

Corporate Governance

Approach

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

IHI Basic Policy on Corporate Governance

- Respect shareholders' rights and ensure equal treatment
- Strive to cooperate appropriately with shareholders and other stakeholders
- Fulfill our responsibility to be accountable to stakeholders and ensure transparency by appropriately and proactively disclosing information relating to the Company
- 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 oversight and monitoring functions
- Conduct constructive dialogue with shareholders who have investment policies according with the medium- to long-term interests of shareholders

Corporate Governance Structure

The Company has selected a corporate governance structure that has a function of fully auditing and supervising the overall management while securing the efficiency in management. The Company has an Audit & Supervisory Board, which comprises 5 Audit & Supervisory Board Members (of which 3 are independent and from outside) who audit the duties executed by directors. The Board of Directors, which consists of 12 Directors (of which 4 are independent and 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. For independent Outside Directors, the Company appoints officers who have ample experience as a corporate manager with a broad insight and those who have a high degree of specialist knowledge and multifaceted experience. The independent Outside Directors participate in the decision-making of the Board of Directors and provide advice and recommendations to the Company's management from a standpoint independent of the management team that executes business operations. The Board of Directors is chaired by the Representative Director and Chairman of the Board.

◎ Establishment of Remuneration Advisory Committee and Nomination Advisory Committee

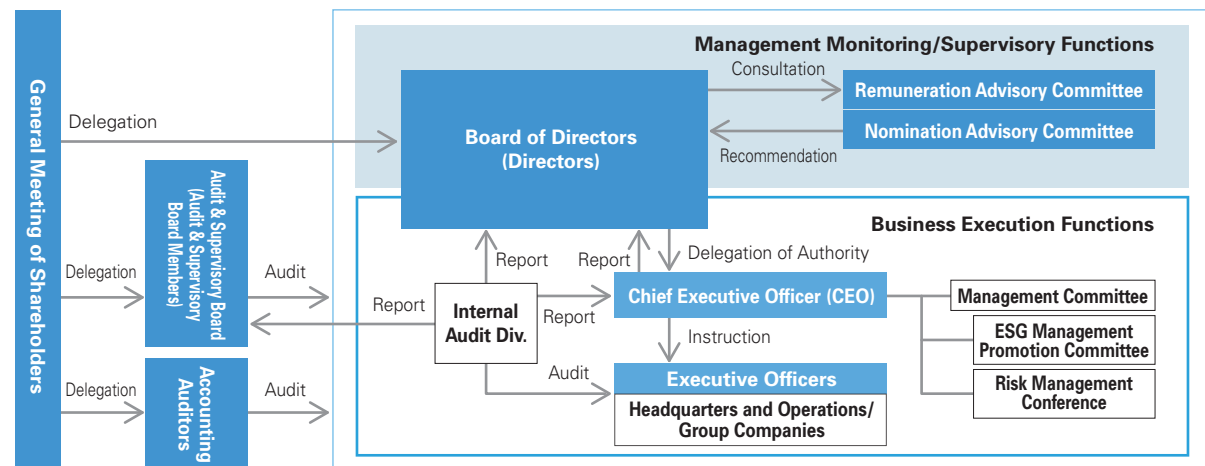
The Company established the Remuneration Advisory Committee and the Nomination Advisory Committee. The Remuneration Advisory Committee ensures the suitability and objectivity of officer remuneration. This six-person committee is made up of three independent Outside Directors, one independent Outside Audit & Supervisory Board Member, the Director in charge of human resources, and the Director in charge of finance and accounting, with an Outside Director acting as chairperson. The five-person Nomination Advisory

Committee is made up of the Representative Director and President and four independent Outside Directors, with the Representative Director and President acting as chairperson for the purpose of supervising and advising the appropriate appointment of officers by the Representative Directors.

◎ Business Execution Structure

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. Executive Officers are appointed by a resolution of the Board of Directors (7 of 24 executive officers serve concurrently as Directors). The Chief Executive Officer (CEO) manages the duties of the Executive Officers, giving directions and supervision. The Management Committee is established as a body to support the decision-makings and business executions of CEO, and is comprised of those appointed by the CEO. Also, the following are established as a body chaired by the CEO: the ESG Management Promotion Committee, which considers basic policies and specific measures for ESG management and manages and improves their progress, and the Risk Management Conference, which oversees overall IHI Group risk management and discusses and approves important risk management matters.

● Corporate Governance Management Structure

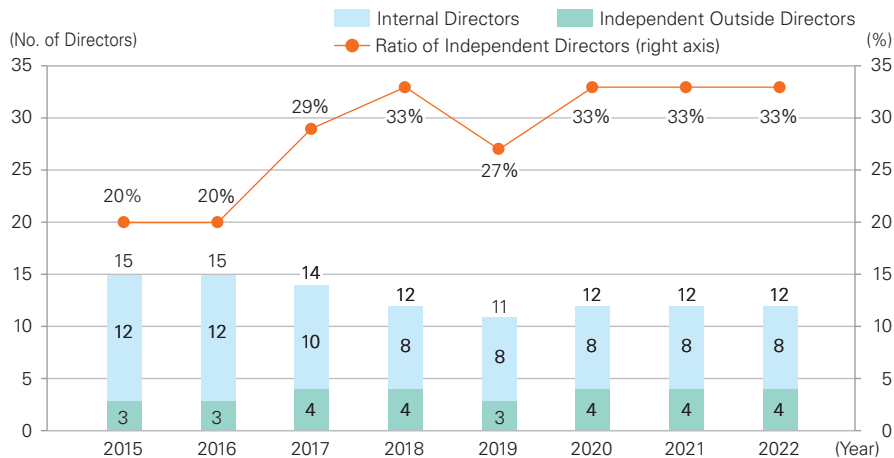


Corporate Governance

Progress in Strengthening Corporate Governance

- FY2003** ● Reformed Board of Directors and introduced Executive Officer system
Increased Outside Audit & Supervisory Board Members from 2 to 3
- FY2007** ● Established Remuneration Advisory Committee
- FY2008** ● Increased Outside Directors from 1 to 2
Reduced the term of office of Directors from 2 years to 1 year
- FY2013** ● Registered all Outside Directors and Outside Audit & Supervisory Board Members as independent directors with the Tokyo Stock Exchange
- FY2015** ● Revised basic approach to corporate governance and established basic policies
Increased Outside Directors from 2 to 3
Established Nomination Advisory Committee
Composed the majority of Remuneration Advisory Committee with outside officers
Resolved responses to the Corporate Governance Code at the Board of Directors
Began evaluation of Board of Directors (held every year thereafter)
- FY2016** ● Reduced total number of Directors from 15 to 13
- FY2017** ● Increased Outside Directors from 3 to 4
Introduced performance-based bonuses and performance-based share remuneration based on new indices
- FY2018** ● Total number of Directors to be 12 with a third constituted by Outside Directors
- FY2021** ● Established ESG Management Promotion Committee

Transition of Ratio of Independent Outside Directors in the Board of Directors



Roles and Composition of Organizations

Organization	Board of Directors	Audit & Supervisory Board	Nomination Advisory Committee	Remuneration Advisory Committee
Composition	 Internal 8 + Outside 4	 Internal 2 + Outside 3	 Internal 1 + Outside 4	 Internal 2 + Outside 4
Ratio of outside officers	33%	60%	80%	67%
	Chaired by Representative Director, Chairman of the Board	Chaired by Internal Audit & Supervisory Board Member	Chaired by Representative Director, President	Chaired by Outside Director
No. of meetings held in 2022	18	13	5	4

Policies 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, with the aim of ensuring sustainable growth and increased corporate value for the IHI Group over the medium to long term.

[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

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List of Officers 14 males/3 females (ratio of female officers: 17.65%)

	Name	Title	FY2022 Attendance at Board of Directors (Audit & Supervisory Board)	Month/Year of Appointment as Director (Audit & Supervisory Board Member)	No. of IHI Shares Owned	Major Expertise and Experience (Skills)								Appointments to Advisory Committees	
						Corporate Management	Technology Research and Development	Global Business	Sales Marketing	ICT DX	Human Resources management / development	Finance and Accounting	Legal Compliance Risk Management	Remuneration Advisory Committee	Nomination Advisory Committee
Independent Outside	Tsugio Mitsuoka	Representative Director and Chairman of the Board	18/18	June 2014	17,100	○	○						○		
	Hiroshi Ide	Representative Director and President, Chief Executive Officer	18/18	June 2020	3,700	○		○	○						Chairperson
	Masataka Ikeyama	Representative Director, Senior Executive Officer	14/14	June 2022	4,800	○	○						○		
	Tsuyoshi Tsuchida	Representative Director, Senior Executive Officer	—	June 2023	2,700	○				○			○		
	Hideo Morita	Director, Managing Executive Officer	18/18	June 2021	3,200		○								
	Akihiro Seo	Director, Managing Executive Officer	14/14	June 2022	800						○		○	Committee Member	
	Jun Kobayashi	Director, Managing Executive Officer	—	June 2023	600			○	○						
	Yasuaki Fukumoto	Director, Executive Officer	—	June 2023	600							○		Committee Member	
	Yoshiyuki Nakanishi	Director	18/18	June 2020	600	○		○	○					Chairperson	Committee Member
	Chieko Matsuda	Director	17/18	June 2020	1,500						○	○	○		Committee Member
	Minoru Usui	Director	18/18	June 2021	2,100	○	○	○						Committee Member	Committee Member
Toshihiro Uchiyama	Director	14/14	June 2022	300	○		○	○					Committee Member	Committee Member	
Independent Outside	Takashi Niimura	Standing Audit & Supervisory Board Member	18/18 (13/13)	June 2020	3,200				○				○		
	Seiji Maruyama	Standing Audit & Supervisory Board Member	18/18 (13/13)	June 2021	2,200							○			
	Aiko Sekine	Audit & Supervisory Board Member	18/18 (13/13)	June 2020	0							○			
	Yumiko Waseda	Audit & Supervisory Board Member	17/18 (13/13)	June 2021	0								○		
	Kazuhiro Muto	Audit & Supervisory Board Member	—	June 2023	0			○	○	○					Committee Member

Skills

Expected Competencies Based on Expertise and Experience

Corporate Management

Formulate and implement management strategies to achieve sustainable enhancement of corporate value

Technology/ Research and Development

Promote technology development and R&D that contribute to resolving social issues

Global Business

Formulate and implement business strategies that contribute to resolving social issues from a global perspective

Sales/Marketing

Formulate and implement sales and marketing strategies that contribute to resolving social issues from the customers' perspective

ICT/DX

Formulate and implement new business models and work styles utilizing ICT and DX, and promote IT risk management

Personnel Affairs/Human Resource Development

Formulate and implement human resource strategies to maximize employee potential

Finance and Accounting

Formulate and implement financial strategies to achieve sustainable growth of corporate value

Legal/Compliance/ Risk Management

Establish transparent, fair, and efficient governance and risk management systems

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Reason for Appointment and Expected Roles as Outside Officers

Outside Director	Yoshiyuki Nakanishi	Following experiences in sales of products and services of DIC Corporation and involvement in operations of its key business, he has gained abundant experience, accomplishments, and extensive insight into overall corporate management at the helm of the company, where he implemented various measures to respond to changes in the business environment. He has been appointed as an Outside Director, aiming to have him reflect these experience and insight in the management of the Company and carry out management oversight and monitoring functions from an independent perspective.
	Chieko Matsuda	She 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. She has been appointed as an Outside Director, aiming to have her reflect these experience and insight in the management of the Company and carry out management oversight and monitoring functions from an independent perspective.
	Minoru Usui	After being in charge of technology development in Seiko Epson Corporation, he has gained abundant experience, accomplishments, and extensive insight into overall corporate management at the helm of the company, where he implemented various measures to respond to changes in the business environment. He has been appointed as an Outside Director, aiming to have him reflect these into the management of the Company and carry out management oversight and monitoring functions from an independent perspective.
	Toshihiro Uchiyama	After working on sales of products and services in NSK Ltd., and implementing production reforms in its overseas affiliated company, he has gained abundant experience and extensive insight into overall corporate management at the helm of the company, where he implemented various measures to respond to changes in the business environment. He has been appointed as an Outside Director, aiming to have him reflect these in the management of the Company and carry out management oversight and monitoring functions from an independent perspective.
	Outside Audit & Supervisory Board Member	Aiko Sekine
Yumiko Waseda		She 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 & supervisory board member. She has been appointed as an Outside Audit & Supervisory Board Member, aiming to have her reflect these experience and insight in management auditing from an independent perspective.
Kazuhiro Muto		As a senior executive of a Japanese subsidiary of IBM Japan, Ltd., he has extensive experience, and broad insight into corporate management in general, including overseas business and the promotion of various measures in response to changes in the business environment. He has been appointed as an Outside Audit & Supervisory Board Member, aiming to have her reflect these experience and insight in management auditing from an independent perspective.

Executive Officers 22 males/2 females (ratio of female officers: 8.33%)

	Position	Name	Main Responsibilities
○	Chief Executive Officer	Hiroshi Ide	
○	Senior Executive Officer	Masataka Ikeyama	In charge of Group Economic Security In charge of Group Quality Assurance/Design Process General Manager of Monozukuri System Strategy
○	Senior Executive Officer	Tsuyoshi Tsuchida	In charge of Group Procurement, Group DX In charge of Business Relating to Corporate Planning Division
	Managing Executive Officer	Takeshi Kawakami	President of Social Infrastructure Business Area
	Managing Executive Officer	Yoshinori Komiya	General Manager of Intelligent Information Management Headquarters
	Managing Executive Officer	Yasuhiro Shigegaki	President of Industrial Systems & General-Purpose Machinery Business Area
○	Managing Executive Officer	Hideo Morita	President of Aero Engine, Space & Defense Business Area
	Managing Executive Officer	Kouji Takeda	President of Resources, Energy & Environment Business Area
○	Managing Executive Officer	Akihiro Seo	In charge of Group Human Resources/Administration, Group Safety and Health, Group ESG General Manager of Human Resources Division
	Managing Executive Officer	Nobuhiko Kubota	In Charge of Group Engineering General Manager of Technology & Intelligence Integration
	Managing Executive Officer	Noriko Morioka	General Manager of Corporate Strategy Headquarters
○	Managing Executive Officer	Jun Kobayashi	General Manager of Business Development Headquarters
	Executive Officers	Kiyoshi Nihei	In Charge of Group Operations General Manager of Marketing & Sales Headquarters
	Executive Officers	Kazuhiro Onitsuka	Vice President of Industrial Systems & General-Purpose Machinery Business Area
	Executive Officers	Yukihisa Ozawa	Vice President of Resources, Energy & Environment Business Area
	Executive Officers	Go Maeda	General Manager of Project Risk Management Div.
	Executive Officers	Shotaro Tabata	Vice President of Industrial Systems & General-Purpose Machinery Business Area
	Executive Officers	Yoshikazu Hamada	In charge of Business Relating to Shareholder Meeting/Board of Directors In charge of Group Legal Affairs, Group Compliance General Manager of Legal Division
○	Executive Officers	Yasuaki Fukumoto	In Charge of Group Finance & Accounting General Manager of Finance & Accounting Div.
	Executive Officers	Chie Fukuoka	Deputy General Manager of Technology & Intelligence Integration
	Executive Officers	Atsushi Sato	Vice President of Aero Engine, Space & Defense Business Area
	Executive Officers	Takao Tanaka	Vice President of Resources, Energy and Environment Business Area
	Executive Officers	Kazuuya Ueda	Vice President of Social Infrastructure Business Area President of IHI Infrastructure Systems Co., Ltd.
	Executive Officers	Bernd Bahlke	Deputy General Manager of Business Development Headquarters

(Note) Directors are marked with ○.

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Activities of the Voluntary Committees

◎ Nomination Advisory Committee

IHI established the Nomination Advisory Committee as a voluntary advisory body to the Board of Directors. Five meetings were held in FY2022 in which matters such as plans on the appointment of officers, succession plans to nurture human resources were discussed.

IHI places particular emphasis on the selection process for CEO candidates and their nurturing plans, as they are essential for the sustainable growth and medium- to long-term enhancement of corporate value. In FY2022, the Committee deepened its discussion on the human resource requirements for a CEO.

Position	Name		Attendance at the Committee
Representative Director and President	Hiroshi Ide	Chairperson	100% (5/5)
Outside Director	Yoshiyuki Nakanishi	Committee Member	100% (5/5)
Outside Director	Chieko Matsuda	Committee Member	100% (5/5)
Outside Director	Minoru Usui	Committee Member	100% (5/5)
Outside Director	Toshihiro Uchiyama	Committee Member	100% (5/5)

◎ Remuneration Advisory Committee

IHI established the Remuneration Advisory Committee as a voluntary advisory body to the Board of Directors. Four meetings were held in FY2022, and the policy and details of the remuneration received by Directors and Executive Officers were discussed.

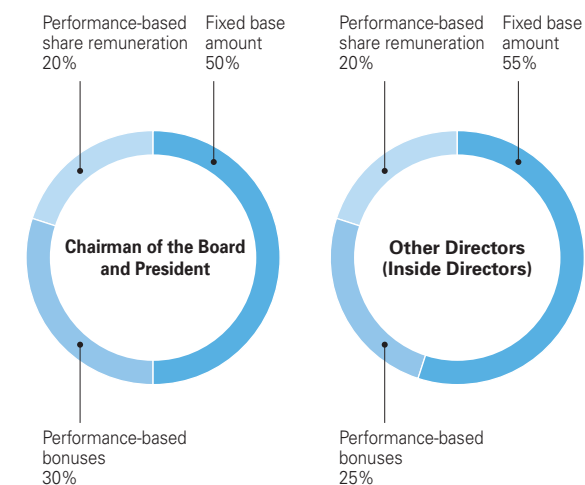
The revision of the policy for determining officer remuneration was resolved by the Board of Directors in May 2023. The content of the policy was referred for consultation to the Remuneration Advisory Committee, which accordingly deliberated on and reported findings thereof on a preliminary basis, prior to the resolution by the Board of Directors.

Position	Name		Attendance at the Committee
Outside Director	Yoshiyuki Nakanishi	Chairperson	100% (4/4)
Representative Director	Takeshi Yamada	Committee Member	100% (4/4)
Director	Akihiro Seo	Committee Member	100% (4/4)
Outside Director	Minoru Usui	Committee Member	100% (4/4)
Outside Director	Toshihiro Uchiyama	Committee Member	100% (4/4)
Audit and Supervisory Board Member	Toshio Iwamoto	Committee Member	100% (4/4)

Basic Policy on Determination of Remuneration for Directors

- Remuneration for Directors shall be aimed at fully encouraging Directors of the Company to perform their duties in line with the management philosophy, Group vision, and Group management policy, and strongly motivating them toward the achievement of specific management goals to bring sustainable growth of the Company and the IHI Group, and to improve the medium- and long-term corporate value.
- Remuneration shall be structured with the appropriate allocation of a fixed basic salary, and 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 with consideration of the management environment of the Company, and social roles and accountabilities the Company undertakes.

◎ Composition of Remuneration



Evaluation Indicators for FY2022 Annual Incentive (Performance-Based Bonus)

● Representative Directors

Performance evaluation indicators	Weight	Fluctuation range of performance evaluation payment rates	Targets	Results	Performance evaluation payout rates
Profit attributable to owners of parent	50%	0-200%	Upper: 58.1 billion yen Target: 37.1 billion yen Lower: 16.1 billion yen	25.6 billion yen	33.7%
Consolidated operating cash flows	50%	0-200%	Upper: 180.0 billion yen Target: 130.0 billion yen Lower: 80.0 billion yen	44.4 billion yen	0%

● Internal Directors (excluding Representative Directors)

Performance evaluation indicators	Weight	Fluctuation range of performance evaluation payment rates	Targets	Results	Performance evaluation payout rates
Profit attributable to owners of parent	40%	0-200%	Upper: 58.1 billion yen Target: 37.1 billion yen Lower: 16.1 billion yen	25.6 billion yen	0%
Consolidated operating cash flows	40%	0-200%	Upper: 180.0 billion yen Target: 130.0 billion yen Lower: 80.0 billion yen	44.4 billion yen	0%
Individual performance evaluation	20%	0-150%	Set individual and evaluated by the President and decided at the board of directors.		Maximum: 15% Minimum: 7.5%

Medium- and long-term incentive (performance-based share remuneration) which sets FY2022 as the final fiscal year of performance evaluation

The performance evaluation period will be three future fiscal years, and performance targets for the final fiscal year of the performance evaluation period will be set in the fiscal year in which the performance evaluation begins. Performance evaluation indicator is consolidated ROIC, which is a performance indicator emphasized in the Group's management policy (medium-term management plan).

Performance evaluation indicators	Fluctuation range of performance evaluation payment rates	Targets	Results	Performance evaluation payout rates
Consolidated ROIC	0-150%	Maximum: 15% Target: 12% Minimum: 5%	6.3%	25%

Remuneration for Outside Directors and Audit & Supervisory Board Members

Remuneration for Outside Directors shall consist only of basic remuneration in light of their duties. Remuneration for Audit & Supervisory Board Members shall consist only of basic remuneration, as remuneration for responsibilities for auditing the execution of business throughout the IHI Group. The basic remuneration of Outside Directors and that of Audit & Supervisory Board Members are set at the appropriate level taking into account the role and responsibilities of each officer. Moreover, the company shall perform verification by regularly surveying objective market data on remuneration researched by an external specialized institution.

Total Remuneration for FY2022

● Total remuneration of officers and number of recipients

(Million yen)

Officer Category (Numbers of recipients)		Total remuneration	Total remuneration by type		
			Basic remuneration	Performance-based share remuneration	Performance-based bonuses
Directors (15)	Internal Directors (10)	613	362	141	110
	Outside Directors (5)	55	55	—	—
Audit & Supervisory Board Members (5)	Internal Audit & Supervisory Board Members (2)	72	72	—	—
	Outside Audit & Supervisory Board Members (3)	41	41	—	—
Total (20)		782	531	141	110

*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.

● Remuneration, etc. of officers whose total remuneration is 100 million yen or more

Name	Type of officer	Total remuneration (Million yen)	Total remuneration by type (Million yen)		
			Basic remuneration	Performance-based share remuneration	Performance-based bonuses
Tsugio Mitsuoka	Director	115	66	27	22
Hiroshi Ide	Director	125	72	29	24

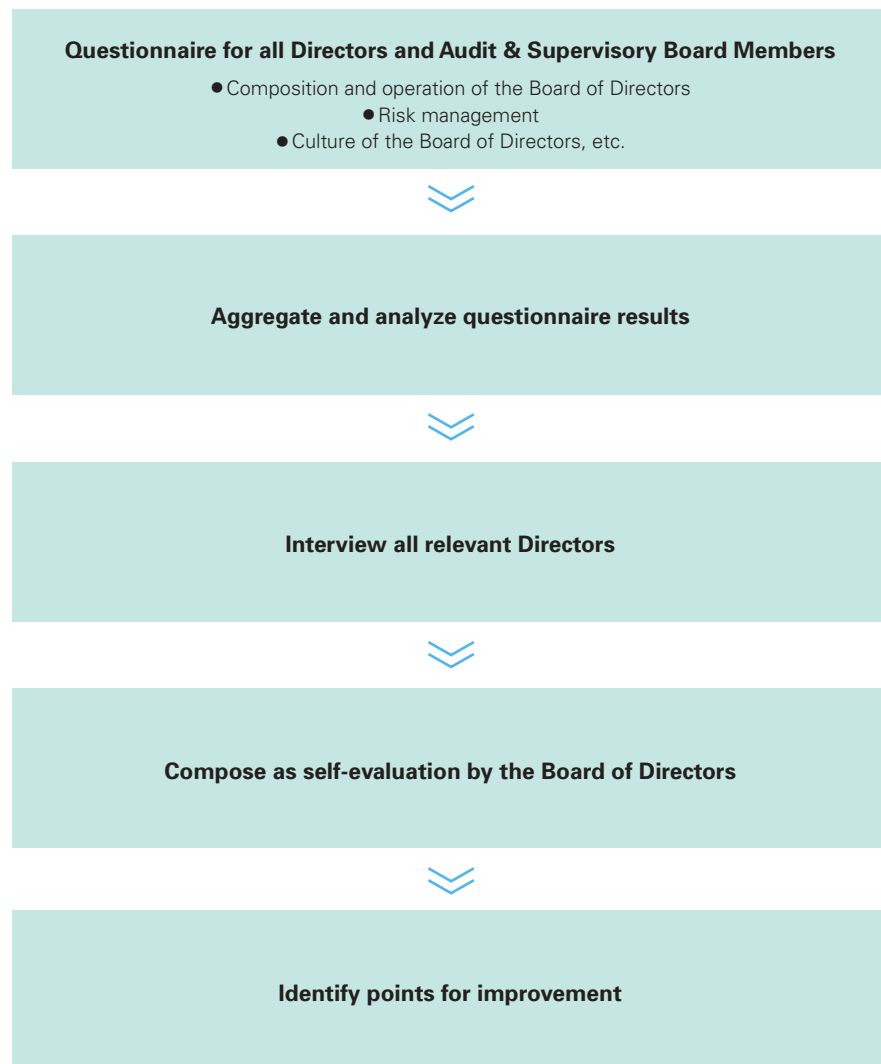
*The total amount of performance-based share remuneration and performance-based bonuses is the amount of the provision recorded in the fiscal year under review, which is different from the actual total payment amount.

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Initiatives to Enhance the Effectiveness of the Board of Directors

The Company has evaluated the effectiveness of the Board of Directors annually since FY2015 to further its effectiveness.

◎ Effectiveness Evaluation Process of the Board of Directors



◎ Management of the Board of Directors in FY2022

In the effectiveness evaluation of the previous fiscal year, the need for further enhancement of discussion and monitoring of medium- and long-term strategies and risk management, and further improvement of the operation of the Board of Directors were recognized as issues of particularly high priority. The Board of Directors took the following actions in FY2022 in response.

- Deliberation on the progress of measures based on IHI Group ESG Management and Project Change and the formulation of the new medium-term management plan “Group Management Policies 2023”
- Start providing regular feedback to the Board of Directors about matters pointed out in Board of Directors meetings
- Enhance opportunities to foster communication between Officers outside of Board of Directors meetings

◎ FY2022 Effectiveness Evaluation and Newly Identified Issues

In the effectiveness evaluation conducted in FY2022, we assessed ourselves that the effectiveness of the Company’s Board of Directors continues to be ensured. In addition, in order to further enhance the effectiveness of the Board of Directors, the following items were identified as issues for improvement.

Evaluation results	Initiatives taken in response to the evaluation results
<ul style="list-style-type: none"> ● Effectiveness is ensured <p>< Identified issues ></p> <ul style="list-style-type: none"> ● More comprehensive deliberation and reporting of specific management strategies and important monitoring items ● From the standpoint of succession planning, expanding points of communication between Outside Directors who are members of the Nomination Advisory Committee and Executive Officers ● Provide information to Outside Officers and further improve communication between Officers as a basis for deepening deliberations 	<p>Management of the Board of Directors in FY2023</p> <ul style="list-style-type: none"> ● The most important theme to be debated throughout the year is the transformation of our business portfolio set forth in “Group Management Policies 2023” ● Planned debate of other important Company-wide measures ● Expanding dialogue between Outside Officers and Executive Officers ● Review of standards for discussion by the Board of Directors to enhance matters to be reported ● Provide information to Outside Officers and further improve communication with Outside Officers (office visits, meetings to exchange opinions, etc.)

Function and Role of Audit & Supervisory Board

The Company has an Audit & Supervisory Board, which comprises 5 Audit & Supervisory Board Members (3 from outside) who audit the duties executed by directors. And Audit & Supervisory Board Division" (4 full-time staffers) assists the audit & supervisory board members in the execution of their duties.

FY2022 Operation of Audit & Supervisory Board

Classification	Name	Attendance at the Audit & Supervisory Board
Standing Audit & Supervisory Board Member	Takashi Niimura	13 of 13 (100%)
Standing Audit & Supervisory Board Member	Seiji Maruyama	13 of 13 (100%)
Outside Audit & Supervisory Board Member	Toshio Iwamoto	13 of 13 (100%)
Outside Audit & Supervisory Board Member	Aiko Sekine	13 of 13 (100%)
Outside Audit & Supervisory Board Member	Yumiko Waseda	13 of 13 (100%)

FY2022 Key Audit Items

- 1) The establishment and operational status of the internal control system and the status of compliance with important laws and ordinances,
- 2) The status of risk management
- 3) The promotion of structural reforms and execution status of business strategies
- 4) The status of business of the affiliated companies selected based on management issues and risk perception
- 5) The eradication of occupational accidents and the status of initiatives aimed at promoting reform of working practices and diversity
- 6) The status of initiatives aimed at reforming the corporate culture

Activities of the Audit & Supervisory Board Members

The standing audit & supervisory board members perform everyday auditing activities, summaries of which are reported on an 'as needed' basis by the standing audit & supervisory board members to outside audit & supervisory board members at meetings of the Audit & Supervisory Board, so that information related to the status of audits is shared by all members of the Audit & Supervisory Board.

- 1) Attend meetings of the Board of Directors and other important meetings and committee meetings in order to understand the process leading to decision-making by the directors and the status of the directors' performance of their duties, and express their opinions as necessary.
- 2) Exchange opinions with representative directors, heads of Business Areas, and heads of head office divisions at meetings of the Board of Corporate Auditors in order to deepen mutual understanding between the corporate auditors and directors and their efforts in corporate governance.

- 3) Hold regular meetings with the head office divisions and Business Areas, and conduct on-site inspections of business sites and domestic and overseas affiliated companies in order to grasp the status of the Group's priority measures and the establishment and operation of the internal control system.
- 4) Receive reports from the Internal Audit Division on the status of internal audits and internal control evaluations, and exchange opinions on the status of the Group's internal control system and its advancement.
- 5) Hold regular meetings with the Project Risk Management Division, which monitors the profit management of important orders, and the Legal Division, which is in charge of the compliance hotline, to exchange views on issues such as recognition of specific risk areas.
- 6) Audit of business report and supplementary schedules, and audit of consolidated financial statements and nonconsolidated financial statements and their supplementary schedules. Also confirm whether there are any competing transactions, conflicts of interest, or gratuitous provision of benefits by the directors.
- 7) Receive reports from the accounting auditor on the audit plan and the status of the accounting audit at each quarterly settlement of accounts, and monitor and verify the appropriateness of the accounting auditor's audit.

Status of Internal Auditing

The Internal Audit Div. conducts internal audits of the Company and the Group companies. The Internal Audit Div. is independent in terms of internal organization, and its 30 staff members (as of March 31, 2023) do not hold concurrent positions in other departments or organizations.

The Internal Audit Division strives to develop, maintain and improve internal controls across the entire Group by providing confirmation and advice regarding self-inspection performed by head office divisions on the basis of expert opinion, audits and monitoring performed by regional headquarters with respect to Group companies within each of their regions, and internal audits performed by Group companies themselves.

The General Manager of the Internal Audit Division reports to the Chief Executive Officer (CEO) regarding all audit results as well as details on guidance and confirmation with respect to each of the aforementioned divisions and companies. Upon having compiled such reports, the General Manager of the Internal Audit Division regularly reports to the Management Committee, Board of Directors, and Audit & Supervisory Board. With respect to the internal controls over financial reporting, in accordance with internal control reporting systems under the Financial Instruments and Exchange Act, the Internal Audit Division compiles Group-wide internal control evaluations as an independent division, and ultimately reports to the Management Committee, Board of Directors, and Audit & Supervisory Board in the form of an internal control evaluation report.

Activities of the Internal Audit Division are disclosed to relevant internal divisions in monthly reports, and necessary information is shared with audit & supervisory board members and the accounting auditor at periodic information exchange sessions. Moreover, the Internal Audit Division performs self-assessments of its activities in accordance with the requirements in international standards stipulated by The Institute of Internal Auditors (IIA). It then compiles such assessments in annual activity reports and furnishes such reports to the Management Committee, Board of Directors, and Audit & Supervisory Board.