

# Corporate Management

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# 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

## Corporate Governance

### 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.

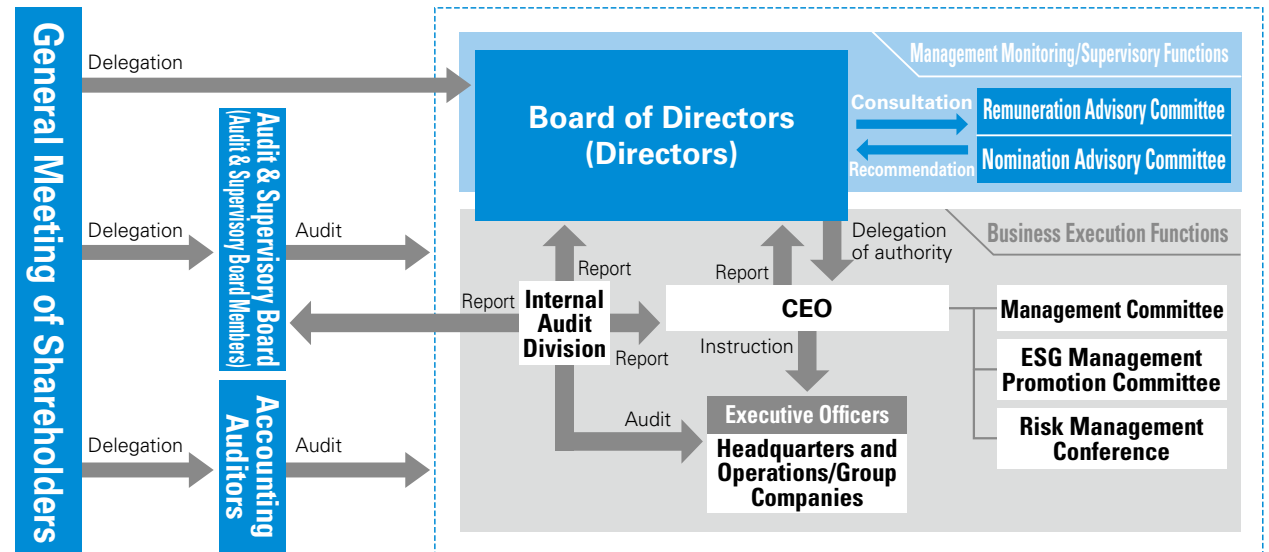
The Committee convened four times with no absentees in fiscal 2022.

### 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**

## Corporate Governance

### 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.

## Corporate Governance

### **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.

## Corporate Governance

## ● 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
<b>Tsugio Mitsuoka</b> 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	—	—
<b>Hiroshi Ide</b> 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
<b>Masataka Ikeyama</b> 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	—	—
<b>Tsuyoshi Tsuchida</b> 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	—	—
<b>Hideo Morita</b> 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	—	—
<b>Akihiro Seo</b> 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
<b>Jun Kobayashi</b> 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	—	—
<b>Yasuaki Fukumoto</b> 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	—
<b>Yoshiyuki Nakanishi</b> 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
<b>Chieko Matsuda</b> 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
<b>Minoru Usui</b> 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
<b>Toshihiro Uchiyama</b> 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

## Corporate Governance

## ● Ratio of Outside Directors

(Unit: %)

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

## ● Members of the Audit &amp; 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
<b>Takashi Niimura</b> 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	—	—
<b>Seiji Maruyama</b> 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	—	—
<b>Aiko Sekine</b> 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	—	—
<b>Yumiko Waseda</b> 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	—	—
<b>Kazuhiro Muto</b> 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
<b>Yoshiyuki Nakanishi</b> Outside Director	2	Outside Director for The Japan Steel Works, Ltd., Outside Director for Shimadzu Corporation
<b>Chieko Matsuda</b> 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
<b>Minoru Usui</b> Outside Director	2	Chairman and Director for Seiko Epson Corporation, Outside Director for Sumitomo Pharma Co., Ltd.
<b>Toshihiro Uchiyama</b> Outside Director	1	Outside Director for Sapporo Holdings Limited, Executive Advisor for NSK Ltd.
<b>Aiko Sekine</b> 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
<b>Yumiko Waseda</b> 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
<b>Kazuhiro Muto</b> Outside Audit & Supervisory Board Member	1	Advisor for IBM Japan, Ltd.

## ● Average Attendance of Outside Directors

(Unit: %)

		FY2019	FY2020	FY2021	FY2022
<b>Outside Director</b>	Board of Directors meetings	98	97	100	99
	<b>Outside Audit &amp; Supervisory Board Member</b>				
<b>Outside Audit &amp; Supervisory Board Member</b>	Board of Directors meetings	100	100	98	98
	Audit & Supervisory Board meetings	100	100	100	100

## Corporate Governance

### ● 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.

## Corporate Governance

## Results for FY2022 Remuneration

## ● Details of Director and Audit &amp; 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.

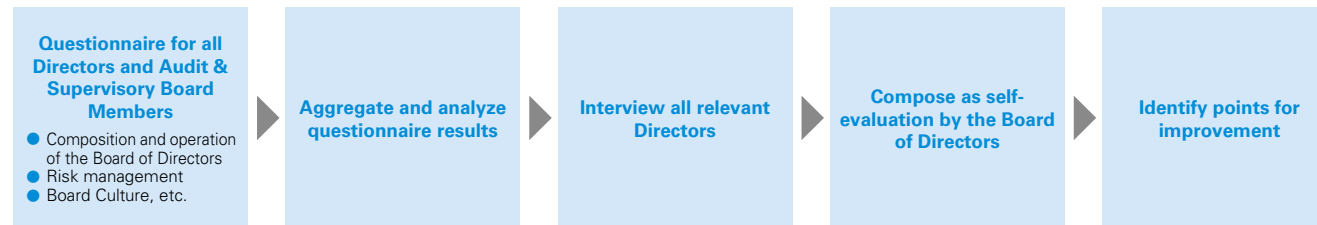
## Corporate Governance

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

### 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.

# Compliance

## Business Ethics & Compliance

### Approach/Policies

#### Basic Code of Conduct for the IHI Group

We at the IHI Group know that living up to the expectations of stakeholders and earning their trust is vital to drive the sustainable growth of both customers and society. The Basic Code of Conduct for the IHI Group defines the practices necessary to embody this belief.

#### ● Basic Code of Conduct for the IHI Group

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 maintaining 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 philosophies 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 toward 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.

#### IHI Group Code of Action

In order to comply with this Code of Conduct, we establish "IHI Group Code of Action" as the code prescribing how directors, officers, and employees of the IHI Group should make decision and take action in their daily work.

**web** Your Guide to IHI Group's "Basic Code of Conduct"

## Compliance

### **Our Philosophy on Compliance**

The IHI Group implements its compliance program in accordance with the Basic Rules of Compliance for IHI Group and other internal policies.

These activities are conducted not only to address legal compliance but also to respond to the needs of society based on a full proper grasp of society's ever-changing values and expectations.

To prevent a recurrence of the Civil Aero Engine Maintenance Business quality issue that we experienced in fiscal 2019, we have been focusing on and reinforcing our compliance and quality assurance systems as part of our risk management activities. We have also formulated the IHI Group Code of Action as guidelines to be followed in daily work by all IHI Group Officers and employees.

IHI also designated a Compliance Day (May 10th) as an annual event starting in fiscal 2021. A variety of actions are taken to raise awareness about compliance on that day, such as the release of a message from top management and workplace dialogues.

### **IHI Group Code of Action**

1. We truly understand and will comply with any and all applicable rules.
2. We do not engage in any wrongdoing.
3. We respect human rights.
4. We make safety and quality for our customers a top priority.
5. We enter into fair and legitimate transactions.
6. We never impair the safety of ourselves or our colleagues.
7. We strictly manage and control information.
8. If we discover an issue, we report it immediately.

### **Basic Rules of Compliance for IHI Group**

Compliance is the foundation for companies to do business in society.

The IHI Group shall act as follows in accordance with the Basic Code of Conduct for the IHI Group:

- Strictly observe all laws, internal rules, and other regulations
- Act in a fair and responsible manner as business people

## Compliance

### Structure

#### Compliance Committee

The IHI Group established the Compliance Committee as a Group-wide committee on compliance under the Risk Management Conference. The Committee discusses and drafts important policies and promotes compliance activities. This Committee is made up of Heads of Compliance from each division, with the Officer in charge of Group Compliance as chairperson.

Compliance Committee members roll out the decisions made by the Committee to each division by incorporating them into compliance activities tailored to the division. Compliance Committee members inform the Committee of progress made by the divisions and also use a PDCA cycle for compliance activities. With regard to Committee activities, results from the previous fiscal year along with plans for the current fiscal year are reported at the Management Committee at the start of each new fiscal year. In addition, the Legal Division acts as a secretariat to plan and execute compliance activities in accordance with the policies created by the Compliance Committee while also monitoring the progress of compliance activities in each division and providing guidance and support as necessary.

#### Compliance Structure



#### Compliance Committee

<b>Chairperson</b>	Officer in charge of Group Compliance
<b>Secretariat</b>	Compliance Group of the Legal Division
<b>Members</b>	Head of Compliance of each division
<b>Number of meetings convened in FY2022</b>	4

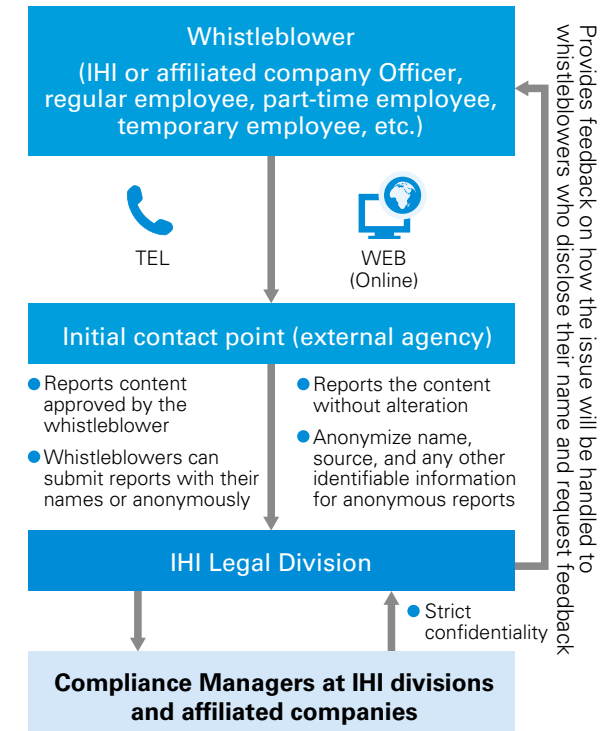
#### Compliance Hotline

The IHI Group runs the Compliance Hotline as an internal reporting system to quickly identify actions that violate or potentially violate laws, internal regulations, or internal and external rules by IHI Officers and employees to allow IHI to take corrective action as soon as possible. This system prohibits retribution toward whistleblowers. Anyone who engages in retribution against a whistleblower will be disciplined in accordance with applicable employment regulations.

IHI Officers and employees can directly report to or consult with third-party experts outside of their chain of command via this hotline.

The hotline is available inside and outside Japan, always in the appropriate local language.

#### Framework of the Compliance Hotline





## Compliance

### Education/Awareness Building

#### Quality & Compliance Training

IHI extended quality & compliance training to all Group companies beginning in fiscal 2019. From fiscal 2020, IHI has been conducting training based on case studies to identify potential causes of and risk factors that lead to quality compliance issues and to prevent similar problems from arising at the IHI Group. In fiscal 2022, we held the same training program again, mainly for those who had not yet taken it as well as newly appointed Managers.

Moreover, in fiscal 2022, we conducted e-learning on the revised Whistleblower Protection Act for all employees within Japan. In addition to explaining the basics of this act, we urged for further understanding regarding the Compliance Hotline as a contact point for whistleblowers.

#### Compliance Day (May 10th) Activities

The IHI Group designated May 10th as an annual Compliance Day in fiscal 2021, and every year on this day it takes various initiatives to raise awareness about compliance.

In fiscal 2022, Compliance Day featured a video talk from a distinguished visiting lecturer in addition to a video discussion between the Officer in charge of Compliance and a representative employee and workplace dialogues for all Group Officers and employees. The visiting lecturer talked about organization building and psychological safety and so on around the idea that building a better organization develops better human resources.

In fiscal 2023, top management broadcasted a video message and workplace dialogues, etc. on compliance were held.

#### Number of Compliance Training Participants

(Unit: People)

Item		Scope of Data	FY2019	FY2020	FY2021	FY2022
Officer Training		IHI and affiliated companies in Japan	—	—	—	—
Line Manager Training		IHI and affiliated companies in Japan	72	—	—	—
Quality & Compliance Training		IHI and affiliated companies in Japan	27,866	24,085	26,243	25,870
		Affiliated companies overseas	1,774	3,261	4,938	5,334
e-learning	Japan (Conducted as Quality & Compliance Training since FY2020)	IHI and affiliated companies in Japan	18,164	20,169	21,659	21,635
	Overseas	Affiliated companies overseas	1,214	—	—	—

## Results

#### Number of Compliance Hotline Reports

(Unit: Reports, Scope: IHI and affiliated companies)

Item	FY2019	FY2020	FY2021	FY2022
Reports	239	202	263	286

## Compliance

### Tax Compliance

#### Approach/Policies

As new rules regarding international taxation are being introduced, there is an increasing need for companies to ensure transparency and accountability regarding their tax affairs to stakeholders including authorities, investors, and society.

In April 2019, the IHI Group established the IHI Group Global Tax Policy as a fundamental policy in response to the demand for more sophisticated tax governance.

#### ● IHI Group Global Tax Policy

The IHI Group enacts the Global Tax Policy in accordance with “Basic Code of Conduct for the IHI Group,” for the purpose of developing global tax compliance, and aims at growing sustainably and enhancing corporate value over the future.

##### 1. Respect for the rule of law

The IHI Group observes the laws and ordinances on taxes of each country or region based on a clear understanding of their meaning. The IHI Group also acts sincerely and fairly with high ethical standards so that it does not violate social rules or international norms.

##### 2. Transfer pricing

The IHI Group, by assessing transfer pricing in accordance with the laws and ordinances of each country or region and the International Transfer Pricing Guidelines, is committed to appropriately allocating income commensurate with the contribution of each Group company and to making proper tax payment in each country and region.

##### 3. Tax planning

The IHI Group does not engage in tax planning for the purpose of tax avoidance.

##### 4. Relationship with the tax authorities

The IHI Group, by providing information in the course of tax administration procedures and tax audits appropriately and in a timely manner, strives to maintain a sound relationship with the tax authorities of each country or region.

## Structure

### Tax Governance & Risk Management

The IHI Group strives to implement appropriate tax governance for the entire Group under the jurisdiction of the Officer in charge of Group Finance & Accounting Division.

### Education/Awareness Building

The IHI Group has translated its IHI Group Global Tax Policy into multiple languages, which it distributes to affiliated companies in Japan and overseas in order to educate while disseminating it throughout the Group.

## Initiatives

### Tax Stakeholder Engagement & Management

The IHI Group makes tax declarations appropriately and in a timely manner, by observing the tax laws and ordinances in each country or region, striving to maintain a sound relationship with the tax authorities. In addition, in order to promote efforts to improve tax governance, we report the results of our own tax investigations at the Management Committee and undertake measures to prevent recurrence through upper management.

Based on these efforts, the IHI Group ensures its tax compliance and appropriately manages any tax costs and risks.

## Compliance

### Competition Laws/Anti-corruption Laws

#### Approach/Policies

#### Commitment to Competition and Anti-corruption Law Compliance

More global and borderless corporate activities make compliance with various competition laws in each country indispensable to maintain and gain business opportunities in international markets. International rules prohibit conference of illicit benefit and/or other forms of corruption.

We are fully committed to complying with competition laws, anti-corruption laws, and all other laws and regulations as part of the code of action for all the employees, Officers, and Directors of the IHI Group.

IHI revised the IHI Group Competition Law Compliance Policy in fiscal 2021 to strengthen the competition law compliance framework. For instance, this policy calls for appointment of a Management Supervisor in charge of competition law compliance for each division. In conjunction with this policy, the IHI Legal Division monitors the progress of compliance management in each of these divisions and advances ongoing initiatives. This includes support to put in place effective measures tailored to the actual conditions of each business.

The IHI Group also adheres to anti-corruption laws. The IHI Group Basic Policy Against Bribery of Public Officials prohibits bribes, facilitation payments, and other inappropriate payments and donations to public officials. To increase the effectiveness of this policy, we have drafted operating standards, appointed a Chief Administrator, and put in place specific procedures in each division.

#### Structure

The IHI Group promotes educational and monitoring

programs with the IHI Legal Division at the core of Group compliance and risk management.

Each of IHI's divisions and consolidated subsidiaries in Japan and overseas assesses the risk of violations of competition and anti-corruption laws as well as other compliance risks every year. Each of them conducts the risk assessments tailored to their business and addresses any issue found according to the level of risk with the support of the IHI Legal Division.

We also identify and handle any compliance issues at the earliest possible stage through the Compliance Hotline. If any major compliance issues are ever discovered, IHI establishes a task force led by the Chief Executive Officer to quickly and flexibly handle the issue while leveraging the knowledge of internal and external experts. This task force not only addresses issues but also introduces and supports measures to prevent recurrence.

#### Education/Awareness Building

##### Employee Training and Education

The IHI Group provides training to teach employees about various competition laws worldwide, such as the Japan Antimonopoly Act and Unfair Competition Prevention Act, the United States Sherman Antitrust Act, and competition law in the European Union.

IHI trains all of its new employees on the basics of anti-corruption laws. We also regularly educate all employees about the United States Foreign Corrupt Practices Act (FCPA) and the United Kingdom Bribery Act 2010 while monitoring the risk of anti-corruption law violations in Japan and overseas.

These activities are performed according to the degree of risk in each division, based on risk assessment results. In addition to this, we receive feedback from participants about these awareness-raising activities, and the IHI Legal Division reviews the effectiveness of the program to help enhance compliance education every year.

#### Number of Training Participants (Unit: People)

Item	Scope of Data	FY2021	FY2022
Officers and employees	IHI and consolidated subsidiaries	1,871	2,007
(Breakdown)	Japan	1,721	1,784
	Overseas	150	223

#### Results

#### Competition Laws/Anti-corruption Law Violations

(Unit: Incidents, Scope: IHI and consolidated subsidiaries)

Item	FY2019	FY2020	FY2021	FY2022
Competition law	0	0	0	0
Anti-corruption law	0	0	0	0

#### Expenditure to Political Organizations, Economic Organizations, and Other Major Industry Organizations

(Unit: Millions of yen, Scope: IHI)

Item	FY2019	FY2020	FY2021	FY2022
Expenditure	Political organizations	10	10	10
	Economic organizations	56	57	52
	Other major industry organizations	120	122	119

#### Initiatives

##### Business Sites Conducting Risk Assessments to Prevent Bribery

Every year the IHI Group conducts risk assessments related to bribery prevention among each of IHI's divisions and consolidated subsidiaries in Japan and overseas.

**Compliance**

**Security Trade Control**

**Approach/Policies**

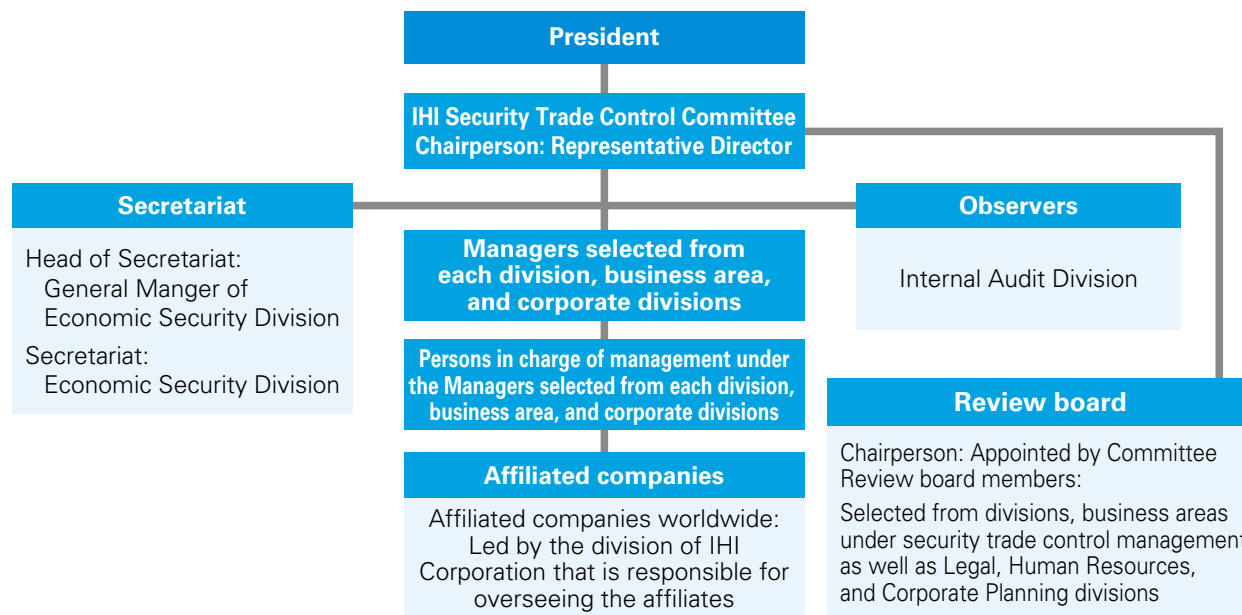
The IHI Group properly implements security trade controls to maintain international peace and safety. The IHI Group feels it necessary to make an effort to reduce the risks of legal violations and economic sanctions by not only complying with the Foreign Exchange and Foreign Trade Law but also Group companies overseas also complying with all laws in each country and region they operate in as well as conducting trade controls with consideration to foreign laws with extraterritorial application. For this reason, the IHI Group established Security Trade Control Rules to implement proper trade control.

**Structure**

**IHI Security Trade Control Committee**

The IHI Group has established its own security trade control rules and set up an IHI Security Trade Control Committee. Under these rules, the Committee works to properly control trade. The IHI Security Trade Control Committee is a Group-wide body led by the Representative Director, Committee members (Managers selected from each division, business area, and Corporate Division) as well as review board members and the secretariat (Economic Security Division). At the Committee, the Committee members review security trade control, audit trade control practices, and conduct activities to share, raise awareness, and educate the Group on the latest information about relevant laws and regulations. In fiscal 2022 this Committee was held on three occasions, sharing audit results, management concerns, and security trade conditions including the situation overseas, and horizontally disseminating them to improve management quality throughout the IHI Group.

**Security Trade Control Structure**



**IHI Security Trade Control Committee**

<b>Chairperson</b>	Representative Director
<b>Secretariat</b>	Economic Security Division
<b>Members</b>	Managers selected from each division and business area
<b>Number of meetings convened in FY2022</b>	3

**Compliance**

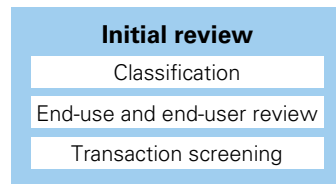
**Security Trade Control Review**

Regarding security trade control, it is important that all applicable cases are covered and that individual reviews are conducted appropriately.

The IHI Group conducts reviews as part of a three-line defense system.

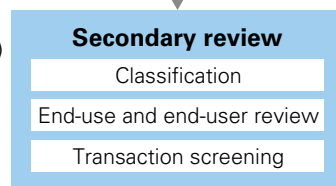
● **Security Trade Control Review System**

**First defense line**  
(Application division)



Request

**Second defense line**  
(Divisions and business areas)

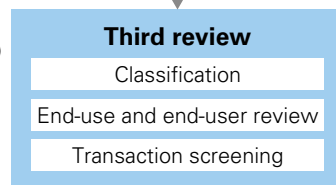


**Not applicable to list control**  
(Catch-all control cases)  
**Non-concerns**



List control issues or concerns

**Third defense line**  
(Corporate and review board)



**Transaction approval**  
(Including instances where export is permitted after obtaining necessary licenses)



Note: Carrying out additional necessary procedures such as applying for government licenses

Denial



**Education/Awareness Building**

Security trade control requires comprehensive and precise understanding. Proper management cannot be achieved without a correct understanding of it by each employee.

The IHI Group focuses on security trade control education for employees and conducts the following education for each specific level.

- Basic security trade control
- Education for export practitioners
- Education for Security Trade Managers
- Education for Committee members

# Risk Management

## Risk Management

### Approach/Policies

The IHI Group considers and engages in risk management as the top material issue of management. The basic objectives of risk management are ensuring business continuity and the safety of Officers, employees, and their families, securing managerial resources, and maintaining public trust. We manage risk in accordance with the following action guidelines based on the Basic Code of Conduct for the IHI Group.

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 recovery from damage as soon as possible.
6. Take responsible action when an issue arises.
7. Meet public requirements regarding risks.

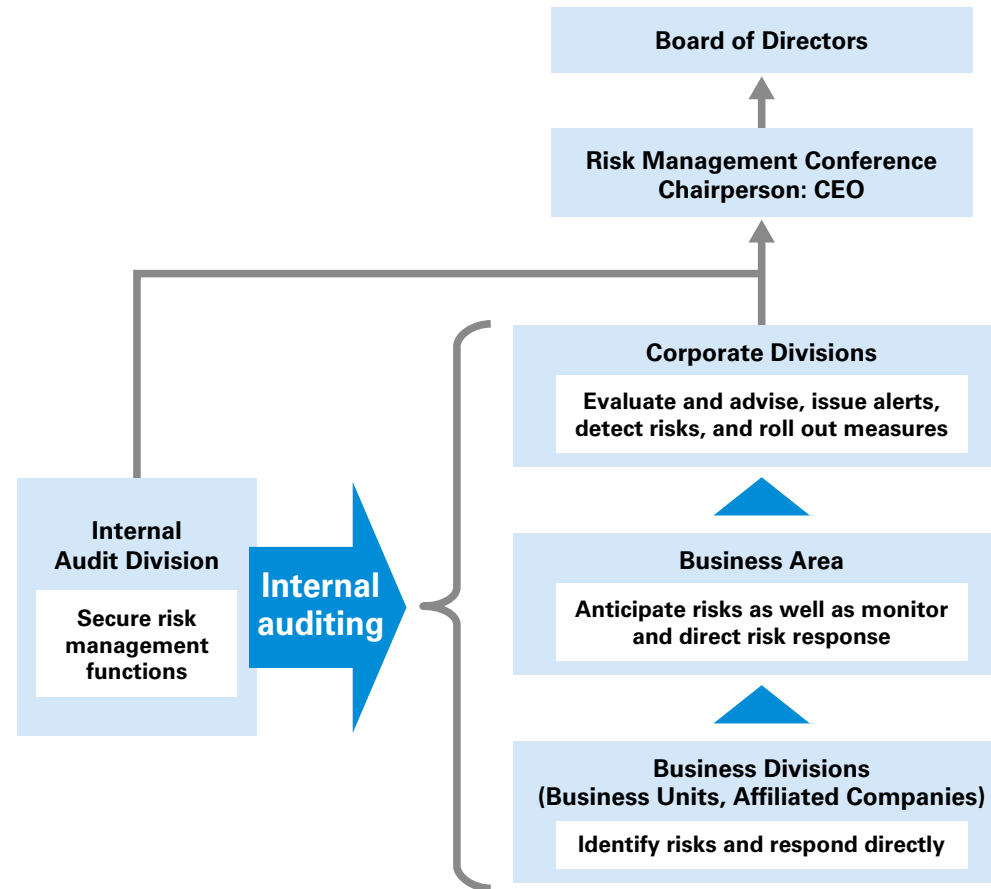
### Structure

The IHI Group set up the Risk Management Conference chaired by the Chief Executive Officer (CEO) as a body to review policy initiatives, annual plans, corrective measures, and other matters vital to overall risk management. The Compliance Committee is positioned as the subcommittee of the Risk Management Conference.

#### P.29 Compliance Structure

In order to carry out robust risk management, IHI has clarified the roles and responsibilities of business divisions, including affiliated companies, the business area, corporate divisions, and the Internal Audit Division, as well as built a multi-layered risk management framework.

### Risk Management System



### Risk Management Conference

<b>Chairperson</b>	CEO
<b>Secretariat</b>	Corporate Planning Division
<b>Members</b>	General Managers of each Group Risk Management Unit, Presidents of each business area, and others nominated by the Chairperson
<b>Number of meetings convened in FY2022</b>	4

## Risk Management

### Risk Management Framework

The IHI Group establishes the Key Policies for Risk Management for each fiscal year. Each IHI division and affiliated company, including those overseas, move forward with independent risk management in accordance with these policies.

We are working on comprehensive risk management activities for a wide range of business-related risks. We also designate particularly important risks as the key risk management themes.

Group Risk Management Units made up primarily of IHI corporate divisions provide information and training capitalizing on their expertise, monitor the progress of risk management activities, and offer support to each division.

### ● Risk Management Activity Flow



### Initiatives

In fiscal 2022, the IHI Group implemented initiatives to strengthen risk management through key themes. Progress of these initiatives is verified on a quarterly basis at the Risk Management Conference, furthermore accelerating risk management through a PDCA cycle.

#### P.27 Compliance

### Key Policies for Risk Management in FY2023

Under the Group Management Policies 2023, the IHI Group will accelerate its transformation into a corporate structure capable of responding to destructive environmental changes. We are strengthening our ability to respond to risks that hinder the execution of business scenarios and risks that damage our business operation foundation by building a system to prepare for emergencies. This system will be able to respond to the new social environment where uncertainty is becoming the norm, such as expanding geopolitical risks, advancing inflation, energy and human resource shortages, and frequent occurrences of severe disasters.

### ● The Key Risk Management Themes for FY2023

The IHI Group will strive to foster sustainable growth and improve corporate value through focused efforts on each of the themes described below.

1. Responding to risks that damage our business operating foundation
  - Compliance
  - Quality assurance
  - Economic security
  - Information security
  - Human rights
  - Risk of talent shortage
2. Responding to risks that hinder the execution of business scenarios

### ● Review of Risk Management Activities by Board of Directors

The details of activities examined and confirmed by the IHI Group's Risk Management Conference are reported to the Board of Directors on a quarterly basis.

The Board of Directors evaluates the risk management activities reported by the Risk Management Conference and reflects the results in the risk management activities for the current fiscal year. These reports also play a role in drafting Key Policies for Risk Management for the next fiscal year.

## Risk Management

### Addressing ESG Risks

In the IHI Group ESG Management announcement made in November 2021, the IHI Group identified measures to combat climate change, respect human rights, promote diversity, equity, and inclusion, and secure and maintain the trust of stakeholders as material issues for ESG management. In the Group Management Policies 2023 announcement made in May 2023, we regard responses to customer and social issues, including climate change countermeasures, as business opportunities, and promote ESG management by incorporating environmental and social values into our business evaluations.

Through internal organizations and various activities centered on the Risk Management Conference and the ESG Management Promotion Committee, the IHI Group conducts key theme activities and comprehensive risk management activities for risks related to the above-mentioned ESG management material issues.



**Risk Management**

**Project Risk Management**

**Approach/Policies**

The IHI Group believes that the initial plan has a substantial impact on the subsequent results of both large-scale projects and investments. The impact of the initial plan is particularly significant in the case of projects including new elements or elements that have not been implemented for a long time. Based on these factors, we are conducting risk management by establishing review processes and systems before accepting orders and making investments.

**Structure**

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

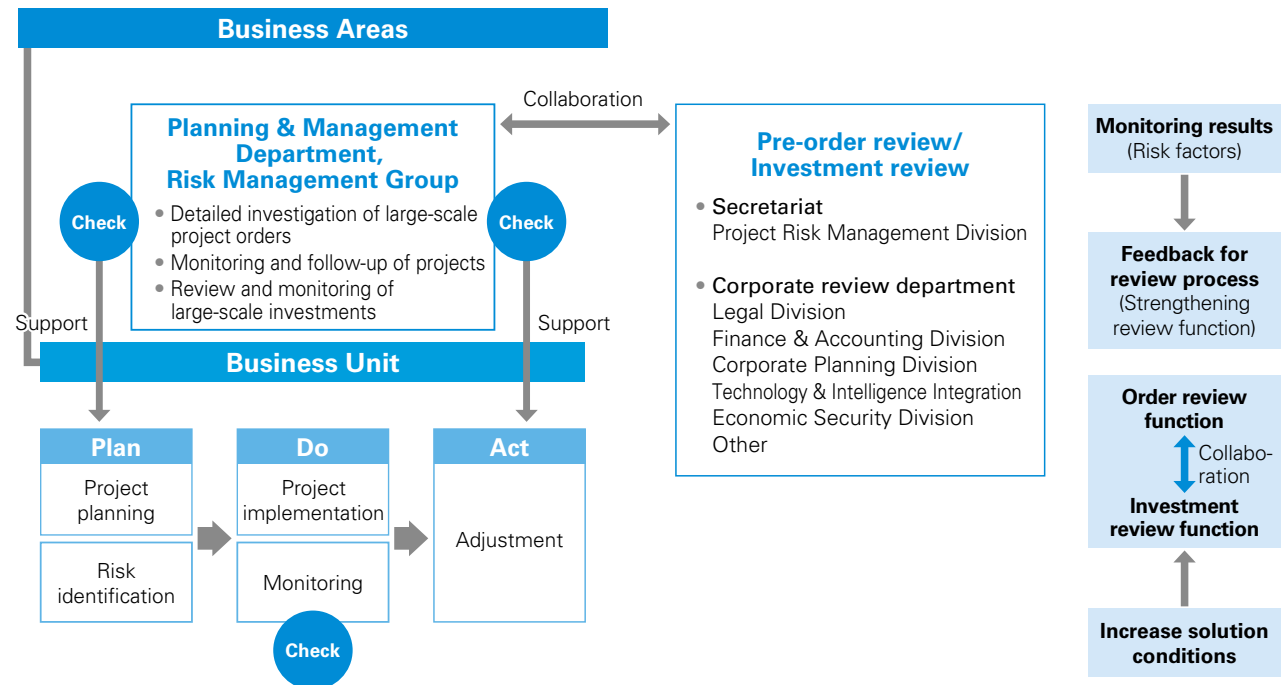
After ordering and investment is underway, we monitor the progress to ensure things are going according to the initial plan, if there are any new incidents, or that risks are handled appropriately in cooperation with the corporate review department and the department in charge of risk management of each business area.

**Initiatives**

The number of downward revisions for large-scale projects is decreasing, indicating a certain degree of success in project risk management. We believe that the effects of improving the accuracy of our estimates by strengthening our estimate system as well as enhancing the resource management of key members involved in project execution and other initiatives have become apparent. In fiscal 2022, we especially have strengthened our post-order monitoring, including on-site surveys, for large-scale projects by affiliated companies overseas, which are on the rise. In response to the recent price fluctuations, we have launched a mechanism to monitor

social trends and other factors regarding procurement-related risks that may affect the profits and schedules of large-scale projects. As the IHI Group continues to invest in growth and development-focused businesses in the future, in addition to current steps to prevent downward revisions, the IHI Group will seek information from the project formulation stage for highly novel projects, the number of which is likely to increase. We will identify risks at an early stage through information collection. We are conducting Project Manager Training for employees who plan to work as Project Managers in the future as part of strengthening the project management capabilities of the IHI Group.

**Project Risk Management System**



## Risk Management

### Crisis Management

#### Approach/Policies

We have formulated a crisis management structure, response procedures, and Business Continuity Plans (BCP) for the entire IHI Group to respond to emergency situations as part of the Basic Rules on Crisis Management for IHI Group.

In the event of a situation that could have a serious impact on management or business operations, we will consider the degree of impact, such as the severity, ripple effects, and continuity of the crisis, set up a Crisis Management Headquarters according to the level of the crisis to deal with the damage and take appropriate measures to minimize damage. At the highest crisis level, the head of the Crisis Management Headquarters is, in principle, the CEO.

#### Initiatives

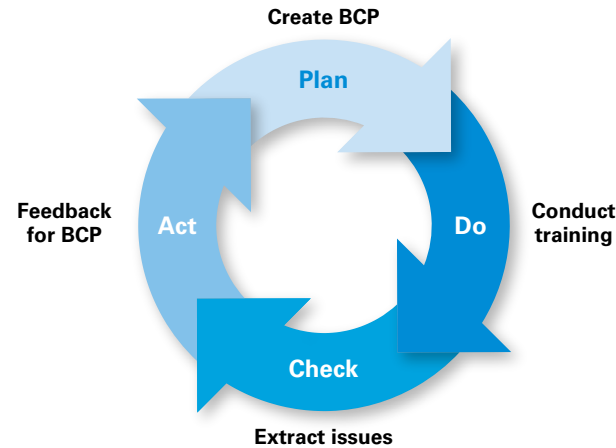
##### Disaster Prevention Initiatives

To prepare for severe disasters, the IHI Group has built a system to ensure both employee safety and business continuity. In addition, we have clarified the organizational structure and necessary actions in our internal rules, during both normal times and during times of disaster.

The Group has also established a BCP for each representative office, division, and affiliated company, invites outside experts, and revises the plans on a regular basis through routine training and classroom work to verify the effectiveness.

Every March, we conduct Group-wide response training, which the President and other management executives take part in to prepare for severe disasters. By changing the training day, time, and estimated damage of a disaster each year, the effectiveness of the BCP can be tested from various angles.

##### Continual Revisions to the BCP



##### Measures to Prevent the Spread of COVID-19

The IHI Group strives to ensure business continuity by prioritizing the health and safety of employees, their families, and every other stakeholder above all and engaging in measures to prevent the spread of COVID-19 infection and any potential cluster infections.

In response to COVID-19, which spread rapidly in 2020, guidelines were formulated to prevent the spread of the virus throughout the Group for each department (offices, plants, construction sites) based on the policies and instructions of the government and local governments. Furthermore, in order to respond flexibly to remote work (working from home), we have upgraded the system by examining online-based business processes.

# Innovation Management

## Technology & Intelligence Integration

### Approach/Policies

The IHI Group aims to create a world where nature and technology work in unity, and has undertaken the challenge of developing technology that continuously provides new value by envisioning a variation of future possible solutions for complex social issues and cultivating technology in cooperation with various partners. In proceeding with technology development, introducing model-based development has enabled us to formulate optimal development plans by identifying developmental bottlenecks and theoretical limits through a variety of simulations at an earlier stage. In addition, we conduct simulations instead of demonstration tests for scaling up development with the aim of shortening development periods and putting developed technology into practical use as soon as possible.

### Priorities in Technology Development

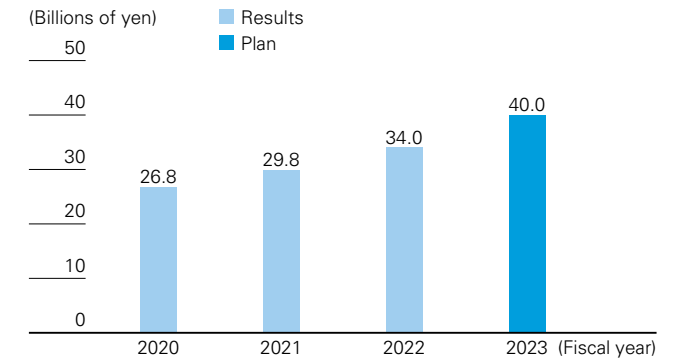
In order to achieve its vision for the growth, development-focus, and core businesses in the Group Management Policies 2023, the IHI Group concentrates research funds and human resources on the fields of these businesses to conduct technology development.

In the fields of aero engines and space, which are both our growth businesses, we are in the midst of developing technology related to the weight reduction and electrification of aircrafts and equipment as well as sustainable aviation fuel (SAF) to make aircraft eco-friendly.

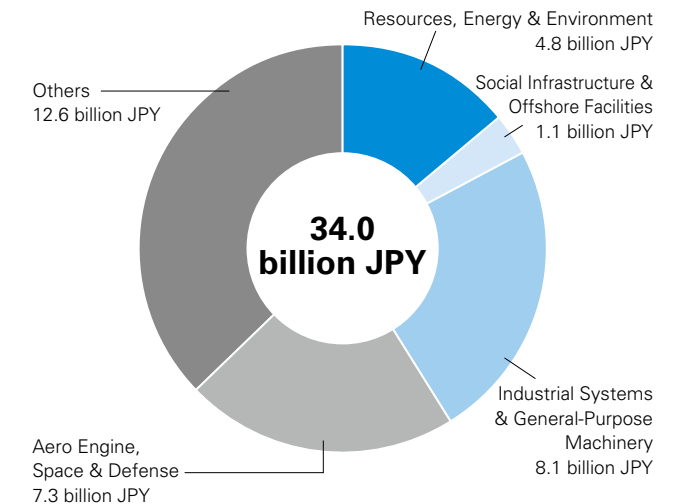
In the clean energy field, which is our development-focus business, ammonia is positioned to be a sustainable fuel that does not emit CO<sub>2</sub> when combusted. In order to stimulate its demand and build a value chain for it, we are proceeding with the development of a highly efficient ammonia-fired gas turbine. In 2022, we successfully demonstrated the world's first CO<sub>2</sub>-free power generation (2MW class) using only liquid ammonia as fuel, thereby reducing greenhouse gases generated during combustion by 99%.

Within fields concerning resources, energy & environment, social infrastructure, and industrial systems & general-purpose machinery, which are our core businesses, we work on reducing CO<sub>2</sub> emissions and labor as well as automation on the basis of life-cycle businesses.

### Changes Regarding Research and Development Expenses



### Research and Development Expenses (FY2022, Breakdown by Business Areas)



## Innovation Management

### Achieving a Carbon-neutral World

Combined application of technologies is essential for the IHI Group to contribute to achieving carbon neutrality by 2050. Consequently, we are simultaneously developing a variety of technologies, including alternative fuels with no CO<sub>2</sub> emissions, carbon recycling, and energy management systems.

During the transition period toward carbon neutrality, it is also necessary to research and develop technologies for enhancing the efficiency of existing power generation plants and for reducing CO<sub>2</sub> emissions.

In addition, the IHI Group works to efficiently gather carbon data and convert it into an environmental value.

### Ammonia as Carbon-neutral Fuel

The IHI Group has been developing technology for using ammonia not only as an inexpensive, safe hydrogen carrier but also as a carbon-neutral fuel with no CO<sub>2</sub> emissions during combustion. We plan to demonstrate ammonia firing at a commercial level for the first time in the world, and are steadily preparing toward this large-volume firing of fuel ammonia (20% of heating value). With our overseas partners, we are considering production of green ammonia derived from renewable energy.

The IHI Group's biomass power generation business has received contracts to refurbish many thermal power plants into plants for single-fuel firing of biomass power generation\*<sup>1</sup>. We are involved in every aspect of the biomass power generation from construction to operation and maintenance and support operations optimal for providing carbon-neutral power.

\*<sup>1</sup> Single-fuel firing of biomass power generation refers to the use of only biomass fuel in thermal power generation plants. Unlike co-firing that uses biomass fuel partially with the main fossil fuel, single-fuel firing of biomass fuel is considered to have net-zero CO<sub>2</sub> emissions.

### Carbon Recycling

The IHI Group is also promoting the development of carbon capture and utilization (CCU) technologies, which include the capture of CO<sub>2</sub> from exhaust gas of power plants or factories with the chemical absorption technique, the direct capture of CO<sub>2</sub> from air with the direct air capture (DAC) technology and the conversion of captured CO<sub>2</sub> into valuable products, such as methane used as fuel, lower olefin used as a raw chemical material, and SAF. We have commercialized methanation equipment, which produces combustible e-methane (synthetic methane) fuel through catalytic reaction between CO<sub>2</sub> emitted from plants and other facilities and hydrogen. It uses an originally developed catalyst that boasts one of the longest service life spans in the world. Methanation is a key technology for carbon neutrality because it enables the utilization of existing city gas infrastructures.

The IHI Group continues to investigate and develop SAF, which will help reduce CO<sub>2</sub> emissions from aero engines. Regarding the development of SAF synthesis technology, we are conducting joint research with the Institute of

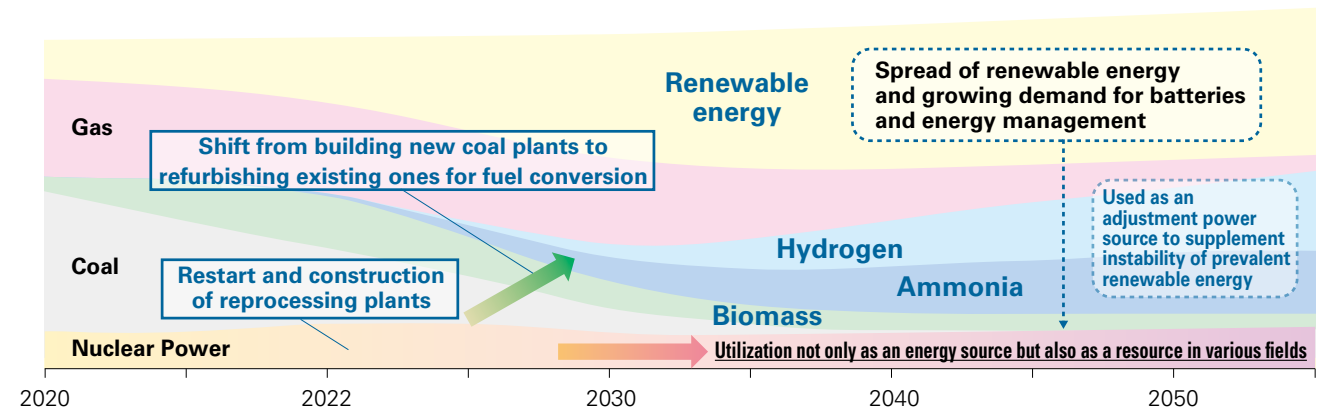
Sustainability for Chemicals, Energy and Environment (ISCE<sup>2</sup>)\*<sup>2</sup>. Based on the knowledge gathered during another ongoing joint development of lower olefin synthesis using CO<sub>2</sub> as a raw material, we have developed a catalyst with high performance in SAF synthesis by efficiently exploring and adjusting test conditions such as catalyst composition and reaction conditions using machine learning, which is a type of AI. This catalyst has achieved the world's top-level performance as an SAF synthesis catalyst that directly causes H<sub>2</sub> and CO<sub>2</sub> to react, recording a 26% yield of liquid hydrocarbons with five or more carbon atoms (C<sub>5+</sub> yield), which are a raw material for SAF.

\*<sup>2</sup> ISCE<sup>2</sup>: An affiliated research institute of the Agency for Science, Technology and Research (A\*STAR) in Singapore

### Energy Management Systems

The IHI Group is advancing the development of numerical models and algorithms by utilizing AI technologies to optimize the configuration and operation of energy systems.

### Estimated Change in Proportion of Primary Energy Resources by 2050



## Innovation Management

### Structure

The IHI Group encourages rapid innovation through extensive collaboration with universities, research institutes, and customers.

As represented by the establishment of the IHI-ISCE<sup>2</sup> Sustainable Innovation Centre and IHI x Tohoku University Co-creation Research Center of Ammonia Value Chain for Carbon Neutrality, the IHI Group is collaborating with various partners to take advantage of each other's respective strengths and working to develop pioneering technologies.

In addition, we are seeking new technologies, joint research themes, and partners within Japan and overseas (North America, Europe, and Asia). For this purpose, we utilize the IHI Tsunagu Lab and the i-Base (Ignition Base) as hubs for open innovation where we put design thinking into practice toward rapid commercialization to cultivate new business opportunities for the IHI Group.

### Education/Awareness Building

#### **i-Base Initiatives**

The IHI Group is working on a variety of projects at its innovation hub i-Base with the aim to achieve early commercialization of new ideas.

We focus on rapidly validating the concept of new ideas through short-term Proof of Concept (PoC), where we create a scenario for commercialization and analyze its value hypothesis. Based on the results, we concentrate resources on ideas with a high potential of success and advances research and development toward early commercialization.

We established a structure to promote the speedy creation of new businesses by incorporating design thinking, which helps understand problems from the user's perspective and create innovation, into business development and by modifying design thinking to be our new style of development suitable to our business model.

We provide training programs on design thinking throughout the IHI Group.

Developing human resources through the programs will help us create new value to meet the needs of our customers and society. This is how we advance the establishment of a system allowing us to continually create innovative ideas.

### Initiatives

#### **Main Public-Private Sector Initiatives**

##### **Direct Synthesis of CO<sub>2</sub>-free Ammonia**

The IHI Group participated in the New Energy and Industrial Technology Development Organization Feasibility Study Program on Energy and New Environmental Technology. Through this program, we aim to achieve technology that can directly synthesize CO<sub>2</sub>-free ammonia from water and nitrogen. We are striving to build a carbon-free value chain by actively promoting the development of hydrogen and ammonia production and application technologies.

##### **Utilization of Hydrogen**

The IHI Group began supplying e-methane to vehicles for the first time in Japan, specifically to the Odekake Minibus, a community bus for senior citizens operated by Soma City in Fukushima. It is part of a smart community project conducted under the cooperation of Soma City with the goal of contributing to local production and consumption of photovoltaic power as well as regional promotion and development.

The e-methane that began being supplied to the bus is manufactured at the Soma IHI Green Energy Center using green hydrogen produced with electricity generated by a solar power generation facility. By supplying it to one of the Odekake Minibuses, from e-methane production to its use as vehicle fuel, we are conducting a series of demonstrations regarding this process.

## Innovation Management

### **Industry–University Initiatives**

#### **Japan**

The IHI Group established a joint research program with Yokohama National University at the Research Center for Artificial Intelligence in an effort to expand applications for AI technologies in various IHI products and services as well as on manufacturing sites. To promote ever-evolving development, we are also expanding the collaboration to foster specialists in AI technologies throughout the IHI Group.

In September 2022, we established IHI Corporation x Tohoku University Co-creation Research Center of Ammonia Value Chain for Carbon Neutrality in the Material Solutions Center at the Tohoku University. The center researches issues in creating an ammonia value chain from production, transport, and storage to consumption and their solutions to achieve a carbon-neutral society through the use of ammonia, which is a clean energy source that does not emit CO<sub>2</sub> during combustion.

#### **North America**

In North America, the IHI Group quickly gathers diverse information on new technologies and joint research subjects for carbon solutions, and on energy and environmental policy trends in North America by capitalizing on its relationships with the MIT Energy Initiative and MIT CEEPR as well as its network of venture capitalists and startup companies.

#### **Asia**

In Singapore, we conduct joint development with A\*STAR across a wide range of fields, including our unique catalyst technology, to produce valuable products such as methane gas, lower olefin, and SAF from CO<sub>2</sub>, next-generation transportation, and advanced manufacturing technologies.

#### **Europe**

In Europe, the IHI Group established the IHI Additive Manufacturing Lab in the United Kingdom as a site to advance the development of additive manufacturing technology. In addition, to promote the use of road mapping to design technology and business strategies, we belong to IfM Engage's Strategic Technology and Innovation Management Consortium.

## Innovation Management

### Intellectual Property

#### Approach/Policies

The IHI Group promotes intellectual property activities in an integrated manner with both its management policy-based business and technological strategies. The business environment surrounding us differs from division to division and from company to company. Consequently, there are individual needs for intellectual property activities. The Intellectual Property Department of IHI Corporation drafts a Basic Policy on IHI Group Intellectual Property every year. Individual divisions and affiliated companies refer to this policy to establish their own intellectual property policies tailored to their unique business, technology, and development environment.

The Basic Policy on IHI Group Intellectual Property in fiscal 2023 is currently focusing efforts on these three priority measures:

- (1) Intellectual property activities that contribute to growth and development-focus business expansion as well as furthering and advancing life-cycle businesses
- (2) Early detection and defense against intellectual property risks
- (3) Strengthening the intellectual property management system supporting business and improving intellectual property literacy

#### Intellectual Property Strategy

By utilizing intellectual property in our business activities to help solve social issues and increase customer value, we are working to achieve sustainable growth for the entire IHI Group. Regarding the Clean Energy Field listed as our development-focus businesses in the Group Management Policies 2023, the IHI Group is among the world's top companies in terms of the number of patent applications filed for ammonia combustion technology. As we continue filing

first-rate patents, we will continue intellectual property activities to also ensure superiority in fields other than combustion technology. In our growth business and core businesses as well, we use intellectual property information to formulate strategies to solve social issues.

#### Education/Awareness Building

##### Intellectual Property Education

Besides basic training programs regarding intellectual properties, the IHI Group provides education, according to purpose, covering how to read patent publications, patent search, copyright, trademarks, etc. From fiscal 2021, some mandatory courses have become optional so that only those who need those courses can take them. This change in system, despite the decrease in enrollment, has allowed learners to select courses according to their own needs and learn at their own pace. We will monitor the number of learners with this system and enhance human resources at an early stage. Furthermore, we disseminate information about intellectual property within the IHI Group to improve intellectual property understanding and awareness. We also invite various lecturers for special courses related to further developing the skills of those who play a key role in our intellectual property strategies.

##### Intellectual Property e-Learning Participants

(Unit: People, Scope: IHI)

Item	FY2019	FY2020	FY2021	FY2022
Step 1 (First-year employees)	167	187	94	45
Step 2 (Second-year employees)	154	166	77	34
Step 3 (Third-year employees)	246	154	62	28
Step 4 (Fourth-year employees)	281	235	65	26
Step 5 (Fifth-year employees)	249	271	66	23

#### Results

##### Number of Patent Acquisitions (Unit: Reports, Owner: IHI)

Item	FY2019	FY2020	FY2021	FY2022
Number of patent acquisitions	1,094	819	711	608

##### Regional Comparison in Number of Patents

(Unit: Reports, Owner: IHI)

Item	FY2019	FY2020	FY2021	FY2022
National patents	4,150	3,867	3,866	3,989
Foreign patents	3,502	3,808	3,936	3,818
United States	724	747	817	856
Europe (excluding Turkey)	1,240	1,750	1,774	1,697
China	561	582	605	593
Korea	199	120	125	134
BRICs (excluding China)	142	125	120	69
Other	636	484	495	469

#### Initiatives

##### Protecting Intellectual Property

To protect intellectual property, the IHI Group decides whether to acquire rights through patent filings or to conceal this knowledge. We file necessary patent applications worldwide based on global business expansion. We carefully select countries to file patent applications through the forecasts in business and technology development.

We respect third-party intellectual property rights. We search activities of patent filings and patent acquisition of other companies to reduce business risks.

# Information Security

## Approach/Policies

The IHI Group has established the IHI Group Information Security Policy to ensure the protection of confidential information of customers and business partners as well as corporate management and technical information. We strive to properly manage information while maintaining and improving information security.

### ● IHI Group Information Security Policy

The IHI Group hereby sets the following IHI Group Information Security Policy for the purpose of ensuring the security of information assets in its possession and thereby further solidifying its trust-based relationship with customers, users and society.

#### (Basic Activities)

1. The IHI Group will take appropriate measures with technology, organization and employees, in order to protect information assets against any leakage, theft, loss, destruction, illegal access, and disaster. In the event of any security problem regarding this information, the IHI Group will locate the cause as quickly as possible, and exert every possible effort to minimize the damage incurred.

#### (Information Assets)

2. "Information assets" refer to the information the IHI Group handles in the course of business activities, regardless of the type of media, and the equipment, facilities and services necessary for handling such information.

#### (Scope)

3. This Information Security Policy applies to all those using the information assets of the IHI Group, including but not limited to officers and employees of the IHI Group companies and temporary staff.

#### (Compliance with Laws, Regulations, etc.)

4. The IHI Group will strictly observe the laws, regulations and codes pertaining to the protection of information assets, and the requirements and obligations regarding information security provided for in the agreements with the customers.

#### (Education)

5. The IHI Group companies will provide all those using the information assets of the IHI Group with the necessary education on information security to enhance and maintain their awareness thereof.

#### (Management of Information Security)

6. The IHI Group companies will establish a mechanism of implementing and managing information security by taking measures such as establishing rules concerning information security and appointing persons in charge of information management, thereby conducting, maintaining and improving information security activities on a continual basis.

#### (Responsibilities of Senior Management)

7. The Senior Management of the IHI Group will set the example of enforcing this Information Security Policy. In the event of any infringement of this Policy, senior management will address the situation properly by defining their authorities and responsibilities, and do their utmost to resolve the problems, diagnose their causes, and prevent their recurrence.

#### (Punishment)

8. Any action in violation of the rules of information security will incur punishment according to the employment regulations of IHI Group companies.

#### (Announcement)

9. This Information Security Policy will be announced and notified to all those using the information assets of the IHI Group as well as being announced to the public.



## Information Security

### Structure

The IHI Group has established an Information Security Promotion Framework, chaired by the Officer in charge of Group DX. The Information Security Subcommittee operates within the DX Promotion Committee as an organization in charge of promoting the company's information security activities overall. A General Manager is appointed at each IHI corporate division, business area, Business Unit, and affiliated company to accelerate activities under this framework.

#### ● Information Security Activity Promotion Framework



#### ● Information Security Subcommittee

<b>Chairperson</b>	General Manager of Intelligent Information Management Headquarters
<b>Secretariat</b>	Information Security Department of Intelligent Information Management Headquarters
<b>Subcommittee members</b>	Business areas, Business Units, and corporate divisions
<b>Number of meetings convened in FY2022</b>	3

### Information Security Management System

The IHI Group convenes the Information Security Subcommittee three times a year to plan, implement, and evaluate information security measures in an annual cycle.

In fiscal 2019, we built a three-stage auditing framework for information security consisting of three types of audits by our own organizations, business areas, and corporate divisions from different auditors to strengthen checks ("C") in the PDCA cycle. Each organization (IHI divisions and affiliated companies) conducts its own internal audit, the corporate division executes documentation audits, and each business area, as the responsible division, implements on-site audits. From fiscal 2021 onwards, each business area has conducted audits of information security measures at all of the Business Units and affiliated companies under its supervision and has worked to improve any issues discovered.

Divisions and Group companies involved in highly sensitive national projects in the IHI Group must undergo annual reviews by an external specialized agency to renew the ISO 27001 international information security certification for maintaining a high level of security.

### Measures to Prevent Information Leakage During Remote Work

Working remotely throughout the IHI Group as a measure to prevent the spread of the COVID-19 virus has gained traction as one of many work styles. However, working from home increases information security risks such as improper use, loss, or theft of information devices due to the higher number of information devices taken outside of the office.

To prevent the improper use of information devices, the IHI Group works to raise employee awareness through e-learning and internal newsletters covering security compliance rules for work done outside the office. These rules specifically prohibit personal use of work

computers and prohibit work data from being stored on personal IT devices of the individual and/or family.

We have been preparing computers for personal use that do not store business data that are dedicated for external use and require these computers to be used for any work conducted outside the office. The use of these computers reduces the risk of information leakage upon loss or theft of these devices.

### Education/Awareness Building

#### Employee Education

The IHI Group provides e-learning to all employees on a yearly basis to deepen their understanding of information security rules and tools, and to maintain and raise information security awareness.

#### ● Rate of Participation in e-Learning (Unit: %, Scope: IHI)

Item	FY2019	FY2020	FY2021	FY2022
Rate of participation in e-learning	83.0	96.0	96.8	96.9

### Results

#### Information Security Measures

The IHI Group takes steps to address information security risks from three perspectives: rules, tools, and education.

The rules include the IHI Group Information Security Policy, IHI Group Information Security Measure Standards, and Information System User Rules. We have adopted antivirus software and other security tools, which are always kept up to date.

## Information Security

### **Evaluation of Information Security Measures**

We assess the information security measures of the entire IHI Group quantitatively every year based on the benchmark for information security measures implemented by companies offered by the Information Technology Promotion Agency, Japan (IPA).

The level of information security measures in fiscal 2022 was 3.7 out of 5. We will strive to achieve a score of 4, and further continue to improve our level of information security in fiscal 2023.

#### ● Evaluation of Information Security Measures

(Unit: Score, Scope: IHI and consolidated subsidiaries)

Item	FY2019	FY2020	FY2021	FY2022
Evaluation of information security measures (out of 5)	3.2	3.4	3.7	3.7