

Corporate Governance

Corporate Governance

Approach

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

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

Policy

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

● Basic Policy on Corporate Governance

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

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Structure

IHI is a company with an Audit & Supervisory Board. Its Board of Directors makes decisions related to all important matters concerning the management of IHI and the Group, in addition to supervising the execution of duties by directors. The Board of Directors, which consists of 12 Directors (four of whom are Independent Directors), is led by the Chairman of the Board. The Independent Directors, who are appointed from among individuals with extensive experience and broad insight gained at the helms of management, or with a high degree of specialist knowledge and diverse experience, participate in the Board of Directors' decision-making process, offer advice, and independently make recommendations. Five Audit & Supervisory Board Members (three from outside) audit the duties executed by Directors.

Remuneration Advisory Committee

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

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

The Committee convened five times with no absentees except for Kazuhiro Muto in fiscal 2023.

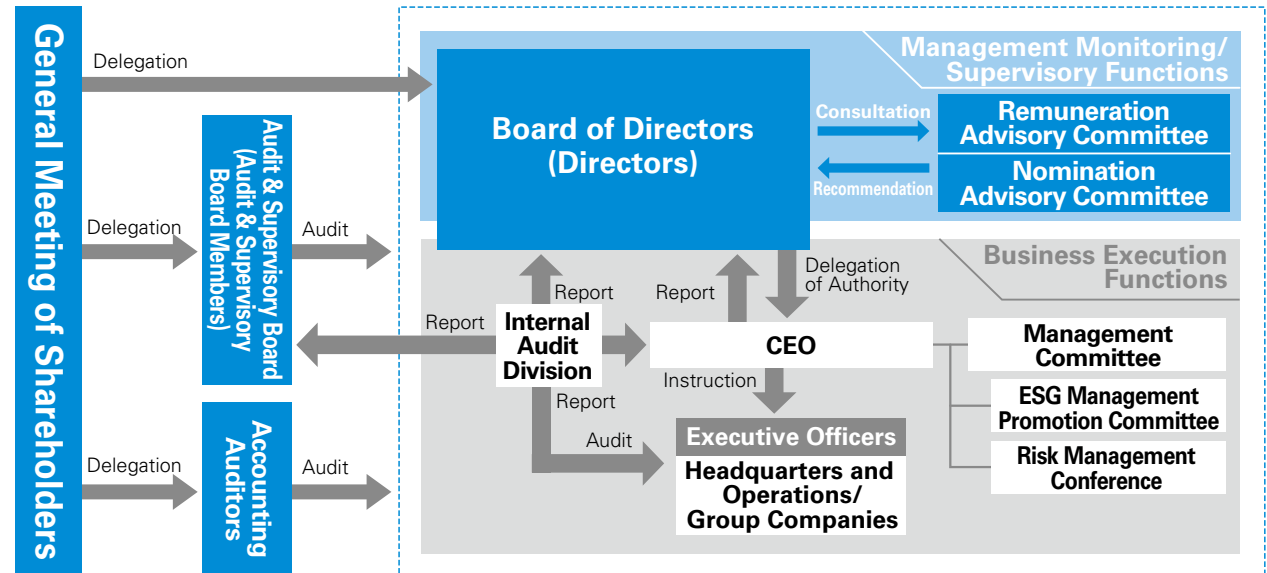
Mr. Muto attended all two meetings held after his appointment as a member of the Committee.

Nomination Advisory Committee

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

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

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as Chairperson for the purpose of ensuring proper implementation of officer appointments.

The Committee convened five times with no absentees in fiscal 2023.

Business Execution Structure

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

sist in decision-making and business execution.

The Management Committee convened 37 times in fiscal 2023.

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

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Appointment of Officers

Policies and Procedures

IHI's Board of Directors decides on ideal attributes for Officers and draws up independence standards for Independent Directors and Independent Audit & Supervisory Board Members. These standards are based on the requirements for independent directors/audit & supervisory board members stipulated by the Tokyo Stock Exchange and their emphasis is to assure that Independent Directors and Independent Audit & Supervisory Board Members are genuinely independent. IHI's Board of Directors sets the basic policy of appointing the most appropriate Officers according to the ideal attributes and the independence criteria for Independent Directors and Independent Audit & Supervisory Board Members with the aim of ensuring sustainable growth and increased corporate value for the IHI Group over the medium- to long-term.

In appointing officers, IHI's Board of Directors has supplemented the legally required procedures by establishing a Nomination Advisory Committee comprised of all the Independent Directors and the Representative Director and President. The Committee acts as an optional advisory body to the Board of Directors in order to enhance the Board of Directors' independence, objectivity, and accountability, as well as to proactively obtain the involvement, advice, and supervision of the Independent Directors. It supervises appointment-related procedures to ensure that they are applied appropriately, and offers related advice.

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

Ideal Attributes for Officers

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

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

Independence Criteria for Independent Officers

In addition to the requirements for independent directors/audit & supervisory board members stipulated by the Tokyo Stock Exchange, IHI uses the criteria below to determine independence.

1. Major shareholders
The Director should not be a major shareholder with 10% or more of the voting rights in IHI 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 IHI'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 IHI Group (with transactions valued at 2% or more of IHI's consolidated revenue in the most recent fiscal year)
 - Major suppliers to the IHI Group (with transactions valued at 2% or more of the supplier's consolidated revenue in the most recent fiscal year)
 - Major lenders to IHI (as listed in the business report for the most recent fiscal year).
3. Providers of specialist services (attorneys at law, certified public accountants, or consultants, etc.)
The Director should not be an attorney at law, certified public accountant, or consultant, etc. who receives ¥10 million or more of monetary consideration or other property from IHI annually besides compensation as a Director/Audit & Supervisory Board Member.
 4. Accounting auditor
The Director should not be a representative partner or partner of IHI's accounting auditor.
 5. Mutual exchange of Officers, etc. with IHI
The Director should not be assigned to a corporation with which IHI 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 IHI Group.
In addition, the Director should not be the spouse or first- to second-degree relative of any person* referred to in 1 through 4 above.

* If a major shareholder or a major client, supplier, etc. is a corporation, this applies only to Directors, Audit & Supervisory Board Members, Executive Officers at Companies with committees, Executive Officers, or equivalent executive-level employees of the corporation in question.

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Dismissal Criteria for Officers

IHI judges dismissal of Officers based on the following criteria.

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

Approach to Independent Officer Nominations

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

Approach to Ensuring Diversity in Key Human Resource Roles

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

- Targets (FY2026)
 - Ratio of female Managers: 7%
 - Ratio of new female university graduate recruitment: About 20%
- Reference (FY2030) *To be reviewed as necessary according to target progress
 - Ratio of female Managers: Aiming for about 15%
 - Ratio of new female university graduate recruitment: Aiming for 20% or higher

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

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●Members of the Board of Directors (as of July 1, 2024)

Name Position at IHI	Reasons for Appointment	Attendance at Board of Directors Meetings in FY2023	Term of Office as Director	Company Share- holding	Appointments to Advisory Committees	
					Remuneration Advisory Committee	Nomination Advisory Committee
Tsugio Mitsuoka Director, Chairman of the Board	Tsugio Mitsuoka has led the IHI Group's management as the President 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 the risk management and ensuring compliance. Since April 2020, he has been working to strengthen corporate governance as Chairman of the Board. Based on these abundant experience, accomplishments, and insight as corporate manager, the Company has appointed him as a Director.	18 of 18 (100%)	10 years	19,800 shares	—	—
Hiroshi Ide Representative Director, President	Hiroshi Ide experienced many business operations in the overseas marketing division for the energy and plant businesses and as General Manager of an overseas representative office, and subsequently he was responsible for the management as the Managing Director of an overseas subsidiary undertaking EPC works. He was responsible for the Resources, Energy and Environment Business Area as President of the business area from April 2019, and has been leading the management of the IHI Group as Representative Director and President since June 2020 by promoting transformation toward sustainable high growth, and other matters. Based on these abundant experience, accomplishments, and insight as corporate manager, the Company has appointed him as a Director.	18 of 18 (100%)	4 years	6,700 shares	—	Chair- person
Tsuyoshi Tsuchida Representative Director	Tsuyoshi Tsuchida experienced many business operations mainly in the procurement division, and was responsible for the corporate management of a domestic subsidiary in charge of the manufacturing and sales of logistics equipment and industrial plants as the President. Subsequently, he promoted the expansion of lifecycle businesses as Vice President of the Industrial Systems & General-Purpose Machinery Business Area, and then he was engaged in the formulation of the "Group Management Policies 2023" as General Manager of the Corporate Planning Division from April 2022, and has been promoting the implementation of the policies as Senior Executive Officer from April 2023. Based on these abundant experience, accomplishments, and insight, the Company has appointed him as a Director.	14 of 14 (100%)	1 year	3,600 shares	—	—
Hideo Morita Representative Director	Hideo Morita experienced the development of space equipment and many other business operations in production, design and engineering departments of the Aero-Engine & Space Operations. Subsequently, he had led the Civil Aero-Engine Division as manager responsible for the division since April 2018, and as the President of Aero-Engine, Space & Defense Business Area since April 2021, he has been working to strengthen and upscale the civil aero engines, defense and space businesses, which the IHI Group positions as the growth businesses. Based on these abundant experience, accomplishments, and insight, the Company has appointed him as a Director.	18 of 18 (100%)	3 years	4,200 shares	—	—
Akihiro Seo Director	Akihiro Seo experienced many business operations mainly in the corporate divisions, such as human resources and labor relations, corporate planning, and corporate business development. He launched a new company for a new business in Europe and was responsible for the management of the business as the President. Subsequently, he served as Manager of the Planning & Control Department of the Global Marketing Headquarters, Manager of the Corporate Business Development Division and General Manager of Corporate Planning Division. He has been working on the formation and implementation of human resources strategies as an Officer in charge of Group Human Resources as well as promoting the IHI Group's ESG management as an Officer in charge of Group ESG. Based on these abundant experience, accomplishments, and insight, the Company has appointed him as a Director.	18 of 18 (100%)	2 years	1,100 shares	Member	—
Jun Kobayashi Director	Jun Kobayashi experienced many business operations mainly in domestic and overseas sales and marketing in industrial machinery and bridge businesses, and then he worked on local business expansion as General Manager of an overseas representative office. Subsequently, he served as General Manager of the sales and marketing division at a domestic subsidiary in charge of manufacture and sales of bridges and water gates. He led the development of new business models in the Solution & Engineering Headquarters and then has been promoting business development including the establishment of fuel ammonia value chain as General Manager of Business Development Division since April 2023. Based on these abundant experience, accomplishments, and insight, the Company has appointed him as a Director.	14 of 14 (100%)	1 year	600 shares	—	—

Name Position at IHI	Reasons for Appointment	Attendance at Board of Directors Meetings in FY2023	Term of Office as Director	Company Share- holding	Appointments to Advisory Committees	
					Remuneration Advisory Committee	Nomination Advisory Committee
Yasuaki Fukumoto Director	Yasuaki Fukumoto had been engaged in business operations such as settlement of accounts, performance management, fundraising and cost management, and accumulated a high level of finance-related expertise in the finance division and a domestic subsidiary since joining the Company. Subsequently, he coordinated the consolidated settlement of accounts of the IHI Group and was involved in the formulation of a medium-term management plan in the Corporate Planning Division. Then, he has been working on the steady implementation of the IHI Group's financial strategies and capital strategies as well as on business management as General Manager of Finance & Accounting Division since April 2021. Based on these abundant experience, accomplishments, and insight, the Company has appointed him as a Director.	14 of 14 (100%)	1 year	1,000 shares	Member	—
Noriko Morioka Director	Noriko Morioka has gained experience from many roles centered on the development of control technology in the aero-engine business and has been involved in projects examining future technological concepts for aero engines and the commercialization of aircraft electrification systems since joining the Company. She served as Manager of the Corporate Business Development Division, and subsequently, from April 2023, assumed the position of General Manager of the Strategic Technologies Division and has been formulating and implementing scenarios for the creation of future growth businesses, as well as the acquisition of strategic technology. Based on these abundant experience, accomplishments, and insight, the Company has appointed her as a Director.	—	(New)	1,900 shares	—	—
Yoshiyuki Nakanishi Independent 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 have him reflect these qualities in the management of IHI and carry out management monitoring and supervisory functions from an independent perspective, the Company has appointed him as an Independent Director.	18 of 18 (100%)	4 years	1,400 shares	Chair- person	Member
Chieko Matsuda Independent Director	Chieko Matsuda has extensive experience and insight gained through financial and capital market operations and management consulting operations and an extremely high level of expertise in corporate and financial strategies as a researcher. In addition, she has broad insight as an outside officer of several companies. Aiming to have her reflect these qualities in the management of IHI and carry out management monitoring and supervisory functions from an independent perspective, the Company has appointed her as an Independent Director.	18 of 16 (89%)	4 years	2,300 shares	—	Member
Minoru Usui Independent 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 have him reflect these qualities in the management of IHI and carry out management monitoring and supervisory functions from an independent perspective, the Company has appointed him as an Independent Director.	18 of 18 (100%)	3 years	3,600 shares	Member	Member
Toshihiro Uchiyama Independent 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 have him reflect these qualities in the management of IHI and carry out management monitoring and supervisory functions from an independent perspective, the Company has appointed him as an Independent Director.	18 of 18 (100%)	2 years	700 shares	Member	Member

●Ratio of Independent Directors

(Unit: %)

Category	FY2020	FY2021	FY2022	FY2023	FY2024
Ratio of Independent Directors	33	33	33	33	33

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Members of the Audit & Supervisory Board (as of July 1, 2024)

Name Position at IHI	Reasons for Appointment	Attendance at Board of Directors Meetings in FY2023	Attendance at Audit & Supervisory Board Meetings in FY2023	Term of Office as Audit & Supervisory Board Member	Company Shareholding	Appointments to Advisory Committees	
						Remuneration Advisory Committee	Nomination Advisory Committee
Seiji Maruyama Standing Audit & Supervisory Board Member	Seiji Maruyama accumulated a great deal of knowledge, mainly in the fields of finance & accounting, internal control, internal audit, and business management, and since April 2019 has worked on issues such as the Group's financial strategies, and improving the Group's financial position as General Manager of the Finance & Accounting Division. In the belief that his abundant experience, accomplishments, and insight will be utilized in the auditing of the IHI Group, the Company has appointed him as an Audit & Supervisory Board Member.	18 of 18 (100%)	14 of 14 (100%)	3 years	3,400 shares	—	—
Tae Hozoji Standing Audit & Supervisory Board Member	Tae Hozoji has gained experience from many roles since joining the Company, including planning and coordination, and sales in the industrial machinery business and in corporate divisions such as legal affairs and human resources. Since April 2022, as General Manager of the Internal Audit Division, she has undertaken internal audits and assessments of internal controls of the IHI Group. She has also worked to strengthen the auditing functions of the corporate divisions. In the belief that her abundant experience, accomplishments, and insight will be utilized in the IHI Group's audits, the Company has therefore appointed her as an Audit & Supervisory Board Member.	—	—	(New)	1,400 shares	—	—
Aiko Sekine Independent Audit & Supervisory Board Member	Aiko Sekine has accumulated abundant experience and insight as a partner of an audit corporation, and Chairman and President of JICPA, as well as abundant experience as an outside officer. Expecting such experience and insight to be reflected in the management auditing of IHI from an independent perspective, the Company has appointed her as an Independent Audit & Supervisory Board Member.	18 of 18 (100%)	14 of 14 (100%)	4 years	0 shares	—	—
Yumiko Waseda Independent 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 Independent Audit & Supervisory Board Member. Expecting these qualities and her independent perspective to be reflected in the management auditing operations of IHI, the Company has appointed her as an Independent Audit & Supervisory Board Member.	18 of 18 (100%)	14 of 14 (100%)	3 years	0 shares	—	—
Kazuhiro Muto Independent 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 monitoring and supervisory functions from an independent perspective, IHI has appointed him as an Independent Audit & Supervisory Board Member.	14 of 14 (100%)	12 of 12 (100%)	1 year	2,100 shares	Member	—

Important Concurrent Positions of Independent Officers (as of July 1, 2024)

Name Position at IHI	Number of Important Concurrent Positions	Important Concurrent Positions at Other Companies
Yoshiyuki Nakanishi Independent Director	2	Outside Director for The Japan Steel Works, Ltd., Outside Director for SHIMADZU CORPORATION
Chieko Matsuda Independent 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 Asahi Kasei Corporation, Outside Member of the Board for Toyota Tsusho Corporation, External Director for Isetan Mitsukoshi Holdings Ltd.
Minoru Usui Independent Director	2	Executive Advisor for Seiko Epson Corporation, Outside Director for Sumitomo Pharma Co., Ltd.
Toshihiro Uchiyama Independent Director	2	Counselor for NSK Ltd., Outside Director for Sapporo Holdings Limited
Aiko Sekine Independent Audit & Supervisory Board Member	5	Certified Public Accountant, Advisor for the JICPA, Faculty of Commerce Professor at Waseda University, Outside Director for ORIX Corporation, Outside Director for NIPPON STEEL CORPORATION
Yumiko Waseda Independent Audit & Supervisory Board Member	4	Attorney at Law, Outside Audit & Supervisory Board Member for Chugai Pharmaceutical Co., Ltd., Outside Director for SCSK Corporation, Executive Director for Japan Law Foundation
Kazuhiro Muto Independent Audit & Supervisory Board Member	1	Executive Operating Officer for Oracle Corporation Japan

Average Attendance of Independent Directors

(Unit: %)

		FY2020	FY2021	FY2022	FY2023
Independent Director	Board of Directors meetings	97	100	99	97
	Audit & Supervisory Board meetings	—	—	—	—
Independent Audit & Supervisory Board Member	Board of Directors meetings	100	98	98	100
	Audit & Supervisory Board meetings	100	100	100	100

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

This table summarizes the expertise and experience necessary for the Board of Directors to efficiently fulfill its functions and realize the IHI Group's management philosophy and the sustainability goal. Up to three skills that are particularly expected of each Director and Audit & Supervisory Board Member are listed, and do not cover all expertise 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
Directors	Tsugio Mitsuoka	○	○						○
	Hiroshi Ide	○		○	○				
	Tsuyoshi Tsuchida	○				○			○
	Hideo Morita		○	○					
	Akihiro Seo						○		○
	Jun Kobayashi			○	○				
	Yasuaki Fukumoto							○	
	Noriko Morioka		○						
Independent Directors	Yoshiyuki Nakanishi	○		○	○				
	Chieko Matsuda						○	○	○
	Minoru Usui	○	○	○					
	Toshihiro Uchiyama	○		○	○				
Audit & Supervisory Board Members	Seiji Maruyama							○	
	Tae Hozoji								○
Independent Audit & Supervisory Board Members	Aiko Sekine							○	
	Yumiko Waseda								○
	Kazuhiro Muto			○	○	○			

Skills	Expected Competencies Based on Expertise 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

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● System for Executing Business Operations (as of July 1, 2024)

20 men, 3 women (13% of Executive Officers are women)

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

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Remuneration for Officers

Policy on Determination of Remuneration for Officers

At its Board of Directors meeting held on May 27, 2024, IHI resolved to revise its policy on determination of remuneration for officers, as follows. 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 Independent Directors)

1. Basic Policy on Determining Remuneration

- Remuneration shall be aimed at fully encouraging Directors and Executive Officers to perform their duties in line with management philosophy, Group vision, and Group management policy, and strongly motivating them toward the achievement of specific management goals to bring IHI's and the IHI Group's sustainable growth and improve the medium- and long-term corporate value.
- Remuneration shall be structured with the appropriate allocation of a fixed base amount, an annual incentive (performance-based bonuses), which is linked to the operating performance of each fiscal year, and a medium- and long-term incentive (performance-based share remuneration), which is linked to medium- and long-term operating performance and corporate value aimed at broadly sharing a sense of value with stakeholders, and thereby shall contribute to performing with a sound entrepreneurial spirit.
- Under the management philosophy, "Human resources are our single most valuable asset," appropriate treatment shall be provided to Officers of IHI in consideration of IHI's management environment, and social roles and liabilities 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.
- In the case of standard business performance, total amount of remuneration shall be allocated at approximate proportions of 50%:30%:20% for the Director and Chairman of the Board, and the Representative Director and President, and at approximate proportions of 55%:25%:20% for other Directors respectively to a fixed base amount, a performance-based bonuses, and a performance-based share remuneration provided upon the achievement of the targeted performance.

3. Framework of Incentive Remuneration

(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 ESG indicators* aimed at promoting ESG management. The performance indicators shall be reviewed as necessary, particularly upon encountering changes in the management environment and Officers' duties.

* ESG indicators are used to evaluate efforts to reduce greenhouse gases, improve employee engagement, and promote DE&I.

b. Method of calculating remuneration

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

$$\text{Monetary amount to be paid} = \left(\begin{array}{l} \text{Standard payment amount} \\ \text{corresponding to titles and} \\ \text{positions and type of profit} \\ \text{indicators used for reference} \end{array} \times \begin{array}{l} \text{Performance} \\ \text{evaluation payout} \\ \text{rates proportionate to} \\ \text{the profit indicators} \end{array} + \begin{array}{l} \text{Payment amount} \\ \text{based on ESG} \\ \text{indicators} \end{array} \right) \times \begin{array}{l} \text{Adjustment factor} \\ \text{based on growth rate} \\ \text{of consolidated} \\ \text{operating profit} \end{array}$$

(2) Performance-based share remuneration (medium- and 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 change to the performance indicators as necessary in alignment with review of the Group management policies.

b. Method of calculating remuneration

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

$$\text{IHI's shares to be delivered} = \begin{array}{l} \text{Base points} \\ \text{corresponding to} \\ \text{titles and positions} \end{array} \times \begin{array}{l} \text{Performance} \\ \text{evaluation payout} \\ \text{rates} \end{array} \times \begin{array}{l} \text{The ratio obtained by dividing the} \\ \text{months of service in the fiscal year} \\ \text{2024 by the directors by 12} \end{array} \times 50\%$$

Corporate Governance

4. Remuneration for Officers Who Are Serving Outside Japan

If deemed necessary for the execution of their duties, an allowance may be paid separately for expenses, etc., as determined by IHI, taking into consideration local laws and regulations, customs, levels, etc., pertaining to remuneration, and remuneration may also be determined individually, taking into consideration local market levels, etc. For the allowance, the equivalent amount of money shall be paid as part of the base amount.

5. Procedures for Determining Remuneration

To ensure appropriateness and objectivity regarding matters of officer remuneration, including remuneration for individual Directors, the Board of Directors shall make decisions on such matters subsequent to deliberation and reporting findings thereof by the Remuneration Advisory Committee established as an optional body by IHI.

Remuneration of Independent Directors and Audit & Supervisory Board Members

Remuneration of Independent Directors shall consist only of a base amount in the light of their duties. Remuneration of Audit & Supervisory Board Members shall consist only of a base amount, as compensation for responsibilities for auditing the execution of business throughout the IHI Group.

The amount shall be determined through discussions among the Audit & Supervisory Board Members. The base amount for Independent Directors and Audit & Supervisory Board Members shall be set at an appropriate level upon having considered factors that include roles and responsibilities assumed by the respective officers. Moreover, the Company shall perform verification by regularly surveying objective market data on remuneration researched by an external specialized institution.

Results for FY2023 Remuneration

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

(Unit: Millions of yen)

Officer Category (Persons)		Total Amount Paid	Breakdown		
			Base Amount	Performance-based Share Remuneration* ¹	Performance-based Bonus* ²
Directors (15)	Inside Directors (11)	624	413	159	51
	Independent Directors (4)	57	57	—	—
Audit & Supervisory Board Members (6)	Inside Audit & Supervisory Board Members (2)	72	72	—	—
	Independent Audit & Supervisory Board Members (4)	43	43	—	—
Total (21)		797	586	159	51

*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 Amount Paid	Breakdown		
			Base Amount	Performance-based Share Remuneration*	Performance-based Bonus*
Tsugio Mitsuoka	Director	111	70	30	9
Hiroshi Ide	Director	116	72	33	10

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

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

Highest total annual remuneration (CEO) (Rounded down to million yen)	116,000,000
Average annual salary (yen) of IHI employees (Total: 7,840)	8,364,344
Ratio (CEO : employees)	14:1

Corporate Governance

● 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, *4	50%	0–200%	Upper: 71.0 billion JPY Target: 50.0 billion JPY Lower: 29.0 billion JPY	-72.5 billion JPY	0%
		Consolidated operating cash flows*4	50%	0–200%	Upper: 150.0 billion JPY Target: 100.0 billion JPY Lower: 60.0 billion JPY	60.6 billion JPY	26.35%
	Directors (Excluding Representative Directors and Independent Directors)	Consolidated profit*3, *4	40%	0–200%	Upper: 71.0 billion JPY Target: 50.0 billion JPY Lower: 29.0 billion JPY	-72.5 billion JPY	0%
		Consolidated operating cash flows*4	40%	0–200%	Upper: 150.0 billion JPY Target: 100.0 billion JPY Lower: 60.0 billion JPY	60.6 billion JPY	21.08%
		Individual performance evaluation	20%	0–150%	Set individually and evaluated by the President and decided at the Board of Directors.		Maximum: 15% Minimum: 10%
Type of Remuneration	Targets	Performance Evaluation Indicator	—	Fluctuation Range of Share Payout Rates	Targets	Results	Performance Evaluation Payout Rates
Performance-based share remuneration*2	Inside Directors	Consolidated ROIC	—	0–150%	Upper: 13% Target: 10% Lower: 5%	-5.4%	0%

*1 Performance-based bonus: Performance-based bonuses paid with consideration to business duties executed during the fiscal year ended March 31, 2024.

*2 Performance-based share remuneration: The fiscal year ended March 31, 2022, will be the beginning fiscal year of the performance evaluation period, and the fiscal year ended March 2024 will be the ending fiscal year of the performance evaluation period.

*3 Consolidated profit: Refers to profit attributable to owners of parent.

*4 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

Board of Directors Evaluation

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

Basic Effectiveness Evaluation Process



Initiatives That Underwent Effectiveness Evaluation and Their Results

	Items	Results	Initiatives in Response to Evaluation Results
FY2022 Evaluation	Self-evaluation <ul style="list-style-type: none"> Questionnaire analysis Interview with all Officers 	<Overall evaluation> <ul style="list-style-type: none"> Effectiveness is ensured <Identified issues> <ul style="list-style-type: none"> More comprehensive deliberation and reporting of specific management strategies and important monitoring items From the standpoint of succession planning, expanding points of communication between Independent Directors who are members of the Nomination Advisory Committee and Executive Officers Provide information to Independent Officers and further improve communication between Officers as a basis for deepening deliberations 	Management of the Board of Directors in FY2023 <ul style="list-style-type: none"> The most important theme to be debated throughout the year is the transformation of our business portfolio set forth in the Group Management Policies 2023 Planned debate of the other important Company-wide measures of human talent strategy and DX strategy Expanding dialogue between Independent Officers and Executive Officers Review of standards for discussion by the Board of Directors to enhance matters to be reported Provide information to Independent Officers and further improve communication with Independent Officers (office visits, meetings to exchange opinions, etc.)
FY2023 Evaluation	Self-evaluation <ul style="list-style-type: none"> Questionnaire analysis Interview with all Officers 	<Overall evaluation> <ul style="list-style-type: none"> Effectiveness is ensured <Identified issues> <ul style="list-style-type: none"> Further enhancement of discussions on the composition of the Board of Directors, succession planning, roles and role allocation, etc., which are prerequisites for the Board of Directors to exercise its monitoring and supervisory functions Ensuring deliberation time and further deepening discussions on important issues to be discussed at the Board of Directors Expansion of information provision for appropriate decision-making Restructuring of effective Group governance based on reflection of the misconduct by a consolidated subsidiary of IHI 	Management of the Board of Directors in FY2024 <ul style="list-style-type: none"> Discussions on the future vision and the way of monitoring and supervisory functions of the Board of Directors Setting of the management agenda for the fiscal year 2024 by the executive side and discussions at the Board of Directors based on this ("transformation of the business portfolio" and "enhance Group governance," etc.) Creation of documents that clearly organize the issues to be discussed and enhancement of information provision to Independent Directors

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

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

Furthermore, the Company also provides tour opportunities of its business locations, construction sites, and so on with the aim of deepening understanding of its business practices and products. In fiscal 2023, the Company set up tours of a vehicle turbocharger manufacturing base and an elevated expressway bridge construction site.

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

Corporate Governance

Shareholder Composition

Shareholder Composition

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

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

Employee Stock Ownership Association Membership Rate

Of the IHI employees, 50.91% are members of the Employee Stock Ownership Association as of March 31, 2024.

Others

Corporate Governance Report

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

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

Cross-Shareholdings

Approach/Policy

Purpose of Cross-shareholdings

IHI has established the following policy on cross-shareholdings in internal rules.

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 has set up a screening committee for cross-shareholdings, including unlisted stocks. The committee verifies the appropriateness of the shareholdings by confirming the medium- and long-term significance based on the holding policy and examining the economic rationality of whether the advantages and risks brought by the shareholdings are appropriate for the capital costs, and report these findings to the Board of Directors.

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 IHI 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 2023, IHI wholly sold nine security names among its 126 security names of cross-shareholdings (43 listed and 83 unlisted security names) it owned.