

(Translation)

Corporate Governance

IHI Corporation

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IHI Corporation

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Securities Code: 7013

<https://www.ihico.jp/en/>

The corporate governance of IHI Corporation (hereinafter, the “Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

### 1. Basic Views

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

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

The Company will work to enhance its corporate governance in line with the following basic policies:

- (1) Respect shareholders’ rights and ensure equal treatment
- (2) Strive to cooperate appropriately with shareholders and other stakeholders
- (3) Fulfill our responsibility to be accountable to stakeholders and ensure transparency by appropriately and proactively disclosing information relating to the Company
- (4) Clarify the roles and responsibilities of the Board of Directors, the audit & supervisory board members and the Audit & Supervisory Board to enable them to adequately fulfill their management monitoring and supervisory functions
- (5) Conduct constructive dialogue with shareholders who have investment policies according with the medium- to long-term interests of shareholders

#### [Reasons for Non-compliance with the Principles of Japan’s Corporate Governance Code]

The Company complies with every principle of Japan’s Corporate Governance Code.

#### [Disclosure Based on the Principles of Japan’s Corporate Governance Code] Updated

##### [Principle 1.4 Cross-Shareholdings]

###### *Basic Policies*

As a general rule, the Company looks to reduce cross-shareholdings after engaging in a suitable dialogue with the issuing company. However, the Company may hold shares in strategic partners for business alliances, joint research and development, or other forms of collaboration for the purpose of pursuing medium- to long-term growth and increased corporate value for the Company.

### *Management of Cross-Shareholdings*

The propriety of holding individual shares is reported to the Board of Directors by confirming the mid- and long-term significance based on the holding policy and examining the rationality from the perspective whether the benefit and risks from each holding cover the cost of capital.

In fiscal 2020, the Company has wholly sold 6 security names and partially sold 3 security names, among 50 security names of cross-shareholding the Company owned at the end of last fiscal year.

### *Standards for Exercising Voting Rights*

When exercising its voting rights with regard to cross-shareholdings, the Company considers each agenda item, confirming whether it will lead to an increase in corporate value over the medium to long-term for the company in question, and checking that it will not impair the Company's own corporate value. If any doubt arises, the Company uses means such as dialogue with the company in question to determine whether it is for or against each agenda item. If the Company determines that it cannot approve an agenda item, it may consider selling its shareholding in the company in question.

### **[Principle 1.7 Related Party Transactions]**

With regard to related party transactions within the scope specified by the Companies Act and the accounting standards, important transactions over a certain value are reported to the Board of Directors and disclosed in the Annual Securities Report and notes to financial statements. Approval by the Board of Directors is required for directors to enter into transactions involving conflicts of interest.

### **[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]**

The Company has introduced a defined contribution pension plan with the aim of supporting employees' voluntary efforts to secure income in old age and stabilize their lives.

The Company does not have a corporate pension plan in which the Company is the asset owner.

### **[Principle 3.1 Full Disclosure]**

#### (1) Management Philosophy, Business Strategies and Business Plans

The Company formulated the IHI Group Vision and the Group Management Policies based on the Group's management philosophy of "Contributing to the development of society through technology" and "Human resources are our single most valuable asset." For further details, please refer to the Company's website. (<https://www.ihico.jp/en/company/policy/>)

#### (2) Basic Views and Policies on Corporate Governance

For further details regarding the Company's basic views and policies on corporate governance, please refer to the section of this report entitled "1. Basic Views" within "I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information."

#### (3) Remuneration, etc. of Directors and Audit & Supervisory Board Members

At its Board of Directors' meeting held on May 13, 2021, the Company resolved to revise its Policy on Determination of Remuneration for Officers, as follows. Content of the policy was referred for consultation to the Remuneration Advisory Committee, which accordingly deliberation on and reported findings thereof on a preliminary basis, prior to having been resolved by the Board of Directors (an outside director serves as the chairperson of the Remuneration Advisory Committee, which consists of six (6) members, including three (3) outside directors, one (1) outside audit & supervisory board member, the director in charge of human resources, and the director in charge of finance and accounting).

##### a. Directors (Excluding Outside Directors)

###### (a) Basic Policy on Determining Remuneration

- Remuneration shall be aimed at fully encouraging directors 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 the Company'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 medium- and long-term incentive (performance-based share remuneration), 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 the Company in consideration of the Company’s management environment, and social roles and accountabilities the Company undertakes.

(b) Remuneration Level and Allocated Ratios of Remuneration

The Company shall appropriately establish remuneration levels and allocated ratios of remuneration upon having considered factors that include the Company’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.

With respect to allocated ratios of remuneration, the Company shall set remuneration at approximate proportions of Base Amount: Performance-Based Bonus: Performance-Based Share Remuneration equal to 50%:30%:20% for the President, and the Chairman of the Board, and at approximate proportions of 55%:25%:20% for other directors, subject to standard business performance.

(c) Framework of Incentive Remuneration

i. Performance-based bonus (annual incentive)

(i) 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; individual evaluation indicators corresponding to tasks assigned to each executive. The performance indicators shall be reviewed as necessary, particularly upon encountering changes in the management environment and executives’ duties.

(ii) Method of calculating remuneration

The monetary amount of remuneration provided every fiscal year is calculated as the amount of payments based on individual evaluation indicators added to the product of the standard payment amount corresponding to titles and positions multiplied by the performance evaluation payout rate corresponding with percentage achievement of profit indicators. 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.

ii. Performance-based share remuneration (medium- and long-term incentive)

(i) 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. The Company shall furthermore review the possibility of making changes to the performance indicators as necessary in alignment with review of the Group management policies.

(ii) Method of calculating remuneration

The number of shares to be delivered on an individual basis as performance-based share remuneration (a monetary sum equivalent to the market value of the shares is to be delivered with respect to a portion of such remuneration) shall be calculated as the standard number of shares to be delivered with respect to each of the job title rankings, multiplied by a coefficient aligned with the percentage of the consolidated ROIC target achieved. 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.

(d) Procedures for determining remuneration

To ensure appropriateness and objectivity regarding matters of officer remuneration, including remuneration for individual directors, the Board of Directors shall make decisions on such matters subsequent to deliberation and reporting findings thereof by the Remuneration Advisory Committee established as an optional body by the Company.

b. Remuneration of Outside Directors and Audit & Supervisory Board Members

Remuneration of outside 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 outside 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.

(4) Policies and Procedures Relating to Appointment of Officers

The Company's Board of Directors sets the basic policy of appointing the most appropriate officers according to the ideal attributes for officers and the independence standards for outside directors and outside audit & supervisory board members, as separately described, with the aim of ensuring sustainable growth and increased corporate value for the IHI Group over the medium to long term.

The Company's Board of Directors has established a Nomination Advisory Committee (in this section (4), the "Committee") comprised of all the independent outside directors and the 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 outside directors. It supervises appointment-related procedures to ensure that they are applied appropriately, and offers related advice.

The Committee is consulted by the Board of Directors relating to proposals for appointment of senior management (the Chief Executive Officer and representative directors) and proposals for nomination of candidates for the positions of director and audit & supervisory board member. In addition, it receives reports in advance detailing the reasons for appointment of each individual, participates in deliberations, offers advice, and reports the results of its deliberations to the Board of Directors.

The Committee receives reports on proposals for appointment of executive officers before their submission to the Board of Directors, and confirms the suitability of the selections made.

The Board of Directors passes resolutions on these agenda items relating to appointment of officers after receiving the recommendations back from the Committee. If the Board of Directors comes to a decision that differs from the Committee's own recommendations, the Committee can request the Board of Directors to explain the reason.

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

The Board of Directors resolved with regard to the basic policies and procedures for appointment of officers stated above (including the ideal attributes for officers, the independence standards for outside directors and outside audit & supervisory board members and the dismissal criteria for officers), and the Committee deliberated on their appropriateness before making recommendations to the Board of Directors. If any revisions are made to the content of the policies and procedures in future, the same process will be followed.

*Ideal Attributes for Officers*

The Company appoints officers who are healthy in mind and body and have all the following attributes:

- Deep understanding of, and sympathy with, the IHI Group's management philosophy and vision
- The ability to contribute to sustainable growth and medium- to long-term increase in corporate value at the IHI Group by addressing societal issues in accordance with the IHI Group's vision

- Outstanding foresight, penetrating discernment and ability to make appropriate decisions with regard to the management of the IHI Group
- Good character with a strong sense of ethics
- Ample experience as a corporate manager, or a high degree of specialist knowledge, combined with a broad, global perspective and insight

*Dismissal Criteria for Officers*

- The case of circumstances meeting the grounds for disqualification as a director set forth in laws and regulations
- The case of illegal or improper conduct or conduct constituting a breach of trust, or when there are reasons such as incompetence.
- The case of remarkable loss of corporate value caused by negligence of duties
- The case when an individual lacks a prerequisite listed in the ideal attributes for officers

(5) Individual Explanations Regarding Appointment of Officers

For further details regarding the reasons for nomination of candidates for the positions of outside director and outside audit & supervisory board member, please refer to the information under [Directors] and [Audit & Supervisory Board Members] in the section of this report entitled “1. Organizational Composition and Operation” within “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management.” Reasons for nomination as non-outside directors and non-outside audit & supervisory board members are being disclosed from the Ordinary General Meeting of Shareholders held in 2016 in the notice of convocation.

**[Supplementary Principle 4.1.1] (Summary of the Scope of Matters Delegated to the Management by the Board of Directors)**

The Company has set out in the Regulations of the Board of Directors the following matters on which the Board of Directors itself will pass resolutions:

- (1) Matters relating to shareholders and general meetings of shareholders  
Convocation of the general meeting of shareholders and purposes of convocation, etc.
- (2) Matters relating to shares  
Issuance of shares for subscription, acquisition of own shares, issuance of bonds for subscription, etc.
- (3) Matters relating to settlement of accounts and financial affairs  
Approval of financial statements, business reports, and their supplementary schedules; disposal or acceptance of transfer of important assets; borrowings in a significant amount, etc.
- (4) Matters relating to directors, executive officers, organization, etc.  
Appointment of representative directors; appointment and dismissal of executive officers; establishment, changes or abolition of important structures including branch offices; transactions involving conflicts of interest conducted by directors, etc.
- (5) Matters relating to management policies, business restructuring, etc.  
Medium- to long-term management plans; annual profit plans; key business alliances or dissolution of business alliances; business transfers or acceptance of business transfers; establishment of subsidiaries, etc.

Important matters relating to business execution other than those subject to resolution by the Board of Directors are deliberated adequately at meetings of the Management Committee, an advisory body to the Chief Executive Officer (CEO).

**[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]**

In addition to the requirements for independent directors/audit & supervisory board members stipulated by the Tokyo Stock Exchange, the Company uses the standards below to determine independence.

(1) Major shareholders

The director should not be a major shareholder with 10% or more of the voting rights in the Company, or serve as a director, audit & supervisory board member, executive officer at a company with committees, executive officer or employee, of a corporation that is a major shareholder.

(2) Major clients, suppliers, etc.

The director should not currently serve as a director, audit & supervisory board member, executive officer at a company with committees, executive officer or employee, of any of the Company's major clients, suppliers, etc. detailed below, nor should he/she have served as an executive director, executive officer at a company with committees, or executive officer, of such major clients, suppliers, etc. in the past.

- Major clients of the IHI Group (with transactions valued at 2% or more of the Company's consolidated net sales in the most recent fiscal year)
- Major suppliers to the IHI Group (with transactions valued at 2% or more of the supplier's consolidated net sales in the most recent fiscal year)
- Major lenders to the Company (as listed in the business report for the most recent fiscal year)

(3) Providers of specialist services (attorneys at law, certified public accountants, or consultants, etc.)

The director should not be an attorney at law, certified public accountant, or consultant, etc. who receives ¥10 million or more of monetary consideration or other property from the Company annually besides compensation as an officer.

(4) Accounting auditor

The director should not be a representative partner or partner of the Company's accounting auditor.

(5) Mutual exchange of officers, etc. with the Company

The director should not be assigned to a corporation with which the Company has a relationship of mutually exchanging directors or audit & supervisory board members.

(6) Close relatives

The director should not be the spouse or first- to second-degree relative of a director, audit & supervisory board member, executive officer or equivalent executive-level employee of the IHI Group. In addition, the director should not be the spouse or first- to second-degree relative of any person\* referred to in (1) through (4) above.

\* If a major shareholder or a major client, supplier, etc. is a corporation, this applies only to directors, audit & supervisory board members, executive officers at companies with committees, executive officers, or equivalent executive-level employees of the corporation in question. In addition to the above, the Company also considers age, concurrent positions, period in office, and related matters when nominating candidates as outside directors.

**[Supplementary Principle 4.11.1] (View on the Appropriate Balance, Diversity and Size of the Board of Directors)**

In addition to making important decisions relating to business execution, the Board of Directors is required to perform the monitoring and supervisory function with regard to the overall management of the Company. To enable the Board of Directors to fulfill that function adequately, the number of directors is set at 15 or fewer. Currently there are 12 directors appointed to the Board. Of these, four are outside directors who perform their monitoring and supervisory functions rigorously, primarily through debate at Board of Directors meetings.

When appointing directors, the Company also considers the diversity and balance of knowledge, experience, and skills within the Board of Directors as a whole. It specifies in its ideal attributes for officers\* that any candidate should have ample experience as a corporate manager, or a high degree of specialist knowledge, combined with a broad, global perspective and insight.

\* For further information regarding the ideal attributes for officers, please refer to item (4) in the section of this report entitled [Principle 3.1 Full Disclosure].

**[Supplementary Principle 4.11.2] (Concurrent Positions of Directors and Audit & Supervisory Board Members)**

For further information regarding concurrent positions of directors and audit & supervisory board members, please refer to the Reference Material and the section entitled Company Officers in the Business Report within the Notice of Convocation of the 203rd Ordinary General Meeting of Shareholders on the Company's website. (<http://www.ihico.jp/en/ir/stock/meeting/index.html>)

### **[Supplementary Principle 4.11.3] (Summary of the Results of Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole)**

The Company has been annually carrying out evaluation of the Board of Directors in principle since fiscal 2015 as an initiative to raise the effectiveness of the Board of Directors.

The evaluation is performed as follows:

- An external consulting company administers an anonymous questionnaire to all directors and audit & supervisory board members. Items covered by the questionnaire include the composition and operation of the Board of Directors, risk management, and culture of the Board of Directors.
- The external consulting company collects and analyzes the questionnaire responses.
- All relevant officers are interviewed regarding the questionnaire and the analyzed responses.
- The results of the above process are brought together in the form of a self-evaluation by the Board of Directors, and proposed points for improvement are identified.

Regarding the evaluation of the Board of Directors implemented in fiscal 2020, it has been self-evaluated that effectiveness of the Board of the Directors has been continuously secured thoroughly.

In addition, in order to further enhance the effectiveness of the Board of Directors, we recognized the need to further deepen discussions on ESG management, business portfolios, the composition of the Board of Directors, and succession plans.

The next evaluation of the Board of Directors is scheduled to be conducted during fiscal 2021.

### **[Supplementary Principle 4.14.2] (Training Policy for Directors and Audit & Supervisory Board Members)**

The Company provides opportunities for directors, audit & supervisory board members and executive officers to acquire the knowledge, etc. necessary to fulfill their roles and responsibilities, and bears the associated costs.

In addition, the Company bears the costs of training requested by individual officers, including holding seminars by experts or specialists, or participation in external seminars, as necessary.

### **[Principle 5.1 Policy for Constructive Dialogue with Shareholders]**

#### *Basic Views*

The Company is well aware that timely, appropriate disclosure of corporate information to investors forms the foundation of a sound financial instruments market. Based on the basic principle of promoting highly transparent management throughout the Company, its basic policy with regard to disclosure of information is to disclose important information relating to the Company's management or operations to participants in capital markets promptly, accurately, continuously, and fairly, always from the investor's perspective. The basic policy also calls on the Company to show good faith in being accountable for its management course and key business operations.

#### *Dialogue with Shareholders*

Guided by this basic policy, the Company pursues IR (investor relations) and SR (shareholder relations) activities, working to enhance its range of disclosure documents and holding financial results presentation meetings, as well as presentations by business division. Through such means as making these available online, the Company strives to provide proactive and fair disclosure.

The Company also engages in debate on important management policies, corporate governance, and other topics with major shareholders who have investment policies according with the medium- to long-term interests of shareholders. Dialogues with investors are mainly handled by the Corporate Communication Division, while dialogues with shareholders are handled by the Administration Division, and depending on who has applied to attend, and the purpose and content of the dialogue, directors or executive officers in charge may also attend. Important dialogue content is reported to the Board of Directors.

#### *System for Promoting Dialogue*

The director in charge of the Corporate Communication Division oversees IR activities, while the director in charge of the Administration Division oversees SR activities. In addition, the Company shares information

about every aspect of IR activities, including the collection, sharing, disclosure and storage of material information, by holding meetings led by the director in charge of public relations and investor relations, attended by the Corporate Communication Division, the Administration Division, the Corporate Planning Division, and the Finance & Accounting Division.

*Management of Insider Information*

The Company addresses the management of insider information by setting out its systems for managing and disclosing material information in its internal Regulations on Disclosure of Information.

## 2. Capital Structure

Foreign Shareholding Ratio	20% ~ 30%
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### [Status of Major Shareholders] **Updated**

Name	Number of shares owned	Percentage (%)
Custody Bank of Japan, Ltd. (Holder in Trust)	13,201,100	8.85
The Master Trust Bank of Japan (Holder in Trust)	13,188,800	8.84
The Dai-ichi Life Insurance Company, Limited	5,406,070	3.62
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	4,597,900	3.08
Custody Bank of Japan, Ltd. (Holder in Trust 9)	3,141,400	2.10
IHI Supplier Stock Ownership Association	2,755,200	1.84
IHI Employee Stock Ownership Association	2,480,392	1.66
JP MORGAN CHASE BANK 380634	2,415,700	1.62
Sumitomo Life Insurance Company	2,262,400	1.51
Custody Bank of Japan, Ltd. (Holder in Trust 5)	2,061,700	1.38

Controlling shareholder (except for parent company)	—
Parent company	None

### Supplementary Explanation **Updated**

- In the Change Report pertaining to Report of Possession of Large Volume provided for public viewing on April 22, 2020, certain shareholdings are reported to be respectively attributed to Mizuho Bank, Ltd. and its three joint holders as of April 15, 2020. However, since the Company is unable to confirm the actual number of shares held as of March 31, 2021, they are not included in major shareholders above.
- In the Change Report pertaining to Report of Possession of Large Volume provided for public viewing on July 21, 2020, certain shareholdings are reported to be respectively attributed to Nomura Securities Co.,Ltd. and its two joint holders as of July 15, 2020. However, since the Company is unable to confirm the actual number of shares held as of March 31, 2021, they are not included in major shareholders above.
- In the Change Report pertaining to Report of Possession of Large Volume provided for public viewing on February 4, 2021, certain shareholdings are reported to be respectively attributed to Sumitomo Mitsui Trust Bank, Limited. and its two joint holders as of January 29, 2021. However, since the Company is unable to confirm the actual number of shares held as of March 31, 2021, they are not included in major shareholders above.
- The Company possesses 5,612,948 treasury shares, however they are not included in major shareholders above.

## 3. Corporate Attributes

Listed Stock Market and Market Section	First Section of Tokyo Stock Exchange First Section of Nagoya Stock Exchange Main Market of Sapporo Securities Exchange Main Market of Fukuoka Stock Exchange
Fiscal Year-End	March
Type of Business	Machinery
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more

Net Sales (Consolidated Basis) for the Previous Fiscal Year	1 trillion yen (¥) or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

#### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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#### 5. Special Circumstances Which May Have Material Impact on Corporate Governance

##### (1) Policy for Group Management

At subsidiary management of the Company, the aim is to secure proper and smooth business operation of subsidiary, and to increase corporate value of IHI Group by subsidiaries contributing to achieve management policy and target, from the point of view of group management.

##### (2) Significance to Own Listed Subsidiary Based on Policy for Group Management

The Company holds a majority of the voting rights in MEISEI ELECTRIC CO., LTD. (MEISEI), which is listed on the Second Section of the Tokyo Stock Exchange. MEISEI joined IHI Group in June 2012 when IHI earned 51% of MEISEI's shares. From the past, MEISEI has been manufacturing and providing services for equipment related to meteorology, disaster prevention, air traffic control, instrumentation, and observation and providing ancillary services for its products. By utilizing human resources and technologies in these particular fields, MEISEI has been progressing with IHI Group companies in areas of space and sensing businesses.

##### (3) Measures to Secure Effectiveness of Governance of Listed Subsidiary

The Company takes following measures to protect interests of minority shareholders properly;

- Considering independence of MEISEI's business basis, application of "IHI Group Policies", applied to IHI Group Companies, is partly exempted.
- Terms of business transaction between MEISEI shall be determined individually based on the market price as same as other general business transaction.
- Multiple outside directors of MEISEI are supervising conflict of interests.

The company and MEISEI adopted a resolution for a share exchange as a result of which IHI will be the wholly-owning parent company in the share exchange and MEISEI will be the wholly-owned subsidiary in the share exchange (the "Share Exchange"), and executed a share exchange agreement between the companies, at both companies' respective Boards of Directors meetings held on May 13, 2021.

The Share Exchange is scheduled to take place effective as of August 1, 2021 with obtaining the approval of MEISEI's shareholders meeting at its ordinary shareholders meeting held on June 23, 2021.

Prior to the effective date of the Share Exchange, MEISEI's common stock will be delisted as of July 29, 2021 on the Second Section of Tokyo Stock Exchange and IHI group will have no listed subsidiary.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization form	Company with Audit & Supervisory Board
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#### [Directors]

Maximum number of directors stipulated in Articles of Incorporation	15
Term of office stipulated in Articles of Incorporation	1 year
Chair of the Board	Chairman of the Board (excluding the case where the person concurrently serves as President)
Number of directors <span style="border: 1px solid black; padding: 0 2px;">Updated</span>	12
Appointment of outside directors	Appointed
Number of outside directors <span style="border: 1px solid black; padding: 0 2px;">Updated</span>	4
Number of independent directors designated from among outside directors <span style="border: 1px solid black; padding: 0 2px;">Updated</span>	4

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	F	g	h	i	j	k
Kazuhiko Ishimura	From another company								○			
Yoshiyuki Nakanishi	From another company								△			
Chieko Matsuda	Scholar											
Minoru Usui	From another company								△			

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Executive (meaning a person who executes business; hereinafter, the same) of the Company or its subsidiaries
- b. Executive or non-executive director of a parent company of the Company
- c. Executive of a fellow subsidiary of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director/audit & supervisory board member
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/audit & supervisory board members are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2) Updated

Name	Designation as independent director	Supplementary explanation of the relationship	Reasons for appointment
Kazuhiko Ishimura	○	<p>Mr. Kazuhiko Ishimura served as Chairman of Asahi Glass Co., Ltd.(current AGC Inc.) until December 2017, and as Director of the said company until March 2021.</p> <p>He also serves as President and COO of National Institute of Advanced Industrial Science and Technology (AIST).</p> <p>The Group has a business relationship involving the maintenance and sale of industrial machinery, etc. with AGC Inc., where Mr. Kazuhiko Ishimura previously served as a business executive. However, the transaction amount that business relationship generates is less than 0.02% of the Company's consolidated revenue and less than 0.01% of AGC Inc.'s consolidated net sales (for the fiscal year ended December 31, 2020), which is immaterial. Therefore, this has no impact on his independence.</p> <p>The Group also has a business relationship involving the maintenance and inspection of industrial machinery, etc. with National Institute of Advanced Industrial Science and Technology, where Mr. Kazuhiko Ishimura serves as a business executive. However, the transaction amount that business relationship generates is less than 0.01% of the Company's consolidated revenue, and the amount is insignificant compared to the scale of ordinary revenue of National Institute of Advanced Industrial Science and Technology. Therefore, this has no impact on his independence.</p>	<p>Mr. Kazuhiko Ishimura has gained abundant experience, accomplishments, and extensive insight into overall corporate management at the helm of a comprehensive materials manufacturer, where he was at first in charge of manufacturing and technology development. Aiming to have him reflect these qualities in the management of the Company and carry out management oversight and monitoring functions from an independent perspective, the Company has nominated him again as an outside director.</p>
Yoshiyuki Nakanishi	○	<p>Mr. Yoshiyuki Nakanishi served as President and CEO of DIC Corporation until December 2017. He serves currently as Counselor of the said company.</p> <p>Some of the Company's subsidiaries have business relationships involving the maintenance and sale of industrial machinery, etc. with DIC Corporation, where Mr. Yoshiyuki Nakanishi previously served as a business executive. However, the transaction amount that business relationship generates is less than 0.01% of the Company's consolidated revenue, which is immaterial, and the Company also has no history of purchases from DIC Corporation (for the fiscal year ended March 31, 2021). Therefore, this has no impact on his independence.</p>	<p>Mr. Yoshiyuki Nakanishi, following experiences in sales of products and services of a global chemical manufacturer and involvement in operations of its key business, has gained abundant experience, accomplishments, and extensive insight into overall corporate management at the helm of the manufacturer, where he implemented various measures to respond to changes in the business environment. Aiming to have him reflect these qualities in the management of the Company and carry out management oversight and monitoring functions from an independent perspective, the Company has nominated him again as an outside director.</p>

Name	Designation as independent director	Supplementary explanation of the relationship	Reasons for appointment
Chieko Matsuda	○	There are no special interests between the Company and Ms. Chieko Matsuda.	Ms. Chieko Matsuda has extensive experience and insight gained through financial and capital market operations and management consulting operations and an extremely high level of expertise in corporate and financial strategies as a researcher. In addition, she has broad insight as an outside officer of several companies. Aiming to have her reflect these qualities in the management of the Company and carry out management oversight and monitoring functions from an independent perspective, the Company has nominated her again as an outside director.
Minoru Usui	○	Mr. Minoru Usui served as President and Representative Director of Seiko Epson Corporation until March 2020. He serves currently as Chairman of the Board of Directors of the said company. Some of the Company's subsidiaries have business relationships involving real estate leasing etc. with Seiko Epson Corporation, where Mr. Minoru Usui previously served as a business executive. However, the transaction amount that business relationship generates is less than 0.01% of the Company's consolidated revenue, which is immaterial, and the Company also has no history of purchases from Seiko Epson Corporation (for the fiscal year ended March 31, 2021). Therefore, this has no impact on his independence.	Mr. Minoru Usui, after being in charge of technology development in an electronic equipment manufacturer that operates business globally, has gained abundant experience, accomplishments, and extensive insight at the helm of the manufacturer, where he implemented various measures to respond to changes in the business environment. Aiming to have him reflect these qualities in the management of the Company and carry out management oversight and monitoring functions from an independent perspective, the Company has nominated him as an outside director.

Voluntary establishment of committee(s) equivalent to Nominating Committee or Compensation Committee	Established
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Committee's Name, Composition, and Chair's Attributes Updated

	Committee's name	All committee members	Full-time members	Inside directors	Outside directors	Outside experts	Other	Chair
Committee equivalent to Nominating Committee	Nomination Advisory Committee	5	0	1	4	0	0	Inside director
Committee equivalent to Compensation Committee	Remuneration Advisory Committee	6	0	2	3	0	1	Outside director

Supplementary Explanation Updated

The Board of Directors' meeting had been held for 18 times during fiscal 2020, with 12 times of monthly meeting and 6 times of extraordinary meeting. Attendance of each officer (after assumption) were as following;

[Directors]

Tsugio Mitsuoka	18 out of 18 (100%)
Hiroshi ide	13 out of 13 (100%)
Takeshi Yamada	18 out of 18 (100%)
Tomoharu Shikina	18 out of 18 (100%)
Masafumi Nagano	18 out of 18 (100%)
Kouichi Murakami	18 out of 18 (100%)
Takeshi Kawakami	13 out of 13 (100%)
Yasuhiro Shigegaki	13 out of 13 (100%)
Taketsugu Fujiwara	18 out of 18 (100%)
Kazuhiko Ishimura	17 out of 18 (100%)
Yoshiyuki Nakanishi	12 out of 13 (92%)
Chieko Matsuda	13 out of 13 (100%)

[Audit & Supervisory Board Members]

Taizo Suga	18 out of 18 (100%)
Takashi Niimura	13 out of 13 (100%)
Tomomi Yatsu	18 out of 18 (100%)
Toshio Iwamoto	18 out of 18 (100%)
Aiko Sekine	18 out of 18 (100%)

The details of Nomination Advisory Committee are noted in item (4) of [Principle 3.1 Full Disclosure] under “[Disclosure Based on the Principles of Japan’s Corporate Governance Code]” within “I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information.” Organization and number of committee meetings are as following;

<Member of Nomination Advisory Committee> (from June 24, 2021)

Chairman: Hiroshi Ide, President, Representative Director

Member: Kazuhiko Ishimura, Outside Director

Member: Yoshiyuki Nakanishi, Outside Director

Member: Chieko Matsuda, Outside Director

Member: Minoru Usui, Outside Director

<Number of Nomination Advisory Committee meetings held> (fiscal 2020)

3 times

<Attendance of Nomination Advisory Committee member> (fiscal 2020)

Chieko Matsuda: one absence (There were no absences of the other members.)

The details of Remuneration Advisory Committee are noted in item (3) of [Principle 3.1 Full Disclosure] under “[Disclosure Based on the Principles of Japan’s Corporate Governance Code]” within “I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information.” Organization and number of committee meetings are as following;

<Member of Remuneration Advisory Committee> (from June 24, 2021)

Chairman : Kazuhiko Ishimura, Outside Director

Member: Yoshiyuki Nakanishi, Outside Director

Member: Toshio Iwamoto, Outside Audit & Supervisory Board Member

Member: Minoru Usui, Outside Director

Member: Takeshi Yamada, Vice President, Representative Director (Director in Charge of Finance)

Member: Tomoharu Shikina, Vice President, Representative Director (Director in Charge of Human Resources)

<Number of Remuneration Advisory Committee meetings held>

10 times (fiscal 2020)

<Attendance of Remuneration Advisory Committee member>

Kazuhiko Ishimura: one absence (There were no absences of the other members.)

#### [Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum number of audit & supervisory board members stipulated in Articles of Incorporation	5
Number of audit & supervisory board members	5

#### Cooperation among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Departments

Audit & supervisory board members work closely with the accounting auditor, regularly exchanging information and opinions with them, and receiving reports on the results of audits.

Audit & supervisory board members also receive reports on the implementation of internal audits from the internal audit departments as necessary, and exchange information with those departments.

Appointment of outside audit & supervisory board members	Appointed
Number of outside audit & supervisory board members	3
Number of independent audit & supervisory board members designated from among outside audit & supervisory board members	3

#### Outside Audit & Supervisory Board Members' Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Toshio Iwamoto	From another company										△			
Aiko Sekine	Certified Public Accountant													
Yumiko Waseda	Attorney at Law													

\* Categories for "Relationship with the Company"

\* "○" when the audit & supervisory board member presently falls or has recently fallen under the category;

"△" when the audit & supervisory board member fell under the category in the past

\* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category;

"▲" when a close relative of the audit & supervisory board member fell under the category in the past

- Executive (meaning a person who executes business; hereinafter, the same) of the Company or its subsidiaries
- Non-executive director or accounting advisor of the Company or its subsidiaries
- Executive or non-executive director of a parent company of the Company
- Audit & supervisory board member of a parent company of the Company
- Executive of a fellow subsidiary of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director/audit & supervisory board member

- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the audit & supervisory board member himself/herself only)
- k. Executive of a company, between which and the Company outside directors/audit & supervisory board members are mutually appointed (the audit & supervisory board member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)
- m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2) Updated

Name	Designation as independent audit & supervisory board member	Supplementary explanation of the relationship	Reasons for appointment
Toshio Iwamoto	○	<p>Mr. Toshio Iwamoto served as President and Representative Director, NTT Data Corporation until June 2018. He serves currently as Principal Executive Advisor of the said company.</p> <p>The Group has a business relationship relating to the system installation support with NTT Data Corporation, where Mr. Toshio Iwamoto previously served as a business executive. However, the transaction amount that relationship generates is less than 0.05% of the Company's consolidated net sales and the Company has no record of sales to NTT Data Corporation (for the fiscal year ended March 31, 2021), which is immaterial. Therefore, this has no impact on his independence.</p>	<p>Mr. Toshio Iwamoto gained extensive experience and broad insight as the executive of forefront IT company. Aiming for these qualities to be reflected in the auditing of the Company's management from an independent perspective, the Company has elected him as an outside audit &amp; supervisory board member.</p>
Aiko Sekine	○	<p>There are no special interests between Ms. Aiko Sekine and the Company.</p>	<p>Ms. Aiko Sekine has accumulated abundant experience and insight as Partner of PricewaterhouseCoopers Aarata, Japan, and Chairman and President of The Japanese Institute of Certified Public Accountants (JICPA). Aiming for these qualities and her independent perspective to be reflected in the auditing of the Company's management from an independent perspective, the Company has elected him as an outside audit &amp; supervisory board member.</p>
Yumiko Waseda	○	<p>There are no special interests between Ms. Yumiko Waseda and the Company.</p>	<p>Ms. Yumiko Waseda has abundant experience and insight as an attorney at law, with an extremely high level of expertise in intellectual property law, as well as extensive experience as an outside audit &amp; supervisory board member. Aiming to have her reflect this experience and insight in the management oversight from an independent perspective, the Company has nominated her as an outside audit &amp; supervisory board member.</p>

### [Independent Directors/Independent Audit & Supervisory Board Members]

Number of independent directors/independent audit & supervisory board members	7
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#### Matters relating to Independent Directors/Independent Audit & Supervisory Board Members

The Company designates all outside directors and outside audit & supervisory board members qualified to be independent directors and independent audit & supervisory board members as such.

### [Incentives]

Implementation of measures to provide incentives to directors	Performance-based remuneration
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#### Supplementary Explanation

The Company's policy for determining the remuneration, etc. of officers is noted in item (3) of [Principle 3.1 Full Disclosure] under "[Disclosure Based on the Principles of Japan's Corporate Governance Code]" within "I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information."

At the 200th Ordinary General Meeting of Shareholders held on June 23, 2017, a resolution was passed to abolish a share-based compensation-type stock option plan and adopt a performance-based share remuneration plan for directors (excluding outside directors).

Recipients of stock options	
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#### Supplementary Explanation

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### [Director Remuneration]

Disclosure of individual directors' remuneration	Selected directors
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#### Supplementary Explanation Updated

The total amount of remuneration, etc. paid to directors and audit & supervisory board members and the number of recipients for the fiscal year ended March 31, 2021 are as follows:

- 11 directors (excluding outside directors) were paid a total of ¥520 million (comprising a base amount of ¥320 million, performance-based bonuses of ¥0 and performance-based share remuneration of ¥199 million).
- 5 outside directors were paid a base amount of ¥45 million.
- 3 audit & supervisory board members (excluding outside audit & supervisory board members) were paid a base amount of ¥66 million.
- 4 outside audit & supervisory board members were paid a base amount of ¥36 million.

(Notes)

1. Remuneration of directors does not include salaries as employees paid to directors who are also employees.
2. The Company has introduced a performance-based share remuneration plan [Board Benefit Trust (BBT)], which grants shares, etc. to corporate officers after a certain period of time has elapsed. The total amount of performance-based share remuneration is the amount of the provision for share acquisition costs related to the granted points recorded in the fiscal year under review, which is different from the actual total payment amount.
3. The numbers of directors and audit & supervisory board members as of March 31, 2021 are respectively 12 (including 4 outside directors) and 5 (including 3 outside audit & supervisory board members). The reason for the discrepancy from the above is that figures in the chart include 4 directors and 2 audit & supervisory board members who retired at the conclusion of the 203rd Ordinary General Meeting of

Shareholders held on June 25, 2020.

The remuneration of certain directors is disclosed on an individual basis in the Annual Securities Report.

Policy on determining remuneration amounts and calculation methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods	Updated
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The date of resolution at Ordinary General Meeting of Shareholders about the remuneration of the Company's directors was on June 23, 2017, and maximum total amount of that was resolved as 1,090 million yen or below (excluding salaries for working as employees) per year. There were 14 directors upon conclusion of said Ordinary General Meeting of Shareholders.

The Company resolved matters with respect to performance-based share remuneration at its Ordinary General Meeting of Shareholders held on June 23, 2017. Accordingly, the Company resolved to contribute up to 450 million yen and to furthermore set a maximum of 150,000 points to be granted (equivalent to 150,000 shares of the Company's ordinary share), separately from the total remuneration for directors. This is to serve as remuneration for directors (excluding outside directors) every fiscal year associated with the execution of their duties during the period extending from the start of the fiscal year until its conclusion, for the purpose of providing the directors with shares of the Company and money equivalent to the market value of such shares through the trust set up by the Company. There were 10 directors (excluding outside directors) upon conclusion of said Ordinary General Meeting of Shareholders.

The date of resolution at Ordinary General Meeting of Shareholders about the remuneration of the Company's audit & supervisory members was on June 27, 2014, and the maximum total amount of that was resolved as 120 million yen or below. There were five (5) directors (excluding outside directors) upon conclusion of said Ordinary General Meeting of Shareholders.

Policies and procedures in determining the remuneration of officers are noted in item (3) of [Principle 3.1 Full Disclosure] under "[Disclosure Based on the Principles of Japan's Corporate Governance Code]" within "I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information."

#### **[Supporting System for Outside Directors and/or Outside Audit & Supervisory Board Members]**

The Administration Division assists outside directors in performing their duties, for example by providing explanation in advance of agenda items for Board of Directors meetings. Outside audit & supervisory board members are assisted in performing their duties by an Audit & Supervisory Board Division staffed by the Company's employees, while the standing audit & supervisory board members provide outside audit & supervisory board members with reports on the day-to-day status of audits and share information.

**[Status of Persons Who Have Retired from a Position Such as Representative Director and President]**

Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company  
 Updated

Name	Title/ Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term in Office
Toshifumi Takei	Honorary Advisor	Engaged in outside activities in business community.	Part-time / Unpaid	2001/6/28	—
Mototsugu Ito	Honorary Advisor	Engaged in outside activities in business community.	Part-time / Unpaid	2007/12/31	—
Kazuaki Kama	Special Advisor	[Major activities outside the Company] <ul style="list-style-type: none"> <li>• Chairman of the Japan Society for the Promotion of Machine Industry</li> <li>• Chairman of the Japan Vocational Ability Development Association</li> <li>• President, Kanto trade information center, Japan External Trade Organization</li> </ul>	Part-time / Paid	2016/3/31	2024
Tamotsu Saito	Senior Counselor	[Major activities outside the Company] <ul style="list-style-type: none"> <li>• Vice Chairman of the Meeting of Councillors, Japan Business Federation</li> <li>• President, The Japan Society Of Industrial Machinery Manufacturers</li> <li>• Chairman, The Japan Society Of Industrial Machinery Manufacturers</li> <li>• Chairman, Fukushima Innovation Coast Framework Promotion Organization</li> <li>• Chairman, Japan Ship Exporters' Association</li> </ul>	Full-time / Paid	2020/3/31	2024

Total Number of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company	4
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Other Matters
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- A term of office has been established for Senior Counselor.
- Senior Counselor may assume the office of Special Advisor after the expiry of the term of office. Similar to the Senior Counselor, the term of office has been established.
- The Honorary Advisor, Special Advisor and Senior Counselor are not at all involved in the Company's execution of business or decision-making, however they do offer opinions at the request of the management.
- The appointments of Honorary Advisor, Special Advisor and Senior Counselor are decided by resolution at the Board of Directors meeting.

## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) **Updated**

The Company's corporate governance system is shown in the attached chart entitled Corporate Governance Management Structure, the key details of which are as follows.

### 2.1. Overview of Corporate Governance System

The Company has an Audit & Supervisory Board, which comprises 5 audit & supervisory board members (3 from outside) who audit the duties executed by directors.

The Board of Directors, which consists of 12 directors (4 from outside), makes decisions related to all important matters concerning the management of the Company and the Group, in addition to supervising directors in their business execution. The outside directors, who are elected from among individuals with extensive experience and broad insight gained at the helms of management, or with a high degree of specialist knowledge and diverse experience, participate in the Board of Directors' decision-making process, offer advice and make recommendations independently of managers who have been delegated the authority to handle day-to-day operations.

The Company has an executive officer system to strengthen the decision-making and supervisory functions of the Board of Directors, as well as to improve the efficiency of business operations. Appointed by resolution of the Board of Directors, there are 19 executive officers, 7 of whom concurrently serve as directors. The Chief Executive Officer manages the duties of the executive officers, giving directions and supervision. The executive officers follow the Chief Executive Officer's directions to execute their assigned duties.

The Management Committee, which consists of members appointed by the CEO, supports the CEO's decision-making and business execution. The Management Committee has been held for 35 times during fiscal 2020.

The Company established the Remuneration Advisory Committee and the Nomination Advisory Committee as the optional committees.

The details of these Committees are noted in items (3) and (4) of [Principle 3.1 Full Disclosure] under "[Disclosure Based on the Principles of Japan's Corporate Governance Code]" within "I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information."

### 2.2. Internal and Audit & Supervisory Board Member Audits

The Internal Audit Division (29 members) shall be established as an internal audit department that reports directly to the President. The body audits all business divisions of the Company and its subsidiaries and affiliates on an ongoing basis to enhance internal control, in addition to inspection and guidance at the Company's headquarters' divisions and internal audits carried out by the internal audit departments of subsidiaries and affiliates.

The internal audit department works closely with audit & supervisory board members and the accounting auditor to report on the implementation and results of audits and to hold regular meetings, exchanging information and opinions with them.

Audit & supervisory board members, in accordance with policies formulated by the Audit & Supervisory Board, attend Board of Directors meetings and other important meetings. They also audit the execution of duties by directors through reviews of reports received from the directors and employees, and they investigate the Company operations and finances. The Audit & Supervisory Board Division (4 full-time members) assists the audit & supervisory board members in the performance of their duties.

Audit & supervisory board members receive reports on the implementation and results of audits from the accounting auditor and the internal audit departments. Also, the two sides hold regular meetings, exchanging information and opinions with each other.

### 2.3. Status of Accounting Audit

The Company commissions its accounting audit to Ernst & Young ShinNihon LLC. The names of the certified public accountants belonging to Ernst & Young ShinNihon LLC who executed the accounting audit of the Company, organization of assistants for the audit, and the consecutive number of years they have audited the Company, are shown below.

Yoshiyuki Sakuma (1 years)

Hiroataka Oya (4 years)

Yoichi Takanashi (5 years)

Organization of Assistants for the Audit:

Certified Public Accountant: 43

Others: 52

### 3. Reasons for Adoption of Current Corporate Governance System

The Company adopted the corporate governance management structure described in the preceding section because it believes the current system has the functions that enable adequate fulfillment of the auditing and overseeing of every aspect of corporate management while also ensuring management efficiency.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Meetings of Shareholders and Smooth Exercise of Voting Rights

	Supplementary explanations
Implementation of electronic exercise of voting rights	The Company offers general investors the option of exercising their voting rights via the website of the administrator of shareholders' register.
Participation in electronic voting platform	The Company offers institutional investors the option of exercising their voting rights via the Tokyo Stock Exchange's platform.
Providing notice of convocation in English	The Company prepares and distributes a full English-language version of the convocation notice.
Other	The Company strives to offer information as early as possible by posting details of the agenda items on its website before sending out the convocation notice.

#### 2. IR Activities Updated

	Supplementary Explanations	Explanation Given by Representative
Regular investor briefings for analysts and institutional investors	The Company holds a telephone conference for the financial results for the first and third quarters and a presentation meeting for the financial results for the second quarter and fiscal year.	Yes
Regular investor briefings for overseas investors	The Company organizes visits to overseas investors.	Yes
Posting of IR materials on website	In addition to financial information, the Company posts its management policies and other management-related information.	
Establishment of division and/or manager in charge of IR	A manager and staff members dedicated to IR are assigned to Corporate Communication Division.	
Other	The Company organizes individual visits to institutional investors as necessary to explain its business conditions.	

#### 3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanations
Internal regulations, etc. stipulated for respecting the position of stakeholders	Rules are stipulated in the Basic Code of Conduct for the IHI Group.
Implementation of environmental activities, CSR activities, etc.	All domestic production bases have obtained ISO 14001 certification. In addition, the Company formed the ESG Committee chaired by CEO, the Environment Committee, the Compliance Committee and other company-wide committees to take action, and their activities are reported in the Sustainability Data Book and the Integrated Report.
Formulation of policies on information provision to stakeholders	Based on the Basic Code of Conduct for the IHI Group, the Company has set out its basic policy regarding information provision in its Regulations on Disclosure of Information, while specific procedures are set out in the Procedures Relating to Disclosure of Information.

Supplementary Explanations	
Other	<p>Based on our corporate philosophy of “human resources are our single most valuable asset,” our Group Human Resource Management Policy establishes “Diversity” as one of its material words.</p> <p>This aims to tie together various different values and foster a corporate culture breeding creativity and innovation by establishing a workplace in which individual employees with diverse personalities and views can fully draw upon their capabilities. A corporate culture breeding creativity and innovation is essential to the realization of our management philosophy of “Contribute to the development of society through technology,” therefore we strive for diversity promotion as a part of our management strategy.</p> <p>Diversity involves many elements, including gender, ethnicity, nationality, a disability, age, sexual orientation, religion, values, career experience, and workstyle. This company is involved in diversity promotion spanning a broad spectrum including existing major focuses of women, foreign national workers, disabled persons, and senior workers.</p> <p>For specific actions for diversity promotion, please refer to our Sustainability Data Book.  <a href="https://www.ihl.co.jp/csr/english/sociality/various.html">https://www.ihl.co.jp/csr/english/sociality/various.html</a></p>

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development Updated

To enhance the efficacy of the IHI Group's corporate governance, thereby contributing to enhanced corporate value, the Company set out a basic policy for related systems prescribed in the Companies Act. The Companies Act prescribes systems to ensure that the performance of duties by directors complies with the laws and regulations and the articles of incorporation as well as other systems necessary to ensure the properness of operations of a stock company and operations of corporate group consisting of the stock company and its subsidiaries. Specific details of these systems are as follows.

#### 1.1. System for ensuring compliance of performance of duties by directors and employees with laws and regulations and articles of incorporation

Directors of the Company shall establish rules to ensure that the performance of their duties is compliant with laws and regulations and articles of incorporation, and directors and employees shall observe such rules. Directors of the Company shall establish systems to ensure the appropriateness of operation activities throughout the Company, at each department, and at each subsidiary and affiliate company, and to audit such activities are properly pursued.

##### (1) Preparation of rules and regulations

Directors shall prepare group-wide, company-wide and departmental rules and procedures such as the "Basic Code of Conduct for the IHI Group" that all directors and employees of the Company must follow to perform their duties. Departments in charge of each operation must be specified clearly in each rule and regulation. A mechanism to update such rules and regulations in the event of amendment of applicable laws and regulations shall also be defined.

##### (2) Compliance activities

With respect to compliance activities, the "Compliance Committee" chaired by an officer in charge of compliance for the entire Company shall establish a company-wide compliance policy. The company-wide policy shall be applied to the plan for each department, and each department shall create its own rules and activity plans. In addition to the company-wide training organized and administered by the Legal Division, training for each level (such as managerial staff, mid-level staff, and new employees) and training for each competency (such as human resources, finance, and procurement) shall be conducted to ensure compliance by all employees.

##### (3) System to ensure and correct activities

An internal audit mechanism shall be created to monitor, inspect, and assess operation activities at each department to ensure the appropriateness of such activities. "Internal Audit Division" shall be established as an internal audit department that is a department independent of all other departments. The Internal Audit Division shall report the results of audits to the Board of Directors as needed. A "Compliance Hotline" shall be established as an internal reporting system and separate from the organizational hierarchy, the Legal Division shall be made a point of contact to provide consultations and receive reporting to effectively act as a self-correcting function and prevent noncompliance before it occurs.

#### 1.2. System for storing and managing information

Directors of the Company shall preserve information related to directors' exercise of their duties as a written document or in an electromagnetic form. Directors shall establish a basic policy for storing and managing documents and electromagnetic records, and shall manage information thereof. Amendment of such basic policy shall be subject to approval of the Board of Directors.

#### 1.3. System for managing risks

Directors of the Company shall continuously assess, identify, and monitor business risks at each division of IHI group companies. Directors shall recognize the importance of assessing, identifying, and monitoring any of the following risks as various risks relevant to the execution of business of IHI group companies, and shall establish an appropriate system to manage such risks as well as a system to apply and evaluate it.

##### (1) Contracts/agreements

Operational risks relating to contracts/agreements such as competition, alliance/M&A with other

companies, business integration, overseas operations, material procurement, and debt guarantee.

(2) Design, manufacturing, and technologies

Risks that manufacturing sites, quality assurance, technology agreements, and research and development perform below expectations.

(3) Laws and regulations

Risks of losses or loss of credibility due to violation of law.

(4) Information systems

Risks of leakage, theft, and loss of information assets, and damage thereto.

(5) Safety, health, and environment

Risks of problems with health and safety assurance and environmental conservation at offices and construction sites.

(6) Disaster and system failure

Risks of interruption of business activities due to disaster, accidents, and information system failures.

(7) Financial activities

Risks regarding financial activities such as exchange rate and interest rate trends.

(8) Financial reporting

Risks of fictitious financial reporting (whether due to fraud or negligence).

Directors of the Company shall continuously assess, identify, and monitor business risks at each division of IHI group companies and promptly appoint personnel to deal with risks in the event new risks arise, and shall report to the Board of Directors of the Company regarding such risks that may affect IHI group performance, financial condition, and share price.

1.4. System for ensuring that directors exercise their duties efficiently

Directors of the Company shall clearly separate the function of management supervision from that of performance to ensure efficient performance of duties, and shall delegate most authorities to perform duties to executive officers for efficiency. To make appropriate decisions through multi-dimensional considerations, the Chief Executive Officer shall organize the Management Committee as an advisory body to discuss important matters of IHI group companies. Directors shall prepare profit plans including target profitability of each Business Area / SBU at the beginning of every financial period, verify the respective results each month, and perform management of the execution status of duties.

1.5. System for ensuring properness of operations within the corporate group

Directors of the Company shall establish a system to ensure governance that is accountable for the entire scope of the IHI Group's business operations including those of the group companies by setting rules to manage group companies and appointing responsible departments to manage, control, and direct such companies. As for group company matters with high levels of importance, directors shall submit/report to the Board of Directors and the Management Committee of the Company. Directors of the Company shall monitor the business conditions of group companies on a routine basis by deploying part-time audit & supervisory board members to group companies or assigning other employees in charge of such operations for the respective company. If necessary, responsible department or related department shall provide support to secure the appropriateness of business operations. Directors also assign members in charge of corporate group management within the Corporate Planning Division to create and develop a group-wide management mechanism and to supervise overall group company businesses.

1.6. Employees to assist audit & supervisory board members

Audit & supervisory board members of the Company shall establish an Audit & Supervisory Board Division to assist them in the performance of their duties. The Audit & Supervisory Board Division shall consist of several employees, including managerial staff, of the Company, and personnel matters regarding such employees shall be decided based on mutual consultation between audit & supervisory board members and related directors. The Audit & Supervisory Board Division employees shall follow the instructions of the audit & supervisory board members, and directors shall pay attention to maintaining independence of the Audit & Supervisory Board Division employees from the persons who execute business and to ensuring the effectiveness of instructions by the audit & supervisory board members to the Audit & Supervisory Board

Division employees.

#### 1.7. Audit by audit & supervisory board members

Audit & supervisory board members of the Company, in accordance with the audit policies defined at the Audit & Supervisory Board, shall attend important meetings including Board of Directors meetings and Management Committee meetings, and audit the performance of duties by directors through interviews with directors, reviews of documents related to important resolutions, and investigations of operations and financial situations of each department and major subsidiaries. The Company shall bear any expenses required for the performance of duties by audit & supervisory board members.

#### 1.8. System related to reporting to audit & supervisory board members

Directors and employees of the Company shall, without delay, report to audit & supervisory board members and the Audit & Supervisory Board on matters provided for in laws and regulations, results of internal audits, results of internal reporting system, and other important matters that have an impact on the IHI Group. No individual shall be treated unfavorably for making such a report.

## 2. Basic Views on Eliminating Anti-Social Forces and the Progress of System Development

### 2.1. Basic views on eliminating anti-social forces

Anti-social forces are groups that threaten the order and safety of society, and the Company believes that it must work in unison with local governments, citizens and others to confront such groups resolutely.

### 2.2. Progress of system development for eliminating anti-social forces

The Company made provision for eliminating anti-social forces by formulating its Declaration on Eliminating Organized Crime Groups and Other Anti-Social Forces based on the Basic Code of Conduct for the IHI Group, which was notified to all employees. The Company's ongoing measures for dealing with anti-social forces are as follows:

#### (1) Anti-social forces response division and person responsible for handling unreasonable demands

The Company is tackling anti-social forces, having appointed an employee in charge of the issue in the Administration Division.

#### (2) Links with external specialist organizations

The Company is a participating member of the Council for the Prevention of Specific Violations and it exchanges information with the Metropolitan Citizens' Center for Promoting Banishment of Organized Crime Groups and the Federation for the Prevention of Specific Violations of the Metropolitan Police Department.

#### (3) Collection and management of information relating to anti-social forces

The Company participates in meetings held by the above entities and gathers relevant materials continually, collecting information by obtaining these entities' periodicals.

#### (4) Preparation of response manual

The Administration Division, which is the Company's anti-social forces response division, has prepared and updated a response manual.

#### (5) Status of provision of training

The Company conducts regular training sessions for the Company itself and for the Group as a whole.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures	Not adopted
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#### Supplementary Explanation

The Company is aware of the risk to its management posed by the possibility of a so-called hostile buyer acquiring a large number of its shares, and it pursues countermeasures including efforts to enhance corporate value, but at the present time the Company has not given specific consideration to adopting anti-takeover measures.

### 2. Other Matters Concerning Corporate Governance System

The attached chart entitled Information Disclosure System shows the Company's system for timely disclosure, the key details of which are as follows.

#### 2.1. Basic policy

The Company is well aware that timely, appropriate disclosure of corporate information to investors forms the foundation of a sound financial instruments market. Based on the basic principle of promoting highly transparent management throughout the Company, the Company strives to disclose important information relating to the Company's management or operations to participants in capital markets promptly, accurately, continuously, and fairly, always from the investor's perspective. The Company also strives to show good faith in being accountable for its management course and key business operations.

#### 2.2. Internal systems

##### (1) System for managing information requiring timely disclosure

The Company appoints information management supervisors as the individuals responsible for the overall management of information requiring timely disclosure in each department. The position is filled by the director or executive officer in charge of each department. The information management supervisors appoint material information managers in order to ensure that material information is always managed appropriately.

##### (2) Disclosure system

a. Through its internal Regulations on Disclosure of Information the Company makes all employees aware of the types of information that could require timely disclosure, and information management supervisors and material information managers continually collect such information (including information relating to subsidiaries) within each department.

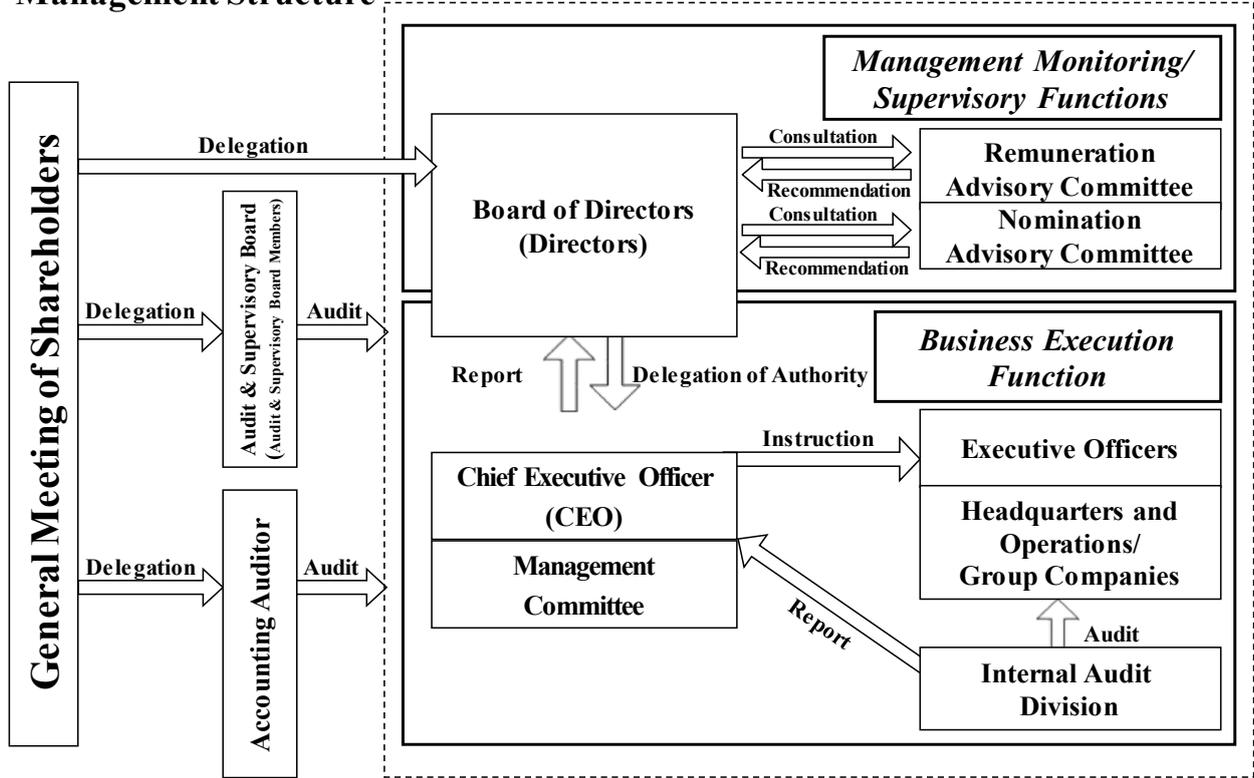
b. The information collected within each department is submitted or reported to the Management Committee and the Board of Directors as necessary, according to the standards for submission of proposals set out in the rules for the Management Committee and the Board of Directors.

c. Decisions resolved or decided by the Management Committee or the Board of Directors, closing financial information, and material facts that occurred as a result of external factors are all collected intensively by the General Manager of Corporate Communication Division, who decides whether timely disclosure is necessary or not.

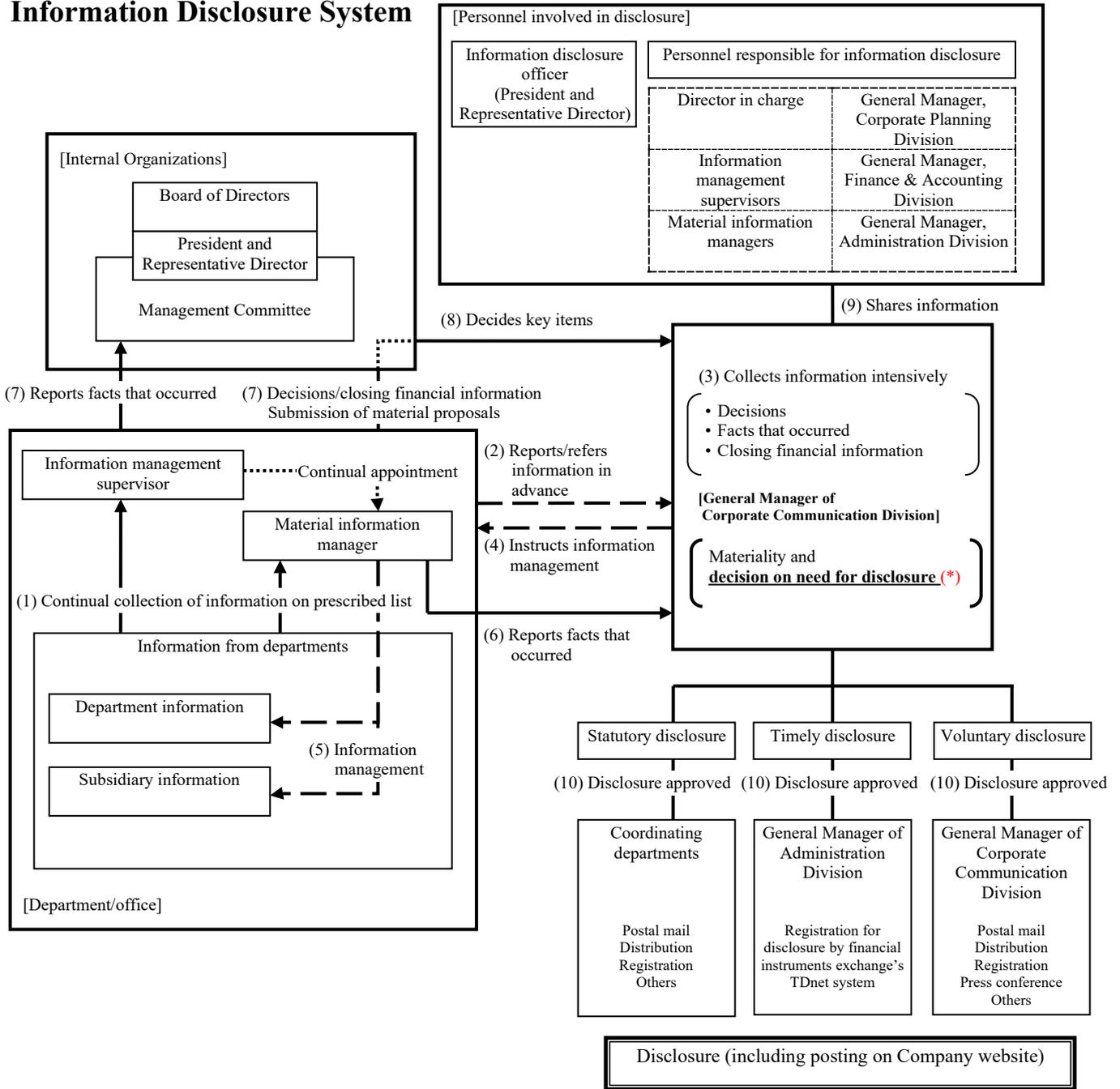
d. When information requiring timely disclosure is decided upon or occurs, the General Manager of Corporate Communication Division consults with the relevant department to set a specific timing for disclosure, and promptly initiates the procedure for disclosure. In addition, the General Manager of Corporate Communication Division instructs the information management supervisor and material information manager responsible for the information in question to manage the information appropriately.

e. The President and Representative Director serves as the Company's information disclosure officer, and in principle, timely disclosure of information is conducted by the information disclosure officer, the information management supervisor responsible for the information in question, or the General Manager of Corporate Communication Division. If, however, it appears that within the stock market certain information requiring timely disclosure may have been leaked, or other information has occurred unexpectedly before the time designated for disclosure, the Company takes measures such as disclosing the relevant information without delay, regardless of the designated timing for disclosure.

# Corporate Governance Management Structure



# Information Disclosure System



Decision on need for disclosure (\*)

