisory  
Committee Member

\* Member at the time of the roundtable;  
appointed chairperson in June 2025

## Record profits in FY2024

**Uchigasaki** Let us begin the discussion with a review of the IHI Group's most recent performance in FY2024, ended March 31, 2025. After incurring a net loss for the first time in 15 years in FY2023, the Group achieved a dramatic recovery to achieve record highs in all key metrics: orders received, revenue, operating profit, and profit for FY2024. The stock price has also risen and the PBR has jumped to over 3.5x. As independent directors, how do you view the rising expectations of capital markets for the IHI Group under these circumstances?

**Nakanishi** When I became an independent director in 2020, the year of the COVID-19 pandemic, human flows were disrupted, and among the IHI Group's businesses, its mainstay aero engine business experienced a significant decline in sales and profits. It is very pleasing to see such positive results in FY2024 when compared to those particularly challenging times.

In addition to the strong civil aero engine business, the future offers many bright prospects ahead, including in the defense and space businesses, as well as new businesses in the energy area.

**Usui** Looking at the IHI Group's Aero Engine, Space & Defense Business, which ranges from infrastructure such as rockets

## Independent Directors Roundtable

and space stations to the development and production of aero engines and the sale of aftermarket spare parts, there is a strong consistency throughout. When I became an independent director in 2021, the business was still reeling from the effects of the pandemic, but I saw potential for improved performance due to changes in the external environment.

In particular, the IHI Group is responsible for approximately 70% of Japan's jet engine production and is an integral part of the Japanese aerospace and defense industry. I believe the Group is capable of establishing a competitive position in the European and U.S. markets as well.

Business lines are also largely organized now in the other three business areas, and my understanding is that the Group is poised to begin full-scale establishment of business models that will serve as future pillars.

**Uchiyama** I believe that the high profitability and future potential of the civil aero engines, defense, and space businesses, designated as Growth Businesses, serve as strengths for the IHI Group, and that the potential of the fuel ammonia value chain businesses, designated as Development-focus Businesses, have also been evaluated highly by the market. On the other hand, the defense business must

be watched carefully, as it is susceptible to changes in the international environment and security relations. In order to sustainably increase corporate value going forward, it is vital to improve the profitability and efficiency of Conventional Businesses, which bear the weight of generating management resources. I look forward to seeing the IHI Group's further structural reforms in these Conventional Businesses.

**Matsuda** I feel that the IHI Group's focused business areas have come to align with the industrial structure required by society for sustainable economic growth. This is not simply a change to satisfy a trend; the Group has solid technological capabilities underpinning a strong market reputation, and I believe there is still much room for growth. Looking around the world, there are many businesses and products that only the IHI Group can offer, and I believe more can be done to pitch these to the market. Actions are underway to strengthen the head office organization so that each business can demonstrate its capabilities, and I look forward to watching these developments.

### Progress in business portfolio transformation and other issues mentioned at last year's roundtable

**Uchigasaki** I believe that the Group's strong performance is the result of the

management team, directors, and Audit & Supervisory Board members advancing a range of initiatives as a unified team with defined roles. However, there were several issues pointed out in last year's integrated report. Please tell us about the current progress, achievements, and issues as we review management initiatives over the past year. First of all, what do you think about the business portfolio transformations set forth in the "Group Management Policies 2023"?

**Nakanishi** Since FY2024, the previous fiscal year, I feel that the Group has made progress in taking concrete actions, such as restructuring of low-profit businesses and reinvestment in growth areas, based on a renewed mindset that the Group must change.

As a team, efforts to increase opportunities for in-depth discussions, such as off-site meetings outside of board meetings, have resulted in richer discussions. Now, the issue at hand is how to build new business pillars alongside the mainstay aero engine business. The Group is pursuing various approaches, including in the fields of natural resources and energy, but the key will be whether the Group can appropriately navigate major developments around the world. Going forward, I will continue to provide appropriate advice on identifying pillar businesses and investing management resources.



**Shigeru Uchigasaki**

President and CEO,  
Human Resources Governance Leaders Co., Ltd.

Established Japan's first start-up consulting firm for sustainability governance. In addition to providing board advisory services to many global companies, he leads governance reform in Japanese companies through advocacy in government, initiatives, media, and academia.

**Matsuda** In order to create new business pillars, it is important to know how to monetize outstanding technologies. As I pointed out last year, one of the IHI Group's weaknesses is a lack of ideating toward monetization, but concrete actions are beginning to emerge to overcome this problem. I look forward to seeing the Group become even more energized by this process.

**Uchigasaki** As pointed out by Mr. Uchiyama last year, manual operations can easily lead to human errors and compliance issues. How is the digitalization of these manual operations progressing?

**Uchiyama** Digital adoption is progressing

## Independent Directors Roundtable

in both Growth and Development-focus Businesses. I visited two manufacturing sites last year and felt that the control of the manufacturing process by digital technology has evolved greatly.

However, the Group's Conventional Businesses have lingering issues. In addition, I believe that the Group must pick up the pace of digitalization in its administrative units, including performance management.

### Growing opportunities for dialogue with the executive side, advice on discontinuous growth

**Uchigasaki** In light of the various issues, please tell us what you have encouraged management to do over the past year, what you have discussed intensively at Board of Directors meetings, and what you have proactively proposed to management, the Board of Directors, and others.

**Uchiyama** I make a variety of recommendations each year to improve the effectiveness of the Board of Directors. Preliminary briefings and preparation of board meeting materials for more efficient discussion have been greatly enhanced by the efforts of the secretariat. I also feel that the ability to review the minutes of Management Committee meetings held on the executive side in advance has further stimulated discussion at board meetings.

**Usui** The IHI Group has led a great deal of industries with technology at its core, based on the management philosophy to "Contribute to the development of society through technology." My recommendation has been that management should aim for a high level of innovation in conventional industrial structures and build new business pillars using technology.

For example, in the fuel ammonia value chain businesses, a current area of focus for the IHI Group, the Group needs to establish core technologies that will drive the global energy transition toward a decarbonized society. I would like to see the Group advance technological development and management with clear goals that accurately capture the trends of the times. I believe that the IHI Group is fully capable of achieving this.

**Nakanishi** I have recommended that the Board of Directors operate in a way that elicits input from the executive side. In order to properly address various issues, exercise supervision, and provide advice, it is essential to fully understand the direction in which a company is headed. To achieve this, we have increased opportunities for free discussions between independent directors and executive officers and for receiving business reports directly from the executive side. As a

result, I feel that the distance between independent directors and the executive side of the Group is gradually closing.



**Matsuda** Over the past year, I have made recommendations to management under the policy that purely continuing legacy business practices means nothing. In the recent investment environment, risk-return profiles have undergone a significant transformation away from tradition, and various risks have grown. How the IHI Group responds to this change is critical. There have also been many discussions about the transformation of the Group's business portfolio and financial structure.

In response to explanations given by the executive side at Board of Directors meetings, I have asked them not to discuss the future of their businesses as an extension of the present, but rather to broaden their perspective and consider various possibilities with an eye to the external environment. I believe that by pivoting to focus on

discontinuous change rather than just focusing on the business at hand, the Group can gain new insights into changes in the market and into its own strengths.

### Challenges in the monitoring function and improvement efforts

**Uchigasaki** The next topic will be the monitoring function of the IHI Group. Unfortunately, in FY2024, consolidated subsidiaries were found to have engaged in misconduct, including falsified fuel consumption data for marine engines and other products, as well as the replacement of parts in performance tests of snowplows. What kind of challenges exist for strengthening the monitoring function and culture reform, and how has the management team responded to these? Also, as independent directors, how have you worked with the management team to motivate them, make recommendations, and check their status?

**Matsuda** This is, quite frankly, a frustrating and deeply regrettable matter. For some time, I have expressed my opinion whenever appropriate on the state of the internal control defensive line. Although management has strengthened its actions in this area, it is unavoidably and greatly regrettable that these actions have not permeated the entire Group.

## Independent Directors Roundtable

In response to the misconduct in question, a thorough review of Group governance issues has been conducted, and compliance aspects are being strengthened. As an independent director, I will continue to firmly fulfill my supervisory function.

**Nakanishi** As Ms. Matsuda pointed out, systems and frameworks have been put in place to prevent misconduct, but I am once again reminded that it is very difficult to effectively operate the monitoring function in every corner of a large organization.

Ultimately, it is important to know how to raise awareness among all employees. In addition to the implementation of compliance education and other efforts, I think it is important to have a process, even if slow and steady, in which rigorous compliance becomes deeply rooted in the organizational culture through messages from the highest levels of management. Also, in order to ensure that checks and balances function adequately from the head office divisions, I believe that the Group must weigh the option of integrating its numerous affiliated companies and subsidiaries.

**Usui** The Group must be mindful of the risk that the desire by those in the field to improve business profitability and performance may sometimes add pressure and lead to fraud. Also, as Mr. Nakanishi mentioned, reviewing the portfolio

is important from the perspective of strengthening compliance. As an enterprise, the IHI Group must establish a business portfolio that can clarify its business direction and contribute to the sustainability of society.



**Uchiyama** In fact, a company I worked for once uncovered misconduct similar to the one experienced by the IHI Group. Based on this experience and the lessons learned, I have worked to make recommendations to management for their reference.

I believe that excessive deference to rules and conventions built up in the field is a common phenomenon in companies with a long history. Particularly in manufacturing companies that handle many different businesses, manufacturing divisions are often quite powerful, and head office divisions tend to be relatively weak.

I also believe that the field is not always actively dishonest, but rather is often forced into unavoidable situations. It is necessary to identify the groundwork

underneath the organization that is creating these unavoidable situations and what mechanisms are in place to justify maintaining the status quo.

Here, one of my recommendations is to encourage ownership when it comes to compliance. Rather than condemning injustices that have occurred in other organizations, it is important to look inward and simulate how each employee would think and act if they were in a similar situation, and to provide places for discussion within the organization. I have presented this and many other opinions to management.

**Uchigasaki** While strength in the field is what leads to competitive technologies, it also reminds us that internal controls can be difficult to maintain. I felt that, in order to strengthen the monitoring function, it is important to build internal controls in line with business portfolio transformation, and at the same time, it is important for upper management to exercise leadership.

### Role of the Board of Directors in strengthening governance effectiveness

**Uchigasaki** Next, we move on to the state of the Board of Directors. The IHI Group defines corporate governance as “a system that assures sustainable growth and maximization of corporate value by

enhancing management efficiency so that IHI can leverage its innate capabilities to the fullest extent possible.” What are some of the key points that you are aware of with respect to the Board of Directors fulfilling its role in establishing effective corporate governance?

**Usui** I am strongly mindful of whether the IHI Group is maximizing the comprehensive potential of its human resources. While I do not believe that the IHI Group’s direction is a major mistake, it is important to make sure that it is the consensus of the entire organization. From the perspective of comprehensive capability of human resources, there must be room to consider different directions and other possibilities.

Therefore, I always keep a close eye on whether proposals are brought to the Board of Directors in a manner that demonstrates active and creative discussion and conceptualization on the executive side. In my view, the new prior briefings of agenda details are a major step forward.

I also believe that by providing a forum for communication among independent directors, different perspectives can be incorporated into discussions to derive a sense of unity and direction, rather than just having one-on-one discussions with the chairperson or president. Furthermore, I would like for the



## Independent Directors Roundtable

Group to harness the diversity of its board members to its advantage.

**Uchiyama** I believe that in the Board of Directors' efforts to sustainably enhance corporate value, two axes are key.

The first is to strengthen supervision. We must understand the current status of the company and the issues it is facing, and if there are any problems, to encourage appropriate improvements. The second is to have a discussion regarding the company's long-term direction. To this end, it is effective to provide a place for discussion outside of board meetings, where we face time restrictions. At off-site meetings and other venues, we are able to exchange a variety of opinions. I believe it is important to understand exactly what is happening in the field, while valuing both these supervisory functions and discussions from a long-term perspective.

However, my primary duty as an independent director is to supervise. I would like to contribute to maximizing corporate value while being aware of the balance of my involvement in business execution according to the company's situation and issues.

**Matsuda** Discussion of diversity is essential to the effectiveness of the Board of Directors. I believe that diversity is judged comprehensively, not only on the

basis of attributes such as gender and nationality (demographic diversity), but also on the basis of an individual's career and skills (task diversity). From this perspective, the other three independent directors all come from management backgrounds, but have different and diverse insights and personalities. I feel that we function very well as a team, naturally covering different roles in discussions.

**Uchigasaki** I have also served as an advisor on nomination committees, and I have heard many people say that they would like to have someone from a management background with diverse experience join their organizations as an independent director. My sense is that the diverse experience and knowledge possessed by the independent directors of the IHI Group are the strength of the Board of Directors, which contributes to maximizing corporate value.

### Importance and challenges of developing the next generation of management talent

**Uchigasaki** Next, I would like to ask you about the challenges and expectations for developing the next generation of management talent. At last year's roundtable, it was pointed out that the development of management talent is the

most significant challenge in governance. Please tell us about the particular efforts that the Board of Directors and the Nomination Advisory Committee are making to confirm and monitor the succession of the next CEO and the development of the next generation of IHI's management team. Also, from your position as independent directors, how do you evaluate the CEO's goal of building a management team?

**Nakanishi** The Nomination Advisory Committee is responsible for checking that proposals made by the executive side are appropriate. For this reason, opportunities for individual interviews are provided to evaluate the management skills and qualities of candidates in advance.

The IHI Group is facing a challenge in that it needs a career path to cultivate a CEO with practical experience in a powerful head office. The Group has a large and rich talent pool, and I would like to help strengthen this system to cultivate the Group's next CEO as an organization.

**Matsuda** The IHI Group has many people who are well-versed in its businesses and excel in operational excellence, but I feel that there is a lack of management professionals to guide the organization. Though head office functions are being strengthened, this must be done with full awareness of the importance of these

management professionals and not fall into the trap of solely micromanaging projects and tasks in detail.

The IHI Group needs to strengthen its mechanism for selecting and cultivating not only candidates to be the next CEO, but also candidates for management talent from a long-term perspective. In managing the Group's businesses going forward, there must be a strong management team, centered on the CEO, that will drive the organization. Within this team, the various CxOs must have a high-level management perspective. As the number of mid-career hires increases, I believe that the importance of utilizing outside perspectives in management is also becoming increasingly recognized. I believe it is important to enhance the system for selecting, training, and acquiring management talent from a broad perspective, both internally and externally.





## Independent Directors Roundtable

**Usui** Succession planning is an extremely important issue for the future of a company, as the shape of a company depends greatly on the talent at the top. Recognizing that factory tours and individual interviews are practical and effective means of identifying the next CEO, we practice dialogue that enables us to gain a deep understanding of the candidate's management sensibilities.

What is important is to establish a system to promote management candidates through early selection and to develop talent with management sensibilities. To do this, having candidates actually experience corporate management, including operations, is a shortcut to understanding their qualities and cultivating them as talent.

**Uchiyama** In addition to interviews and discussions with management candidates, another useful opportunity is observing how they demonstrate leadership in their daily work and meetings. It is important to understand aspects that are not visible when engaging these candidates directly in one-on-one or group discussions.

It would also be helpful to have them gain experience in non-traditional divisions or outside the Group. Testing candidates' ability to thrive and assert themselves in different cultures and work styles

can help develop the next CEO. I have recommended that the Group introduce such a training program.



### The IHI Group's leadership and expectations on future growth

**Uchigasaki** Finally, please share your thoughts on the leadership practiced by the management team and your expectations for the future growth of the IHI Group.

**Nakanishi** Frankly speaking, the IHI Group has considerable room for growth. In addition to new businesses related to space and next-generation energy, the Group's contribution to the repair of Japan's aging infrastructure will play a very significant role. High expectations are also held in the nuclear energy area.

Going forward, it will be important to determine how to get the market to appreciate the value generated by the IHI Group. I look forward to the Group's work to confidently showcase its strengths even more to the market.

**Matsuda** There was an old tagline in the IHI Group's commercials about always creating in keeping with the voice of the times. I believe that is a good representation of the DNA that has taken root in the IHI Group. Regardless of future industrial structures and economic trends, infrastructure will always be important. The IHI Group, which has long contributed to building social infrastructure, would do well to pitch its strengths and impacts on society more.

I look forward not only to the strength of IHI's technologies, but also to leadership practiced by those in top management. The current top management is keenly aware of and committed to building a strong management team that will lead this enormous organization. It is also noteworthy that the Group has consistently produced female directors through internal promotions. Diverse human resources are one of the strengths of the IHI Group, and I look forward to the Group's work to further enhance this area.

**Usui** I would like for the IHI Group to envision a new company that responds to the changing times, and for it to demonstrate strong leadership that everyone will change together. My hope is that by integrating the perspectives of

business and technology development, and by involving other companies and human resources, a new world will be created that can only be realized by the IHI Group.

**Uchiyama** One of the elements of leadership is how strong an impression you can make on people. In this sense, President Ide is an extremely impressive leader who clearly articulates thoughts in his own unique language. Messages from the president are also published monthly in the In-House News Letter, helping his relatable personality to spread among IHI Group employees.

As for challenges, I would point out the IHI Group's need to strengthen global messaging. The IHI brand has a long and rich history, but in order to develop the brand outside Japan, the Group should further incorporate human resources and insights from overseas. I believe that newly tackling this challenge will lead to further growth of the IHI Group.

**Uchigasaki** Thank you very much. In this roundtable, the IHI Group's shareholders, investors, and other stakeholders were able to hear your expectations about the Board of Directors' approach to sustainable growth and about the Group's management team, which I believe has raised their expectations in turn. I look forward to your continued efforts to strengthen the effectiveness of IHI's Board of Directors.

**Growth Businesses**

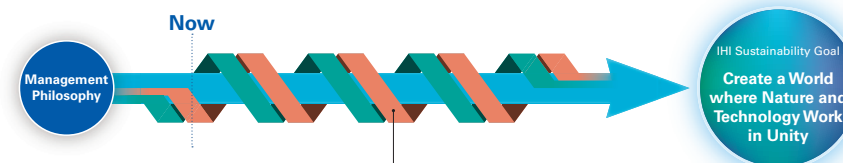
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# BUSINESS STORY

**Building earning power as a unified Group through Growth, Development-focus, and Conventional Businesses**

## Message from the Managing Executive Officer (Growth Businesses)

**Continuing to deliver value-added solutions through advanced technology, ensuring that opportunities from civil aircraft market growth and defense budget increases translate into sustained business growth**

### Atsushi Sato

Managing Executive Officer  
President of Aero Engine, Space & Defense Business Area

### Our awareness of the market

Global passenger demand has exceeded pre-pandemic levels and continues to grow. This has led to significant growth in demand not only for new engines but also for spare parts and other aftermarket products.

In the defense business, momentum is strong following the Cabinet's approval in December 2022 of three strategic documents: the National Security Strategy, the National Defense Strategy, and the Defense Buildup Program. The policies in these three strategic documents aim to raise defense and related expenditures to 2% of GDP by fiscal 2027. In addition, expected reforms to the contracting system are set to improve profitability, and expectations are rising for our Group to provide products and services aligned with all seven pillars where the Japanese government is fundamentally reinforcing defense capabilities. We see particular opportunity in the areas of stand-off defense capabilities, integrated air and missile defense capabilities, and unmanned defense capabilities, where the Group's strengths can be best demonstrated.

As for the space business, the Japanese government's

Basic Plan on Space Policy announced in 2023 set a target of doubling the size of the country's space industry to 8 trillion yen by the early 2030s. Along with our work on solid fuel rockets, the IHI Group will contribute to this goal by supplying turbopumps for liquid fuel rockets and developing satellite management systems. We also aim to support the government's space policy through the advancement of new private sector projects.

### Growth strategy and medium- to long-term outlook for a leap forward

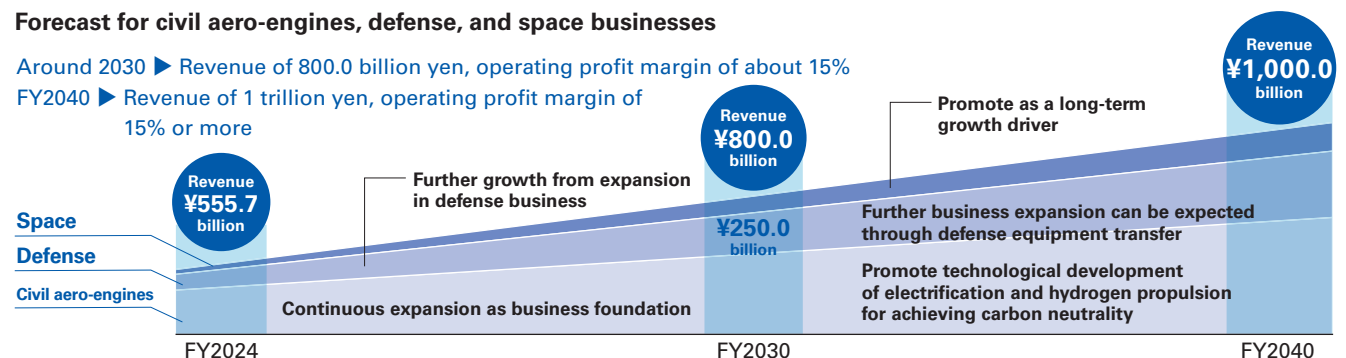
A common challenge in the civil aircraft industry is that while demand for aircraft remains robust, the supply capacity of parts and materials manufacturers is under pressure. We are addressing this issue by strengthening the supply chain through public-private partnerships. Also, in response to U.S. tariff policies, we are maintaining competitiveness by engaging in discussions with our U.S. partners regarding the sharing of tariff burdens and related matters.

In the defense industry, as for civil aircraft, we

### Forecast for civil aero-engines, defense, and space businesses

Around 2030 ► Revenue of 800.0 billion yen, operating profit margin of about 15%

FY2040 ► Revenue of 1 trillion yen, operating profit margin of 15% or more



## Message from the Managing Executive Officer (Growth Businesses)

are committed to strengthening the supply chain while monitoring U.S. policy trends, changes in the security environment, and arms expansion plans in the European Union. We aim to expand opportunities for collaboration and to reinforce international cooperation with partner countries at the request of the Japanese government.

In fiscal 2024, the Aero Engine, Space & Defense Business Area recorded revenue of ¥555.7 billion and operating profit of ¥122.7 billion (an operating profit margin of 22.1%), both marking record highs. With respect to our fiscal 2030 targets (revenue of ¥800 billion and operating profit margin of 15%), we have already achieved both operating profit and operating profit margin six years ahead of schedule. However, we recognize that the favorable results in fiscal 2024 were influenced by temporary factors such as the depreciation of the yen and delayed expenses linked to extended maintenance periods, and therefore may not fully reflect the Group's underlying capabilities. Accordingly, under our next medium-term management plan to begin in fiscal 2026, we will reassess business opportunities and risks, and define appropriate numerical targets for 2040.

### Technological innovation and international collaboration for creating new markets and the future

Starting with the manufacture of Japan's first domestically produced jet engine, the IHI Group has cultivated advanced technological capabilities and an extensive track record that give it a strong competitive advantage as a leading Japanese manufacturer. In the civil aero engine business, we have steadily accumulated experience by participating

in international engine programs and collaborating with global OEMs. For example, in the PW1100G-JM engine, we developed the world's first composite fan structural guide vanes to reduce engine weight. This innovation has reduced fuel consumption and environmental impact, earning high recognition from customers. We are also expanding our involvement across the entire life cycle of aero engines, from research and design to manufacturing components, producing repair parts, and conducting engine maintenance. The expertise gained through this process gives us a strong competitive edge.

In the defense aero engine business, we have supported the operations of Japan's Ground, Maritime, and Air Self-Defense Forces by producing engines for fighter aircraft, patrol aircraft, training aircraft, helicopters, and naval vessels, as well as providing maintenance and servicing, leveraging decades of experience as a prime manufacturer. We are also taking part in the Global Combat Air Programme (GCAP), an international joint development initiative for next-generation fighter aircraft involving Japan, the U.K., and Italy. Our experience in international joint development from civil aircraft projects has proven valuable in early rule-setting and in discussing the division of responsibilities.

In the space business, we contribute to government-led space initiatives through core technologies such as rockets. In recent years, we have expanded our efforts to satellite data utilization, aiming to offer solutions to social issues through the advancement of satellite data services.

At the same time, building a value chain with high added value requires collaboration with partner companies. For example, in the field of civil aero-engines,

partnerships with OEMs and other external players are vital to enhance the value added by maintenance, repair, and overhaul (MRO) services. In the defense business, we will leverage international experience gained through next-generation fighter aircraft development and apply it to global defense business expansion, in close cooperation with the government, to support Japan's national security policy. We also plan to capture further opportunities and expand businesses by promoting dual use of advanced technologies developed for both defense and civil sectors. In the space business, we are widening the scope of data utilization through partnerships with companies specializing in satellite manufacturing and technological platforms.

### Redefining our business based on our long-term vision and challenge for sustainable growth

In the Aero Engine, Space & Defense Business Area, we have launched the formulation of our future portfolio at the Business and Product Strategy Committee, one specific initiative under an ongoing Group priority measure to redefine all businesses and processes from fiscal 2024. This is an essential step toward achieving long-term growth while adapting to changing business conditions.

To ensure sustainable growth, it is necessary to set a long-term vision of 10 to 15 years and work backward (backcast) to create concrete action plans. Given the uncertainty surrounding our Growth Businesses, we continue to refine our ideal vision for the future and business strategies by maintaining a disciplined PDCA cycle. We are also focused on building mechanisms so that diverse teams can work toward a shared direction.

In addition, we are strengthening inter-business

## Message from the Managing Executive Officer (Growth Businesses)

collaboration. For example, our defense aero engine organization and our civil aero engine organization possess different strengths, such as expertise in global standards and engine development, as well as challenges. We will further accelerate the exchange of personnel and technologies, creating synergies through the sharing of experience and skills.

As part of shaping our future vision, we have clearly defined the direction of technological development to prioritize in the coming years. In the civil aero engine business, developing technologies to achieve carbon neutrality by 2050, a key target for the aviation industry, is a major focus theme. To advance this effort, in April 2025 we reorganized and established a dedicated division within the civil aero engine business to oversee carbon-neutral technology development. We are also accelerating research and development in the electrification of aircraft and

hydrogen fuel cell applications. Furthermore, to prepare for future increases in demand, we are considering expanding our production plants, including the establishment of new facilities overseas.

In the space business, we signed a memorandum of understanding (MOU) in May 2025 with ICEYE of Finland, a global leader in SAR satellites. Through this partnership, we will advance the provision of Earth observation satellite data for security, public use, and commercial applications. Satellite data has immense potential to address societal challenges. In response to the many recent natural disasters, we will also pursue new businesses such as disaster forecasting using satellite data. Through these efforts, the IHI Group will help to build a sustainable society.

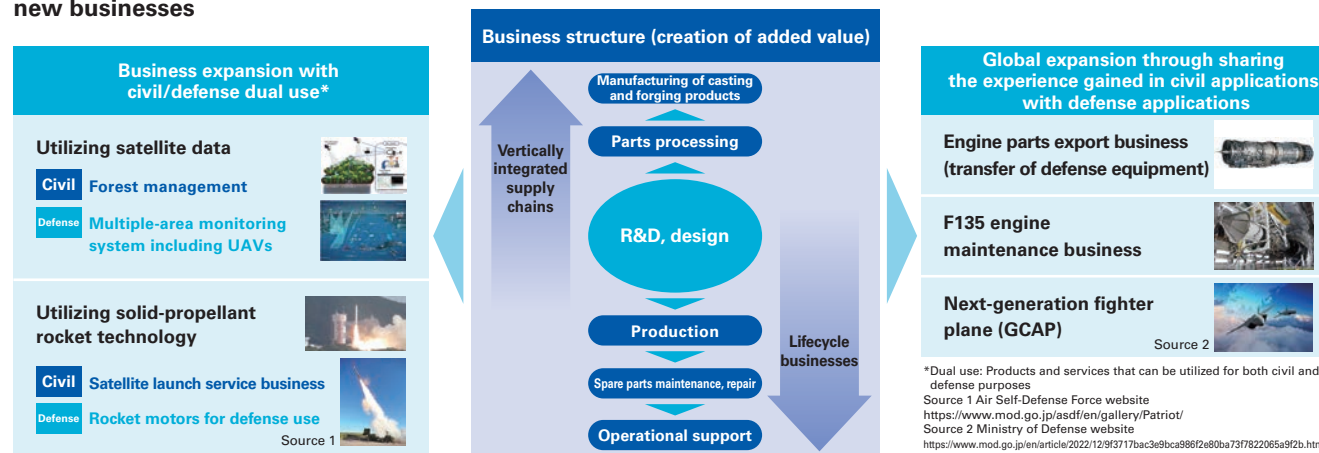
## Creating a workplace where diverse human capital participates actively and meeting the challenge of sustainable growth

For sustainable corporate and social growth, it is vital to secure and develop the human capital that supports these goals. To secure this talent in our Growth Businesses, we plan to increase headcount by around 1,000 over the next three years, using a mix of hiring channels such as mid-career recruitment and internal Group resource shifts, alongside new graduate recruitment.

For employees with diverse backgrounds, including mid-career hires, it is crucial to place the right talent in the right roles and foster retention. We are launching training packages early for employees brought in through mid-career recruitment and resource shifts. We are also taking proactive measures to enhance employee engagement through conferences and roundtable discussions.

A key focus here is our initiative to have employees take ownership of DE&I, which is a priority measure of ours. We encourage mid-career hires to openly discuss both the strengths of the IHI Group and areas for improvement, rather than simply adapting to existing corporate culture. Through these efforts, we are nurturing an organizational culture that values diversity. Our aim is to grow at a pace exceeding market growth by leveraging the collective strengths of our diverse human capital. We are steadily building the foundation necessary to achieve this aim.

## Business expansion through synergies of technology and experience in civil and defense applications; creation of new businesses





## Growth Businesses: Special Feature: Civil Aero engine Business Aftermarket

The aftermarket business as a key driver to grow revenues and profit margins beating civil aviation market benchmarks  
Demand for engine maintenance is rising alongside increased demand for civil aircraft. In this special feature, we highlight our initiatives in the aftermarket business, which is expected to drive growth.

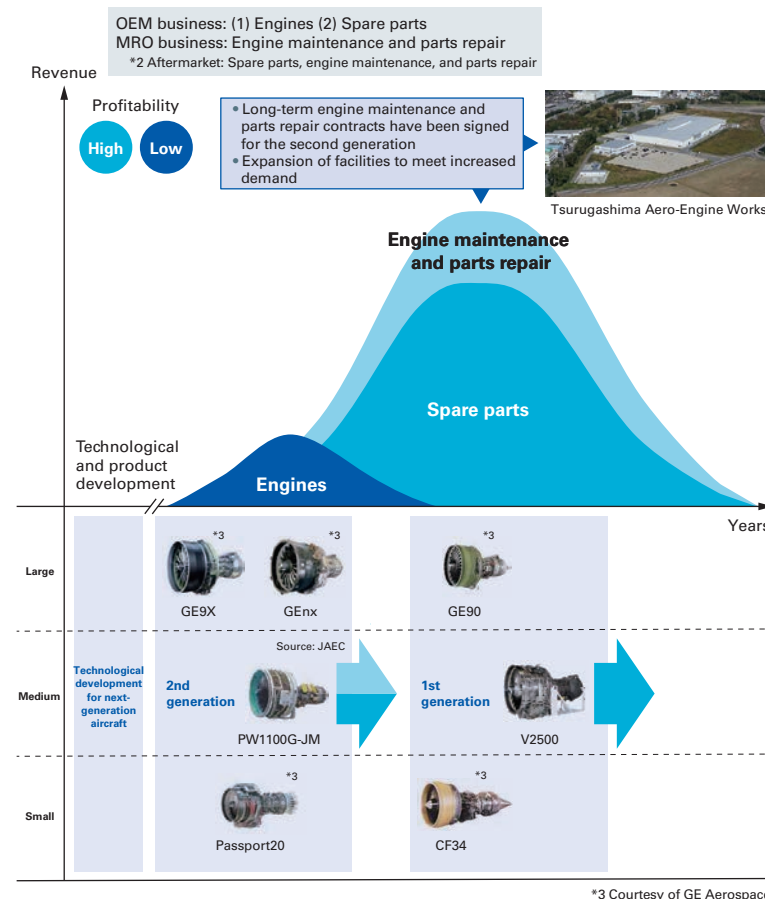
### Aftermarket business driving growth as cumulative engine shipments rise

The IHI Group's civil aero engine business consists of the OEM business (design and production of engine parts, spare parts) and the MRO<sup>\*1</sup> business (engine maintenance and parts repair). The aftermarket<sup>\*2</sup> (spare parts and MRO) forms the core of our business model and accounts for most of our revenues.

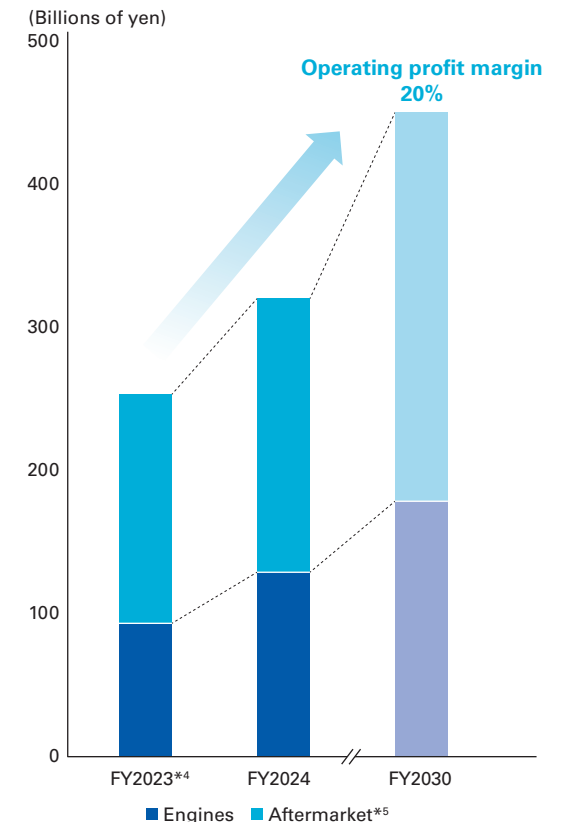
The number of engines currently in service is increasing, leading to expected further growth in the market scope for aftermarket services. We see this as a significant business opportunity for the IHI Group, and in addition to spare parts manufacturing, we are developing high-value-added repair technologies and building production systems to expand our repair business, with a focus on parts where we can leverage our technical strengths. Strengthening domestic maintenance capacity provides value to the airlines we serve by reducing geopolitical risks, shortening delivery times, and lowering costs; it also supports the development of Japan's domestic industry. Through these efforts, we aim to establish a stable and profitable business with an operating profit margin of at least 20% in the civil aero engine business by around 2030.

<sup>\*1</sup> Maintenance, repair, and overhaul

### Revenue model: Civil aero engine business



### Revenue: Civil aero engine business



<sup>\*4</sup> FY2023 excludes PW1100G-JM powder metallurgy issue effects

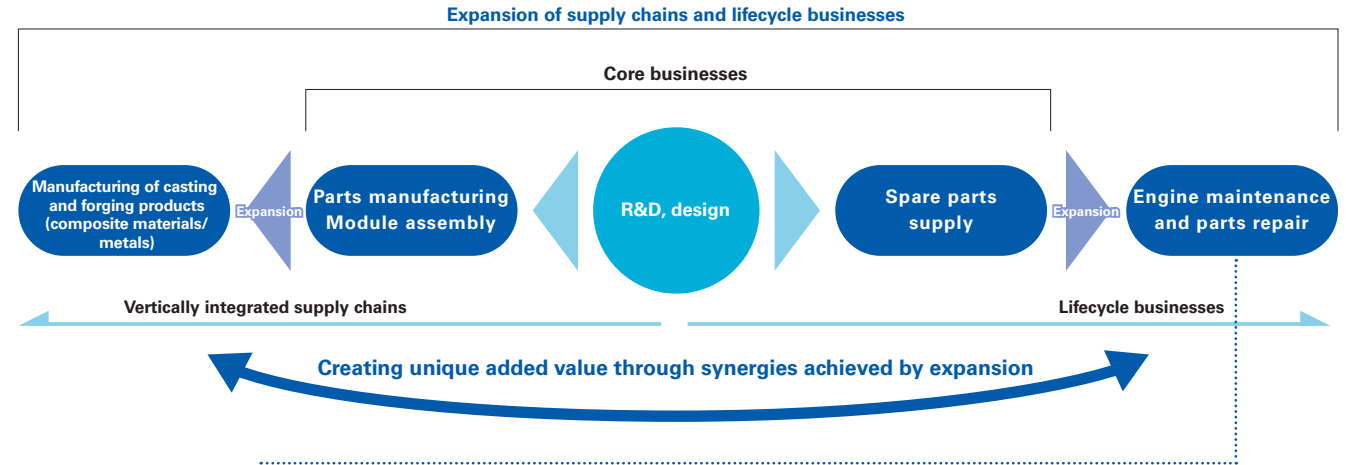
<sup>\*5</sup> Aftermarket: Spare parts, engine maintenance, and parts repair

## The new Tsurugashima Aero-Engine Works is our answer to the growing aircraft aftermarket field

In addition to R&D and design and parts manufacturing, the IHI Group is expanding its involvement both upstream into manufacturing of casting and forging products, and downstream into engine maintenance and parts repair. By extending this value chain, we are adding value and driving growth.

The PW1100G-JM engine, in which we hold roughly a 15% share, incorporates composite materials developed in-house to reduce weight. A great strength for the IHI Group lies in our advanced design and manufacturing capabilities for such composites, as well as our ability to perform complex in-house repairs that competitors find difficult. Our competitive advantage is also underpinned by our participation in international joint development programs for various engines and our long and proven record of success. Building on these technological foundations and achievements, we continue to develop high-value-added repair technologies.

To secure future growth, repair capacity must keep pace with demand. The expansion of the repair facility at the Tsurugashima Aero-Engine Works, announced in January 2025, is part of this effort. This initiative aims to achieve high-value-added repairs in-house and grow faster than the civil aircraft industry market.



### Maintenance planning by the Lifecycle Solutions Center

The Lifecycle Solutions Center develops and executes maintenance plans for civil aero engines in close collaboration with the OEM business. It is also developing technologies for the operation and maintenance of civil aero engines.



The Mizuho Aero-Engine Works seeks to consolidate management of maintenance-related data

### Facility expansion at the Tsurugashima Aero-Engine Works

The Tsurugashima Aero-Engine Works was initially established as a base to meet maintenance demand for the PW1100G-JM engine. Since operations began in June 2021, we have enhanced our capabilities by training additional personnel and investing in equipment. The new repair facility is expected to be operational by the end of 2026, and together with the Mizuho Aero-Engine Works, which also handles maintenance, it will accelerate our ability to meet high-value-added parts repair demand with more rapid high-quality service provision. This will be achieved through improved productivity from initiatives such as automation and digital transformation.



Rendering of the new Tsurugashima Aero-Engine Works

## Message from the Executive Officer (Development-focus Businesses)



**Building a decarbonized society through the establishment of an ammonia value chain, and creating a chain of value creation together with our customers**

### Kensuke Yamamoto

Executive Officer  
Deputy General Manager of  
Business Development Division

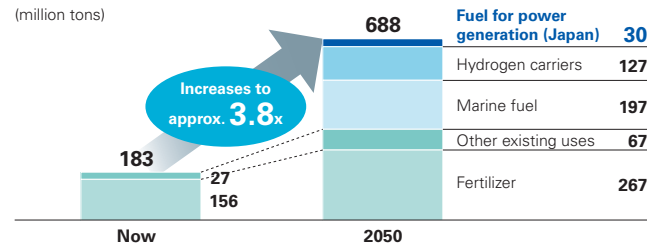
### Focus on ammonia as a decarbonized fuel

The IHI Group is developing power generation technology that uses ammonia as a decarbonized fuel, and is working to build a value chain that covers production through to utilization. Currently, about 1.1 million tons of ammonia are used annually in Japan, mainly for fertilizer, of which about 20% is imported from overseas. Globally, about 200 million tons of ammonia are used each year, and demand as a fuel is expected to rise, particularly for electric power, industry, and ships. In recent years, Europe and the United States have also embraced ammonia as a pathway to achieve

completely zero-emission power generation. As global interest in decarbonization through ammonia grows, the Japanese government has introduced support policies to encourage the adoption and expansion of fuel ammonia, setting a target to increase domestic demand to 3 million tons per year by 2030.

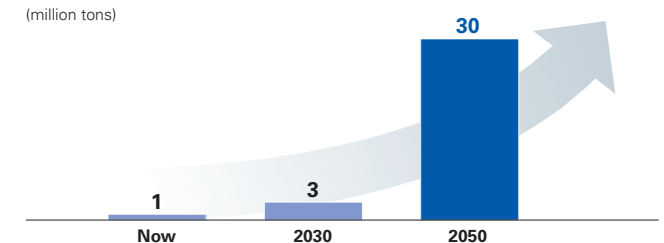
The IHI Group has been pioneering the development of ammonia combustion technology for more than a decade, drawing on expertise in combustion cultivated through thermal power generation. This provides us with a technological advantage in achieving efficient and stable

### Required ammonia volume as assumed by IRENA (worldwide)



Source: International Renewable Energy Agency (IRENA)

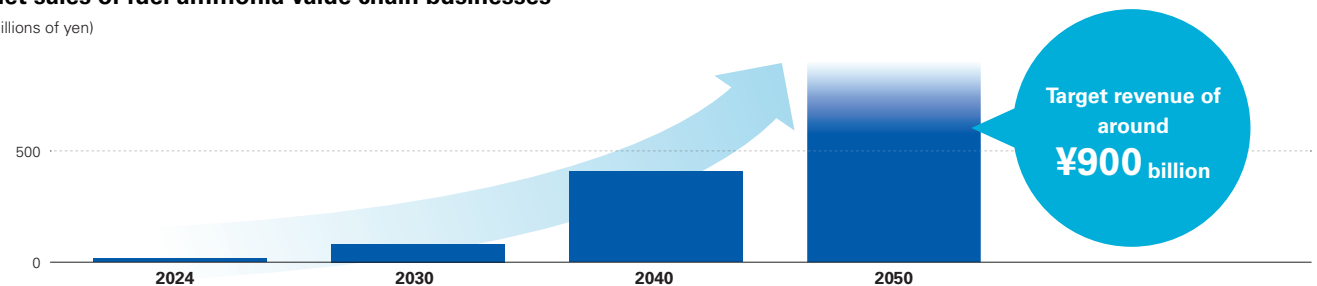
### Required ammonia volume as assumed by the Japanese government



Source: Ministry of Economy, Trade and Industry

### Net sales of fuel ammonia value chain businesses

(Billions of yen)



## Message from the Executive Officer (Development-focus Businesses)

combustion of clean ammonia that emits no CO<sub>2</sub>. With the establishment of this combustion technology, we expect the scope of ammonia utilization to continue expanding. Looking ahead, we will leverage government support to build an ammonia value chain, aiming to ultimately develop a self-sustaining ammonia business that links all stages of the chain.

### Status of IHI Group's efforts to build an ammonia value chain

To promote the ammonia value chain business, we aim to provide value by connecting upstream (production), midstream (storage and transportation), and downstream (utilization) processes for ammonia.

In the upstream field of ammonia production, the most notable progress is a project in India to produce and sell green ammonia. In collaboration with ACME, a leading renewable energy company, the IHI Group has signed an agreement to consider investing in ACME with the aim of producing green ammonia in India and exporting it to Japan. Furthermore, in Australia, we are considering participating in a joint project with Energy Estate, CS Energy, and Idemitsu Australia to produce and sell 500,000 tons of green ammonia annually and export it to Japan by around 2030.

The greatest challenge in green ammonia production is reducing production costs. The IHI Group is working to develop various technologies to produce ammonia at lower cost.

In the midstream area of storage and transportation, we have conducted feasibility studies for ammonia supply bases in Kansai, Soma, and Tomakomai. We plan

to examine tank specifications and related equipment at these bases, carry out studies on the allocation of ammonia carriers, and develop a business model for commercialization. In addition, IHI Plant Services Corporation, a Group company, is developing a new large-capacity tank of over 100,000 tons, more than double the conventional capacity, to improve the economic efficiency of storage terminals. In Japan, ammonia tanks of 10,000 to 20,000 tons for the chemical industry currently dominate the market, so we aim to achieve storage terminals with high capital expenditure efficiency by introducing a new type of large-capacity tank.

Furthermore, in order to establish a secure and stable ammonia supply system, we have signed a basic agreement with Vopak of the Netherlands, one of the world's leading tank service providers, for the development and operation of ammonia terminals in Japan. Furthermore, to optimize ammonia marine transportation and create a complementary system that can respond flexibly to supply fluctuations, we intend to pursue both safety and economic efficiency while working with and leveraging insights of specialized partner companies, including Norway's Yara, the world's largest fertilizer manufacturer.

In the downstream field of utilization, from April to

### IHI technologies for ammonia utilization

Field	Utilization technology/equipment	Details
Electricity	Boilers	 <ul style="list-style-type: none"> <li>Completed development of ammonia burner (May 2022)</li> <li>JERA and IHI completed 20% ammonia fuel substitution demonstration test at Hekinan Thermal Power Station Unit 4 (1,000 MW) in June 2024. Obtained strong results</li> </ul>
	Large gas turbines	 <p>7F05 : Source : GE Vernova</p> <ul style="list-style-type: none"> <li>GE Vernova and IHI signed a joint development contract for a large-scale ammonia-fired gas turbine (December 2023)</li> <li>Targeting commercialization of GE Vernova-made 6F03, 7F, and 9F gas turbines in 2030</li> </ul>
Industry	Small gas turbines	 <p>JPNP21020</p> <ul style="list-style-type: none"> <li>Successfully completed the world's first 100% liquid ammonia combustion in an IHI-made 2 MW-class gas turbine (IM270) (June 2022)</li> <li>Long-term durability tests have been conducted at the Aioi Works since July 2024</li> </ul>
	Industrial furnaces	 <p>source: Idemitsu Kosan Co., Ltd.</p> <ul style="list-style-type: none"> <li>Successfully demonstrated over 20% ammonia fuel substitution at a naphtha cracking furnace at Idemitsu's Tokuyama Complex (February 2024)</li> </ul>
	Engines	 <ul style="list-style-type: none"> <li>Successfully substituted 80% ammonia fuel in an actual four-stroke engine for the first time globally (May 2023)</li> <li>Completed the demonstration voyage of Sakigake, the ammonia-fueled tugboat, in March 2025</li> </ul>
Ships		

## Message from the Executive Officer (Development-focus Businesses)

June 2024, we conducted the world's first large-scale demonstration test for substituting fuel ammonia at a 20% heating value ratio, at the Hekinan Thermal Power Station in collaboration with JERA, and obtained favorable results. At the Aioi Works, long-term durability tests of a small ammonia-fired gas turbine (IM270) began in June of the same year, and development of a 2 MW-class liquid ammonia-fired gas turbine is progressing steadily. The IM270 is being operated in cooperation with Gentari, a Malaysian state-owned clean energy company within the Petronas group, with the goal of starting commercial operation at its own plant.

Furthermore, in 2024, the world's first tugboat equipped with a marine-use ammonia reciprocating engine successfully completed its demonstration voyage. This marks a major step forward in the utilization of ammonia, and we are entering a new stage in adopting ammonia as a fuel in the ship sector as well.

### Social implementation of ammonia technology and innovation of value creation models

The IHI Group possesses three major strengths in the ammonia value chain.

The first is advanced ammonia combustion technology. Ammonia is composed of hydrogen and nitrogen; incomplete combustion or byproducts pose the risk of worsening environmental impact. The IHI Group has established a technology for reliably burning off ammonia by applying combustion technology cultivated over many years in thermal power generation. This has also been proven to reduce emissions of nitrogen oxides (NOx) and nitrous oxide (N<sub>2</sub>O), a greenhouse gas, generated during combustion.

Second, our products under development enhance economic rationale for our customers. In principle, the system does not require major renovations and can operate with both coal and ammonia using existing coal-fired facilities, enabling a smooth transition to cleaner fuels. In addition, in the event of an emergency, the fuel can be flexibly switched back to coal. This high level of operational flexibility is another distinguishing feature for the IHI Group.

Our third major strength is the capability to develop and provide ammonia receiving and storage facilities, drawing on experience in the LNG sector. The IHI Group currently holds about 70 percent of the ammonia storage tank market in Japan and is well-positioned to contribute to the construction of large receiving bases and supply systems to meet the upcoming growth in demand for ammonia.

Leveraging these technological advantages and the strength of its supply system, the IHI Group is shifting from a traditional business model of selling products to a value chain business model of providing value backed by technology. A typical example of this is the ammonia value chain business, which is positioned as a Development-focus Business.

As efforts to realize a decarbonized society accelerate, the IHI Group will establish a system to handle the entire process from ammonia production to storage, transportation, and utilization. This will enable us to offer flexible schemes that meet the needs of our customers and to make proposals that meet their needs throughout the value chain. By creating value in the upstream, midstream, and downstream stages and linking these stages in an integrated manner, we aim to build a new chain of value. This is the core concept of the ammonia

value chain we are pursuing and a key strategy for the next generation of our Development-focus Businesses.

### Roadmap for expanding the ammonia value chain business

The IHI Group aims to realize revenue of approximately 900.0 billion yen across the entire ammonia value chain by 2050. In addition to the production and supply of fuel ammonia, we plan to develop new businesses centered on ammonia, including storage facilities, utilization equipment, and operation, maintenance, and parts services, to establish ammonia as a business pillar alongside the aero engines and space fields.

To achieve this goal, we are making all preparations for around 2030, when full-scale social implementation of ammonia is expected, by making use of government support under the Hydrogen Society Promotion Act enacted by the Japanese government in 2023. Although there has been a change of administration in the United States and signs of a global slowdown in decarbonization initiatives, many companies continue to pursue decarbonization, and we do not expect this to have a significant impact on the IHI Group. Taking a long-term view, we will steadily promote the development of an ammonia value chain to achieve both a decarbonized society and sustained growth and profitability.



## Development-focus Businesses: Special Feature: Social implementation of ammonia

# Initiatives for social implementation of ammonia

In June 2024, IHI, together with JERA and NEDO, completed the world's first large-scale demonstration test to substitute ammonia for coal at a large coal-fired power plant. In this special feature, we present the IHI Group's initiatives and achievements in ammonia combustion technology.

### A pioneer in ammonia combustion develops ammonia utilization technology

For more than a decade, the IHI Group has focused on the properties of ammonia, which can efficiently transport hydrogen and emits no CO<sub>2</sub> during combustion. Alongside the boiler combustion technology described here, we are also actively engaged in developing world-leading ammonia combustion technology for gas turbines and gas engines.

For boiler combustion technology, IHI has made steady development progress in this area. In 2017, we successfully carried out a combustion trial of ammonia with coal at our Aoi Works, and since 2021, in partnership with JERA, we participated in the Development of Technologies for Carbon Recycling and Next-Generation Thermal Power Generation/R&D and Demonstrations on Technologies for Ammonia Co-firing Thermal Power Generation, a project funded by the New Energy and Industrial Technology Development Organization (NEDO). In 2024, at Unit 4 of the Hekinan Thermal Power Station, we conducted the world's first large-scale fuel ammonia substitution demonstration test at a large coal-fired power plant from April to June.

**2017**

Began development of ammonia combustion technology in boilers for thermal power generation at Aoi Works

**2021**

Began development of a burner boiler to increase ammonia utilization to over 50%



Note: Construction completed in 2022

**2022**

Conducted a demonstration test of 20% ammonia fuel substitution at JERA's Hekinan Thermal Power Station Unit 4 (output: 1 million kW)

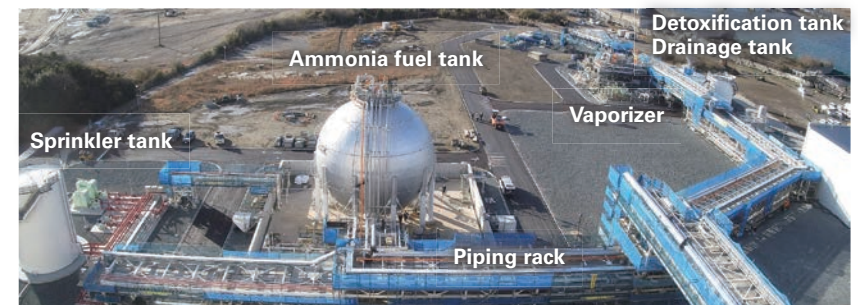


Photo courtesy of JERA Co., Inc.

## Utilizing demonstration test results for social implementation

The large-scale substitution demonstration test was conducted to evaluate the performance of the entire boiler plant when burning 20% ammonia. In addition to confirming operability and controllability under dynamic operating conditions such as startup, shutdown, and load changes, and verifying leakage prevention measures, we also evaluated and studied security measures in the event of an ammonia leak.

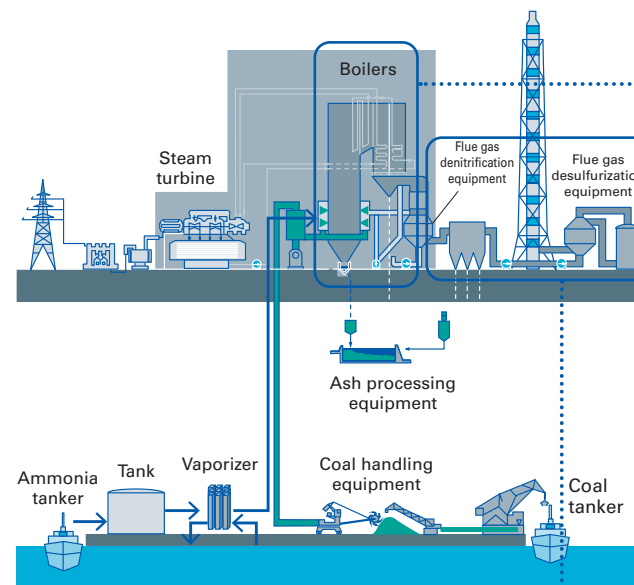
Specifically, in fiscal 2021, we began planning for each kind of equipment and examining safety measures, and we remodeled boilers and installed necessary equipment accordingly. In April 2024, we launched a demonstration test of 20% ammonia fuel substitution at a rated output of 1 million kW, which was successfully completed in June of the same year. The demonstration achieved air pollutant reductions to levels comparable to those of conventional coal combustion, overcoming one of the key challenges of ammonia combustion. Furthermore, the test deepened our understanding of the balance between ammonia transport, combustion, and control, while confirming the safety of the system. This proves that ammonia can be used as a fuel as a way to reduce CO<sub>2</sub> emitted by thermal power generation facilities.

Based on the results of the 20% ammonia fuel substitution demonstration test, we will continue to refine boiler plant specifications, aiming to develop technology that is both safe and economically viable. We have already begun development of technologies for more than 50% ammonia combustion in thermal power plants, and even 100% combustion, and to implement these technologies in society.

2024

Completed a 20% ammonia fuel substitution demonstration test operating at a rated output of 1 million kW

### Items checked in the ammonia demonstration test

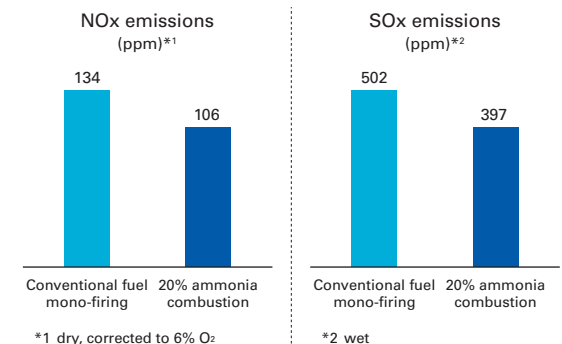
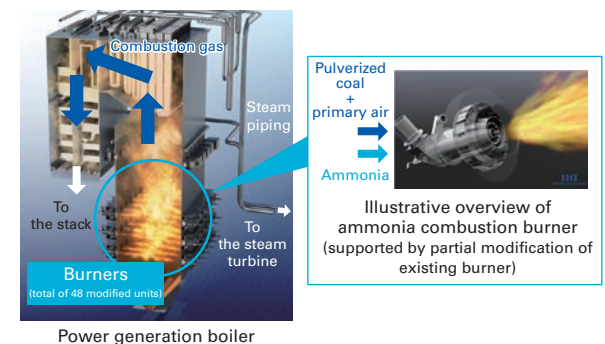


### Verification point 2: Prevention of ammonia leakage and security measures in case of leakage

In addition to verifying safety design that prevents ammonia leakage and preventative measures in case of equipment failure or mishandling, we also verified safe and secure facility operation alongside JERA, including testing a system for early detection of equipment malfunctions and participating in training and education to prevent damage from spreading.

### Verification point 1: Performance evaluation of the entire boiler plant

Fuel conversion to 20% ammonia use results in the same or lower amount of nitrogen oxides (NO<sub>x</sub>) and about 20% less CO<sub>2</sub> and sulfur oxides (SO<sub>x</sub>), respectively, compared to coal fuel. Nitrous oxide (N<sub>2</sub>O), which has a strong greenhouse effect, was also found to be well less than the lower limit of quantification.



## Conventional Businesses



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### Creating management resources by leveraging and evolving lifecycle businesses (LCBs) alongside structural reforms

#### Roles in the “Group Management Policies 2023”

The IHI Group positions the three fields of Resources, Energy & Environment, Social Infrastructure, and Industrial Systems & General-Purpose Machinery as the core businesses of the Group. In these three sectors, we assist customers throughout the lifecycle of their equipment and machinery by enabling fault prediction and promoting longer service life. Additionally, by closely engaging with the lifecycle, we apply the insights and know-how acquired to develop new products and services that maximize customer value.

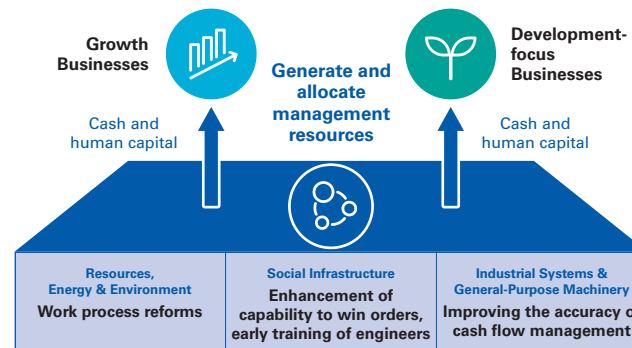
In the “Group Management Policies 2023,” they play the role of generating profits through leveraging LCBs and structural reforms, thereby creating management resources (cash and human capital) to support the Growth and Development-focus businesses.

#### LCBs in nuclear energy

The IHI Group focuses on the nuclear energy business within its energy sector, promoting the expansion of operations across the entire lifecycle from power plant construction to decommissioning. The Group’s strengths in its nuclear energy business include being the sole domestic provider of vitrification technology and having the capability to manufacture equipment that meets the stringent quality standards required in the nuclear sector, centered at its Yokohama Works. Leveraging these strengths, IHI supports backend businesses such as the nuclear fuel cycle, decommissioning, and waste management. In particular, it possesses the only domestic design and manufacturing technology for the reprocessing of spent nuclear fuel. By further strengthening these technologies, IHI aims to establish itself as a leading manufacturer in the nuclear energy sector.

Since the Great East Japan Earthquake, public concern

#### Capital flow centered on the Conventional Businesses



Conventional Businesses



Yokohama Works



## Conventional Businesses

over the safety of nuclear power plants has increased, prompting the Nuclear Regulation Authority to establish new regulatory standards in 2013. These standards are designed to strengthen countermeasures against earthquakes, tsunamis, and severe accidents. Domestic nuclear power plants have been gradually restarted as they complete these safety upgrades. As of 2025, 14 out of the 33 nuclear reactors across Japan have met the new regulatory standards and have already been restarted. The IHI Group is currently carrying out safety upgrade work to help domestic light water reactors scheduled for restart comply with the new regulatory standards.

As reactor restarts progress, the need to process spent fuel will increase, making the establishment of a nuclear fuel cycle a key priority. IHI has been involved

in the design and manufacturing of key equipment for the reprocessing plant currently under construction in Rokkasho Village, Aomori Prefecture, and is also working to expand LCB efforts at this facility.

In addition, to support the decommissioning of the Fukushima Daiichi Nuclear Power Station, IHI jointly established Tousou Mirai Technology Co., Ltd. with Tokyo Electric Power Company Holdings, Inc. and is advancing the development of decommissioning technologies for the retrieval of fuel debris.

In addition to the continued plans for reactor restarts in Japan, IHI is also looking toward the global deployment of next-generation innovative reactors by leveraging its strong technological capabilities over the medium to long term. In its nuclear energy business, the IHI Group is

aiming to achieve revenue of 100 billion yen by the 2030s.

## LCBs in carbon solutions

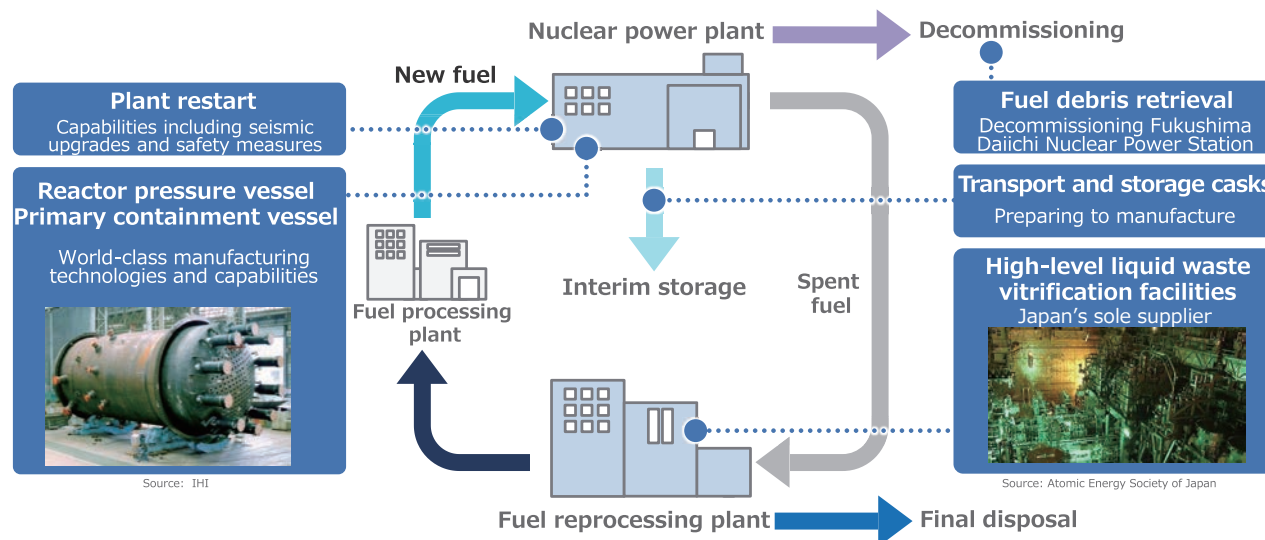
To realize a carbon-neutral society, the IHI Group aims to create new business opportunities and expand its customer base by actively proposing LCBs that leverage its core strengths in carbon solution technologies.

In Japan, inefficient coal-fired power plants are set to be phased out by 2030. The IHI Group, based on its long-developed combustion and control technologies, has supplied numerous boilers both domestically and internationally. For existing thermal power plants using these boilers, the Group contributes to reducing greenhouse gas (GHG) emissions by providing products and services that support zero-emission operations and sustained high-efficiency performance, in addition to regular maintenance. The Group is also steadily working on structural reforms of its domestic operations to improve profitability. Specifically, IHI and IHI Plant Services are working together to optimize their organizations and allocate human capital more effectively, resulting in improved operational efficiency and cost reduction.

Overseas, we are concentrating on securing high-value projects that meet demands for greater efficiency and fuel conversion, speeding up our business expansion.

By expanding into areas such as plant modifications and wastewater treatment in the petrochemical sector, both domestically and internationally, we are broadening the scope of LCBs and aiming to grow our business focused on reducing environmental impact.

## Strengths of the nuclear energy business



## Medium- to Long-Term Portfolio Goals

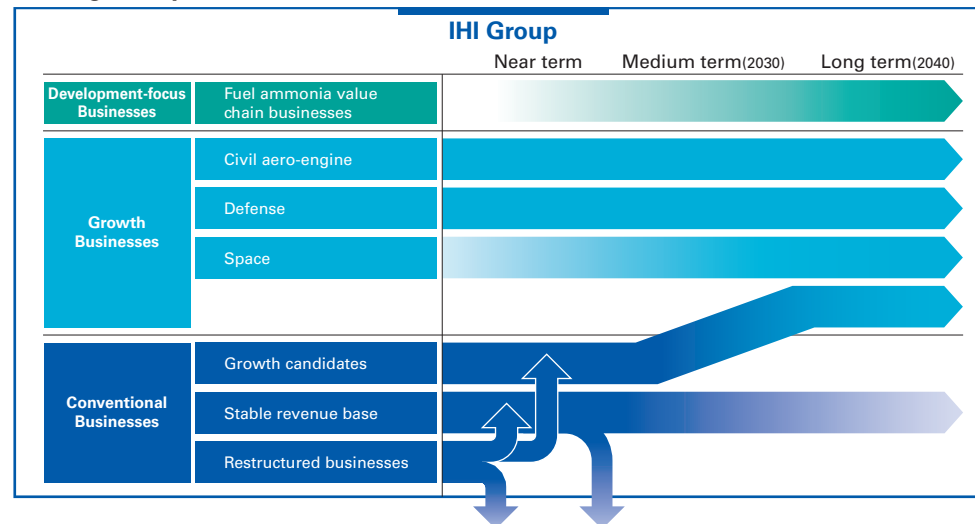
The IHI Group is making steady steps to transform into a sustainable high-growth company by boldly shifting management resources to Growth and Development-focus Businesses.

### Transformation of business portfolio

The IHI Group is working to transform its business portfolio to achieve sustainable growth over the medium to long term by boldly shifting management resources, such as human capital and cash, from Conventional Businesses to Growth and Development-focus Businesses. In fiscal 2023, we began shifting human capital

from Conventional Businesses to Growth Businesses and have initiated structural reforms, including the sale of some businesses. Fiscal 2025, as the final year of the ongoing “Group Management Policies 2023”, marks a crucial year to finalize discussions on achieving our desired business portfolio.

### Envisaged corporate value creation



#### Businesses sold during the “Group Management Policies 2023” period

Oct. 2024: Transfer of shares of IHI PACKAGED BOILER CO., LTD.  
 Nov. 2024: Transfer of Materials Handling System Business of IHI Transport Machinery Co., Ltd.  
 Nov. 2024: Transfer of Turf Care Machinery Business of IHI Agri-Tech Corporation  
 Mar. 2025: Resolution for transfer of shares of IHI CONSTRUCTION MATERIALS Co., Ltd.

### Achievements in fiscal 2024 and future actions



Our achievements in fiscal 2024 include, in the Growth and Development-focus Businesses, that it promoted measures to strengthen the civil aero-engine and defense businesses and to cultivate fuel ammonia value chain businesses. On the other hand, in Conventional Businesses, in addition to the structural reforms of the vehicular turbocharger business mainly in the European region, the Group resolved to take actions, including business sale, in four businesses: general-purpose boiler, materials handling system, turf care machinery, and concrete construction materials.

In fiscal 2025, the Group will continue its structural reforms, focusing on stability, profitability, and growth as well as the best-owner perspective. In addition, the Group is planning structural reforms at three overseas affiliated companies in energy-related businesses, consolidation of the shield business in the Social Infrastructure Business Area, and consolidation and elimination of models in the transport systems business. Furthermore, the Group’s structural reforms will make no exceptions; it will even consider asset sales toward speedy and effective reforms, with the aim of building a revenue structure that will contribute to sustainable growth.




Strengthening Growth and Development-focus Businesses	<ul style="list-style-type: none"> <li>Reinforced civil aero-engine and defense businesses</li> <li>Invested in civil aero-engine MRO business at Tsurugashima Aero-Engine Works</li> <li>Started maintaining F-35 fighter engines</li> <li>Expanded exports to U.S. OEMs of domestic engine components for fighter aircraft made under license</li> <li>Cultivated fuel ammonia business</li> <li>Participated in green ammonia production and supply projects</li> <li>Developed and commercialized boiler, gas turbine, and marine engine utilization technologies</li> </ul>
Overhauling business portfolio	<ul style="list-style-type: none"> <li>Restructured vehicular turbocharger business</li> <li>Began liquidating an overseas consolidated subsidiary (production ended in June 2025)</li> <li>Consolidated European production sites</li> <li>Finished transferring general-purpose boiler business</li> <li>Finished transferring materials handling systems business</li> <li>Finished transferring turf care machinery business</li> <li>Resolved to transfer concrete construction materials business (to be transferred in October 2025)</li> </ul>
Improving capital efficiency	<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> </ul>



## Progress in Growth, Development-focus, and Conventional, Businesses

	Business	Role in the "Group Management Policies 2023"	Major management strategies
<b>Growth Businesses</b> 	<ul style="list-style-type: none"> <li>● Civil Aero-engines, Defense, and Space Businesses</li> </ul>	<ul style="list-style-type: none"> <li>● In parallel with the expansion of the civil aero-engine and defense businesses, working on bolstering operating cash flows</li> <li>● Expanding and strengthening existing businesses centered on the aero-engine business so that they become pillars underpinning the medium- to long-term growth of the IHI Group</li> <li>● Continuing to plant the seeds for new business field creation and making the IHI Group leap to becoming a sustainable high-growth company</li> </ul>	<ul style="list-style-type: none"> <li>● In the civil OEM aero-engine business, working to shorten inventory turnover days while sustaining an expanded production system</li> <li>● In the civil MRO business, pursuing stable growth while enhancing maintenance and repair capability</li> <li>● In the defense business, alongside the steady delivery of orders, focusing on achieving revenue with enhanced profitability</li> <li>● In the space business, taking over solid fuel rocket operations from JAXA, establishing a mass production system, and advancing new ventures such as satellite constellations</li> </ul>
<b>Development-focus Businesses</b> 	<ul style="list-style-type: none"> <li>● Fuel ammonia value chain businesses</li> </ul>	<ul style="list-style-type: none"> <li>● Aiming to become a pillar of the IHI Group in the medium to long term, with a focus on the clean energy field and the value created by core technologies as our strengths, joined by the pillar of our Growth Businesses</li> <li>● After the current upfront investment phase, revenue contributions are expected to start around 2030</li> </ul>	<ul style="list-style-type: none"> <li>● Aiming to create and expand business by building a value chain from upstream (production) to midstream (storage and transportation) and downstream (utilization) processes for ammonia</li> <li>● In production, working to develop various technologies and strengthen partnerships to produce ammonia at lower cost</li> <li>● In storage and transportation, at each of the ammonia supply bases, studying the specifications of tanks and various equipment, conducting surveys on the allocation of ammonia carriers, and developing a business model for commercialization. In addition, unlocking storage terminals with high capital expenditure efficiency through the introduction of a new large-capacity tank</li> <li>● In utilization, aiming to further expand the use of fuel ammonia, building on the results of a large-scale fuel ammonia conversion demonstration test (20% of heating value) and the successful demonstration voyage of a tugboat equipped with an ammonia reciprocating engine for marine use</li> </ul>
<b>Conventional Businesses</b> 	<ul style="list-style-type: none"> <li>● Resources, Energy &amp; Environment Business</li> <li>● Social Infrastructure Business</li> <li>● Industrial Systems &amp; General-Purpose Machinery Business</li> </ul>	<ul style="list-style-type: none"> <li>● Generating cash through exploiting lifecycle businesses (LCBs) and restructuring businesses</li> <li>● Generating management resources, such as cash and human capital, to be allocated to the Growth Businesses and Development-focus Businesses</li> <li>● Playing a central role in the Group to stabilize performance toward stable and sustainable growth with limited volatility</li> </ul>	<ul style="list-style-type: none"> <li>● In the Resources, Energy &amp; Environment Business, aiming to increase operating profit and maximize cash flow by optimizing our business structure through restructuring and resource reallocation</li> <li>● In the Social Infrastructure Business, ensuring cash flow generation by visualizing information on individual projects and business unit working capital, improving administrative business processes, and strengthening monitoring systems</li> <li>● In the Industrial Systems &amp; General-Purpose Machinery Business, advancing collaboration across product and business areas to expand our LCBs and maximize cash flow</li> </ul>

## Progress in Growth, Development-focus, and Conventional, Businesses

	Main environmental factors	Achievements in FY2024 (including some from FY2025)
<b>Growth Businesses</b> 	<ul style="list-style-type: none"> <li>● In the civil aero-engine business, steady passenger demand accompanied by further expansion of spare parts sales</li> <li>● In the defense business, significantly increasing defense budget in line with the Japanese government's policy of fundamental reinforcement of defense capabilities</li> </ul>	<ul style="list-style-type: none"> <li>● In the civil aero-engine business, investment in Tsurugashima Aero-Engine Works, and in the defense business, launch of the fighter aircraft engine maintenance business</li> <li>● Expansion of exports to U.S. OEMs of engine parts for licensed fighter aircraft domestically produced</li> </ul>
<b>Development-focus Businesses</b> 	<ul style="list-style-type: none"> <li>● In Japan, consumption of approx. 1.1 million tons of ammonia per year, mainly for fertilizer. About 20% is imported</li> <li>● In 2024, provision of support by the Japanese government for the introduction and expansion of fuel ammonia, with the goal of increasing domestic demand for fuel ammonia to 3 million tons per year by 2030</li> <li>● Global consumption of approx. 200 million tons of ammonia per year</li> </ul>	<ul style="list-style-type: none"> <li>● Participation in green ammonia supply business in partnership with overseas chemical fertilizer manufacturers</li> <li>● Successful manufacturing test of green ammonia using renewable energy</li> <li>● Development and commercialization of utilization technologies (boilers, gas turbines, marine engines)</li> <li>● Agreement with ACME, a leading renewable energy company, to explore investment in a green ammonia production project in India</li> <li>● Demonstration voyage of a tugboat equipped with an ammonia reciprocating engine for marine use</li> <li>● Successful fuel ammonia substitution demonstration test at JERA's Hekinan Thermal Power Station</li> </ul>
<b>Conventional Businesses</b> 	<ul style="list-style-type: none"> <li>● Expectations on further growth in energy demand, with increasing focus on energy sources that combine a stable supply with decarbonization, especially nuclear power</li> <li>● Ongoing actions in the Fundamental Plan for National Resilience in Japan to address aging infrastructure and natural disasters caused by climate change</li> <li>● The global automobile market is seeing a temporary slowdown in the shift toward battery-electric vehicles (BEVs), with increased demand for plug-in hybrid electric vehicles (PHEVs) and hybrid electric vehicles (HEVs), and we expect a certain level of demand for vehicle turbochargers until around 2030.</li> </ul>	<ul style="list-style-type: none"> <li>● As part of business portfolio transformation efforts, ongoing transfer of the transport machinery and the turf care machinery businesses, which are part of our Conventional Businesses, and the transfer of consolidated subsidiaries IHI PACKAGED BOILER CO., LTD and IHI CONSTRUCTION MATERIALS Co., Ltd</li> <li>● In the nuclear energy business, completion of the steel module mock-up for the NuScale Power small modular reactor (SMR) project in Romania as the first step toward the global deployment of next-generation advanced reactors</li> <li>● In the carbon solutions business, proceeding with structural reforms of domestic businesses to improve profitability. Specifically, IHI and IHI Plant Services working together to optimize their organizations and allocate human capital more effectively, resulting in improved operational efficiency and cost reduction</li> </ul>

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# SUSTAINABILITY STORY

**Advancing sustainability management through  
the integration of business and ESG activities**

## Sustainability Management

### IHI Group ESG management

The IHI Group's management philosophy declares that we "Contribute to the development of society through technology," and that "Human resources are our single most valuable asset." Since our establishment in 1853, we have contributed to solving social issues facing era after era. Aiming to realize a sustainable society and achieve sustainable growth as a company, the IHI Group's ESG Management was announced in November 2021, stating we would face head on social issues as they change over time, give consideration to the natural environment and to society more than ever before, and find business opportunities in solving those issues.

The goal of the IHI Group is to "Create a World where Nature and Technology Work in Unity." This means creating a society offering all people, including future generations, prosperous and secure lives to realize sustainability in both the global environment and people's lifestyles. To achieve that goal, the IHI Group redefined four social issues that the Group should work on, namely: "Achieving carbon-neutrality in the industry," "Achieving a global ecosystem resilient to climate change," "Building and improving industrial ecosystems," and "Economic, national, and energy security" in the "Group Management Policies 2023."

The IHI Group believes that "Human Rights" and "Diversity, Equity, and Inclusion" are important in addressing these social issues, and that "Securing and maintaining stakeholder trust" through ESG management should be a priority.

### Sustainability promotion system

The IHI Group has a duty to contribute to society and the environment in a way that will realize a sustainable society. The Group knows ESG management with clearly defined values is essential to governance making these contributions possible. The Group has established the ESG Management Promotion Committee, with the chief executive officer (CEO) as its chairperson, for the purposes of examining basic policies and specific activities for ESG management as well as evaluating their progress and making improvements. Additionally, the IHI Group has established a Group-wide Committee to address issues such as the environment, human rights, and compliance throughout the entire company. The Group developed a system in which the policies discussed and decided upon by each committee are represented in the specific activities of each division. Matters related to important decision-making regarding ESG management are reported to the Board of Directors as appropriate, and ESG management is implemented Group-wide.

In fiscal 2023, an ESG Index which evaluates the initiatives on the reduction of greenhouse gas emissions, improvement of employee engagement, and promotion of DE&I, was incorporated in the incentive remuneration for directors (excluding representative directors and independent directors) after a resolution by the Board of Directors. From fiscal 2024, the ESG Index is included in the individual performance evaluation based on the mission of each officer, for all officers except independent directors.

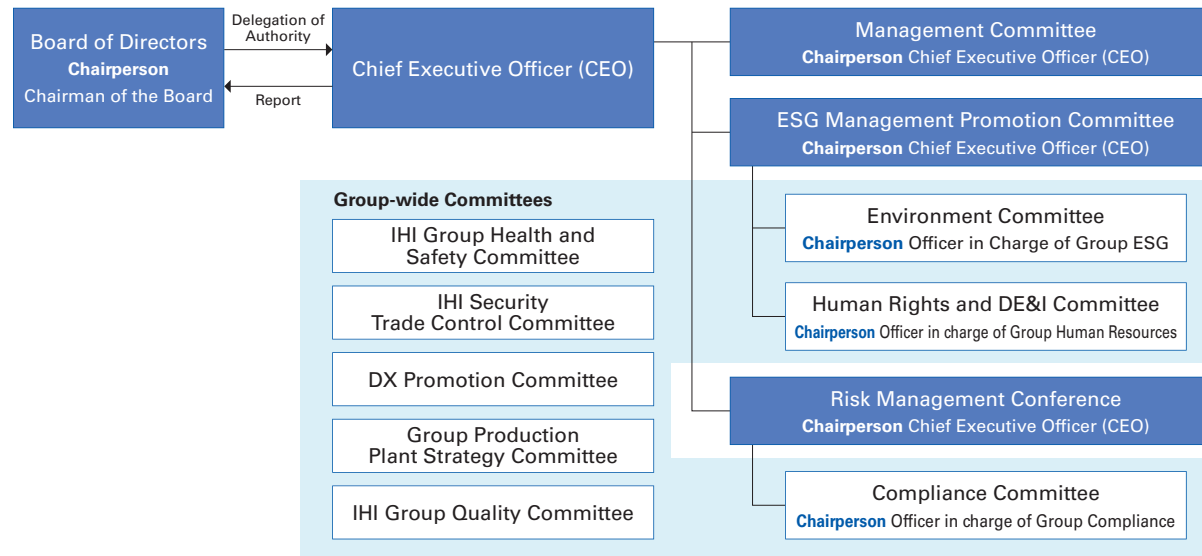
### Activities of the ESG Management Promotion Committee

The agenda for fiscal 2024 included reports on the status of initiatives and challenges related to the four particularly important issues listed below, as well as initiatives for integrated management of management policies and ESG.

1. Climate Change
2. Diversity, Equity, and Inclusion
3. Human Rights
4. Securing and maintaining stakeholder trust

## Sustainability Management

## Sustainability promotion system



	Overview	Chairperson	Number of Meetings Held
ESG Management Promotion Committee	Discusses and makes decisions on initiative policies, promotion systems, and action plans for addressing the material issues important in ESG management.	CEO	In principle, twice a year. Additional meetings can be held at the call of the chairperson.
Environment Committee	As a subsidiary body of the ESG Management Promotion Committee, drafts environment-related action plans and promotes environmental activities through a PDCA cycle. The Chairperson reports and gives proposals to the ESG Management Promotion Committee.	Officer in Charge of Group ESG	In principle, once a year. Additional meetings can be held at the discretion of the chairperson.
Human Rights and DE&I Committee	As a subsidiary body of the ESG Management Promotion Committee, this committee fosters a corporate culture respectful of human rights and carries out initiatives that respect human rights across all of the IHI Group's business activities. It also promotes diversity, equity, and inclusion (DE&I) based on the concept of respect for human rights.	Officer in charge of Group Human Resources	In principle, once a year. Additional meetings can be held at the discretion of the chairperson.
Risk Management Conference	Oversees overall IHI Group risk management and discusses and approves important risk management matters.	CEO	In principle, once a year. Additional meetings can be held at the discretion of the CEO.
Compliance Committee	As a subsidiary body of the Risk Management Conference, deliberates and drafts important compliance policies and promotes activities.	Officer in charge of Group Compliance	In principle, twice a year. Additional meetings can be held at the discretion of the chairperson.



## Climate Change and Natural Capital

### Approach

#### Approach to climate change and natural capital (Conservation of the Global Environment•Circular Economy)

The IHI Group implements management that embraces ESG values (ESG management) based on the desire to “Create a World where Nature and Technology Work in Unity.” The Group’s environmental initiatives continue to work to reduce the environmental impact on society at large in an effort to combat Climate Change, Conservation of the Global Environment, and Circular Economy. In particular, the IHI Group sees taking measures against Climate Change as a particularly important issue in ESG management and is doing everything possible to accomplish this. Climate change has an enormous social and economic impact and is a vital social issue for companies to address in order to realize sustainability and one that the IHI Group believes it should focus on.

### Governance

#### Structures for implementing initiatives to become carbon neutral

The IHI Group deliberates on and determines approaches and important matters concerning Climate Change countermeasures through the Environment Committee, a Group-wide body.

In fiscal 2021, the Group established a task force comprising members from different divisions to promote initiatives to become carbon-neutral throughout the entire value chain. Task force activities are reported and discussed at the Environment Committee, and then reported to the ESG Management Promotion Committee, and feedback

received from management is disseminated throughout the Group.

Amid discussions at these committees and meetings, matters related to important management decision-making are deliberated on by the Management Committee, and are then submitted to the Board of Directors.

#### Structures for initiatives to natural capital (Conservation of the Global Environment•Circular Economy)

The IHI Group deliberates and decides on the approach and important matters concerning Conservation of the Global Environment, and Circular Economy also through the Environment Committee, a Group-wide body. Each office, plant, and business establishment has set up an environment committee to draft policies tailored to the needs of each region based on Group-wide policy.

### Strategy

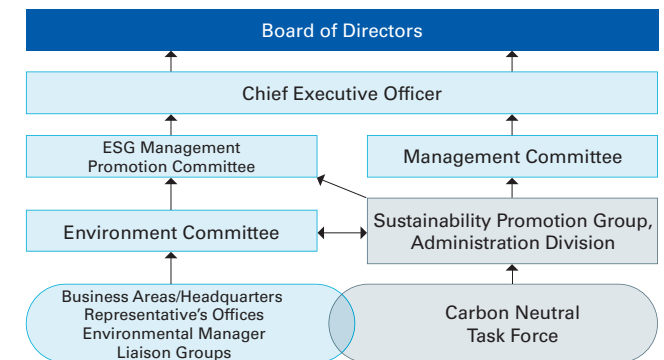
#### IHI Carbon-Neutral 2050

The IHI Group supports the Paris Agreement’s 1.5°C target of “holding the global average temperature increase to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels,” and is working to achieve this under its “IHI Carbon-Neutral 2050” initiative.

The Group aims to halve direct and indirect greenhouse gas emissions (Scope 1, 2) from its business activities compared to fiscal 2019 by fiscal 2030 and achieve effectively zero emissions by 2050. As short-term measures, the Group established the IHI Group Environment Action Plan 2023 (FY2023–FY2025) and set targets of reducing total Scope 1 and 2 emissions by

For detailed disclosure in line with the TCFD recommendations, please refer to the website below.  
<https://www.ihi.co.jp/en/sustainable/environmental/climatechange/>

#### System for achieving carbon neutrality



12,000 t-CO<sub>2</sub>e compared to fiscal 2022 through capital investment. As of fiscal 2024, the Group has reduced these emissions by 9,000 t-CO<sub>2</sub>e. In fiscal 2025, we aim to reduce this further by 3,000 t-CO<sub>2</sub>e. We have set a target of reducing energy intensity (energy consumption per unit of sales) by 3%.

The Group also aims to achieve effectively zero greenhouse gas emissions released in upstream and downstream processes (Scope 3) by 2050. The Group formulated the Scope 3 Emissions Reduction Roadmap and will reduce emissions with a focus on category 11 (use of sold products) and category 1 (purchased products and services), which have particularly large emissions, to achieve carbon neutrality across Scopes 1, 2, and 3. Possessing decarbonization technology, the IHI Group will take the lead in contributing toward the realization of a global carbon-neutral society through its efforts in achieving this goal.

## Climate Change and Natural Capital

## Risk and opportunity due to climate change

The IHI Group conducted simple scenario analyses of four business domains significantly impacted by climate change: the energy business, bridge and water gate business, vehicle turbocharger business, and the civil aero engine business. See the table to the right for the results of our analyses.

In the future, the IHI Group will enhance its ability to leverage scenario analyses in business strategy through efforts, such as assessing the financial impact of climate change.

The IHI Group will proactively incorporate the concepts pursued by TCFD signatories in management policies and business strategies, contributing not only to the sustainable development of our Company, but society as a whole.

## Scenario analysis process

<b>Step 1 Set independent scenarios</b>	The IHI Group referred to external scenarios* to set independent Group scenarios in anticipation of the world in 2050. ① High-transition risk scenario ② High-physical risk scenario
<b>Step 2 Identify risks and opportunities</b>	The IHI Group identifies risk and opportunities for the two scenarios created in Step 1.
<b>Step 3 Evaluate the business impact</b>	The IHI Group assigns point values for the potential of occurrence and scale of impact for each risk and opportunity identified in Step 2. The intersection between both define the impact and estimate the influence the risks and opportunities have on our businesses.
<b>Step 4 Formulate countermeasures</b>	The IHI Group formulates measures to respond to these risks and opportunities to foster resilient businesses.

\* External reference scenarios:

- A carbon-neutral world  
IEA 2DS (qualitative assessment based on the ETP2017 Global technology penetration in LDV stock by scenario, global electricity generation, etc.)
- A world greatly impacted by climate change  
RCP 8.5 (qualitative assessment based on the portions relating to wind and flood damage risk of IPCC AR5 WG2)

## Main risks, opportunities, and countermeasures specific to each business (four main business domains)

	Energy Business	Bridge and Water Gate Business	Vehicle Turbochargers Business	Civil Aero-Engine Business
(1) Risks, Opportunities, and Main Countermeasures in a Carbon-neutral World				
<b>Risks</b>	•Declining demand for large fossil fuel power generation equipment	•Increasing procurement costs (carbon tax, etc.) for materials with high CO <sub>2</sub> emissions (concrete, steel, etc.)	•Declining demand for combustion engine vehicles unable to address carbon-neutral requirements and a falling demand for existing turbochargers	•Declining demand for aircraft due to carbon-neutral requirements and standardization of alternative highspeed means of transportation
<b>Opportunities</b>	•Increasing demand for fuel conversion, carbon capture and storage (CCUS), and other decarbonization technologies •Increasing demand for regulated power supplies, storage energy, and Power-to-X to provide a stable energy supply as renewable energy becomes the standard	•Increasing demand for roads( bridges and tunnels ) to provide a more efficient transportation network •Increasing demand for railway construction due to expansion of railway systems overseas	•Potential to secure market competitiveness and leverage an increase in demand for turbochargers by being first to market with new turbocharger products (electric products in addition to existing models) for carbon-neutral electric vehicles (PHEV, HEV, FCV, etc.)	•Increasing demand for the development of aircraft engines supporting carbon neutral requirements and a rise in opportunities due to electrification of engines and utilization of advanced material technologies.
<b>Main countermeasures</b>	•Rapidly deploy carbon-neutral technologies to society •Promote technological development to stabilize the energy supply •Expand the lifecycle business through remote monitoring and other Internet of Things (IoT) technologies	•Reduce construction schedules and labor costs by labor-saving, remotization, and improving construction methods through promoting digital transformation (DX)	•Rapid development and commercialization of turbochargers for electric vehicles that comply with carbon-neutral requirement trends	•Early commercialization of electric engines and advanced technologies such as advanced composites.
(2) Risks, Opportunities, and Main Countermeasures in a World Greatly Impacted by Climate Change				
<b>Risks</b>	•Extreme delays due to on-site construction stoppages or disasters caused by frequent severe weather	•Extreme delays due to on-site construction stoppages or disasters caused by frequent severe weather	•Suspension of production due to disrupted supply chains caused by frequent severe weather	•Suspension of production due to disrupted supply chains caused by frequent severe weather
<b>Opportunities</b>	•Contributing to early recovery of equipment damaged in severe weather •Increasing demand for digital technologies to promote labor saving and remote operation	•Increasing demand to build robust national infrastructure •Contributing in early recovery of infrastructure damaged in severe weather	•No opportunities unique to our business	•No opportunities unique to our business
<b>Main countermeasures</b>	•Expand the lifecycle business through www monitoring and other Internet of Things ( IoT ) technologies	•Expand business beyond lifecycle business with wider perspective to include disaster prevention business •Create technologies and systems that contribute to maintenance, disaster prevention, disaster mitigation, and quick recovery of infrastructure	•Strengthen supply chains	•Strengthen supply chains

## Main risks and countermeasures shared across all businesses

	Main Items	Main Countermeasures and Transitioning to Opportunities
(1) Transition Risks and Countermeasures for a Carbon-neutral World		
<b>Policy and legal</b>	•Introduction of carbon taxes, stronger industrial waste regulations, raising costs due to the adoption of renewable energy and energy-efficient equipment, etc.	•Reduce costs in business activities through efficient production and distribution as well as the proper management of energy consumption
<b>Technology</b>	•Raising costs due to research to realize carbon-neutral products and services, failed technological development, etc.	•Concentrate investments in technological development while staying acutely aware of policies, technologies, markets, and other social trends
<b>Market</b>	•Declining demand for products and services with high CO <sub>2</sub> emissions, etc.	•Actively draft and promote business plans that always anticipate multiple business scenarios to adapt to dramatic changes in market structures
<b>Reputation</b>	•Lost opportunities due to poor evaluations of our response to climate change, declining social credibility, etc.	•Disseminate easy-to-understand information about products and services that can help both mitigate and adapt to climate change
(2) Physical Risks and Countermeasures in a World Greatly Impacted by Climate Change		
<b>Acute/ Chronic</b>	•Ceased business activities due to damaged offices and business sites caused by typhoons, floods, or other natural disasters, etc.	•Incorporate the response to climate change into the business continuity plans of plants and offices to ensure the safety of Officers and employees and strengthen the supply chain •Draft, execute, and manage advance measures in anticipation of foreseeable flood damage

## Climate Change and Natural Capital

**Strategy for Conservation of the Global Environment  
(pollution prevention and biodiversity conservation)**

The IHI Group has set zero violations of environmental laws and regulations and zero accidents as environmental targets, and compliance with environmental laws and regulations, as well as the prevention of environmental accidents, are positioned as the top priorities for environmental activities at offices and plants.

Regarding the conservation of biodiversity, the Group believes that the sustainable use of natural capital is crucial for the continuation of business, and accordingly, it is focusing on measures to address climate change, which has a major impact on biodiversity. At offices and plants, they are implementing measures linked to the 2030 global targets specified in the Kunming-Montreal Global Biodiversity Framework (GBF), which was formulated at COP15.

**Strategy for Circular Economy**

The IHI Group aims to create a resource recycling-oriented society, thereby helping drive the transition to a Circular Economy. Therefore, in its business activities, the Group is working to reduce waste emissions through the 3Rs (reduce, reuse, and recycle) and to reduce water withdrawal and water consumption. Also, in addition to providing resource-efficient products using minimal quantities of resource input and consumption, the Group is working to expand its business of providing comprehensive services that include reuse, repair, and maintenance throughout the entire product lifecycle.

**Risk management**

In addition to short-term business risks, the IHI Group also manages sustainability-related risks that affect the medium- to long-term business environment as a risk to conducting business. In particular, the IHI Group assesses the medium- to long-term impact of these risks to the Group and converts them into short-term business risks. The Group has clarified the roles and responsibilities of its Internal Audit Division, corporate divisions, business areas, and business divisions (including affiliated companies), which are managed under a multi-layered risk management framework.

**Metrics and targets**

The IHI Group aims to achieve carbon neutrality throughout its entire value chain by 2050.

In FY2023, the Board of Directors adopted a resolution setting a goal of halving the Group's FY2019 GHG emissions from plants, offices, and other business establishments (Scope 1 and 2) by FY2030.

**Initiatives****Reducing Scope 3 emissions**

The majority of the IHI Group's Scope 3 emissions fell under category 11 (use of sold products) with coal-fired power plant boilers accounting for most of these emissions during fiscal 2023. However, new boiler construction will be completed by fiscal 2025, with emissions expected to decrease significantly from fiscal 2026 onwards. The Group also aims to significantly reduce emissions from other products included in category 11 by 2050 by converting to clean energy and improving energy consumption efficiency.

In order to achieve these goals, the IHI Group has devised a roadmap for reducing its Scope 3 emissions to net zero by 2050. Furthermore, the Group aims to reduce Scope 3 emissions by working to come up with carbon solutions to reduce its carbon footprint, such as building a fuel ammonia value chain and through carbon dioxide capture, utilization, and storage (CCUS).

Regarding civil aero engines, which serve as the IHI Group's main product, the Group is working with business partners to make its entire supply chain, including material

**Scope3 Emissions Reduction Roadmap**

		2020	2030	2040	2050
Category 11	Transition to clean energy	Development of fuel conversion technology (ammonia)	Promotion and expansion of products using fuel ammonia		
			Promotion and expansion of the use of biomass power generation		
	Improving energy consumption efficiency	Development of methanation technology	Promotion of social implementation of e-methane		
			Development and expansion of the use of SAF manufacturing technology		
Category 1	Carbon neutralization throughout the supply chain	Improvement of conventional aero engines			
		Development of revolutionary aero engines		Launch of revolutionary aero engines	
			Support for improving customer operations		
Reduction contribution	Carbon solutions		Improvement of product functionality and efficiency		
		Sharing information and improving cooperation among business partners			
			Expansion of carbon-neutral product purchasing		
			Support for business partners to decarbonize their operations		
		Establishment of ammonia value chain		Expansion of fuel ammonia supply	
		Development of CCUS technology			
			Reduction contribution through fuel conversion and introducing CCUS technology		

## Climate Change and Natural Capital

procurement, carbon neutral. Additionally, the Group is making efforts to improve conventional aero engine fuel efficiency and develop revolutionary aero engines with the goal of improving aircraft energy efficiency as a whole. Moreover, the Group will be focusing on developing and expanding the use of sustainable aviation fuel (SAF) production technology, aiming for carbon neutrality across its entire value chain. We are also promoting the conversion to clean energy by improving the functionality and efficiency of other products.

In particular, the IHI Group has taken an interest in fuel ammonia. The Group plans to build a value chain by leveraging its strengths throughout each stage in the process, from fuel manufacturing, receiving, storage, and utilization. This will be beneficial toward expanding the use of fuel ammonia and contributing to reducing GHG emissions among society as a whole.

### Initiatives to address climate change and create value from natural capital

As part of its efforts to address climate change and natural capital issues, the IHI Group is developing and

implementing integrated solutions centered on visualization and optimal management of the water cycle.

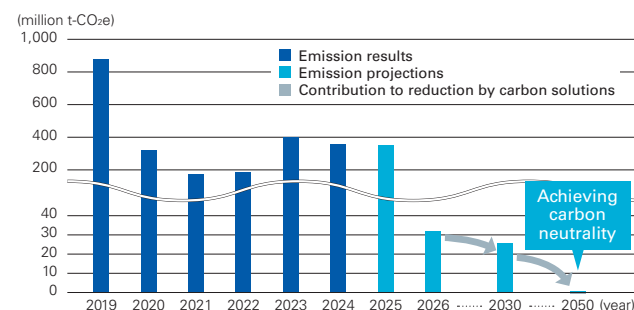
In recent years, climate change has led to a global shortage of water resources and increased risk of water-related disasters. As a result, securing and utilizing water resources has become an important issue for industry and social infrastructure. In addition to its long-standing water management infrastructure business, including dams and water gates, the IHI Group is strengthening its efforts to ensure the appropriate use of water resources in anticipation of future increases in water demand.

Our integrated water resource solutions monitor and control the water cycle from forests and farmland to cities, factories, and domestic water use, with the aim of achieving optimal water distribution throughout watersheds, including dams and agricultural land, and mitigating water-related disaster damage. Specifically, our solutions predict river flooding caused by rainfall and snowmelt, and promote the effective use of water resources through drainage adjustments in paddy fields and reservoirs, as well as reduce

flood risks by utilizing natural capital. Furthermore, we will explore the development of new water management models that harmonize nature and technology, such as the prevention of forest fires caused by droughts through the conservation of tropical peatland forests. To achieve these, we are developing technologies for a system that identifies and makes predictions regarding water resources and their usage with high accuracy by integrating AI-driven short-term weather forecasting, using the core technology of atmospheric water vapor observation, with advanced simulation technologies such as land surface hydrology models and watershed water supply and demand prediction models.

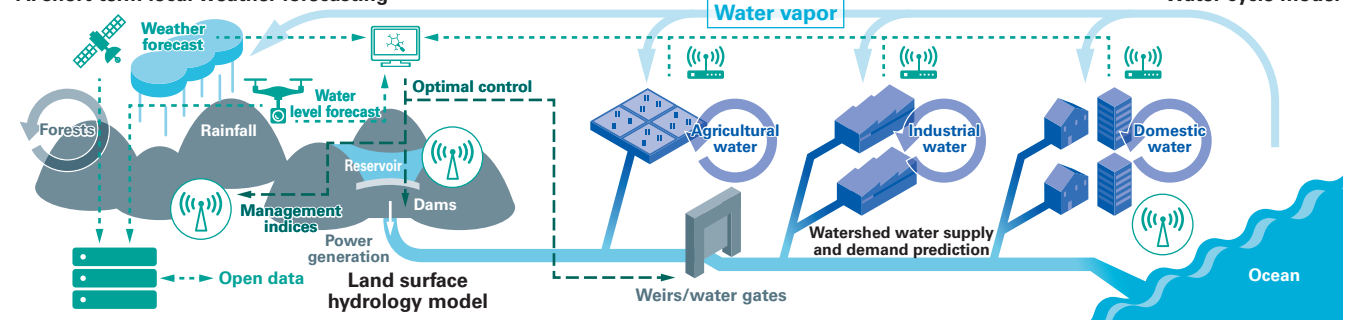
In addition, we are committed to addressing natural capital issues through our business and are preparing to disclose information using the framework stipulated by the Taskforce on Nature-related Financial Disclosures (TNFD). Going forward, we will continue to mitigate risks caused by climate change and contribute to natural capital by balancing and integrating initiatives rooted in the local community with the development of advanced technologies.

### Scope 3 emissions results and projections



### Water resource identification and prediction system

#### AI short-term local weather forecasting



## Human Talent Strategy

For details on our Human Talent Strategy initiatives, please refer to the website below.  
<https://www.ihj.co.jp/en/sustainable/social/diversetalent/>

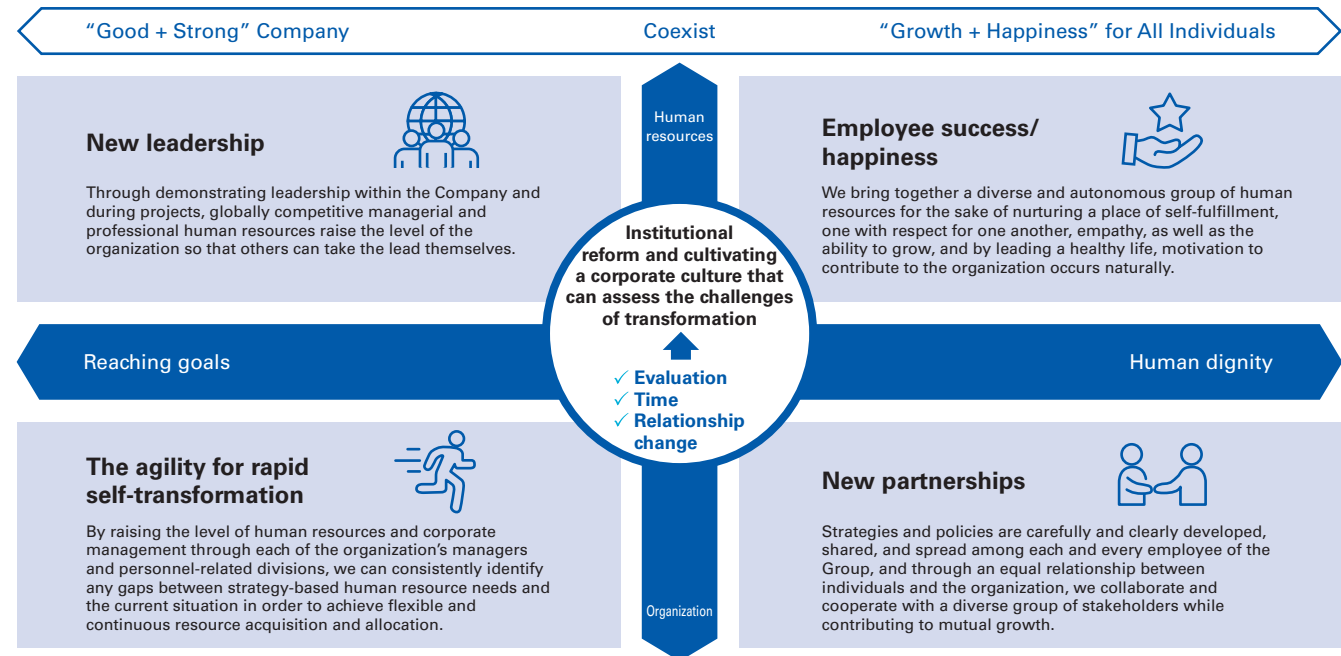
We formulated and began implementing the Group Human Talent Strategy 2023 in May 2023 toward attaining the following two targets under our “Group Management Policies 2023,” “Business transformation & business portfolio optimization to achieve strong, sustainable growth” and “Response to operating environmental changes and a corporate structure that enables transformation.”

We are committed to creating systems and environments, and promoting cultural reform, that allow all employees of IHI Group companies to maximize their abilities under a common set of values.

### Basic concept of Group Human Talent Strategy 2023 Ideal vision for future

In order to achieve business transformation and corporate structure reform, it is important to balance a good & strong company and personal growth & happiness. Moreover, the Group is reforming its evaluation system and building a corporate culture that can assess the challenges of creating change, drawing on four ideals of “new leadership,” “the agility for rapid self-transformation,” “employee success/happiness,” and “new partnerships” to embody the specific vision of the organization and human resources capable of realizing it.

In addition, the IHI Group is making use of a wide range of opportunities, including the initial training program for new employees and workshops held to facilitate understanding of and familiarization with the Group Management Policies’ key measures and with the actions necessary to utilize these measures, to spread awareness among all Group employees, including those outside Japan.



### Risks and opportunities

#### ● Risks

In order to maintain the IHI Group’s business foundation and lead it to future growth, it is imperative for us to acquire, retain, develop, and appropriately allocate the human resources necessary for conducting the Group’s business. Should the Group find itself unable to acquire external human resources or secure human resources capable of becoming key personnel (such as transformational talent), or to secure proper placement for them, then there is a possibility that this could adversely affect the Group’s future growth, business results, and financial health.

#### ● Opportunities

If every IHI Group employee understands the vision that the IHI Group has of where it wants to be in the future, and of the Ideal Behavior & Action that its employees should embody, as outlined in the Group’s Management Philosophy, the medium-term management plan, and the Group Human Talent Strategy, then this will strengthen their awareness of the Group’s mission and of the importance of the role that the Group’s business plays in society. This in turn will bring about a transformation of employee behavior, thereby driving the realization of change that will enhance the social value of our business and contribute to the improvement of corporate value.



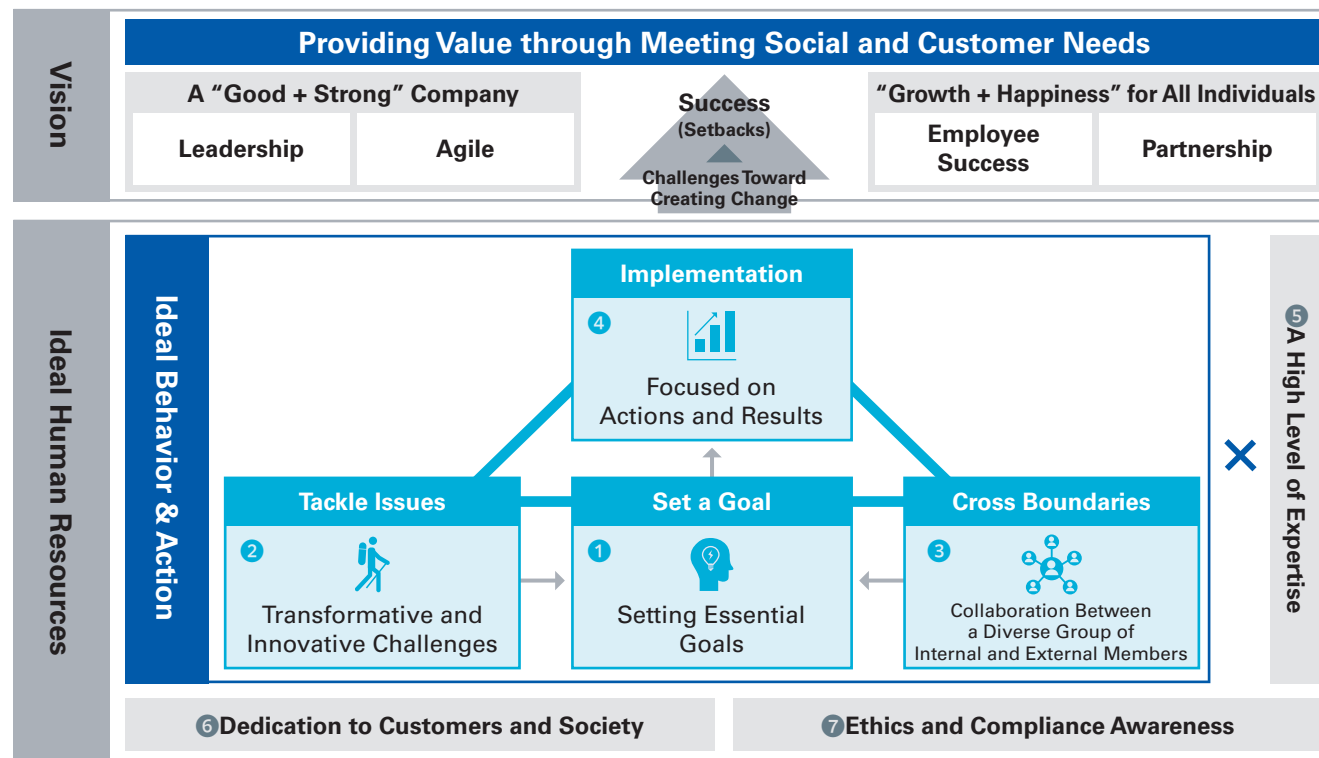
## Human Talent Strategy

## Ideal Behavior &amp; Action and Ideal Human Resources

The IHI Group defined its “Ideal Human Resources,” comprising seven items that all Group employees are expected to embody. Of these seven items, four items represent the “Ideal Behavior & Action” necessary to foster an organizational culture that embraces the challenges of change: (1) Set a Goal, (2) Tackle Issues, (3) Cross Boundaries, and (4) Implementation. Besides “Ideal Behavior & Action,” the Group has set three other crucial skills and mindsets that employees have always been expected to

embody and which will continue to be vital in the future: (5) a High Level of Expertise, (6) Dedication to Customers and Society, and (7) Ethics and Compliance Awareness.

“Ideal Behavior & Action” and “Ideal Human Resources” have been positioned as items for employee performance evaluation. By linking the evaluation results with treatment, talent cultivation and day-to-day management, the Group is using them proactively to promote the realization of transformation through changes in the behavior of individual employees.



## Governance

In regard to human resources issues that must be addressed in order to achieve the goal of “business transformation to realize sustained high growth” outlined in the Group Management Policies 2023, the IHI Group reported on the direction of initiatives under the Group Human Talent Strategy 2023 at the Board of Directors meeting held on July 22, 2024.

In addition, periodic reports are submitted to the Human Resource Committee and the Management Committee, where management can discuss human resource management from a business perspective, and the Group also holds HRBP meetings where human resources managers exchange views on management measures developed by the Human Resources Division.

## Human resource management council bodies

Names	Human Resource Committee	HRBP Council
Aims	Discussing human resource management from a business perspective	Communicating and exchanging views on human resource management measures developed by the head office's Human Resources Division
Officers	Officer in charge of Group Human Resources	General Manager of Human Resources Division
Members	Representative Director, General Manager of Human Resources Division	General Manager of Human Resources Division, Human Resources Division Group Manager, IHI Academy Manager, and human resource manager of each business area
Frequency of meetings convened in FY2024	As needed	Monthly

## Human Talent Strategy

### Three themes for transformation

To achieve the sustainability vision for the future, fiscal 2023 will be positioned as a turning point in terms of an evaluation axis, time axis, and relationship. Three themes are addressed, aiming to induce behavioral transformation in all employees and foster an organizational culture capable of accomplishing reform.

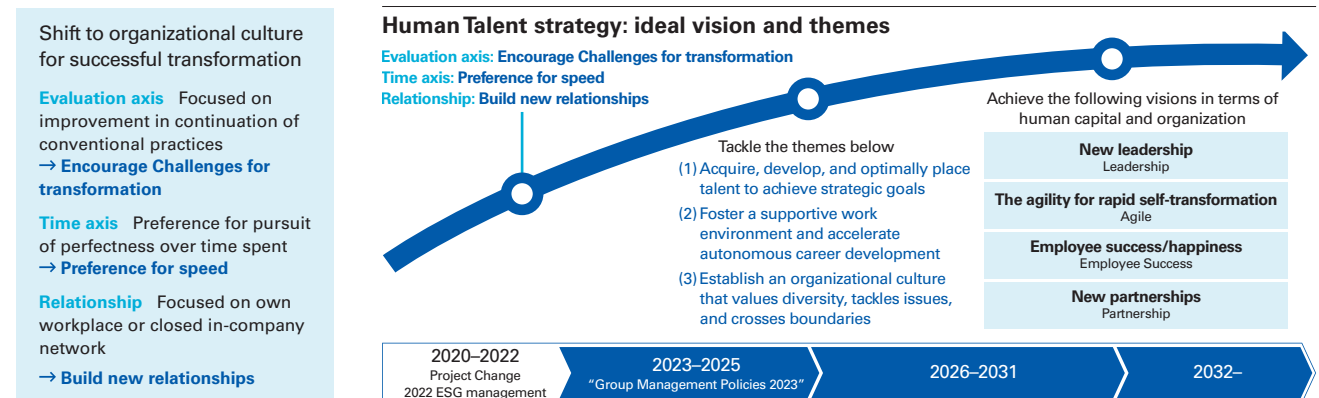
### Initiatives for the three themes

Providing training and skills enhancement for senior managers and specialist human resources that are applicable globally

The IHI Academy is developing programs based around two core areas—managerial and DX skills, and high-level

specialist skills—to drive the cultivation of managerial and specialist talent who are capable of operating effectively on the global stage and of leading the transformation of the IHI

Group. What these training programs have in common is that by utilizing Action Learning\* they encourage trainees to apply what they have learned to actual work, and hone the



Theme	Desired state	Status as of the end of FY2024	Future initiatives
1. Acquire, develop, and optimally place talent to achieve strategic goals	<ul style="list-style-type: none"> <li>Clearly define the ideal talent profiles, expectations, roles, and skills required to achieve strategies for each business segment, and acquire, develop, and deploy talent from both inside and outside the Company.</li> <li>Ensure each individual is fully engaged in their work with a clear and convincing path for personal growth within the Company for the future.</li> </ul>	<ul style="list-style-type: none"> <li>At the CEO-led IHI Academy, we have cultivated globally active management and specialized human resources, with a total of 372 participants completing the program over two years since its launch.</li> <li>As a result of recruitment efforts through various channels, for two consecutive years the number of mid-career hires has exceeded the number of regular new graduate hires, securing diverse talent to drive transformation.</li> <li>To support business strategy from a talent perspective, we have shifted resources toward Growth Businesses.</li> <li>We have begun strengthening onboarding to accelerate the contribution and improve the retention of employees who have been reassigned or newly hired.</li> </ul>	<ul style="list-style-type: none"> <li>Enable IHI Academy graduates to contribute early and establish an environment that serves as the core of transformation.</li> <li>Continuously reallocate resources to support business strategy.</li> <li>Standardize onboarding processes across the Group to ensure new talent can quickly demonstrate their capabilities and contribute to improved productivity.</li> </ul>
2. Foster a supportive work environment and accelerate autonomous career development	<ul style="list-style-type: none"> <li>Instead of passively responding to changes such as workforce mobility, shifting values, and diversification of career paths and lifestyles, proactively leverage these as opportunities to differentiate both the Company and individuals from competitors.</li> </ul>	<ul style="list-style-type: none"> <li>To promote employees' autonomous career design and enrich both work and life careers, we offer a Career Development Support Program.</li> <li>Through the Career Challenge Program, 56 employees have recently transferred, with a cumulative total of 405 employees taking on new career challenges since the program's introduction.</li> <li>In line with revisions to the compensation system that remove age-based distinctions, we abolished the wage reduction system for employees over 60, encouraging active participation not only from younger employees but also from senior staff.</li> <li>Recognizing that workplace management is the starting point for career development support and behavior change, we provide management skills training and related programs for supervisors with direct reports.</li> </ul>	<ul style="list-style-type: none"> <li>Introduce mechanisms to promote the active engagement of highly specialized talent in response to diversified career paths.</li> <li>Align evaluation and treatment approaches within the Group and expand the scope of unified Group-wide programs.</li> </ul>
3. Establish an organizational culture that values diversity, tackles issues, and crosses boundaries	<ul style="list-style-type: none"> <li>Foster a culture where diverse perspectives and approaches are respected, and individuals tackle issues and cross boundaries without fear of failure, embedding these behaviors at the individual level.</li> </ul>	<ul style="list-style-type: none"> <li>Revise the evaluation and compensation system to incorporate the four "Ideal Behaviors &amp; Actions" (1. Set a Goal, 2. Tackle Issues, 3. Cross Boundaries, 4. Implementation) as performance criteria, ensuring that "Tackle Issues" and "Cross Boundaries" are firmly established in everyday actions.</li> <li>Implement the Career Transit Program, a packaged initiative to develop female managers. As a result, the ratio of female managers at IHI alone has steadily increased to 5.8%, totaling 153 individuals.</li> <li>Designate FY2024 as the year to broadly launch DE&amp;I efforts in the IHI Group, actively promoting understanding and awareness through initiatives such as the IHI Group ALL Hands Meeting connecting global offices with messages from top management.</li> <li>Achieve a one-point improvement for two consecutive years in the annual engagement survey scores.</li> </ul>	<ul style="list-style-type: none"> <li>Continue efforts to make DE&amp;I a personal commitment for all employees, aiming not just for symbolic initiatives but for deep understanding, behavioral adoption, and habitual practice.</li> <li>Establish a system to visualize and follow up on candidates for women in managerial positions and their development progress to systematically promote their growth.</li> <li>Streamline internal communication methods and consistently implement initiatives necessary for transforming organizational culture.</li> </ul>

## Human Talent Strategy

conceptual abilities needed to provide value for customers and for society as a whole on an ongoing basis, and the leadership skills needed to energize the organization. In the two years since the IHI Academy was founded, its programs have trained a total of 372 employees (315 in the managerial and DX area, and 57 in the high-level specialist skills area).

\* Action Learning: A learning method that strengthens individual and organizational learning capabilities by taking real issues as topics and getting trainees to formulate strategies and solutions, implement them, and then reflect on them.

### Next-generation management leader training

The IHI Group's expectations for the next generation of management leadership include both transformational leadership that is capable of discerning the structure of problems even in areas where it lacks direct personal experience, and then driving change with the overall best approach, and also the ability to implement concrete business management tasks based on an awareness of the management issues affecting the IHI Group. With this in mind, the Next-Generation Management Leader Training implemented in fiscal 2024 included not only a sustainability-aware management program that involved simulating presentations for investors, but also programs linked to the Group's current key strategies and management issues including quality management, DX, and AI.

## Diversity, equity, and inclusion

### Approach

To solve social issues through business activities, it is necessary to incorporate perspectives from the Group's diverse human resources into its practices to grasp the needs and issues of the consumers that make up society so that we can achieve a society offering safety, security,

and prosperity. Additionally, the backgrounds, experiences, and individuality present in this diverse group bring fresh perspectives to the Group, and they will become the driving source for promoting change.

The IHI Group is aiming to transform its organizational ethos to incorporate a DE&I approach into the corporate culture and leverage the power of diversity to create value, recognizing and respecting the differences between individual employees and focusing on building an environment and an organization in which each employee can maximize the full potential of their own personality.

### Female manager ratio

One of the indicators that the IHI Group uses to gauge the progress made in measures to promote the advancement of female employees is the monitoring of the percentage of managers who are female. In fiscal 2024, for IHI Corporation this percentage was 5.8% (with a total of 153 female managers), representing a steady increase. Also, for the Group's affiliated companies in Japan, they are disclosing their female manager ratios, as required by law.

### Building an inclusive workplace regardless of sexual orientation or gender identity

The IHI Group is creating a working environment where LGBTQ+ employees can reach their full potential regardless of sexual orientation or gender identity. To take just one example, the IHI Group actively engages in LGBTQ+ ally\*<sup>1</sup> activities. The Group believes that expanding the ally mindset of not denying the SOGI\*<sup>2</sup> identity of anyone, not judging, and not talking about people's identity to others without their consent, help to realize a workplace

environment where everyone can work comfortably. Striving to promote understanding among all of its employees in Japan, the Group has established an e-learning program and has made information available through the company intranet. As a result of these efforts, there are now over 3,000 people who have declared themselves allies.

\*1 Ally: Allies refer to people who understand and support LGBTQ+. Anyone can be an ally, even if they do not identify as LGBTQ+.

\*2 SOGI: Sexual orientation and gender identity

### Improvement of employee engagement

We monitor the effectiveness of our human capital management initiatives through an annual engagement survey conducted for employees both in Japan and overseas. The employee engagement survey covers the following items: strategy and direction, leadership, quality and customer focus, respect for the individual, growth opportunities, compensation and benefits, performance management, delegation of authority, resources, education and training, collaboration systems, performance appraisal process, organizational structure, etc.

In fiscal 2024, employee engagement rose by 1 point to 55 points, making this the second consecutive year in which there had been a 1-point rise. Items for which there was a particularly noticeable increase included: Employee Enablement, Development Opportunities, and Respect and Recognition. Furthermore, following the holding of presentations to provide insights regarding the analysis methods used and the formulation of response measures, there was a noticeable improvement in individual units' approval rate with respect to the taking of post-survey action, reflecting the results obtained through these measures.

## Human Rights

### Approach

The IHI Group formulated the IHI Group Human Rights Policy in December 2020 based on its management philosophy and its approach to human rights outlined in the Basic Code of Conduct for the IHI Group under the approval of the Board of Directors.

In IHI Group ESG Management, the Group has identified respecting Human Rights as one of its most material issues. Through human rights awareness activities based on international standards, the Group will fulfill its responsibility to respect human rights of all by fostering a respectful corporate culture and promoting human rights throughout its business activities.

#### History in human rights initiatives

- FY2015 ● “Basic Code of Conduct for the IHI Group” formulated
- “IHI Group Procurement Policy” formulated
- FY2017 ● Reorganized from the Company-wide Dowa Promotion Committee to the IHI Group Human Rights Enlightenment Promotion Committee
- FY2020 ● “IHI Group Human Rights Policy” formulated
- “IHI Group Procurement Policy” revised
- FY2021 ● Human rights risk assessments started
- FY2022 ● Human rights impact assessments started
- “IHI Group Code of Conduct for Business Partners” formulated and disseminated
- FY2023 ● “IHI Group Co., Ltd. Human Rights Policy Implementation Guidelines” formulated
- FY2024 ● Operation of Grievance Mechanisms started
- FY2025 ● Reorganized from the IHI Group Human Rights Enlightenment Promotion Committee to the Human Rights and DE&I Committee

### Human rights awareness promotion structure

The IHI Group established the Human Rights and DE&I Committee as a Group-wide committee responsible for the “S” (Social) part of the ESG Management Promotion

Committee. With the goal of fostering a corporate culture that respects human rights and promotes human rights initiatives, the Group plans and deliberates on the details of important policies and activities related to the promotion of DE&I focusing on “respect for Human Rights” and the “active participation of diverse human resources”. Important matters such as activity policies, priority measures, and performance evaluations are discussed within the ESG Management Promotion Committee and then reported to the Board of Directors as deemed appropriate. The Group established a Task Team\* under the Human Rights and DE&I Committee as the body to promote human rights initiatives with regard to respect for human rights, in cooperation with related divisions and staff in charge of human rights at Group companies.

\* Comprised of members from the Human Resources Div., Procurement Strategy Planning Div., Corporate Communication Div., Project Risk Management Div., Corporate Planning Div., Legal Div., and Marketing & Sales Headquarters

#### Human rights awareness promotion framework



### Human rights due diligence

In order to fulfill the responsibility when it comes to respecting the human rights of those affected by its business activities, the Group promotes the process of

human rights due diligence and taking measures to respect human dignity in line with the United Nations’ Guiding Principles on Business and Human Rights.

### Human rights risk assessments

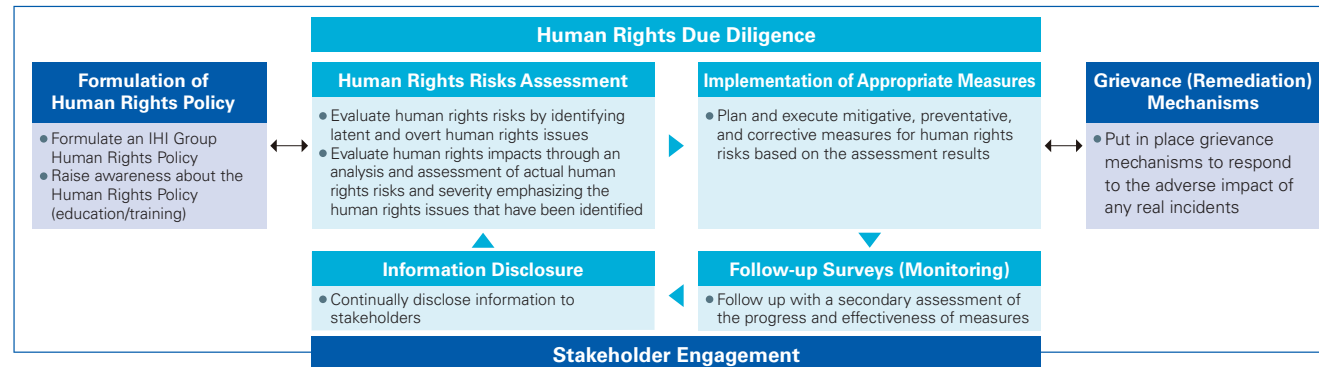
In fiscal 2021, the IHI Group underwent a human rights risk assessment to identify potential and obvious human rights issues among IHI Group companies within Japan and overseas, with advice from outside experts. Based on analysis and the results of this evaluation, important human rights issues in the manufacturing industry, internal monitoring, and international social trends, the Group was able to identify key human rights issues. Thus, the Group has chosen its employees and business partners as its highest priority rights holders.

#### Material human rights issues

Prohibition of forced labor	All labor that is forced under threat of punishment or for which the individual has not offered herself or himself voluntarily is prohibited.
Prohibition of child labor	Work by and employment of workers under the minimum age of statutory employment in the country or region in which the business operates is prohibited, and this labor is not used.
Guarantee of equal opportunity	Diversity and individuality are respected, and fairness and equal opportunity in job openings and employment, including in recruiting, promotions, remuneration, and training, is ensured.
No Tolerance for Discrimination and Harassment	Unjust discrimination and harassment based on race, skin color, sex, religion, birthplace, beliefs, age, disability, sexual orientation, and sexual identity, and other attributes are not permitted.
Guarantee of safe workplaces ensuring the health of working people	The IHI Group strives to create and maintain safe and healthful workplaces so that people working in each workplace are able to demonstrate their abilities to the fullest extent.
Respect of the basic rights of working people	The IHI Group respects basic labor rights, including freedom of association and workers’ rights to organize and engage in collective bargaining. Payment of wages and management of labor hours are conducted appropriately

## Human Rights

## Overall human rights due diligence



## Human rights impact assessments

The IHI Group implemented human rights impact assessments at Group sites worldwide over three years between fiscal 2022 and 2024 to understand the actual state of material human rights issues. When conducting human rights risk assessments, the Group prioritizes overseas affiliated companies thought to be relatively high risk, targeting 59 companies in fiscal 2022, 37 in fiscal

2023, and 47 in fiscal 2024. Survey results for fiscal 2022 through 2024 and the identified issues to be addressed are shown in the diagram below.

Additionally, in fiscal 2023 the IHI Group Co., Ltd. Human Rights Policy Implementation Guidelines were developed and written in three languages, Japanese, English, and Chinese. The guidelines were distributed throughout the IHI Group to raise awareness of important human rights

issues within the Group among all Group companies.

## Grievance (remediation) mechanism maintenance

In April 2024, the IHI Group established a grievance mechanism on its corporate website for Human Rights Grievance Desk that can be utilized by all stakeholders in the Group's value chain. Cases reported through this point of contact will be handled fairly and appropriately through the Engagement and Remedy Platform provided by the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), of which the IHI Group is a regular member.

## Dialogue with stakeholders on respect for human rights

The IHI Group engages in dialogue with stakeholders based on the results of its human rights due diligence. In March 2025, a lecture was held at the Toyosu Head Office on the theme "DE&I from the perspective of disabilities." Megumi Umeda, DE&I Leader at EY Japan, was invited as the lecturer to provide an explanation on the definition of disabilities, reasonable accommodation\*, and the importance of inclusion. The lecture also presented specific examples of career development for persons with disabilities, enhancing participants' understanding. Going forward, the IHI Group will continue initiatives that support the full potential of persons with disabilities from a DE&I perspective.

\* Reasonable accommodation means removing various barriers in daily life so that all people can participate fully and equally in society, regardless of whether or not they have a disability.

## Human rights impact assessment survey results, issues identified, and countermeasure status\*1 (as of FY2024)

	Issues	Countermeasure Status
Total Trends	<ul style="list-style-type: none"> <li>•Grievance mechanism maintenance shortfalls</li> <li>•Shortfalls in dialogue with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>•Establishment of our reporting desk was completed in April 2024 and began operation.</li> <li>•In parallel with dialogue held at our corporate divisions, each company is made aware of the importance of labor management dialogue, etc.</li> </ul>
	<ul style="list-style-type: none"> <li>•Delays in diversity, equity, and inclusion (DE&amp;I) efforts to ensure equal opportunities and treatment for employees</li> </ul>	<ul style="list-style-type: none"> <li>•We are implementing initiatives to help foster an organizational culture emphasizing diversity.</li> </ul>
Red Flags*2	<ul style="list-style-type: none"> <li>•Child labor</li> <li>•Internal regulations regarding minimum working age</li> <li>•Age verification using verifiable means</li> </ul>	<ul style="list-style-type: none"> <li>•We have established internal regulations and rules that comply with the minimum working age in each country.</li> </ul>
	<ul style="list-style-type: none"> <li>•Discrimination and harassment</li> <li>•Providing equal employment opportunities and promotions and making a statement of no discrimination during recruitment</li> </ul>	<ul style="list-style-type: none"> <li>•We are working to formulate policies that ensure equal employment opportunities and treatment.</li> </ul>
	<ul style="list-style-type: none"> <li>•Guarantee of safe workplaces ensuring the health of working people</li> <li>•Clarification of the health and safety system and system roles</li> <li>•Communication regarding our Occupational Health and Safety Policy to all employees</li> </ul>	<ul style="list-style-type: none"> <li>•We are establishing our occupational health and safety policy and communicating it to all employees.</li> </ul>

\*1 The status of responses to identified risks are listed in the "Fiscal year 2023 Statement on the UK Modern Slavery Act and Australian Modern Slavery Act."

\*2 Five established core labor standards (prohibition of forced labor, prohibition of child labor, eliminating discrimination, recognition of freedom of association and the right to collective bargaining, and a safe and healthy workplace environment) set by the International Labor Organization (ILO) of particular importance in relation to IHI Group's material human rights issues



## Supply Chain Management

### Approach of supply chain management

The IHI Group's procurement activities are based upon the IHI Group Procurement Policy, which consists of three pillars: "Fair and Impartial Procurement," "Mutually Beneficial Partnership with our Business Partners," and "Approach to Compliance and Social Responsibility," and takes its social responsibility by building sustainable supply chains.

### Governance

The IHI Group takes a broad approach to risk management, including considering country risks and natural disaster risks in the supply chain. After the corporate division formulates measures and business areas implement them, the results are shared and discussed at the IHI Group Risk Management Conference, chaired by the chief executive officer (CEO).

Activity policies and measures related to human rights issues in the supply chain, as well as their results, are shared and deliberated at the Human Rights and DE&I Committee, chaired by the officer in charge of Group Human Resources.

In fiscal 2024, all reports were submitted on a quarterly basis.

### Risk management for strengthen supply chains

The IHI Group is globally promoting activities to strengthen its supply chain to prevent stagnation of corporate activities possibly caused by natural disasters, infectious diseases, conflicts, and emerged risks from the CSR procurement perspective, and so on.

The IHI Group strives for stable procurement by collecting market trends about raw materials and parts, thoroughly manages quality and delivery of its suppliers to avoid excessive concentration and dependence, and proceeds with multiple source selection.

To build a supply chain that is less vulnerable to different risks, the IHI Group identifies important suppliers essential to business continuity and uses a variety of assessment tools to select business partners as targets for strengthening its supply chain.

#### Selecting important business partners

The IHI Group identifies suppliers that are important to its business from the following criteria and conducts focused risk management.

- Importance of ordered materials and processes
- Amount of annual orders
- Difficulty of substitution
- Lengthy delivery time, etc.

In fiscal 2024, 514 companies were identified as important business partners from among first-tier business partners. Of the approximately 9,000 first-tier business partners with which the IHI Group does business, the procurement amount of the 514 important first-tier business partners accounted for 24% of the total.

### Number and ratio of important business partners

(Unit: Company, Scope: IHI and 26 affiliated companies in Japan)

Item	Number of Business Partners	Procurement Amount Ratio*
Number of first-tier business partners	Approx. 9,000	100%
Number of important first-tier business partners	514	24%

\* FY2024 orders

### Utilization of sustainability assessment service "EcoVadis"

The IHI Group entered into an agreement with EcoVadis, a third-party ESG assessment firm, in June 2024, to establish a system to evaluate supply chain risk properly and fairly.

The IHI Group establishes a risk management system where it encourages its business partners to undergo sustainability assessments conducted by EcoVadis: if there are no issues found, the Group manages them as excellent suppliers, and if there are concerns picked up, it makes special interviews for clarification and improvement purpose. EcoVadis system also enables it to promptly pick up publicly opened news such as compliance violations, and to respond to the relevant supplier(s) in little time.

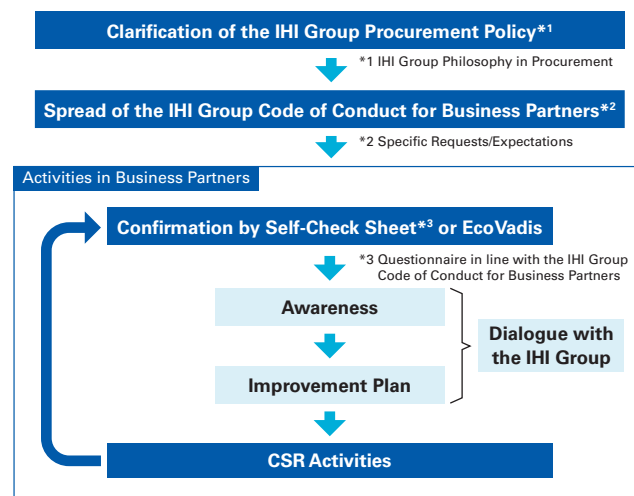
Additionally, 432 business partners have provided the IHI Group with the results of their EcoVadis assessments as part of the Group's supply chain risk monitoring, and 80% of these partners received an overall score of 45 points or higher.

## Supply Chain Management

**Supplier management using self-check sheets**

The IHI Group has developed the IHI Group Code of Conduct for Business Partners with reference to the Responsible Business Conduct Guidelines (established by JEITA) and the Responsible Business Alliance (RBA) Code of Conduct, and is distributing it to the Group's business partners. In addition, some business partners were asked to complete a self-check sheet based on the Code of Conduct, in order to recognize issues and further engage in CSR activities.

To date, 372 self-check sheets have been collected as part of pre-interviews for on-site dialogues and pre-screenings of important business partners for some construction projects. Of which, 163 were collected from important business partners.

**CSR activity promotion process****Dialogue using EcoVadis**

Starting in fiscal 2024, the IHI Group began visiting business partners and holding dialogues to hear about issues based on the EcoVadis sustainability assessment. The purpose of these dialogues is to ask about the status of business partners' daily CSR procurement efforts and to have a constructive discussion about cooperation for further improvement. In fiscal 2024, ten companies were chosen from among the Group's important first-tier business partners in Japan after screening utilizing risk assessments based on their business type and country, as well as their actual CSR initiatives. After using self-check sheets and other tools to perform advance interviews, visits to speak with them in person were held. The discussion included an explanation of IHI Group's strategy, namely with relation to harassment prevention, internal reporting, and carbon neutrality, and opinions were exchanged regarding the initiatives being undertaken by the business partner.

**Active dialogue with foreign technical intern trainees**

Starting in fiscal 2023, the IHI Group, in cooperation with the Global Alliance for Sustainable Supply Chains (ASSC), engages in proactive dialogue (in-person interviews) for risk mitigation purpose regarding non-Japanese technical intern trainees employed by partner companies located on the premises of IHI and its Group companies in Japan. The IHI Group gets a handle on the interviewees' grievance and/or complaints about work conditions and/or environment when they are small. The IHI Group engaged in proactive dialogue (in-person interviews) with 54 foreign non-regular workers at eight different locations in Japan between

November 2023 and October 2024.

**Responding to anti-social forces and anticorruption**

The IHI Group contractually requires its business partners to prohibit all relationships with anti-social forces, and commits no acts of bribery toward foreign government officials as prohibited by the "Penal Code and the Unfair Competition Prevention Act" or against the laws enacted in the particular country. If any acts as said above are found, the IHI Group requests the relevant company(s) investigate and report it to the IHI Group.

**Procurement responsibility over mineral resources including conflict minerals**

The IHI Group endorses the aims of the Responsible Minerals Initiative (RMI), an international organization leading procurement responsibility regarding mineral resources. The IHI Group, for the time being, conducts activities regarding tin, tantalum, tungsten, and cobalt which have a considerable number of RMI-approved suppliers. The final target is to confirm that all purchases are manufactured through RMI-certified refiners and smelters. The IHI Group specifies product groups such as jet engine parts that surely contain the targeted mineral resources, and continues to conduct surveys by sending questionnaires designated by RMI to manufacturers which produce the targeted parts. The IHI Group plans to expand the scope of the product group surveyed as needed. Respecting the "5-step Frame Work guidance" set out by the Organization for Economic Co-operation and Development (OECD), the Procurement Strategy Planning Division in the IHI Group takes a lead over activities by designated procurement departments.

## Stakeholder Engagement

### Dialogue with stakeholders

The IHI Group views its primary stakeholders with a significant influence over ongoing corporate activities as its customers, business partners, shareholders, investors, government agencies, local communities, employees, and NPOs/ NGOs. As such, the Group values and engages in broad dialogue with these stakeholders. The *Integrated Report* and *Sustainability Data Book* are published and the sustainability website is updated as tools for this dialogue.

Topics with stakeholders that are considered particularly vital are reported to the Management Committee and Board of Directors, and are thus reflected in our corporate strategy.

### Approach to communications with shareholders and investors

The IHI Group builds stronger relationships based on trust with all shareholders and other investors by recognizing accurate, timely disclosure of corporate information as a core principle of a sound financial instruments market, which is why the Group actively engages in communication efforts. For this reason, the IHI Group enhances the scope of various materials disclosed both online and offline for active and fair informational disclosure.

The Group's basic policy is to promote highly transparent management throughout the entire Group. The Group always discloses accurate and fair information on important management and business matters in a timely manner from the perspective of investors in capital markets. The Group also sees honest Group accountability as a basic policy to define its management direction and main businesses. In addition to stock investors, the Group also proactively engages in

dialogue with bond investors.

The IHI Group is deeply involved in active communication efforts with its domestic and overseas investors to gain greater understanding about the business activities. In fiscal 2024, we engaged in dialogue with 604 companies, 243 more than the previous fiscal year, both domestically and internationally (361 companies in fiscal 2023). In addition, the management team visited North America, Europe, and Asia and held dialogues with local institutional investors.

#### Main dialogue results with shareholders and investors (FY2024)

Investors		<ul style="list-style-type: none"> <li>● 604 companies (180 Japanese investors, 424 foreign investors)</li> <li>● Focusing on active investors such as growth and value investors, analysts, portfolio managers, ESG personnel, voting rights exercisers, etc. of domestic and foreign institutional investors with a wide range of investment styles.</li> </ul>
IHI Representative	CEO	<ul style="list-style-type: none"> <li>● Financial result briefings conducted: Twice</li> <li>● Dialogue conducted with Japanese and overseas institutional investors: 28 times</li> </ul>
	Officer in charge of Group Finance & Accounting	<ul style="list-style-type: none"> <li>● Financial result briefings conducted: 4 times</li> <li>● Dialogue conducted with Japanese and overseas institutional investors: 101 times</li> </ul>
	Senior Executive Officers, Executive Officers, Presidents of business areas	<ul style="list-style-type: none"> <li>● Dialogue conducted with Japanese and overseas institutional investors: 85 times</li> </ul>
	IR/SR Managers	<ul style="list-style-type: none"> <li>● Dialogue conducted with Japanese and overseas institutional investors: 337 times</li> </ul>

④ See the website below for dialogue with other stakeholders

[https://www.ihi.co.jp/en/sustainable/sustainability\\_management/stakeholder/](https://www.ihi.co.jp/en/sustainable/sustainability_management/stakeholder/)

#### Themes of the main dialogues held with shareholders and investors (FY2024)

Classification	Main Dialogue Topics
General	<ul style="list-style-type: none"> <li>● Status of deliberations regarding business portfolio</li> <li>● Medium to long-term sales growth and profitability outlook for the civil aero-engine business</li> <li>● Status of additional inspection program on PW1100G-JM Turbofan Engine</li> <li>● Future outlook for the defense business</li> <li>● Prospects for monetization of fuel ammonia value chain business</li> <li>● Status of cash generation efforts (reducing working capital and improving CCC) and cash allocation policy</li> <li>● Status of management consideration with awareness of capital costs and stock prices</li> <li>● Progress of balance sheet reform</li> <li>● Status of discussions at the Board of Directors following a series of scandals at subsidiaries and progress on measures to prevent recurrence</li> <li>● Progress of efforts to reconstruct effective Group governance</li> </ul>
E	<ul style="list-style-type: none"> <li>● Progress of initiatives to achieve IHI Carbon Neutrality by 2050</li> <li>● Future outlook for Scope 3 emissions</li> <li>● Strengths and the uniqueness of the IHI Group in addressing climate change</li> </ul>
S	<ul style="list-style-type: none"> <li>● Specific details about the initiative in the Group human resources strategy</li> <li>● Scale of investment in human resources</li> <li>● Scale and progress of human resource shift</li> <li>● Utilization status of employee-awareness survey results</li> <li>● Predicting human rights risks in the supply chain</li> </ul>
G	<ul style="list-style-type: none"> <li>● Effectiveness of the Board of Directors</li> <li>● Activities of Independent Directors</li> <li>● Composition of the Board of Directors</li> <li>● Status of deliberations at the Board of Directors regarding ESG and sustainability</li> <li>● Background of the policy revision regarding cross-shareholdings</li> </ul>

## Stakeholder Engagement

### Third-party evaluation (Sustainability-related)

#### MSCI Nihonkabu ESG Select Leaders Index

In fiscal 2024, IHI was selected as a constituent of the MSCI Nihonkabu ESG Select Leaders Index. The MSCI Nihonkabu ESG Select Leaders Index uses the MSCI Nihonkabu IMI Index as its parent index and selects the top ESG-rated companies within each industry sector. IHI has also been selected for the MSCI Japan ESG Select Leaders Index. In addition, IHI was selected for the first time as a constituent of the MSCI Japan Empowering Women Index (WIN), created by MSCI in the United States.

IHI received an AA MSCI ESG Rating in 2024.

**2024 CONSTITUENT MSCI NIHONKABU  
ESG SELECT LEADERS INDEX**

**2024 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX**

**2024 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)**

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#### FTSE Blossom Japan Index

#### FTSE Blossom Japan Sector Relative Index

IHI was selected as a constituent of the FTSE Blossom Japan Index and the FTSE Blossom Japan Sector Relative Index. By meeting various criteria, IHI was selected for the FTSE Blossom Japan Index for the second consecutive year and for the FTSE Blossom Japan Sector Relative Index for the fourth consecutive year.



**FTSE Blossom  
Japan Index**



**FTSE Blossom  
Japan Sector  
Relative Index**

#### CDP

The IHI Group responds to Disclosure Insight Action's (CDP) questionnaire related to climate change on an annual basis. In fiscal 2024, the Group was evaluated as B (Management Level) for "Climate Change" and C (Awareness Level) for "Water Security".



#### EcoVadis

The IHI Group received the Committed Badge in EcoVadis' comprehensive sustainability assessment in four areas: environment, labor and human rights, ethics, and sustainable procurement.



## Corporate Governance

### Basic policy and organizational structure

#### Approach

IHI defines corporate governance as a system that assures sustainable growth and maximization of corporate value by enhancing management efficiency so that IHI can leverage its innate capabilities to the fullest extent possible. To achieve this, IHI targets efficient and appropriate internal decision-making by clearly separating management monitoring and supervisory functions from the business execution function. Furthermore, by establishing the relevant internal rules and building a system to administer them, IHI ensures appropriate operations across the entire Group.

IHI promotes constant improvement of its corporate governance, aiming to earn the trust and support of its shareholders and other stakeholders over the long term.

### Monitoring and supervisory structure

#### Board of Directors

IHI's Board of Directors makes decisions related to all important matters concerning the management of the Group, in addition to supervising directors in the execution of their duties. The Board of Directors consists of 12 directors (including six independent directors), and is chaired by the chairman of the Board.

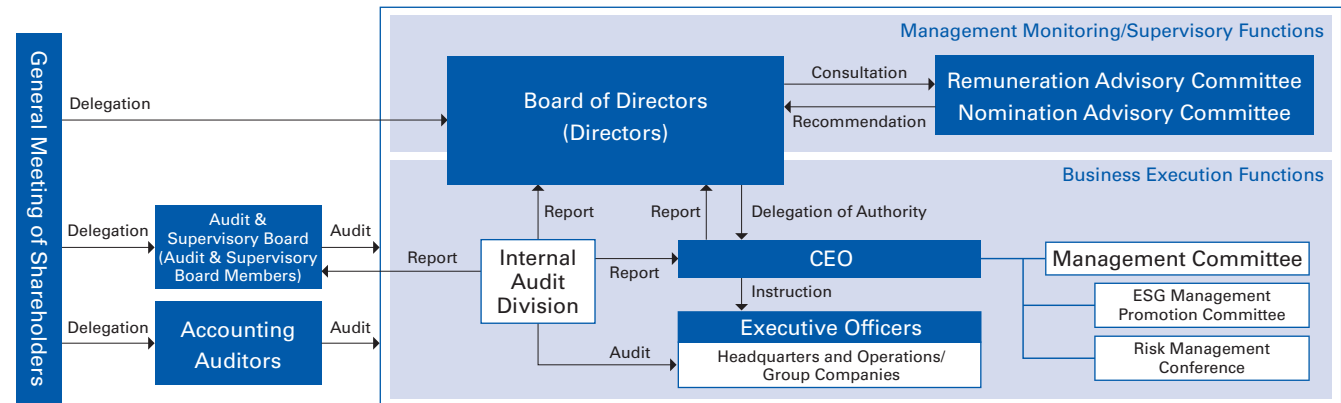
#### Remuneration Advisory Committee

IHI set up the Remuneration Advisory Committee as an advisory body to the Board of Directors.





#### Nomination Advisory Committee

IHI set up the Nomination Advisory Committee as an advisory body to the Board of Directors.

### Corporate governance management structure



### Roles and composition of organizations

Organization	Board of Directors	Audit & Supervisory Board	Remuneration Advisory Committee	Nomination Advisory Committee
Composition	 Internal 6+Independent 6	 Internal 2+Independent 3	 Internal 2+Independent 4	 Internal 1+Independent 6
Ratio of outside officers	50%	60%	67%	86%
	Chaired by Chairman of the Board	Chaired by Internal Audit & Supervisory Board Member	Chaired by Independent Director	Chaired by Independent Director
No. of meetings held in 2024	18	13	7	4

### Business execution structure

IHI has an executive officer system to strengthen the oversight and supervision of management by the Board of Directors and to speed up the decision-making process regarding business execution. Executive officers are appointed by a resolution of the Board of Directors (five of 22 executive officers serve concurrently as directors). The chief executive officer (CEO) manages the duties of the executive officers, giving directions

and supervision. The executive officers follow the CEO's directions to execute their assigned duties. The CEO also appoints members to the Management Committee to assist in decision-making and business execution. The Management Committee convened 37 times in fiscal 2024.

IHI has also set up the ESG Management Promotion Committee and the Risk Management Conference, both of which are chaired by the CEO personally. The ESG



## Corporate Governance

Management Promotion Committee (convenes at least twice a year) is an organization whose purpose is to consider basic policy and specific measures for ESG management, as well as to evaluate and improve the implementation status. The Risk Management Conference (convenes four times per year) oversees the IHI Group's risk management and discusses and approves important matters related to overall risk management.

Furthermore, the IHI Group conducts internal audits to support the management activities of the Group and contributes to the sound development of its businesses. IHI's Internal Audit Division examines and evaluates the suitability and efficiency of operations and management systems, and reports the results to the Board of Directors and the Audit and Supervisory Board.

### Auditing structure

IHI has an Audit & Supervisory Board, which comprises five Audit & Supervisory Board members (three of whom are Independent Audit & Supervisory Board members) who audit the duties executed by directors. In order to gain insight into the decision-making process and the status of the directors' execution of their duties, Audit & Supervisory Board members attend important meetings such as the Board of Directors and Management Committee, and express their opinions when necessary.

## Compliance

### Approach

The IHI Group promotes compliance in accordance with the Basic Rules of Compliance for IHI Group. The purpose of this initiative is not only to adhere to laws and regulations but also

to meet the expectations of society, by understanding the evolving values of society and the demands placed upon us.

Additionally, the IHI Group believes that achieving sustainable growth together with society and our customers requires responding to stakeholder expectations and earning their trust. Based on this philosophy, we have outlined the principles we must practice in the Basic Code of Conduct for the IHI Group.

### Toward reforming organizational culture

The IHI Group announced misconduct related to the fuel consumption rates for marine and land-based engines at IHI Power Systems in April 2024, and improper actions concerning the snow removal performance of road snowplows at Niigata Transys in July 2024. Additionally, in March 2025, it was determined by the Japan Fair Trade Commission that IHI Transport Machinery had engaged in activities violating the Antimonopoly Act. In light of these incidents, the IHI Group is committed to thoroughly implementing measures to prevent violations of laws and misconduct. These measures include establishing systems, organizations and personnel structures to prevent misconduct, and reforming the corporate culture.

### Compliance Committee

The IHI Group has established the Compliance Committee under the Risk Management Conference, which is chaired by the CEO and operates in accordance with the IHI Group Basic Rules on Risk Management.

The Compliance Committee is composed of the Group compliance officer as its chairperson and persons responsible for compliance implementation and promotion from each

division as its members. It deliberates and formulates key policies related to compliance, including the prevention of competition law and anti-corruption law violations, and promotes other compliance activities. At the beginning of each fiscal year, the committee reports the previous fiscal year's performance and the plans for the current fiscal year to the Management Committee. The decisions made by the Compliance Committee are disseminated to each division through its members and incorporated into compliance activities tailored to the business structure.

The corporate divisions plan and implement compliance activities for the IHI Group in line with the policies determined by the Compliance Committee. They also monitor the compliance activities of each division and provide necessary guidance and support as needed.

Compliance matters deemed particularly important to management are reported to and discussed by the Board of Directors.

### Compliance structure



## Corporate Governance

## Number of compliance hotline reports

FY2021	FY2022	FY2023	FY2024
263	286	314	246

(Unit: Reports, Scope: IHI and affiliated companies)

## Project risk management

## Approach

The IHI Group believes that initial planning is important to the success of both large-scale projects and investments that could significantly impact business management. Therefore, the Group manages risk through established screening processes and systems before accepting orders and pursuing

investments. In particular, the impact of the initial plan is particularly significant in the case of projects including new elements or elements that have not been implemented for a long time, and the Group manages these aspects with careful consideration.

## Governance

As a pre-order and pre-investment review, we check the appropriateness and risks in the initial plan, verify no experience and inexperienced factors, and conduct a review by internal and external experts, as well as a multilateral and comprehensive review by the review department.

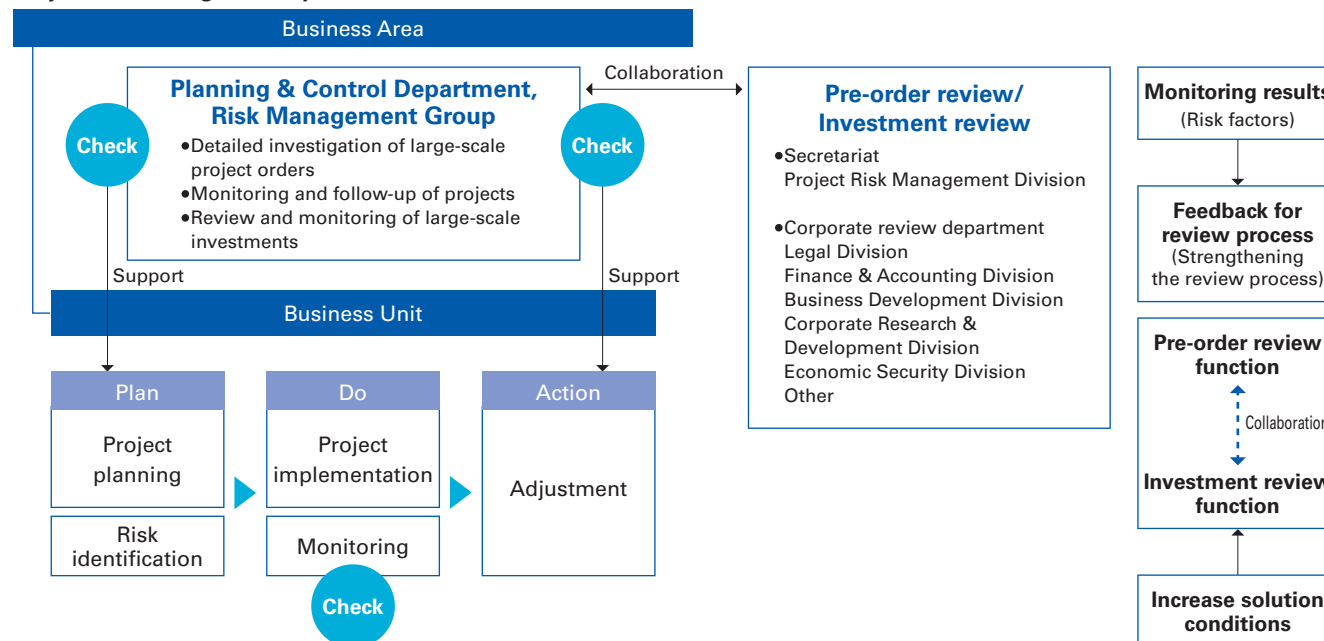
After ordering and investment is underway, we monitor the progress to ensure things are going according to the initial plan, if new issues or risks are handled appropriately in cooperation with the corporate review department and the department in charge of risk management of each business area. Post-order and post-investment monitoring results are regularly reported to the Management Committee and Board of Directors.

## Risk management

In continuation from fiscal 2023, during fiscal 2024 the IHI Group has been especially focused on post-order monitoring, including on-site audit, for large-scale projects by affiliated companies overseas, which are on the rise. By utilizing a mechanism launched in fiscal 2022, the Group is continuously reviewing and monitoring social trends and other factors regarding procurement-related risks, such as increases in prices and disruptions to logistics, that may affect the profits and schedules of large-scale projects.

As it continues to invest in growth and development-focused businesses, in addition to current steps to prevent downward revisions, the IHI Group will gather information from the project formulation stage for highly novel projects, the number of which is likely to increase, to identify risks at an early stage.

## Project risk management system



## Corporate Governance

## Appointment of officers

### Policies and procedures

IHI's Board of Directors decides on ideal attributes for officers and draws up independence standards for independent directors and independent Audit & Supervisory Board members. These standards are based on the requirements for independent directors/Audit & Supervisory Board members stipulated by the Tokyo Stock Exchange and their emphasis is to assure that independent directors and independent Audit & Supervisory Board members are genuinely independent.

IHI's Board of Directors sets the basic policy of appointing the most appropriate officers according to the ideal attributes and the independence criteria for independent directors and independent Audit & Supervisory Board members with the aim of ensuring sustainable growth and increased corporate value for the IHI Group over the medium- to long-term.

In appointing officers, IHI's Board of Directors has supplemented the legally required procedures by establishing a Nomination Advisory Committee (chaired by an independent director) comprised of all the independent directors and the representative director and president. The committee acts as an optional advisory body to the Board of Directors in order to enhance the Board of Directors' independence, objectivity, and accountability, as well as to proactively obtain the involvement, advice, and supervision of the independent directors. It supervises appointment-related procedures to ensure that they are applied appropriately, and offers related advice.

Should members of senior management (chief executive officer, representative director) or executive officers meet the dismissal criteria for officers, a determination of such dismissal shall be resolved promptly by the Board of Directors.

### Expertise and experience of directors and Audit & Supervisory Board members (skills matrix)

	Name	Corporate Management	Technology/ Research and Development	Global Business	Sales/ Marketing	ICT/DX	Human Resources Management/ Development	Finance and Accounting	Legal/ Compliance/Risk Management
Directors	Tsugio Mitsuoka	●	●						●
	Hiroshi Ide	●		●	●				
	Hideo Morita		●	●					●
	Jun Kobayashi			●	●				
	Akihiro Seo						●		●
	Atsushi Sato		●						
	Yoshiyuki Nakanishi	●		●	●				
	Chieko Matsuda						●	●	●
	Minoru Usui	●	●	●					
	Toshihiro Uchiyama	●		●	●				
	Yayoi Tanaka							●	●
Audit & Supervisory Board Members	Kenichiro Yoshida							●	
	Tae Hozoji								●
	Yasuaki Fukumoto							●	
	Aiko Sekine							●	
	Yumiko Waseda								●
	Kazuhiro Muto			●	●	●			

Corporate Management	Formulate and implement management strategies to achieve sustainable enhancement of corporate value
Technology/ Research and Development	Promote technology development and R&D that contributes to resolving social issues
Global Business	Formulate and implement business strategies that contribute to resolving social issues from a global perspective
Sales/Marketing	Formulate and implement sales and marketing strategies that contribute to resolving social issues from the customer's perspective

ICT/DX	Formulate and implement new business models and work styles utilizing ICT and DX, and promote IT risk management
Human Resources Management/ Development	Formulate and implement human resource strategies to maximize employee potential
Finance and Accounting	Formulate and implement financial strategies to achieve sustainable growth in corporate value
Legal/Compliance/ Risk Management	Establish transparent, fair, and efficient governance and risk management systems

## Corporate Governance

**List of officers** 12 males/5 females (ratio of female officers: 29.4%) (As of July 1st, 2025)

	Name	Title	Gender	Attendance in FY2024 Board of Directors Meetings (Audit & Supervisory Board)	Period in Office	No. of IHI Shares Owned	Appointments to Advisory Committees	
							Remuneration Advisory Committee	Nomination Advisory Committee
Independent	Tsugio Mitsuoka	Director and Chairman of the Board	Male	18/18	11 years	19,900	Member	
	Hiroshi Ide	Representative Director and President, Chief Executive Officer	Male	18/18	5 years	7,000	Member	Member
	Hideo Morita	Representative Director, Senior Executive Officer	Male	18/18	4 years	4,300		
	Jun Kobayashi	Representative Director, Senior Executive Officer	Male	18/18	2 years	600		
	Akihiro Seo	Director, Managing Executive Officer	Male	18/18	3 years	1,200	Member	
	Atsushi Sato	Director, Managing Executive Officer	Male	–		2,600		
	Yoshiyuki Nakanishi	Director	Male	18/18	5 years	1,700	Chairperson	Chairperson
	Chieko Matsuda	Director	Female	18/18	5 years	2,400		Member
	Minoru Usui	Director	Male	18/18	4 years	3,900	Member	Member
	Toshihiro Uchiyama	Director	Male	18/18	3 years	800	Member	Member
	Yayoi Tanaka* <sup>1</sup>	Director	Female	–		0		Member
	Kenichiro Yoshida	Director	Male	–		400		Member
Independent	Tae Hozoji	Standing Audit & Supervisory Board Member	Female	14/14 (11/11)	1 year	1,600		
	Yasuaki Fukumoto	Standing Audit & Supervisory Board Member	Male	18/18		1,100	Member (7/7) * <sup>2</sup>	
	Aiko Sekine	Independent Audit & Supervisory Board Member	Female	17/18 (13/13)	5 years	0		
	Yumiko Waseda	Independent Audit & Supervisory Board Member	Female	18/18 (13/13)	4 years	0		
	Kazuhiro Muto	Independent Audit & Supervisory Board Member	Male	18/18 (13/13)	2 years	3,000	Member (7/7)	

► For the reasons behind the appointment of directors and Audit & Supervisory Board members, please refer to the Notice of Convocation of the Annual General Meeting of Shareholders. <https://www.ihico.jp/en/ir/event/meeting/>

\*<sup>1</sup> Yayoi Tanaka was elected as a director of the Company at the 200th Annual General Meeting of Shareholders held in June 2017 and retired upon the expiration of her term of office at the conclusion of the 202nd Annual General Meeting of Shareholders held in June 2019.

\*<sup>2</sup> Yasuaki Fukumoto moved from director to Audit & Supervisory Board member as of the Annual General Meeting of Shareholders held on June 25, 2025, and stepped down as a member of the Remuneration Advisory Committee.

**Executive officers** 17 males/5 females (ratio of female officers: 22.7%) (As of July 1st, 2025)

Name	Position and Role	Main Responsibilities
Hiroshi Ide ●	Chief Executive Officer	
Hideo Morita ●	Senior Executive Officer	In Charge of Group Economic Security, Group Quality Assurance / Design Process, Production Base Strategy, Business Relating to Procurement
Jun Kobayashi ●	Senior Executive Officer	General Manager of Business Development Division, In Charge of Group Operations
Akihiro Seo ●	Managing Executive Officer	In Charge of Group ESG, Safety and Health
Nobuhiko Kubota	Managing Executive Officer	General Manager of Corporate Research and Development Division, In Charge of Group Engineering
Noriko Morioka	Managing Executive Officer	General Manager of Strategic Technologies Division
Kiyoshi Nihei	Managing Executive Officer	President of Industrial Systems & General-Purpose Machinery Business Area
Yoshikazu Hamada	Managing Executive Officer	General Manager of Corporate Planning Division, In Charge of Group Legal, Group Compliance, Shareholder Meeting / Board of Directors
Chie Fukuoka	Managing Executive Officer	General Manager of Intelligent Information Management Division
Atsushi Sato ●	Managing Executive Officer	President of Aero Engine, Space & Defense Business Area
Noriaki Ozawa	Managing Executive Officer	President of Resources, Energy and Environment Business Area
Yukihisa Ozawa	Executive Officer	General Manager of Monozukuri System Transformation Division
Kazuya Ueda	Executive Officer	President of Social Infrastructure Business Area
Bernd Bahlke	Executive Officer	Vice President of Industrial Systems & General-Purpose Machinery Business Area
Chiye Nakamata	Executive Officer	Director of IHI AEROSPACE CO., LTD. ,Vice President of Aero Engine, Space & Defense Business Area
Kensuke Yamamoto	Executive Officer	Deputy General Manager of Business Development Division
Jun Akimoto	Executive Officer	Vice President of Aero Engine, Space & Defense Business Area
Shinichi Takano	Executive Officer	Vice President of Resources, Energy & Environment Business Area
Yasuyuki Hasegawa	Executive Officer	Vice President of Resources, Energy & Environment Business Area
Tsutomu Murakami	Executive Officer	Vice President of Aero Engine, Space & Defense Business Area
Mamiko Saito	Executive Officer	General Manager of Human Resources Division, In Charge of Group Human Resources
Hiromi Oshima	Executive Officer	General Manager of Finance & Accounting Division, In Charge of Group Finance & Accounting

Directors are marked with ●

## Corporate Governance

## Approach to ensuring diversity in key human resource roles

Based on the Group Human Talent Strategy 2023, IHI has set targets respectively for developing the environment to actively recruit and develop human resources, promote them to management and executive positions, and promote their contributions, in particular for women among key human resource roles so that each woman employee is able to make greater contributions.

### Targets (FY2026)

- Ratio of female managers: 7%
- Ratio of new female university graduate recruitment: About 20%

### Reference (FY2030) \*To be reviewed as necessary according to target progress

- Ratio of female managers: Aiming for about 15%
- Ratio of new female university graduate recruitment: Aiming for 20% or higher

Moreover, IHI supports the Keidanren's Challenge to increase the proportion of female officers, exceeding 30% by 2030.

## Remuneration of directors (excluding independent directors)

### Basic Policy on Determining Remuneration

- Remuneration shall be aimed at fully encouraging directors and executive officers to perform their duties in line with management philosophy, Group vision, and Group management policy, and strongly motivating them toward the achievement of specific management goals to bring IHI's and the IHI Group's sustainable growth and improve the medium- and long-term corporate value.
- Remuneration shall be structured with the appropriate allocation of a fixed base amount, an annual incentive (performance-based bonuses), which is linked to the operating performance of each fiscal year, and

a long-term incentive (performance-based share remuneration and restricted share remuneration plan), which is linked to medium- and long-term operating performance and corporate value aimed at broadly sharing a sense of value with stakeholders, and thereby shall contribute to performing with a sound entrepreneurial spirit.

- Under the management philosophy, "Human resources are our single most valuable asset," appropriate treatment shall be provided to Officers of IHI in consideration of IHI's management environment, and social roles and liabilities IHI undertakes.

### Remuneration level and allocated ratios of remuneration

- IHI shall appropriately establish remuneration levels and allocated ratios of remuneration upon having considered factors that include IHI's business characteristics, effectiveness of incentive remuneration, and professional duties. Moreover, the Company shall perform verification by regularly surveying objective market data on remuneration researched by an external specialized institution.
- In the case of standard business performance, total amount of remuneration shall be allocated at approximate proportions of 50%:30%:20% for the director and chairman of the Board, and the representative director and president, and at approximate proportions of 55%:25%:20% for other directors respectively to a fixed base amount, an annual incentive, and a long-term incentive provided upon the achievement of the targeted performance. In addition, long-term incentive shall be allocated at approximate proportions of 50%:50% for the performance-based incentive and restricted share remuneration respectively.

### Composition of remuneration

Chairman of the Board and President	Fixed base amount (50%)	Performance-based bonuses (30%)	Performance-based share remuneration (10%)	Restricted share remuneration plan (10%)
Other Directors (Inside Directors)	Fixed base amount (55%)	Performance-based bonuses (25%)	Performance-based share remuneration (10%)	Restricted share remuneration plan (10%)

### Framework of incentive remuneration

#### Performance-based bonuses (annual incentives)

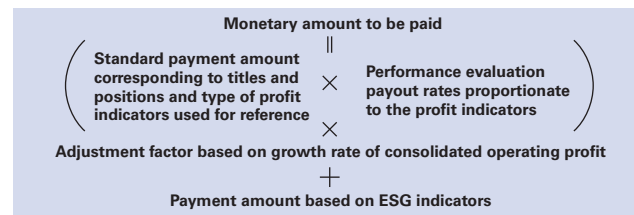
- Performance indicators and reasons for selection thereof: Performance indicators shall be those that include: profit attributable to owners of parent underpinned by the aim of maintaining common interests with our shareholders; consolidated operating cash flow underpinned by the aim of strengthening the capacity to generate cash necessary for growth; and ESG indicators\* aimed at promoting ESG management. The performance indicators shall be reviewed as necessary, particularly upon encountering changes in the management environment and officers' duties.

\* ESG indicators are used to evaluate efforts to reduce greenhouse gases, improve employee engagement, and promote DE&I.



## Corporate Governance

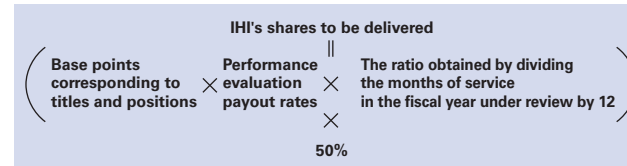
● Method of calculating remuneration: The monetary amount of remuneration provided every fiscal year is calculated as follows, and the performance evaluation payout rate varies from a range of zero to approximately 200 depending on the percentage achievement of profit indicators, with a baseline value of 100 for the amount of payment when performance targets have been achieved. In addition, regardless of the calculation results, the annual incentive is not paid to directors if no dividend is paid.



### Performance-based share remuneration (long-term incentives)

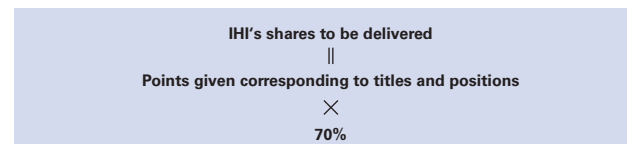
● Performance indicators and reasons for selection thereof: The performance evaluation period shall encompass the next three fiscal years, and performance targets for the final fiscal year of the performance evaluation period shall be established at the outset of the performance evaluation period. Moreover, the performance indicators shall be of primary emphasis under the Group management policies, with consolidated ROIC serving as a performance indicator underpinned by the aims of engaging in business operations that place focus on investment efficiency, achieving sustainable growth, and increasing corporate value. IHI shall furthermore review the possibility of making change to the performance indicators as necessary in alignment with review of the Group management policies.

● Method of calculating remuneration: The number of shares to be delivered as performance-based share remuneration is calculated as follows, and the coefficient varies from a range of zero to approximately 150 depending on the extent of having achieved such target, with a baseline value of 100 for the number of shares to be delivered when performance targets have been achieved. A monetary sum equivalent to the market value of the shares is to be delivered with respect to a portion of such remuneration.



### Restricted share remuneration plan (long-term incentives)

● In each fiscal year, the transfer restricted shares equivalent to the granted points, which are defined by position, will be awarded. The transfer restriction period is the period from when the shares are issued until the officer retires for the purpose of strengthening management that is conscious of stock price and the connection with corporate value. In addition, the number of shares to be issued as restricted share remuneration will be determined as follows, and part of the compensation will be paid in the form of money equivalent to the market value of the shares.



### Remuneration of independent directors and Audit & Supervisory Board members

Remuneration of independent directors shall consist only of a base amount in the light of their duties. Remuneration of Audit & Supervisory Board members shall consist only of a base amount, as compensation for responsibilities for auditing the execution of business throughout the IHI Group. The amount shall be determined through discussions among the Audit & Supervisory Board members.

The base amount for independent directors and Audit & Supervisory Board members shall be set at an appropriate level upon having considered factors that include roles and responsibilities assumed by the respective officers. Moreover, the Company shall perform verification by regularly surveying objective market data on remuneration researched by an external specialized institution.

### Results for FY2024 remuneration

#### Total amount of remuneration, etc. paid and number of recipients

Officer Category (Persons)	Total Amount Paid (million yen)	Breakdown (million yen)		
		Base Amount	Performance-based Share Remuneration*1	Performance-based Bonus*2
Directors (13)	Inside Directors (9)	1,106	468	264
	Independent Directors (4)	57	57	–
Audit & Supervisory Board Members (6)	Inside Audit & Supervisory Board Members (3)	72	72	–
	Independent Audit & Supervisory Board Members (3)	43	43	–
Total (19)	1,279	640	264	374

\*1 The total amount of performance-based share remuneration is the amount of the provision for share acquisition costs related to the granted points recorded by reporting company in the fiscal year, which may be different from the actual total payment amount.

\*2 The total amount of performance-based bonus is the amount of the provision for the fiscal year under review, which is different from the actual total payment amount.

#### Remuneration paid, etc. of directors and Audit & Supervisory Board members, whose total amount paid to each position of directors and Audit & Supervisory Board members, equaled or exceeded ¥100 million

Name	Officer Category	Total Amount Paid (million yen)	Breakdown (million yen)		
			Base Amount	Performance-based Share Remuneration*1	Performance-based Bonus*2
Tsugio Mitsuoka	Director	198	68	48	81
Hiroshi Ide	Director	208	64	53	90
Tsuyoshi Tsuchida	Director	128	46	31	44
Hideo Morita	Director	120	46	31	41
Jun Kobayashi	Director	207	144*2	31	31

\*1 The total amount of performance-based share remuneration and performance-based bonus is the amount of the provision that was recorded for the fiscal year under review, which is different from the actual total payment amount.

\*2 Base remuneration of Director Jun Kobayashi includes payment as expenses incurred by the provision of services outside of Japan.

#### CEO's remuneration to average employee salary, total annual remuneration

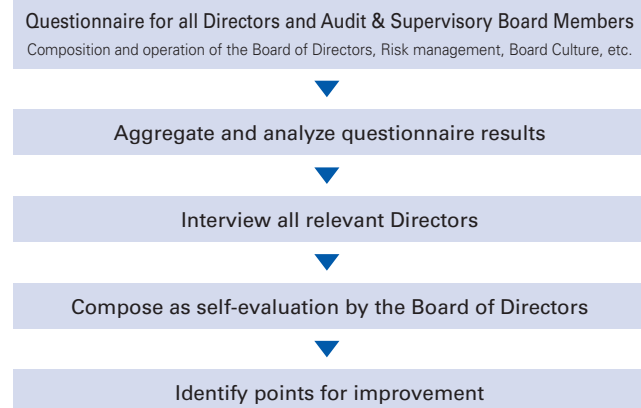
Highest total annual remuneration (CEO) (Rounded down to million yen)	208,000,000
Average annual salary (yen) of IHI employees (Total: 7,911)	8,134,777
Ratio (CEO : employees)	26 : 1

## Corporate Governance

## Approach Board of Directors evaluation

IHI has been evaluating the performance of the Board of Directors annually since fiscal 2015 to further its effectiveness. The next evaluation of the Board of Directors is scheduled to be conducted during fiscal 2025.

### Basic effectiveness evaluation process



## Backup system for improving the effectiveness of independent directors and independent auditors

At IHI, independent directors and independent Audit & Supervisory Board members are briefed on the content and background of agenda items prior to monthly Board of Directors, and off-site meetings and others separate from Board of Directors are organized in order to provide opportunities for discussion regarding medium- to long-term strategies which include business portfolios, among others. Furthermore, the Company also provides tour opportunities of its business locations, construction sites, and so on with the aim of deepening understanding of its business practices and products. In fiscal 2024, the Company set up tours of domestic works and business sites, as well as overseas business development hubs.

In addition, an Audit & Supervisory Board secretariat assists Audit & Supervisory Board members in executing their duties. The secretariat assists Independent Audit & Supervisory Board members, and Standing Audit & Supervisory Board members report to them on the status of daily audits to share information.

## Functions and roles of the Audit & Supervisory Board

IHI has an Audit & Supervisory Board, which comprises five Audit & Supervisory Board members (three of them are independent) who audit the duties executed by directors. The “Audit & Supervisory Board Division” (four full-time staffers) assists the Audit & Supervisory Board members in the execution of their duties.

### Activities in FY2024

- 1 The establishment and operation of the internal control system and compliance with important laws and regulations
- 2 Risk response status
- 3 Progress of structural reforms and execution of business strategies
- 4 Business status of associated companies selected based on management issues and risk perception
- 5 Eradication of occupational accidents and status of initiatives aimed at promoting work style reform and DE&I (Diversity, Equity & Inclusion)
- 6 Status of initiatives aimed at reforming the corporate culture

### Initiatives that underwent effectiveness evaluation and their results

	Items	Results	Initiatives in Response to Evaluation Results
FY2023 Evaluation	<b>Self-evaluation</b> <ul style="list-style-type: none"> <li>• Questionnaire analysis by a third-party evaluation agency</li> <li>• Interviews with all officers by the secretariat</li> </ul>	<b>Overall evaluation</b> <ul style="list-style-type: none"> <li>• Effectiveness is ensured</li> </ul> <b>Identified issues</b> <ul style="list-style-type: none"> <li>• Further enhancement of discussions on the composition of the Board of Directors, succession planning, roles and role allocation, etc., which are prerequisites for the Board of Directors to exercise its monitoring and supervisory functions</li> <li>• Ensuring deliberation time and further deepening discussions on important issues to be discussed at the Board of Directors</li> <li>• Expansion of information provision for appropriate decision-making</li> </ul>	<b>Management of the Board of Directors in FY2024</b> <ul style="list-style-type: none"> <li>• Discussions on the way of monitoring and supervisory functions of the IHI Board of Directors</li> <li>• Setting of the management agenda for FY2024 by the executive side and discussions at the Board of Directors based on this</li> <li>• Creation of documents that clearly organize the issues to be discussed and enhancement of information provision to independent directors</li> </ul>
FY2024 Evaluation	<b>Third-party evaluation</b> <ul style="list-style-type: none"> <li>• Questionnaire analysis by a third-party evaluation agency and interviews with all officers, and an overall evaluation based on these efforts</li> </ul>	<b>Overall evaluation</b> <ul style="list-style-type: none"> <li>• Key managerial decision-making and monitoring processes are operating efficiently</li> </ul> <b>Identified issues</b> <ul style="list-style-type: none"> <li>• Further enhancement of discussions on medium- and long-term strategies such as business portfolios and business model construction, as well as matters important to management (human resources strategies, group governance, risk management, etc.)</li> <li>• Making full use of the limited time available at Board of Directors meetings</li> </ul>	<b>Management of the Board of Directors in FY2025</b> <ul style="list-style-type: none"> <li>• Maintain sufficient opportunities for discussion by setting agenda items on matters important to management throughout the year, with a focus on discussions on creating a new medium-term management policy</li> <li>• Implement operational innovations and improvements to make full use of the limited time available at Board of Directors meetings and ensure fruitful dialogue</li> </ul>

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# DATA

## Financial Summary

IHI Corporation and consolidated subsidiaries/ For respective fiscal years ended March 31  
The Company adopted the International Financial Reporting Standards (IFRS) in fiscal 2020.

FY		2014	2015	2016	2017	2018	2019	2019	2020	2021	2022	2023	2024
Standard		Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Key financial highlights								[Billions of yen]					
Orders received		1,664.3	1,605.3	1,389.8	1,505.0	1,399.2	1,373.9	1,280.0	1,097.0	1,261.2	1,366.1	1,376.8	1,751.1
Net sales/Revenue		1,455.8	1,539.3	1,486.3	1,590.3	1,483.4	1,386.5	1,263.1	1,112.9	1,172.9	1,352.9	1,322.5	1,626.8
Operating profit		63.2	22.0	47.3	72.2	82.4	60.7	47.8	27.9	81.4	81.9	(70.1)	143.5
Share of profit (loss) of entities accounted for using equity method/ Share of profit (loss) of investments accounted for using equity method		(1.7)	1.1	(3.5)	(33.0)	4.1	(12.9)	(12.3)	(1.9)	1.1	(8.3)	0.7	6.2
Total non-operating income		(6.7)	(12.3)	(25.3)	(50.8)	(16.7)	(28.5)	—	—	—	—	—	—
Ordinary profit/Profit before tax		56.5	9.7	22.0	21.4	65.7	32.2	29.1	27.6	87.6	64.8	(72.2)	138.4
Profit attributable to owners of parent		9.0	1.5	5.2	8.2	39.8	12.8	8.2	13.0	66.0	44.5	(68.2)	112.7
R&D expenses		37.0	41.6	35.5	38.6	36.5	38.1	40.0	26.8	29.8	34.0	39.3	34.0
Capital expenditure		63.9	50.8	52.7	59.2	67.3	80.6	89.9	48.3	43.3	61.1	71.2	97.4
Depreciation		43.2	46.7	46.6	44.8	42.9	53.8	66.3	69.8	67.5	62.9	70.7	72.1
Interest-bearing liabilities		410.6	374.5	371.9	322.2	355.0	488.1	612.7	605.9	505.5	519.4	574.3	514.7
Net assets/Total equity		359.5	333.3	337.6	350.2	381.6	353.7	306.0	327.7	407.0	456.2	402.2	508.6
Employees (People)		2,853.3	2,949.4	2,965.9	2,970.6	2,928.6	2,896.4	2,932.8	2,914.9	2,880.1	2,848.6	2,823.7	2,799.0
Business area information								[Billions of yen]					
Resources, Energy & Environment	Orders received	582.7	532.7	352.8	378.0	285.5	316.9	316.9	274.7	373.8	393.4	310.1	370.3
	Order backlog	760.4	843.4	752.3	648.5	523.1	521.2	517.0	482.3	527.5	565.7	483.4	437.6
	Revenue	415.3	452.4	427.3	490.4	377.0	327.7	324.8	317.6	344.4	371.3	404.9	411.4
	Operating profit	24.0	(2.2)	(10.6)	(14.8)	3.3	3.7	3.9	19.1	22.9	26.2	17.7	16.1
Social Infrastructure *1	Orders received	178.7	128.5	150.1	163.9	124.4	196.9	196.9	166.1	181.0	134.0	159.3	166.7
	Order backlog	231.9	194.3	196.1	206.1	191.6	229.6	229.3	226.4	250.0	218.4	210.2	217.0
	Revenue	188.6	168.1	157.7	154.5	143.1	152.8	148.7	157.9	167.3	171.0	170.9	162.3
	Operating profit	(3.2)	(48.9)	(12.0)	13.9	14.2	13.4	13.0	17.1	15.3	17.0	15.0	9.4
Industrial Systems & General-Purpose Machinery	Orders received	415.0	421.8	420.5	474.0	458.9	420.1	420.1	365.2	384.5	455.9	474.8	484.4
	Order backlog	121.0	138.0	148.4	161.0	180.3	190.8	189.8	175.3	180.7	201.0	205.4	206.1
	Revenue	411.7	404.7	411.6	459.0	441.0	406.4	404.5	374.2	376.9	436.5	466.1	484.8
	Operating profit	10.2	12.6	17.5	18.9	23.1	11.4	12.9	11.4	12.8	18.0	12.7	10.8
Aero Engine, Space & Defense	Orders received	468.0	515.6	451.5	463.8	494.3	420.1	321.5	268.9	304.7	372.7	423.7	719.9
	Order backlog	510.7	541.0	511.0	533.0	562.6	493.6	491.7	248.5	283.8	293.4	450.9	605.9
	Revenue	434.8	500.2	471.9	463.7	492.2	480.8	369.7	251.5	265.2	364.1	270.4	555.7
	Operating profit	39.5	58.4	53.0	60.1	46.4	40.3	20.8	(40.1)	(9.3)	36.1	(102.8)	122.7

\*1 Includes figures for "urban development," which underwent organizational restructuring in FY2025.

## Financial Summary

IHI Corporation and consolidated subsidiaries/ For respective fiscal years ended March 31  
The Company adopted the International Financial Reporting Standards (IFRS) in fiscal 2020.

FY	2014	2015	2016	2017	2018	2019	2019	2020	2021	2022	2023	2024
Standard	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Financial indices							[%]					
Percentage of overseas sales/revenue	52.1	51.8	50.9	50.8	48.1	47.8	43.6	37.2	42.2	48.8	45.1	53.7
Operating profit margin	4.3	1.4	3.2	4.5	5.6	4.4	3.8	2.5	6.9	6.1	(5.3)	8.8
ROIC (return on invested capital)* <sup>2</sup>	5.8	2.3	5.0	7.7	8.7	5.7	4.1	2.2	6.4	6.3	(4.9)	10.5
ROA (return on assets)* <sup>3</sup>	0.6	0.1	0.3	0.5	2.4	0.8	0.4	0.7	3.5	2.3	(3.4)	5.2
ROE (return on equity)* <sup>4</sup>	2.6	0.5	1.6	2.6	11.8	3.8	2.8	4.5	19.3	11.0	(16.9)	26.3
Debt-to-equity ratio (times)* <sup>5</sup>	1.14	1.12	1.10	0.92	0.93	1.38	2.00	1.85	1.24	1.14	1.43	1.01
Equity to total assets	20.5	18.6	18.8	19.9	21.0	18.7	15.0	16.4	20.3	22.2	17.9	21.5
CCC (days)	—	—	87	83	97	120	92	124	112	120	107	94
Per share data							[Yen]					
Basic earnings per share* <sup>6</sup>	58.84	9.90	33.98	53.71	258.53	84.21	53.93	88.13	439.77	294.48	(450.78)	744.84
Book value per share/Equity attributable to owners of parent per share* <sup>7</sup>	2,240.31	2,061.63	2,060.33	2,103.22	2,263.12	2,195.96	1,885.13	2,025.18	2,526.33	2,850.48	2,484.13	3,182.56
Annual dividends per share	60.00	30.00	0.00	60.00	70.00	50.00	50.00	0.00	70.00	90.00	100.00	120.00
Balance sheet information							[Billions of yen]					
Current assets	1,053.7	1,100.5	1,073.8	993.4	987.8	1,076.0	957.6	946.6	1,023.9	1,085.7	1,210.7	1,302.2
Non-current assets	637.1	614.5	618.9	640.0	676.6	664.7	911.3	886.2	855.6	856.2	887.1	938.1
Total assets	1,690.8	1,715.0	1,692.8	1,633.4	1,664.5	1,740.7	1,869.0	1,832.8	1,879.6	1,941.9	2,097.8	2,240.3
Current liabilities	795.9	882.7	876.2	811.6	823.1	909.0	916.5	764.7	773.6	831.6	1,051.0	1,117.9
Provision for construction warranties, Provision for loss on construction contracts	65.3	97.5	85.2	80.9	69.1	62.6	31.9	26.4	22.3	21.6	23.5	22.4
Non-current liabilities	535.3	498.9	478.9	471.6	459.7	478.0	646.4	740.3	698.9	654.1	644.4	613.8
Total liabilities	1,331.2	1,381.6	1,355.2	1,283.2	1,282.8	1,387.0	1,562.9	1,505.1	1,472.6	1,485.7	1,695.5	1,731.7
Shareholders' equity/Total equity attributable to owners of parent	313.5	305.8	309.9	313.2	343.4	329.2	280.1	300.7	382.1	431.2	375.9	481.7
Total net assets/Total equity	359.5	333.3	337.6	350.2	381.6	353.7	306.0	327.7	407.0	456.2	402.2	508.6
Total liabilities and net assets/Total liabilities and equity	1,690.8	1,715.0	1,692.8	1,633.4	1,664.5	1,740.7	1,869.0	1,832.8	1,879.6	1,941.9	2,097.8	2,240.3
Cash flow statement information							[Billions of yen]					
Cash flows from operating activities	63.5	95.3	65.3	99.0	46.4	14.5	42.4	36.3	114.1	54.1	62.1	177.6
Cash flows from investing activities	(74.6)	(35.5)	(28.9)	(47.9)	(79.2)	(75.8)	(85.5)	(40.4)	27.9	(52.3)	(51.6)	(58.8)
Cash flows from financing activities	33.4	(47.5)	(21.9)	(57.3)	16.4	115.2	96.8	(23.7)	(121.4)	(24.0)	(2.5)	(116.2)
Change in interest-bearing liabilities	52.8	(36.1)	(2.6)	(49.7)	32.8	133.0	(119.0)	(6.7)	(100.3)	13.9	54.8	(59.6)
Free cash flow* <sup>8</sup>	(11.0)	59.8	36.4	51.0	(32.8)	(61.3)	(43.0)	(4.1)	142.0	1.7	10.4	118.8

\*2 Japanese GAAP: (Operating profit + Interest and dividend income) after tax/(Equity + Interest-bearing liabilities) IFRS: (Operating profit + Interest and dividend income) after tax/(Equity attributable to owners of parent + Interest-bearing liabilities) \*3 Japanese GAAP/IFRS: Profit attributable to owners of parent/(Average of total assets at end of previous fiscal year and end of current fiscal year) \*4 Japanese GAAP: Profit attributable to owners of parent/(Average of equity at end of previous fiscal year and end of current fiscal year) IFRS: Profit attributable to owners of parent/(Average of equity attributable to owners of parent at end of previous fiscal year and end of current fiscal year) \*5 Japanese GAAP: Net interest-bearing liabilities/Net assets IFRS: Interest-bearing liabilities/Equity \*6 Japanese GAAP/IFRS: Profit attributable to owners of parent/Average number of shares outstanding during the period

\*7 Japanese GAAP: Net assets/Total number of shares outstanding IFRS: Equity/Total number of shares outstanding \*8 Cash flows from operating activities + Cash flows from investing activities



## Sustainability Data

For sustainability data published through the previous fiscal year, please refer to the Link below.  
We have revised the presentation method in this document to make the *Integrated Report* more interactive.

[https://www.ihl.co.jp/en/sustainable/data/performance\\_data/](https://www.ihl.co.jp/en/sustainable/data/performance_data/)

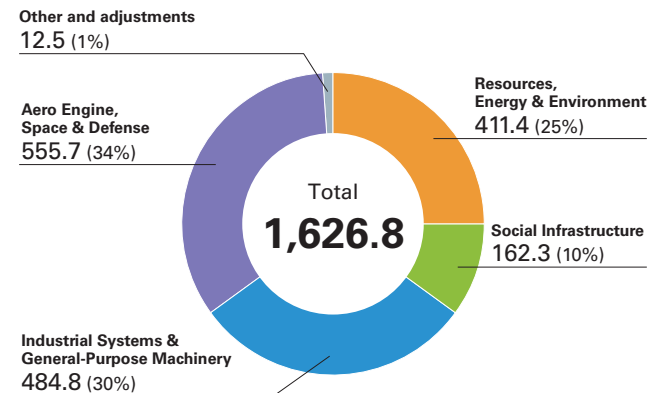
## Corporate Data/Share Information As of March 31, 2025

<b>Company Name</b>	IHI Corporation
<b>Head Office</b>	Toyosu IHI Building, 1-1, Toyosu 3-chome, Koto-ku, Tokyo 135-8710, Japan TEL: +81-3-6204-7800
<b>President</b>	Hiroshi Ide
<b>Founded*</b>	December 5, 1853 * Founded on the day the Mito Domain's Tokugawa Nariaki, by shogunate order, established a shipyard in Edo's Ishikawajima area
<b>Incorporated*</b>	January 17, 1889 * The day Ishikawajima Shipbuilding & Engineering Co., Ltd. was established.
<b>Capital</b>	¥107.1 billion
<b>Number of Employees</b>	27,990 (consolidated), 7,911 (non-consolidated)
<b>Works</b>	6
<b>Branches and Sales Offices</b>	8
<b>Overseas Bases</b>	20
<b>Group Companies</b>	141 consolidated subsidiaries 61 affiliated companies in Japan (43 subsidiaries and 18 associated companies) 131 affiliated companies overseas (110 subsidiaries and 21 associated companies)

<b>Securities Code</b>	7013
<b>Stock Exchange Listings (Market Segment)</b>	Tokyo (Prime)
<b>Share Unit</b>	100
<b>Total Number of Authorized Shares</b>	300,000,000
<b>Number of Outstanding Shares</b>	154,679,954
<b>Number of Shareholders</b>	100,047
<b>Fiscal Year</b>	April 1 to March 31 of following year
<b>General Shareholders' Meeting</b>	June of each year
<b>Record Date for Year-end Dividend</b>	March 31 of each year
<b>Record Date for Interim Dividend</b>	September 30 of each year
<b>Shareholder Registry Administrator/Special Account Managing Institution</b>	1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan Sumitomo Mitsui Trust Bank, Limited 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063, Japan Stock Transfer Agency Division, Sumitomo Mitsui Trust Bank, Limited

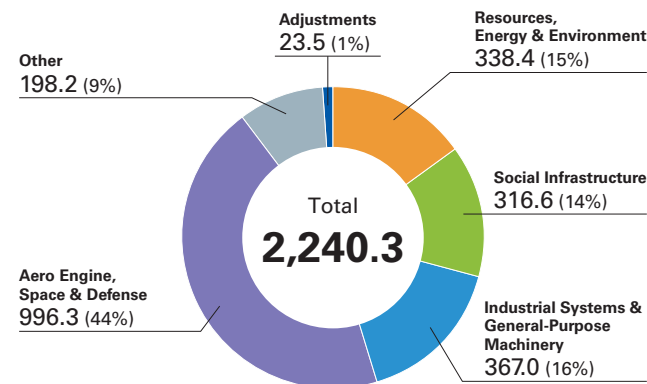
Note: Each share of common stock owned by shareholders recorded in the closing register of shareholders on the record date of September 30, 2025, will be split into seven shares  
[https://www.ihi.co.jp/en/all\\_news/2025/ir/\\_icsFiles/afiledfile/2025/08/06/Notice\\_regarding\\_Stock\\_Split.pdf](https://www.ihi.co.jp/en/all_news/2025/ir/_icsFiles/afiledfile/2025/08/06/Notice_regarding_Stock_Split.pdf)

### Revenue by segment (Billions of yen)



Revenue of each business domain (excluding adjustments and other factors)

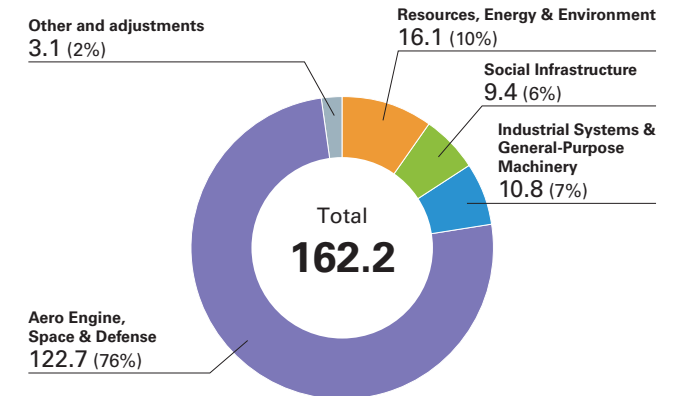
### Segment assets (Billions of yen)



Note: Sum of percentages for all segments may not total 100%, as figures are rounded to the nearest 100 million yen. The numbers in the pie chart are rounded to the nearest whole number for each item, so the breakdown totals may not equal 100%.

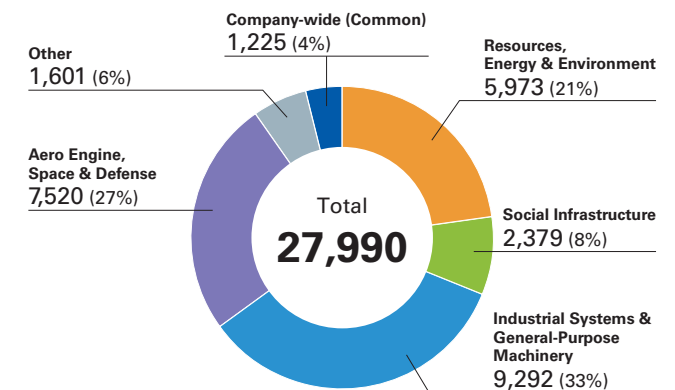
Each graph's "social infrastructure" category includes the figures for "urban development," which underwent organizational restructuring in FY2025.

### Profit by segment (Billions of yen)



Excluding adjustments.  
The total, including adjustments, is ¥143.5 billion.

### Employees by segment (Persons)



Note: The number of employees is the number of officially employed individuals, including those seconded to the IHI Group from other companies and excluding Group employees seconded to other companies. Temporary workers are not included, as they comprise less than 10% of the total number of employees.

## Corporate Data/Share Information

## Major shareholders

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
The MasterTrust Bank of Japan (Holder in Trust)	24,556	16.16
Custody Bank of Japan, Ltd. (Holder in Trust)	8,224	5.41
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	4,347	2.86
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	3,218	2.11
BNYM AS AGT/CLTS NONTREATY JASDEC (Standing proxy: MUFG Bank, Ltd.)	3,080	2.02
IHI Suppliers Stock Ownership Association	2,787	1.83
The Dai-ichi Life Insurance Company, Limited	2,703	1.77
IHI Employee Stock Ownership Association	2,527	1.66
MSIP CLIENT SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	2,495	1.64
Sumitomo Life Insurance Company	2,284	1.50

Shareholding ratios are calculated excluding treasury shares (2,769,482 shares).

Treasury shares held by IHI is excluded from major shareholders listed above.

Note: Each share of common stock owned by shareholders recorded in the closing register of shareholders on the record date of September 30, 2025, will be split into seven shares

[https://www.ihi.co.jp/en/all\\_news/2025/ir/\\_icsFiles/afidfile/2025/08/06/Notice\\_regarding\\_Stock\\_Split.pdf](https://www.ihi.co.jp/en/all_news/2025/ir/_icsFiles/afidfile/2025/08/06/Notice_regarding_Stock_Split.pdf)

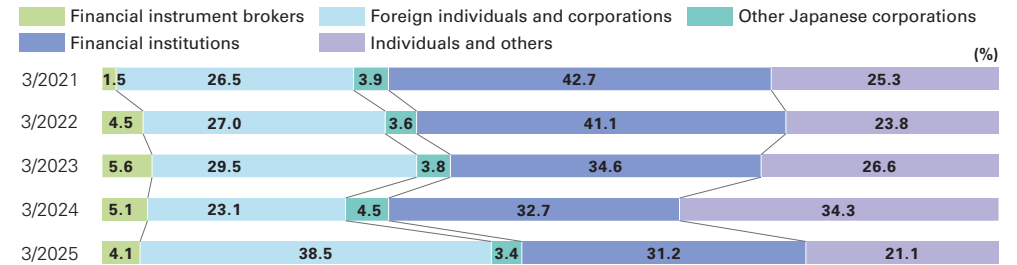
## Stock price performance comparison (TSR: Total shareholder return)

(% )

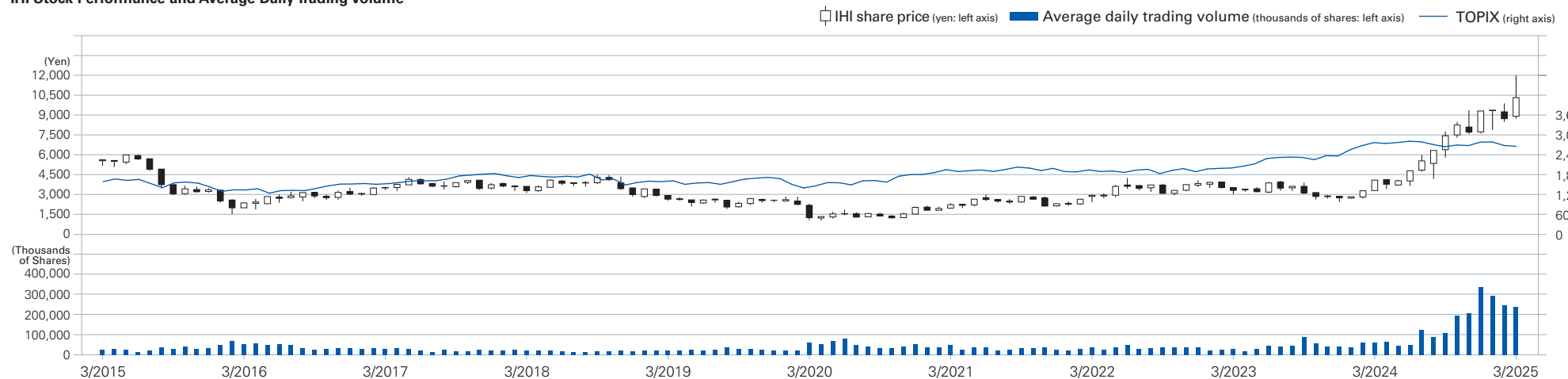
Investment period	One year March 2024 to March 31, 2025	Three years March 2022 to March 31, 2025	Five years March 2020 to March 31, 2025	Ten years March 2015 to March 31, 2025
IHI	154.7	260.3	747.9	93.8
TOPIX	(1.5)	47.2	113.4	117.4
Machinery index	(4.3)	51.9	133.7	126.8

The above table shows the cumulative return if invested one, three, five, 10 years ago based on the total return index as of March 31, 2025.

## Shareholder composition



## IHI Stock Performance and Average Daily Trading Volume



Note: The Company conducted a consolidation of common stock on a 10 for 1 basis on October 1, 2017. Data regarding share price and average daily trading volume prior to the consolidation of common stock is calculated on the basis of the consolidation having been implemented.

## Corporate Officers As of July 2025

### Director

#### Tsugio Mitsuoka

Date of birth: October 13, 1954



Apr. 1980 Joined IHI  
 Apr. 2010 Executive Officer; Vice President of Aero-Engine & Space Operations, IHI  
 Apr. 2013 Managing Executive Officer; President of Aero-Engine & Space Operations, IHI  
 Jun. 2014 Director; Managing Executive Officer; President of Aero-Engine & Space Operations, IHI  
 Apr. 2016 Representative Director and President; Chief Operating Officer, IHI  
 Apr. 2017 Representative Director and President; Chief Executive Officer, IHI  
 Apr. 2020 Representative Director and Chairman of the Board and President; Chief Executive Officer, IHI  
 Jun. 2020 Representative Director and Chairman of the Board; Chief Executive Officer, IHI  
 Apr. 2021 Representative Director and Chairman of the Board, IHI  
 Apr. 2024 Director and Chairman of the Board, IHI (incumbent)

[Significant Concurrent Positions]

Representative Director, Japanese Aero Engines Corporation  
 Outside Director, UBE Corporation

#### Hiroshi Ide

Date of birth: February 16, 1961



Apr. 1983 Joined IHI  
 Apr. 2013 Managing Director, Jurong Engineering Limited  
 Apr. 2017 Executive Officer; Vice President of Resources, Energy and Environment Business Area, IHI  
 Apr. 2019 Managing Executive Officer; President of Resources, Energy & Environment Business Area, IHI  
 Apr. 2020 Chief Operating Officer and President of Resources, Energy & Environment Business Area, IHI  
 Jun. 2020 Representative Director and President; Chief Operating Officer, IHI  
 Apr. 2021 Representative Director and President; Chief Executive Officer and General Manager of Strategic Technologies Division, IHI  
 Apr. 2023 Representative Director and President; Chief Executive Officer, IHI (incumbent)

#### Hideo Morita

Date of birth: October 20, 1961



Apr. 1986 Joined IHI  
 Apr. 2017 Division Director of Civil Aero-Engine Division, Aero Engine, Space & Defense Business Area, IHI  
 Apr. 2018 Executive Officer; Vice President of Aero Engine, Space & Defense Business Area, IHI  
 Apr. 2021 Managing Executive Officer; President of Aero Engine, Space & Defense Business Area, IHI  
 Jun. 2021 Director; Managing Executive Officer; President of Aero Engine, Space & Defense Business Area, IHI  
 Apr. 2024 Representative Director, Senior Executive Officer, IHI (incumbent)

#### Jun Kobayashi

Date of birth: May 23, 1964



Apr. 1988 Joined IHI  
 Apr. 2019 General Manager of Global Business Development Group, Strategy Development Department, Social Infrastructure & Offshore Facilities Business Area, and Assistant General Manager of Corporate Business Development & Solution Headquarters, and General Manager of Rome Office, Global Marketing & Sales Headquarters, IHI  
 Apr. 2020 Vice President of Social Infrastructure & Offshore Facilities Business Area, and Assistant General Manager of Corporate Business Development & Solution Headquarters, and General Manager of Rome Office, Global Marketing & Sales Headquarters, IHI  
 Apr. 2021 Executive Officer; General Manager of Solution & Business Development Division, IHI  
 Apr. 2023 Managing Executive Officer; General Manager of Business Development Division, IHI  
 Jun. 2023 Director; Managing Executive Officer; General Manager of Business Development Division, IHI  
 Apr. 2025 Representative Director and Senior Executive Officer, and General Manager of Business Development Division, IHI (incumbent)

#### Akihiro Seo

Date of birth: October 21, 1963



Apr. 1987 Joined IHI  
 Dec. 2007 President, ALPHA Automotive Technologies LLC  
 Apr. 2013 Manager of Planning & Control Department, Global Marketing Headquarters, IHI  
 Apr. 2017 Manager of Corporate Business Development Division, IHI  
 Apr. 2018 General Manager of Corporate Planning Division, IHI  
 Apr. 2021 Executive Officer; General Manager of Corporate Planning Division, IHI  
 Apr. 2022 Managing Executive Officer; General Manager of Human Resources Division, IHI  
 Jun. 2022 Director; Managing Executive Officer; General Manager of Human Resources Division, IHI  
 Apr. 2024 Director, Managing Executive Officer, IHI (incumbent)

#### Atsushi Sato

Date of birth: January 17, 1967



Apr. 1991 Joined IHI  
 Apr. 2018 General Manager of Engine Technology Department, Research & Engineering Division, Aero-Engine, Space & Defense Business Area, IHI  
 Apr. 2019 Division Director of Defense Systems Division, Aero-Engine, Space & Defense Business Area, IHI  
 Apr. 2022 Vice President of Aero-Engine, Space & Defense Business Area, IHI  
 Apr. 2023 Executive Officer; Vice President of Aero-Engine, Space & Defense Business Area, IHI  
 Apr. 2024 Managing Executive Officer; President of Aero-Engine, Space & Defense Business Area, IHI  
 Jun. 2025 Director, Managing Executive Officer; President of Aero-Engine, Space & Defense Business Area, IHI (incumbent)

## Corporate Officers

## Director

## Yoshiyuki Nakanishi

Date of birth: November 3, 1954



Apr. 1978 Joined Dainippon Ink and Chemicals, Incorporated (now DIC Corporation)  
 Apr. 2010 Executive Officer; In Charge of Corporate Strategy Division and Kawamura Memorial Museum of Art, DIC Corporation  
 Jun. 2011 Director; Executive Officer; In Charge of Corporate Strategy Division and Kawamura Memorial DIC Museum of Art, DIC Corporation  
 Apr. 2012 Representative Director; President and CEO, DIC Corporation  
 Jan. 2018 Chairman of the Board of Directors, DIC Corporation  
 Jun. 2020 Director, IHI (incumbent)  
 Jan. 2021 Director, DIC Corporation  
 Mar. 2021 Executive Advisor, DIC Corporation  
 [Significant Concurrent Positions]  
 Outside Director, The Japan Steel Works, Ltd.  
 Outside Director, SHIMADZU CORPORATION

## Chieko Matsuda

Date of birth: November 18, 1964



Apr. 1987 Joined The Long-Term Credit Bank of Japan, Limited  
 Oct. 1998 Joined Moody's Japan K.K.  
 Sep. 2001 Partner, Corporate Directions, Inc.  
 May 2006 Representative Director, Matrix, Inc.  
 Oct. 2006 Vice President (Partner), Booz & Company, Inc.  
 Apr. 2011 Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University (incumbent) Professor, Graduate School of Management, Tokyo Metropolitan University (incumbent)  
 Jun. 2020 Director, IHI (incumbent)  
 [Significant Concurrent Positions]  
 Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University  
 Professor, Graduate School of Management, Tokyo Metropolitan University  
 Outside Director, Asahi Kasei Corporation  
 Outside Members of the Board, Toyota Tsusho Corporation  
 External Independent Director, Isetan Mitsukoshi Holdings, Ltd.

## Minoru Usui

Date of birth: April 22, 1955



Nov. 1979 Joined Shinshu Seiki Co., Ltd. (now Seiko Epson Corporation)  
 Nov. 2004 Director; Deputy General Administrative Manager, Corporate Research & Development Division; and Deputy Chief Operating Officer, Imaging & Information Products Operations Division, Seiko Epson Corporation  
 Nov. 2005 Director; General Administrative Manager, Production Engineering & Development Division, Seiko Epson Corporation  
 Jul. 2007 Director; General Administrative Manager, Corporate Research & Development Division, and General Administrative Manager, Production Engineering & Development Division, Seiko Epson Corporation  
 Oct. 2007 Managing Director; General Administrative Manager, Corporate Research & Development Division, and General Administrative Manager, Production Engineering & Development Division, Seiko Epson Corporation  
 Jun. 2008 President and Representative Director; Chief Executive Officer, Seiko Epson Corporation  
 Apr. 2020 Chairman and Director, Seiko Epson Corporation  
 Jun. 2021 Director, IHI (incumbent)  
 [Significant Concurrent Positions]  
 Outside Director, Sumitomo Pharma, Co., Ltd.

## Toshihiro Uchiyama

Date of birth: November 28, 1958



Apr. 1981 Joined NSK Ltd.  
 Jun. 2008 Vice President; Deputy Head of Corporate Planning Division HQ, NSK Ltd.  
 Jun. 2009 Vice President; Head of Corporate Planning Division HQ, NSK Ltd.  
 Jun. 2010 Senior Vice President; Head of Corporate Planning Division HQ, NSK Ltd.  
 Jun. 2012 Director; Senior Vice President; Head of Corporate Planning Division HQ, NSK Ltd.  
 Jun. 2013 Director; Representative, Executive Vice President; Head of Corporate Strategy Division HQ, NSK Ltd.  
 Jun. 2015 Director; Representative, President and Chief Executive Officer, NSK Ltd.  
 Jun. 2017 Director; Representative, President and Chief Executive Officer, NSK Ltd.  
 Apr. 2021 Chairman of the Board of Directors, NSK Ltd.  
 Jun. 2022 Director, IHI (incumbent)  
 Jun. 2023 Advisor, NSK Ltd. (incumbent)  
 [Significant Concurrent Positions]  
 Advisor, NSK Ltd.  
 Outside Director, Sapporo Holdings Limited

## Yayoi Tanaka

Date of birth: March 20, 1960



Apr. 1982 Joined Nippon Kogaku K.K. (now NIKON CORPORATION)  
 Oct. 2006 Associate Professor, National Institution for Academic Degrees and University Evaluation\*  
 Jan. 2007 Member of Fiscal System Council, Ministry of Finance  
 Apr. 2007 Associate Professor of Department of Research for University Evaluation, National Institution for Academic Degrees and University Evaluation\*  
 Feb. 2013 Civilian Member of Administrative Reform Promotion Council, Cabinet Secretariat  
 Apr. 2013 Professor of Research Department, National Institution for Academic Degrees and University Evaluation\*  
 Apr. 2015 Member of Policy Evaluation Council, Ministry of Internal Affairs and Communications  
 Jun. 2017 Independent Director, IHI  
 Sep. 2019 Commissioner, Board of Audit of Japan  
 Jan. 2024 President, Board of Audit of Japan  
 Jun. 2025 Director, IHI (incumbent)

\* Now National Institution for Academic Degrees and Quality Enhancement of Higher Education  
 [Significant Concurrent Positions]  
 Outside Director, Japan Exchange Group, Inc.

## Kenichiro Yoshida

Date of birth, March 9, 1963



Apr. 1985 Joined Nikko Securities Inc. (now SMBC Nikko Securities Inc.)  
 Mar. 2006 Managing Director of Investment Research Department, Goldman Sachs Japan Co., Ltd.  
 Aug. 2010 General Manager of Equity Research, Nikko Cordial Corporation (now SMBC Nikko Securities Inc.)  
 Jan. 2014 Vice President of Ichigo Asset Management, Ltd.  
 May. 2014 Outside Director of Ichigo Group Holdings Co., Ltd. (now ICHIGO Inc.)  
 Apr. 2021 Director and CFO of Uhuru Corporation  
 Oct. 2022 Advisor of Engagement Investment Division, Aozora Bank, Ltd. (incumbent)  
 Jun. 2023 Outside Director, Cuorips Inc. (incumbent)  
 Jun. 2025 Director, IHI (incumbent)  
 [Significant Concurrent Positions]  
 Outside Director, Cuorips Inc.





## **I H I Corporation**

### **Corporate Communication Division**

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Company Website: <https://www.ihi.co.jp/en>