

Corporate Governance

Corporate Governance

Approach/Policies

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

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

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

● Basic Policy on Corporate Governance

- (1) Respect shareholders' rights and ensure equal treatment
- (2) Strive to cooperate appropriately with shareholders and other stakeholders
- (3) Fulfill our responsibility to be accountable to stakeholders and ensure transparency by appropriately and proactively disclosing information relating to the Company
- (4) Clarify the roles and responsibilities of the Board of Directors, the Audit & Supervisory Board Members and the Audit & Supervisory Board to enable them to adequately fulfill their management oversight and monitoring functions
- (5) Conduct constructive dialogue with shareholders who have investment policies according with the medium- to long-term interests of shareholders

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Structure

IHI's Board of Directors makes decisions related to all important matters concerning the management of IHI and the Group, in addition to supervising Directors in their business execution. The Board of Directors, which consists of 12 Directors (four of whom are Outside Directors), is led by the Chairman of the Board. The Outside Directors, who are elected from among individuals with extensive experience and broad insight gained at the helms of management, or with a high degree of specialist knowledge and diverse experience, participate in the Board of Directors' decision-making process, offer advice, and make recommendations independently of management executives responsible for business execution.

IHI has an Audit & Supervisory Board, which comprises five Audit & Supervisory Board Members (three from outside) who audit the duties executed by Directors.

Remuneration Advisory Committee

IHI set up the Remuneration Advisory Committee as an advisory body to the Board of Directors.

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

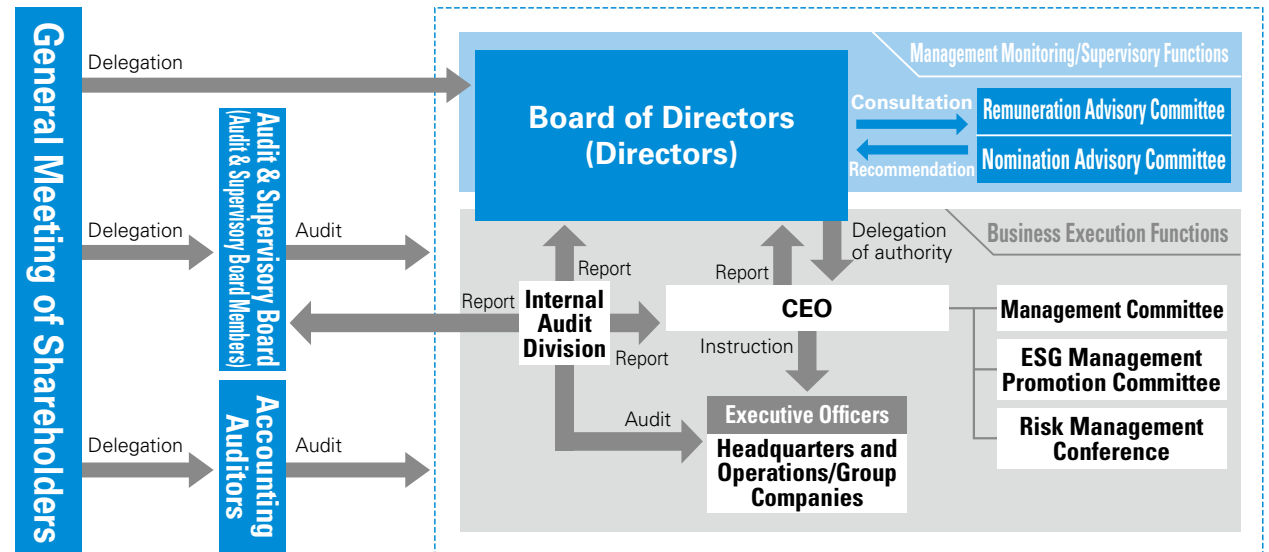
The Committee convened four times with no absentees in fiscal 2022.

Nomination Advisory Committee

IHI set up the Nomination Advisory Committee as an advisory body to the Board of Directors.

This five-person committee is made up of the President and four Outside Directors with the President acting as

Corporate Governance Management Structure



Chairperson for the purpose of ensuring proper implementation of officer appointments. The Committee convened five times with no absentees in fiscal 2022.

Business Execution Structure

IHI has an executive officer system to strengthen the decision-making and supervisory functions of the Board of Directors, as well as to improve the efficiency of business execution. Executive Officers are appointed by a resolution of the Board of Directors (seven of 24 Executive Officers serve concurrently as Directors). The Chief Executive Officer (CEO) manages the duties of the Executive Officers, giving directions and supervision. The Executive Officers follow the CEO's directions to execute their assigned duties. The CEO also appoints members to the Management Committee to assist in decision-making

ing and business execution.

The Management Committee convened 37 times in fiscal 2022.

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

P.11 **ESG Management Promotion Committee**

P.35 **Risk Management Conference**

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Appointment of Officers

Policies and Procedures

The Board of Directors has defined ideal officer attributes for the Board of Directors. We have also drafted Independence Standards for Outside Officers in accordance with the Tokyo Stock Exchange independent officer requirements to ensure the independence of Outside Directors and Auditors.

IHI's Board of Directors sets the basic policy of appointing the most appropriate Officers according to the ideal attributes for Officers and the Independence Standards for Outside Officers, with the aim of ensuring sustainable growth and increased corporate value for the IHI Group over the medium- to long-term.

IHI strengthens the independence, objectivity, and accountability of the Board of Directors through a process that goes beyond the legal requirements for corporate Officer appointments and has established a Nomination Advisory Committee as a voluntary advisory body to the Board of Directors to actively obtain the involvement, advice, and supervision of Outside Directors. The Committee consists of all independent Outside Directors and the President, and supervises and advises on the appropriate execution of appointment procedures.

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

Ideal Officer Attributes

IHI appoints Officers who are healthy in mind and body and have all the following attributes:

- Deep understanding of, and empathy with, the IHI Group's management philosophy and vision
- The ability to contribute to sustainable growth and medium- to long-term increase in corporate value at the IHI Group by addressing societal issues in accordance with the IHI Group's vision
- Outstanding foresight, penetrating discernment, and ability to make appropriate decisions with regard to the management of the IHI Group
- Good character with a strong sense of ethics
- Ample experience as a corporate manager, or a high degree of specialist knowledge, combined with a broad, global perspective and insight

Independence Standards for Outside Officers

In addition to the requirements for independent Directors/Audit & Supervisory Board Members stipulated by the Tokyo Stock Exchange, IHI uses the standard below to determine independence of Outside Officers.

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, Audit & Supervisory Board Member, 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, Audit & Supervisory Board Member, Executive Officer at a Company with committees, Executive Officer or employee, of any of the Company's major clients, suppliers, etc. detailed below, nor should he/she have served as an Executive Director, Executive Officer at a Company with committees, or Executive Officer, of

such major clients, suppliers, etc. in the past.

- Major clients of the Group (with transactions valued at 2% or more of IHI's consolidated revenue in the most recent fiscal year)
 - Major suppliers to the Group (with transactions valued at 2% or more of the supplier's consolidated revenue in the most recent fiscal year)
 - A lender to the Company listed as a major lender 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 an Officer.
 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 IHI
The Director should not be assigned to a corporation with which the Company has a relationship of mutually exchanging Directors or Audit & Supervisory Board Members.
 6. Close relatives
The Director should not be the spouse or first- to second-degree relative of a Director, Audit & Supervisory Board Member, Executive Officer or equivalent executive-level employee of the Group. 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, Audit & Supervisory Board Members, Executive Officers at Companies with committees, Executive Officers, or equivalent executive-level employees of the corporation in question.

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Dismissal Criteria for Officers

IHI judges dismissal of Officers based on the following criteria.

- The case of circumstances meeting the grounds for disqualification as a Director set forth in laws and regulations
- The case of illegal or improper conduct or conduct constituting a breach of trust, or when there are reasons such as incompetence
- The case of remarkable loss of corporate value caused by negligence of duties
- The case when an individual lacks a prerequisite listed in the ideal attributes for Officers

Approach to Outside Officer Nominations

IHI also considers age, concurrent positions, period in office, and related matters when nominating candidates as Outside Directors.

Approach to Ensuring Diversity in Key Human Resource Roles

The IHI Group designates and actively promotes diversity, equity, and inclusion (DE&I) as one important human resource strategy. The promotion of DE&I is all about employing people who have diverse backgrounds, experiences, and views. These efforts create new value and incite innovation. IHI actively recruits, develops, and promotes diverse human resources, especially women, to key human resource roles.

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● Members of the Board of Directors (as of July 1, 2023)

Name Position at the Company	Reasons for Appointment	Attendance at Board of Directors Meetings in FY2022	Term of Office as Director	Company Shareholding	Appointments to Advisory Committees	
					Remuneration Advisory Committee	Nomination Advisory Committee
Tsugio Mitsuoka Representative Director, Chairman of the Board	Tsugio Mitsuoka has led the IHI Group's management as the President of the Company since April 2016, by actively carrying out the selection and concentration of business operations and the transformation of business model in response to the changing business environment, as well as bolstering risk management and ensuring compliance. Since April 2020, he has been working to strengthen corporate governance as Chairman of the Board of the Company. He was appointed as a Director based on his abundant experience, accomplishments, and insight as a corporate manager.	18 of 18 (100%)	9 years	17,100 shares	—	—
Hiroshi Ide Representative Director, President	Hiroshi Ide has a great deal of experience in overseas sales of the energy and plant businesses as well as managing an overseas representative office as General Manager. Following that, he was in charge of management as the Managing Director of a subsidiary company overseas undertaking EPC works. Since April 2019, he has been in charge as the President of Resources, Energy & Environment Business Area, and since June 2020, as President. He has been in charge of the management of the Group, including efforts to return to a growth trajectory and create growth businesses. He was appointed as a Director based on his abundant experience, accomplishments, and insight as a corporate manager.	18 of 18 (100%)	3 years	3,700 shares	—	Chairperson
Masataka Ikeyama Representative Director	Masataka Ikeyama has accumulated a great deal of experience in the aero-engine technology development field. He led the defense systems business then became Vice President of the Aero Engine, Space & Defense Business Area before was appointed as President of Meisei Electric Co., Ltd., a listed subsidiary, where he worked on management reforms of the said company. From April 2022, as Vice President of the Company, he has been working on managing risks such as Group economic security and quality assurance. He was appointed as a Director based on his abundant experience, accomplishments, and insight.	14 of 14 (100%)	1 year	4,800 shares	—	—
Tsuyoshi Tsuchida Representative Director	Tsuyoshi Tsuchida worked extensively, mainly in the procurement division, and was in charge of management as President of a subsidiary company in Japan that was in charge of manufacturing and selling logistics and industrial plant equipment. He then employed ICT and DX to promote the expansion of life cycle businesses as Vice President of the Industrial Systems & General-Purpose Machinery Business Area. Later, as General Manager of the Corporate Planning Division, he was involved in overall business management of the Group, such as risk management. He was appointed as a Director based on his abundant experience, accomplishments, and insight.	—	(New)	2,700 shares	—	—
Hideo Morita Director	Hideo Morita has accumulated a great deal of experience in the development of space equipment, production, design, and engineering departments of Aero-Engine & Space Operations. Since April 2018, he had led the Civil Aero-Engine Division. Subsequently, as the President of the Aero-Engine, Space & Defense Business Area since April 2021, he has been responsible for the management of this business area in the midst of a rapidly changing environment. He was appointed as a Director based on his abundant experience, accomplishments, and insight.	18 of 18 (100%)	2 years	3,200 shares	—	—
Akihiro Seo Director	Akihiro Seo worked in a variety of businesses primarily in corporate divisions such as human resources and labor relations, corporate planning, and corporate business development. He also established a new company for new business in Europe and took charge of its management as President. After planning and managing global marketing, he was appointed as General Manager of Corporate Business Development Division, General Manager of Corporate Planning Division and since April 2022, he has been working to promote human resource strategies as General Manager of Human Resources Division. He was appointed as a Director based on his abundant experience, accomplishments, and insight.	14 of 14 (100%)	1 year	800 shares	Member	—

Name Position at the Company	Reasons for Appointment	Attendance at Board of Directors Meetings in FY2022	Term of Office as Director	Company Shareholding	Appointments to Advisory Committees	
					Remuneration Advisory Committee	Nomination Advisory Committee
Jun Kobayashi Director	Jun Kobayashi had a lot of expertise with domestic and overseas sales of industrial machines and bridge industries. Particularly with overseas sales, he focused on local business expansion as a Manager of an overseas representative office. After that, he worked as a Sales Manager at a subsidiary company in Japan that was in charge of manufacturing and selling bridges and water gates. Since April 2013 he has been working on the development of new business models at the Solution & Engineering Headquarters, and has been responsible for many overseas projects. He was appointed as a Director based on his abundant experience, accomplishments, and insight.	—	(New)	600 shares	—	—
Yasuaki Fukumoto Director	Since joining the Company, Yasuaki Fukumoto has accumulated a high level of expertise related to finance, engaging in operations such as accounting, performance management, fundraising, and cost management in the Finance & Accounting Division and in subsidiary companies in Japan. After coordinating the Group's consolidated financial results and participating in the formulation of the medium-term management plan in the Corporate Planning Division, he has been engaged in the execution of the Group's financial strategy and business management as General Manager of Finance & Accounting Division since April 2021. He was appointed as a Director based on his abundant experience, accomplishments, and insight.	—	(New)	600 shares	Member	—
Yoshiyuki Nakanishi Outside Director	Yoshiyuki Nakanishi following experiences in sales of products and services of a global chemical manufacturer and involvement in operations of its key business, has gained abundant experience, accomplishments, and extensive insight into overall corporate management at the helm of the manufacturer, where he implemented various measures to respond to changes in the business environment. Aiming to reflect these qualities in the management of IHI and with the expectation of carrying out management oversight and monitoring functions from an independent perspective, he was appointed as an Outside Director.	18 of 18 (100%)	3 years	600 shares	Chairperson	Member
Chieko Matsuda Outside Director	Chieko Matsuda has abundant experience and insight gained through financial and capital market operations and management consulting operations and an extremely high level of expertise in corporate and finance strategy as a researcher, as well as broad insight as an Outside Director of several companies. Aiming to reflect these qualities in the management of IHI and with the expectation of carrying out management oversight and monitoring functions from an independent perspective, she was appointed as an Outside Director.	17 of 18 (94%)	3 years	1,500 shares	—	Member
Minoru Usui Outside Director	Minoru Usui, after being in charge of technology development in an electronic equipment manufacturer that operates business globally, has gained abundant experience, accomplishments, and extensive insight into overall corporate management at the helm of the manufacturer, where he implemented various measures to respond to changes in the business environment. Aiming to reflect these qualities in the management of IHI and with the expectation of carrying out management oversight and monitoring functions from an independent perspective, he was appointed as an Outside Director.	18 of 18 (100%)	2 years	2,100 shares	Member	Member
Toshihiro Uchiyama Outside Director	Toshihiro Uchiyama, after working on sales of products and services, production reforms in its overseas affiliated company, and other initiatives in an electronic equipment manufacturer that operates business globally, has gained abundant experience and extensive insight into overall corporate management at the helm of the manufacturer, where he implemented various measures to respond to changes in the business environment. Aiming to reflect these qualities in the management of IHI and with the expectation of carrying out management oversight and monitoring functions from an independent perspective, he was appointed as an Outside Director.	14 of 14 (100%)	1 year	300 shares	Member	Member

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● Ratio of Outside Directors

(Unit: %)

Category	FY2019	FY2020	FY2021	FY2022	FY2023
Ratio of Outside Directors	27	33	33	33	33

● Members of the Audit & Supervisory Board (as of July 1, 2023)

Name Position at the Company	Reasons for Appointment	Attendance at Board of Directors Meetings in FY2022	Attendance at Audit & Supervisory Board Meetings in FY2022	Term of Office as Audit & Supervisory Board Members	Company Shareholding	Appointments to Advisory Committees	
						Remuneration Advisory Committee	Nomination Advisory Committee
Takashi Niimura Standing Audit & Supervisory Board Member	Takashi Niimura has accumulated a great deal of knowledge in the sales and marketing field since joining IHI. As the Manager responsible for supervising domestic and overseas branches and affiliated companies, he has carried out sales strategies from a Company-wide perspective, while globally expanding operations and managing risks according to the situation in each country. In the belief that his abundant experience, accomplishments, and insight will be effectively utilized in the auditing of the IHI Group, the Company has appointed him as an Audit & Supervisory Board Member.	18 of 18 (100%)	13 of 13 (100%)	3 years	3,200 shares	—	—
Seiji Maruyama Standing Audit & Supervisory Board Member	Seiji Maruyama accumulated a great deal of knowledge, mainly in the fields of finance & accounting, internal control, internal audit, and business management, and since April 2019 has worked on issues such as the Group's financial strategies, and improving the Group's financial position as General Manager of the Finance & Accounting Division. In the belief that his abundant experience, accomplishments, and insight will be utilized in the auditing of the IHI Group, the Company has appointed him as an Audit & Supervisory Board Member.	18 of 18 (100%)	13 of 13 (100%)	2 years	2,200 shares	—	—
Aiko Sekine Outside Audit & Supervisory Board Member	Aiko Sekine has abundant experience and insight as Partner of PricewaterhouseCoopers Aarata, Japan, and Chairman and President of the Japanese Institute of Certified Public Accountants (JICPA). Expecting these qualities and her independent perspective to be reflected in the management auditing operations of IHI, the Company has elected her as an Outside Audit & Supervisory Board Member.	18 of 18 (100%)	13 of 13 (100%)	3 years	0 shares	—	—
Yumiko Waseda Outside Audit & Supervisory Board Member	Yumiko Waseda has abundant experience and insight as an attorney at law, with an extremely high level of expertise in intellectual property law, as well as extensive experience as an Outside Audit & Supervisory Board Member. Expecting these qualities and her independent perspective to be reflected in the management auditing operations of IHI, the Company has elected her as an Outside Audit & Supervisory Board Member.	17 of 18 (94%)	13 of 13 (100%)	2 years	0 shares	—	—
Kazuhiro Muto Outside Audit & Supervisory Board Member	Kazuhiro Muto has gained abundant experience, accomplishments, and extensive insight into overall corporate management as an executive of a Japanese subsidiary of a globally active IT company, where he implemented various measures to respond to changes in the business environment including overseas business. Aiming to reflect these qualities in the management of IHI and expecting he can carry out management oversight and monitoring functions from an independent perspective, IHI has elected him as an Outside Audit & Supervisory Board Member.	—	—	(New)	0 shares	Member	—

● Important Concurrent Positions of Outside Officers (as of July 1, 2023)

Name Position at the Company	Number of Important Concurrent Positions	Important Concurrent Positions at Other Companies
Yoshiyuki Nakanishi Outside Director	2	Outside Director for The Japan Steel Works, Ltd., Outside Director for Shimadzu Corporation
Chieko Matsuda Outside Director	5	Faculty of Economics and Business Administration Professor at Tokyo Metropolitan University, Graduate School of Management Professor at Tokyo Metropolitan University, Outside Director for Kirin Holdings Company, Limited, Outside Director for Asahi Kasei Corporation, Outside Director for Toyota Tsusho Corporation
Minoru Usui Outside Director	2	Chairman and Director for Seiko Epson Corporation, Outside Director for Sumitomo Pharma Co., Ltd.
Toshihiro Uchiyama Outside Director	1	Outside Director for Sapporo Holdings Limited, Executive Advisor for NSK Ltd.
Aiko Sekine Outside Audit & Supervisory Board Member	4	Certified Public Accountant Advisor for the JICPA, Faculty of Commerce Professor at Waseda University, Outside Director for Orix Corporation, Outside Audit & Supervisory Board Member for Sumitomo Riko Company Limited
Yumiko Waseda Outside Audit & Supervisory Board Member	2	Outside Audit & Supervisory Board Member for Chugai Pharmaceutical Co., Ltd., Executive Director for Japan Law Foundation, Outside Audit & Supervisory Board Member for SCSK Corporation
Kazuhiro Muto Outside Audit & Supervisory Board Member	1	Advisor for IBM Japan, Ltd.

● Average Attendance of Outside Directors

(Unit: %)

		FY2019	FY2020	FY2021	FY2022
Outside Director	Board of Directors meetings	98	97	100	99
	Audit & Supervisory Board meetings	100	100	100	100
Outside Audit & Supervisory Board Member	Board of Directors meetings	100	100	98	98
	Audit & Supervisory Board meetings	100	100	100	100

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

This table summarizes the knowledge and experience necessary for the Board of Directors to fully demonstrate its functions and to realize the IHI Group's management philosophy and future aspirations.

Up to three skills that are particularly expected for each Director and Audit & Supervisory Board Member are listed, and do not represent all the knowledge and experience of each person.

	Name	Corporate Management	Technology Research and Development	Global Business	Sales Marketing	ICT DX	Human Resources Management/Development	Finance and Accounting	Legal Compliance Risk Management
Director	Tsugio Mitsuoka	○	○						○
	Hiroshi Ide	○		○	○				
	Masataka Ikeyama	○	○						○
	Tsuyoshi Tsuchida	○				○			○
	Hideo Morita		○						
	Akihiro Seo						○		○
	Jun Kobayashi			○	○				
	Yasuaki Fukumoto							○	
Outside Director	Yoshiyuki Nakanishi	○		○	○				
	Chieko Matsuda						○	○	○
	Minoru Usui	○	○	○					
	Toshihiro Uchiyama	○		○	○				
Audit & Supervisory Board Member	Takashi Niimura				○				○
	Seiji Maruyama							○	
Outside Audit & Supervisory Board Member	Aiko Sekine							○	
	Yumiko Waseda								○
	Kazuhiro Muto			○	○	○			

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

Corporate Governance

● Business Execution Structure (as of July 1, 2023)

22 men, 2 women (8.33% of Executive Officers are women)

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

Directors	Position and Role	Name	Main Responsibilities
○	Executive Officer	Yasuaki Fukumoto	In charge of Group Finance & Accounting, General Manager of Finance & Accounting Division
—	Executive Officer	Chie Fukuoka	Deputy General Manager of Technology & Intelligence Integration
—	Executive Officer	Atsushi Sato	Vice President of Aero Engine, Space & Defense Business Area
—	Executive Officer	Takao Tanaka	Vice President of Resources, Energy & Environment Business Area
—	Executive Officer	Kazuya Ueda	Vice President of Social Infrastructure Business Area Representative Director and President, IHI Infrastructure Systems Co., Ltd.
—	Executive Officer	Bernd Bahlke	Deputy General Manager of Business Development Headquarters

Corporate Governance

Remuneration for Officers

Policy on Determination of Remuneration for Officers

IHI approved revision of its policy for determining officer remuneration by a resolution of the Board of Directors on May 9, 2023. Content of the policy was referred for consultation to the Remuneration Advisory Committee, which accordingly deliberated on and reported findings thereof on a preliminary basis, prior to having been resolved by the Board of Directors.

Remuneration of Directors (Excluding Outside Directors)

1. Basic Policy on Determination of Remuneration

- Remuneration for Directors shall be aimed at fully encouraging Directors of IHI to perform their duties in line with the management philosophy, Group vision, and Group management policy, and strongly motivating them toward the achievement of specific management goals to bring sustainable growth of IHI and the IHI Group, and to improve the medium- to long-term corporate value.
- Remuneration shall be structured with the appropriate allocation of a fixed basic remuneration, an annual incentive (performance-based bonuses), which is linked to the operating performance of each fiscal year, and a medium- to long-term incentive (performance-based share remuneration), which is linked to medium- to long-term operating performance and corporate value aimed at broadly sharing a sense of value with stakeholders, and thereby shall contribute to performing with a sound entrepreneurial spirit.
- Under the management philosophy, "Human resources are our single most valuable asset," appropriate compensation and benefit shall be provided to Officers of IHI with consideration of the IHI management environment, and social roles and accountabilities IHI undertakes.

2. Remuneration Level and Allocated Ratios of Remuneration

- IHI shall appropriately establish remuneration levels and allocated ratios of remuneration upon having considered factors that include IHI's business characteristics, effectiveness of incentive remuneration, and professional duties. Moreover, the Company shall perform verification by regularly surveying objective market data on remuneration researched by an external specialized institution.

- IHI shall allocate the ratio of remuneration at approximate proportions of basic remuneration : performance-based bonus : performance-based share remuneration equal to 50%:30%:20% for the President, and the Chairman of the Board, and at approximate proportions of 55%:25%:20% for other Directors, subject to standard business performance.

3. Incentive System

(1) Performance-based bonuses (Annual incentives)

- a. Performance indicators and reasons for selection thereof
Performance indicators shall be those that include: profit attributable to owners of parent underpinned by the aim of maintaining common interests with our shareholders; consolidated operating cash flow underpinned by the aim of strengthening the capacity to generate cash necessary for growth; and individual evaluation indicators corresponding to tasks assigned to each Officer. The performance indicators shall be reviewed as necessary, particularly upon encountering changes in the management environment and Officers' duties.

b. Method of calculating remuneration

The monetary amount of remuneration provided every fiscal year is calculated as the amount of payments based on individual evaluation indicators added to the product of the standard payment amount corresponding to titles and positions multiplied by the performance evaluation payout rate corresponding with percentage achievement of profit indicators. The performance evaluation payout rate varies from a range of zero to approximately 200 depending on the percentage achievement of profit indicators, with a baseline value of 100 for the amount of payment when performance targets have been achieved. In addition, regardless of the calculation results, the annual incentive is not paid to Directors if no dividend is paid.

(2) Performance-based share remuneration (Medium- to long-term incentives)

- a. Performance indicators and reasons for selection thereof
The performance evaluation period shall encompass the next three fiscal years, and performance targets for the final fiscal year of the performance evaluation period shall be established at the outset of the performance evaluation period. Moreover, the performance indicators shall be of primary emphasis under the Group management policies, with consolidated ROIC serving as a performance indicator underpinned by the aims of engaging in business operations that place focus on

investment efficiency, achieving sustainable growth, and increasing corporate value. IHI shall furthermore review the possibility of making appropriate alignments with review of the Group management policies.

b. Method of calculating remuneration

The number of shares to be delivered on an individual basis as performance-based share remuneration (a monetary sum equivalent to the market value of the shares is to be delivered with respect to a portion of such remuneration) shall be calculated as the standard number of shares to be delivered with respect to each of the job title rankings, multiplied by a coefficient aligned with the percentage of the consolidated ROIC target achieved. The coefficient varies from a range of zero to approximately 150 depending on the extent of having achieved such target, with a baseline value of 100 for the number of shares to be delivered when performance targets have been achieved.

4. Remuneration for Officers Providing Services Outside Japan
IHI will pay the expenses it has deemed necessary for business as a separate allowance after taking into consideration the laws, customs, standards, etc. related to local remuneration. Remuneration may be determined individually in consideration of the local market standard, etc. Regarding the allowance, the equivalent amount of money will be included in the basic remuneration.

5. Procedures for Determining Remuneration

To ensure appropriateness and objectivity regarding matters of officer remuneration, the Remuneration Advisory Committee set up by IHI deliberates and reports its findings on remuneration proposals before the Board of Directors makes decisions on such matters.

Remuneration of Outside Directors and Audit & Supervisory Board Members

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

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Results for FY2022 Remuneration

● Details of Director and Audit & Supervisory Board Members Remuneration

(Unit: Millions of yen)

Officer Category (Persons)		Total Remuneration	Total Remuneration by Type		
			Basic Remuneration	Performance-based Share Remuneration*1	Performance-based Bonus*2
Directors (15)	Internal Directors (10)	613	362	141	110
	Outside Directors (5)	55	55	—	—
Audit & Supervisory Board Members (5)	Internal Audit & Supervisory Board Members (2)	72	72	—	—
	Outside Audit & Supervisory Board Members (3)	41	41	—	—
Total (20)		782	531	141	110

*1 The total amount of performance-based share remuneration is the amount of the provision for share acquisition costs related to the granted points recorded in the fiscal year under review, which is different from the actual total payment amount.

*2 The total amount of performance-based bonus is the amount of the provision for the fiscal year under review, which is different from the actual total payment amount.

● Remuneration Paid, etc. of Directors and Audit & Supervisory Board Members, Whose Total Amount Paid to Each Position of Directors and Audit & Supervisory Board Members, Equaled or Exceeded ¥100 Million

(Unit: Millions of yen)

Name	Officer Category	Total Remuneration	Total Remuneration by Type		
			Basic Remuneration	Performance-based Share Remuneration*1	Performance-based Bonus*2
Tsugio Mitsuoka	Director	115	66	27	22
Hiroshi Ide	Director	125	72	29	24

*1, *2 The total amount of performance-based share remuneration and performance-based bonus is the amount of the provision for the fiscal year under review, which is different from the actual total payment amount.

● CEO's Annual Remuneration to Average Employee Salary, Total Annual Remuneration

Highest total annual remuneration (CEO) (Rounded down to million yen)	125,000,000
Average annual salary (yen) of IHI employees (Total: 7,768)	7,929,311
Ratio (CEO: employees)	16 : 1

● Targets and Results of the Performance Evaluation Indicators for Performance-based Remuneration

Type of Remuneration	Targets	Performance Evaluation Indicator	Weight	Fluctuation Range of Performance Evaluation Payout Rates	Targets	Results	Performance Evaluation Payout Rates
Performance-based bonus*1	Representative Directors	Consolidated profit*3	50%	0-200%	Upper: 58.1 billion JPY Target: 37.1 billion JPY Lower: 16.1 billion JPY	25.6 billion JPY	33.7%
		Consolidated operating cash flows*3	50%	0-200%	Upper: 180.0 billion JPY Target: 130.0 billion JPY Lower: 80.0 billion JPY	44.4 billion JPY	0%
	Directors (Excluding Representative and Outside Directors)	Consolidated profit*3	40%	0-200%	Upper: 58.1 billion JPY Target: 37.1 billion JPY Lower: 16.1 billion JPY	25.6 billion JPY	26.9%
		Consolidated operating cash flows*3	40%	0-200%	Upper: 180.0 billion JPY Target: 130.0 billion JPY Lower: 80.0 billion JPY	44.4 billion JPY	0%
		Individual performance evaluation	20%	0-150%	Set individually and evaluated by the President and decided at the Board of Directors.		Maximum: 15% Minimum: 7.5%
Type of Remuneration	Targets	Performance Evaluation Indicator	—	Fluctuation Range of Share Payout Rates	Targets	Results	Performance Evaluation Payout Rates
Performance-based share remuneration*2	Internal Directors	Consolidated ROIC	—	0-150%	Upper: 15% Target: 12% Lower: 5%	6.3%	25%

*1 Performance-based bonus: Performance-based bonuses paid with consideration to business duties executed during the fiscal year ended March 31, 2023.

*2 Performance-based share remuneration: The fiscal year ended March 31, 2021, will be the beginning fiscal year of the performance evaluation period, and the fiscal year ended March 2023 will be the ending fiscal year of the performance evaluation period.

*3 Results for consolidated profit and consolidated operating cash flow performance indicators modified from the exchange rate presumed when drafting management plans.

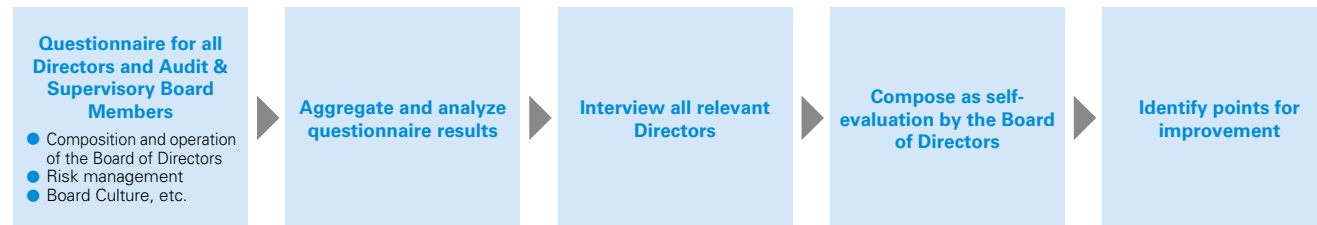
Corporate Governance

Board of Directors Evaluation

IHI has been evaluating the performance of the Board of Directors annually in principles since fiscal 2015 to further its effectiveness.

The next evaluation of the Board of Directors is scheduled to be conducted during fiscal 2023.

● Basic Effectiveness Evaluation Process



● Initiatives That Underwent Effectiveness Evaluation and Their Results

	Items	Results	Evaluated Initiatives
FY2021 Evaluation	Third-party assessment <ul style="list-style-type: none"> ● Questionnaire analysis ● Interview with all Officers ● Review of the amount of time spent on deliberations and remarks made in the meeting minutes ● Comprehensive evaluation based on the above items 	<ul style="list-style-type: none"> ● Decision-making and auditing functions of important management matters are effectively carried out <Identified issues> <ul style="list-style-type: none"> ● There is room to find ways to grow and improve even more ● High-priority challenges <ul style="list-style-type: none"> ● More comprehensive debate on medium- to long-term strategies, monitoring, and risk management ● Further improve management of the Board of Directors 	Management of the Board of Directors in FY2022 <ul style="list-style-type: none"> ● Deliberation on the progress of measures based on IHI Group ESG Management and Project Change and the formulation of the new medium-term management plan Group Management Policies 2023 ● Start providing regular feedback to the Board of Directors about matters pointed out in Board of Directors meetings ● Enhance opportunities to foster communication between Officers outside of Board of Directors meetings
FY2022 Evaluation	Self-evaluation <ul style="list-style-type: none"> ● Questionnaire analysis by a third party ● Interviews with all Officers by the secretariat 	<ul style="list-style-type: none"> ● Effectiveness is ensured <Identified issues> <ul style="list-style-type: none"> ● More comprehensive deliberation and reporting of specific management strategies and important monitoring items ● From the standpoint of succession planning, expanding points of communication between Outside Directors who are members of the Nomination Advisory Committee and Executive Officers ● Provide information to Outside Officers and further improve communication between Officers as a basis for deepening deliberations 	Management of the Board of Directors in FY2023 <ul style="list-style-type: none"> ● The most important theme to be debated throughout the year is the transformation of our business portfolio set forth in Group Management Policies 2023 ● Planned debate of other important Company-wide measures ● Expanding dialogue between Outside Officers and Executive Officers ● Review of standards for discussion by the Board of Directors to enhance matters to be reported ● Provide information to Outside Officers and further improve communication with Outside Officers (office visits, meetings to exchange opinions, etc.)

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

At IHI, Outside Directors are assisted in executing their duties, such as giving advance explanations of agenda items for the Board of Directors.

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

Corporate Governance

Shareholder Composition

Shareholder Composition

[web](#) [Annual Securities Report](#)

[web](#) [Integrated Report](#)

Employee Stock Ownership Association Membership Rate

Of the IHI employees, 46.9% are members of the Employee Stock Ownership Association as of March 31, 2023.

Others

Corporate Governance Report

Please see our Corporate Governance Report for more information about IHI corporate governance.

[web](#) [Corporate Governance Report](#)

Cross-Shareholdings

Approach/Policies

Purpose of Cross-shareholdings

IHI has established the following policy on cross-shareholdings.

As a general rule, IHI looks to reduce cross-shareholdings after engaging in a suitable dialogue with the issuing company. However, IHI may hold shares in strategic partners for business alliances, joint research and development, or other forms of collaboration for the purpose of pursuing medium- to long-term growth and increased corporate value for IHI.

Management of Cross-shareholdings

IHI verifies and reports the propriety of individual shareholdings, including unlisted stocks, to the Board of Directors by confirming the medium- and long-term significance based on the holding policy and examining the economic rationality on whether the advantages and risks brought by the shareholdings are appropriate for the capital costs.

Criteria for Exercising Voting Rights

The policy for exercising voting rights for cross-shareholdings requires IHI to determine whether each proposal will help improve the medium- to long-term corporate value of the company without harming its own corporate value. If any concerns arise about a particular matter, IHI decides how to exercise its voting rights through a dialogue with said company.

Results

In fiscal 2022, IHI wholly sold seven security names among its 130 security names of cross-shareholdings (44 listed and 86 unlisted security names) it owned, newly acquiring three new security names in addition to this.