

## Message from the Managing Executive Officer (Human Resources)

To transform our businesses and corporate structure, we are committed to accelerated behavioral change and moving steadily ahead with our human talent strategies.

**Akihiro Seo**

Managing Executive Officer



**Q** It has been more than one year since the launch of the Group Human Talent Strategy 2023, that was developed to accomplish goals set in the Group Management Policies 2023. Would you please recapitulate the year as Managing Executive Officer (Human Resources) ?

The Group Human Talent Strategy 2023 set the vision of balancing a “Good + Strong” company and “Growth + Happiness” for all individuals. We started by communicating these values across the Group and moved on to the current stage in which employees are encouraged to change behavior.

The shifting of resources and the evaluation system review, which are the priority tasks set out in the Human Talent Strategy, have been making steady progress. This is, I believe, a strong indication that we are on track for transformation. I am also

aware of issues related to DE&I and how to ensure human rights are respected, for which I am responsible as the Managing Executive Officer (Human Resources) . I intend to act to address them.

**Q** How do you communicate to your employees about the values and system review set out in the Human Talent Strategy?

We share information about these values and system review via workshops.

In FY2023, we held workshops designed for participants to acquire a deeper understanding of “Group Management Policies 2023” and the Group Human Talent Strategy 2023 and to discuss what they should do to achieve the goals. In FY2024, we organized workshops to advance participants’ understanding of the new evaluation and treatment systems, which are based on the views the Human Talent Strategy takes. These workshops were for all employees. We also run

workshops for managers, who play a critical part in our transformation. The workshops are designed to enhance their capabilities to lead their teams.

As we make necessary changes in our systems in rapid succession to move toward transformation, it is vital that we all share values and ensure that employees understand why those new systems are needed. This is why we are proceeding steadily with these activities.

### **Q Would you describe what the changes to the systems to facilitate behavioral changes look like?**

We revisited the descriptions of the human resources we seek as well as what we evaluate in order to update our evaluation system through the Human Talent Strategy. This new evaluation system specifies “Set a Goal”, “Tackle Issues”, “Cross Boundaries”, and “Implementation” as the four components of the “Ideal Behavior & Action” that the IHI Group encourages its employees to take. Employees set their own goals based on the “Ideal Behavior & Action” to achieve their full potential. Instead of goals imposed from above, employees should have goals that prompt them to use their initiative, while those targets incorporate ideas held by their supervisors and people who work for them. Our employees’ individual growth and happiness cannot be defined by their companies. I believe that it is vital for each employee to set goals that come from his or her independent mind and autonomy. Some employees may feel puzzled at the dramatic changes in the goal setting and evaluation approaches they have known. Yet I believe these processes are essential to change their behavior to an approach geared to taking on challenges.

### **Q What is required of the human resources who lead the transformation of the IHI Group?**

The people who lead the transformation of the IHI Group should be proactive to achieve their own goals and control their motivation to continue the efforts. That is, they need to exercise leadership of their own actions.

And the people who pursue successful international careers should have expertise that can be useful anywhere around the globe. They should also be up for high-level challenges and practice gaining experience outside the Group. All this is because, given the importance of regional strategies today, they will need to view the whole IHI Group in an international context to identify and resolve issues, rather than viewing the Japanese and international markets as separate settings.

Each of them should show leadership that creates a positive and reciprocal impact, keeping in mind the strengths of the people they work with, in addition to

finding and taking advantage of opportunities to leverage their own strengths. It is this leadership that is expected of the people who lead the IHI Group going forward.

### **Q What are the qualities that managers are expected to have to play a critical part in the transformation?**

The quality that managers are expected to have to run an organization is the ability to prompt the people who work for them to voluntarily change their behavior through management by objectives and performance appraisal. Therefore, an aptitude for people management is desirable for managerial positions. We plan to assign people to managerial posts based on not only their aptitude, but also their initiative, and provide training designed to improve one-on-one communication skills, coupled with coaching skills for raising people’s awareness. As you see, we believe that it is vital to provide a system and environment conducive to exercising the skills needed in their roles.

### **Q What is your idea of international talent management in the IHI Group, including an expanded talent pool, and the evaluation and selection processes?**

Our talent management will be based on roles in each business location. This is in alignment with our plan to ensure that our offices across the globe will have the same roles and provide the same treatment. We are exploring how we will launch measures based on this idea first in Europe and Asia.

Our talent selection process will first present the position to fill and what it entails, so that people up for the challenge will apply for the job. We will work to ensure that the support each successful applicant will receive in acquiring the skills needed in the position will be consistent across the globe. In Europe, we are exploring the possibility of offering training opportunities based on the IHI Academy for skill acquisition. As for treatment, we intend to introduce a new role-based compensation system. This talent management will hopefully motivate diverse employees to achieve their potential, thereby animating the IHI Group.

### **Q Would you give more details about the issues related to DE&I and how to ensure human rights are respected, which you mentioned as you recapitulated the year after the launch of the Human Talent Strategy?**

The IHI Group must work to establish environments where people feel safe offering their honest opinions

and asking questions, and to transform its corporate culture into one that ensures human rights are respected.

Problems in our compliance have surfaced, including an improper test in the field of aero engines several years ago, and the recent cases of a suspected violation of antitrust laws and incorrect fuel consumption data. One of the common causes of these cases was that, as I see it, people did not feel safe enough to express their opinions to anyone in the workplace. This most likely has to do with the lack of people's understanding of and sensitivity to DE&I and human rights. I think this is a deep-seated problem in the IHI Group. I am aware that it will take some time to fundamentally solve this problem and that we will have to keep working on it.

## **Q Would you talk about the initiatives to change the organizational and corporate culture?**

I believe that the limited fluidity of human resources was a cause of the failure to make people feel safe enough to speak up.

The Human Talent Strategy sets out “bold and constant resource shifting in resources” as one of the priority tasks in line with the management resource allocation to the Growth and Development-focus Businesses included in “Group Management Policy 2023”. This should facilitate a greater fluidity of human resources, and also lead to transformation of organizational culture.

Shifting resources will then facilitate diversity in the workplace, which prompts employees to have mutual respect for each others' uniqueness, values, and views, while ensuring fairness. That is, DE&I will be of critical importance.

I believe that, in addition to these internal transfers, it is also important for our employees to acquire experience outside their company and bring it into their workplace, and to interact with people working for NPOs, NGOs, or other external organizations to gain knowledge from them.

The IHI Group plans to provide leadership training to 600 employees who pursue successful international careers. We believe that we need about three times as many candidates for leadership roles, and each of them should have experience outside the Group. Some of these candidates are those who have been hired as mid-career employees. Therefore, the training will provide opportunities to experience work outside their regular settings through temporary assignments or transfers, so that they will build networks of people to collaborate with and communicate with people who have different values. All this will lead to gaining experience in generating and applying new ideas.

## **Q The President defines the year 2024 as “Year 1 of DE&I”. Would you tell us about the initiatives to advance DE&I?**

The meaning of Year 1 of DE&I lies in working to make diversity a reality and share its products.

One of the measures to promote DE&I is to facilitate women's career development. We have a greater number of women candidates for managerial positions than before, hire more women job applicants from external companies, and have prepared assistance and made changes to our systems for our female employees in order to facilitate a good balance between their work and life events such as childbirth and parenting. We have also added ESG metrics to our indicators for evaluation of our executive officers to determine their performance-based executive compensation. How the executive officers work to promote DE&I is part of their performance evaluated using the metrics in order to advance women's successful careers.

## **Q The Group Human Talent Strategy 2023 is a medium- to long-term strategy for the next three years and beyond. Would you give details about the efforts the IHI Group plans to make until 2025 and how they are connected to the Group's corporate value?**

For example, our aero engine business is planning a joint development project in a way that the IHI Group has never experienced before. We need to find human resources capable of leading this type of project on schedule. We will start by hiring essential people from outside the IHI Group, and once they settle in, their knowledge will be harnessed to train the Group's internal human resources. Our plan is to assign 300 people to the aero engine business sector by the end of FY2024. We aim to hire 100 of them from outside the Group. We will bring in people from different business sectors because we also hope that they will achieve success in the IHI Group's growth area to experience what it feels like to accomplish personal development. The same idea applies to the shifting of resources to the Development-focus Businesses, centered on the creation of the fuel ammonia value chain.

We are committed to establishing a competitive advantage by focusing capital and human resources on the Growth and Development-focus Businesses. This will lead us to balance a “Good + Strong” company and “Growth + Happiness” for all individuals. We will continue to pursue our Human Talent Strategy to enhance our competitive advantage and achieve greater corporate value.