

Response to Operating Environment Changes, Corporate Structure Transformation

Human Talent Strategy

We have the Group Human Talent Strategy 2023 in place and are implementing it 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.”

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. The IHI Group will promote the development of organizations and human capital capable of solving challenges faced by customers, industries and society by combining new leadership with agile self-transformation capability and thus committing to Goal achievement. Furthermore, by prioritizing the respect for humanity through the success and happiness of employees and new partnerships.

Material Issues & Priority Measures

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. 3 material issues are addressed and 11 priority measures are implemented, aiming to induce behavioral transformation in all employees and foster an organizational culture capable of accomplishing reform.

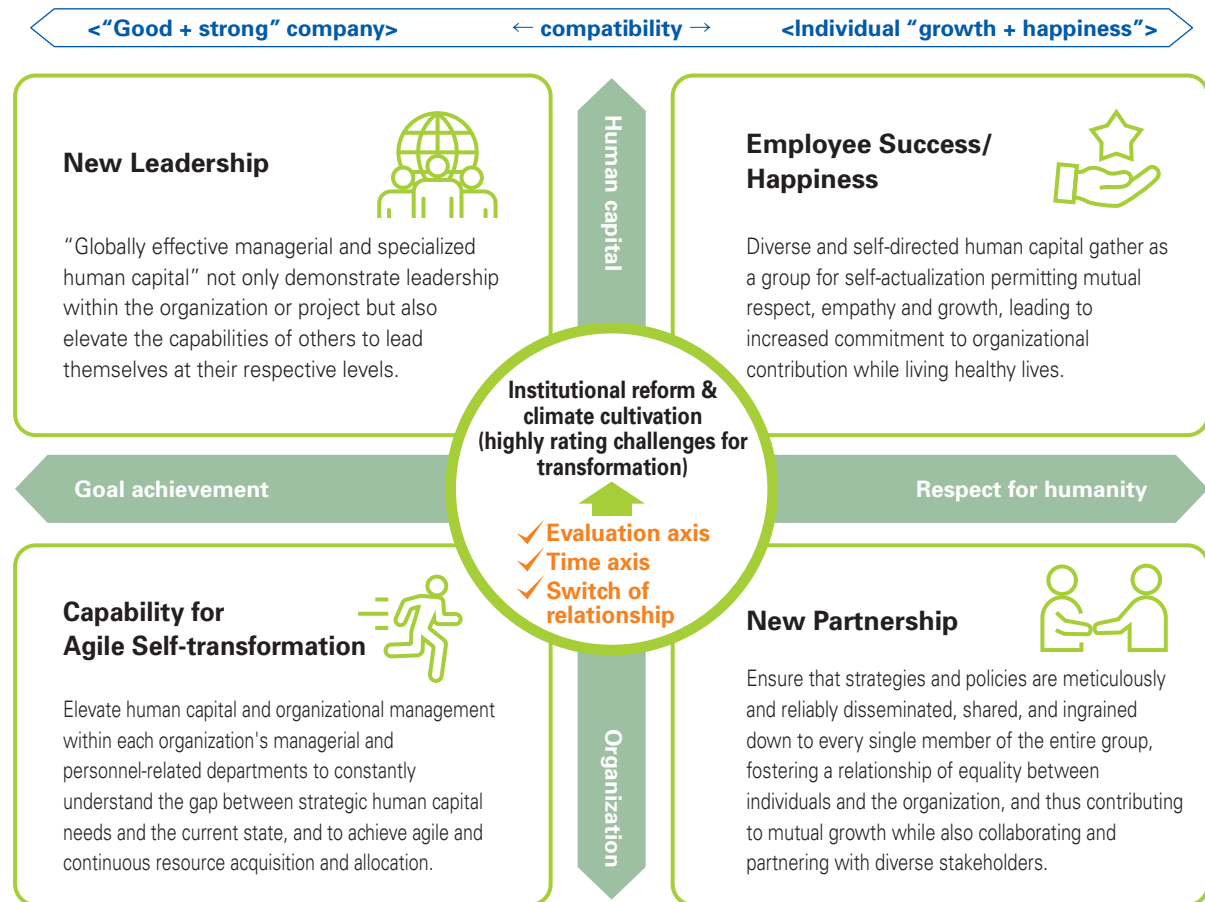
<Shift to Organizational Culture for Successful Transformation>

Evaluation axis: Focused on improvement in continuation of conventional practices
→ **Encourage Challenges for transformation**

Time axis: Preference for pursuit of perfectness over time spent
→ **Preference for speed**

Relationship: Focused on own workplace or closed in-company network
→ **Build new relationships**

● Human Talent Strategy: Ideal vision

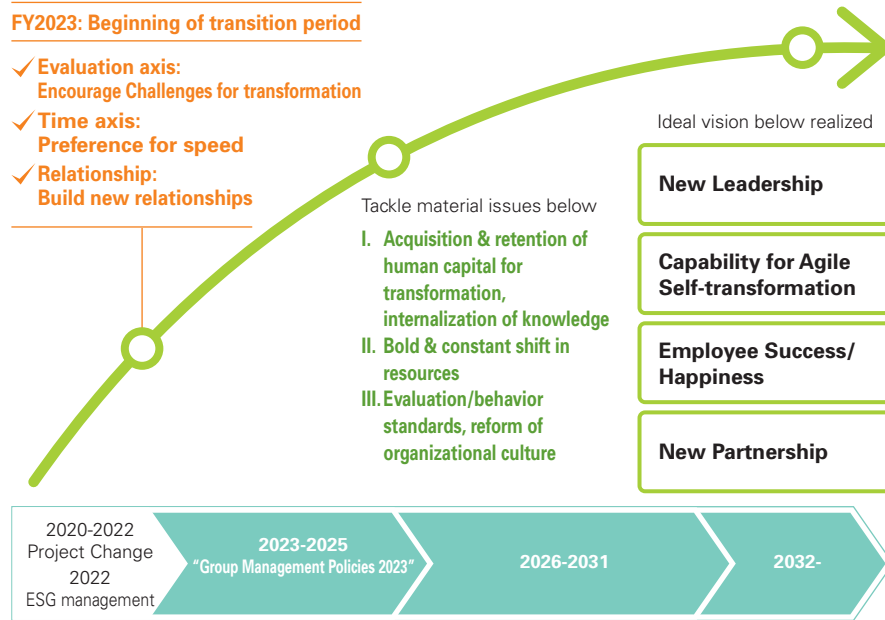


**Response to Operating Environment Changes,
Corporate Structure Transformation**

● Human Talent Strategy: Ideal Vision & Material Issues

FY2023: Beginning of transition period

- ✓ **Evaluation axis:**
Encourage Challenges for transformation
- ✓ **Time axis:**
Preference for speed
- ✓ **Relationship:**
Build new relationships



● Human Talent Strategy: Material Issues & Priority Measures

Material issues	Priority measures	Key points
I. Acquisition & retention of human capital for transformation, internalization of knowledge	<ol style="list-style-type: none"> 1) Coordinated acquisition of human capital for transformation 2) Development & allocation of human capital for transformation (IHI Academy) 	<ul style="list-style-type: none"> • In areas where the IHI Group's expertise is lacking, acquire systematically, instead of sporadically, human capital for transformation from external sources, ensure their retention and facilitate the internalization of their knowledge. • Change employment to system/practice matching labor market. • Manage human capital for transformation acquired from outside in a manner different from usual practice in terms of job description, reporting line, etc.
II. Bold & constant shift in resources	<ol style="list-style-type: none"> 3) Establish organizational resource shift process 4) Build organizational reskilling mechanism 5) Promote self-directive career development 	<ul style="list-style-type: none"> • Identify talent requirements for areas of high urgency & high importance such as "specific LCB departments of Core businesses," "specific projects," and "head office-related departments," and address them intensively. • Establish a resource shift process as soon as possible and operate it as a permanent one • Promote self-directive career development and reskilling in an organized manner.
III. Reform of Evaluation/behavior standards, organizational culture	<ol style="list-style-type: none"> 6) Change desirable means of evaluation & treatment 7) Improve human capital management power of "employees in supervisory posts" 8) Improve employee engagement 9) Develop organizational culture based on ESG & well-being 10) Empower diverse human capital (DE&I) 11) Respect for human rights 	<ul style="list-style-type: none"> • Sort out uniform behavior standards/evaluation items such as "encouragement of challenges" and "prompt response to customers," and conduct a fresh institutional review of linkage between evaluation and development/treatment. • Incorporate evaluation standards focused on ESG/well-being into a variety of measures to develop them as organizational culture.

Functions & Roles of IHI Academy

As an initiative to switch over our human capital portfolio, we have set up the IHI Academy as an entity under the CEO's direct control with a view to identifying transformation-leading human capital and thoroughly training them. At the IHI Academy, we will identify and foster 600 people as transformation-leading human capital in the next three years to fiscal 2025, and allow people selected from among them to take on the challenging mission of assuming the presidency in and outside the IHI Group and other tough assignments before their training program ends. Transformation-leading human capital sought by the IHI Group are defined as follows: C-level executives who can generate transformation and high-level professionals who lead business transformation (deepening/evolution of business-transforming LCB, and creation of growth businesses) in terms of technology; these experts include professionals in design, production & product quality in conventional spheres, and AI specialists/data scientists in the digital sphere.

Enhancement of the Human Resource Segment

To accomplish the human talent strategy aligned with the group's management strategy, and to seek closer collaboration between the human capital and business divisions, organizational restructuring of the Human Resources Division was carried out in April 2023, significantly expanding its functions. To facilitate the company-wide implementation and progress confirmation of the human talent strategy, Organizational Development Group was newly established within the Human Resource Division. The move aims to enhance collaboration with the business segment while also taking charge of planning, designing, and executing activities to promote the dissemination of the envisioned direction and material issues of the management and human capital strategies. Additionally, the new group is responsible for energizing the IHI Group's organizational vitality, and mapping out initiatives for improving employee engagement and for establishing related systems.

To drive the digital transformation of the human resource segment within the IHI Group, HRDX Group has been newly established, focusing on the development and operation of a globally integrated HR platform. The newly established Human Capital Development Group supports the promotion of employee career/capacity development, the planning of initiatives related to reskilling and human capital development, and the execution of human capital development and training undertaken by the business segment. The new group is also in charge of the operation of an IHI alumni network aimed at exchanges between human capital who have departed from IHI and those within the IHI Group. To comprehensively promote diversity, equity and inclusion, DE&I Group has been newly established. This group is responsible for promoting human rights awareness based on the IHI Group Human Rights Policy, developing and implementing human resource-related measures for diversity promotion, and devising and executing initiatives for improving well-being.