

Corporate Governance

Basic Policy and Organizational Structure

• Approach

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

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

• Policies

IHI will work to enhance its corporate governance in line with the following basic policies set forth by its Board of Directors.

• Basic Policy on Corporate Governance

- 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

• Structure

IHI is a company with an Audit & Supervisory Board. Its Board of Directors makes decisions related to all important matters concerning the management of IHI and the Group, in addition to supervising the execution of duties by directors. The Board of Directors, which consists of 12 Directors (four of whom are Independent Directors), is led by the Chairman of the Board. The Independent Directors, who are appointed 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 independently make recommendations. Five Audit & Supervisory Board Members (three from outside) audit the duties executed by Directors.

• Remuneration Advisory Committee

IHI set up the Remuneration Advisory Committee as an advisory body to the Board of Directors. The Remuneration Advisory Committee ensures the suitability and objectivity of officer remuneration. This six-person committee is made up of three Independent Directors, one Independent Audit & Supervisory Board Member, the Director in charge of Human Resources, and the Director in charge of Finance & Accounting, with an Independent Director acting as Chairperson.

• Nomination Advisory Committee

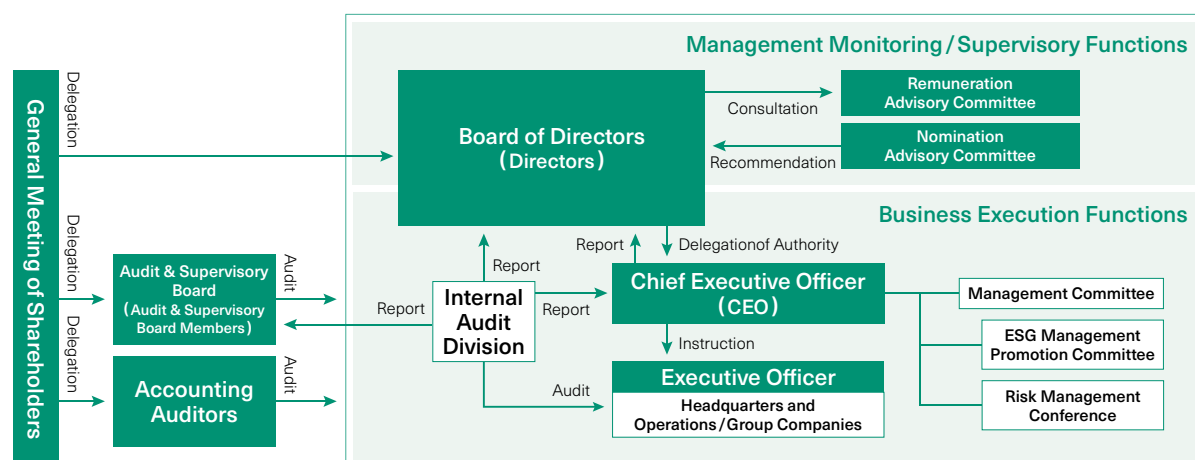
IHI set up the Nomination Advisory Committee as an advisory body to the Board of Directors. This five-person committee is made up of the President and four Independent Directors, with the President acting as Chairperson for the purpose of ensuring proper implementation of officer appointments.

• Business Execution Structure

IHI has an executive officer system to strengthen the oversight and supervision of management by the Board of Directors and to speed up the decision-making process regarding business execution. Executive Officers are appointed by a resolution of the Board of Directors (seven of 23 Executive Officers serve concurrently as Directors). The Chief Executive Officer (CEO) manages the duties of the Executive Officers, giving directions and supervision. The Executive Officers follow the CEO's directions to execute their assigned duties. The CEO also appoints members to the Management Committee to assist in decision-making and business execution. The Management Committee convened 37 times in fiscal 2023.

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

Corporate Governance Management Structure



Roles and Composition of Organizations

Organization	Board of Directors	Audit & Supervisory Board	Remuneration Advisory Committee	Nomination Advisory Committee
Composition	 Internal 8 + Independent 4	 Internal 2 + Independent 3	 Internal 2 + Independent 4	 Internal 1 + Independent 4
Ratio of outside officers	33%	60%	67%	80%
	Chaired by Chairman of the Board	Chaired by Internal Audit & Supervisory Board Member	Chaired by Independent Director	Chaired by Representative Director, President
No. of meetings held in 2023	18	14	5	5

Compliance

• Approach

The IHI Group implements its compliance program in accordance with the Basic Rules of Compliance for IHI Group and other internal policies. These activities are conducted not only to address legal compliance, but also to respond to the needs of society based on a full proper grasp of society's ever-changing values and expectations.

To prevent a recurrence of the Civil Aero-Engine Maintenance Business quality issue that we experienced in fiscal 2019, we have been focusing on and reinforcing our compliance and quality assurance systems as part of our risk management activities. The IHI Group knows that living up to the expectations of stakeholders and earning their trust is vital to drive the sustainable growth of both customers and society.

• Compliance Committee

The IHI Group, with its CEO serving as chairman, established the Compliance Committee, a Group-wide committee on compliance under the Risk Management

Conference. The Committee discusses and drafts important policies and promotes compliance activities, which include Competition Law violation and anti-corruption, among others. This Committee is made up of Heads of Compliance from each division, with the Officer in charge of Group Compliance as chairperson. Compliance Committee members roll out the decisions made by the Committee to each division by incorporating them into compliance activities tailored to the division.

With regard to Committee activities, results from the previous fiscal year along with plans for the current fiscal year are reported at the Management Committee at the start of each new fiscal year.

In addition, the Legal Division acts as a secretariat to plan and execute compliance activities in accordance with the policies created by the Compliance Committee while also monitoring the progress of compliance activities in each division and providing guidance and support as necessary.

Compliance-related matters that are particularly important regarding operation and management are reported to and discussed by the Board of Directors.

Compliance Structure



Number of Compliance Hotline Reports

FY2020	FY2021	FY2022	FY2023
202	263	286	314

(Scope: IHI and affiliated companies)

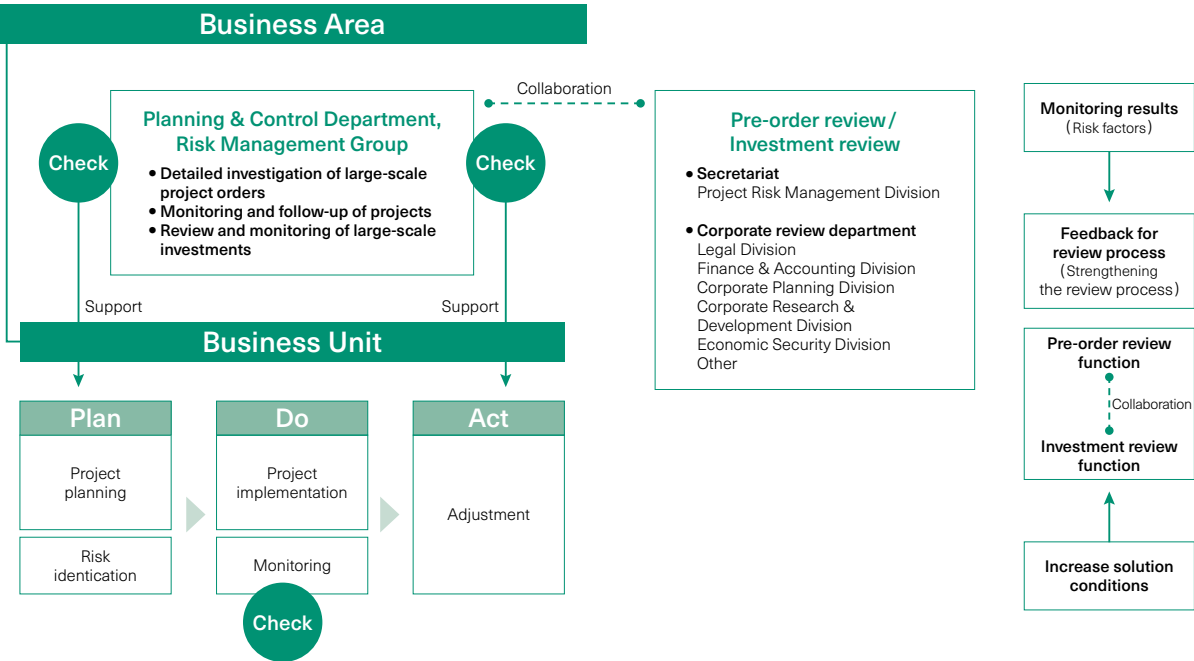
Project Risk Management

- Approach**

The IHI Group believes that the initial plan has a substantial impact on the subsequent results of both large-scale projects and investments, and therefore manages risk through established screening processes and systems before accepting orders and pursuing investments. In particular, the impact of the initial plan is particularly significant in the case of projects including new elements or elements that have not been implemented for a long time, and under management these impacts are taken into consideration.
- Governance**

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

Project Risk Management System



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

• Risk Management

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

As it continues to invest in Growth and Development-focus Businesses, in addition to current steps to prevent downward revisions, the IHI Group will seek information from the project formulation stage for highly novel projects, the number of which is likely to increase. The Group will identify risks at an early stage through information collection.

Appointment of Officers

• Policies and Procedures

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

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

In appointing officers, IHI's Board of Directors has supplemented the legally required procedures by establishing a Nomination Advisory Committee comprised of all the Independent Directors and the Representative Director and President. The Committee acts as an optional advisory body to the Board of Directors in order to enhance the Board of Directors' independence, objectivity, and

accountability, as well as to proactively obtain the involvement, advice, and supervision of the Independent Directors. It supervises appointment-related procedures to ensure that they are applied appropriately, and offers related advice.

Should members of senior management (Chief Executive Officer, Representative Director) or Executive Officers meet the dismissal criteria for Officers, a determination of such dismissal shall be resolved promptly by the Board of Directors.

• Ideal Attributes for Officers

IHI appoints Directors and Audit & Supervisory Board Members who are healthy in mind and body and have all the following attributes:

- ▶ Deep understanding of, and empathy 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

• Approach to Ensuring Diversity in Key Human Resource Roles

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

Targets (FY2026)

- ▶ Ratio of female Managers 7%
- ▶ Ratio of new female university graduate recruitment About 20%

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

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

Moreover, IHI supports the Keidanren's Challenge to increase the proportion of female Officers, exceeding 30% by 2030.

List of Officers 12 males/5 females (ratio of female officers: 29.41%)

(As of July 1st, 2024)

	Name	Title	Attendance at Board of Directors (Audit & Supervisory Board)	Period in Office	No. of IHI Shares Owned	Appointments to Advisory Committees and Attendance	
	Tsugio Mitsuoka	Director and Chairman of the Board	18/18	10 years	19,800	Remuneration Advisory Committee	Nomination Advisory Committee
	Hiroshi Ide	Representative Director and President, Chief Executive Officer	18/18	4 years	6,700		Chairperson 5/5
	Tsuyoshi Tsuchida	Representative Director, Senior Executive Officer	14/14	1 years	3,600		
	Hideo Morita	Representative Director, Senior Executive Officer	18/18	3 years	4,200		
	Akihiro Seo	Director, Managing Executive Officer	18/18	2 years	1,100	Committee Member 5/5	
	Jun Kobayashi	Director, Managing Executive Officer	14/14	1 years	600		
	Yasuaki Fukumoto	Director, Executive Officer	14/14	1 years	1,000	Committee Member 5/5	
	Noriko Morioka	Director, Managing Executive Officer	—	(New)	1,900		
Independent	Yoshiyuki Nakanishi	Director	18/18	4 years	1,400	Chairperson 5/5	Committee Member 5/5
	Chieko Matsuda	Director	16/18	4 years	2,300		Committee Member 5/5
	Minoru Usui	Director	18/18	3 years	3,600	Committee Member 5/5	Committee Member 5/5
	Toshihiro Uchiyama	Director	18/18	2 years	700	Committee Member 5/5	Committee Member 5/5
	Seiji Maruyama	Standing Audit & Supervisory Board Member	18/18 (14/14)	3 years	3,400		
	Tae Hozoji	Standing Audit & Supervisory Board Member	—	(New)	1,400		
Independent	Aiko Sekine	Independent Audit & Supervisory Board Member	18/18 (14/14)	4 years	0		
	Yumiko Waseda	Independent Audit & Supervisory Board Member	18/18 (14/14)	3 years	0		
	Kazuhiro Muto	Independent Audit & Supervisory Board Member	14/14 (12/12)	1 years	2,100	Committee Member 2/2	

Expertise and Experience of Directors and Audit & Supervisory Board Members (Skills Matrix)

	Name	Corporate Management	Technology Research and Development	Global Business	Sales Marketing	ICT/DX	Human Resources Management/Development	Finance and Accounting	Legal/Compliance/Risk Management
	Tsugio Mitsuoka	●	●						●
	Hiroshi Ide	●		●	●				
	Tsuyoshi Tsuchida	●				●			●
	Hideo Morita		●	●					
	Akihiro Seo						●		●
	Jun Kobayashi			●	●				
	Yasuaki Fukumoto							●	
	Noriko Morioka		●						
Independent	Yoshiyuki Nakanishi	●		●	●				
	Chieko Matsuda						●	●	●
	Minoru Usui	●	●	●					
	Toshihiro Uchiyama	●		●	●				
	Seiji Maruyama							●	
	Tae Hozoji								●
Independent	Aiko Sekine							●	
	Yumiko Waseda								●
	Kazuhiro Muto			●	●	●			

Corporate management	Formulate and implement management strategies to achieve sustainable enhancement of corporate value	ICT/DX	Formulate and implement new business models and work styles utilizing ICT and DX, and promote IT risk management
Technology/research and development	Promote technology development and R&D that contribute to resolving social issues	Human resources management/development	Formulate and implement human resource strategies to maximize employee potential
Global business	Formulate and implement business strategies that contribute to resolving social issues from a global perspective	Finance and accounting	Formulate and implement financial strategies to achieve sustainable growth in corporate value
Sales/marketing	Formulate and implement sales and marketing strategies that contribute to resolving social issues from the customer's perspective	Legal/compliance/risk management	Establish transparent, fair, and efficient governance and risk management systems

Reason for Appointment and Expected Roles as Outside Officers

Independent Director	Yoshiyuki Nakanishi	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 IHI and carry out management monitoring and supervisory functions from an independent perspective, the Company has appointed him as an Independent Director.
	Chieko Matsuda	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 IHI and carry out management monitoring and supervisory functions from an independent perspective, the Company has appointed her as an Independent Director.
	Minoru Usui	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 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 IHI and carry out management monitoring and supervisory functions from an independent perspective, the Company has appointed him as an Independent Director.
	Toshihiro Uchiyama	Toshihiro Uchiyama, after working on sales of products and services, production reforms in its overseas affiliated company, and other initiatives in an electronic equipment manufacturer that operates business globally, has gained abundant experience 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 IHI and carry out management monitoring and supervisory functions from an independent perspective, the Company has appointed him as an Independent Director.
Independent Audit & Supervisory Board Member	Aiko Sekine	Aiko Sekine has accumulated abundant experience and insight as a partner of an audit corporation, and Chairman and President of JICPA, as well as abundant experience as an outside officer. Expecting such experience and insight to be reflected in the management auditing of IHI from an independent perspective, the Company has appointed her as an Independent Audit & Supervisory Board Member.
	Yumiko Waseda	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 Independent Audit & Supervisory Board Member. Expecting these qualities and her independent perspective to be reflected in the management auditing operations of IHI, the Company has appointed her as an Independent Audit & Supervisory Board Member.
	Kazuhiro Muto	Kazuhiro Muto has gained abundant experience, accomplishments, and extensive insight into overall corporate management as an executive of a Japanese subsidiary of a globally active IT company, where he implemented various measures to respond to changes in the business environment including overseas business. Aiming to reflect these qualities in the management of IHI and expecting he can carry out management monitoring and supervisory functions from an independent perspective, IHI has appointed him as an Independent Audit & Supervisory Board Member.

Executive Officers 20 males/3 females (ratio of female officers: 13.04%)

(As of July 1st, 2024)

Name	Position and Role	Main Responsibilities
Hiroshi Ide	● Chief Executive Officer	
Tsuyoshi Tsuchida	● Senior Executive Officer	In charge of Group Procurement, Group DX
Hideo Morita	● Senior Executive Officer	In charge of Group Economic Security, Group Quality Assurance/ Design Process, Production Base Strategy
Takeshi Kawakami	Managing Executive Officer	President of Social Infrastructure Business Area
Kouji Takeda	Managing Executive Officer	President of Resources, Energy & Environment Business Area
Akihiro Seo	● Managing Executive Officer	In charge of Group Human Resources / Business Relating to Administration, Group Safety and Health, Group ESG
Nobuhiko Kubota	Managing Executive Officer	In charge of Group Engineering, General Manager of Corporate Research and Development Division
Noriko Morioka	● Managing Executive Officer	General Manager of Strategic Technologies Division
Jun Kobayashi	● Managing Executive Officer	General Manager of Business Development Division
Kiyoshi Nihei	Managing Executive Officer	President of Industrial Systems & General-Purpose Machinery Business Area
Yoshikazu Hamada	Managing Executive Officer	In charge of Business Relating to Shareholder Meeting / Board of Directors, Group Legal Affairs, Group Compliance, General Manager of Corporate Planning Division
Chie Fukuoka	Managing Executive Officer	General Manager of Intelligent Information Management Division
Atsushi Sato	Managing Executive Officer	President of Aero Engine, Space & Defense Business Area
Yukihisa Ozawa	Executive Officer	General Manager of Monozukuri System Transformation Division
Go Maeda	Executive Officer	Vice President of Social Infrastructure Business Area
Shotaro Tabata	Executive Officer	In charge of Group Operations, General Manager of Corporate Marketing & Sales Division
Yasuaki Fukumoto	● Executive Officer	In charge of Group Finance & Accounting, General Manager of Finance & Accounting Division
Takao Tanaka	Executive Officer	Deputy General Manager of Business Development Division, General Manager of Americas Headquarters
Kazuya Ueda	Executive Officer	Vice President of Social Infrastructure Business Area, Representative Director and President of IHI Infrastructure Systems Co., Ltd.
Bernd Bahlke	Executive Officer	Vice President of Industrial Systems & General-Purpose Machinery Business Area
Chiyuki Nakamata	Executive Officer	Vice President of Aero Engine, Space & Defense Business Area
Kensuke Yamamoto	Executive Officer	Deputy General Manager of Business Development Division, Vice President of Resources, Energy & Environment Business Area
Noriaki Ozawa	Executive Officer	Vice President of Resources, Energy & Environment Business Area

Directors are marked with ●

Activities of optional committee

• Remuneration Advisory Committee

The committee met five times during FY2023 and deliberated on the policy and details of remuneration to be received by directors and executive officers.

Position	Name		Attendance at the Committee
Independent director	Yoshiyuki Nakanishi	Chairman	5 of 5 (100%)
Director	Akihiro Seo	Committee member	5 of 5 (100%)
Director	Yasuaki Fukumoto	Committee member	5 of 5 (100%)
Independent director	Minoru Usui	Committee member	5 of 5 (100%)
Independent director	Toshihiro Uchiyama	Committee member	5 of 5 (100%)
Independent audit & supervisory board member	Kazuhiro Muto	Committee member	2 of 2 (100%)*

* Number of attendances at the Remuneration Advisory Committee held after assuming office.

• Nomination Advisory Committee

The committee met five times during FY2023 and deliberated on executive personnel matters, successor training plans, and other matters.

Position	Name		Attendance at the Committee
President	Hiroshi Ide	Chairman	5 of 5 (100%)
Independent director	Yoshiyuki Nakanishi	Committee member	5 of 5 (100%)
Independent director	Chieko Matsuda	Committee member	5 of 5 (100%)
Independent director	Minoru Usui	Committee member	5 of 5 (100%)
Independent director	Toshihiro Uchiyama	Committee member	5 of 5 (100%)

Policy on Determination of Remuneration for Officers

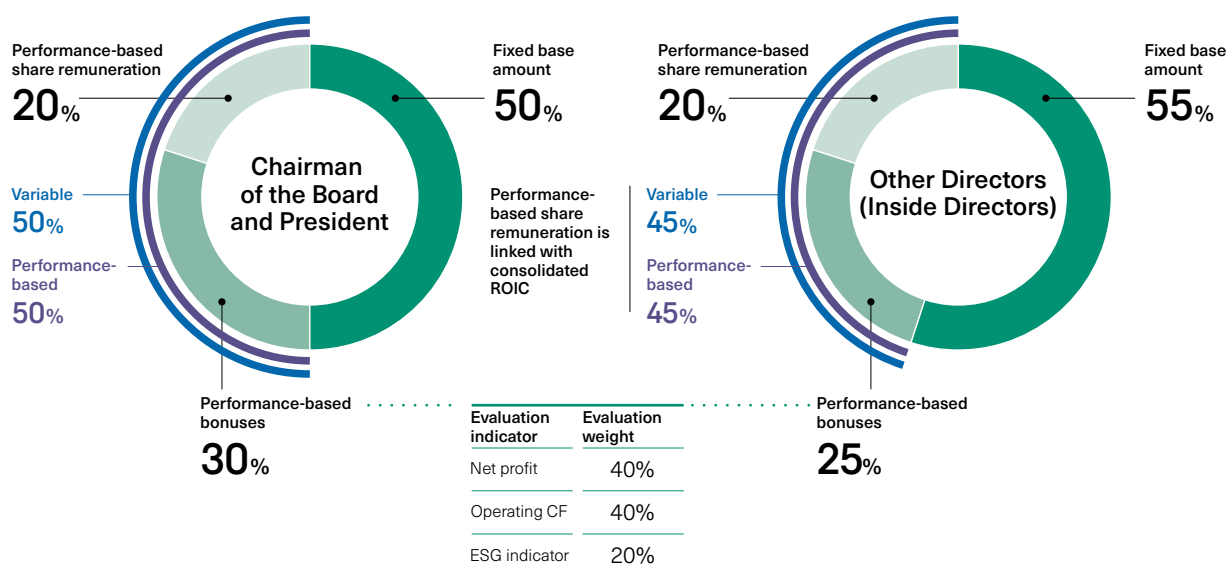
- ▶ Remuneration shall be aimed at fully encouraging Directors and Executive Officers to perform their duties in line with management philosophy, Group vision, and Group management policy, and strongly motivating them toward the achievement of specific management goals to bring IHI's and IHI Group's 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 IHI in consideration of IHI's management environment and the social roles and liabilities IHI undertakes.

• Framework of Annual incentive Remuneration and medium- and long-term incentive Remuneration

Performance-based bonuses (Annual incentives)

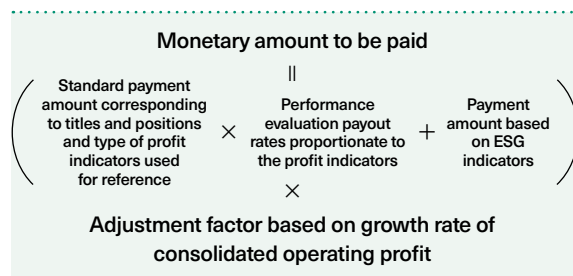
- ▶ Performance indicators and reasons for selection thereof
Performance indicators shall be those that include: profit attributable to owners of parent underpinned by the aim of

Composition of Remuneration



maintaining common interests with our shareholders; consolidated operating cash flow underpinned by the aim of strengthening the capacity to generate cash necessary for growth; and ESG indicators aimed at promoting ESG management. ESG indicators are used to evaluate efforts to reduce greenhouse gases, improve employee engagement, and promote DE&I. Profit indicators corresponding to titles and positions and weight of profit indicators are Consolidated profit, Consolidated operating cash flows and ESG Indicators are 40%, 40%, and 20%, respectively.

► **Method of calculating** The monetary amount of remuneration provided every fiscal year is calculated as follows, and the performance evaluation payout rate varies from a range of zero to approximately 200 depending on the percentage achievement of profit indicators, with a baseline value of 100 for the amount of payment when performance targets have been achieved. In addition, regardless of the calculation results, the annual incentive is not paid to Directors if no dividend is paid.

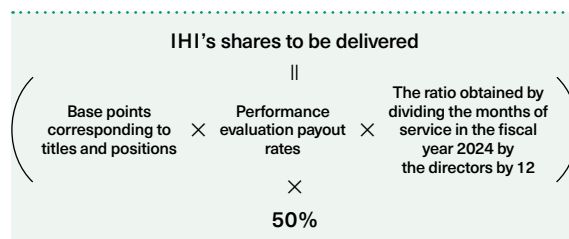


Performance-based share remuneration (medium- and long-term incentives)

► **Performance indicators and reasons for selection thereof** The performance evaluation period shall encompass the next three fiscal years, and performance targets for the final fiscal year of the performance evaluation period shall be established at the outset of the performance evaluation period. Moreover, the performance indicators shall be of primary emphasis under the Group management policies, with consolidated ROIC serving as a performance indicator underpinned by the aims of engaging in business operations that place focus on investment efficiency, achieving sustainable growth, and increasing corporate value. IHI shall furthermore review the possibility of making change to the performance indicators as necessary in alignment with review of the Group management policies.

► **Method of calculating** The number of shares to be delivered as performance-based share remuneration is calculated as follows, and the coefficient varies from a range of zero to approximately 150 depending on the extent of having achieved such target, with a baseline value of 100 for the number of shares to be delivered when performance targets have been achieved. A

monetary sum equivalent to the market value of the shares is to be delivered with respect to a portion of such remuneration.



• Remuneration of Independent Directors and Audit & Supervisory Board Members

Remuneration of Independent Directors shall consist only of a base amount in the light of their duties. Remuneration of Audit & Supervisory Board Members shall consist only of a base amount, as compensation for responsibilities for auditing the execution of business throughout the IHI Group. The amount shall be determined through discussions among the Audit & Supervisory Board Members. The base amount for Independent Directors and Audit & Supervisory Board Members shall be set at an appropriate level upon having considered factors that include roles and responsibilities assumed by the respective officers. Moreover, the Company shall perform verification by regularly surveying objective market data on remuneration researched by an external specialized institution.

• Results for FY2023 Remuneration

Total Amount of Remuneration, etc., Paid and Number of Recipients

Officer Category	Total Amount Paid (million yen)	Breakdown (million yen)			Number of eligible officers (people)
		Base Amount	Performance-based Share Remuneration* ¹	Performance-based Bonus* ²	
Directors*	624	413	159	51	11
Audit & Supervisory Board of Members*	72	72	—	—	2
Independent Directors	100	100	—	—	8

* Excluding Outside Directors and Outside Audit & Supervisory Board Members

Remuneration paid, etc., of directors and audit & supervisory board members, whose total amount paid to each position of directors and audit & supervisory board members, equaled or exceeded ¥100 million

Name	Officer Category	Total Amount Paid (million yen)	Breakdown (million yen)		
			Base Amount	Performance-based Share Remuneration* ¹	Performance-based Bonus* ²
Tsugio Mitsuoka	Director	111	70	30	9
Hiroshi Ide	Director	116	72	33	10

Approach Board of Directors Evaluation

IHI has been evaluating the performance of the Board of Directors annually in principles since fiscal 2015 to further its effectiveness. The next evaluation of the Board of Directors is scheduled to be conducted during fiscal 2024.

• Basic Effectiveness Evaluation Process



• FY2022 Effectiveness Evaluation Results and FY2023 Initiatives

In FY2023, based on the effectiveness evaluation in FY2022, we have identified the following as issues to be addressed.

Issues based on the effectiveness evaluation in FY2022

- ▶ More comprehensive deliberation and reporting of specific management strategies and important monitoring items
- ▶ From the standpoint of succession planning, expanding points of communication between Independent Directors who are members of the Nomination Advisory Committee and Executive Officers
- ▶ Provide information to Independent Officers and further improve communication between Officers as a basis for deepening deliberations

Initiatives in FY2023

- ▶ 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 the other important Company-wide measures of human talent strategy and DX strategy
- ▶ Expanding dialogue between Independent Officers and Executive Officers
- ▶ Review of standards for discussion by the Board of Directors to enhance matters to be reported
- ▶ Provide information to Independent Officers and further improve communication with Independent Officers (office visits, meetings to exchange opinions, etc.)

• FY2023 Effectiveness Evaluation Results and Future efforts

In the effectiveness evaluation conducted during the current fiscal year, IHI assessed itself that the

effectiveness of the Board of Directors of the Company continues to be ensured. In addition, in order to further enhance the effectiveness of the Board of Directors, the following matters are identified as issues to be addressed.

Issues based on the effectiveness evaluation in FY2023

- ▶ Further enhancement of discussions on the composition of the Board of Directors, succession planning, roles and role allocation, etc., which are prerequisites for the Board of Directors to exercise its monitoring and supervisory functions
- ▶ Ensuring deliberation time and further deepening discussions on important issues to be discussed at the Board of Directors
- ▶ Expansion of information provision for appropriate decisionmaking
- ▶ Restructuring of effective Group governance based on reflection of the misconduct by a consolidated subsidiary of IHI

Initiatives in FY2024

- ▶ Discussions on the future vision and the way of monitoring and supervisory functions of the Board of Directors
- ▶ Setting of the management agenda for fiscal 2024 by the executive side and discussions at the Board of Directors based on this (“transformation of the business portfolio” and “enhance Group governance”, etc.)
- ▶ Creation of documents that clearly organize the issues to be discussed and enhancement of information provision to Independent Directors

Backup system for improving the effectiveness of Independent Directors and Independent Auditors

At IHI, Independent Directors and Independent Audit & Supervisory Board Members are briefed on the content and background of agenda items prior to monthly Board of Directors, and off-site meetings and others separate from Board of Directors are organized in order to provide opportunities for discussion regarding medium- to long-term strategies which include business portfolios, among others.

Furthermore, the Company also provides tour opportunities of its business locations, construction sites, and so on with the aim of deepening understanding of its business practices and products.

In fiscal 2023, the Company set up tours of a vehicle turbocharger manufacturing base and an elevated expressway bridge construction site.

The Audit & Supervisory Board secretariat assists the Independent Audit & Supervisory Board Members in executing their duties, and the Standing Audit & Supervisory Board Members report on the status of daily audits and share information.

Functions and Roles of the Board of Audits

IHI has an Audit & Supervisory Board, which comprises five audit & supervisory board members (three of them are independent) who audit the duties executed by directors. The "Audit & Supervisory Board Division" (four full-time staffers) assists the audit & supervisory board members in the execution of their duties.

• Meetings of the Audit & Supervisory Board in fiscal 2023

During FY2023, the Company held meetings of the Audit & Supervisory Board a total of 14 times, with the attendance records of the individual audit & supervisory board members being as follows:

Classification	Name	Attendance at meetings of the Audit & Supervisory Board
Standing	Takashi Niimura	14 of 14 (100%)
Standing	Seiji Maruyama	14 of 14 (100%)
Outside	Aiko Sekine	14 of 14 (100%)
Outside	Yumiko Waseda	14 of 14 (100%)
Outside	Kazuhiro Muto	12 of 12 (100%)*

* The totals in the table are different because the starting dates when the members assumed office are different

• Activities in FY2023

The main resolutions, reports, discussion items, etc., of the Audit & Supervisory Board for FY2023 are as follows:

- ▶ Resolutions (6): Audit plan of the Audit & Supervisory Board, agreement on the proposal for the election of Audit & Supervisory Board members, agreement on the remuneration of the accounting auditor, etc.
- ▶ Reports (44): Audit status of the full-time Audit & Supervisory Board members, status of internal audits and evaluation of internal control, annual and quarterly financial reports, audit plan and audit report of the accounting auditor (including the content of Key Audit Matters (KAM)), report on non-assurance services of the accounting auditor, etc.
- ▶ Discussions (7): Audit report of the Audit & Supervisory Board, remuneration of Audit & Supervisory Board members, presence or absence of reasons for dismissal and appropriateness of reappointment of the accounting auditor, etc.
- ▶ Other (16): Exchange of opinions with the President and Representative Director, dialogue with department heads, etc.

The Audit & Supervisory Board focused on the implementation and progress of specific measures based on the "Group Management Policies 2023", which aims to achieve "sustained high growth" and "respond to disruptive environmental changes", and on the fostering of an environment and corporate culture that enhances the engagement of all employees of our group and brings out

their abilities. Based on the above and the status of the audit in FY2022, the Audit & Supervisory Board set and took action on the following six priority audit items for FY2023.

- 1 The establishment and operation of the internal control system and compliance with important laws and regulations
- 2 Risk response status
- 3 Progress of structural reforms and execution of business strategies
- 4 Business status of associated companies selected based on management issues and risk perception
- 5 Eradication of occupational accidents and status of initiatives aimed at promoting work style reform and DE&I (Diversity, Equity & Inclusion)
- 6 Status of initiatives aimed at reforming the corporate culture

• Internal Audit Activities

The Internal Audit Division conducts internal audits of the Company and its group companies. The Internal Audit Division is independent in terms of internal organization, and its 30 staff members (as of March 31, 2024) 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.