

**IHI
SUSTAINABILITY
REPORT
2018**

IHI SUSTAINABILITY REPORT 2018

CONTENTS

About IHI SUSTAINABILITY REPORT 2018	P2
Message from the President	P3
Business and CSR	
Company Concept	P6
IHI's Materiality Issues	P9
Helping to Solve Social Issues	P12
Governance	
Corporate Governance	P19
Compliance	P24
Risk Management	P28
Environment	
Environmental Management	P35
Promote Group Environmental Management	P40
Reduce the Environmental Impact of Products and Services	P43
Reduce the Environmental Impact of Our Business Activities	P45
Social	
Offering Maximized Value to Customers	P51
Together with Shareholders and Investors	P54
Together with Business Partners	P56
Together with Local Communities	P60
Together with Employees	P63
Performance Objectives	P76
GRI Standards Content Index	P81

About IHI SUSTAINABILITY REPORT 2018

Editorial Policy

The basic concept of the IHI SUSTAINABILITY REPORT 2018 is to communicate to readers the initiatives the IHI Group is promoting in order to provide solutions to various social issues and realize a sustainable society.

In FY2018, we have issued an IHI Integrated Report 2018 summarizing both financial and non-financial information, as well as a Sustainability Report, which provides a more in-depth look at non-financial information.

The “CSR Initiatives” of our website is a source of the latest information relating to society and the IHI Group’s sustainability, and serves as a tool to provide timely, up-to-date information.

Scope of Report

IHI Corporation and its major group companies

Period

This report covers activities carried out in FY2017 (April 1, 2017 to March 31, 2018), but may also include information prior to or after this period.

Publication Date (Japanese version)

September 2018 (The previous Sustainability Report was published in December 2017)

Guidelines Referenced

Environmental Reporting Guidelines (2012 version), Ministry of the Environment

Global Reporting Initiative Sustainability Reporting Standards

Disclaimer

This report contains facts, both past and present, as well as forward-looking plans and projections based on our business plans and policies in effect as of the date of this report. These forward-looking plans and projections, which are based on assumptions and decisions made as of the date of this report, are subject to change and may be materially different as a result of actual business or changes in company terms, conditions or policies.

Message from the President



We will resolve social issues and materialize a sustainable economy.

IHI Corporation President and Chief Executive Officer
Tsugio Mitsuoka

The sustainability of society and businesses has returned to the spotlight among stakeholders, who increasingly demand growth based on long-term perspectives. Many companies maintain strong environment, social, and governance (ESG) commitments. It is also worth noting that even the United Nations adopted Sustainable Development Goals (SDGs). Such developments illustrate the importance of the public and private sectors partnering to overcome social issues and ensuring that this planet is permanently habitable.

The IHI Group will strengthen ESG efforts as business underpinnings. We also look to our products and services to contribute to economic sustainability by resolving social issues that are the subject of Sustainable Development Goals. We will additionally contribute to conserving energy and lowering environmental impact by supplying products and services that increase manufacturing efficiency for customers. The need for products that lead to low-carbon emissions or decarbonization will increase in the years ahead. The Carbon-Free Energy Project unit, which Corporate Research & Development launched, exemplifies our dedication to resolve social issues through intensive technological development. We consider it essential to improve corporate value by embracing diversity. We will step up efforts groupwide to enhance our employment systems and corporate culture to enable diverse people to reach their potential regardless of gender, race, nationality, disabilities, age, or sexual orientation.

We also believe that the diverse talents of individuals are important for us to flexibly address changes in the business climate. We will transfer personnel among Group companies so younger employees can become more experienced.

■ Message from the President

We strengthened governance in fiscal 2018 by amending agenda criteria so the Board of Directors can better deliberate on important matters and monitor management. Another key improvement was to require from the end of June 2018 that outside members constitute one-third of the Board of Directors. Having our management incorporate the views of external directors with diverse backgrounds enables us to create a transparent business structure by strengthening domestic and overseas governance and risk management.

The notion of using SDGs to resolve social issues through business is consistent with our corporate philosophy, which is to contribute to the development of society through technology. We believe that striving to resolve such issues unleashes new innovation and business opportunities, and will pursue progress in that regard.

Business and CSR

Company Concept	6
IHI's Materiality Issues	9
Helping to Solve Social Issues	12

Company Concept

Corporate Philosophy and Group Vision

IHI's primary objective is to be a good corporate citizen that develops together with society and fulfills its social mission in accordance with the IHI group vision and corporate philosophies.

Corporate Philosophy

Contribute to the development of society through technology
Human resources are our single most valuable asset

Group Vision -IHI Group Aims-

The IHI Group seeks to solve the various environmental, industrial, social, and energy related problems of the 21st century, through using engineering expertise to focus on "Monozukuri" technology. In striving towards these goals, IHI is becoming a global enterprise offering the safety and security for the benefit of both the environment and humanity.

"Monozukuri" Technology means the technology used to improve the competitiveness of products and services offered, by strengthening the capabilities required in development, design, supply, manufacture and construction.

VISION

<https://www.ihl.co.jp/en/company/policy/vision/>

Group Management Policies

Under the Group Management Policies 2016 set out this year, we are striving to strengthen our earnings foundations for sustainable growth and enhanced corporate value.

Grow sustainably and enhance corporate value



Reform corporate culture

Reform quality and business systems to reinforce manufacturing capabilities

Group Management Policies 2016

Concentration and selection through new portfolio management

Boost profitability by reinforcing project implementation structure

Employ common Group functions to transform business model

Management targets

Targets	Targets (Fiscal 2018)	Attainment targets (Fiscal 2020)
Operating margin	7%	8%
ROIC*	10%	—
Debt-to-equity ratio	0.7 x or less	—

* ROIC (Return On Invested Capital) = (operating income + interest and dividend income) after tax ÷ (owners' equity + interest-bearing debt)

* Assumed exchange rate: 115 yen/USD

CSR Management

Basic Code of Conduct

IHI believes that meeting society's expectations is one of its basic corporate social responsibilities (CSR).

In accordance with this belief, the company's Basic Code of Conduct compiles the necessary practices IHI is obliged

to carry out. A guide to the Basic Code of Conduct has been translated into 18 languages other than Japanese to ensure that all IHI employees understand and follow these practices in their work.

Basic Code of Conduct

We at the IHI Group are committed to implementing what is necessary to meet the expectations and gain the trust of not only our customers, business partners, shareholders and colleagues, but also the local and international communities, while keeping an awareness of global issues. By doing so, we aim to enhance our existential value as we move forward into the future and realize our Group's management principles of "Contribute to the development of society through technology" and "Human resources are our single most valuable asset."

Fundamental and Universal Principles of the Entire IHI Group

Respect for the rule of law and ethical conduct

We strictly observe laws and ordinances based on a clear understanding of their meaning. We also act sincerely and fairly and in accordance with high ethical standards so that we do not violate social rules or international norms.

Respect for human rights

We fully recognize the importance of, and always strive to respect, human rights during our business activities.

Promotion of mutual understanding

In order to promote mutual understanding with those around us, we strive to disseminate information on our business activities, explain the effects of these activities on the surrounding environment, and engage in an exchange of opinions with our broader communities on a daily basis.

Responsibilities toward People, Society, and the Environment

Responsibilities toward people connected with the IHI Group via our products and services

- 1 We establish relationships of mutual trust with the people with whom we are involved in the course of our business, help solve social issues in a variety of fields by using our abilities to the utmost, and develop and provide products and services to assure more comfortable lives for people around the world.
- 2 We pay full attention to the safety of the products and services we develop and provide and constantly strive to raise the quality level of our products and services by confirming whether they satisfy customers and users.
- 3 We deal appropriately with other parties in our business transactions and seek profit fairly, while at the same time we strive to establish fair and mutually-productive relationships with our customers and business partners.

Responsibilities towards those with whom we work

We strive to respect mutually the character and individuality of

all people with whom we work and maintain a safe, supportive, and comfortable environment in which we can work easily

Responsibilities toward local and international communities

- 1 With an awareness that each one of us is a member of society, we actively take part in initiatives to solve the problems faced by society.
- 2 No matter the region of the world where we conduct our business, we understand the value of the culture unique to each region and strive to meet the expectations of people living there.
- 3 We take a resolute attitude against organizations and forces that threaten social order and safety.

Responsibilities toward the global environment

Based on our recognition that the global environment provides the foundation for the existence of all societies and cultures, we take care so as not harm that which also will be needed by future generations and strive to protect, and reduce the burdens on, the global environment, not only in the course of our provision of products and services but also in all other aspects of our business activities.

Roles and Responsibilities of Senior Management

Roles of Senior Management

- 1 Senior Management recognizes that their role is to ensure the realization of this Code of Conduct and takes the initiative to demonstrate leadership in order to put the purposes of this Code of Conduct into practice.
- 2 Senior Management ensures that this Code of Conduct is known to all people with whom they work and constantly strives to establish, maintain, and improve effective internal systems and to enhance our corporate value.

Responsibilities of Senior Management

If a violation of this Code of Conduct occurs, Senior Management will strive to take the initiative to solve the problem, discover its cause, and prevent the recurrence of similar violations. They also will promptly disclose accurate information to society, clarify the responsibilities and scope of the authority of the persons involved, and impartially take disciplinary action even upon themselves.

Guide

https://www.ihico.jp/csr/english/governance/pdf/code_of_contact.pdf

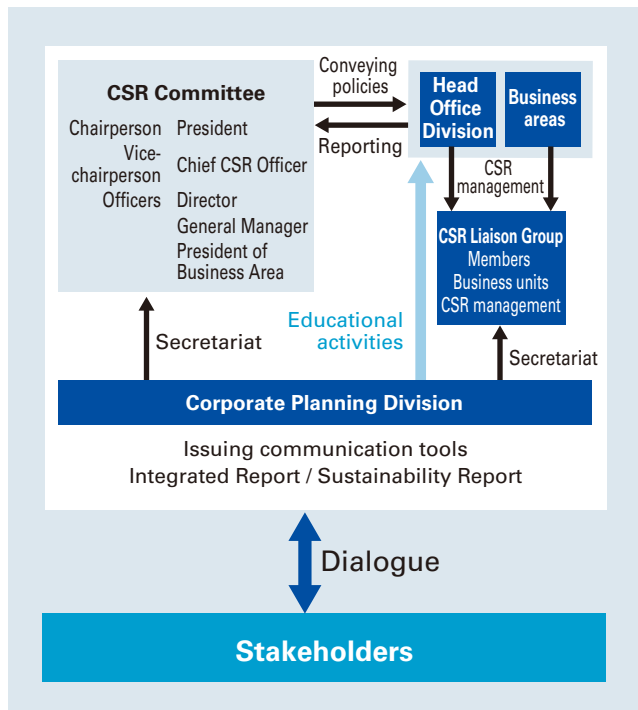
CSR Promotion System

The heart of IHI's CSR system is the CSR Committee, in which the president serves as the chairperson, the chief CSR officer serves as the vice-chairperson and divisional heads from the head office and business areas serve as officers.

The CSR Committee has met annually to enable executives to consider society's expectations and discuss basic policies and measures relating to CSR.

In FY2017 we established the CSR Liaison Meeting to create a system better able to roll out decisions made at the CSR Committee and follow up on progress in greater detail. Moreover, in April 2018, we integrated a portion of the CSR Division's functions into the Corporate Planning Division, positioned ESG (environment, society, governance) initiatives as materiality issues and made other revisions to the organization with the aim of realizing a sustainable society and company capable of sustainable growth.

CSR Promotion System



Dialogue with Stakeholders

The IHI Group adopts various approaches to facilitating dialogue with its stakeholders; namely, customers, suppliers, government, shareholders/investors, local communities, and employees.

Through such dialogue, we learn of the expectations society places in us and reflect these in our corporate activities.

Main Dialogue Activities with Stakeholders

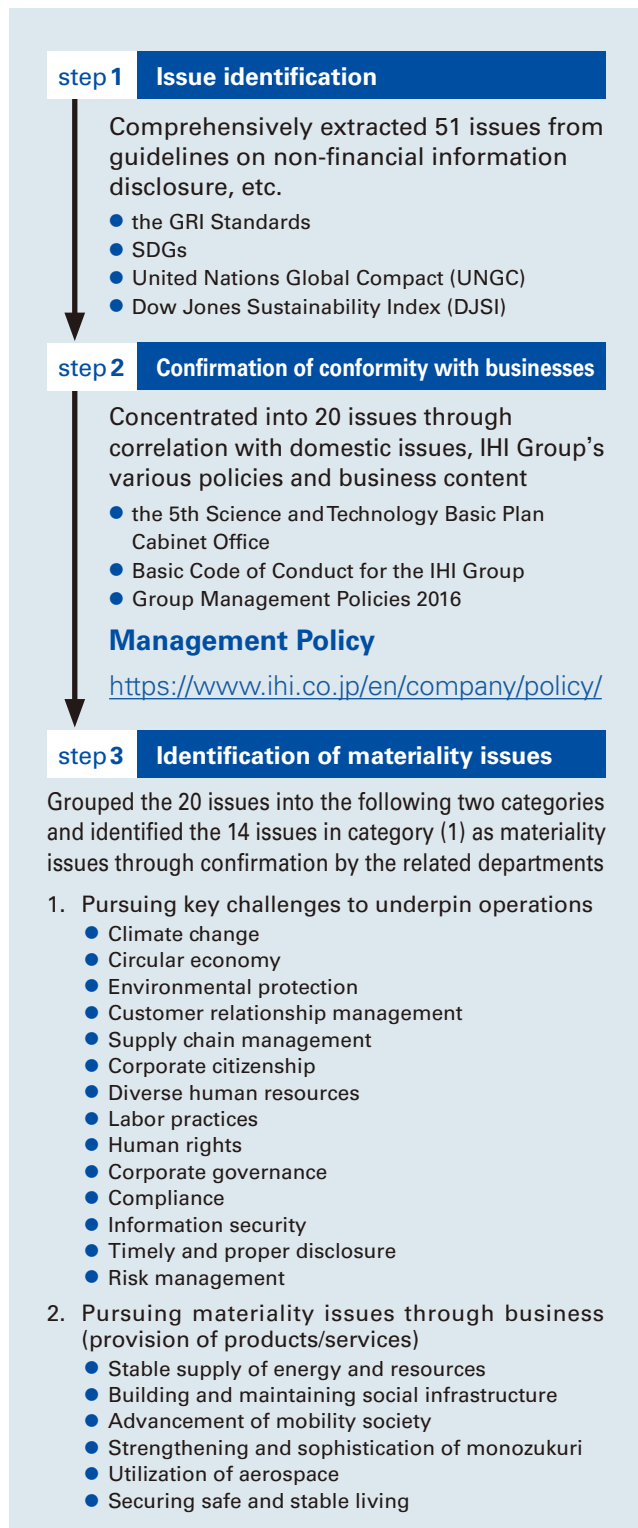
Stakeholders	Main engagements and methods
Customers	<ul style="list-style-type: none"> ● Sales activities ● Customer satisfaction surveys ● Product/service information on website ● CSR questionnaires
Suppliers	<ul style="list-style-type: none"> ● Procurement activities ● Explanation of group procurement basic policies ● Reviews of quality management systems ● Supplier award system
Government organizations	<ul style="list-style-type: none"> ● Making notification ● Receiving authorization to comply with relevant laws
Shareholders & investors	<ul style="list-style-type: none"> ● General meeting of shareholders ● Financial results briefing ● Factory tours ● Institutional investor visits
Local communities	<ul style="list-style-type: none"> ● Activities contributing to local communities, (sponsorship of traditional events, atrium concerts, etc.) ● IHI Forum
Employees	<ul style="list-style-type: none"> ● e-learning (questionnaires) ● Employee-awareness surveys

IHI's Materiality Issues

Identification of Materiality Issues

In order to meet the requests of our stakeholders, the IHI Group has identified materiality issues to be addressed with priority.

The materiality identification process



Initiatives Towards Materiality Issues

Pursuing materiality issues to underpin operations

We separated the 14 materiality issues underpinning operations into the categories of environment, social and governance.

To date, we have disclosed non-financial summary (P78) in relation to our ESG initiatives. Moving forward, we will incorporate initiatives to date and set initiative targets for the newly identified materiality issues, then promote ESG management accordingly.

Pursuing materiality issues to underpin operations

Environment – Reduce environmental impact –	
Climate change.....	P45
Circular economy.....	P46
Environmental protection	P48
Society – Materialize an affluent society –	
Customer relationship management	P51
Supply chain management	P56
Corporate citizenship.....	P60
Diverse human resources.....	P67
Labor practices	P71
Human rights.....	P56 , P66
Governance – Principled corporate management –	
Corporate governance	P19
Compliance.....	P24
Information security.....	P32
Timely and proper disclosure.....	P53 , P54
Risk management.....	P28

Pursuing materiality issues through business

As described on the previous page, the IHI Group has identified six materiality issues that we will address through the provision of products and services.

Apart from these, the individual themes of the “Environment” issue underpinning our operations are essential elements of providing technologies and services. The below table shows

the relationship between the environment and other newly identified materiality issues with the social challenges and activities we have focused on to date.

The IHI Group will continue efforts to find solutions for social issues through business.

Pursuing materiality issues through business – the relationship between newly identified issues and initiatives to date

Newly identified materiality issues	Way of thinking and activities to date	
	Efforts	Priority Activities
<p>Environment – Reduce environmental impact –</p> <ul style="list-style-type: none"> ● Climate change ● Circular economy ● Environmental protection <p>The individual themes of the “Environment” issue to be addressed as underpinning our operations are positioned as issues to be pursued through business (providing products and services).</p>	<p>Realize low-carbon societies and reduce environmental burdens</p>  <ul style="list-style-type: none"> ● Addressing environmental issues ● Providing environmentally-friendly products and services 	<p>Energy conservation</p> <ul style="list-style-type: none"> ● Increase energy efficiency ● Control and reduce use of natural resources (fuels) <p>GHG reduction</p> <ul style="list-style-type: none"> ● Control and reduce greenhouse gas emissions, including CO₂ <p>Resource conservation (excluding fuels)</p> <ul style="list-style-type: none"> ● Control and reduce consumption of natural resources <p>Environmental risk reduction</p> <ul style="list-style-type: none"> ● Expand anti-pollution measures (seven types of pollution) ● Prevent chemicals in products from being released into the atmosphere <p>Biodiversity protection</p> <ul style="list-style-type: none"> ● Protect native species
<ul style="list-style-type: none"> ● Stable supply of energy and resources 	<p>Provide stable energy supplies</p>  <ul style="list-style-type: none"> ● Providing products and technologies that transform diverse energy sources into electricity 	<p>Respond to increasing electric power demand (power generation)</p> <ul style="list-style-type: none"> ● Improve efficiency of existing energy-generating technology <p>New energy development (LNG and renewable energy)</p> <ul style="list-style-type: none"> ● New energy development · Resources & energy · Develop energy-generating technologies
<ul style="list-style-type: none"> ● Building and maintaining social infrastructure ● Advancement of mobility society ● Strengthening and sophistication of monozukuri ● Utilization of aerospace 	<p>Respond to industrialization, advancement and urbanization in society</p>  <ul style="list-style-type: none"> ● Enhance urban functions ● Provide products and technologies that contribute to a safer society ● Increase industrial productivity ● Create and enhance manufacturing processes 	<p>Develop infrastructure for urbanization</p> <ul style="list-style-type: none"> ● Land conservation and create new urban functions <p>Upgrade existing infrastructure to increase lifespan</p> <ul style="list-style-type: none"> ● Improve disaster prevention measures, land conservation and accessibility ● Reduce public expenses <p>Respond to increased movement of people and goods Develop and enhance transportation systems</p> <ul style="list-style-type: none"> ● Expand mobility <p>Respond to evolution of industrialization and changes in industrial structure Further develop industrial and chemical technologies</p> <ul style="list-style-type: none"> ● Improve manufacturing process, develop new technologies and labor-saving innovation, conduct research into advanced technologies
<ul style="list-style-type: none"> ● Securing safe and stable living 	<p>Develop medical, food and water solutions</p>  <ul style="list-style-type: none"> ● Providing products and technologies that help address issues relating to medical care, food and water 	<p>Medical care</p> <ul style="list-style-type: none"> ● Expand delivery of medical care <p>Food supply</p> <ul style="list-style-type: none"> ● Increase food production efficiency in agricultural and fishery sectors <p>Water supply</p> <ul style="list-style-type: none"> ● Increase water-use efficiency ● Develop water resources

Initiatives targeting Sustainable Development Goals (SDGs)

Sustainable Development Goals (SDGs) were adopted by the United Nations in 2015. The IHI Group believes that one of society's expectations is for companies to contribute to the achievement of these SDGs, therefore we identified materiality issues with consideration to each of the SDG targets. With the aim of creating a sustainable society, IHI will contribute to the achievement of the SDGs through our business.



Helping to Solve Social Issues

Through Business

Resources, Energy & Environment

Topics

Building energy infrastructures to support the economic growth of emerging nations

— Concluding a contract to construct a gas-fired combined cycle power plant for Mozambique’s state-run power company —

Building a 100-megawatt facility

IHI and Sumitomo Corporation entered into an agreement with Electricidade de Moçambique to construct a gas-fired combined cycle power plant in Temane, Inembanne Province. Gas-based facilities will likely become the Republic of Mozambique’s prime source of electricity in the years ahead. The new facility will be the nation’s second such setup after one in Maputo, the capital.



Computer illustration of power station in Mozambique

Electric power infrastructure development vital to sustaining Africa’s ongoing economic growth

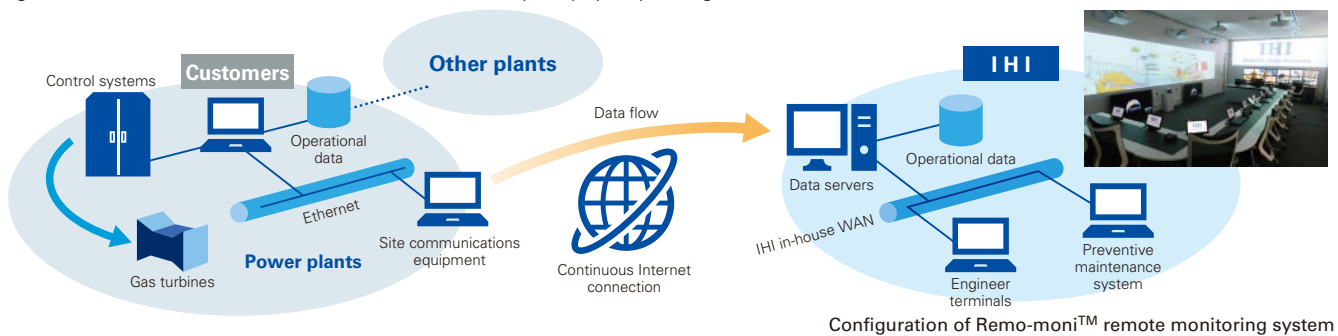
Mozambique is part of sub-Saharan Africa, which is generating economic growth of around 4% annually. The power infrastructure is inadequate, however, constraining growth. We seek to help improve the regional power infrastructure and enjoy mutual progress by deploying our world-leading power turbine technology there.

Our IHI Global Monitoring and Technical Service Center assists plants around the clock

Energy supply infrastructure must operate stably, and it is important for customers that this also be at minimal cost. We monitor plants worldwide around the clock through at our IHI Global Monitoring and Technical Service Center. We work to prevent failures if detecting anomalies and quickly restore operations if problems occur. Together with regular maintenance and day-to-day operation support services, we will continue to provide support throughout the life cycle.

IHI Global Monitoring and Technical Service Center at IHI headquarters

This unit monitors the operations of plants in Japan and abroad around the clock and is a vehicle for sharing information between headquarters engineers and domestic and overseas maintenance sites promptly responding to issues.



Configuration of Remo-moni™ remote monitoring system

We will help materialize SDGs by providing products and services.

- 7** AFFORDABLE AND CLEAN ENERGY
- 9** INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11** SUSTAINABLE CITIES AND COMMUNITIES

Social Infrastructure & Offshore Facilities

Topics

Working with partners to deliver Japanese technology to the world

— Construction order for Mumbai Trans Harbour Link —

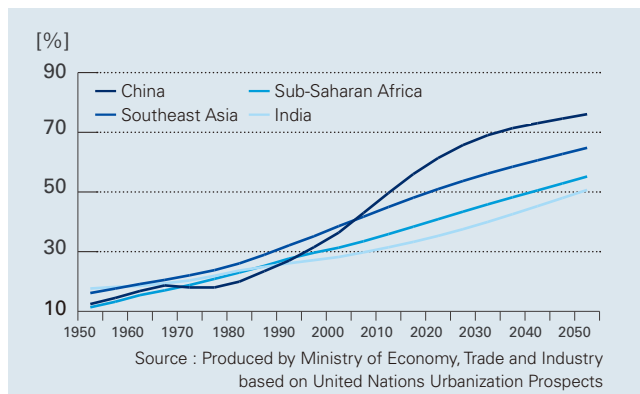
Demand rising for infrastructure development in fast-growing emerging economies

China, Southeast Asia, India, Africa, and other emerging markets are experiencing swift economic development. Urbanization will likely accelerate in the years ahead, inevitably generating demand for large infrastructural development. To date, we have constructed the Nhat Tan Bridge in Vietnam and the Osman Gazi Bridge in Turkey. We plan to keep participating in infrastructure development in emerging markets.

Forming consortiums that harness our strengths

In emerging markets, we have formed partnerships with firms that are familiar with local business norms, rules, and supply chain conditions. For the road bridge order from the Mumbai Metropolitan Region Development Authority, we teamed up with Larsen & Toubro Limited, India's largest general contractor.

Projected urbanization rates of key emerging markets



Emerging markets set for rapid urbanizations

Urbanizations should drive a surge in demand for social infrastructure development.

Employing advanced technological capabilities to construct 10-kilometer bridge for Mumbai Trans Harbour Link

IHI Infrastructure Systems Co., Ltd., is part of a consortium that received an order to construct a bridge for the Mumbai Trans Harbour Link, a maritime road that is around 22 kilometers long. Once completed, the road will slash travel times between the Mumbai city center and the suburb of Navi Mumbai. This will alleviate traffic congestion and cut carbon dioxide emissions. The consortium is manufacturing and transporting box girders for the bridge. Since the structure will be constantly exposed to sea breezes, we are applying a heavy corrosion-proof coating on the girders. This coating will be a first in India. Advanced Japanese technology will contribute to the safety and reliability of this infrastructure.



Computer illustration of Mumbai Trans Harbour Link

Source : Mumbai Metropolitan Region Development Authority

We will help achieve SDG goals by providing products and services.

11
SUSTAINABLE CITIES AND COMMUNITIES

13
CLIMATE ACTION

17
PARTNERSHIPS FOR THE GOALS

Industrial Systems & General-Purpose Machinery

Topics

Helping resolve logistics personnel shortages with artificial intelligence

— Jointly developing the world’s first AI-equipped depalletizing system —

Eliminating increasing labor shortages in logistics sector

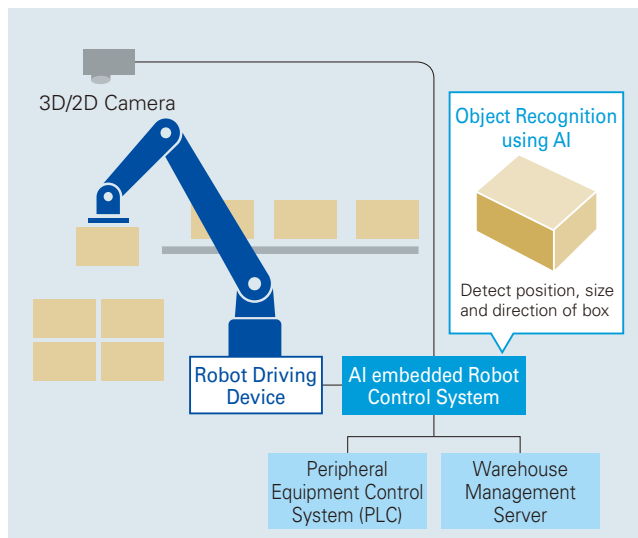
The spread of smartphones has boosted the scale of online ordering, exacerbating logistics labor shortages. It will likely become difficult to secure sufficient workers for heavy tasks. Palletizing and depalletizing loads at distribution centers will probably become more difficult, making it vital to deploy robots to overcome labor shortages.

Developed with American startup to dramatically improve processing capacity

We combined the IHI Group’s robotics control technology with the 3D vision and AI technology of Kinema Systems Inc., an American startup, to develop and commercialize the world’s first AI-equipped depalletizing system.

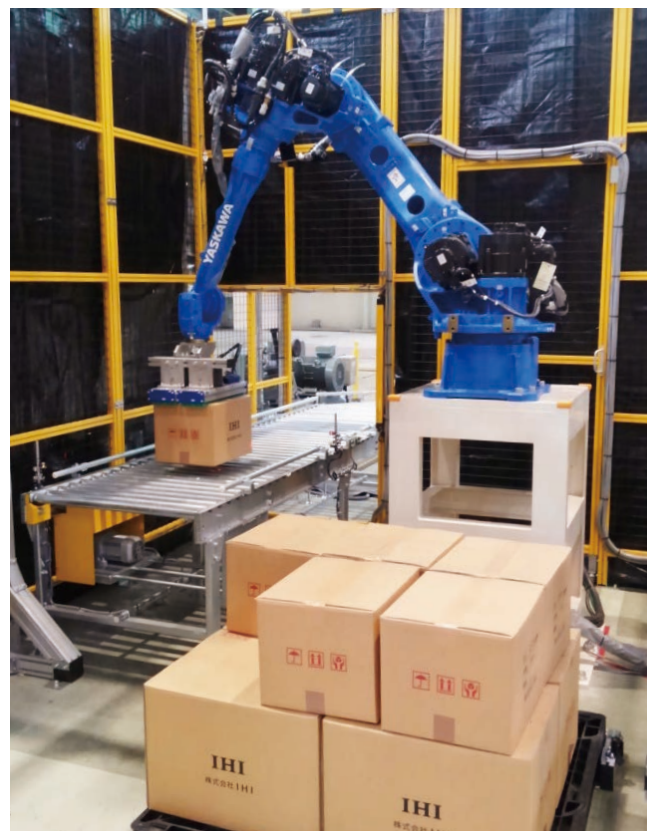
This setup employs AI-based object recognition technology to determine positions, sizes, and orientations of cardboard items. This makes it possible to unloading 450 packages and mixed pallets per hour, representing a 30% capacity improvement.

System configuration



Helping resolve social problems through partnerships

We will draw on our control and robotics technologies to work with partners that can best apply their strengths to drive logistics system and manufacturing advances and help resolve social problems.



AI-based depalletizing system

We will help achieve SDG goals by providing products and services.

- 8** DECENT WORK AND ECONOMIC GROWTH
- 9** INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 17** PARTNERSHIPS FOR THE GOALS

Aero Engine, Space & Defense

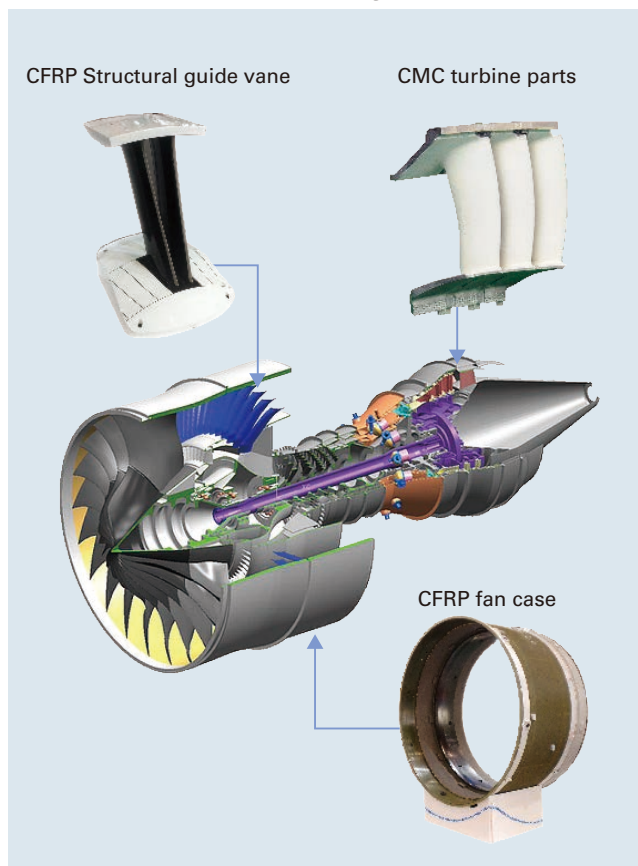
Topics

Contributing to safer, more comfortable, and affordable air transportation through proprietary advanced technology

— Developing new materials and technologies for aero engines —

Air passenger demand should remain strong worldwide in the years ahead. In the next two decades, it is estimated that roughly double the current number of aircraft will be needed. We must cultivate high-value-added manufacturing to capitalize on such market growth. We contribute to safer, more comfortable, and more affordable air transportation, and are thus working on a range of proprietary production technologies.

Cross-section of civil aero engine



Carbon fiber reinforced plastics (CFRP)

We developed techniques to employ light and strong CFRP on large fan parts that create thrust on aero engines. Such parts have been used on the advanced PW1100G-JM engine. The results are considerable weight savings, improved fuel economy, and lower noise.

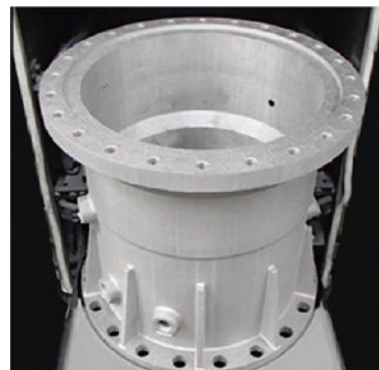
Ceramic matrix composites (CMC)

As well as lightening engine fans, which is pivotal to improving fuel economy, we are working on CMC, a light and extremely heat-resistant material, for turbine parts. With engine manufacturers worldwide making new breakthroughs, we are accelerating development with materials producers and domestic research organizations to swiftly cultivate practical uses for CMC.

Additive manufacturing (3D printer) technology

We are developing additive manufacturing, or 3D printing, technologies, which have captured considerable attention worldwide in recent years.

The advantages of 3D printers include flexible designs, low manufacturing cost for small runs, short production lead times. These printers could revolutionize parts designs and development lead times. We have already demonstrated the benefits of 3D printing for shaping large components of rocket turbo pumps, and are pushing ahead with 3D technology development to drive aerospace manufacturing innovations.



(3D-printed) rocket turbo pump component

We will help achieve SDG goals by providing products and services.



Through Technological Development

IHI Technology Strategy

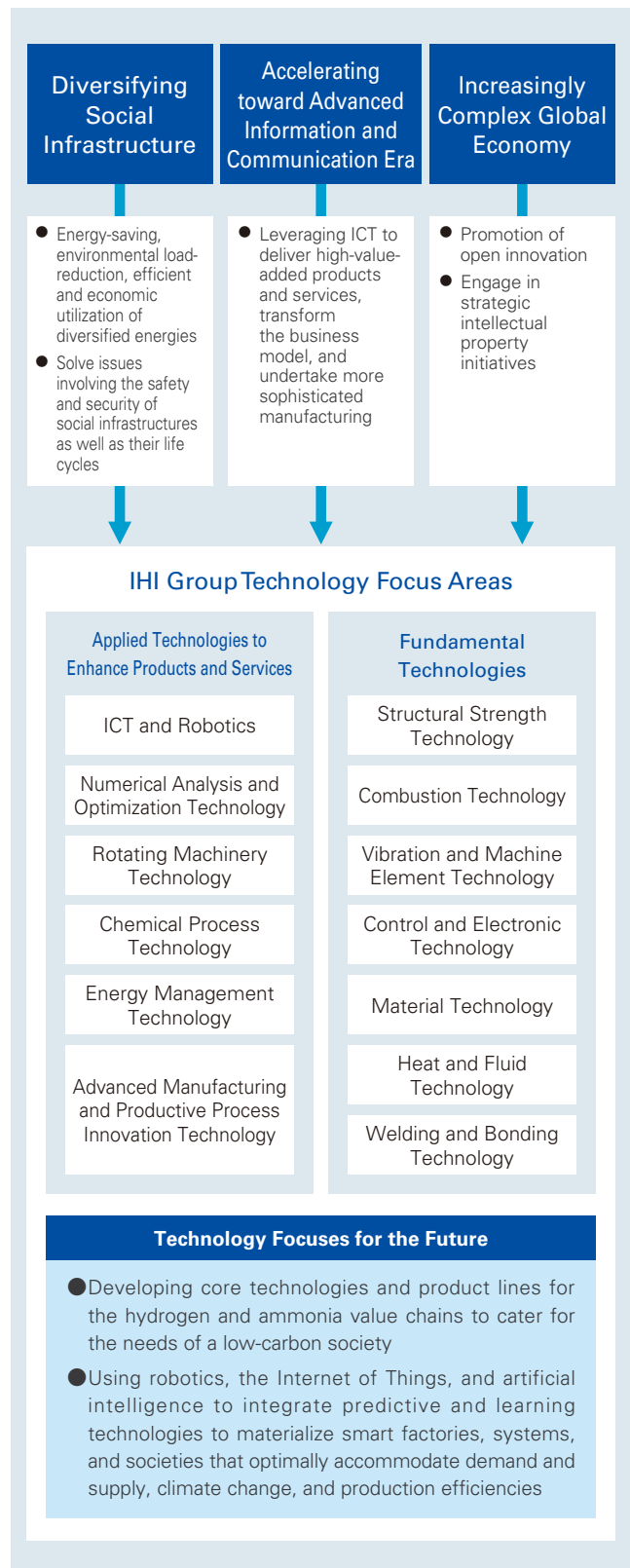
The 2016 Technology Strategy for the IHI Group sets out the shared medium to long term objectives of technological development throughout the Group. To achieve the strategy goal, “energy management” and “intelligent machinery and equipment” are nominated as the two key focusing areas for the future.

In the energy management field, it is important to develop the technology for renewable energy with minimal environmental impact, Sustainable Development Goals (SDGs). We need to find ways to reduce the environmental burden of existing energy infrastructure, while at the same time developing more environmentally friendly energy sources such as hydrogen and ammonia, algae-based biofuels, and tidal energy.

We use the term “intelligent machinery and equipment” to refer to products and services that incorporate elements of IT functionality and are able to make decisions and perform autonomously in certain respects, thus achieving a more natural form of collaboration with their human operators. This is the concept behind the “smart factory” as well as the public infrastructure of the future.

To advance technological development, we actively embrace open innovation initiatives in wider society as the basis of collaborative and cooperative approaches.

IHI Technology Strategy



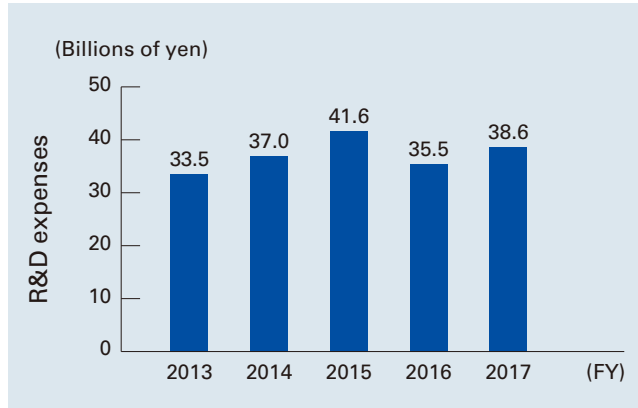
Group Technology Strategy

https://www.ihi.co.jp/en/technology/technology_policy/

R&D expenses

The below graph shows the IHI Group's R&D expenses. The outlook for FY2018 is 39 billion yen.

R&D expenses



Technology

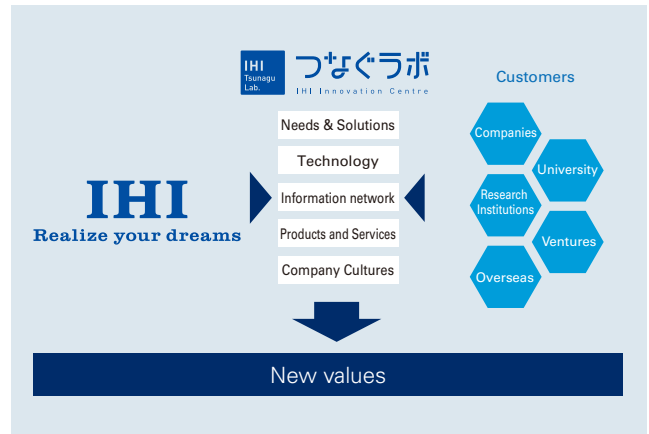
<https://www.ihl.co.jp/en/technology/>

Initiatives for Open Innovation

The IHI Group is promoting the innovation based on shared ideas to create new value with companies, universities and research institute in Japan and around the world.

We set up the IHI Innovation Lab in 2014 as a hub for fostering open innovation for the IHI Group. We pursue that goal by collaborating with enterprises, universities, and research institutions in Japan and abroad.

As well as exhibiting Group products and technologies, the facility holds seminars to match our technologies with customers. It also conducts workshops to brainstorm themes to help create new businesses. Through its activities, the IHI Tsunagu Lab fosters collaborative research with customers, creating new value through these connections.



Number of visitors	Number of technical matching seminars	Number of enterprises participating in workshops
Since 2014 10,500	Number of times in 2017 8	In fiscal 2017 50



Tsunagu Lab

<https://www.ihl.co.jp/itl/en/index.html>

Governance

Corporate Governance	19
Compliance	24
Risk Management	28

Corporate Governance

Basic Stance

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

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

Basic Policies for Enhancing Corporate Governance

The company will work to enhance its corporate governance in line with the following basic policies.

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

Corporate Governance System

IHI Corporation has an audit & supervisory board, which comprises 5 audit & supervisory board members (3 from outside) who audit the duties executed by directors.

IHI Corporation's board of directors, which consists of 12 directors (4 from outside), makes decisions related to all important matters concerning the management of IHI Corporation and its Group, in addition to supervising directors in their business execution.

In regard to outside directors, IHI appoints persons with rich experience as a corporate manager and broad knowledge, as well as persons with multifaceted experience and sophisticated specialist knowledge. Outside directors will participate in the decision-making of the board of directors from a position independent of the management team involved in operation executions, and offer advice/proposals to IHI's management.

Business Execution Framework

IHI Corporation has an executive officers system to facilitate and 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 resolution of the board of directors.

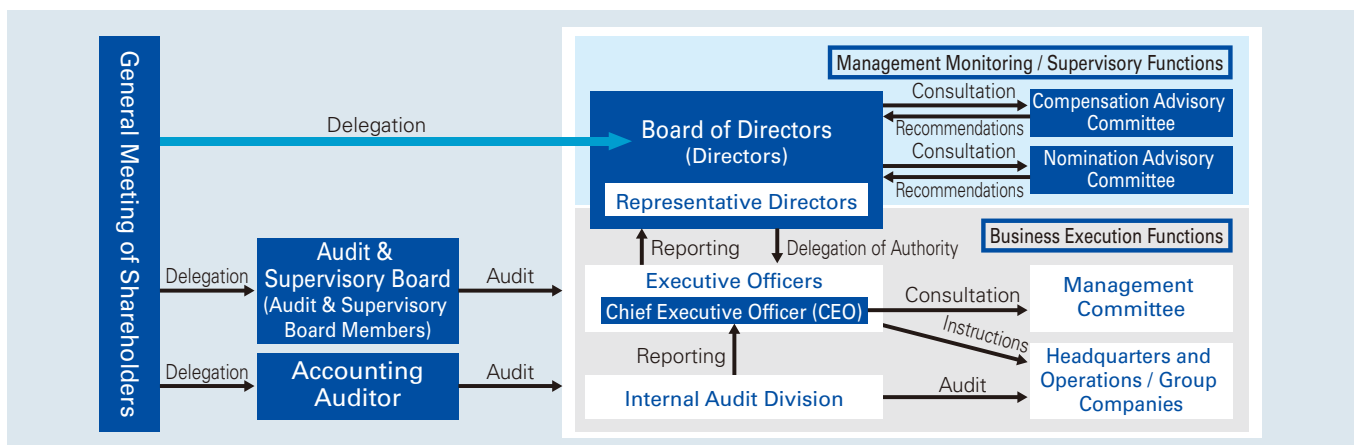
Compensation Advisory Committee

To ensure that directors and audit & supervisory board members are remunerated appropriately, the Company has the Compensation Advisory Committee, a voluntarily established body consisting of six members: three outside directors, one outside audit & supervisory board member, one director in charge of human resources, and one director in charge of finance and accounting. The chair is an outside director.

Nomination Advisory Committee

IHI Corporation established a Nomination Advisory Committee to supervise the representative director's nomination of candidates for directors and audit & supervisory board members, checking that such appointments are conducted appropriately and offering related advice. The committee has five members: President and Representative Director, and four outside directors, with the President and Representative Director serving as chair.

Corporate Governance Management Structure



Policies Relating to Appointment of Officers

The Board Directors decides on ideal attributes for officers and draws up standards of independence for outside directors and outside audit & supervisory board members. These standards are based on the requirements for independent directors/ audit & supervisory board members stipulated by the Tokyo Stock Exchange. The emphasis is to assure that outside directors and outside audit & supervisory board members are genuinely independent.

The Board Directors sets the basic policy of appointing the most appropriate officers according to ideal attributes and independence standards for outside directors and outside audit & supervisory board members. The aim is to ensure sustainable growth and increased corporate value for the IHI Group over the medium to long term.

Ideal Attributes for Officers

IHI Corporation appoints officers who are healthy in mind and body and have all of the following attributes:

- Deep understanding of, and empathy for, IHI Group's corporate philosophy and vision
- The ability to contribute to sustainable growth and medium- to long-term increases in corporate value 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 broad, global perspective and insight

Independence Standards and Qualification for Independent Outside Directors

In addition to the requirements for independent directors/ auditors stipulated by the Tokyo Stock Exchange, the Company uses the standards below to determine independence.

1. Major shareholders

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

2. Major clients, suppliers, etc.

The director should not currently serve as a director, corporate auditor, executive officer at a company with

committees, executive officer or employee of any of the Company's major clients, suppliers, etc. detailed below, nor have served as an executive director, executive officer at a company with committees, or executive officer of a major client, supplier, etc. in the past.

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

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

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

4. Accounting auditor

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

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

The director should not be assigned to a corporation with which the Company mutually exchanges directors or corporate auditors.

6. Close relatives

The director should not be the spouse or first- to second-degree relative of a director, corporate auditor, executive officer or equivalent executive-level employee of IHI.

In addition, the director should not be the spouse or first- to second-degree relative of any person* referred to in 1 through 4 above.

* If a major shareholder or a major client, supplier, etc. is a corporation, this applies only to directors, corporate auditors, executive officers at companies with committees, executive officers, or equivalent executive-level employees of the corporation in question.













In addition to the above, the Company also considers age, concurrent positions, period in office, and related matters when nominating candidates as outside directors.

Structure of the Board of Directors

When selecting directors, IHI searches for the qualities of “ample experience as a corporate manager, or a high degree of specialist knowledge, combined with broad,

global perspective and insight”. We consider the balance of knowledge, experience and capabilities, as well as the diversity of the board of directors, on the whole.

Director

Name Position at the Company	Reasons for nomination	Attendance numbers at Board of Directors meetings in fiscal 2017	Period in office	Appointments to board advisory committees	
				Compensation Advisory Committee	Nomination Advisory Committee
Tamotsu Saito Chairman of the Board	 He has led the IHI Group's management as President and Chief Executive Officer since April 2012, and since April 2016, as Chairman of the Board, he has worked to achieve further improvements in corporate governance. His abundant experience and insight as corporate manager has been utilized in the management of the IHI Group.	18 of 18	10 years and 2 months	—	—
Tsugio Mitsuoka President	 He was appointed President of Aero-Engine & Space Operations in April 2013, driving the growth of the globally developing business before becoming President and Chief Operating Officer in April 2016 and assuming the role of President and Chief Executive Officer in April 2017, in which capacity he has led the IHI Group's management. His abundant experience and insight as corporate manager has been utilized in the management of the IHI Group.	18 of 18	4 years	Member	Chairman
Hiroyuki Otani Executive Vice President	 He has accumulated a great deal of knowledge mainly in the aero-engine production and technology division. He has also been responsible for business divisions including power systems and machinery & logistics, and he has been serving as President of Resources, Energy & Environment Business Area since this April. This wide range of business management experience and insight has been utilized in the management of the IHI Group.	18 of 18	4 years	—	—
Tomoharu Shikina Director	 He has accumulated a great deal of knowledge mainly in the aero-engine technology development field, and then he was appointed President of Aero-Engine & Space Operations in April 2016. His abundant results and experience has been utilized to the growth of the IHI Group particularly in Aero Engine, Space & Defense Business Area.	18 of 18	2 years	—	—
Takeshi Yamada Director	 He has accumulated a great deal of knowledge mainly in the finance & accounting field and corporate planning division. He was appointed Deputy General Manager of Finance & Accounting Division in April 2014 and General Manager of Finance & Accounting Division in April 2017. He has shown a high level of insight into the Group's overall business management, achieving improvement in the financial condition, etc.	14 of 14	1 year	Member	—
Nobuko Mizumoto Director	 After accumulating achievements as a researcher at the IHI's technology research institute, she has served in important posts at headquarters divisions, beginning with the Headquarters relocation project. The wide range of experience and achievements she has accumulated in her career has been utilized for the growth of the IHI Group.	—	Since June 2018	—	—
Masafumi Nagano Director	 He has accumulated a great deal of knowledge mainly in the human resources division. He has also been responsible for the domestic sales headquarters and the human resources division, and subsequently responsible for the corporate planning division. His abundant experience and results has been utilized to the growth of the IHI Group particularly in Industrial Systems & General-Purpose Machinery Business Area.	—	Since June 2018	—	—
Kouichi Murakami Director	 He gained experience in the research & development of materials and overall technological management in corporate research & development division. Following this, he was in charge of the rotating machinery operations division. He was appointed General Manager of Corporate Research & Development in April 2017. This experience and high level of insight into the Group's overall technologies has been utilized to the growth of the IHI Group.	—	Since June 2018	—	—
Taketsugu Fujiwara Outside Director	 He gained extensive experience and broad insight at the Asahi Kasei Corporation, where he has implemented diversified management. These qualities have been reflected in the management of the Company, and acknowledging his proven ability to perform management oversight and monitoring functions from an independent perspective.	18 of 18	3 years	Chairman	Member
Hiroshi Kimura Outside Director	 He gained extensive experience and broad insight as a business manager who has led aggressive globalization in response to changes in business environment at the Japan Tobacco Inc. These qualities have been reflected in the management of the Company, and acknowledging his proven ability to perform management oversight and monitoring functions from an independent perspective.	16 of 18	2 years	Member	Member
Kazuhiko Ishimura Outside Director	 He gained extensive experience and broad insight at the AGC Inc. These qualities have been reflected in the management of the Company, and acknowledging his proven ability to perform management oversight and monitoring functions from an independent perspective.	14 of 14	1 year	Member	Member
Yayoi Tanaka Outside Director	 She has developed a high degree of specialist knowledge and diverse experience through her evaluation and research of non-profit organizations and through her work on various governmental committees. These qualities have been reflected in the management of the Company, and acknowledging her proven ability to perform management oversight and monitoring functions from an independent perspective.	13 of 14	1 year	—	Member

Evaluating the Board of Directors

IHI has evaluated the Board of Directors since fiscal 2015 to enhance the latter's effectiveness.

In fiscal 2017, we reformed the board in light of the assessment for the previous year, and plan to appraise the impact of measures in fiscal 2018.

Board evaluation process

- 1 External consultancy conducts anonymous questionnaire of all directors and audit & supervisory board members. Questionnaire items encompass such areas as the composition and management of the Board of Directors, risk management, and the board culture audit & supervisory board members.
- 2 External consultancy collected and analyzed questionnaire responses.
- 3 All relevant executives interviewed regarding questionnaire and response analysis.
- 4 Members of panel largely comprising outside directors exchanged views.
- 5 Results of above process summarized as board self-evaluation to identify areas for improvement.

Evaluation results Fiscal 2016

Board summary of areas for improvement in fiscal 2017

- Bolster deliberations about important matters
- Delegate more authority to business units
- Streamline board operations

Board reforms Fiscal 2017

Resolved steps for issues identified in board evaluations

- 1 **Bolster deliberations about important matters**
 - Deepened discussions about management policies and plans
 - Monitored large construction orders and monitor major investment projects
 - Reviewed approach to executive remuneration and human resources deliberations
 - Employed informal meetings (directors and auditors meeting and outside officer meetings)
- 2 **Delegate more authority to business units**
 - Lifted monetary amount criteria for board consultation

Key point

- The board will allocate time saved from delegating authority to business units and streamlining board operations to deliberating more on important matters

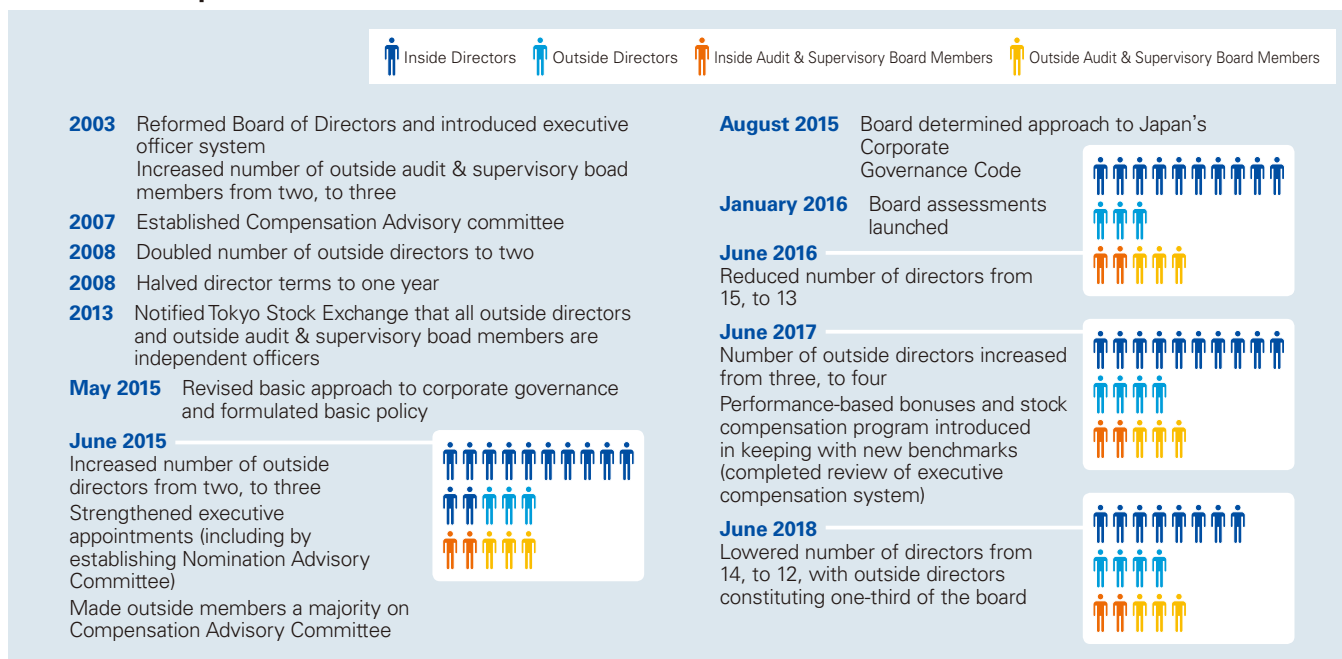
Although not covered by monetary criteria, projects incurring great risks are determined through business unit resolutions or board deliberations as reporting matters. Such projects include those for new businesses and other areas not envisaged in initial plans or those with great significance for business strategies.

- 3 **Streamline board operations**
 - Dramatically reduced business unit proposals and explanation times

Future initiatives Fiscal 2018

- Started operations from April 2018 under new appointment standards
- Bolster deliberations on important matters to drive improvements
- Will reassess effectiveness in fiscal 2018 to evaluate reform results

Governance improvement milestones



Policies and Procedures in Determining Officer Remuneration

Basic Policies

IHI will ensure the sustainable growth of the parent and Group and enhance corporate value over the medium and long terms by encouraging directors and executive officers to do their best in line with our management philosophy, Group vision, and Group management policies and motivate them to reach specific business targets.

To achieve this, in addition to fixed-base remuneration, we adopt a system of medium- and long-term incentives (performance-based share denominated remuneration), and annual incentives (performance-based bonus) linked to each fiscal year's operating performance. This aims to encourage directors and executive officers to broadly share a sense of value with stakeholders.

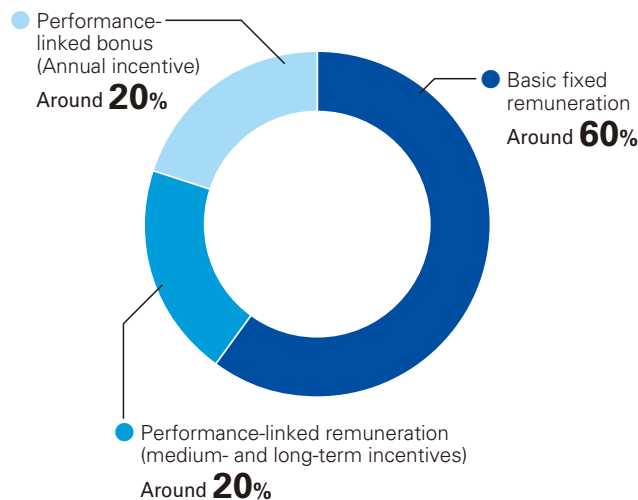
Framework of incentive remuneration and remuneration ratios

IHI Corporation regularly surveys objective market data on remuneration researched by a specialized external institution, and sets appropriate remuneration levels. Furthermore, allocated ratios of remuneration are set with consideration to IHI Corporation's business, effectiveness of incentives, etc.

Framework of incentive remuneration

Remuneration types	Key performance indicators	Fixed/variable	Compensation form
Performance-linked stock remuneration (medium- and long-term incentives)			
Assuming a performance target of 100, compensation to vary between 0 and 150 in line with performance. Performances to be assessed over three next fiscal years, with targets for the final year being set in the initial year assessed	[Indicator] Consolidated return on invested capital, a key target of Group Management Policies 2016 [Review of indicator] Consider changing in light of review of Group Management Policies	Variable	Stock and cash
Performance-linked bonus (annual incentives)			
Assuming a performance target of 100, compensation to vary between 0 and 200 in line with performance.	[Indicator] ● Consolidated profit attributable to owners of the parent company to ensure shared interests with shareholders ● Profitability emphasized under Group Management Policies 2016 (consolidated and business area operating margins) ● Individual assessment indicators for the missions of individuals [Review of indicator] Review according to business climate changes and individual roles	Variable	Cash

Image of remuneration composition of directors (internal) and executive officers



Procedures for determining remuneration

To ensure appropriateness and objectivity in determining the director and executive officer remuneration, the Compensation Advisory Committee shall examine and report on remuneration related to these individuals. The Board of Directors shall make final decisions.

Remuneration of outside directors and audit & supervisory board members

Remuneration for outside directors shall consist only of base amounts reflecting duties. Remuneration for audit & supervisory board members shall consist only of base amounts as compensation for auditing IHI Group operations. Amount shall be determined through discussions among the audit & supervisory board members.

Details of director and audit & supervisory board members remuneration in fiscal 2017

(Millions of yen)

Category	Number of people remunerated	Total remuneration by type			Total remuneration
		Basic remuneration	Performance-linked stock remuneration	Performance-linked bonuses	
Directors	17	523	135	124	784
Audit & Supervisory Board Members	7	108	-	-	108
Total	24 (9)	631 (81)	135 (-)	124 (-)	892 (81)

Note: Annual remuneration for directors is capped at 1,090 million yen, while the maximum corporate auditors is 120 million yen.

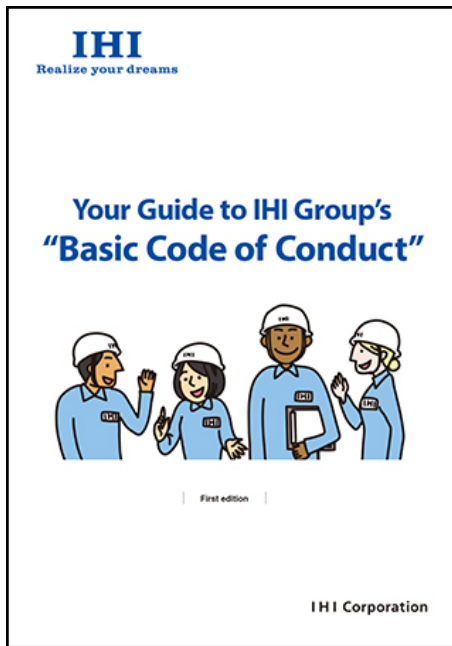
Compliance

Basic Policies

Compliance helps form the foundation for corporate activities. The following conduct is specified in the Basic Code of Conduct for IHI's group companies.

- Observing strictly all laws, company rules and other regulations
- Acting in a fair and responsible manner as businesspeople

This supports not only legal compliance but also efforts to accurately assess changing social values and demands, a necessary step in meeting society's expectations.



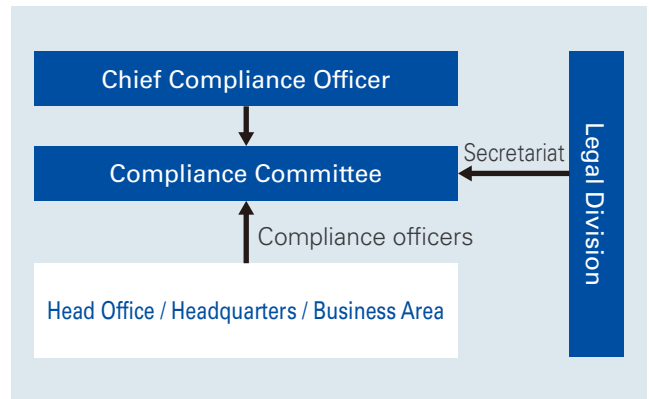
Basic Code of Conduct Guidelines

System for Implementing Compliance Activities

We established the Compliance Committee as a companywide entity that meets quarterly. The committee comprises the Chief Compliance Officer as the chairperson and Divisional Compliance Officers who serve as managers responsible for implementing policies. The committee's purpose is to discuss and establish major compliance policy and promote activities. Decisions made by the committee are rolled out to each division via members and reflected in compliance activities to suit the business type. Each compliance officer also shares information about the compliance activities in their divisions with the Compliance Committee. Activities are managed with the PDCA cycle.

As the secretariat, the Legal Department acts in accordance with policies set by the Compliance Committee to plan and implement activities and provide related guidance and support, as well as monitors the status of activities within each division.

Compliance Organizational Chart



(As of April 1, 2018)

Compliance Education

IHI conducts multifaceted training and education to improve compliance awareness. Creative approaches are taken to achieve highly effective activities, such as ensuring that training is carefully tailored to the target audience.

Officer Training

All IHI officers participate in collective compliance training. In fiscal 2017, an external lecturer provided training on creating an organizational culture that prevents compliance issues and fosters positive work environments.

Training for Line Management

IHI holds training for line managers who instruct their subordinates on a daily basis. In FY 2017, we considered keys to preventing compliance violations, the importance of fostering a corporate culture that heightens occupational self-esteem, and future management guidelines. The program has trained over 830 persons since 2006.

e-Learning

Compliance education is provided to employees in the form of e-learning based on set themes. The fiscal 2017 theme was Lesson learned from bid rigging cases, and education based on this theme was provided to IHI companies worldwide.

Compliance training results (fiscal 2017)

Target	Participants
IHI Corporation executives	50
IHI group line managers	83
e-Learning participants in Japan	18,020
e-learning participants overseas	1,261

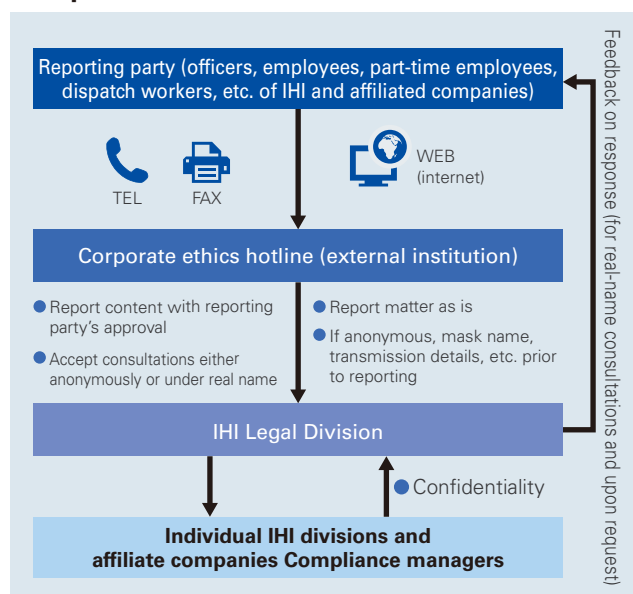
Compliance Hotline

IHI established a Compliance Hotline as an internal whistleblowing system to facilitate reporting of possible illegal, unethical or improper conduct by officers or employees of any IHI company and to prompt corporate responses to remedy any such action.

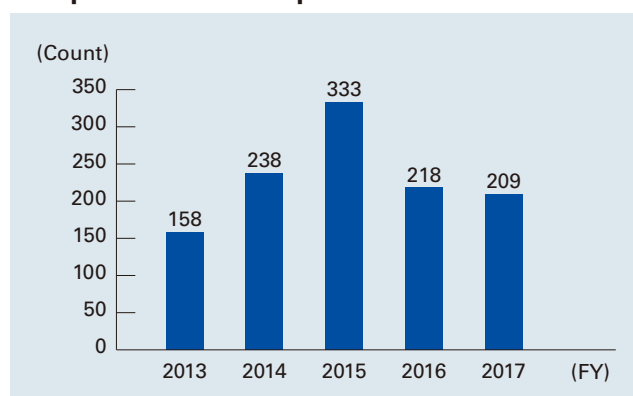
Officers and employees can directly report and consult to Corporate Ethics Hotline, an independent third-party organization without going through an ordinary reporting line. Hotline Cards explaining the system and how to use it are distributed to all officers and employees, from senior managers to temporary staffers.

The hotline extended beyond Japan to encompass the United States in FY2017. It received 209 calls during the year.

Compliance Hotline



Compliance Hotline reports



(As of March 31, 2018)

Corporate Ethics Month

In October, the designated month for improving corporate ethics, IHI's president and CEO sent a message to officers and employees of the IHI Group regarding corporate ethics.

In 2017, the message asked all members to do their best to conduct themselves remembering the fundamental stances of "obeying rules" and "acting with sincerity." This was a good opportunity to acknowledge the importance of corporate ethics initiatives.

Also during October, we asked for submissions of compliance-themed senryu (Japanese short poem), which helped each employee reflect on their workplace and their own conduct.

Plans for FY2018

In FY2018, IHI's compliance activity policy will focus on the below three priority areas.

(1) Strengthening of global systems

Strengthen collaboration with overseas affiliates and build "systems" to appraise the activity status of each company

(2) Enhancement of training for employees in key positions

The attitudes and actions of employees in key positions strongly impact the workplace. Training will aim to participants of their roles, responsibilities and way they should be.

(3) Voluntary inspections/hearings

Conduct regular workplace voluntary inspections and hearings to assess the status of work tasks and swiftly/appropriately solve any problems that may be detected.

The Legal Department shares information with each division via the Compliance Committee and rolls this out to the entire IHI Group. Furthermore, we are continuing our efforts to establish an internal whistleblowing overseas also.

Compliance Initiatives

With increasing globalization and borderless implications of corporate actions, fair international competition in terms of price and quality has become increasing necessary to secure commercial opportunities. There is a growing international awareness that corrupt acts such as illegal payoffs must be stamped out.

Against a backdrop of regional conflicts and terrorist attacks around the globe, export controls have never been more important. In response to this environment, IHI has focused on compliance with competition law, anti-corruption law and the IHI's own compliance measures for export control.

Competition Law Compliance

In addition to training employees on Japan's Antimonopoly Act, the U.S. Sherman Antitrust Act and the EU Competition Law, IHI is working to make its bidding process for public works projects more transparent.

No fair trade law violation occurred during FY2016.

Anti-corruption Law Compliance

IHI regularly trains its employees regarding of the U.S. Foreign Corrupt Practices Act (FCPA), the U.K. 2010 Bribery Act and Japan's Unfair Competition Prevention Act. In addition, risk is monitored at both domestic and overseas sales offices throughout the IHI. Currently, IHI implements two sets of internal regulations concerning anti-corruption: a Basic Policy that reflects IHI's commitment to prevent corruption, and Operational Guidelines that set out specific procedures and concrete examples.

No anti-corruption law violation occurred during FY2016.

Initiatives for legal compliance and the number of law violations (FY2017)

	Initiatives for legal compliance	No. of law violations
Competition law	<ul style="list-style-type: none"> Competition law compliance training for Japan/overseas bases Operation of company rules/regulations 	0
Anti-corruption law	<ul style="list-style-type: none"> Awareness-raising/training to prevent corruptive practices Monitoring of law violation risk at both Japan/overseas sales bases Operation of company rules/regulations 	0

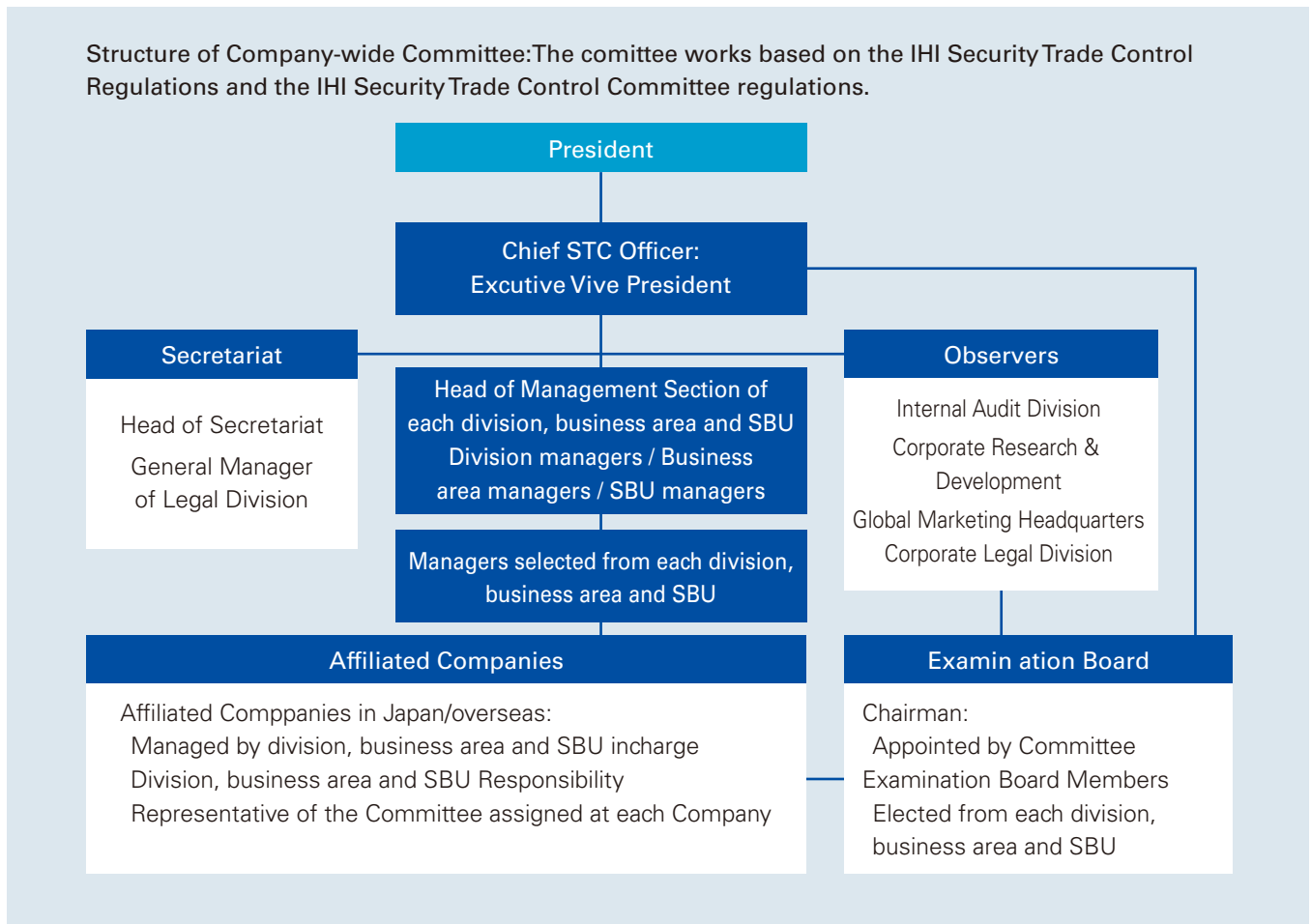
Export Control Compliance

To manage export control, IHI has internal regulations and an Export Control Committee to ensure compliance with Japan’s Foreign Exchange and Foreign Trade Act and related risk-management requirements.

The committee is comprised of a chairman (representative director), secretariat (Legal Division), members (people in roles of responsibility selected from each division,

business area and SBU), and examiners. In the case of international transactions, the committee is responsible for internal screening, self-audits, monitoring, information sharing and raising awareness of related regulations.

Going forward, IHI will continue to improve its quality management by addressing needs and challenges identified through self-auditing.



Topics in 2017

In 2017, IHI continued the previous years’ initiatives aimed at overseas bases in training and awareness-raising activities concerning compliance with competition law and prevention of bribery, including the organization of training sessions for affiliates in the U.S., Vietnam and Indonesia.

Plans in FY2018

IHI will continue providing education to ensure that employees comply with all laws and rules related to competition, anti-bribery and export controls.

Risk Management

Basic Policies for Risk Management

IHI group recognizes risk management as a top business priority and strives to strengthen it.

The basic approach to risk management entails making business continuity plans, ensuring the safety of employees and their families, conserving corporate resources and retaining society’s trust. IHI manages risk based on its Basic Code of Conduct, adhering to the following action guidelines:

1. Ensure the continuity of the IHI Group’s business operations
2. Improve the public reputation of the IHI Group
3. Protect the IHI Group’s managerial resources
4. Avoid jeopardizing stakeholders’ interests
5. Achieve prompt recovery from damage
6. Take responsible action when risk event occurs
7. Meet social request regarding risks

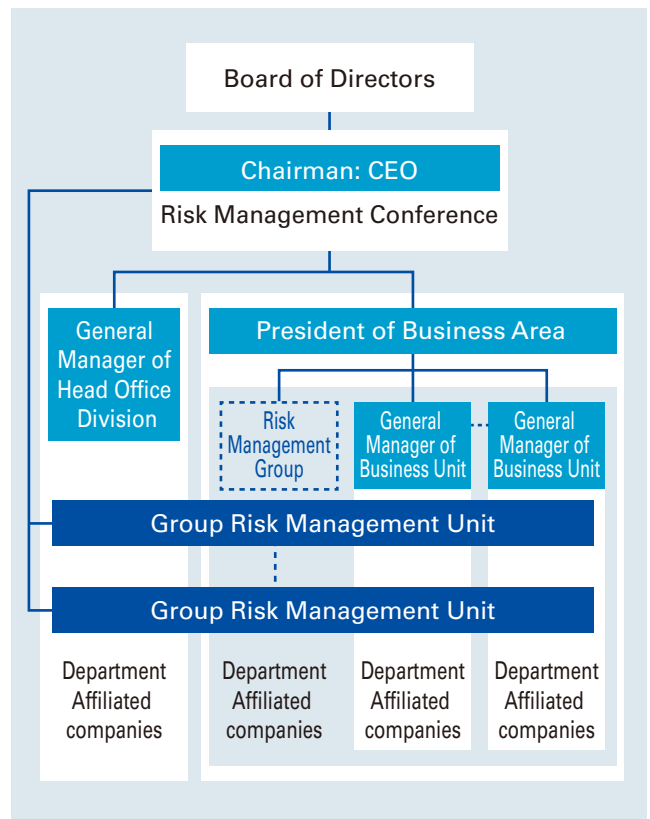
Risk Management System

We established the Risk Management Conference under the leadership of the CEO. The Conference assesses key general risk management matters, and considers policies, annual plans, corrective measures, and other important matters.

We formulated the IHI Group Key Risk Management Policies. All parent units and Group companies in Japan and abroad independently pursue risk management in keeping with those policies.

Regarding commonly existing risks in the IHI Group, the Group Risk Management Units, which comprise parent divisions, take responsibility for supporting each group units, as well as monitoring the implementation of the rules and developing effective risk management measures. The Internal Audit Division assesses Group risk management structure deployments and progress to ensure their suitability.

Risk Management System



As of April 1, 2018

Risk Management Activity

Reform quality and operational systems

One priority under Group Management Policies 2016 is to reform our quality and business systems to reinforce our manufacturing capabilities. Our efforts in this respect include reviewing engineering, production, and other business systems while accordingly rebuilding our quality management systems and strengthening our framework for guaranteeing the quality of our products and services. Initiatives include educating engineers and technicians about quality, and enlightening directors, managers, and employees about compliance. As well as informing about quality, we provide opportunities to better understand customer needs and the importance of complying with relevant legislation and regulations, fostering a corporate culture that is conducive to proper business practices. Internal audits have confirmed that our quality management system is functioning properly. We aim to involve people outside the Audit & Supervisory Board in such checks to enhance monitoring.

In November 2017, we conducted an internal survey about quality, confirming the results of our initiatives in that regard.

We will continue to improve our quality assurance process ensuring close engagement with customers and workplaces.

Key Policies for Risk Management in FY2018

The earnings forecasts of IHI group were revised downward in fiscal 2017 due to deteriorations of affiliate performances. Furthermore, the Group was unable to achieve zero accident for the year. We will thus prioritize the following initiatives in fiscal 2018.

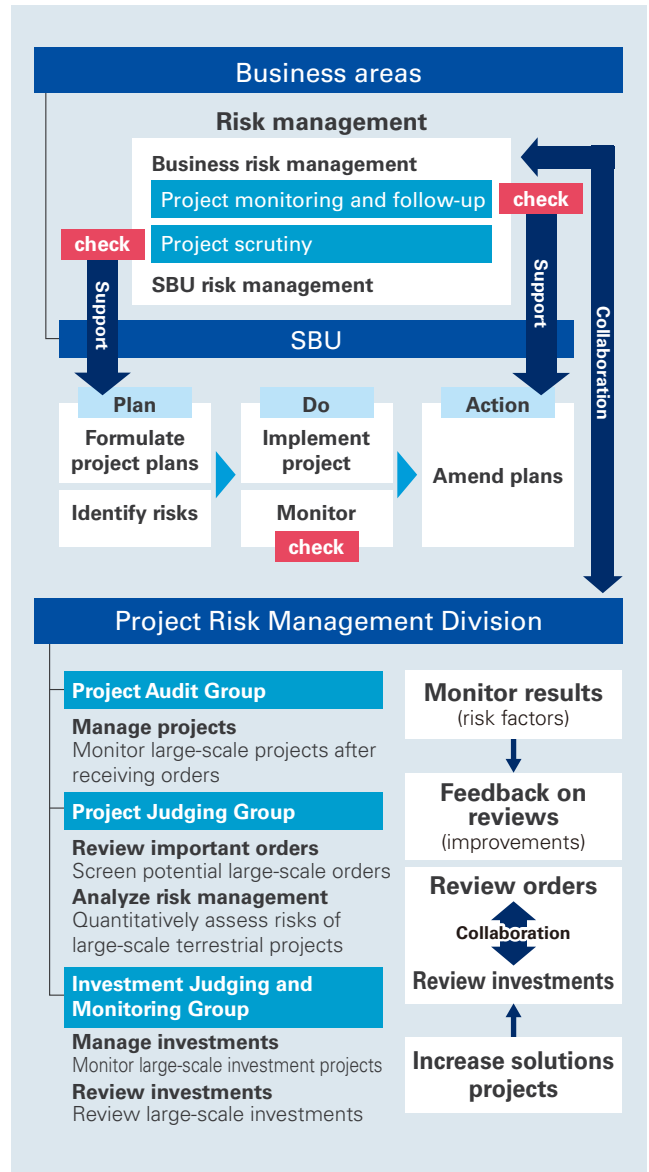
1. Enhance safety management
2. Shift to robust project implementation and risk management system
3. Reform quality and operational systems
4. Improve productivity and eliminate long working hours by reforming work practices
5. Respond to changes in business and competitive environment
6. Ensure appropriateness of large-scale investments
7. Respond to risks in execution of global strategies
8. Strengthen compliance
9. Prevent leaks in trade secrets, personal information and key technologies
10. Ensure information security
11. Comply with environmental laws and regulations, and undertake environmental management
12. Prevent disasters and accidents
13. Maintain and enhance stakeholder trust
14. Promote diversity
15. Prevent harassment
16. Promote human rights education and awareness activities

Risk Management in Terms of Project Implementation

Project risk management system

After recording significant losses in large-scale projects between FY2014 and FY2016, IHI strengthened its risk management system by establishing the Project Risk Management Division in April 2017. This division analyzes the potential risks of large-scale projects and investments to ensure consistent and profitable implementation. The Project Risk Management Division was established by consolidating functions for pre-bid assessments and ongoing-project monitoring. The consolidation has made it possible to strengthen ongoing project monitoring with awareness of risks identified during pre-bid assessments, and then reflect lessons learned during monitoring when conducting other prebid assessments. By collaborating with other business areas, a more robust risk-management system has been established.

Project risk management organization chart



Risk management for large-scale projects

The Project Risk Management Division evaluates large-scale projects with high contract values, including construction projects subject to the percentage of completion method*, to ensure that they are being executed properly. Matters for review include project management, risk assessment criteria and the transparency of calculating estimated profitability. As of the end of FY2017, approximately 90 projects worth just under 20% of consolidated sales were being audited. Large-scale projects undertaken either in Japan or overseas are audited for:

- Adequacy of the execution system and execution plan after the order is received
- Appropriateness of the final cost estimate in view of current progress
- Transparency, appropriateness and timeliness of the estimated profitability

For projects that either are worth large amounts or are turning unprofitable, the Project Risk Management Division goes on-site to verify the state of progress and holds discussions with personnel in charge. The division strives to quickly detect and correct factors leading to declines in project profitability, as well as to support unprofitable divisions. In addition to seeking solutions to unfavorable situations, it shares feedback and works to improve the accuracy of profitability estimates for future projects.

From FY2017, we have strengthened the monitoring system with the participation of experts knowledgeable in the business area.

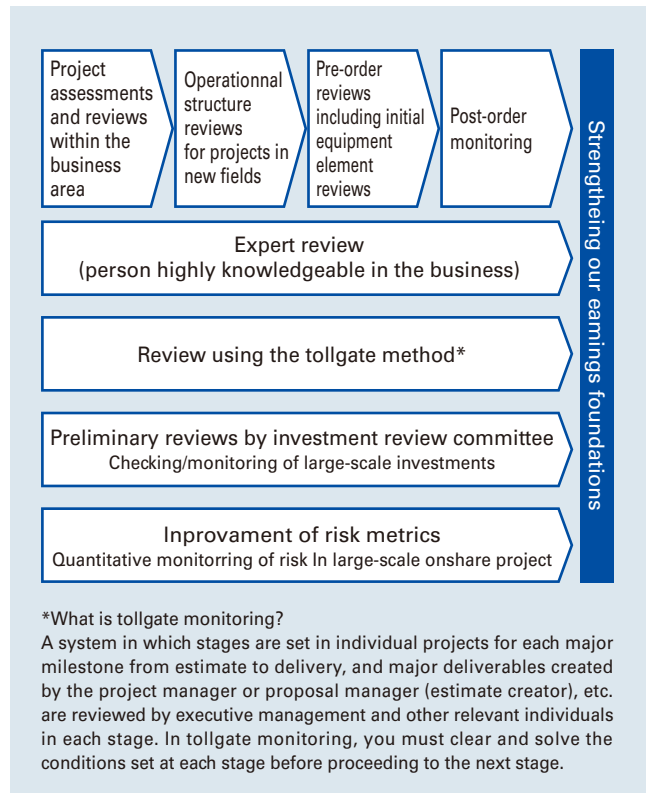
When preparing estimates for large-scale projects, a project-execution risk-screening process is implemented to verify execution systems, the validity of the execution plan and the profitability of the project. Continuous follow up is carried out to maintain profitability after any project is acquired.

To ensure both project profit/loss adequacy and timely rectification, audits and risk assessments of construction projects are done repeatedly, including locally, and efforts are made to further enhance auditing quality. Each division's activities are independently audited and evaluated. Prior to an audit, the division is notified of the items to be reviewed, and upon completion of the audit the results are communicated throughout the IHI Group. In some cases, the results are used as case studies for training purposes.

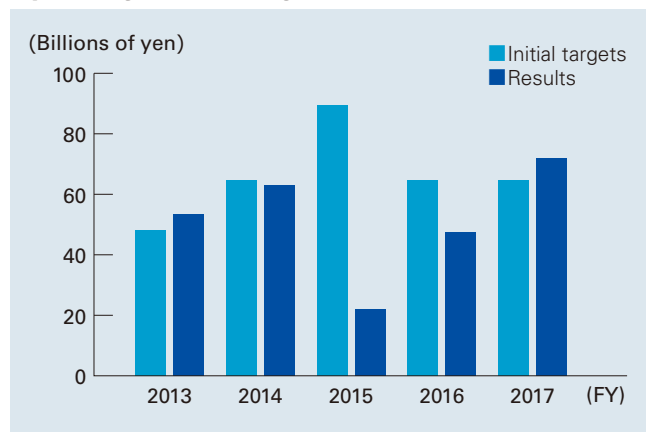
*Note: Construction projects subject to the percentage of completion method

For large-scale construction projects that span more than one accounting period, rather than recognizing revenue after construction is completed, it is recorded as a per-year amount in line with the progress of work.

Support framework for largescale projects



Operating income targets and results



Business Continuity Plans (BCP)

IHI has internal regulations requiring each office and division to prepare for serious disasters.

In May of each year, which is designated as BCP Review Month, each division reviews its own BCP to ensure that all employees are registered in the safety-confirmation system, distributes pocket-sized disaster-prevention information cards, updates the telephone-contact chain and verifies the number of emergency kits. Regular training enables IHI to check and more widely promote its BCP plan. Moreover, for emergency response drills, the hypothetical emergency is changed each time to test BCP from diverse angles.

Since FY2016, IHI has carried out activities under a new three-year disaster-prevention plan aimed at improving company resilience, with an ultimate aim to become one of the most disaster-prepared organizations in Japan. Below are details on concrete initiatives.

(1) Drills relating to business continuity

Drills participated in by the president and other management executives are held to review BCP.

(2) Liaison Committee for Disaster Prevention Managers

Through information-sharing and horizontal deployment between the Group's disaster prevention managers, IHI is promoting improvements in disaster preparedness and business continuity capabilities for the group overall, including affiliate companies.

Pocket-sized disaster-prevention card distributed to all employees



FY2018 Action Plan

In FY2018, the final year of IHI's three-year disaster-prevention plan, we will work to renew the Resilience Certification we earned in FY2016 and enhance BCP even further. In particular, we will focus on enhancing our studies to achieve business continuity with greater certainty, as well as our response during normal times which will enable us to mitigate damage in the event of an emergency.

Maintaining and Improving Information Security

Information Security Policy

IHI, under its information security policies, strives to effectively manage information while maintaining and improving information security to protect the confidentiality of its customers and business partners, as well as Company information and technical data.

IHI Information Security Policy

<https://www.ihigroup.com/en/company/policy/security/>

Information Security Measures

IHI addresses information security risks from three perspectives: rules, tools and education.

Internal rules include the Information Security Policy, Information Security Standards and Information System User Regulations.

Various security tools, including frequently updated antivirus software, are deployed e-learning sessions designed to maintain and raise security awareness are held annually. In FY2017, 98.0% of all employees participated in an e-learning program.

Computer virus infections caused by targeted e-mail attacks made headlines in 2011. Since even before then, however, IHI has been working with government agencies and specialists to institute countermeasures against attacks. As of March 2018, IHI has not reported any leaked information or related damage.

Information Security Management System

The Information Security Committee consisting of representatives from IHI's major divisions and Group companies meets quarterly to coordinate planning, operations and inspections three times a year.

Every year since FY2005, IHI has conducted an internal audit of its information security measures and provided guidance on improvements. A written survey of all 46 Group companies was conducted in FY2017, followed by interviews of seven selected companies. The audit found no major flaw in security measures.

If a serious information security event were to occur, IHI would respond in accordance with the Basic Rules on Crisis Management for the IHI Group.

Divisions and Group companies engaged in sensitive projects for the national government are subject to annual certification reviews under the ISO27001 international standard for information security management systems, which is conducted by an external organization, to maintain a high level of information security.

Topics in FY2017

In accordance with the shift to the business area - SBU system, business areas and SBU will formulate information security strategies and promote information security activities based on such strategies together with affiliate companies.

Plans in FY2018

To ensure that Group companies in Japan and abroad establish sound systems and practices for information management, they will implement PDCA activities concerning information security. Moreover, global risk countermeasures will be implemented so that the IHI Group may conduct business safely on a global level.

Protecting Intellectual Property

Basic Policies

IHI is enhancing its intellectual property (IP) activities to support business and R&D. It also manages a Group-wide IP management system. The basic principle is to protect Group IP while respecting the rights of third parties.

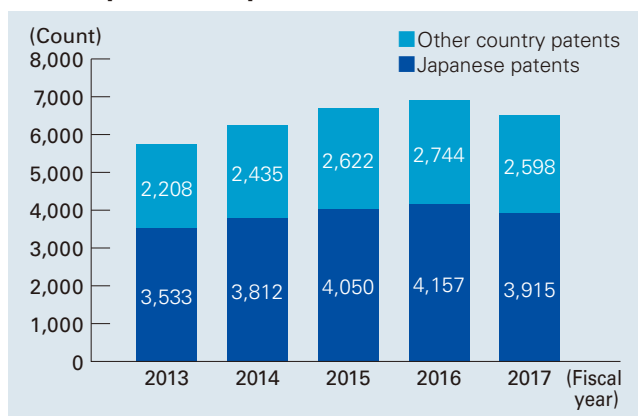
To protect its technologies and trade secrets, the company is strategically managing business and product IP through rights acquisition and confidentiality measures.

IP Protection and IP Rights of Third Parties

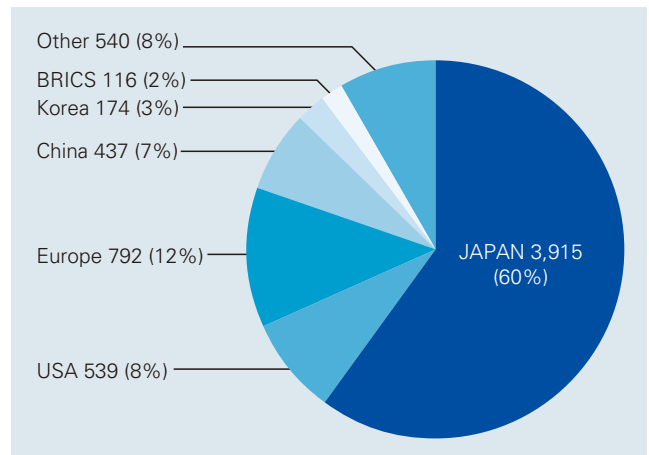
IHI files patent applications both inside and outside of Japan in line with expanding global business.

Moreover, to reduce related business risks, IHI researches patents owned by other companies and patent acquisition trends to ensure respect for third-party IP rights.

Owned patents (Japan and abroad)



Owned patents by location (FY2017)



IP Education

Employees learn about IP in their first to fifth years at IHI via e-learning. Moreover, business operation divisions and group companies impart general education covering patent audits, rights acquisition policies, copyrights, trademark naming and more. In December 2017, outside speakers were brought in to lecture on IP that effectively made the workforce more aware and knowledgeable of IP strategies.

Topics in FY2017

To strengthen earnings, one of the targets of Group Management Policies 2016, strategic activities regarding intellectual property were carried out. Also, in order to achieve the IHI Group's target of intellectual property activities promoted parallel to R&D and business activities, IP work task reforms and the necessary system-related studies were conducted.

Plans in FY2018

In FY2018, we will push ahead with IP work task reforms and IP system organization in order to build an IP foundation firmly supporting the IHI Group's R&D and business activities.

Environment

Environmental Management	35
Promote Group Environmental Management	40
Reduce the Environmental Impact of Products and Services	43
Reduce the Environmental Impact of Our Business Activities	45

Environmental Management

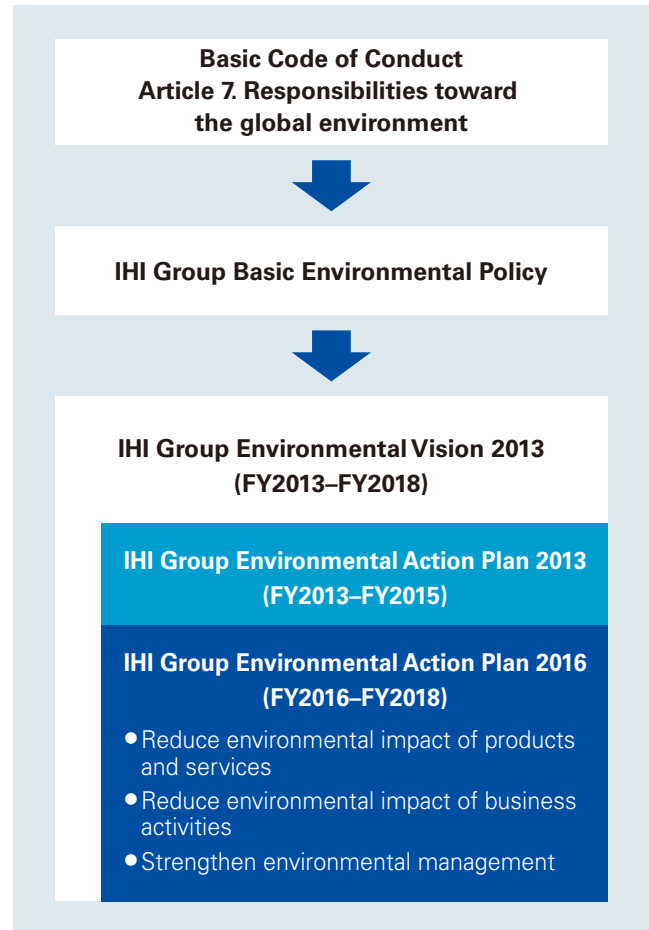
Basic Policy

The IHI Group is involved in social infrastructure such as plant equipment and bridges, therefore our business activities have a major impact on society. As such, our mission includes reducing the environmental impact of the company’s activities and protecting the environment in whatever way possible. The IHI Group Basic Environmental Policy, which is based on the Basic Code of Conduct, Article 7: Responsibilities toward the Global Environment, helps to define our diverse, tireless and proactive approach to mitigating its impact on the global environment.

We are committed to protecting the environment, especially in communities where we have production bases. It is also our mission to reduce the impact of our products and services, and contribute to sustainable development. The IHI Group Environmental Vision 2013 was an interim three-year action plan to help us achieve a new environmental profile by FY2018. The plan was implemented in coordination with the overall business plan, IHI Group Management Policies 2013.

IHI believes that our critical mission is to reduce the environmental impact on society overall from two aspects; reducing environmental impact through the products and services we provide to customers, and by streamlining our own business activities. As such, we have established three core strategies for our environmental activities. These are 1) “Reduce the environmental impact of products and services”, 2) “Reduce the environmental impact of IHI business activities” and 3) “Strengthen environmental management”. To realize this vision, the Environmental Committee chaired by the officer in charge of CSR has established 3-year Action Plans. In accordance with these plans, each business area and each environmental committee of the respective regions deploy concrete actions to strengthen environmental management.

During the first three years from FY2013 to FY2015 we succeeded in building the foundation of group environmental management. In the last three years beginning in FY2016, we have been implementing environmental management throughout the group overall by leveraging the systems established to date to raise the level of individual initiatives and, ultimately, realize our vision.



Basic Environmental Policy

IHI Group Basic Environmental Policy comprises of six articles relating to our approach to promoting environmental activities.

IHI Group Basic Environmental Policy

Article 1. Establishment of Environmental Management System

To ensure continuous improvement of environmental management, the IHI Group establishes an environmental management system, sets specific objectives and executes an action and a performance evaluation.

Article 2. Compliance with Environmental Laws and Regulations

The IHI Group complies with environment-related laws and regulations/agreements, policies/plans in related industries, and strives to stipulate and apply independent management standards to enhance environment management.

Article 3. Provision of Environmentally Friendly Products

The IHI Group provides the society with the products/services that contribute to reduce environmental burdens.

Article 4. Reduction in Environmental Burdens in Business Activities

The IHI Group strives to preserve environment and reduce environmental burdens in its all business activities.

Article 5. Environmental Education

The IHI Group, through environmental education, raises awareness of all people engaging in operations, including officers, employees, and temporary staff of IHI Group companies, thereby they are able to act having concern with environmental problems on their own.

Article 6. Disclosure of Information

The IHI Group actively participates in the society, disclose information, and develop communications to commune with local communities and preserve regional environment.

Revised October 2015

Environmental Vision

IHI Group Environmental Vision 2013 expresses the way our environmental activities should be in FY2018.

IHI Group Environmental Vision 2013 (FY2013–FY2018)

**IHI, as a responsible global group,
strives to help preserve the global environment
on a continuous basis through cooperation
with customers and business partners
around the world.**

Materializing Our Environmental Vision

Described below are the goals IHI hopes to accomplish by lowering the environmental burdens of its products, services and business activities as well as enhancing its environmental-management activities.

Reduce the environmental impact of products and services

- Limit CO₂ emissions from our operations to approximately 300,000 tons/year and cut emissions from products/services worldwide by 10 million tons/year.
- Hit specific targets for reducing CO₂ emissions from products/services as stipulated by each operation.
- Increase Group-wide sales ratio of environmentally friendly products to over 70%.
- Foster recognition among customers and employees that our products/services help to protect the environment.
- Win awards for our products that contribute to global environmental preservation.

Reduce the environmental impact of our business activities

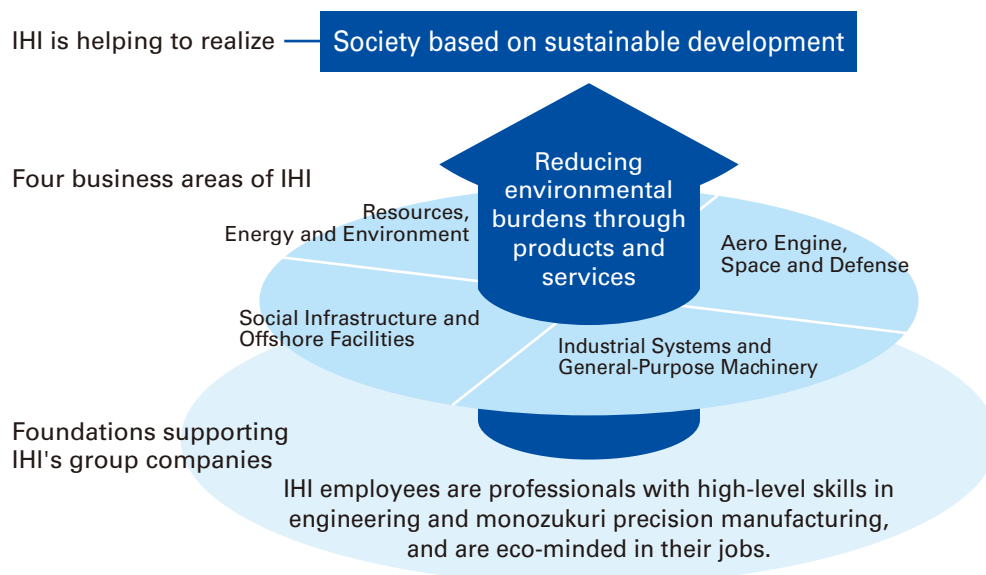
- Achieve the CO₂ emissions-reduction target for Group-wide business.
- Implement energy-saving activities at production sites and offices to avoid wasting electricity or fuel.
- Facilitate green procurements by prioritizing eco-conscious suppliers.
- Stringently manage chemical substances in products to enhance customer trust.
- Make biodiversity protection a larger part of our business.

Strengthen environmental management

- Share targets for reducing environmental burdens among production sites in Japan and overseas.
- Leverage environmental management systems in main production sites worldwide for consistent environmental management.
- Globally share information on how to comply with increasingly strict local and regional environmental laws, regulations and agreements.
- Implement internal environmental audits to ensure that problems are quickly identified and addressed.
- Inform the Group about the status of environmental activities via in-house journals, intranet, etc.

IHI, aiming to build sustainable societies that protect the global environment, works to reduce environmental burdens in four main business areas, which were newly defined when IHI introduced its new Environmental Vision: Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero-Engines, Space and Defense.

Since IHI cannot achieve every goal alone, it is working closely with customers and business partners worldwide. Also, measures are being taken to ensure that everyone in the Group acts with environmental awareness in their respective operations, including by leveraging high technological capabilities and monozukuri precision-manufacturing skills as professionals.



Achieving Our Environmental Vision

IHI has identified three major categories of activities under its Environmental Vision:

1. Measures to save energy and mitigate or adapt to climate change
2. Measures to establish recycling societies
3. Measures to protect the environment
 - Chemical substances and environmental risks
 - Biodiversity

Our business can be classified into nine basic categories: management, sales, R&D, design, procurement, manufacturing, transportation, construction and testing.

The products and services resulting from these activities are classified into three stages: usage, maintenance and disposal.

The following table describes the specific actions needed in these various categories to raise the environmental awareness of our employees.

Operational process		Action			
		Energy saving to combat climate change	Creation of recycling societies	Environmental protection	
				Chemical substance reduction Environmental risk reduction	Biodiversity protection
Reduced impact of operations	Management	● Group-wide environmental management		● Balancing biodiversity and business needs	● Establishing basic policies
	Sales	<ul style="list-style-type: none"> ● Proposing environmentally friendly products ● Proposing environmental-preservation products ● Proposing products to reduce CO₂ emissions 			
	R&D	<ul style="list-style-type: none"> ● R&D into energy conservation, environmental load reduction and energy diversification ● Developing and implementing guidelines for environmentally friendly products ● Expanding environmentally friendly product ● Expanding eco-conservation products ● Publishing CO₂, emissions reduction results 			
	Design		● Design and develop products based on 3 Rs	● Control chemical substances in products	
	Procurement	● Green procurement		● Control chemical substances in products	<ul style="list-style-type: none"> ● Survey and identify use of scarce resources ● Address conflict minerals
	Manufacturing	● Conserve energy at production sites and in transport	● Reduce waste at production sites and in transport	<ul style="list-style-type: none"> ● Reduce use of substances covered by PRTR ● Reduce environmental risks 	● Product biodiversity at production sites
	Transportation				
	Construction	● Conserve energy at construction sites	● Measure and reduce waste at construction sites	<ul style="list-style-type: none"> ● Tightly manage substances at construction sites ● Reduce environment risks 	
	Testing				
Reduced impact of products/services	Usage	<ul style="list-style-type: none"> ● Provide environmentally friendly products ● Provide eco-conservation products ● Provide products to reduce CO₂ emissions ● Maintain and improve environment performance 			
	Maintenance				
	Disposal				

Group Environmental Action Plan

The below table shows the FY2017 results and targets of the IHI Group Environmental Action Plan 2016. The results and targets have been graded using four levels, represented by the symbols of ◎ (very good), ○ (good), △ (average) and × (poor).

Activity Plan	FY2018 targets	FY2017 results	
Reduce environmental impact of products and services	Reduce emissions from products and services by more than 10 million tons of CO ₂	△	More than 2.5 million tons
	Environmentally friendly products accounted for 70% of net sales	○	No. of certifications: 18
Reduce environmental impact of business activities	Reduce energy intensity and GHG emissions intensity by more than 3% compared to FY2015	△	Energy intensity: Up 4.4% compared to FY2015 CO ₂ emissions intensity: Up 3.8% compared to FY2015
	Reduce waste generation intensity by more than 3% compared to FY2015	◎	Down 6.4% compared to FY2015
	Reduce water consumption intensity by more than 3% compared to FY2015	◎	Down 6.7% compared to FY2015
Promote group environment management	No major violation of environmental laws/ regulations or environmental accident	◎	No incident
	Environmental e-Learning participation rate: 100%	△	Participation rate: 85.3%
	Earn “management” or “leadership” rating in CDP climate change evaluation	◎	Management level B
	Nikkei Environmental Management Survey score of 400 or higher (out of 500)	◎	431

Promote Group Environmental Management

Environmental Management Systems

The IHI Group’s Environmental Committee, chaired by the officer in charge of environmental activities, formulates group-wide policies for environmental activities and then evaluates and follows up on these activities. The policies and related decisions are shared with principal domestic and ex-Japan affiliates through the Environmental Officers Liaison Group in each Business Area/SBU. In addition, Environmental Officers Liaison Groups help to facilitate environmental activities at each regional office and worksite.

Also, each business area and SBU formulates its own environmental activity plan every fiscal year. Typical themes include investment in environmental facilities, legal and regulatory compliance, and activities to reduce environmental burdens, such as energy-saving and waste-reduction measures. Each unit follows up on its own progress by implementing the PDCA cycle.

Environmental Management Systems Diagram



Companies Covered in Our Environmental Data

The scope of our environmental-management activities includes consolidated group companies, including overseas affiliates.

The Group companies targeted by environmental management cover various different business types, such as companies with plants which conduct production activities, companies with the primary businesses of engineering and on-site construction work, and companies without plants and only an administrative department.

As such, we have established the business sites, plants and offices of each company as environmental management bases which are the minimal unit for environmental management and categorized management systems such as frequency of environmental information collection, depending on the scale of annual energy consumption.

With a focus on bases engaging in major production activities, IHI obtains EMS (Environmental Management System) certification for individual environmental management base units, and repeats a PDCA cycle for environmental management activities. The results of activities are evaluated through periodic internal audits and external reviews, and IHI endeavors to improve our level of environmental management. In FY2017, IHI obtained EMS certification for around 70% of its environmental management bases with production scales of a certain scale. EMS certification is obtained by selecting a review body considered the most suitable for the business activities of the individual environmental management base.

The FY2017 data shows figures current as of July 1, 2018.

Compliance with Environmental Laws and Regulations

In FY2016, the IHI Group considered how to define environmental accidents and environmental law violations in order to evaluate the status of compliance with environmental laws.

The unification of internal terminology strengthened recognition of environmental accidents at IHI and group companies as well as evaluation of seriousness and causes. It was determined that no serious environmental accidents had occurred since FY2013.

Environmental Communication

Third-party Evaluation

We disclosed information on IHI business by responding to questionnaires of third parties. Our efforts to operate group companies in an environmentally friendly manner led to improved ratings by third parties.

■ Nikkei Environmental Management Survey

Nikkei Inc. conducts an annual survey of Japan's leading companies to evaluate their environmental initiatives and business efficiency, and then publishes the scores and rankings of each company.

Evaluations cover five categories: environmentally friendly business, pollution and biodiversity, resource recycling, products, and global warming. The respondents are scored in each category using a 100-point scale for a maximum of 500 points.

Term	FY2013	FY2014	FY2015	FY2016	FY2017
Score maximum 500 points	403	411	436	429	431
Rank (total number of manufactures)	123 (438)	129 (419)	66 (413)	75 (396)	77 (395)

■ CDP

Formerly known as the Carbon Disclosure Project, the CDP is a non-profit organization established by responsible investors worldwide. Every year it discloses the results of questionnaires sent to corporations and local governments, aiming to encourage more action in tackling climate change. The CDP index is relied upon by institutional investors worldwide.

Term	FY2013	FY2014	FY2015	FY2016	FY2017
Score	91 out of 100	97 out of 100	99 out of 100	Leadership level A-	Management level B
	Overall performance: B	Overall performance: A	Overall performance: B		

IHI Exhibits at Eco-Products 2017

IHI exhibited at Eco-Products 2017, Japan's largest environmental exhibition, which was held at Tokyo Big Sight from December 7 to 9, 2017.

At this exhibition, IHI emphasized the importance of energy mix by introducing our products, technologies and services that help to secure stable energy supply using familiar expressions accompanied by a high number of illustrations. Our booth was visited by over 6,000 people comprising not only business persons but also elementary and junior high school students, the public and more. Some of the comments about our exhibit were as follows:

- I have high anticipations regarding the advancement of energy-saving technologies and proposals for optimal energy mix.
- I'd like IHI to find better ways to use various energies.
- I'd like other people to hear about this kind of thing as well.

IHI will continue to carry out initiatives that effectively convey its role in developing solutions to social issues.



Explaining the importance of energy mix to the next generation



Hands-on model fabricated with insulating material used in LNG tanks

Raising Employee Awareness

In addition to each IHI business location acquiring ISO14001 certification on its own, IHI provides these locations with level-specific environmental guidance through group-wide education and training.

IHI conducted level-based training for employees in their third year of employment and e-learning for all employees of affiliates in Japan. The aim is to raise employee awareness of our environment-focused initiatives and its obligation both to protect the environment and reduce the company's impact.

Outside specialists provide education on energy efficiency and chemical management. Also, location-specific environmental training is conducted by internal and external experts to improve the skills of specialized personnel in specific regions, worksites and major group companies. Other training is organized to improve the skills of ISO14001 internal auditors and the effectiveness of environment-related activities.

Every June is "Environment Month" at IHI, where employees complete an environmental quiz to heighten their awareness of the environment. In 2017, 5,072 employees completed the quiz group-wide.

Reduce the Environmental Impact of Products and Services

Environmentally Friendly Products Certification Scheme

In FY2014, IHI introduced the Environmentally Friendly Products Certification Scheme.

This is an in-house certification scheme to identify products and services offered by the IHI Group with outstanding environmentally friendly performance helping to protect the environment or reduce environmental burden.

By offering society a higher number of environmentally friendly products and services, the IHI Group is helping to reduce the burden on the planet's environment overall, and protect the environment.

Certification Process

The Environmental Committee, a group-wide organization, determines and evaluates products for review, then certifies products that meet specific conditions as "environmentally friendly products." The review examines whether or not environmentally friendly factors have been incorporated in products throughout each lifecycle stage, and evaluates based on the five criteria shown in the table in the right.



Energy efficiency

Improves energy efficiency and recovers exhaust energy, and/or achieves energy-load leveling



Reduced greenhouse gas emissions

Reduces, absorbs, captures, stores and decomposes greenhouse gas emissions; produces renewable energy; and/or reduces fluorocarbons



Resource saving

Reduces natural-resource consumption during the manufacture, usage or maintenance stages, and/or facilitates recycling



Reduced environmental risks

Reduces waste/pollution in terms of air, water, soil, noise, vibration, ground subsidence and/or odors, and/or facilitates environmental-data monitoring



Biodiversity protection






Helps to protect habitats and/or locations around facilities from an ecological viewpoint

Certified Products

By FY2017, 18 products were certified as “Environmentally friendly products.”

IHI products and services, including certified products, are introduced on the below website.



Products and services	Evaluation items				
	Energy efficiency 	Reduced greenhouse gas emissions 	Resource saving 	Reduced environmental risks 	Biodiversity protection 
Active Noise Control System				●	
Silencer / Enclosure				●	
Noise / Vibration Consultation				●	
Diesel Engines	●	●	●	●	
Life Cycle Administrator (LC-A)	●		●	●	
TF-Detector	●		●	●	
MF-Detector	●		●	●	
Energy-saving parking system NPC24H Tachikawa Midori-cho No.2 Parking Lot	●				
IHI IC Reactor	●	●	●	●	
ORC Power Generator HEAT INNOVATOR®		●	●	●	
LNG Smart Satellite	●	●	●		
Industrial photovoltaic power system		●			
NitroJet®		●	●	●	
Cycle Management Systems	●	●	●		
Turbochargers for Vehicles	●		●	●	
ORC Power Generator Heat Recovery HR Series		●	●	●	
IWV-34C Vacuum Degreaser	●		●		
Toyosu Foresia Environmentally Friendly Building	●	●	●	●	

Reduce the Environmental Impact of Our Business Activities

Climate Change Countermeasures

Reducing Energy Consumption and GHG Emissions

In order to achieve growth of our business activities aimed at contributing to the realization of a low-carbon society, the IHI Group is exerting efforts to reduce CO₂ emissions. The concept for this combines energy-saving activities for more efficient energy usage and activities promoting greater usage of low-carbon energy. We are pushing ahead with energy-saving activities that focus on the main aspects of optimal operational management using energy management standards, better management through energy-saving training by external experts, etc., and equipment investment to update aged equipment with energy-saving equipment, etc. Regarding usage of low-carbon energy, activities include conversion to fuel with a low CO₂ emissions coefficient and studies into introduction of energy-saving methods.

The management indicators for these activities are energy consumption per unit of sales (energy intensity) and CO₂ emissions per unit of sales (CO₂ emissions intensity). Our target is to reduce both intensities by 3% or more compared to FY2015 by FY2018.

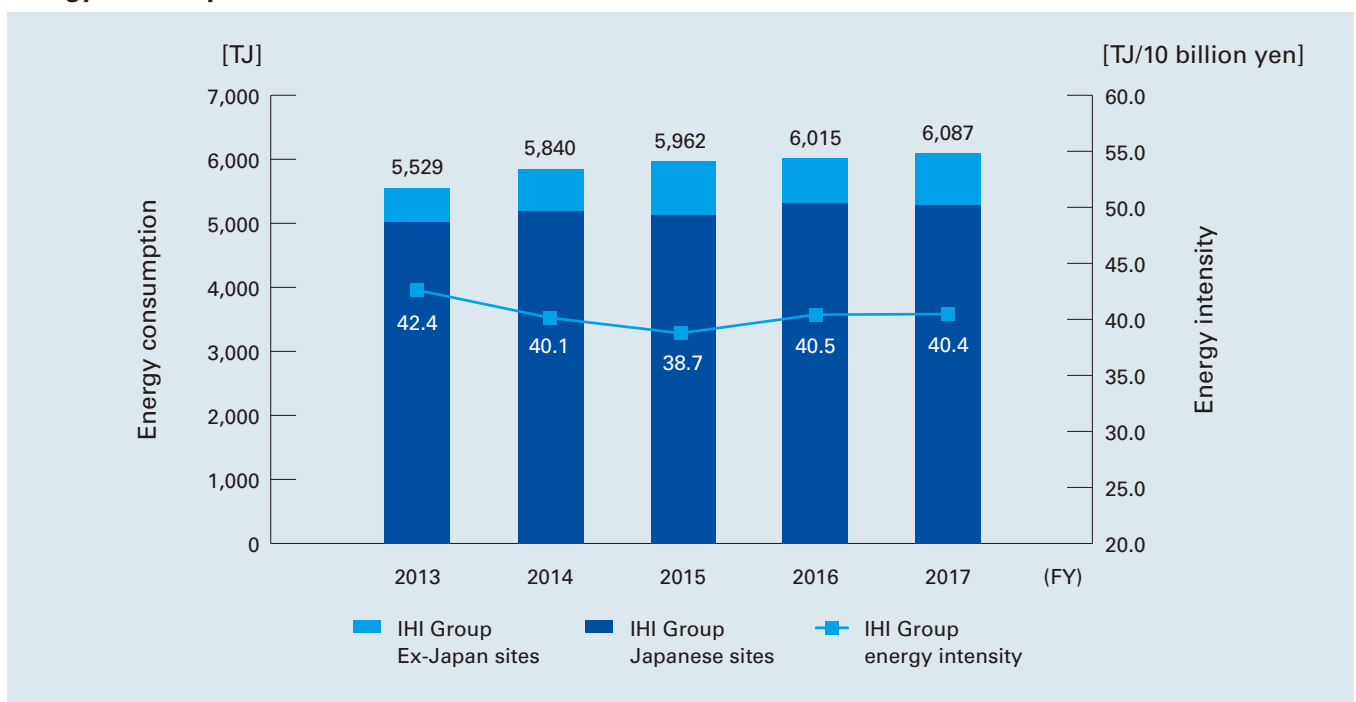
In FY2017, our energy intensity was 40.4 (TJ/10 billion yen), a 4.4% increase from FY2015. In FY2017, our CO₂ emissions intensity rose by 3.8% to 21.9 (t-CO₂/100 million yen). In FY2018, we will aggressively push forward with initiatives to achieve targets for both energy consumption and CO₂ emissions.

* The emissions coefficient by electricity retailer was used to calculate CO₂ emissions based on electricity consumption.

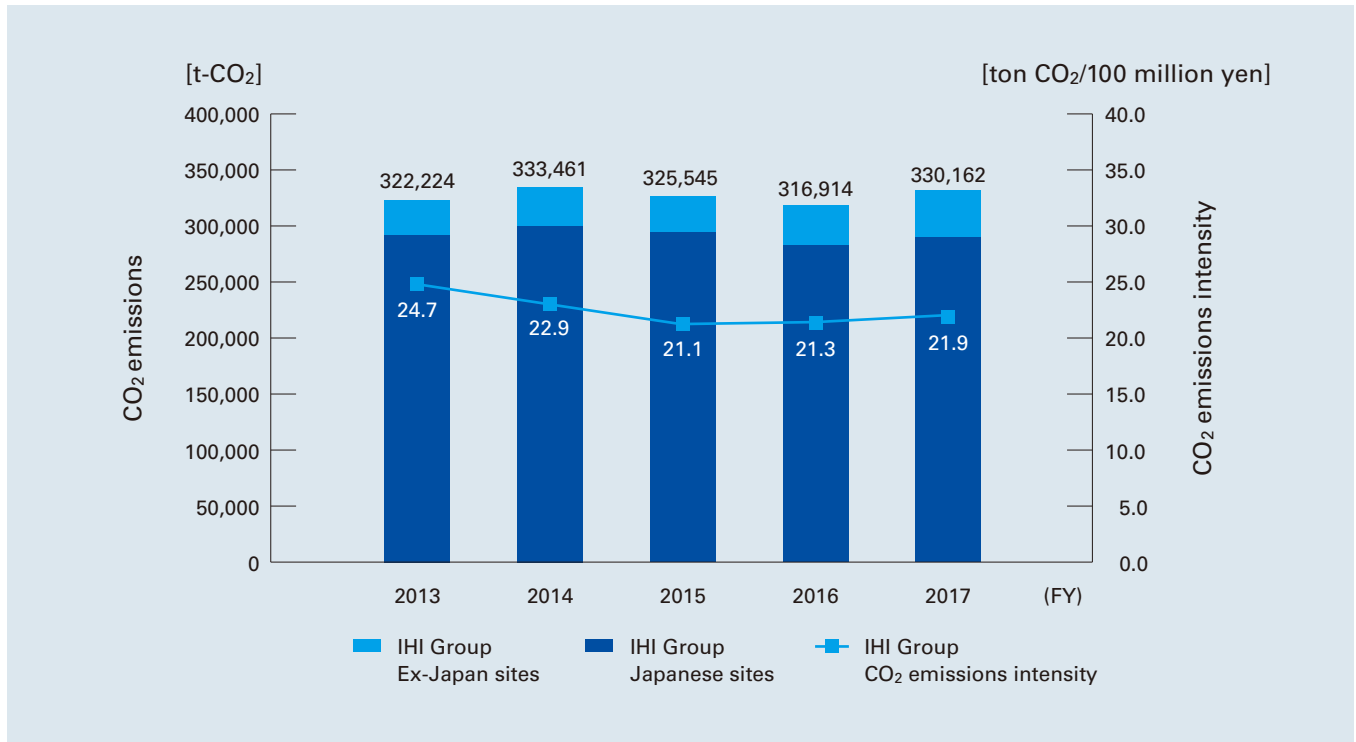


Energy-saving group training session

Energy Consumption



CO₂ Emissions



Reducing Energy Consumption in Transportation

In our IHI Group Environmental Action Plan 2016, we have established a target of reducing energy consumption during transportation of products, etc. by at least 1% compared to the previous fiscal year.

In order to reduce the energy consumption during transportation, we are actively promoting a modal shift to domestic vessels and slipways. Trucks are used for products, etc. which cannot be transported by ship and, in order to increase transportation efficiency, trucks with larger maximum load capacities are used and other initiatives are made to improve load capacity.

Building Recycling Societies

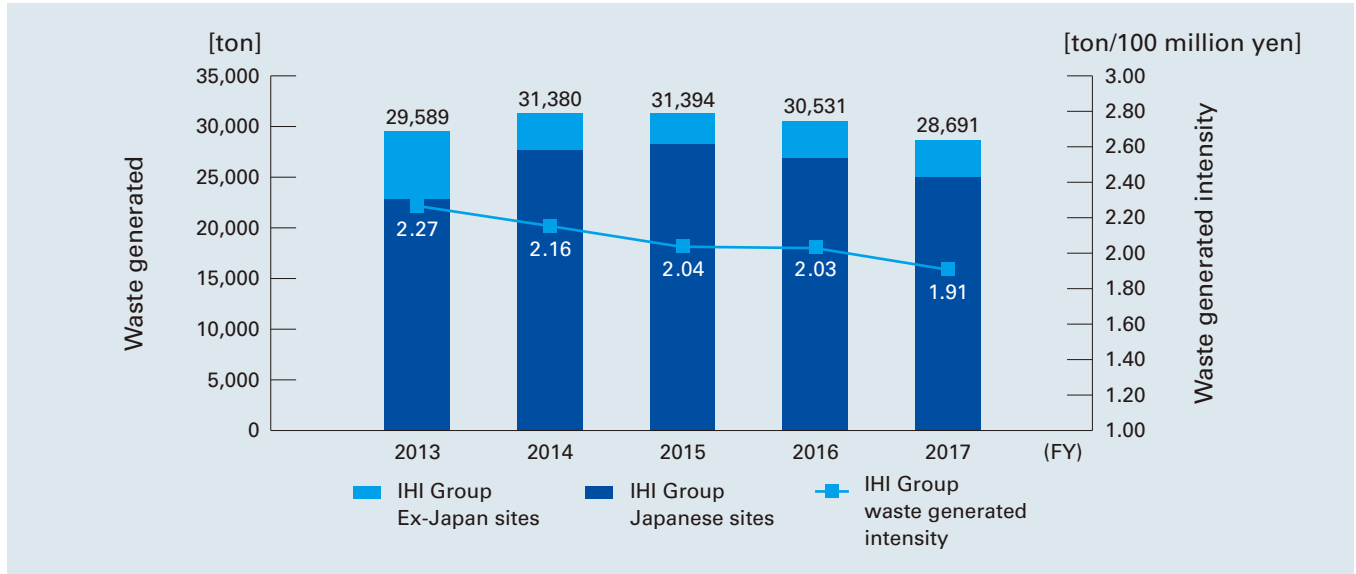
Improving Waste Management

The IHI Group reduces, reuses and recycles (“3 Rs”) industrial waste and appropriately disposes whatever remains. On an ongoing basis, we engage in efforts to improve yield in our plants, reduce product defects and help transform waste into resources through separating garbage upon disposal.

In terms of waste management, we conduct periodic waste-related training together with tours of intermediate disposal sites and final disposal sites for the IHI Group personnel in charge of waste management. We also comply with the various related laws and regulations by using an external service, making the necessary verifications of outsourcing contracts relating to waste collection, transportation and disposal, confirmation of final disposal via an electronic manifest E-slip, etc.

Our waste reduction target is to reduce the quantity of waste generated per unit of sales (waste generated intensity) by 3% or more compared to FY2015. In FY2017, our waste generated intensity was 1.91 (tons/100 million yen), which is a 6.4% decrease compared to FY2015. As we head towards the final year of our 3-year plan, we will continue pushing ahead with waste management initiatives in order to achieve our target for 2018 also.

Waste Generated



Appropriate Management of Toxic Waste

Since FY2009, IHI has been detoxifying electric equipment containing highly concentrated polychlorinated biphenyl (PCB). As of March FY2018, detoxification had been completed on 98.1% of such equipment.

The same processing has been completed for 92.7% of low-concentration PCB and 41.7% of stabilizers as we discovered more during building demolition.

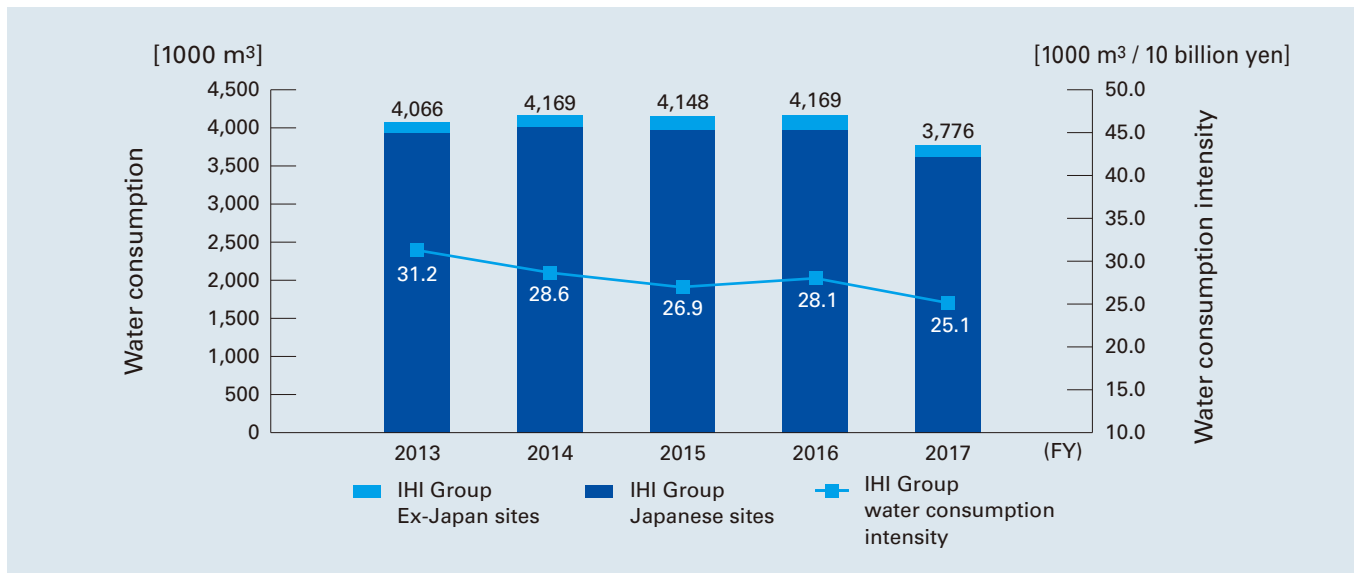
Reducing Water Consumption

IHI works to prevent leakages from water-supply pipes, industrial-water pipes and drainage pipes, many of which are buried within plant sites and are deteriorating due to age. Renewal plans spanning several fiscal years are established for

deteriorated buried pipes at each plant. New countermeasures are taken when renewal work is performed, such as running new pipes aboveground to enable potential leaks to be swiftly discovered, installing pipes in buried boxes or running pipes overhead using supports.

The IHI Group is mindful of the risk of insufficient water supply in the near future due to droughts, etc. and is working to reduce water consumption. Our 3-year target for FY2018 is to reduce water consumption unit of per sales (water consumption intensity) by 3% compared to FY2015. In FY2017, water consumption totaled 3,776,000 m³ and water consumption intensity was 25.1 (1000 m³ / 10 billion yen), which was a 6.7% increase over FY2015.

Water Consumption



Lowering Environmental Risks

Environmental Measures Near Worksites

In order to sustain business activities at its worksites, plants, etc., the IHI Group is engaged in environmental conservation on a daily basis to ensure it does not adversely impact the health or living environments of people in surrounding communities in relation to the seven major types of pollution (air pollution, water pollution, soil contamination, noise, vibration, subsidence and foul odor). To achieve this, of course we must comply with all related laws and regulations, but we also have anti-pollution agreements with government and local residents in each region where we have operations and promote environmental conservation activities which better suit the respective region's circumstances. Many of our worksites, plants, etc. are situated near the sea, therefore water pollution prevention measures are particularly imperative. Other important themes are the appropriate disposal of industrial waste and measures to prevent soil contamination from leakage of the oils, lubricants, chemicals, etc. used in our plants, etc.

We stay on guard by conducting regular internal audits, environment patrols, etc. as part of our environmental management system, and do our best to prevent environmental accidents.

Water Pollution Prevention

IHI monitors the quality of wastewater discharged from plants, one of many ways it protects public waters (oceans, rivers, etc.) at wastewater discharge points. The deterioration of treatment equipment, devices, instruments, etc. is noted during daily maintenance and environmental risks are assessed to determine renewal priorities.

Based on risk diagnosis results, we formulate an equipment investment plan incorporating order of priority and countermeasures and prepare an environmental risk reduction plan. For equipment works with high propriety, the relevant plant or head office carries out the budget application procedures for the following year and engages in equipment investment relating to ongoing environmental on an ongoing basis.

As water pollution prevention measures, we updated and commenced the service of equipment in the wastewater treatment facilities of Aioi Works and Soma Works in FY2017.

Soil Contamination Prevention

Contamination of soil can adversely affect the health of humans and other organisms through direct or indirect intake of hazardous substances.

Worksites are inspected regularly and aging equipment is renewed to avoid any leakage of hazardous substances. A survey of 25 hazardous substances* at 68 former and current production facilities was completed in March 2013. The survey results are compiled in a database.

* including lead, hexavalent chromium and mercury, which are listed in Article 2 of Japan's Soil Contamination Countermeasures Act

Chemical Substances in Products

Appropriate Management of Chemical Substances

The IHI Group is working to build a system for appraising information on chemical substances contained in products used in our supply chain (hereinafter "information on chemical substances contained in products") and communicate such information to our customers appropriately. As such, we have stipulated our concept on initiatives for the management of products containing chemical substances below.

IHI Group Basic Policy for the Management of Products Containing Chemical Substances

To enhance the competitiveness of its products and services, we have a Basic Policy for the Management of Products Containing Chemical Substances as shown below

(Basics of activities)

We identify prohibited and controlled substances that are restricted by laws and regulations in countries where it sells products and services, as well as in accordance with customer requirements.

In terms of concrete initiatives, based on advice from an external specialist, chemSHERPA was introduced to communicate information on chemical substances in products for agricultural machinery.

Similar systems for other products will be introduced in accordance with customer requests.

Moreover, regarding those chemical substances used in our plants, etc. deemed as requiring notification under the Pollutant Release and Transfer Resistor (PRTR), we tally emissions (atmospheric, public waterways, ground) and transfer amount (grey water, waste), then report figures to the government.

Biodiversity Protection

Initiative Policies

In light of the escalated interest in biodiversity across the globe over the last few years, the IHI Group, in accordance with the IHI Group Basic Environmental Policy, promotes awareness-raising of its directors and employees in collaboration with communities where we have business operations and contributes to the biodiversity conservation.

Aichi Worksites

In Chita, Aichi Prefecture, where Aichi worksite is located, 54% of the city is covered with woodland, lush greenery in an industrial zone and parks.

The Aichi worksite has its own green preserve measuring nearly 70,000m².

This green preserve is positioned in the middle of an ecosystem connecting the woodlands behind it with the sea. As such, we are exerting efforts to shift from alien species of trees to native species grown from seedlings within the site. Moreover, we establish biotopes, plant aquatic plants nearby and maintain the living environment of aquatic creatures.

Aichi Works cooperates with the NPO, Ecologist Support Association of Japan, in relation to its “Connect Lives” (Inochi wo tsunagu) project. This project is an initiative aimed at forming local ecosystems based on collaboration between businesses, students, government, etc. and involves activities such as conservation of natural environments, awareness-raising activities and development of future-generation leaders. In recognition of our efforts, we have received the Grand Prize of the Aichi Environmental Award and the Judge’s Special Award as part of the Good Life Awards sponsored by the Ministry of the Environment.

We promote various other biodiversity-orientated activities such as participation in the “LOVE! GREEN DAY” event open to the public involving all the green reserves of companies along the Chita Peninsular coastal area, nature observation meetings hosted by Chita city and holding tree-planting sessions to plant native species in our premises.



Participants of Inochi wo tsunagu Workshop (“Connect Lives”) Project



Tree-planting sessions to plant native species

Social

Offering Maximized Value to	
Customers	51
Together with Shareholders	
and Investors	54
Together with Business Partners	56
Together with Local Communities ...	60
Together with Employees	63

Offering Maximized Value to Customers

Basic Policy

IHI satisfies customers and gains their trust by leveraging technology to offer safe, useful products and services that meet real needs in society.

The quality of products and services forms the foundation of trust between IHI and our customers and society, therefore we consider securing quality as our corporate social mission and a fundamental element of our existence.

We aim to more deeply understand our customers' mid-to-long term direction and business strategies in order to create values for our customers through the technological capability of IHI on the whole.

Improve Quality

The IHI Group's Quality Committee promotes initiatives to improve the quality of IHI's products and services.

In FY2017, based on IHI Group Management Policies 2016, efforts were continuously focused on quality deployment and restructuring quality-control processes, strengthening the quality-auditing system and strengthening operations that support quality.

1. Quality deployment and restructuring quality-control processes

We clarified process input/output, procedures, equipment, standards and so on regarding not only the design and manufacturing divisions, but all IHI divisions, and improved work task processes. Moreover, regarding 3H (*hajimete* (first-time), *henko* (change) and *hisashiburi* (for-the-first-time-in-a-long-time)) production, we improved operation rules, instruction manuals, etc. and incorporated these in work tasks through training and exercises.

2. Strengthening the quality-auditing system

The Quality Committee Office participated in a number of quality management system internal audits conducted by SBUs* and affiliate companies. The aim of this was to evaluate compliance with quality management systems and confirm effectiveness.

Best practices and "lessons learned" regarding auditing content and procedures were shared groupwide.

Also, in FY2017 also, group-wide training was held for just under 100 internal auditors.

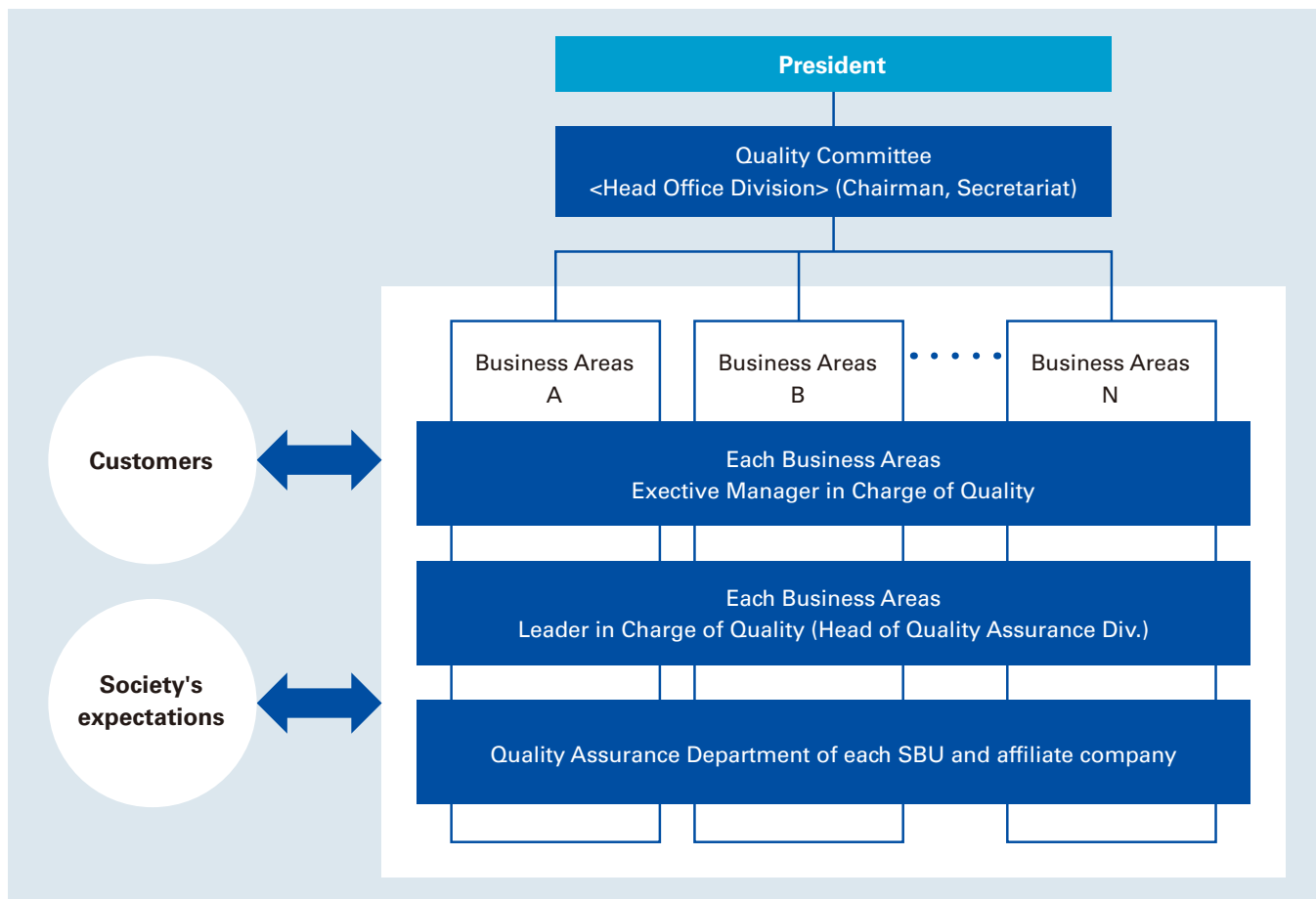
3. Strengthening operations that support quality

Based on the mid-term issues of quality management systems extracted by SBUs, we shared the issues requiring improvement on a business management perspective with the Quality Committee.

Each business division is responsible for its own quality-assurance and quality-control activities. The Quality Committee reviews the results of measures taken by the divisions, as well as any related themes, shares examples of non-compliant responses and improvements, and ensures that knowhow is properly applied and shared throughout IHI. The committee employs the PDCA cycle to strengthen working relationships between Group companies and to make certain that best practices for quality assurance and quality control are implemented.

*SBU: Strategy Business Unit

Quality Assurance Promotion Diagram



(As of April 1, 2018)

Quality Management Systems

Business divisions adopt quality management systems including ISO9001 as a management tool. Certification bodies conduct annual monitoring to determine if these systems are working and if there are opportunities for improvement. IHI's 29 affiliated companies and divisions in Japan and 34 affiliates overseas engaged in design, manufacturing or services have obtained quality certifications including ISO9001. IHI has also

almost completed migrating to ISO9001:2015. The certified business divisions have progressed from the phase of conforming quality management systems to ISO9001 to the phase of utilizing this as a business tool.

In FY2017, there were no cases of a product or service being in serious violation or non-conformity with quality rules or regulations.

Employee Training and Education

IHI conducts training to enhance product-quality management, customer satisfaction and product safety. In addition to position-specific training, business divisions carry out their own general training programs.

Training for new employees includes etiquette and product-quality courses covering theoretical and practical elements to instill a customer-oriented mindset. Training for second-year employees includes lectures on the PDCA cycle, work approaches, etc. Third-year employees learn about safety and ethics as a monozukuri company and environment. Midlevel employees are trained in manufacturing technology. Such training was also carried out for IHI Group companies in FY2017, where more than 400 people completed each course. The seminar for third-year employees to refresh their awareness of quality management and product safety and the seminar for new foremen and assistant foremen of manufacturing sections regarding solving problems and overcoming quality management challenges were participated in by over 250 people and over 100 people, respectively.

In FY2017, three seminars on quality and product safety were held on five occasions for some 100 participants.



3rd-year employee training on quality management and product safety



Task leader training on problem-solving using QC techniques

Safety Design

IHI is constantly working to enhance the safety of its products considering the entire lifecycle.

During product development, we conduct risk assessments by considering each product's usage and life cycle, as well as by designing measures to reduce risk and providing customers with information on any residual risk. When designs are altered, we conduct risk assessments of the changes, including the extent of the impact on products.

For mass products, taking turbochargers for vehicles as an example, we strived to develop more safe designs and higher quality products to respond to customers' changing needs amid globalization, stricter environmental and safety regulations and technology advancement. Specifically, we set up a specialized design unit to streamline our standard product portfolio and standardize our designs. In the design phase, we thoroughly reviewed design processes once more. We also reviewed how we evaluate suppliers to ensure that they are evaluated properly beginning from the development phase to improve quality. These efforts were shared with the Group's Quality Committee to facilitate application to other products and models as required.

In FY2017, there were no serious accidents involving any product.

Disclosure of Information about Products and Services

IHI is carrying out a continuing series of media campaigns, including via advertisements on TV, newspapers and the Internet, to introduce its corporate vision to the public, raise awareness of IHI and bring IHI closer to people's everyday lives. The campaigns are closely coordinated with relevant divisions to ensure that accurate information is provided to customers and other stakeholders. In addition, precautions are taken to ensure compliance with laws and regulations, such as the Copyright Act and the Trademark Act, and related industry rules and regulations. Moreover, effects of the campaigns are monitored regularly to identify opportunities for improvement. In FY2017, no violation of any law or regulation applicable to advertising or publicity public relations was reported.

Together with Shareholders and Investors

Basic Policy

In order to strengthen its relationship of trust with shareholders and investors, the IHI Group promotes industrial relations (IR) activities and shareholder relations (SR) activities with an awareness of enhancing our corporate value.

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

System for Promoting Dialogue

The officer responsible for public relations and IR related matters oversees investor relations (IR) activities, while the officer responsible for administration related matters oversees shareholder relations (SR) activities.

The Company shares information about every aspect of IR activities, including the collection, sharing, disclosure and storage of material information, by holding meetings led by the officers responsible for public relations and investor relations, attended by the Public Relations Division, the Administration Division, the Corporate Planning Division, and the Finance & Accounting Division.

Information Dissemination and Dialogue

Corporate Information

In addition to enhancing various disclosed materials, IHI does its best to disseminate the content of such materials via the Internet, etc. in its effort to achieve proactive and fair disclosure.

To communicate timely and appropriately with investors and other stakeholders, IHI publishes the IHI Integrated Report, which discloses precise financial and non-financial information. Briefings for financial analysts and institutional investors are held when the financial results for the second quarter and full year are announced. IHI also organizes telephone conferences after announcing its financial results for the first and third quarters. At each briefing held this year, we provided approximately 100 people with an overview of the term's financial results, our progress in implementing ongoing business plans.

Not simply disclosing information as required by legislation, IHI has established an Information Delivery Service for its individual shareholders so that they may deepen their understanding of the IHI Group's businesses. This service is used to provide shareholders with information on IHI forums, plant tours, etc.

Information for shareholders and investors

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

Integrated Report

<https://www.ihico.jp/csr/english/library/>

Communication with Overseas Investors

IHI's proactive IR activities are deploying increasingly diverse communication channels, including direct meetings, investor conferences and one-on-one interviews.

In FY2017, as in the prior year, IHI managers travelled to North America, Europe and Asia to strengthen relationships with institutional investors. Many investors expressed satisfaction with our briefings, providing feedback such as "The content was extremely enriched and I was able to hear the latest information regarding each business" and "They explained things starting with extremely fundamental points and this helped me to deepen my understanding of IHI".

Also during FY2017, investor conferences, one-on-one interviews and other methods were implemented to communicate with some 150 foreign institutional investors.

Dialogue with Shareholders

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

Plant Tour for Shareholders

In FY2017, IHI organized a tour of its Mizuho Plant and Yokohama Works for shareholders registered with the Information Delivery Service.

Showing shareholders where IHI develops its products and technologies enables them to sense firsthand our monozukuri (precision manufacturing) capabilities, our connection with society and our future potential. The plant tour will be held again in FY2018.



Plant tour

Plans in FY2018

FY2018 is the final year of our Group Management Policies 2016. During this period, IHI will hold meetings with shareholders and investors to raise awareness of our efforts to strengthen earnings foundations in our aim to accomplish our management targets.

Together with Business Partners

Basic Policy

IHI's Group Procurement Policy is based on three core principles — fair and impartial procurement, mutually beneficial partnerships with business partners and satisfying compliance and societal needs.

The procurement of materials or equipment involves not only compliance with legal requirements but also consideration of human rights, the environment and conflict minerals*. In addition to education for employees, IHI also satisfies societal demands by sharing information with suppliers for beneficial coexistence and co-prosperity.

* Minerals from conflict regions that, if purchased, sometimes result inadvertently in funding armed insurgents or fueling regional disputes.

IHI Group Procurement Policy

Basic Procurement Policy

1. Fair and Impartial Procurement

We provide business opportunities in an open manner to business partners from around the world, and welcome working with creative and competitive business partners. We also evaluate and select business partners in a comprehensive and fair manner based on factors such as quality, price, delivery schedule, technology and financial conditions.

2. Mutually Beneficial Partnership with our Business Partners

We regard our business partners as value creators, and through seeking to realize optimal levels for quality, price and delivery, together with procurement reliability, we aim to establish relationships of trust with our business partners and bring about the mutual enhancement of competitiveness and prosperity with them.

3. Approach to Compliance and Social Needs

We comply with the related laws that govern our local and global businesses.

In addition, we promote procurement activities that prioritize factors such as the environment, human rights, labor conditions, occupational safety and health, and information management.

Request to Our Business Partners

The IHI Group works on the following values to promote our business activities.

We ask for the co-operation and understanding of our business partners with regard to the promotion of these values.

1. Compliance
2. Paying Attention to Human Rights, Labor Conditions, and Occupational Safety and Health
3. Ensuring Optimal Quality, Cost and Delivery Conditions
4. Enhancement of Competitiveness
5. Respect for the Environment
6. Information Disclosure

IHI Group Procurement Policy

https://www.ihigroup.com/en/company/policy/ihigroup_procurement_policy/

Corporate Social Responsibility in Procurement

In order to spread awareness of the IHI Group Procurement Policy, the IHI Group distributes this Policy to our major business partners and requests that they too promote compliance to laws and social norms, paying attention to human rights, labor conditions, and occupational safety and health, ensuring optimal quality, cost and delivery conditions, enhancement of competitiveness, respect for the environment and information disclosure.

We will intensify efforts to raise awareness of responsible procurement, confident that these measures will help to improve the competitiveness and prosperity of both IHI and its business partners.

Initiatives for Legal Compliance

IHI conducts internal training on procurement-related laws, such as Japan's Act Against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Subcontractors Act) and the Construction Business Act.

Internal training courses are now offered to not only the procurement division, but also to all divisions to which the Subcontractors Act and Construction Business Act are believed relevant.

In FY2017, 165 employees attended the Subcontractors Act course and 95 took part in the Construction Business Act course. Moreover, e-Learning style training was provided for all IHI Group officers and employees for the fundamentals on procurement-related laws, as well as on concrete responses to laws for procurement managers.

Furthermore, in Malaysia, training was held on the IHI Group Procurement Policy and procurement compliance targeting overseas procurement bases and group companies in Asia. The entire IHI Group exerts efforts to improve understanding of relevant laws and awareness of appropriate work management.

Also, each procurement division of the IHI Group performs voluntary inspections relating to the Subcontractor Law and post-customs clearance. In addition to ongoing improvement activities, we are providing guidance on improvements through internal audits.

IHI Group Policy on Conflict Minerals

We have established the IHI Group Policy on Conflict Minerals as part of the IHI Group's Procurement Policy, and are engaging in procurement activities to suit. As a company policy, IHI will not procure raw materials, parts, or products that contain conflict minerals produced in the Democratic Republic of the Congo or its adjoining countries. We have also conveyed this policy to our major business partners to ask for their cooperation in disclosing information relating to conflict minerals if requested by our clients.

IHI Group Policy on Conflict Minerals

https://www.ihico.jp/en/company/policy/ihigroup_procurement_policy/

Response to Anti-social Forces and Anti-corruption

In the terms of our contracts with business partners, the IHI Group stipulates that our business partners will have no relationship whatsoever with anti-social forces, and will not commit acts of bribery toward overseas state officials prohibited by the Penal Code and Unfair Competition Prevention Act or any other acts such as acts of bribery prohibited by laws of any country. If a business partner is guilty of such an act, we seek its cooperation for reporting and investigation purposes. In accordance with the IHI Group Procurement Policy, the IHI Group will practice compliance and answer social demands.

Organization and Deployment of Group Rules

In addition to deploying our IHI Group Procurement Policy, in 2017 we publicly announced the Basic Rules of Procurement for IHI Group for fair and impartial procurement, mutually beneficial partnerships with business partners, and observance of compliance and social needs in work processes.

We held introductory sessions on the Basic Rules of Procurement not only domestically but also at overseas procurement bases of our group companies, and moving forward we will promote procurement compliance while verifying and providing guidance on procurement processes of each group company.

TOPICS

■ Recognizing supplier excellence

The IHI Group recognizes excellence among suppliers and endeavors to strengthen collaboration with them. In January 2017, we bestowed an excellence award to OSR Vietnam Joint Stock Company.

Since its establishment in 2013, OSR has supplied a range of products to IHI Group companies, centering on steel frames and ducts for generator boilers. Our award expressed gratitude to that partner for maintaining reliable deliveries and high product quality.



Award ceremony at OSR headquarters
OSR Vietnam Joint Stock Company

Building an Optimal Procurement Network

Strengthening Procurement Capacity of the Group Overall

IHI has established Product-Specific Expert Councils to strengthen groupwide procurement capabilities. Council members endeavor to build optimal procurement networks for the Group by reviewing product specifications and suppliers in collaboration with business areas. These efforts cover key items common to the entire Group, including steel and electrical products.

In fiscal 2018, we established a council to focus on the transportation of parts between factories and product deliveries to customers. We seek to streamline logistics and reduce environmental impact and transportation expenses, notably in terms of selecting packaging and packaging materials and assessing transportation modes and routes.

Developing Global Procurement Professionals

In order to expand our business globally, the IHI Group will build the optimal supply chain while developing new suppliers on a global base as required.

As such, IHI also focuses on nurturing global procurement officers and accepts local employees of overseas group companies for training in Japan, as well as provides employees of group companies in Japan with training in overseas procurement.

In FY2017, IHI Yokohama received one trainee from Chinese group company, IHI (Shanghai) Management Co., Ltd., who completed a year-long OJT program related to procurement.

We will continue group-wide efforts to develop procurement professionals who can operate on a global level.

Overseas Procurement Network



TOPICS

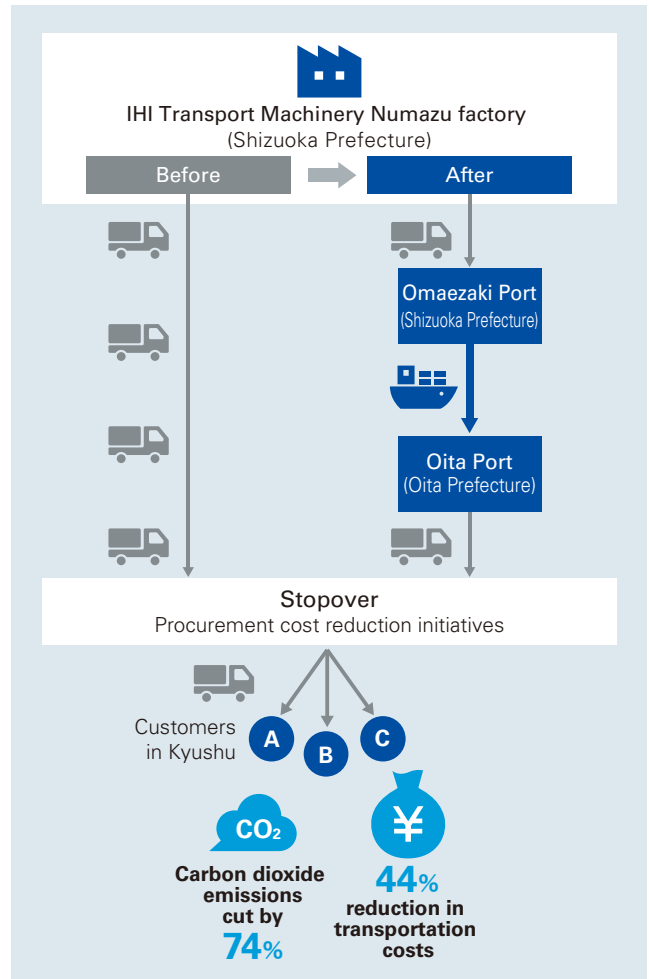
■ From land to sea: Expanding modal shifts

IHI Transport Machinery Co.,Ltd.'s multi-storey parking systems are installed in many commercial buildings and condominium complexes. The systems are shipped by numerous four-metric-ton trucks because installation sites are so narrow. To ship to remote locations, the company has switched to marine transportation in which it is more feasible to reduce carbon dioxide emissions and logistics costs. In fiscal 2017, the company deployed that approach for Kyushu. Compared with transportation modes to date, the company succeeded in reducing carbon dioxide emission by 74% and transportation cost by 44%.



Transport route (Shizuoka to Oita)

Elevator parking at IHI Transport Machinery



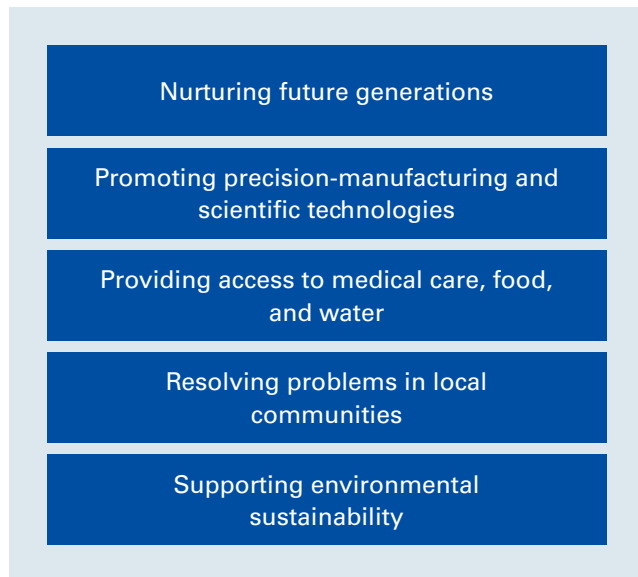
Together with Local Communities

Basic Policy

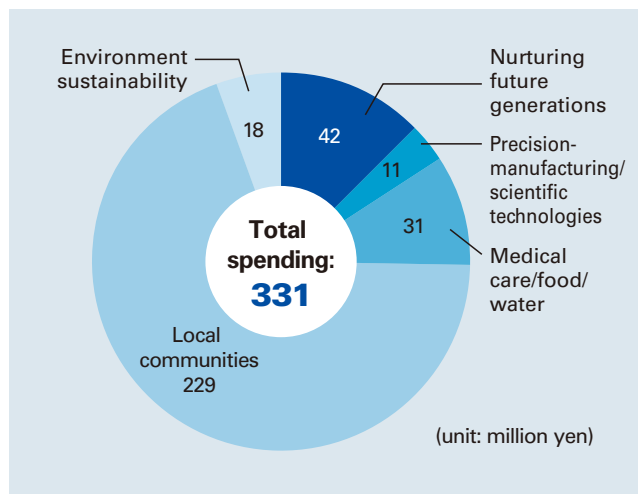
With the belief that “Meeting society’s expectations” is one of our corporate social responsibilities, the IHI Group engages in social activities.

We have set five key themes for our social activities which naturally aim to solve the current issues faced by communities in the regions where our business sites are located, as well as global and future issues. By promoting various activities in line with these themes, we aim to meet society’s expectations.

Five key themes



Spending on social contributions (FY2017)



Nurturing Future Generations

Lecture for Elementary & Junior High Students

With the aim of nurturing future-generation science professionals, IHI provides visiting classes for elementary and junior high students. These classes are held jointly with Ochanomizu University and convey how interesting science is, as well as how school-based study is helping society.

In FY2017, IHI members ran classes on jet engines for elementary and junior high school students attending schools nearby our head office. We also held a class on power generation boilers at Aioi Works. In both cases, students learnt about systems and principles through watching footage and then conducted experiments to deepen their understanding.

Surveys conducted after the classes showed that the students’ level of interest in science had risen.



Class at Aioi Works by Associate Professor Yoshimura of Ochanomizu University

Promoting Precision-manufacturing and Scientific Technologies

IHI Forum 2017

Every year, an “IHI Forum” is held to present IHI products and technologies through seminars and various other events, as well as to introduce specialty foods from regions where IHI Group companies conduct business. IHI Forum 2017 primarily focused on ICT initiatives in line with the theme of “Value Creation Beyond Monozukuri.” This event was attended by IHI stakeholders, including customers, business partners, shareholders and members of the local community.

IHI Forum 2017	
Type of public open space	Atrium
Conduct (content of activities)	<p>Technology/product displays, introductions on local specialty foods, and events for families</p> <p>In line with the theme of “Value Creation Beyond Monozukuri” we held IHI Forum 2017, which primarily displayed products and technologies of the IHI Group, along with lectures, introduction of specialty foods from regions where IHI Group companies conduct business, science experiments/classes, and various other events for family enjoyment.</p> <p>This event was attended by not only IHI Group customers and business partners, but also many others such as local residents, companies and elementary/junior high school students, serving as an excellent opportunity for a wide-range of stakeholders to become more familiar with IHI Group’s activities, and for the mutual exchange between neighboring communities and other stakeholders centered around the IHI Group’s operations.</p>
Occupied area	1,524.17 m ²
Implementation timing	From Nov. 14 (Tue.) to Nov. 18 (Sat.), 2017 13:00 to 17:30 (10:00 – 16:00 on Saturday)
Fee	Free
No. of visitors	Approx. 8,000



IHI Forum 2017

Providing Access to Medical Care, Food, and Water

WFP's Walk the World

To fight child hunger and malnutrition, IHI co-sponsors the annual Walk the World event of the United Nations World Food Program (WFP).

In FY2018, over 500 employees and their families took part in this charity walk along the Yokohama waterfront. Part of the participation fee and money raised by participants will be used by the United Nations WFP School Lunch Program to support the healthy growth of children in underdeveloped nations and meals at schools.



Walk the World participants (May 2018)

Cooperating with Cultural/Sporting Events in Local Communities

Aioi Pe-ron Festival

The Pe-ron Festival's history traces back to IHI's roots as a shipbuilder, when it used to hold aquatic sports events. Although the festival is now organized by Aioi city, it is still conducted in front of an IHI waterfront factory. The event attracts tens of thousands of visitors each year and IHI sponsors some of the boats that participate in the race.



Aioi Pe-ron Festival

Soma Wild Horse Chase (Soma Nomaoi)

The Soma Nomaoi, an annual festival going back more than 1,000 years, is famous for its staged fight among warriors on horseback. In a parade associated with the festival, young IHI Group employees shoulder a portable shrine from Soma Nakamura Shrine and the head of the local IHI office rides a horse.



Soma Wild Horse Chase (Soma Nomaoi)

Wheelchair Basketball

The IHI Group supports the Japan Wheelchair Basketball Federation. As part of this, in FY2017, we held interactive events with wheelchair basketball players at Aioi Works and the head office of IHI Infrastructure Systems Co.,LTD. (Sakai). This event attracted around 400 people, including IHI Group employees, the deputy mayor of Aioi city and local residents. The hugely successful undertaking included players participating in an exhibition match and trial session, a group commemorative photo and more.



Interactive event with wheelchair basketball players (Aioi Works)

IHI Atrium Concert

IHI uses the atrium at its head office in Toyosu to stage orchestral concerts of various genres. These concerts are for the enjoyment of a wide-range of guests, from senior citizens to families with small children.

The sixth and seventh concerts were held in FY2017, attracting some 900 people to each.

Supporting Environmental Sustainability

At Aichi Works, we engage in biodiversity-related initiatives.

Related page → [P49](#)

Together with Employees

Basic Policy

Based on our management philosophies of “Contribute to the development of society through technology” and “Human resources are our single most valuable asset”, the IHI Group works to develop and secure professionals as our most important management resource.

IHI strives to provide its entire workforce with workplace environments where all individuals feel safe, respected, welcome, motivated and rewarded.

Group Human Resource Management Policy

To achieve our Group Vision of "Devising reliable and convenient solutions that bring benefit to humanity and the environment as a global company," we develop supportive systems, workplace environments and a corporate culture that enable employees to realize their full potential while sharing common values.

In 2013, we introduced our Group Human Resource Management Policy for all Group employees. The policy includes measures for realizing ideal human resources by observing the key concepts of “group,” “global” and “diversity” in personnel hiring, deployment, development and evaluation.

Group Human Resource Management Policy

In line with IHI’s management principles and Group vision, IHI Group aim to create customer value through using engineering expertise to focus on Monozukuri technology by the following:

1. In order to become an enterprise with distinguished global professionals who strive to excel in Monozukuri Technology and engineering technologies with world-renowned high quality products, ideal human resources shall be enhanced and shall serve as a shared value for employees within the group.
2. Ideal human resources shall serve as the foundation for the establishment of HR management policies in order to provide employees with opportunities for development.
3. Providing a work environment where people of diverse backgrounds can demonstrate their abilities and are in tune with the management principles and Group vision of IHI.

Ideal Human Resources

- Integrity and Trust
- Innovation and Creation
- World-class Professional
- For Customers and Society
- Teamwork

Keywords

- Group
- Global
- Diversity

Workforce Demographics

Number of Employee

■ By region (IHI Group)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Japan	22,751	22,752	22,667
Asia Oceania	3,664	3,856	3,888
Americas	1,127	1,166	1,244
Europe, Middle East & Africa	1,952	1,895	1,907
Total	29,494	29,669	29,706

■ By business area (IHI Group)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Resources, Energy & Environment	7,654	7,744	7,579
Social Infrastructure & Offshore Facilities	2,515	2,493	2,290
Industrial Systems & General-Purpose Machinery	9,830	9,677	9,946
Aero Engine, Space & Defense	6,237	6,348	6,463
Other	2,336	2,406	2,458
Entire company (common)	922	991	970
Total	29,494	29,659	29,706

■ By age/gender (IHI)

	FY2015 (As of March 31, 2016)			FY2016 (As of March 31, 2017)			FY2017 (As of March 31, 2018)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Under 30	1,699	248	1,947	1,810	263	2,073	1,674	254	1,928
30 to 39	1,838	276	2,114	1,994	302	2,296	1,988	295	2,283
40 to 49	2,043	336	2,379	2,083	349	2,432	1,911	360	2,271
50 to 59	1,166	63	1,229	1,168	84	1,252	1,203	93	1,296
60 and over	605	4	609	570	7	577	469	9	478
Total	7,351	927	8,278	7,625	1,005	8,630	7,245	1,011	8,256

■ By employment status (IHI)

	FY2015 (As of March 31, 2016)			FY2016 (As of March 31, 2017)			FY2017 (As of March 31, 2018)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Regular employees	7,042	925	7,967	7,216	964	8,180	6,958	980	7,938
Re-hires	309	2	311	181	1	182	83	0	83
Second by other companies	255	38	293	228	40	268	204	31	235
Constants and contract employees	205	10	215	216	10	226	126	5	131
Part-time employees	103	403	506	83	389	472	71	399	470
Fixed-term employees	83	27	110	56	17	73	28	15	43
Total	7,997	1,405	9,402	7,980	1,421	9,401	7,470	1,430	8,900

(1,322 temporary employees as of March 31, 2018)

Turnover Rate

■ Turnover rate within 3 years of joining company (IHI)

	FY2015 * Targeting people hired in regular recruitment 2013			FY2016 * Targeting people hired in regular recruitment 2014			FY2017 * Targeting people hired in regular recruitment 2015		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Less than 3 years with company	4.8%	9.1%	5.5%	5.1%	9.7%	5.8%	4.7%	10.6%	5.7%

Employee Situation

■ Average years of service (IHI)

	FY2015 (As of March 31, 2016)			FY2016 (As of March 31, 2017)			FY2017 (As of March 31, 2018)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Average years of service	14.7	12.1	14.4	15.4	11.1	14.8	15.3	12.5	14.9

Respect for Human Rights

Raising Awareness

The IHI Group promotes initiatives for raising awareness on human rights.

Activities to raise awareness of human rights began in 1981 with the establishment of the company-wide Dowa Promotion Committee. Recognizing IHI's corporate social responsibility, a basic policy was formulated to support fair, nondiscriminatory treatment of human resources, which is now a key aspect of IHI's business.

Each worksite has a local Dowa Promotion Committee based on plans and policies drawn up by the company-wide committee. In light of domestic and international trends and changes in the social environment, these committees undertake education and awareness activities to address a wide range of human rights issues relevant to each workplace, including the treatment of social outcasts. In FY2017, the name of the company-wide committee was changed to the IHI Group Committee for Promotion of Human Rights to recognize the broadening perspective and a group-wide approach of IHI's human rights activities.

Outside Japan, relevant human rights issues include child labor and forced labor, which IHI is addressing from a global perspective.

In this context, IHI's Basic Code of Conduct was amended in 2010 to include respect for human rights as a fundamental principle of the company. Since then, IHI has been implementing various relevant initiatives on an ongoing basis. The activities are reported to executive management, a reflection of their importance to the company. No human rights violation, including the use of child or forced labor, was reported in FY2016.

Human Rights Training

In 2017, over 5,000 employees participated in position-specific training, training at IHI offices and plants, and training conducted by third parties, to deepen awareness and knowledge of human rights, compliance, harassment and more.

Equal Wages for International Recruits

IHI practices fair and impartial wage setting both in Japan and in international locations. Employees are treated equally-regardless of gender-and basic wages are set in the same manner.

Promoting Diversity

Promoting diversity is important towards creating an organizational climate that spawns creativity and innovation. Presently, diversity initiatives are focused on women, foreign nationals, persons with disabilities and the elderly.

Recruitment

To ensure a diverse workforce, IHI recruits human resources regardless of nationality, gender or age, and accepts candidates who have been out of school for up to three years.

In its recruiting practices, IHI selects suitable and capable candidates that fit the company's standards for ideal human resources (sincere, dependable, creative and innovative; serve customers and society as a whole, contribute as team players; and act and perform like world-class professionals) described in the Group Human Resource Management Policy. Moreover, personnel assigned to candidate interviews, etc. are trained to follow fair and impartial recruitment practices.

To attract global talent, IHI provides a wide range of opportunities, including recruitment seminars in the U.S., U.K., South Korea and Singapore. Looking at the past five years, IHI hired 15 non-Japanese employees in 2012, 14 in 2013, 11 in 2014, 9 in 2015, 7 in 2016 and 9 in 2017.

IHI actively recruits mid-career employees. We conduct an annual symposium to inform mid-career recruits about career opportunities at IHI and to build networks. Also, we offer fixed-term employment contracts as a mechanism for shifting temporary staffers to regular employment. Under this system, six-month contracts can be renewed up to a maximum of three years and personnel who meet certain standards can be subsequently hired as regular employees.

Employment of Physically-challenged Persons

To create workplaces where anyone can work with ease, IHI encourages the employment of persons who are physically challenged. As of June 1, 2018, 2.19% of IHI employees had disabilities. We will continue to cooperate with public employment agencies to actively provide employment opportunities for workers with disabilities.

Employment from Age 60

IHI adopts a system allowing employees to decide their own retirement age anywhere between 60 and 65 years of age. Since the system was introduced in April 2013, we have constantly revised it to enhance the attractiveness of the system, resulting in more than 80% of those who have reached the age of 60 choosing to continue working.

Recruitment and Promotion of Women

■ Promotion of female employment

To recruit more women, IHI has developed pamphlets, created a special webpage on the company's website and staged seminars for women candidates.

■ Support for female employees and development of female managers

IHI has taken constructive steps to create work environments based on workforce diversity and helping individuals to reach their potential.

For example, in 2012, training was introduced for women in managerial positions to raise their awareness, enhance their leadership skills and support their networking efforts. A networking leadership program was launched in 2013 to support women employees in diverse business areas and consists of workshops, seminars and a variety of other activities.

Outside experts are invited to speak to women managers about career development and to their superiors about the roles that they play in supporting their development.

Moreover, to groom women candidates for managerial positions, the Human Resource Division provides support to the candidates' superiors.



Diversity seminar workshop

Locally Hired Employees of Overseas Affiliates

Based on the Group Human Resource Management Policy, IHI actively hires capable individuals regardless of gender, educational background, age or nationality, aiming to promote the diversity and global capabilities of its workforce. To achieve ideal human resources, as identified in the Group Human Resource Management Policy, each overseas base recruits candidates relative to the respective country's labor market and customs.

IHI has conducted training to develop local managers at overseas bases, expanding such training in China and the Asia Pacific region in FY2017. In the past three years, 94 local managers in the Asia Pacific region, including China, have completed such training. We will continue working to develop local personnel to manage business in each country.

TOPICS

■ Scheme Amendments and Facility Development Responding to Diversity

In FY2017, the IHI Group amended the various schemes for employees who require a long-term medical treatment and employees who raise children to have greater flexibility than to date.

In regard to facilities, we made wheelchair-accessible restrooms at each business site open to all users based on universal design, and we building work environments that fully accept sexual minorities and are friendlier to people with disabilities.



Recruitment

New Graduate Employment Results (IHI)

	FY2015			FY2016			FY2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Engineers	180	24	204	208	21	229	174	19	193
Administrative	34	23	57	40	19	59	36	16	52
Total (Foreign nationals in the total above)	214 (5)	47 (4)	261 (9)	248 (5)	40 (2)	288 (7)	210 (5)	35 (3)	245 (8)

Mid-career Hiring Results (IHI)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Mid-career hiring results	131	153	29

Disabled People Employment Percentage (IHI)

	FY2015 (As of June 1, 2015)	FY2016 (As of June 1, 2016)	FY2017 (As of June 1, 2017)
Employment rate required by law	2.0%	2.0%	2.0%
Actual	2.17%	2.14%	2.03%

Status of People Selecting a Retirement Age of 61 or Above (between the ages of 61 and 65) (IHI)

	FY2015	FY2016	FY2017
Ratio of people who have selected	91%	84%	87%

Targets and Results for Female University Graduate Employment Percentages (IHI)

	Target	FY2015	FY2016	FY2017
Engineers	10% or more	12%	9%	10%
Administrative	35% or more	40%	32%	31%
Total	15% or more	18%	14%	14%

Targets and Results for Number of Female Directors (IHI)

	FY2020 target	FY2015 (As of July 1, 2015)	FY2016 (As of July 1, 2016)	FY2017 (As of July 1, 2017)
No. of female directors (Outside IHI)	1 person or more	1 (0)	2 (1)	4 (3)

Targets and Results for Female Manager Percentages (IHI)

	Target	Actual		
	FY2018 FY2020	FY2015 (As of April 1, 2015)	FY2016 (As of April 1, 2016)	FY2017 (As of April 1, 2017)
Total no. of managers	—	2,847	2,630	2,626
No. of female managers	—	60	66	68
General Manager class	—	14	19	21
Section Manager class	—	46	47	47
(Ratio of female managers)	(3.0%) (3.5%)	(2.1%)	(2.5%)	(2.6%)

Locally Hired Managers

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
IHI Shanghai Management Co., Ltd. (ICL)	1	1	1
IHI ASIA PACIFIC PTE (IHI AP)	10	10	12
IHI INC	9	9	10

Status of Training Aimed at Developing Local Managers in Overseas Bases

	FY2015	FY2016	FY2017
Implemented regions	Regions in China Regions in Asia Pacific	Regions in China Regions in Asia Pacific	Regions in China Regions in Asia Pacific
No. of participants	36	33	25

Creating Better Workplaces

Ensuring employee safety and well-being is an important issue for IHI. Safety, hygiene and health issues across the group are reported to the Board of Directors every month. Moreover, IHI takes constructive steps (managing workplace safety, hygiene and risk, providing mental healthcare, preventing harassment, building feelings of trust with labor unions, etc.) to create workplace environments where all group employees feel respected, welcome, motivated and rewarded, and can exhibit their full potential.

Health and Safety Management

■ Health Management

IHI emphasizes health management because it believes that a satisfying and fulfilling work environment improves productivity. Currently, 17 full-time industrial doctors and about 40 full-time health nurses are supporting the management of IHI employees' physical health and mental healthcare. Mental health education includes both remedial aftercare for people with mental illnesses and preventative measures promoting mental toughness. Everyone from senior managers to new employees is targeted as part of nurturing a robust workforce and pleasant work environment through various programs for mental health. Additional measures address health issues such as metabolic syndrome, smoking and other unhealthy lifestyles.

■ Safety Management

IHI is committed to eradicating work-related accidents and has established five group-wide safety principles as the basis for doing that. At factories and construction sites, risk assessments are implemented to identify and mitigate potential hazards via strict verifiable countermeasures. Moreover, regular safety training is provided not only to supervisors, leaders and site managers but to all employees as well, in order to make workplaces accident-free. Support is also given to outside contractors at IHI work sites to raise the level of their safety management and, together with IHI, keep the work site safe. Our health and safety initiatives are based on a logical and far-reaching occupational health and safety management system.

[5 Safety Principles]

- Give first priority to safety over everything.
- Don't do or make others do dangerous work.
- Take measures to prevent accidents in advance.
- Observe safety regulations.
- Our own efforts prevent accidents.

Promotion of Work-Life Balance

■ System Enhancement

Besides providing workplace environments that make jobs motivating and rewarding, IHI is always improving and adding programs and systems to help employees balance their professional and personal lives.

For example, the company offers flexible working hours, encourages employees to use paid holidays to take longer vacations, allows employees to take time off for childcare and nursing obligations, and requires worksites to shut down at certain times.

■ Management of Work Hours

Each year, IHI formulates a working-hours policy to promote a healthy work-life balance, by limiting non-essential overtime. The key initiatives under that policy are to promote work efficiency and delegate tasks among employees. Other activities serving that same purpose include having individual divisions craft action plans, shutting down all of our works at the same time, and reporting overtime conditions to the Board of Directors.

Partnership between Labor and Management

IHI concludes labor agreements with IHI labor unions based on mutual understanding and trust.

Various labor-relations councils are organized in accordance with labor agreements, including workers' councils to promptly resolve day-to-day issues, management councils to discuss management initiatives and financial results, and production councils to maintain and improve productivity in works divisions.

IHI management and labor are provided with abundant opportunities for dialog under the I-Project group-wide initiative. In FY2017, meetings to exchange views and ideas were held at seven IHI offices and six group companies. Moreover, when management visited factories and worksites, time was provided for them to tour the sites and interact with employees.

The Management Council gathers management and labor for meetings to explain corporate policies and hear union proposals. The IHI president joins three meetings each year.

Moreover, regular patrols of plants and construction sites are conducted through collaboration between management and labor to ensure that safety and hygiene are being properly managed.

Addressing Labor-related Complaints

Based on labor agreements, IHI operates a committee to promptly respond to labor-related complaints from employees in a fair manner, ultimately to realize harmonious work environments. No complaints were raised in FY2017.

TOPICS

■ Acquiring certifications for excellence in women's workplace participation and occupational health management

In fiscal 2017, we secured recognition in two key respects for our efforts materialize work environments in which employees can reach their full potential.

Receiving Eruboshi Certification for Excellence based on the legislation to promote the interests of women in the workplace

In keeping with the Act on Promotion of Women's Participation and Advancement in the Workplace, which was enacted in 2016, the Ministry of Health, Labour and Welfare maintains three categories of corporate excellence in fostering the interests of female employees. IHI obtained recognition in the second Eruboshi certification class for passing four of five assessment criteria, notably for recruitment, work hours, managerial ratios, and career courses.



Health & Productivity Companies 2018 (White 500)

The Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Council) maintain the White 500 program to recognize excellence in strategic corporate healthcare management. In keeping with the IHI Group Health Management Declaration, we collaborate with health insurance associations foster the wellbeing of employees and their families. In fiscal 2017, five IHI Group companies received White 500 certification. They were the parent, IHI Scube Co., Ltd., IHI Plant Construction Co., Ltd., Niigata Power Systems Co., Ltd., and IHI Jet Service Co., Ltd.



2018
健康経営優良法人
Health and productivity
ホワイト500

Health Management Data (IHI Corporation)

	FY2015	FY2016	FY2017
Employees with negative diagnosis in one or more categories	67%	70%	69%
Ratio of people who complete stress checks	89%	90%	91%
Smokers	30%	29%	28%

IHI Group Work Hours Lost to Injuries

(unit: no. of cases per million hours)

	FY2015	FY2016	FY2017
National average, all industries	1.06	1.15	1.02
IHI Group	0.28	0.27	0.46

Utilization of Work-Life Balance Support Scheme (IHI)

	FY2015	FY2016	FY2017
Employees with reduced work hours	145	149	159
Employees who utilized childcare leave	622	674	688
People who take parental leave	82	89	119
Ratio of people who return to work after taking parental leave	100%	100%	99%
Employees who utilized nursing-care leave	8	11	18

Average annual leave acquisition (IHI general employees)

	FY2015	FY2016	FY2017
Average annual leave acquisition	15.92 days	16.50 days	17.63 days

Average monthly overtime (IHI)

	FY2015	FY2016	FY2017
Average monthly overtime	23.8 hours	23.9 hours	22.90 hours

Labor Union Membership (IHI)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Musashi	1,734	1,795	1,891
Tokyo	1,463	1,542	1,595
Yokohama	1,444	1,461	1,464
Soma	888	913	913
Tomioka	679	667	666
Aioi	516	505	509
Kure	509	501	489
Nagoya	525	500	324
Total	7,758	7,884	7,851

Human Resource Development

Human Resource Development Initiatives

HR training is based on the Group Human Resource Development Policy.

Level-specific training spanning the workforce, from new recruits to newly appointed managers, is implemented via programs and curricula based on principles for ideal human resources described in the Group Human Resource Management Policy. There are also training courses for grooming executives, global human resources and women managers. Moreover, optional open seminars are offered to help employees hone specialties.

To ensure that training remains consistent with evaluations and deployments, a series of three interviews is administered to all employees over the course of a year. Results are fed back to employees to help them reinforce their positive qualities and work on any weakness, thereby helping them to develop further.

Development of Global Human Resource

The IHI Group invests time, money and effort into developing human resources who can perform in the global arena. This includes overseas training. In 2017, 16 persons were sent to India for intensive training and two people were dispatched to the International Potential Development Internship Program sponsored by Japan's Ministry of Economy, Trade and Industry. These overseas training programs not only support the acquisition of language skills but also provide more in-depth exposure to different cultures. As for language training in Japan, booths were set up at business sites in 2013 so that employees could practice their English in between jobs. In 2017 alone, 218 persons attended conversational sessions. In addition, language classes and seminars on cross-cultural understanding are open to all employees. Moreover, at the IHI Human Resources Development & Communication Center, called I-STEP Shonan, IHI Group's dedicated facility for human resource training and meetings located in Yokosuka, Kanagawa Prefecture, over 1,100 group employees from Japan and overseas participate in training and various seminars each year. I-STEP Shonan

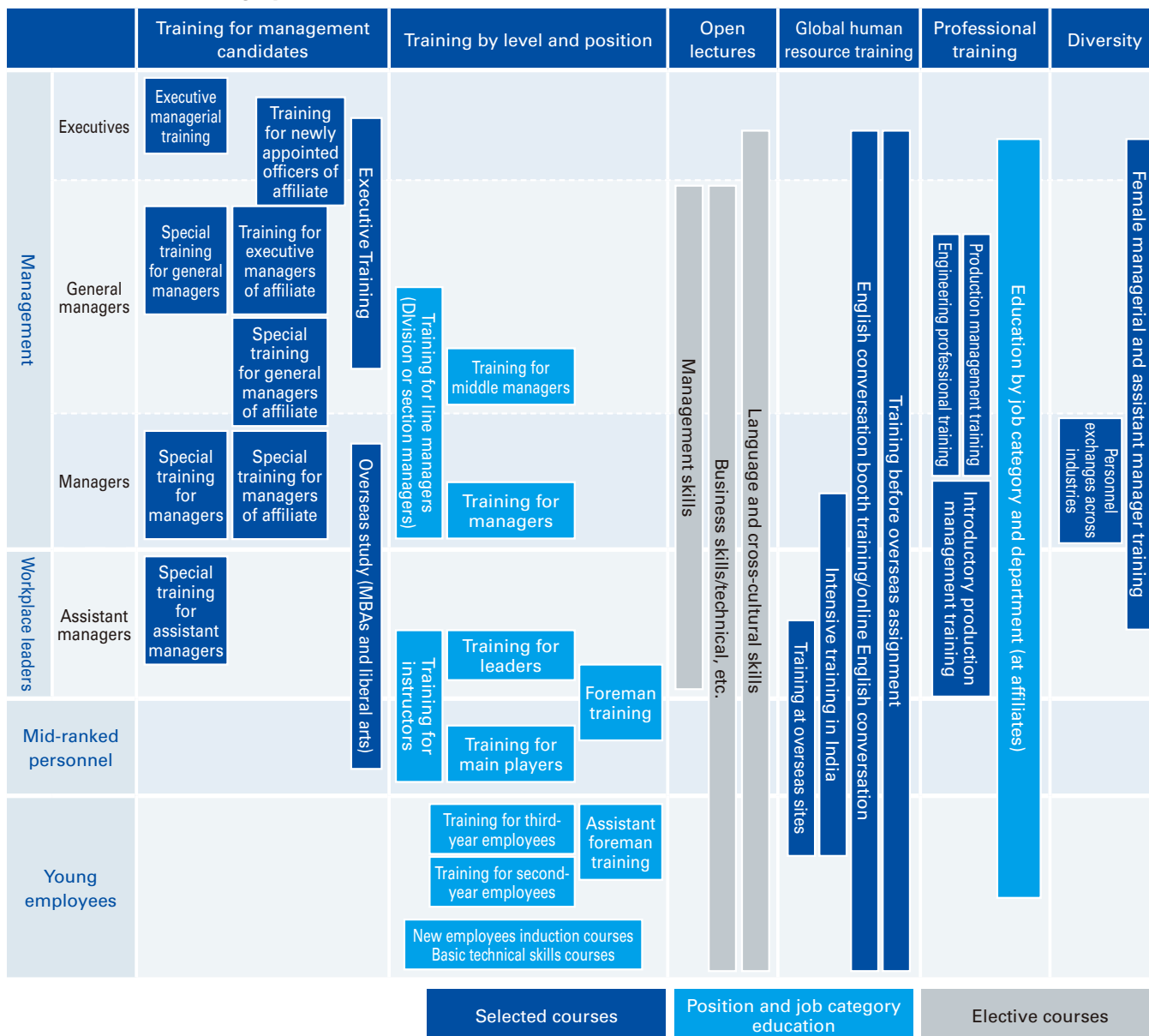
is more than just a training facility – it is used as a place for members of the IHI Group from around the world to gather, share our corporate philosophy and values, actively communicate, learn and grow together.

Passing Skills Along to Others

Each IHI production facility is in charge of specific manufacturing skills, such as welding and machine work, that must be passed along to the next generation. Employees with specialized skills are designated as takumi (master artisans) and are assigned to train younger workers.

In FY2017, 42 employees were certified as new takumi.

Education and training system



Participants in Main Training Courses and Total Training Hours (IHI Group)

	FY2015		FY2016		FY2017	
	Participants	Hours of training	Participants	Hours of training	Participants	Hours of training
Position-specific	Approx. 2,600	Approx. 91,000	Approx. 3,300	Approx. 112,000	Approx. 2,900	Approx. 101,000
Open lectures	Approx. 5,300	Approx. 42,000	Approx. 5,800	Approx. 46,000	Approx. 5,800	Approx. 44,000

Employees Certified as Takumi in FY2017

	FY2015	FY2016	FY2017
Welding	6	6	5
Assembly	6	6	7
Machine work	14	14	13
Testing/Inspection	10	10	10
Maintenance	3	3	2
Other	6	6	5
Total	45	45	42

Performance Objectives

Financial Summary	77
Non-financial Summary	78

Financial Summary

Areas	FY2014	FY2015	FY2016	FY2017
Key financial highlights				(billions of yen)
Orders received	1,664.3	1,605.3	1,389.8	1,505.0
Net sales	1,455.8	1,539.3	1,486.3	1,590.3
Operating income	63.2	22.0	47.3	72.2
Share of profit of entities accounted for using equity method	▲ 1.7	1.1	▲ 3.5	▲ 33.0
Net non-operating income	▲ 6.7	▲ 12.3	▲ 25.3	▲ 50.8
Ordinary income	56.5	9.7	22.0	21.4
Profit attributable to owners of parent	9.0	1.5	5.2	8.2
Depreciation and amortization	43.2	46.7	46.6	44.8
Investment in plant and equipment	63.9	50.8	52.7	59.2
R&D expenses	37.0	41.6	35.5	38.6
Total assets	1,690.8	1,715.0	1,692.8	1,633.6
Interest-bearing debt	410.6	374.5	371.9	322.2
Net assets	359.5	333.3	337.6	350.2
Employees	28,533	29,494	29,659	29,706
Per share data				(yen)
Profit attributable to owners of parent per share ¹	59	10	34	54
Book value per share ²	2,240	2,062	2,060	2,103
Annual dividends per share	60	30	0	60
Financial index				
Percentage of overseas sales	52.1%	51.8%	51.0%	51.0%
Operating margin	4.3%	1.4%	3.2%	4.5%
ROE (Return on equity) ³	2.6%	0.5%	1.6%	2.6%
ROA (Return on assets) ⁴	0.6%	0.1%	0.3%	0.5%
ROIC (Return on invested capital) ⁵	5.8%	2.3%	5.0%	7.7%
D/E ratio ⁶	1.14 times	1.12 times	1.10 times	0.92 times
Equity to total assets	20.5%	18.6%	18.8%	19.9%
Cash flow statement-related information				(billions of yen)
Cash flows from operating activities	63.5	95.3	65.3	99.0
Cash flows from investing activities	▲ 74.6	▲ 35.5	▲ 28.9	▲ 47.9
Cash flows from financing activities	33.4	▲ 47.5	▲ 21.9	▲ 57.3
Change in interest-bearing debt	52.8	▲ 36.1	▲ 2.6	▲ 49.7
Free cash flow ⁷	▲ 11.0	59.8	36.4	51.0

1. Profit attributable to owners of parent ÷ Total number of shares issued

2. Net assets ÷ Total number of share issued

3. Profit attributable to owners of parent ÷ (average of owner's equity at end of previous term and end of current term)

4. Profit attributable to owners of parent ÷ (average of total assets at end of previous term and end of current term)

5. (Operating income + interest and dividend income) after-tax ÷ (owner's equity + interest-bearing debt)

6. Interest-bearing debt ÷ net assets

7. Cash flows from operating activities + Cash flow from investing activities

Non-financial Summary

Areas		FY2014	FY2015	FY2016	FY2017	FY2018 Plan	Future objectives
CSR							
Measures	Employee awareness	Raised awareness via e-learning	Ongoing	Ongoing	Deepened understanding of integrated report through e-learning	Improved SDGs awareness through e-learning and other means	Raise awareness of global CSR issues and show individuals how to meet stakeholder expectations, earn trust and raise company value over long-term
Relevant data	Level of employee awareness	89%	90%	92%	90%	Achieve SDG recognition rate exceeding 90%	-
Governance							
Measures	Risk management	Set 14 priority policies	Set 16 priority policies	Set 18 priority policies	Set 16 priority policies	Set 16 priority policies	-
Relevant data	Outside director meeting attendance rate	95%	94%	94%	95.3% (average) (lowest attendance rate was 89%)	85% or greater	85% or greater
	Attendance rates for Board of Directors and Audit & Supervisory Board (added in fiscal 2018)	-	-	-	-	85% or greater	85% or greater
Compliance							
Measures	Compliance training	Conducted compliance and risk management programs	Developed self-esteem program	Ongoing	Ongoing	Ongoing	Act ethically and emphasize sincerity and fairness in compliance with internal, national and international rules, laws, regulations, prescribed practices, internal policies and procedures
	Globalization of compliance system	Improved compliance systems of IHI and Americas Regional Headquarters Americas	Clarified compliance system for overseas subsidiaries	Conducted e-learning for overseas employees	Began operating hotline in Americas	Began operating hotline in Asia-Pacific	Establish Group-wide global compliance system
Relevant data	Number of legal infringements (guidance)	59	48	60	52	-	-
	Hotline cases	238	333	218	209	-	-
Supply chain							
Measures	Procurement policy awareness	<ul style="list-style-type: none"> Reviewed survey findings Established environmental control guidelines 	Deployed throughout IHI and Group companies worldwide	Reinforced publicity throughout IHI and Group companies worldwide	Ongoing	Ongoing	Expand IHI Group Procurement Policy to major suppliers for enhanced trust, mutual benefit and competitiveness
	Procurement personnel training	<ul style="list-style-type: none"> Ensured procurement compliance, including for management of chemical substances Held procurement seminars for global procurement personnel 	<ul style="list-style-type: none"> Conducted e-learning for procurement personnel Held procurement seminars for global procurement personnel 	<ul style="list-style-type: none"> Conducted e-learning for procurement personnel Held procurement compliance seminars for overseas affiliates 	<ul style="list-style-type: none"> Conduct e-learning for procurement personnel Prepare teaching material for procurement compliance seminars for overseas affiliates and hold seminars (institute in Malaysia) 	<ul style="list-style-type: none"> Conduct e-learning for procurement personnel Conduct procurement compliance courses for overseas procurement sites and affiliates 	Ensure global procurement compliance

Areas		FY2014	FY2015	FY2016	FY2017	FY2018 Plan	Future objectives
Health and safety							
Measures	Reinforcing health and safety management	<ul style="list-style-type: none"> Introduced Occupational Health Dynamics (OHD) assessments Introduced standards for responding to medical checkup results 	<ul style="list-style-type: none"> Established IHI Group Central Safety and Health Committee Provided direction and support for major IHI Group affiliates Enhanced health and safety management overseas Enhanced health management for employees dispatched overseas Selected as Health and Productivity Brand 	<ul style="list-style-type: none"> Provided direction and support to major IHI Group affiliates Expanded Health and Safety Management Assessment to affiliates Enhanced health and safety management overseas Communicated Healthy Management Declaration Chosen for Health & Productivity Stock Selection program 	<ul style="list-style-type: none"> Conduct Group Labor/Management Patrols, including at affiliates Provide guidance and support for key Group affiliates Adopt systematic disaster analysis techniques within Group Implement health management initiatives Provide support for health treatment and professional life 	<ul style="list-style-type: none"> Strengthen initiatives for priority IHI Group affiliates and plants Development systematic disaster analytical techniques in-house Push ahead with disaster prevention initiatives that uses risk assessments, IT, and other tools Undertake health management and work practice reforms Strengthen collaboration with health insurance association 	Work to ensure workplace environments are healthy and safe for all people working for or with IHI
Relevant data	Rate of occurrence of work-related accidents requiring time off	0.24	0.22	0.27	0.57	Less than 0.2	-
	Number of annual leave days taken	16.02 days	15.92 days	16.50 days	1763 days	16 days or more	-
Diversity							
Measures	Gender diversity	<ul style="list-style-type: none"> Promoted awareness of gender diversity Established networks for female personnel Supported women's career ambitions and increased motivation Heightened gender-diversity awareness among males, especially managers and supervisors Identified obstacles to gender diversity 	<ul style="list-style-type: none"> Promoted work-life balance Expanded gender-diversity initiatives throughout Group Improved male awareness of gender diversity Provided ongoing support for networking among females 	Ongoing	Ongoing	Ongoing	Foster inclusive workplaces based on our Corporate Philosophy and IHI Group Vision. Provide greater opportunities for employees to develop and grow.
		<ul style="list-style-type: none"> Executive Officer Mizumoto received Award for Cultivating Women Engineers Launched diversity page on website and released messages from top executives 	<ul style="list-style-type: none"> Implemented Diversity Promotion Month (November) Followed up on Group company initiatives Formulated action plan for Women's Advancement Promotion Law Selected as a Nadeshiko Brand 	<ul style="list-style-type: none"> Held group-wide seminar to promote female careers and Diversity Month (November) Prepared daycare centers at company premises (Soma and Musashi) Released numerical targets for FY2020 	<ul style="list-style-type: none"> Held a group-wide seminar to promote participation by women and Diversity Month (November) Open daycare centers on company premises and launch child-raising advisory service Create telecommute system and spouse-relocation-leave system Obtained Eruboshi certification 	<ul style="list-style-type: none"> Held collective lectures on promoting interests of women in workplaces and held Diversity Month initiatives in November Prepared to set up nursery school at Yokohama site and launched babysitting service Instituted measures to encourage male workers to take childcare leave 	
	Employment opportunities for persons with disabilities	<ul style="list-style-type: none"> Ensured appropriate workplaces and workloads Posted job openings on an employment site 	Participated in joint briefing session hosted by disability-support provider	Established consultation desk	Some business sites set up business support teams to consolidate and outsource work to cater to a wider range of disabilities	Further expand business support teams to consolidate and outsource work within business sites	
	Employment opportunities for seniors	Revised life-planning seminars	Added life-planning seminars at age 50 (existing seminars at age 58)	Raised base wages from age 60 (for selective retirement scheme)	Ongoing	Ongoing	
	Employment opportunities for non-Japanese	Recruited candidates from priority area (Asia)	Ongoing	Ongoing	<ul style="list-style-type: none"> Ongoing Strengthen acceptance system (enhance instructor training and hold intercultural events) 	<ul style="list-style-type: none"> Ongoing Strengthen acceptance system (enhance training of foreign employees) 	

Performance Objectives

Areas		FY2014	FY2015	FY2016	FY2017	FY2018 Plan	Future objectives
Relevant data	Female recruitment	College graduates: 32(14%) Technical: 3	College graduates: 47(18%) Technical: 3	College graduates: 40(14%) Technical: 6	College graduates: 35(14%) Technical: 4	College graduates: 20(12.7%) Technical: 6	College graduates: 15% or greater of total (Targets: Technical: 10% or greater, Administrative: 35% or greater) Technical: 15 or more in FY2016-2018
	Female managers	51 (1.8%)	60 (2.1%)	66 (2.5%) (as of April 1, 2016)	68 (2.6%) (as of April 1, 2017)	74 (2.8%) (as of April 1, 2018)	3.0% (FY2018) 3.5% (FY2020)
	Female officers	1	1	2 (1 is an outside audit & supervisory board member)	4 (3 are outside officers)	4 (3 are outside officers)	1 or more (FY2018)
	Percentage returning to work after childcare leave	100%	100%	100%	100%	100%	100%
	Employees with disabilities	2.02%	2.17%	2.14%	2.03%	More than 2.2% (FY2019, April)	2.3% (FY2021, March)
	Non-Japanese graduates	11	9	7	8	3 (attained)	-

Environment

Measures	Environmental management	Established targets for energy consumption, CO ₂ emissions and waste reduction, and monthly monitoring program	Finalized environmental impact collection system	Established Group Environmental Action Plan 2016	Study mid-to-long-term environmental issues	Ongoing	IHI's vision is to make environmental sustainability an integral part of all Group companies by working together with customers and business partners worldwide.
Relevant data	CO ₂ emissions from business activities ¹	346,000 tons	326,000 tons	317,000 tons	330,000 tons	Less than 300,000 tons	Less than 300,000 tons (FY2018)
	Reduced CO ₂ emissions	From 11 products/services	Addressed calculation-method issues	2.5 million tons or greater	2.5 million tons or greater	10 million tons or greater	10 million tons or greater (FY2018)
	Sales ratio of eco-friendly products	Certified: 4	Certified: 10	Certified: 15	Certified: 18	Improve the sales ratio	70% or greater (FY2018)
	CDP climate change	97A	99B	Leadership level A-	Management level B	Management level or higher	Management level or higher
	Nikkei Environmental Management Survey (max. 500 points)	411	436	429	431	400 points or higher	400 points or higher

1: Emissions coefficients by electrical power provider were used for calculation of CO₂ emissions from electrical power consumption.

GRI Standards Content Index

GRI Standards Content Index 82

GRI Standards Content Index

GRI Standards		IHI SUSTAINABILITY REPORT 2018 reference pages/ website URL
102: General Disclosures		
1. Organizational profile		
102-1	Name of the organization	About IHI https://www.ihico.jp/en/company/outline/
102-2	Activities, brands, products, and services	Products https://www.ihico.jp/en/products/index.html
102-3	Location of headquarters	About IHI https://www.ihico.jp/en/company/outline/
102-4	Location of operations	Offices https://www.ihico.jp/en/company/offices/
102-5	Ownership and legal form	About IHI https://www.ihico.jp/en/company/outline/
102-6	Markets served	Offices https://www.ihico.jp/en/company/offices/
102-7	Scale of the organization	About IHI https://www.ihico.jp/en/company/outline/ Financial Highlights https://www.ihico.jp/en/ir/ir_highlight/
102-8	Information on employees and other workers	P64-65: Workforce Demographics About IHI https://www.ihico.jp/en/company/outline/
102-9	Supply chain	P56-59: Together with Business Partners
102-10	Significant changes to the organization and its supply chain	Information for shareholders and investors https://www.ihico.jp/en/ir/index.html
102-11	Precautionary Principle or approach	P24-27: Compliance P28-33: Risk Management P40-42: Promote Group Environmental Management P45-49: Reduce the Environmental Impact of Our Business Activities
102-12	External initiatives	P11: Initiatives targeting Sustainable Development Goals (SDGs)
102-13	Membership of associations	P61: Providing Access to Medical Care, Food, and Water
2. Strategy		
102-14	Statement from senior decision-maker	P3-4: Message from the President
102-15	Key impacts, risks, and opportunities	P3-4: Message from the President P6-17: Business and CSR P28: Risk Management System Business Risks https://www.ihico.jp/ihico/company/policy/risk/index.html
3. Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	P6: Corporate Philosophy and Group Vision P7: Basic Code of Conduct VISION https://www.ihico.jp/en/company/policy/vision/ Basic Code of Conduct https://www.ihico.jp/en/company/policy/guideline/
102-17	Mechanisms for advice and concerns about ethics	P25: Compliance Hotline

GRI Standards		IHI SUSTAINABILITY REPORT 2018 reference pages/ website URL
4. Governance		
102-18	Governance structure	<p>P8: CSR Promotion System P19: Corporate Governance System Corporate Governance Report https://www.ihi.co.jp/var/ezwebin_site/storage/original/application/8843ba614c86a21635d4666b94b431a4.pdf</p>
102-19	Delegating authority	<p>P8: CSR Promotion System P19-23: Corporate Governance P40: Environmental Management Systems Corporate Governance Report https://www.ihi.co.jp/var/ezwebin_site/storage/original/application/8843ba614c86a21635d4666b94b431a4.pdf</p>
102-20	Executive-level responsibility for economic, environmental, and social topics	<p>P8: CSR Promotion System P19-23: Corporate Governance P40: Environmental Management Systems Corporate Governance Report https://www.ihi.co.jp/var/ezwebin_site/storage/original/application/8843ba614c86a21635d4666b94b431a4.pdf</p>
102-21	Consulting stakeholders on economic, environmental, and social topics	<p>P8: CSR Promotion System P8: Dialogue with Stakeholders P19-23: Corporate Governance P54-55: Information Dissemination and Dialogue P72: Partnership between Labor and Management</p>
102-22	Composition of the highest governance body and its committees	<p>P19: Corporate Governance System Board Members https://www.ihi.co.jp/en/company/executivelist/ Corporate Governance Report https://www.ihi.co.jp/var/ezwebin_site/storage/original/application/8843ba614c86a21635d4666b94b431a4.pdf</p>
102-23	Chair of the highest governance body	<p>P3-4: Message from the President P19-23: Corporate Governance Board Members https://www.ihi.co.jp/en/company/executivelist/ Corporate Governance Report https://www.ihi.co.jp/var/ezwebin_site/storage/original/application/8843ba614c86a21635d4666b94b431a4.pdf</p>
102-24	Nominating and selecting the highest governance body	<p>P19: Corporate Governance System P20: Policies Relating to Appointment of Officers Corporate Governance Report https://www.ihi.co.jp/var/ezwebin_site/storage/original/application/8843ba614c86a21635d4666b94b431a4.pdf</p>
102-25	Conflicts of interest	<p>P19: Basic Policies for Enhancing Corporate Governance Corporate Governance Report https://www.ihi.co.jp/var/ezwebin_site/storage/original/application/8843ba614c86a21635d4666b94b431a4.pdf</p>
102-26	Role of highest governance body in setting purpose, values, and strategy	<p>P3-4: Message from the President P8: CSR Promotion System P19: Corporate Governance System P40: Environmental Management Systems</p>
102-27	Collective knowledge of highest governance body	<p>P8: CSR Promotion System P40: Environmental Management Systems</p>
102-28	Evaluating the highest governance body's performance	<p>P6-17: Business and CSR P22: Evaluating the Board of Directors</p>

GRI Standards		IHI SUSTAINABILITY REPORT 2018 reference pages/ website URL
102-29	Identifying and managing economic, environmental, and social impacts	P8: CSR Promotion System P24: System for Implementing Compliance Activities P28: Risk Management System P40: Environmental Management Systems P51-53: Improve Quality
102-30	Effectiveness of risk management processes	P8: CSR Promotion System P28: Risk Management System
102-31	Review of economic, environmental, and social topics	P8: CSR Promotion System P24: System for Implementing Compliance Activities P28: Risk Management System P40: Environmental Management Systems P51-53: Improve Quality
102-32	Highest governance body's role in sustainability reporting	P8: CSR Promotion System
102-33	Communicating critical concerns	P8: CSR Promotion System P19-23: Corporate Governance P25: Compliance Hotline P54-55: Information Dissemination and Dialogue P72: Partnership between Labor and Management
102-34	Nature and total number of critical concerns	P8: CSR Promotion System P25: Compliance Hotline P54-55: Information Dissemination and Dialogue
102-35	Remuneration policies	P23: Policies and Procedures in Determining Officer Remuneration Corporate Governance Report https://www.ihl.co.jp/var/ezwebin_site/storage/original/application/8843ba614c86a21635d4666b94b431a4.pdf
102-36	Process for determining remuneration	P23: Policies and Procedures in Determining Officer Remuneration
102-37	Stakeholders' involvement in remuneration	P19-23: Corporate Governance P23: Policies and Procedures in Determining Officer Remuneration P54-55: Together with Shareholders and Investors P72: Partnership between Labor and Management
102-38	Annual total compensation ratio	P23: Policies and Procedures in Determining Officer Remuneration
102-39	Percentage increase in annual total compensation ratio	P23: Policies and Procedures in Determining Officer Remuneration
5. Stakeholder engagement		
102-40	List of stakeholder groups	P8: Dialogue with Stakeholders P9-11: IHI's Materiality Issues
102-41	Collective bargaining agreements	P72: Partnership between Labor and Management
102-42	Identifying and selecting stakeholders	—
102-43	Approach to stakeholder engagement	P8: Dialogue with Stakeholders P51-53: Offering Maximized Value to Customers P54-55: Together with Shareholders and Investors P56-59: Together with Business Partners P60-62: Together with Local Communities P63-75: Together with Employees
102-44	Key topics and concerns raised	P8: Dialogue with Stakeholders P9-11: IHI's Materiality Issues
6. Reporting practice		
102-45	Entities included in the consolidated financial statements	Offices https://www.ihl.co.jp/en/company/offices/ Business Lineup and Markets https://www.ihl.co.jp/ihl/ir/individual_owner/glance/business/
102-46	Defining report content and topic Boundaries	P2: About IHI SUSTAINABILITY REPORT 2018

GRI Standards		IHI SUSTAINABILITY REPORT 2018 reference pages/ website URL
102-47	List of material topics	P9-11: IHI's Materiality Issues
102-48	Restatements of information	–
102-49	Changes in reporting	–
102-50	Reporting period	P2: About IHI SUSTAINABILITY REPORT 2018
102-51	Date of most recent report	P2: About IHI SUSTAINABILITY REPORT 2018
102-52	Reporting cycle	P2: About IHI SUSTAINABILITY REPORT 2018
102-53	Contact point for questions regarding the report	P89: Contact Point Contact Us https://www.ihi.co.jp/en/contact/index.html
102-54	Claims of reporting in accordance with the GRI Standards	–
102-55	GRI content index	–
102-56	External assurance	–
103: Management Approach		
103-1	Explanation of the material topic and its Boundary	P9-11: IHI's Materiality Issues P40: Companies Covered in Our Environmental Data IHI Integrated Report 2018_P6: IHI's Value-Creation Process https://www.ihi.co.jp/csr/library/pdf/IHI_IntegratedReport2018_profile.pdf
103-2	The management approach and its components	P9-11: IHI's Materiality Issues P12-17: Helping to Solve Social Issues
103-3	Evaluation of the management approach	P5-17: Business and CSR
200: Economic topics		
201: Economic Performance		
201-1	Direct economic value generated and distributed	P60: Total spending on social contributions in FY2017 P77: Financial Summary Financial Highlights https://www.ihi.co.jp/en/ir/ir_highlight/
201-2	Financial implications and other risks and opportunities due to climate change	P10: Pursuing materiality issues through business P12-17: Helping to Solve Social Issues P43-44: Reduce the Environmental Impact of Products and Services
201-3	Defined benefit plan obligations and other retirement plans	–
201-4	Financial assistance received from government	–
202: Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	P66: Equal Wages for International Recruits
202-2	Proportion of senior management hired from the local community	P68: Locally Hired Employees of Overseas Affiliates P70: Locally Hired Managers
203: Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	P60-62: Together with Local Communities
203-2	Significant indirect economic impacts	–
204: Procurement Practices		
204-1	Proportion of spending on local suppliers	–
205: Anti-corruption		
205-1	Operations assessed for risks related to corruption	–
205-2	Communication and training about anti-corruption policies and procedures	P25: Promoting Compliance Awareness P26: Compliance Initiatives
205-3	Confirmed incidents of corruption and actions taken	P26: Compliance Initiatives

GRI Standards		IHI SUSTAINABILITY REPORT 2018 reference pages/ website URL
206: Anti-competitive Behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	P26: Compliance Initiatives
300: Environmental topics		
301: MATERIALS		
301-1	Materials used by weight or volume	–
301-2	Recycled input materials used	–
301-3	Reclaimed products and their packaging materials	–
302: Energy		
302-1	Energy consumption within the organization	P45-46: Reducing Energy Consumption and GHG Emissions
302-2	Energy consumption outside of the organization	P46: Reducing Energy Consumption in Transportation
302-3	Energy intensity	P45-46: Reducing Energy Consumption and GHG Emissions
302-4	Reduction of energy consumption	P45-46: Climate Change Countermeasures
302-5	Reductions in energy requirements of products and services	P12-15: Through Business P45-46: Climate Change Countermeasures
303: Water		
303-1	Water withdrawal by source	P47: Reducing Water Consumption
303-2	Water sources significantly affected by withdrawal of water	–
303-3	Water recycled and reused	–
304: Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	P49: Biodiversity Protection
304-2	Significant impacts of activities, products, and services on biodiversity	P49: Biodiversity Protection
304-3	Habitats protected or restored	P49: Biodiversity Protection
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	–
305: Emissions		
305-1	Direct (Scope 1) GHG emissions	P45-46: Reducing Energy Consumption and GHG Emissions
305-2	Energy indirect (Scope 2) GHG emissions	P45-46: Reducing Energy Consumption and GHG Emissions
305-3	Other indirect (Scope 3) GHG emissions	–
305-4	GHG emissions intensity	P45-46: Reducing Energy Consumption and GHG Emissions
305-5	Reduction of GHG emissions	P45-46: Reducing Energy Consumption and GHG Emissions
305-6	Emissions of ozone-depleting substances (ODS)	–
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	P48: Chemical Substances in Products
306: Effluents and Waste		
306-1	Water discharge by quality and destination	P48: Lowering Environmental Risks
306-2	Waste by type and disposal method	P46-47: Building Recycling Societies
306-3	Significant spills	–
306-4	Transport of hazardous waste	–
306-5	Water bodies affected by water discharges and/or runoff	–

GRI Standards		IHI SUSTAINABILITY REPORT 2018 reference pages/ website URL
307: Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	P39: Group Environmental Action Plan P41: Compliance with Environmental Laws and Regulations
308: Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	P56: Basic Policy P56: IHI Group Procurement Policy P57-58: Corporate Social Responsibility in Procurement
308-2	Negative environmental impacts in the supply chain and actions taken	–
400: Social topics		
401: Employment		
401-1	New employee hires and employee turnover	P65: Turnover Rate P65: Employee Status P69-70: Recruitment
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	P71-73: Creating Better Workplaces
401-3	Parental leave	P71: Promotion of Work-Life Balance P73: Utilization of Work-Life Balance Support Scheme (IHI)
402: Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	–
403: Occupational Health and Safety		
403-1	Workers representation in formal joint management–worker health and safety committees	P72: Partnership between Labor and Management
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	P71: Health and Safety Management P73: IHI Group Work Hours Lost to Injuries
403-3	Workers with high incidence or high risk of diseases related to their occupation	P71-73: Creating Better Workplaces
403-4	Health and safety topics covered in formal agreements with trade unions	P72: Partnership between Labor and Management
404: Training and Education		
404-1	Average hours of training per year per employee	P75: Participants in Main Training Courses and Total Training Hours (IHI Group)
404-2	Programs for upgrading employee skills and transition assistance programs	P67: Employment from Age 60 P74-75: Human Resource Development
404-3	Percentage of employees receiving regular performance and career development reviews	P74-75: Human Resource Development
405: Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	P64-65: Workforce Demographics P67-70: Promoting Diversity Board Members https://www.ihi.co.jp/ihi/company/executivelist/
405-2	Ratio of basic salary and remuneration of women to men	P66: Equal Wages for International Recruits
406: Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	P25: Compliance Hotline P66: Respect for Human Rights
407: Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	P57-58: Corporate Social Responsibility in Procurement

GRI Standards		IHI SUSTAINABILITY REPORT 2018 reference pages/ website URL
408: Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	P57-58: Corporate Social Responsibility in Procurement P66: Respect for Human Rights
409: Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	P57-58: Corporate Social Responsibility in Procurement P66: Respect for Human Rights
410: Security Practices		
410-1	Security personnel trained in human rights policies or procedures	–
411: Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	–
412: Human Rights Assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	–
412-2	Employee training on human rights policies or procedures	P66: Respect for Human Rights
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	–
413: Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	–
413-2	Operations with significant actual and potential negative impacts on local communities	–
414: Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	P56: Basic Policy P56: IHI Group Procurement Policy P57-58: Corporate Social Responsibility in Procurement
414-2	Negative social impacts in the supply chain and actions taken	P56: IHI Group Procurement Policy P57-58: Corporate Social Responsibility in Procurement
415: Public Policy		
415-1	Political contributions	–
416: Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	P53: Safety Design
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	P53: Safety Design
417: Marketing and Labeling		
417-1	Requirements for product and service information and labeling	P53: Disclosure of Information about Products and Services
417-2	Incidents of non-compliance concerning product and service information and labeling	P51-53: Improve Quality P53: Disclosure of Information about Products and Services
417-3	Incidents of non-compliance concerning marketing communications	P53: Disclosure of Information about Products and Services
418: Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	P32: Maintaining and Improving Information Security
419: Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	P26: Compliance Initiatives



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