

Corporate Management

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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

Corporate Governance

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.

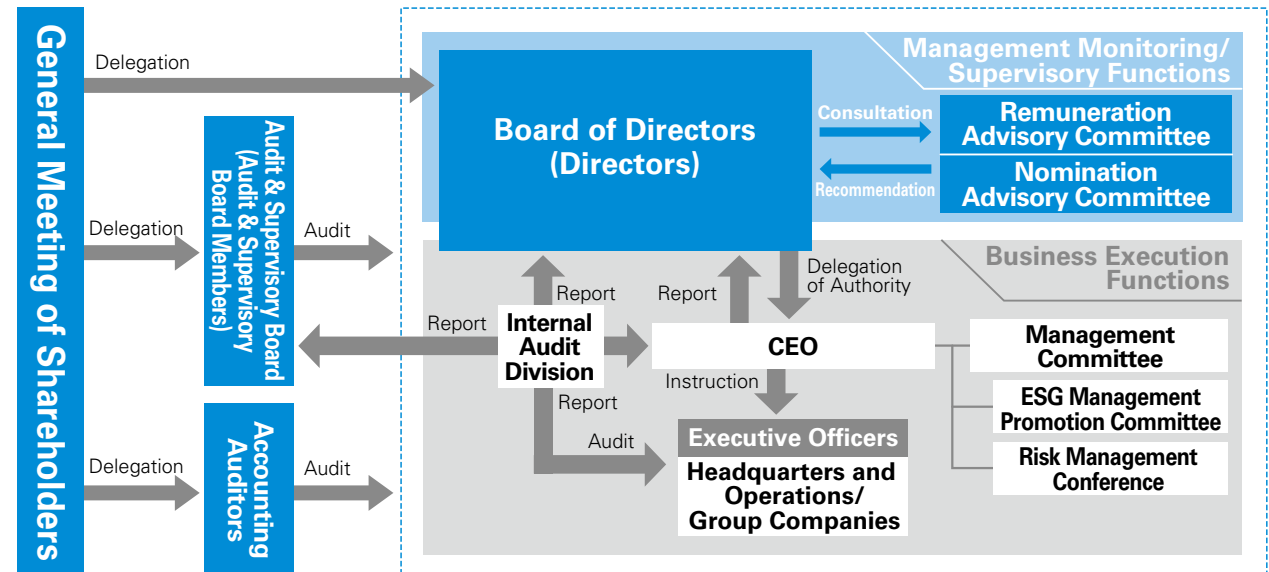
Mr. Muto attended all two meetings held after his appointment as a member of the Committee.

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

Corporate Governance Management Structure



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.

P.11 ESG Management Promotion Committee

P.112 Risk Management Conference

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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.

P.42 Diversity, Equity, and Inclusion

Corporate Governance

●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

Corporate Governance

● 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

Corporate Governance

● 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

Corporate Governance

● 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

Corporate Governance

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.

Compliance

Business Ethics & Compliance

Approach

The IHI Group implements its compliance program in accordance with the Basic Rules of Compliance for IHI Group and other internal policies. These activities are conducted not only to address legal compliance but also to respond to the needs of society based on a full proper grasp of society's ever-changing values and expectations. To prevent a recurrence of the Civil Aero Engine Maintenance Business quality issue that we experienced in fiscal 2019, we have been focusing on and reinforcing our compliance and quality assurance systems as part of our risk management activities.

The IHI Group knows that living up to the expectations of stakeholders and earning their trust is vital to drive the sustainable growth of both customers and society. The Basic Code of Conduct for the IHI Group defines the practices necessary to embody this belief. In order to comply with this Code of Conduct, we have established the 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. 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.

Policies

● 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.

Compliance

● 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

Governance

■ Compliance Committee

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

The Committee discusses and drafts important policies and promotes compliance activities, which include Competition Law violation and anti-corruption, among others. This Committee is made up of Head of Compliance of each division, with the Officer in charge of Group Compliance as chairperson.

Compliance Committee members roll out the decisions made by the Committee to each division by incorporating them into compliance activities tailored to the division. With regard to Committee activities, results from the previous fiscal year along with plans for the current fiscal year are reported at the Management Committee at the start of each new fiscal year.

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

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

● Compliance Structure



● Compliance Committee

Chairperson	Officer in charge of Group Compliance
Members	Head of Compliance of each division
Secretariat	Legal Division
Number of meetings convened in FY2023	2

Compliance

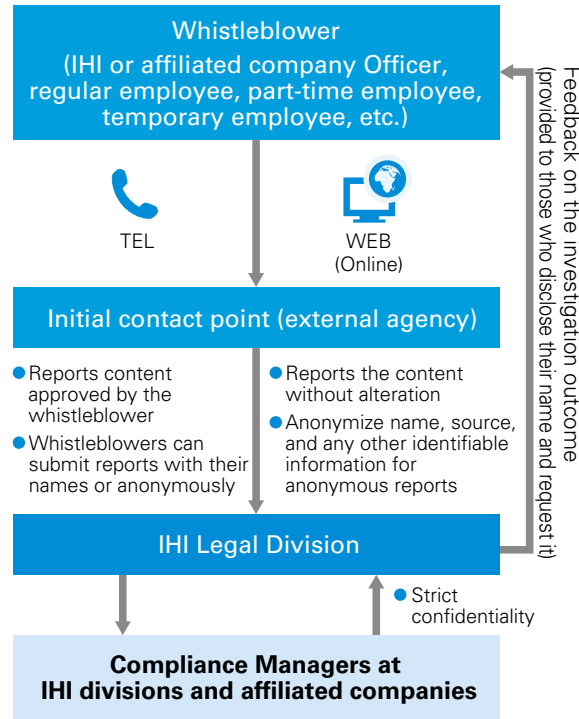
Risk Management

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.

In addition to posting links on screen, the Group also hand out this information at each training session. 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



● Number of Compliance Hotline Reports

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

Item	FY2020	FY2021	FY2022	FY2023
Reports	202	263	286	314

Compliance

Initiatives

Education/Awareness Building

Quality & Compliance Training

IHI extended quality & compliance training for executives and employees at least once a year to all Group companies beginning in fiscal 2019.

The aim of this training is to instill and establish the IHI Group Code of Action as well as its IHI Group Quality Declaration. Training content also touches on the Basic Code of Conduct for the IHI Group.

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 2023, we held the same training program again, mainly for those who had not yet taken it as well as newly appointed Managers.

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.

Aimed at all Group officers and employees, in fiscal 2023 top management broadcasted a video message and workplace dialogues, etc. on compliance were held.

Number of Compliance Training Participants

Item	Scope of Data	FY2020	FY2021	FY2022	FY2023
Quality & Compliance Training	IHI and subsidiary companies in Japan	24,085	26,243	25,870	25,379
	Subsidiary companies overseas	3,261	4,938	5,334	5,072

Compliance

Tax Compliance

Approach

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.

Policy

● 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.

Governance

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

Initiatives

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.

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

Commitment to Competition and Anti-corruption Law Compliance

IHI has established the Basic Code of Conduct for the IHI Group to be followed by all the officers and the employees of all the IHI Group companies. The CEO, along with all other members of the IHI Group, is fully committed to complying with all laws including competition laws, as well as anti-corruption laws.

The IHI Group revised the IHI Group Competition Law Compliance Policy in fiscal 2021 which now requires each group company to establish operational standards and appoint a management supervisor who is in charge of compliance in competition laws. The policy concretizes the Basic Code of Conduct for the IHI Group from competition law perspective, with the aim of strengthening its competition law compliance system. The IHI Legal Division is continuously taking initiatives to enhance compliance of competition laws and working together with IHI Group companies, providing supports in, for example, establishing effective operational standards that take into account the actual business settings of each group company to prevent any anti-competitive activities to occur.

The IHI Group aims to eradicate corruption and prohibits bribery, including facilitation payments and payment of unfair and unreasonable expenses and donations, to all persons, whether they are public officials or not, under the IHI Group Basic Policy Against Bribery of Public Officials established in 2015. To enhance the effectiveness of this policy, the IHI Group has obliged each group company to establish operating guidelines and appoint a chief administrator who is in charge of compliance in anti-corruption laws.

Governance

As a part of its internal control, the IHI Group regularly audits on each of its internal divisions and IHI Group companies to ensure that they are in compliance with the IHI Group

Competition Law Compliance Policy and the IHI Group Basic Policy Against Bribery of Public Officials. Additionally, the IHI Group conducts risk assessments, education, and training on competition laws and anti-corruption laws, and reports the status of these activities to its Compliance Committee once every six months. Furthermore, the IHI Group aims to identify and address any compliance issues at the earliest possible stage through the Compliance Hotline.

If any serious compliance issues are discovered, the IHI Group will set up an emergency headquarters headed by the Chief Executive Officer to quickly and flexibly handle the issue, utilizing the expertise of internal and external experts. The emergency headquarters will follow up the matter until the implementation of measures to prevent recurrence are completed.

Risk Management

Competition Law and Bribery Risk Assessment

Every year, the IHI Group conducts assessment on risks to competition laws and anti-corruption laws for each department of IHI and each Group company, considering their respective business settings such as countries in which they operate and their business models. Based on the assessments, appropriate measures are taken.

Initiatives

Education/Awareness Building

In order to prevent anti-competitive behavior to occur, the IHI Group conducts anti-competition law training for all the officers and the employees of IHI Group, which covers competition laws in various countries, such as the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and Unfair Competition Prevention Act in Japan, the Sherman Antitrust Act in United States, and competition laws in the European Union. Moreover, in order to prevent corruption, the IHI Group conducts awareness-raising activities and education regarding com-

pliance with anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the UK Bribery Act. During fiscal 2023 the IHI Group expanded its scope of e-learning participants, resulting in a significant increase in the number of participants taking part in both training.

These training programs are provided to IHI departments and Group companies based on the results of risk assessments. In addition, the training materials are shared on the company's intranet so that officers and employees are able to refer to them at any time. Also, the IHI Legal Division continuously reviews the effectiveness of the program by reflecting feedbacks from the participants or any development in laws to enhance compliance activities in subsequent years.

Training Participants (Total)

(Unit: People)

Item		Scope of Data	FY2022	FY2023
Officers and employees		IHI and consolidated subsidiaries	2,007	51,222
(Break-down by topic)	Competition law	IHI and consolidated subsidiaries	622	26,148
	Anti-corruption law	IHI and consolidated subsidiaries	1,385	25,074
(Break-down by region)	Japan	IHI and subsidiary companies in Japan	1,784	50,618
	Overseas	Subsidiary companies overseas	223	604

Compliance with Competition Law/Anti-corruption Law

Competition Law/Anti-corruption Law Violations

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

Item	FY2020	FY2021	FY2022	FY2023
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		FY2020	FY2021	FY2022	FY2023
Expenditure	Political organizations	10	10	10	10
	Economic organizations	57	52	55	55
	Other major industry organizations	122	119	122	123

Compliance

Security Trade Control

Approach

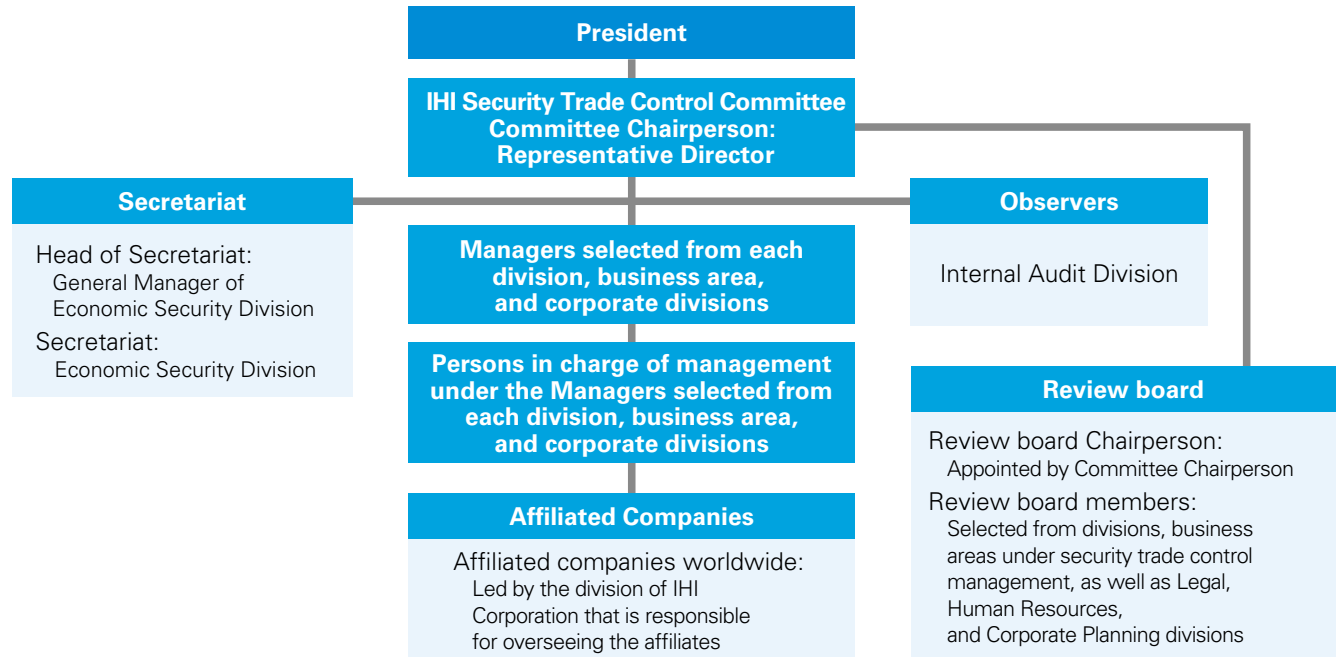
The IHI Group has established a series of Security Trade Control Rules to properly implement security trade control for the purpose of maintaining peace and safety in Japan and as part of the international community. The IHI Group is making an effort to reduce the risk of legal violations and economic sanctions by not only complying with the Foreign Exchange and Foreign Trade Act (FEFTA) but also Group companies overseas in compliance 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.

Governance

IHI Security Trade Control Committee

The IHI Group has set up its own Security Trade Control Committee for addressing proper trade control. The IHI Security Trade Control Committee is a committee led by the Representative Director and composed of Committee members (Managers selected from each division, business area, and corporate divisions), and the secretariat (Economic Security Division). At the Committee, the Committee members conduct review, audit trade control practices, activities to share, raise awareness, and educate the IHI Group on the latest information about relevant laws and regulations. In fiscal 2023 this Committee meeting was held three times, 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

Committee Chairperson	Representative Director
Members	Managers selected from each division, business area, and corporate divisions
Secretariat	Economic Security Division
Number of meetings convened in FY2023	3

Compliance

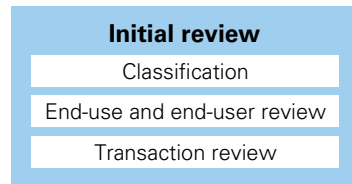
Risk Management

Security Trade Control Review

The IHI Group conducts reviews as part of a three-line defense system for security trade control. After its transaction division conducts an initial review of every transaction, each division and business area conduct its own secondary review for validity and legality. Concerning highly sensitive cases or ones which require approval from the Ministry of Economy, Trade and Industry, a third review is conducted by the representative director. The Group has put into place a system that properly and thoroughly reviews all necessary cases depending on the details of the transaction.

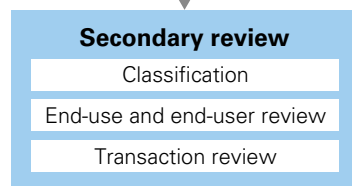
Security Trade Control Review System

First defense line
(Transaction division)



Request

Second defense line
(Divisions and business areas)

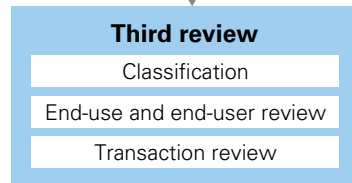


Not applicable to list control
(Catch-all control cases)
Non-concerns



Transactions applicable to list control or with concerns

Third defense line
(Chairperson 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



Initiatives

The IHI Group provides security trade control education for its employees at each specific level. Furthermore, the Group promotes STC Expert/STC Legal Expert certification acquisition, sponsored through an external organization.

Security trade control requires comprehensive and precise understanding of complex laws and regulations. The Group strives to ensure correct understanding of these laws and regulations by each employee as well as proper management.

Risk Management

Risk Management

Approach

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.

Policy

● Risk Management Policy

The IHI Group manages risk in accordance with the following action guidelines based on the Basic Code of Conduct.

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.

Governance

The IHI Group has established the Risk Management Conference chaired by the CEO as a body to formulate and review policy initiatives and annual plans, assess their progress, and identify issues and take corrective measures, and other matters vital to overall risk management. Details of the Risk Management Conference are reported to the Board of Directors, who then develop systems to achieve risk management initiatives as well as monitor, supervise, and evaluate operation. In addition, the IHI Group established the Compliance Committee, a Group-wide committee on compliance under the Risk Management Conference. This Committee is chaired by the Officer in charge of Group Compliance.

P.105 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 risk management framework.

● Risk Management System



● Risk Management Conference

Chairperson	Chief Executive Officer (CEO)
Members	General Managers of Group Risk Management Units, Presidents of business areas, and others nominated by the Chairperson
Secretariat	Corporate Planning Division
Number of meetings convened in FY2023	4

Risk Management

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.

The Group is working on comprehensive risk management activities for a wide range of business-related risks. It also designates 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.

In fiscal 2023, the IHI Group implemented initiatives based on its Key Policies for Risk Management. Progress of these initiatives is verified on a quarterly basis at the Risk Management Conference, furthermore accelerating risk management through a PDCA cycle.

Key Policies for Risk Management in FY2024

During its second year under the Group Management Policies 2023, the IHI Group will accelerate its transformation into a corporate structure capable of responding to destructive environmental changes. The Group will take a proactive approach toward responding to the new social environment where uncertainty is becoming the norm, such as expanding geopolitical risks, advancing inflation and human resource shortages, and frequent occurrences of severe disasters.

Risk Management Activity Flow



The Key Risk Management Themes for FY2024

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

P.104 Compliance

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, the Group regards responses to customer and social issues, including climate change countermeasures, as business opportunities, and promotes ESG management by incorporating environmental and social values into its 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 ESG risks related to the above-mentioned ESG management material issues. The IHI Group's risk management activities also include ESG risks, which are monitored, supervised, and evaluated by its Board of Directors.

Risk Management

Project Risk Management

Approach

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

Governance

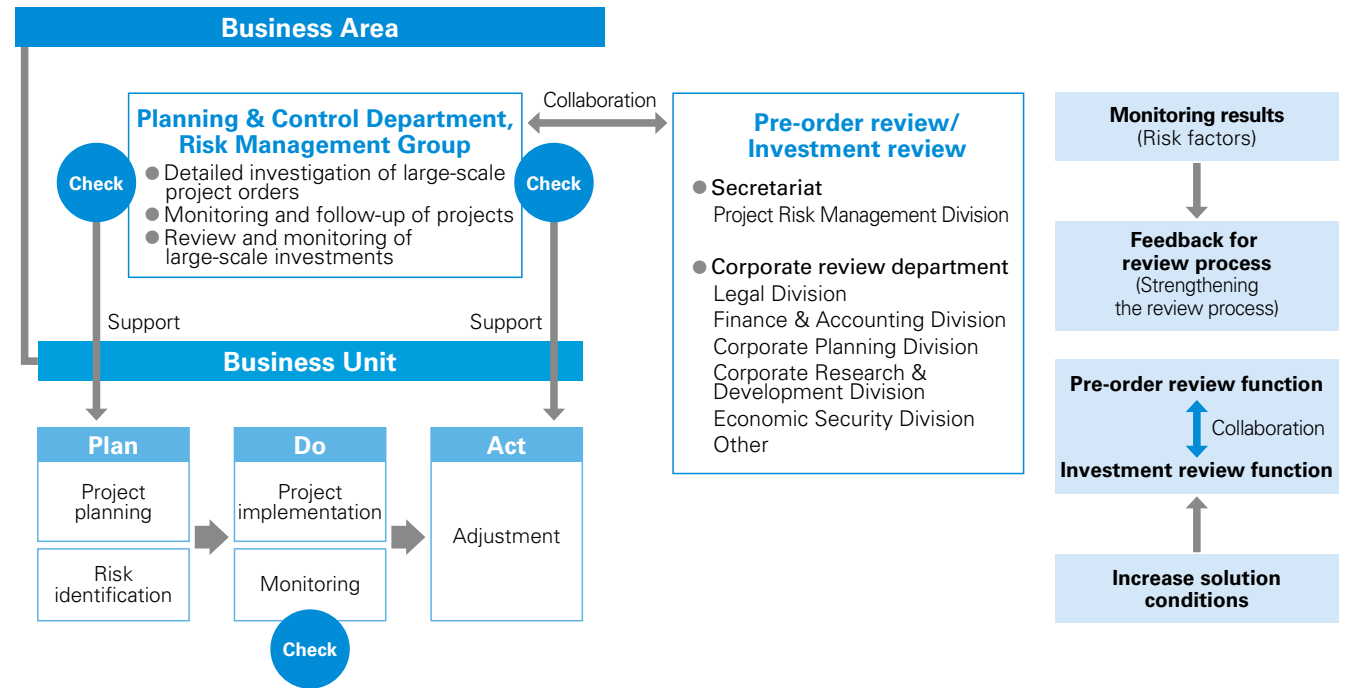
As a pre-order and pre-investment review, we check the appropriateness and risks in the initial plan, confirm no experience and inexperienced factors, and conduct a review by internal and external experts, as well as a multilateral and comprehensive review by the review department.

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. Post-order and post-investment monitoring results are regularly reported to the Management Committee and Board of Directors.

Risk Management

In continuation from fiscal 2022, during fiscal 2023 the IHI Group has been especially focused on post-order monitoring, including on-site audit, for large-scale projects by affiliated companies overseas, which are on the rise. By

Project Risk Management System



utilizing a mechanism launched in fiscal 2022, the Group is continuously reviewing and monitoring social trends and other factors regarding procurement-related risks that may affect the profits and schedules of large-scale projects.

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

The number of downward revisions for large-scale projects is decreasing, indicating a certain degree of success in project risk management. The Group believes that the effects

of improving the accuracy of its estimates by strengthening its estimate system as well as enhancing the resource management of key members involved in project execution and other initiatives have become apparent.

The IHI Group is 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 Group.

Project Management Course Participants (total)

(Unit: People, Scope: IHI and affiliated companies in Japan)

Item	FY2021	FY2022	FY2023
Participants	101	108	76

Risk Management

Crisis Management

Approach

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

Governance

Crisis Management Structure

In the event of a situation that could have a serious impact on management or business operations, the Group 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. Under the direction of the CEO, the Group gathers information, reports on crisis levels, and takes appropriate countermeasures.

Risk Management

Disaster Prevention Initiatives

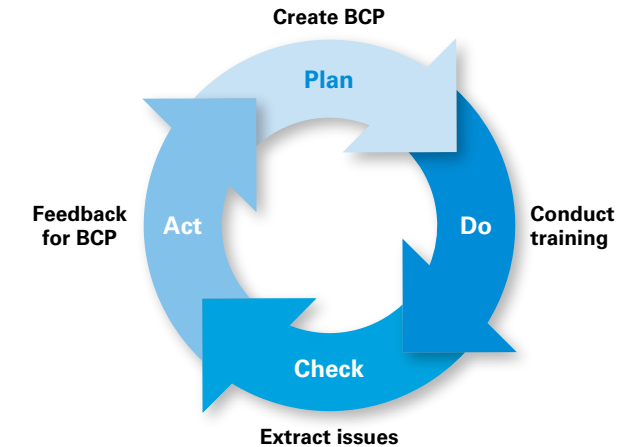
The IHI Group makes preparations for the occurrence of large-scale earthquakes, typhoons, and other wind and flood disasters which have become increasingly severe during recent years by ensuring the safety of its employees, quickly restoring damaged factories, and continuing its business operations. Internal regulations clarify organizational structure and any proceedings to be implemented during normal times and during times of disaster. In the event of a large-scale disaster, a system to promptly confirm the safety of employees and their families has been introduced, and safety response drills are regularly conducted.

Each of the IHI Group's business sites and divisions uses Business Continuity Plans (BCP) tailored to their location and outside experts are invited to review and revise these plans on a regular basis through routine training and classroom work to verify their effectiveness. As part of tabletop training, the Group created training scenarios for when power, communications, water and sewage, and other major equipment are rendered unusable based on past disaster response experience, and drills are conducted in order to simulate factory restart 24, 48, and 72 hours following disaster.

Every March the Group conducts Group-wide response training, which the President and other management executives take part in to prepare for severe disasters, used to verify the effectiveness of BCPs from a variety of angles which include assessing the condition of affected business sites and their surrounding customers, arranging relief supplies to aid recovery, and inspecting modes of transportation.

As disasters that occur overseas have different regional characteristics, preparedness activities for them are conducted based on the results of risk assessments.

Continual Revisions to the BCP



Innovation Management

Technology Development

Approach

As stated as part of the IHI Group's management philosophy "Contribute to the development of society through technology," the IHI Group believes it is the Group's responsibility to keep providing solutions that help solve social issues through its engineering capabilities centering on "Monozukuri" technology. "Monozukuri" technology means the technology used to improve the competitiveness of products and services offered, by strengthening the capabilities required in development, design, supply, manufacture and construction.

The 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.

Governance

The IHI Group has set up a Research and Development Council to adequately manage and operate its overall R&D activities and maximize the effectiveness of its research and development efforts. The Council is chaired by the Executive Officer in charge of Group Engineering, managed by the Corporate Research and Development Division. The Research and Development Council deliberates over the direction, progress or appropriate budget allocation of research and development (including specific research projects, equipment investment, and investment and financing) for the entire Group. It is the chairperson's role to provide deliberation results and clarification to the Management Committee or the Board of Directors.

In fiscal 2023, the Group held a total of three councils to discuss the progress and appropriate budget allocation of important research and development regarding growth businesses, development-focus businesses, and core business. In fiscal 2024 also, the Council is held in the same structure and manner as previously.

● Research and Development Structure



● Research and Development Council

Chairperson	Executive Officer in charge of Group Engineering
Council members	CEO, Senior Executive Officer, Executive Officers (In charge of Group Engineering, In charge of Group Sales, In charge of Business Relating to Corporate Planning Division, In charge of Group Finance & Accounting), Presidents of Business Areas, General Manager of Strategic Technologies Division, General Manager of Corporate Research & Development Division, General Manager of Business Development Division, General Manager of Intelligent Information Management Division, General Manager of Corporate Marketing & Sales Division, General Manager of Corporate Planning Division, and General Manager of Finance & Accounting Division
Secretariat	Corporate Research and Development Division
Number of meetings convened in FY2023	3

Innovation Management

Strategy

Priorities in Technology Development

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

In fiscal 2024, the Group strengthened the structure of the Corporate Research & Development Division in order to accelerate the transition process from technology development into commercialization. Up until recently, technology development to explore new technological and business areas had been collectively carried out by the Technology Platform Center, but the development functions toward new product launches were extracted and transferred to a newly-established Integrated Development Center. This organizational division will further promote fundamental technology development and provision of higher added value to products and services in collaboration with business divisions and affiliated companies, allowing technology development to move into commercialization quickly.

Growth Businesses

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

Development-focus Businesses

In the field of clean energy, which is the development-focus business, ammonia is positioned to be a sustainable fuel that does not emit CO₂ when combusted. In order to stimulate its demand and build a value chain for it, the Group is proceeding with the development of a 100% ammonia combustion gas turbine along with ammonia

combustion technology for large-scale thermal power generation boilers.

Conventional Businesses

Within fields concerning resources, energy & environment, social infrastructure, and industrial systems & general-purpose machinery, which include the Group's conventional businesses, it promotes CO₂ emissions reduction and labor-saving technology as well as automation on the basis of lifecycle business.

Risks

Currently, international conditions and market environment are changing with astonishing speed, and existing businesses and technologies are likely to become obsolete within a short period of time. Under these circumstances, if the Group is unable to quickly provide services and products that solve social issues, there is potential risk of losing its competitiveness. This could have a significant effect on corporate value and financial condition. Moreover, if future predictions turn out to be incorrect, new ideas and developed technologies may not function as predicted in the market or cause unexpected issues.

Opportunities

The IHI Group possesses fundamental technologies including rotating machinery, combustion, and welding, developed over many years as a specialist in both industrial and social infrastructure. In addition, through the development of new technology, products, services, and business models in response to market changes, it is possible for the Group to maintain providing new value. Furthermore, the introduction of development methods that utilize simulation technology (for example, model based development) can shorten development time and enable developed technologies to be put to practical use

sooner, thereby leading to the creation of business opportunities. This gives the IHI Group a major opportunity to strengthen its competitiveness and ensure business sustainability, directly contributing to an increase in corporate value.

P.4 Medium-term Management Plan

Innovation Management

Initiatives

Achieving a Carbon-neutral World

Combined application of multiple technologies is essential for the IHI Group to contribute to achieving carbon neutrality by 2050. Consequently, the Group is simultaneously developing a variety of technologies, including replacement into CO₂-free fuels, 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 CO₂ emissions from them.

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

Utilization of Carbon-neutral Fuels

Efforts toward Making Use of Ammonia 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 CO₂ emissions during combustion. With this in mind, the Group aims to develop a 100% ammonia combustion gas turbine system by 2030.

In 2023, IHI signed a joint development agreement (JDA) with GE Vernova's Gas Power Business. Going forward, combustion technology concepts will be evaluated for their ability to meet key operational requirements and the impact on the entire power plant.

In addition, the Group is proceeding with the world's first demonstration of ammonia firing at a commercial level, and is steadily preparing for this large-volume firing of fuel ammonia (thermal capacity ratio: 20%). With its overseas partners, the Group is considering production of green ammonia derived from renewable energy.

In order to promote the use of ammonia as fuel, the Group believes it necessary to build a value chain from production, transportation and storage to utilization, and for this purpose, established the IHI Corporation x Tohoku University Co-creation Research Center of Ammonia Value Chain for Carbon Neutrality together with Tohoku University. The Center is in the process of exploring issues and finding technological solutions for building this value chain.

Biomass Power Generation

The IHI Group has received contracts to refurbish many existing thermal power plants into plants for single-fuel firing of biomass power generation*¹. The Group is involved in every aspect of the biomass power generation from construction to operation and maintenance and supports operations optimal for providing carbon-neutral power.

*¹ Single-fuel firing of biomass power generation refers to the use of only biomass fuel in thermal power generation plants. Single-fuel firing of biomass fuel is considered to have net-zero CO₂ emissions.

Carbon Recycling

Capturing CO₂ and Converting It into Valuable Products

The IHI Group is also promoting the development of CCU*² technologies, which include the capture of CO₂ from exhaust gas of power plants or factories with the chemical absorption technique, the direct capture of CO₂ from air with the direct air capture (DAC) technology and the conversion of captured CO₂ into valuable products, such as methane used as fuel, lower olefin used as a raw chemical material, and SAF.

Methanation 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.

*² Carbon dioxide capture, utilization

Sustainable Aviation Fuel (SAF)

The IHI Group continues to investigate and develop practical applications for SAF, which will help reduce CO₂ emissions from aero engines.

Regarding the development of SAF synthesis technology, the Group is conducting joint research with the Institute of Sustainability for Chemicals, Energy and Environment (ISCE²)*³. Based on the firsthand knowledge gathered during another ongoing joint development of lower olefin synthesis using CO₂ as a raw material, the research was conducted by efficiently exploring and adjusting test conditions such as catalyst composition and reaction conditions using machine learning, which is a type of AI. As a result, a catalyst with high performance in SAF synthesis was developed. This catalyst has achieved the world's top-level performance as an SAF synthesis catalyst that causes H₂ and CO₂ to react directly, recording a 26% yield of liquid hydrocarbons with five or more carbon atoms (C₅₊ yield), which are a raw material for SAF.

In fiscal 2023, the joint research began identifying issues during the scale-up process and giving consideration to the system flow design toward the goal of determining the specifications of a bench scale machine.

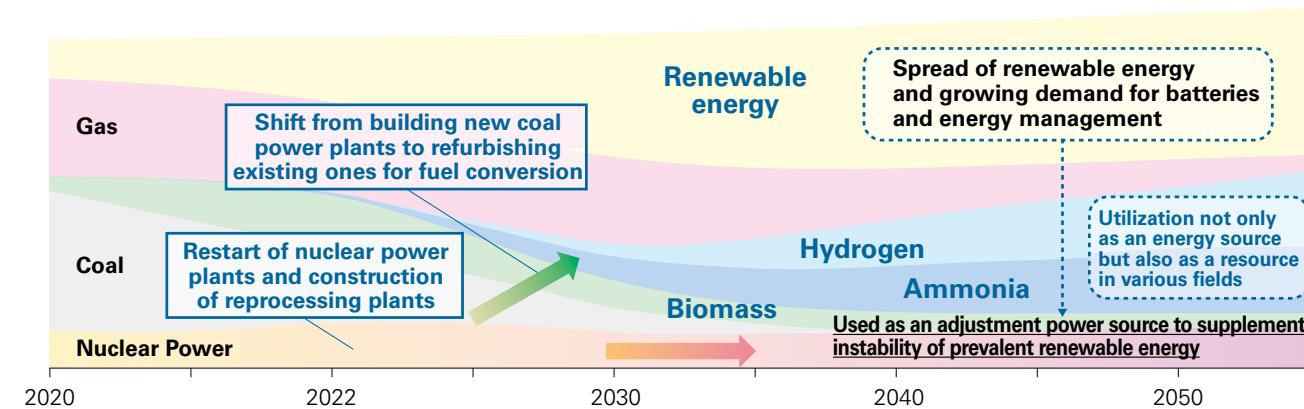
*³ ISCE²: An affiliated research institute of the Agency for Science, Technology and Research (A*STAR) in Singapore

Innovation Management

Energy Management Systems

The IHI Group believes energy management will become increasingly important based on predictions concerning the proportion of energy resources in the future. For this purpose, the Group is proceeding with the development of numerical models and algorithms by utilizing AI technologies to optimize the configuration and operation of energy management systems.

● Estimated Changes in Energy Resource Proportions by 2050



Open Innovation

The IHI Group believes collaboration with external partners is important. Taking part in the global ecosystem communities, it encourages rapid and high-quality innovation through extensive collaboration with universities, research institutes, and customers.

In addition to the above-mentioned collaborations with Tohoku University and the ISCE², the Group began a new joint research with Stanford University SUNCAT in fiscal 2023. Under these collaborations, the development of pioneering technologies is ongoing by taking advantage of the respective strengths.

In 2019, the Group established the Ignition Base (commonly known as i-Base) as a base for open innovation.

With the goal of achieving early commercialization through collaboration with external parties, i-Base provides the Group with opportunities for deep discussions with its customers and helps it create new businesses. In addition, the Group is seeking new technologies, joint research themes, and partners in Japan and overseas (in North America, Europe, and Asia).

Interfirm Collaboration in the Industrial Robotics Field

In order to accelerate the development of technology related to robot operating system (ROS), the IHI Group has been a participant in the ROS-Industrial Consortium since 2023. The Consortium is an open-source project bringing the advanced capabilities of ROS software to industrial-related hardware and application. The Group and the ROS-Industrial Consortium are in joint development of a group control system (maintaining a high level of efficiency in operation and control of multiple robots). The Group is making contributions toward accelerating the social implementation of robots by providing demonstration fields to the Consortium while acquiring knowledge about ROS industrial applications and system development.

Creating New Value through Innovative Thinking and Ideas via External Collaboration

The IHI Group is conducting research and development on technology for reusing CFRP (Carbon Fiber Reinforced Plastic) found in aircraft parts. As part of this process, through discussions with companies in different industries, the Group is exploring applications and products other than aircraft use to find new value. Moreover, in cooperation with Tohoku University of Art & Design, the Group is in the midst of conducting research focused on finding value beyond its lightweight and super strength properties.

Innovation Management

Product Innovation

The World's Largest Methanation Equipment

The IHI Group is developing methanation equipment, which is one of CCU equipment to manufacture fuel of e-methane (synthetic methane) through catalytic reaction between CO₂ emitted from plants and other facilities and hydrogen. Consideration is being given toward scaling up the conventional standard model (with a methane production of 12.5 Nm³/h) to a medium-sized model (500 Nm³/h) and even greater models. Taking a look at an example, the Group received a contract in 2022 that it would deliver a methanation unit for a carbon-recycling blast furnace*⁴ in the East Japan Works Chiba District of JFE Steel Corporation in 2025. The unit is supposed to recycle 24 metric tons of CO₂ per day from exhaust gas and produce 500 Nm³ of methane per hour.

IHI's methanation equipment currently holds one of the largest manufacturing capabilities in the world. The Group regards this contract as a good opportunity to work on materializing even greater equipment.

*⁴ This carbon-recycling blast furnace is under construction in the course of developing low-carbon technologies using external hydrogen and CO₂ contained in blast furnace exhaust gas, based on the "Hydrogen Utilization in Iron and Steelmaking Processes Project, Japan's Green Innovation Fund," the New Energy and Industrial Technology Development Organization (NEDO)'s commissioned and subsidized research and development project JPNP21019.

100% Ammonia Gas Turbine Combustion System

In 2022, IHI successfully demonstrated the world's first CO₂-free power generation using a 2 MW-class gas turbine fueled only by liquid ammonia*⁵. In 2023 the Company signed a joint development agreement (JDA) with GE Vernova for a new combustor that uses fuel ammonia for GE Vernova's gas turbines. Combustion testing is being conducted at IHI's facilities in Japan with the aim of practical application by 2030.

*⁵ The New Energy and Industrial Technology Development Organization (NEDO)'s commissioned research and development project JPNP21020

Ammonia Combustion Equipment

Since 2024, IHI has conducted the world's first large-scale demonstration tests (thermal capacity ratio: 20%) of ammonia fuel conversion for the large-scale commercial coal-fired power generator at the JERA Hekinan Thermal Power Plant (Hekinan City, Aichi Prefecture)*⁶. In addition to steadily conducting these tests, the Company is also working to establish high-ratio combustion technologies fueled 50% or more by ammonia in thermal power plants and toward developing a 100% ammonia-fueled combustion burner.

*⁶ Development of Technologies for Carbon Recycling and Next-Generation Thermal Power Generation / Research, Development, and Demonstration of Technologies for Ammonia Co-Firing Thermal Power Generation, subsidized by the New Energy and Industrial Technology Development Organization (NEDO)

Process Innovation

Business Platform to Link Data throughout Compressor Life Cycle

Using modular designing for its compressor designs, the IHI Group began operating a business platform in 2022 enabling customer information and product data to be linked from sales to after-sales service. This platform enables the Group to quickly prepare the estimates and design drawings just by inputting customer requests and to shorten procurement to production lead times by 30% in modular designed units. Additionally, by linking data to after-sales service, the Group is able to streamline its preparation of its services by 30% and deliver timely proposals to customers based on information obtained on-site, which has contributed to a reduction in customer downtime.

Smart Factory for Vehicle Turbocharger Parts

At its overseas turbocharger parts factories, the IHI Group conducts improvement activity from every aspect, including production planning, logistics, process changes, quality control, productivity, and production cost management, promoting DX in each area.

Through the centralization and visualization of factory data, the Group has improved overall equipment effectiveness (OEE).

This makes it possible for the Group to reduce the days for inventory turnover*⁷ required by approximately 40%, which in turn reduces production cost.

*⁷ Days for inventory turnover: the ratio of inventory to daily sales

Changes Regarding Research and Development Expenses

(Unit: Billions of yen, Targets: IHI Group)

Item	FY2020	FY2021	FY2022	FY2023
Research and Development Expenses	26.8	29.8	34.0	39.3

* The total value for each item is rounded off and may not match the figures in the breakdown.

Research and Development Expenses (Breakdown by Business Area)

(Unit: Billions of yen, Targets: IHI Group)

Item	FY2020	FY2021	FY2022	FY2023
Resources, Energy & Environment	3.7	3.2	4.8	6.0
Social Infrastructure	0.7	0.9	1.1	1.1
Industrial Systems & General-Purpose Machinery	7.4	6.9	8.1	9.5
Aero Engine, Space & Defense	7.1	7.1	7.3	8.8
Others	7.7	11.5	12.6	14.0

Innovation Management

Intellectual Property

Approach

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 the Group 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 2024 is currently focusing efforts on these three priority measures:

- (1) Intellectual property activities for promoting business portfolio reformation
- (2) Addressing risks hindering business scenario execution
- (3) Strengthening the intellectual property management system supporting business and improving intellectual property literacy

By utilizing intellectual property in its business activities to help solve social issues and increase customer value, the IHI Group is working to achieve sustainable growth for the entire Group.

Governance

The IHI Group has appointed a manager of intellectual property at each of its divisions and affiliated companies to formulate intellectual property policy and encourage business and technology strategies for making use of intellectual property.

Strategy

In the clean energy field, the IHI Group is working to build an ammonia value chain as well as develop and promote businesses based on ammonia fuel technology, a Development-focused Business listed in its Group Management Policies 2023. In order to gain an objective understanding of individual business environments and its own strengths, the Group builds patent portfolios and formulates strategies that utilize the IP landscape*. In its growth businesses and conventional businesses as well, the Group uses intellectual property information to formulate strategies to solve social issues.

* IP landscape: A portmanteau combining intellectual property (IP) and landscape (scenery, environment, outlook) used to refer to utilizing the results of analyzing intellectual property information to formulate corporate management strategies and inform company management decisions as well as to refer to corporate management conducted with a focus on intellectual property.

Risks

The IHI Group monitors and looks into patent applications and patents by other parties during its technology development and business activities, in order to reduce and avoid the risk of becoming technologically disadvantaged or being involved in patent disputes with other companies. Furthermore, to prevent risk of damage to the IHI Group's reputation from imitations of its products and services, the Group is working to protect its trademarks and take countermeasures against counterfeit products.

Opportunities

The IHI Group, expanding its business globally, takes appropriate steps in the protection, management, and utilization of its intellectual property, which are essential for sustainable Group growth and for providing and improving corporate value. Along with protection of intellectual property, the Group regards partnerships with other

companies as important for contribution to global technological development. As the Group strives to utilize intellectual property in relation to core technologies, it is also working on standardization to promote market development and quick delivery of technology. Regarding ammonia fuel, the Group is in active cooperation with related organizations and companies engaged in activity toward achieving international standardization.

Initiatives

Education/Awareness Building

Intellectual Property Education

Besides basic training programs regarding intellectual properties, the IHI Group provides education covering submitting invention, patent search, copyright, trademarks, etc. Most of this training is conducted online through e-learning, making attendance more convenient and encouraging independent learning. The Group is working toward improving intellectual property understanding and awareness through a variety of methods that include specific division or rank training, lectures on industrial property, training to develop future human resources skilled to carry out an integrated strategy involving intellectual property, business and technology, and through regular information updates from the Intellectual Property Department.

● Intellectual Property Course Participants (Total)

(Unit: People, Scope: IHI and affiliated companies in Japan)

Item	FY2021	FY2022	FY2023
Intellectual property (overview and basics)	364	156	407
Engineering and manufacturing company basics (intellectual property part)	145	450	260
Patent search (basic)	6	7	36
Submitting invention, reading patent publications	31	18	67
Copyright	185	10	141

Innovation Management

Intellectual Property Protection

The IHI Group protects the inventions it develops by acquiring rights through patent applications and keeping know-how confidential. The Group carefully selects countries to file patent applications through the forecasts in global business and technology developments.

The decision to keep or abandon acquired rights is made with consideration toward the future competitive environment and cost-effectiveness. Any know-how is strictly kept confidential based on internal regulations and contracts.

Number of Patent Acquisitions

(Unit: Reports, Owner: IHI and affiliated companies in Japan)

Item	FY2020	FY2021	FY2022	FY2023
Number of patent acquisitions	819	711	608	564

Regional Comparison in Number of Patents

(Unit: Reports, Owner: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Domestic patents	4,104	4,167	4,119	4,094
Foreign patents	3,972	4,244	4,245	4,078
United States	777	843	879	906
Europe (excluding Turkey)	1,780	1,888	1,894	1,852
China	603	667	661	608
Korea	135	134	139	137
BRICs (excluding China)	140	144	124	72
Others	537	568	548	503

*Figures for domestic and foreign patents between FY2020–2022 have been revised.

Information Security

Approach

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. The Group strives to properly manage information while maintaining and improving information security.

Policy

● 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.

(Training)

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

Governance

The IHI Group has established an Information Security Promotion Framework, chaired by the Officer in charge of Group DX as its Chief Information Security Officer. The Information Security Subcommittee operates within the DX Promotion Committee as an organization in charge of promoting the company's information security activities overall. An Information Security General Manager is appointed at each IHI corporate division, Business area, Business Unit, and affiliated company to accelerate activities under this framework. Matters of particular importance regarding operation and management are discussed by the Board of Directors.

Information Security Activity Promotion Framework



Information Security Subcommittee

Chairperson	General Manager of Intelligent Information Management Division
Subcommittee members	Business areas, Business Units, and corporate divisions
Secretariat	Information Security Department
Number of meetings convened in FY2023	3

Risk Management

Information Security Management System

The IHI Group convenes the Information Security Subcommittee three times a year to plan, implement, and evaluate information security measures within its corporate divisions, Business areas, and Business Units in an annual cycle. Each fiscal year the Group sets priority measures based on the internal and external conditions, such as increasing of remote work and growing threat of cyber attacks.

In fiscal 2019, the Group built a three-stage auditing framework for information security consisting of three types of audits by its 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 affiliated 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

Remote work 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, remote work 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 company computers and prohibit business data from being stored on personal IT devices of the individual and/or family.

In addition, as a general rule when performing work outside of the company, the Group has implemented measures to make use of computers that do not store business data, reducing information leakage upon loss or theft of these devices.

Establishing the SOC and CSIRT

In order to respond to the growing threat of cyber attacks, the IHI Group has set up a SOC (Security Operation Center) and conducts security monitoring of PCs, servers, and network equipment. Additionally, the Group has established a CSIRT (Computer Security Incident Response Team) and put a framework into place for quickly responding to incidents detected through security monitoring. The Group has also prepared a response procedure manual for ensuring its ability to appropriately respond to cyber security incidents, outlining response procedures such as identifying the scope of breach and taking containment measures.

Information Security

Initiatives

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. The Group has adopted antivirus software and other security tools, which are always kept up to date.

Evaluation of Information Security Measures

The IHI Group assesses the information security measures of the entire 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 2023 was 3.8 out of 5. The Group will strive to achieve a score of 4, and further continue to improve our level of information security in fiscal 2024.

● Evaluation of Information Security Measures

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

Item	FY2020	FY2021	FY2022	FY2023
Evaluation of information security measures (out of 5)	3.4	3.7	3.7	3.8

Education/Awareness Building

Employee Education

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

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

Item	FY2020	FY2021	FY2022	FY2023
Rate of participation in e-learning	96.0	96.8	96.9	98.9