

IHI Sustainability Data Book 2024

IHI Sustainability Data Book 2024

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IHI Sustainability Data Book 2024

Management Philosophy

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

Sustainability Goal

Create a world where nature and
technology work in unity

How to use this Report

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Editorial Policy

The IHI Sustainability Data Book 2024 is a comprehensive annual report to share information such as our sustainability policies, approaches, frameworks, and performance. The IHI Group’s Sustainability website provides the most up to date information about our sustainability.

Scope of the IHI Sustainability Data Book

IHI Corporation and its consolidated subsidiaries (Note: The report includes some non-consolidated information about IHI Corporation as well as details with a more specific scope.)

Reporting Period

Fiscal 2023* (April 1, 2023 to March 31, 2024)
However, the report includes some information from fiscal 2022 and earlier in addition to forecasts of fiscal 2024 and later.

* Regarding this report, fiscal year (FY) refers to the period beginning April 1 until March 31 of the following year.

Publication Date

Published in August 2024
Revised in November 2024: Added information regarding Scope 3 on P.28, 30, 127, and 133
(The previous Sustainability Data Book was published in August 2023. The upcoming Sustainability Data Book is tentatively set for release in August 2025.)

Reference Guidelines

- Global Reporting Initiative (GRI) Sustainability Reporting Standards
- Sustainability Accounting Standards Board (SASB)
- Environmental Reporting Guidelines 2018, Ministry of the Environment
- Task Force on Climate-related Financial Disclosures (TCFD)
- International Sustainability Standards Board (ISSB) sustainability standards

Disclaimer

The IHI Sustainability Data Book 2024 not only contains facts about the past and present but also business plans and forecasts as well as management plans and policies in place at the time of publication. The projections are assumptions and decisions made based on information available at the time they were cited. These plans, forecasts, and policies are subject to change as the results of future business activities and circumstances fluctuate. The reader should consider the factors above when reviewing the information in this report.

Structure of Information Disclosure Regarding Main Sustainability Topics

In order to respond to the various requests of stakeholders, the IHI Group discloses information through several mediums.

Main Items	Annual Report		Latest Information
Non-financial	Integrated Report	Sustainability Data Book Corporate Governance Report	Sustainability Website https://www.ihico.jp/en/sustainable/
Financial		Annual Securities Report	Investor Relations (IR) Website https://www.ihico.jp/en/ir/

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About IHI (as of March 31, 2024)

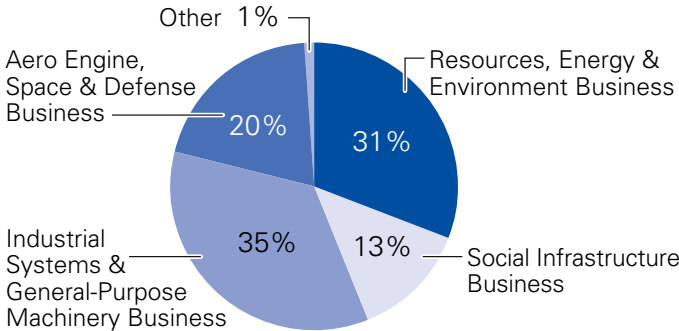
Company Name	IHI Corporation
Head Office	Toyosu IHI Building, 1-1, Toyosu 3-chome, Koto-ku, Tokyo 135-8710, Japan
President	Hiroshi Ide, President and Chief Executive Officer
Year of Establishment	December 5, 1853
Capital	107.1 billion JPY
Revenue (Consolidated)	1,322.6 billion JPY (Fiscal year 2023 ended March 31, 2024)
Number of Employees	7,840
Employees (Consolidated)	28,237
Works	7
Branches in Japan	8
Overseas Business Development Hubs	20
Group Companies	143 consolidated subsidiaries 60 affiliated companies in Japan (41 subsidiaries and 19 associated companies) 135 affiliated companies overseas (113 subsidiaries and 22 associated companies)

web Products

web Offices

Overall Business Framework (Fiscal Year Ended March 31, 2024)

Sales-profit Ratio



Main Businesses

Resources, Energy & Environment Business

Power systems (power system plants for land use and power systems for ships), Carbon solutions, and Nuclear energy (components for nuclear power plants)

Social Infrastructure Business

Bridges and water gates, transport systems, shield systems, concrete construction materials, and urban development (real estate sales and rental)

Industrial Systems & General-Purpose Machinery Business

Vehicular turbochargers, parking systems, heat treatment and surface engineering, transport machinery, rotating machines (compressors, separation systems, and turbochargers for ships), and logistics and industrial systems (logistics systems and industrial machines)

Aero Engine, Space & Defense Business

Aero engines, rocket systems and space utilization systems, and defense systems

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Medium-term Management Plan

The IHI Group launched the Group Management Policies 2023 as a medium-term management policy to implement from fiscal 2023. The IHI Group launched Project Change in November 2020 and has pursued a return to growth trajectory and creation of new growth businesses. The groundwork for business transformation was laid in Project Change, while instability in societal conditions have become the norm, including heightened geopolitical risks.

Despite these conditions, the IHI Group established the Group Management Policies 2023 to 1) fully realize **sustained high growth through business transformation** and 2) accelerate **transformation to a corporate entity able to adapt to changes in the business environment**.

(1) Business transformation to realize sustained high growth

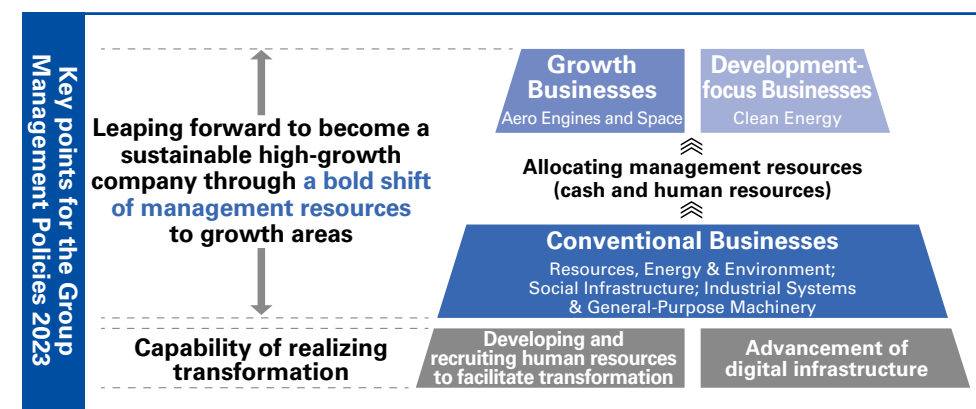
Providing value throughout the life cycle of customers' projects and increasing value by building out the value chain are essential to solving social challenges through business and achieving sustained high growth for both society and the IHI Group. The Group Management Policies 2023 categorizes the IHI Group's business into three areas to guide these efforts while focusing on the life cycle and value chain.

- Growth Businesses: Aero Engines & Rockets field
- Development-focus Businesses: Clean Energy field
- Conventional Businesses: Resources, Energy & Environment, Social Infrastructure, Industrial Systems & General-Purpose Machinery fields

(2) Transformation to a corporate entity able to adapt to changes in the business environment

Recruiting and developing human resources able to achieve our corporate transformation is key to driving our business transformation. We will cultivate a corporate culture where employees are fully able to demonstrate their talents through reskilling, obtaining specializations and management capabilities at the global level, and increasing engagement and well-being. We will also continue to upgrade digital infrastructure required for business transformation.

Overview of Group Management Policies 2023



Resource Allocation



Management Targets (FY2025)

Operating Profit Margin	ROIC	CCC	(Reference) Revenue
7.5%	8% or higher	100 days	1.7 trillion JPY

* ROIC (after tax): (Operating profit + Interest and dividend income) after tax / (Equity attributable to owners of parent + Interest-bearing liabilities)

* Cash Conversion Cycle: Working capital / Revenue x 365 days

Basic Information

Basic Code of Conduct for the IHI Group

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.

● Basic Code of Conduct for the IHI Group

web Your Guide to IHI Group’s “Basic Code of Conduct”

We at the IHI Group are committed to implementing what is necessary to meet the expectations and gain the trust of not only our customers, business partners, shareholders and colleagues, but also the local and international communities, while 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.

Basic Information

Third-party Evaluation

ESG Investment Index

FTSE Blossom Japan Index

IHI has been selected as a constituent brand of the FTSE Blossom Japan Index, which is made up of Japanese companies that demonstrate strong ESG practices.



FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

IHI has been selected for the FTSE Blossom Japan Sector Relative Index, which is made up of Japanese companies that demonstrate strong ESG practices relatively in each sector.



FTSE Blossom Japan Sector Relative Index

MSCI Japan ESG Select Leaders Index

IHI has been selected as a constituent brand of the MSCI Japan ESG Select Leaders Index. Additionally, it received an AA rating in the 2023 MSCI ESG Rating.

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

THE INCLUSION OF IHI IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF IHI BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



S&P/JPX Carbon Efficient Index

IHI has been selected for the S&P/JPX Carbon Efficient Index, which chooses brands based on the level of environmental information disclosure and carbon efficiency (carbon emissions per unit of revenue).

Sompo Sustainability Index

IHI has been selected for the Sompo Sustainability Index, which is composed of approximately 300 companies with outstanding ESG initiatives.



Sompo Sustainability Index

ESG Activity

CDP

The IHI Group responds to Disclosure Insight Action's (CDP) questionnaire related to climate change on an annual basis. In fiscal 2023, the Group was evaluated as Management Level score of B.



EcoVadis Silver Medal

The IHI Group received the Silver Medal for the top 25% of EcoVadis' comprehensive sustainability assessment in four areas: environment, labor and human rights, ethics, and sustainable procurement.



Health & Productivity Companies 2024 (White 500)

The IHI Group's 23 companies* have been selected as Health & Productivity Companies 2024 (White 500), which is jointly awarded by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi to recognize companies with particularly excellent health and productivity management practices.

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

PRIDE Index Gold Award 2023

IHI received the highest rating of Gold for the sixth consecutive year in the PRIDE Index 2023 developed by work with Pride, an association that aims to create a workplace that is friendly to LGBTQ+ people



Resilience Certification

IHI received the Resilience Certification from the Association for Resilience Japan, which targets companies that proactively work to ensure their business continuity to build national resilience, and has been renewing this certification since 2016.



Nikkei SDGs Management Survey

IHI received 3 stars in the 5th Nikkei SDGs Management Survey, which comprehensively evaluates companies' SDGs management on a 10-point scale from 0.5 to 5 stars, targeting listed companies and leading unlisted companies.



Nikkei Smart Work Management Survey

IHI received 3.5 stars (maximum 5 stars) in the 7th Nikkei Smart Work Management Survey, which selects advanced companies that are leading the productivity revolution through work style reform.

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* IHI Corporation, IHI Scube, IHI Plant Services, IHI Power Systems, Nico Precision, IHI Infrastructure Systems, IHI Aerospace, IHI Finance Support, Takashima Giken, Japan Marine United, IHI Castings, IHI Rotating Machinery Engineering, IHI Logistics & Machinery, IHI Turbo, IHI Construction Service, IHI Business Support, IHI Agri-Tech, Paul Wurth IHI, Central Conveyor, IHI Fusso Engineering, Voith Paper IHI Technology, IHI Aerospace Engineering, IHI Machinery and Furnace

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Create a world where nature and technology work in unity

A united IHI Group is engaging in ESG management



Hiroshi Ide
Representative Director and President
Chief Executive Officer

The IHI Group holds the management philosophies of “Contribute to the development of society through technology” and “Human resources are our single most valuable asset.” We have been making contributions to help solve the social issues for the times since our founding in 1853, and now, amid the ongoing instability experienced in recent years in the social environment, companies are expected to also work toward solving many social challenges, including taking action on climate change and resource depletion as well as respecting human rights.

With the belief that solving these challenges should also be viewed through the lens of corporate management, we announced the IHI Group ESG Management in November 2021 with the intent to realize sustainability in both the global environment and people’s lifestyles. In it, we defined our goal to “Create a world where nature and technology work in unity”—a society where all people including future generations are able to live in security and prosperity.

Taking action on climate change is an area of particular focus as we work to realize our goal. In 2021, we established the IHI Carbon-Neutral 2050 plan, where we aim to realize carbon neutrality by 2050 through our business activities as well as through the products and services we offer. We have been globally pioneering development of technology that uses ammonia as fuel, which does not produce CO₂ emissions even when burned. We aim to quickly establish this technology and build the value chain for it from ammonia manufacturing to ammonia use.

In working toward solutions to social challenges, pro-

moting respect for human rights, and within it Diversity, Equity, and Inclusion (DE&I) in particular, is absolutely essential. We have set 2024 as the year to broadly launch DE&I efforts in the IHI Group. We are promoting DE&I through various initiatives and working to make DE&I an integral part of our Group culture. Through mutual acceptance, building on each other’s strengths, and providing fair opportunities to take on challenges, we intend to create an organizational culture where people feel free to think up ideas and state their opinions.

We have worked to strengthen our compliance framework, including training for all IHI Group employees and workplace dialogue sessions, following the misconduct that occurred in our Civil Aero Engine Maintenance Business in 2019. Meanwhile, in April 2024 we announced that some product data provided to customers had been improperly altered within the IHI Group. It is disgraceful that we have again engaged in conduct that would betray the trust of our stakeholders as we were working to rectify our conduct after the similar incident that occurred in the past. We will do everything in our power to ensure that a similar incident does not happen again.

We will continue holding dialogue with all of our many stakeholders and engaging in ESG management as a united IHI Group, aiming to realize our future goal to “Create a world where nature and technology work in unity.”

IHI Group Material Issues

Identifying Material Issues

The IHI Group has identified material issues to be prioritized to achieve sustainable growth as a company and realize a sustainable society.

As part of Project Change, formulated in 2020, the IHI Group is striving to “Create a world where nature and technology work in unity” in the near future. By setting this goal, the social issues the Group need to address along with the values it aims to provide have been clarified. The Group has re-identified and revised its material issues according to the significance of each of the social issues to address with the goals of becoming carbon-free, disaster prevention and mitigation, and materializing fulfilling lifestyles.

Subsequently, IHI Group ESG Management announced in November 2021 aims to address the global challenge of climate change, respect the human rights of those involved in the Group’s businesses, and empower diverse human resources as the driving force behind value creation. The Group has identified particularly important issues that should be prioritized as ensuring that its human resources are active and earning trust from its stakeholders through integrity management.

web Medium-term Management Plan

Identification Process of Material Issues

Identify Material Issues According to Our Sustainability Goal

Step 1

Extract issues

Social issues, recognized worldwide, are extracted by utilizing the following:

- Sustainability data public guidelines (GRI Standards, etc.)
- SDGs
- ESG rating standards (FTSE, MSCI, and DJSI)
- Society 5.0 (Japanese Business Federation, “Keidanren”)

Step 2

Confirm the conformity of social issues

Each social issue extracted in Step 1 is verified regarding its conformity to internal corporate policies and/or other unique company traits such as the following:

- Group Management Policies 2019, Project Change
- Internal policies including the Basic Code of Conduct for the IHI Group
- Information regarding the IHI Group’s risks

Step 3

Identify material issues

Considering Step 1 and Step 2, a total of 16 material issues have been identified.

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 - Information security [P.123](#)
 - Timely and proper disclosure [P.13, P.89](#)

Particularly Important Issues Identified in IHI Group ESG Management

Climate change

Human rights

Diversity, equity, and inclusion

Securing and maintaining stakeholder trust

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IHI Group Material Issues								
Targets and Results regarding Material issues								
	Material Issues		Vision	Metrics and Targets		Main Results for FY2023		SDGs
Environment	Climate change			<ul style="list-style-type: none">● 2050: Achieving carbon neutrality throughout the value chain by 2050● FY2030: Reduce GHG emissions in half compared to FY2019 (Scope 1, 2)● FY2025: 12,000 t-CO₂e reduction in GHG emissions (Scope 1, 2)● FY2025: Reduce energy consumption intensity by 3% compared to FY2022		<ul style="list-style-type: none">● GHG emissions (Scope 1, 2): 211,970 t-CO₂e, reduced by 3,783 t-CO₂e (compared to FY2022)● Energy consumption intensity Including special factors*1: 17.6 TJ/10 billion JPY, increased by 3.5% (compared to FY2022) Excluding special factors*1: 15.6TJ/10 billion JPY, reduced by 8.2% (compared to FY2022)*1 Special factors are the impact of the PW1100G-JM engine additional inspection program, etc.		       
	Conservation of the global environment		<ul style="list-style-type: none">● Reduce the environmental impact of the entire social system	<ul style="list-style-type: none">● Environmental accidents: 0● Environmental law violations: 0		<ul style="list-style-type: none">● Environmental accidents: 0● Environmental law violations: 0		
	Circular economy			<ul style="list-style-type: none">● FY2025: Reduce waste emissions by 3% or more compared to FY2022● FY2025: Reduce water withdrawal by 3% or more compared to FY2022● FY2025: Review the definition of recycling rate, determine final disposal amount (more than 90 wt% of all waste)		<ul style="list-style-type: none">● Waste emissions: 25,410 t, increased by 10.3% (compared to FY2022)*2● Reduction in water withdrawal: 5,844 thousand m³, increased by 44.8% (compared to FY2022)*2● Conducted water stress regional surveys at 73 locations collecting environmental information, identified 6 locations (8.2%) in areas with High Risk or higher● The definition of recycling rate was revised and finalized*2 Increase due to temporary changes in production processes at overseas sites		
Society	Diversity, equity, and inclusion		<ul style="list-style-type: none">● Employees are fully able to demonstrate their talents based on common values● Connecting the power of diversity to value creation	<ul style="list-style-type: none">● FY2030: Increase the ratio of female Officers to 30% or higher● FY2030: Increase the ratio of female Managers to 15%● FY2026: Increase the ratio of female Managers to 7%● FY2026: Increase the ratio of female hires to approximately 20% among university graduates● FY2023: Increase the employment rate of people with disabilities to 2.6%		<ul style="list-style-type: none">● Ratio of female Officers: 18%● Ratio of female Managers: 5.3%● Ratio of female hires (university graduates): 19.8%● Employment rate of people with disabilities: 2.62%● Employee engagement: 54 points● Registered employees with concurrent work outside IHI/side work within IHI: Approx. 140 in total		     
	Work-style and operational process reforms		<ul style="list-style-type: none">● Improving productivity within the entire organization					
	Occupational health and safety		<ul style="list-style-type: none">● Ensure workplace environment in which all employees can work safely and in good health	<ul style="list-style-type: none">● FY2023: Occupational health and safety rate Less than 0.6 (works divisions) Less than 1.2 (construction divisions)		<ul style="list-style-type: none">● Cases of occupational accidents (injuries with no time lost or higher, in Japan): 54● Occupational health and safety rate: 0.95 (works divisions) 2.10 (construction divisions)		
	Human rights		<ul style="list-style-type: none">● Proactively fulfill the responsibility toward respecting human rights for all people	<ul style="list-style-type: none">● Conduct human rights impact assessments for about 160 IHI Group Companies in three years		<ul style="list-style-type: none">● Total number of companies conducting human rights impact assessments: 96 (of which 37 in FY2023)● The IHI Group Co., Ltd. Human Rights Policy Implementation Guidelines were developed and distributed in Japanese, English, and Chinese		
	Supply chain management		<ul style="list-style-type: none">● Build sustainable supply chains	—		<ul style="list-style-type: none">● Established a grievance mechanism (from April 1, 2024)		
	Corporate citizenship		<ul style="list-style-type: none">● Engage in social contribution activities that enhance the value of the IHI Group while helping to foster the creation of a habitable and prosperous world.	—		<ul style="list-style-type: none">● Total expenditure for social contribution activities: 532 million JPY (43 million JPY increase compared to the previous fiscal year)		
	Consumer relationships		<ul style="list-style-type: none">● Pay full attention to the safety of the products and services and continue to improve the quality level of the products and services by confirming whether they satisfy customers and users	—		<ul style="list-style-type: none">● QMS certification acquisition rate for domestic business sites and works ISO 9001: 90.6% Acquisition rate including other standards: 96.2%		
Governance	Securing and maintaining stakeholder trust	Corporate governance	<ul style="list-style-type: none">● To earn the trust and support of the IHI Group's shareholders over the long term	—		<ul style="list-style-type: none">● Conducted trial introduction of ESG Index for the purpose of promoting ESG management in performance-based bonuses (annual incentives) for Officer remuneration (full-scale introduction from FY2024)		    
		Compliance	<ul style="list-style-type: none">● Not only complying with laws and regulations, but also accurately understanding the changing values and demands of society and fulfilling its expectations	—		<ul style="list-style-type: none">● Compliance hotline reports: 314● Competition law violations: 0● Anti-corruption law violations: 0		
		Risk management	<ul style="list-style-type: none">● Ensuring business continuity and the safety of Officers, employees, and their families; securing, preserving managerial resources, and maintaining public trust	—				
		Innovation management	<ul style="list-style-type: none">● Keep providing solutions that help solve social issues through the engineering capabilities centering on “Monozukuri” technology● Utilizing intellectual property in the business activities to help solve social issues and increase customer value	—		<ul style="list-style-type: none">● Research and development expenses: 39.3 billion JPY● Patent acquisitions: 564● Patents held: 8,172 (4,094 in Japan, 4,078 overseas)		
		Information security	<ul style="list-style-type: none">● Ensure the confidentiality of customer and business partner information, along with company management and technical information, etc.	—		<ul style="list-style-type: none">● Information security measures evaluation: 3.8 (out of 5)		
		Timely and proper disclosure	<ul style="list-style-type: none">● Honestly fulfill accountability for management direction and major operations	—		<ul style="list-style-type: none">● Dialogue conducted with investors: 361 companies (99 Japanese investors, 262 overseas investors)● Dialogue conducted with bond investors: 30 companies (13 investors, 7 banks, 6 financial institutions, 4 securities companies)		

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Approach

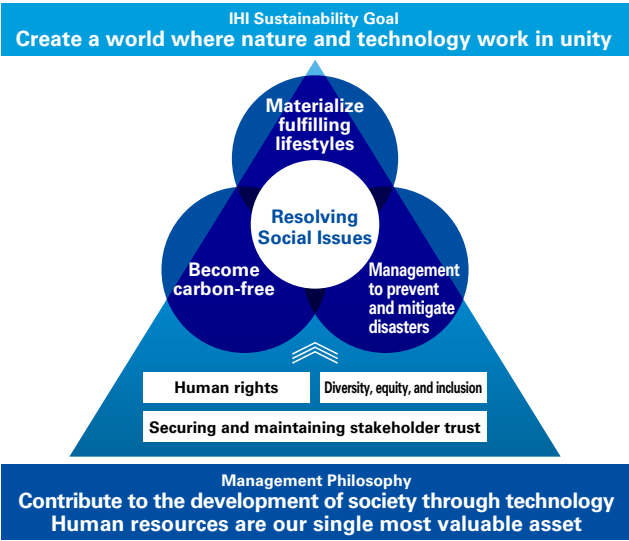
The IHI Group implements ESG management based on integrity and considerations for society and the environment, placing ESGs at the core of its values in order to achieve sustainable growth as a company and realize a sustainable society.

IHI Group ESG Management

The IHI Group aims to “Create a world where nature and technology work in unity.” This means protecting people from the threats of nature in a society offering safety, security, and prosperity to realize sustainability in both the global environment and people’s lifestyles. The Group’s businesses will take on various social challenges to create social value as well as enhance corporate value. The IHI ESG STORYBOOK published in fiscal 2021 provides details about the IHI Group’s ESG management philosophy.

web IHI ESG STORYBOOK

IHI Group ESG Management



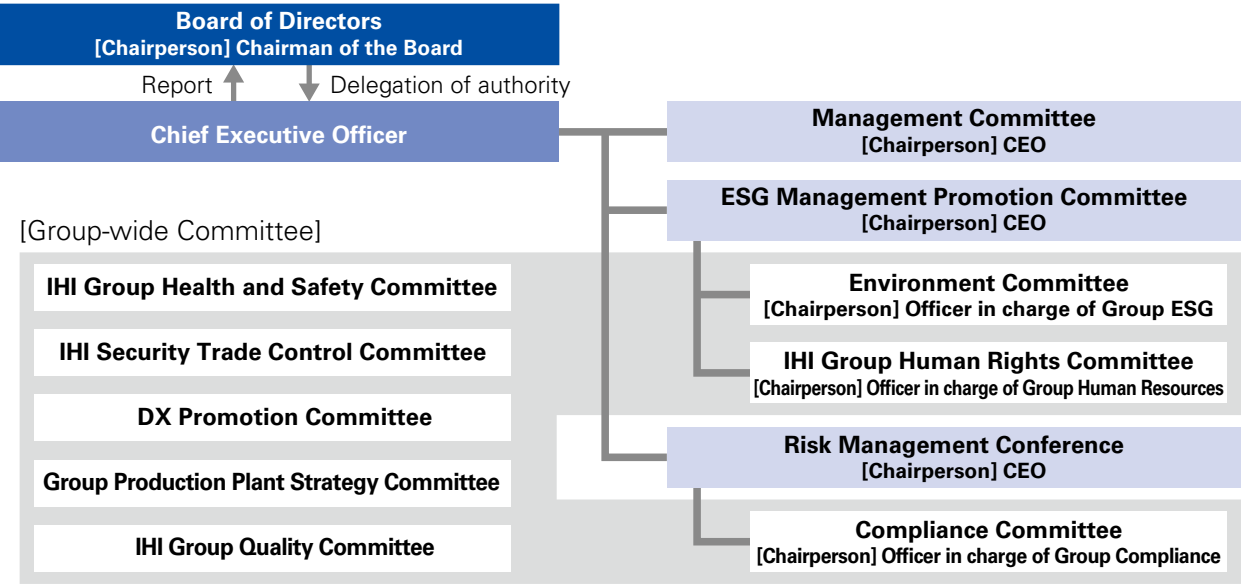
Governance

Sustainability Promotion System

The IHI Group has a duty to contribute to society and the environment in a way that will realize a sustainable society. The Group knows ESG management with clearly defined values is essential to governance making these contributions possible. The Group has established the ESG Management Promotion Committee, with the Chief Executive Officer (CEO) as its chairperson, for the purposes of examining basic policies and specific activities for ESG management as

well as evaluating their progress and making improvements. Additionally, the IHI Group has established a Group-wide Committee to address issues such as the environment, human rights, and compliance throughout the entire company. The Group developed a system in which the policies discussed and decided upon by each committee are represented in the specific activities of each division. Matters related to important decision-making regarding ESG management are reported to the Board of Directors as appropriate, and ESG management is implemented Group-wide.

Sustainability Promotion System



ESG Management Promotion Committee

Chairperson	Chief Executive Officer
Members	Directors, Executive Officers, and General Managers
Secretariat	Administration Division
Number of meetings convened in FY2023	2








Sustainability Management

Initiatives

Dialogue with Stakeholders

The IHI Group views its primary stakeholders with a significant influence over ongoing corporate activities as its customers, business partners, shareholders, investors, government agencies, local communities, employees, and NPOs/ NGOs. As such, the Group values and engages in broad dialogue with these stakeholders. The Integrated Report and Sustainability Data Book are published as tools for this dialogue. Topics with stakeholders that are considered particularly vital are reported to the Management Committee and Board of Directors, and are thus reflected in our corporate strategy.

Main Results of Dialogue with Stakeholders in FY2023 (Summary)

Stakeholders	Main Purpose of Dialogue	Example of Dialogues from FY2023	Frequency	References
Customers	<ul style="list-style-type: none">Contributing to solving social issues and customer challengesEnsuring product safety	<ul style="list-style-type: none">Daily sales activityConducting customer satisfaction surveys	Timely	 Customer Relationships
		<ul style="list-style-type: none">Providing product safety information	As needed	
Business partners	<ul style="list-style-type: none">Fair and equitable tradeCultivating mutually beneficial partnerships with business partners	<ul style="list-style-type: none">Disseminating the IHI Group Procurement Policy	Regularly	 Supply Chain Management
		<ul style="list-style-type: none">CSR procurement monitoring	Timely	
Shareholders & investors	<ul style="list-style-type: none">Appropriate information disclosure in a timely mannerStrengthening mutual trustEnhancing corporate value	<ul style="list-style-type: none">Conducting the General Meeting of Shareholders	Annually	 Investor Relations
		<ul style="list-style-type: none">Holding financial result briefings and telephone conferences	Quarterly	
		<ul style="list-style-type: none">Conducting individual meetingsConducting business area meetings	As needed	
Government organizations	<ul style="list-style-type: none">Forming partnerships with government organizations	<ul style="list-style-type: none">Participating in policy boardsParticipating in joint developments and projects with government organizations	Timely	 Innovation Management
Local communities	<ul style="list-style-type: none">Recognizing ourselves as a member of societyContributing to solving social issues	<ul style="list-style-type: none">Hosting events for local communitiesHolding school visits	Timely	 Corporate Citizenship
Employees	<ul style="list-style-type: none">Developing and securing human resources, our most important management resource	<ul style="list-style-type: none">Conducting employee-awareness surveys	Annually	 Diversity, Equity, and Inclusion  Compliance
		<ul style="list-style-type: none">Operating a compliance hotline	Regularly	
NPOs/NGOs	<ul style="list-style-type: none">Examining social issues that could lead to business opportunities	<ul style="list-style-type: none">Announcement of view on human rightsExplanation of revised editions of the Guidelines for Multinational Enterprises, etc.	Regularly	—

Dialogue with UN Agencies

In fiscal 2023, the IHI Group re-held the dialogue with the United Nations Development Programme that had been held in fiscal 2022. During this dialogue, explanations were given of the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the climate change provisions of the proposed CSDDD (EU environment and due diligence directive), as well as an exchange of opinions on future dialogue themes. The United Nations Development Programme calls for Japanese companies to actively participate in international organizations and initiatives, including the United Nations, and to lead the way as a Japanese company, and to carry out continuous and lasting dialogue and engagement with NGOs and other organizations. It was requested that companies engage in discussions from the perspective of “what are we missing?” and that they confront suggestions from society that may conflict with corporate interests head-on. The IHI Group will listen carefully to these requests and continue to engage in dialogue with its stakeholders.

Dialogue Results with UN Agencies (FY2023)

UNDP	
Dialogue Topics	Explanation of the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the climate change provisions of the proposed CSDDD
Dialogue Partners	Mr. Yusuke Taishi and Ms. Akiko Sato, United Nations Development Programme
IHI Participants	Officer in charge of Group ESG, General Manager of Public-Private-Partnership Promotion Department

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Dialogue with Shareholders and Investors

Approach to Communications with Shareholders and Investors

The IHI Group builds stronger relationships based on trust with all shareholders and other investors by recognizing accurate, timely disclosure of corporate information as a core principle of a sound financial instruments market, which is why the Group actively engages in communication efforts. In addition to stock investors, the Group also proactively engages in dialogue with bond investors.

The IHI Group is deeply involved in active communication efforts with its domestic and overseas investors to gain greater understanding about the business activities. In fiscal 2023, the management team visited North America, Europe, and Asia and held dialogues with local institutional investors.

Timely and Proper Disclosure

The IHI Group enhances the scope of various materials disclosed both online and offline for active and fair informational disclosure. The Group’s basic policy is to promote highly transparent management throughout the entire Group. The Group always discloses accurate and fair information on important management and business matters in a timely manner from the perspective of investors in capital markets. The Group also sees honest Group accountability as a basic policy to define its management direction and main businesses.

Main Dialogue Results with Shareholders and Investors (FY2023)

Investors		361 companies (99 Japanese investors, 262 foreign investors) Focusing on active investors such as growth and value investors, analysts, portfolio managers, ESG personnel, voting rights exercisers, etc. of domestic and foreign institutional investors with a wide range of investment styles.
IHI Representative	CEO	Financial result briefings conducted: Twice Dialogues held: 23 times
	Officer in charge of Group Finance & Accounting	Financial result briefings conducted: 4 times Dialogue with sell-side analysts conducted: 37 times Dialogue conducted with Japanese and overseas institutional investors: 91 times
	IR Managers	Dialogue conducted with Japanese and overseas institutional investors: 226 times

Dialogue Results with Bond Investors (FY2023)

Investors	30 companies (13 investors, 7 banks, 6 financial institutions, 4 securities companies)
Main representative	Senior Executive Officer, Officer in charge of Group ESG, Officer in charge of Group Finance & Accounting, Finance & Accounting Division, etc.
Main theme	Financial & accounting strategy, ESG strategy, human resources initiatives, etc.

Themes of the Main Dialogues Held with Shareholders and Investors (FY2023)

Classification	Main Dialogue Topics	Reference
General	<ul style="list-style-type: none">Status of deliberations regarding business portfolioOutlook for future expansion of lifecycle businessImpact of additional inspection program on PW1100G-JM Turbofan EngineProspects for monetization of fuel ammonia value chain businessOutlook for future expansion of defense business	P.4 Medium-term Management Plan
E	<ul style="list-style-type: none">Initiatives to achieve IHI Carbon Neutrality by 2050Status of consideration for Scope 3 disclosureDisclosure status of interim targets regarding GHG emission reductionStrengths and the uniqueness of the IHI Group in addressing climate change	P.21 Climate Change
S	<ul style="list-style-type: none">Specific details about the initiative in the Group human resources strategyKPIs for the Group human resources strategyScale of investment in human resources	P.42 Diversity, Equity, and Inclusion
	<ul style="list-style-type: none">Utilization status of employee-awareness survey resultsPredicting human rights risks in the supply chain	P.42 Diversity, Equity, and Inclusion P.73 Human Rights P.80 Supply Chain Management
G	<ul style="list-style-type: none">Effectiveness of the Board of DirectorsActivities of Outside DirectorsComposition of the Board of DirectorsBackground of materiality identificationStatus of deliberations at the Board of Directors regarding ESG and sustainability	P.91 Corporate Governance

Sustainability Management

Support of International Initiatives

Task Force on Climate-related Financial Disclosures (TCFD)

P.21 Climate Change

United Nations Global Compact

The IHI Group signed on to the United Nations Global Compact initiative to build a sound global society as a registered participating company in February 6, 2022. The IHI Group management philosophy and ESG management resonates with all ten principles of the United Nations Global Compact on human rights, labor, the environment, and anti-corruption. The Group supports these ten principles and works to realize a society of integrity based on them.



Employee Education

The IHI Group aims to provide each and every employee working at the IHI Group with an opportunity to understand what sustainability/ESG is and to think about it in connection with the IHI Group’s policies and activities. The Group (IHI and affiliated companies in Japan) held an e-learning sustainability/ESG program for executives, employees, and temporary employees.

●Number of Participants in Sustainability/ ESG Program
(Scope: IHI and affiliated companies in Japan)

Item	FY2023
Participants	24,185
Completion rate*	83.7%

*Completion rate: Number of persons completed the program/ Number of persons eligible for the program

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Environmental Management

Approach

The IHI Group implements management that embraces ESG values (ESG management) based on the desire to “Create a world where nature and technology work in unity.”

The Group’s environmental initiatives continue to work to reduce the environmental impact on society at large in an effort to combat climate change, conservation of the global environment, and circular economy.

The Group has established the IHI Group Basic Environmental Policy as a guideline for action in addressing important environmental issues, and will continue to comply with all environmental laws and regulations as well as endeavor to reduce the environmental impact of its plants and offices in local regions while providing products and services that are friendly toward the global environment. In particular, the Group regards measures to counteract climate change as an important issue, and using the amount of GHG emissions during the product/service life cycle as an indicator, propose conducting business in a way that goes hand in hand with carbon neutrality.

Policy

●IHI Group Basic Environmental Policy

The IHI Group establishes action guidelines as follows pursuant to Article 7 (Responsibility for the global environment) of “IHI Group Basic Code of Conduct,” and acts independently and actively.

Article 1. Establishment of Environmental Management System

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

Article 2. Compliance with Environmental Laws and Regulations

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

Article 3. Provision of Environmentally-Friendly Products, etc.

The IHI Group provides society with products, services, and technologies that contribute to the conservation of the global environment and the reduction of environmental burdens.

Article 4. Conservation of Global Environment and Reduction of Environmental Burdens in Business Activities

The IHI Group strives to conserve the global environment and reduce environmental burdens in all of its business activities as follows.

- (1) Conservation of the global environment
Control of air, water, and soil pollution, and reduction of impact on biodiversity and conservation of biodiversity, in order to achieve a sustainable society
- (2) Reduction of environmental burdens
Reduction of energy consumption, greenhouse gas emissions, and water consumption, improvement of the efficiency of global resource use, and reduction of waste generation, in order to achieve a decarbonized and resource-recycling society

Article 5. Environmental Education

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

Article 6. Disclosure of Information

The IHI Group actively participates in social activities, discloses appropriate and timely environmental information, and communicates with stakeholders to harmonize with local communities, conserve regional environments, and reduce environmental burdens.

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Governance

The IHI Group promotes environmental activities under the ESG Management Promotion Committee, with the Environment Committee, chaired by the Officer in charge of Group ESG at the core.

For environmental activities throughout the value chain, the Group has formed internal cross-sectional organizations for each of the three material issues: climate change, conservation of the global environment, and circular economy, and collaborates with the Environment Committee. Regarding environmental activities at each plant and office, the Group strives to comply with environmental laws and reduce the environmental impact on local communities, and the details of these activities are managed with PDCA by the Environment Committee.

The Group disseminates and expands Environment Committee decisions through all Environmental Manager Liaison Groups and regional offices to domestic and overseas Group companies

The details of discussions by the Environment Committee are reported to the ESG Management Promotion Committee, and feedback received from management is disseminated throughout the Group.

Amid discussions at these committees, matters related to important management decision-making are deliberated on by the Management Committee, which serves as the decision-making body for management execution, and are then submitted to the Board of Directors.

Environmental Management Systems Diagram



Environment Committee

Chairperson	Officer in charge of Group ESG
Members	Environmental managers in business areas, headquarters representative's offices, and persons at the corporate divisions nominated by the Committee chairperson
Secretariat	Administration Division
Number of meetings convened in FY2023	3

Strategy

The IHI Group drafts Group environmental action plans every three years and strives to engage in comprehensive environmental initiatives. The environmental action plans are formulated based on the IHI Group Basic Environmental Policy, keeping in mind the provision of environmental value demanded by society. The IHI Group Environmental Action Plan 2023 creates three major pillars for environmental initiatives from fiscal 2023 to fiscal 2025: climate change, conservation of the global environment, and circular economy.

Environmental Management

Risk Management

The IHI Group strives to reduce the Group’s environmental impact—a Group-wide risk management initiative—through capital investments to mitigate environmental risks, legal and regulatory compliance, energy saving, waste emission reductions, and more. Each business area and business unit (SBU) drafts action plans at the beginning of the fiscal year in line with each material subject and tracks progress as well as provides support using a PDCA cycle through the Environment Committee.

Collection and Monitoring of Environmental Information

The IHI Group has designated locations subject to environmental management, including overseas Group companies. Each site has appointed a person in charge to carry out environmental activities, and ensure appropriate management by collecting and monitoring environmental information. The Group companies encompassed by environmental management engage in a variety of different businesses. These entities include companies with production plants, companies overseeing engineering and on-site construction work, as well as companies focused on only administration. Therefore, each company conducts environmental management based on its own characteristics. The Group companies are building a system to efficiently collect environmental data by checking the management system for GHG emissions, energy and water use, etc. at each site. Also, regarding GHG emissions in category 11 of Scope 3, the Group has calculated all target products of the IHI Group by fiscal 2023, and identified products for which data should be collected and monitored.

ISO 14001
(Environmental Management System)

The IHI Group has put in place Environmental Management Systems (EMS) at each primary production plant and other environmental management centers to manage environmental efforts with a PDCA cycle. Each of these environmental management centers is acquiring the ISO 14001 certification to ensure each established EMS satisfies international standards for environmental management. These environmental management centers acquire the ISO 14001 certification through the most suitable review board based on each center’s business activities.

ISO 14001 Internal and External Audits

The IHI Group always strives to enhance the level of environmental management through regular internal and external audits of each environmental management center. These audits evaluate the fitness and effectiveness of each EMS in accordance with ISO 14001 standards. External audits conducted in fiscal 2023 did not find deficiencies at any of the ISO 14001-certified environmental management centers and affirmed that each EMS complied with all of the ISO 14001 requirements.

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Metrics and Targets

● IHI Group Environmental Action Plan 2023 (FY2023–2025) Targets and Results (Scope: IHI and consolidated subsidiaries)

Action Plans	Target	FY2023 Progress and Results
Climate change	A 12,000 t-CO ₂ e reduction in Scope 1 and 2 with capital investment	GHG emissions (Scope 1, 2) reduced by 3,783 t-CO ₂ e compared to FY2022 (Reduction equivalent to 4,700 t-CO ₂ e in Scope 1 and 2 with capital investment)
	Reduce energy consumption intensity by 3% in FY2025 from that in FY2022	Energy consumption intensity increased by 3.5% compared to 17.0 TJ/10 billion JPY in FY2022 to 17.6 TJ/10 billion JPY in FY2023 (excluding special factors such as the impact of the PW1100G-JM engine additional inspection program [hereinafter “special factors”], the result for FY2023 was 15.6 TJ/10 billion JPY [8.2% reduction compared to FY2022])
Conservation of the global environment	Zero environmental accidents and environmental law violations	Zero environmental accidents and environmental law violations
Circular economy	Reduce waste emissions by 3% or more in FY2025 from that in FY2022	Waste emissions increased by 10.3% compared to 23,044 tons in FY2022 to 25,410 tons in FY2023 (increase due to temporary changes in production processes at overseas sites)
	Review the definition of recycling rate and determine the amount of final waste disposal (more than 90 wt% of all waste)	The definition of recycling rate was revised and finalized
	Reduce water withdrawal by 3% or more in FY2025 from that in FY2022	Water withdrawal increased by 44.8% compared to 4,037 thousand m ³ in FY2022 to 5,844 thousand m ³ in FY2023 (increase due to temporary changes in production processes at overseas sites)

● ISO 14001 Certification Status

Targets	Item	FY2020	FY2021	FY2022	FY2023
IHI and all affiliated companies	Number of sites	44	45	45	45
	Coverage rate (based on amount of energy consumption) (%)	79.7	80.8	81.3	81.0
	Coverage rate (based on number of sites) (%)	60.3	60.8	60.0	61.6
IHI and affiliated companies in Japan	Number of sites	36	37	37	36
	Coverage rate (based on amount of energy consumption) (%)	—	—	—	84.4
	Coverage rate (based on number of sites) (%)	61.0	61.7	59.7	60.0
Affiliated companies overseas	Number of sites	8	8	8	9
	Coverage rate (based on amount of energy consumption) (%)	—	—	—	60.5
	Coverage rate (based on number of sites) (%)	57.1	57.1	61.5	69.2

Environmental Management

Initiatives

Education/Awareness Building

Environmental Education

The IHI Group conducts environmental education which includes education and awareness building for all employees and everyone in charge of environmental management at each environmental management center. Environmental education is provided through e-learning with the theme of Sustainability and ESG. Also, the Group has also designated every June as environment month. The IHI Group not only quizzes every employee on environmental topics but also shares information about going carbon neutral through an internal newsletter to heighten their environmental awareness. In addition, its environmental management centers that have acquired the ISO 14001 certification provide education and training according to these ISO standards.

Environmental Education and Training Participants

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

Eligible Participants	Curriculum	FY2020	FY2021	FY2022	FY2023
Employees	e-learning	Not conducted *	4,625	—	—
	Environmental Quiz	Not conducted *	4,220	1,992	2,674
Environmental Managers	Group Energy Efficiency Training	58	Not conducted	88	68
	Group Waste Training	62	Not conducted	56	51

* Due to the effects of the 2020 COVID-19 pandemic.

P.11 Sustainability Management

Reduction of the Environmental Impact

Costs to Reduce the IHI Environmental Impact

(Unit: Millions of yen, Scope: IHI plants and offices)

Item	FY2020	FY2021	FY2022	FY2023
Investments	334	357	563	1,048
Expenditures	23	92	151	365

Environment-related Capital Investments (FY2023)

(Unit: Millions of yen, Scope: IHI plants and offices)

Category	Amount Invested	Main Items	Investment Effect
Energy-saving/climate change measures*	517	Installation of individual air conditioning systems in factories, etc.	Energy consumption and CO ₂ emission reductions
Environmental risk measures	532	Renewal of aged equipment, etc.	Zero environmental accidents and environmental law violations
Total	1,048		

* When consolidated subsidiaries are included, the amount is 1,478 million yen.

Climate Change

Approach

The IHI Group sees taking measures against climate change as a particularly important issue in ESG management and is doing everything possible to accomplish this. Climate change has an enormous social and economic impact and is a vital social issue for companies to address in order to realize sustainability and one that the IHI Group believes it should focus on.

Participation in Third-party Initiatives

TCFD

The IHI Group became a signatory to the Task Force on Climate-related Financial Disclosures (TCFD) by resolution of the Board of Directors in May 2019. This framework plays a role as a tool to formulate strategies able to strengthen risk management and cultivate business opportunities.



GX League Basic Concept

In February 2022, the IHI Group endorsed the GX League Basic Concept announced by the Ministry of Economy, Trade and Industry, joining it in April 2023.

The GX League is a group of companies that are actively working on Green Transformation (GX), established as a forum for discussion on reforming socioeconomic systems and practices in their entirety for the creation of new markets, together with government, academics, and financial players who are also taking part in the GX challenge.



Relationships with Industry Associations

The IHI Group is a member of various industry associations including the Japan Society of Industrial Machinery Manufacturers and the Society of Japanese Aerospace Companies. The Group also participates in seminars and other events held by government and industry groups to gather information and share it within the Group. The IHI Group sets targets and takes action to meet or exceed the climate change targets set by governments and industry organizations.

Responses to and Support for Public Regulations

The IHI Group supports laws, policies, regulations, and so on relating to climate change and responds to them appropriately at each domestic and overseas business site.

In particular, IHI is a specified business operator under the Act on Rationalization of Energy Use and Shift to Non-fossil Energy (the Energy Conservation Act), and as such, is obligated to make efforts to reduce energy consumption intensity by an average of 1% per year. In the IHI Group Environmental Action 2023 plan, which covers fiscal 2023 to fiscal 2025, the Group sets reduction targets in line with the Energy Conservation Act. By implementing energy-saving measures at each site, the entire Group is promoting the efficient use of energy.

Climate Change

Governance

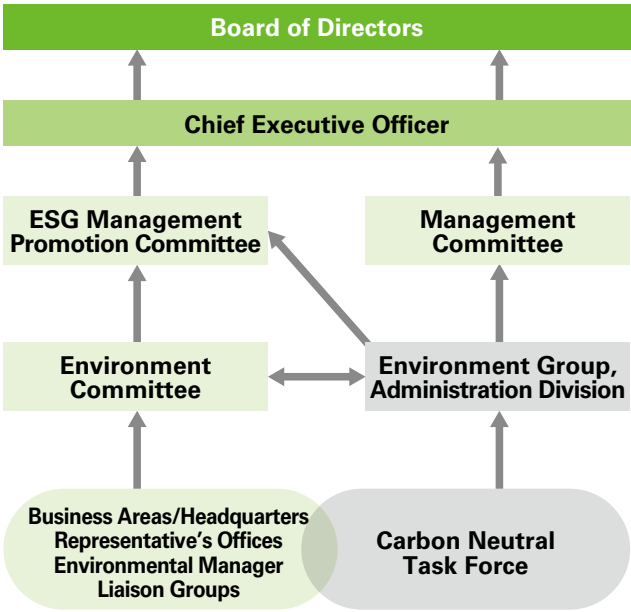
Structures for Implementing Initiatives to
Become Carbon Neutral

The IHI Group deliberates on and determines approaches and important matters concerning climate change countermeasures through the Environment Committee, a Group-wide body.

In fiscal 2021, the Group established a task force comprising members from different divisions to promote initiatives to become carbon-neutral throughout the entire value chain. Until fiscal 2023, the Administration Division and Corporate Planning Division served as the secretariat to the task force, but in fiscal 2024, the secretariat was consolidated within the General Affairs Division to carry out these activities more efficiently and accelerate their implementation. Reports on the activities of the task force are made to the Environment Committee, which deliberates on them. The details of discussions by the Environment Committee are reported to the ESG Management Promotion Committee, and feedback received from management is disseminated throughout the Group.

Amid discussions at these meetings and committees, matters related to important management decision-making are deliberated on by the Management Committee, which serves as the decision-making body for management execution, and are then submitted to the Board of Directors.

System for Achieving Carbon Neutrality



P.11 Sustainability Management

P.16 Environmental Management

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Strategy

IHI Carbon-Neutral 2050

The IHI Group is committed to achieving the Paris Agreement’s effort target of “Keeping the global average temperature increase to 1.5°C compared to pre-industrial levels” by promoting “IHI Carbon-Neutral 2050.”

The Group aims to halve direct and indirect greenhouse gas emissions (Scope 1, 2) from its business activities compared to 2019 by fiscal 2030 and achieve effectively zero emissions by 2050. As short-term measures, the Group established the IHI Group Environment Action Plan 2023 (FY2023–FY2025) and set targets of reducing total Scope 1 and 2 emissions by 12,000 t-CO₂e and reducing energy intensity (energy consumption per unit of sales) by 3% compared to fiscal 2022 through capital investment.

The Group also aims to achieve effectively zero greenhouse gas emissions released in upstream and downstream processes (Scope 3) by 2050. The Group formulated the Scope 3 Emissions Reduction Roadmap, will reduce emissions with a focus on category 11 (use of sold products) and category 1 (purchased products and services), which have particularly large emissions, to achieve carbon neutrality across Scopes 1, 2, and 3.

Possessing decarbonization technology, the IHI Group will take the lead in contributing toward the realization of a global carbon-neutral society through its efforts in achieving this goal.

IHI Carbon-Neutral 2050

Our 2050 goal to achieve carbon neutrality throughout the entire value chain

Climate Change

Risk and Opportunity Due to Climate Change

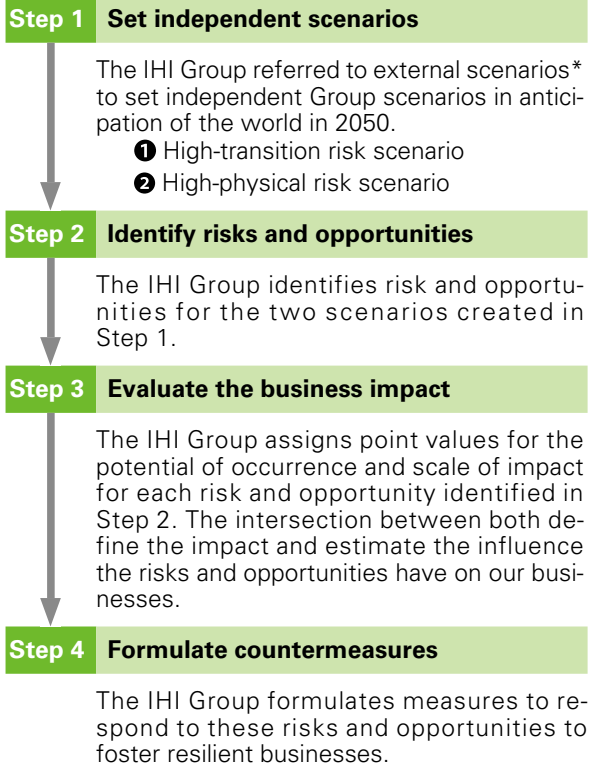
The IHI Group conducted simple scenario analyses of four business domains significantly impacted by climate change: the energy business, bridge and water gate business, vehicle turbocharger business, and the civil aero engine business.

The first step set ❶ a carbon-neutral world as the highest transition risk and ❷ a world greatly impacted by climate change as the highest physical risk in our own independent scenarios drafted with reference to external scenarios created by the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC). The second step identified risks and opportunities for all four business domains. The third step assessed the impact each business has. The fourth and last step drafted countermeasures according to our findings.

In the future, the IHI Group will enhance its ability to leverage scenario analyses in business strategy through efforts, such as assessing the financial impact of climate change.

The IHI Group will proactively incorporate the concepts pursued by TCFD signatories in management policies and business strategies, contributing not only to the sustainable development of our Company, but society as a whole.

Scenario Analysis Process

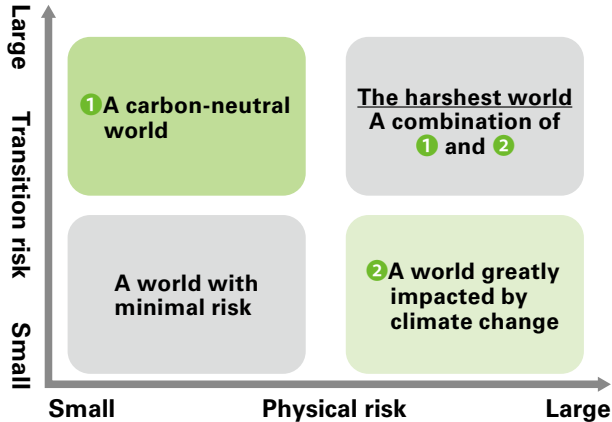


* External reference scenarios:

- A carbon-neutral world
IEA 2DS (qualitative assessment based on the ETP2017 Global technology penetration in LDV stock by scenario, global electricity generation, etc.)
- A world greatly impacted by climate change
RCP 8.5 (qualitative assessment based on the portions relating to wind and flood damage risk of IPCC AR5 WG2)

IHI Group Scenarios

- ❶ High-transition risk scenario
This scenario presents ❶ a carbon-neutral world where society at large shifts to mitigate climate change and stop all greenhouse gas emissions.
- ❷ High-physical risk scenario
This scenario presents ❷ a world greatly impacted by climate change that needs to adapt to the physical impact and directly confront drastic devastation by natural disasters.



Countermeasures set to address the two extreme worlds anticipated by these IHI scenarios enhance the resilience of IHI Group businesses against future risks. The IHI Group can also reduce risks against the harshest world facing both these scenarios (❶ and ❷) at the same time by integrating the countermeasures for each.

IHI Sustainability Data Book 2024

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The IHI Group divides the risks and opportunities identified for each of the four business domains and the countermeasures into two categories: **1. risks, opportunities, and countermeasures specific to each business** and **2. risks, opportunities, and countermeasures shared across all businesses**. Risks, opportunities, and countermeasures in 1. are shown in the table below while those in 2. are shown in the table on the next page.

1. Main Risks, Opportunities, and Countermeasures Specific to Each Business (Four Main Business Domains)

	Energy Business	Bridge and Water Gate Business	Vehicle Supercharger Business	Civil Aero Engine Business
(1) Risks, Opportunities, and Main Countermeasures in a Carbon-neutral World				
Risks	<ul style="list-style-type: none">Declining demand for large fossil fuel power generation equipment	<ul style="list-style-type: none">Increasing procurement costs (carbon tax, etc.) for materials with high CO₂ emissions (concrete, steel, etc.)	<ul style="list-style-type: none">Declining demand for combustion engine vehicles unable to address carbon-neutral requirements and a falling demand for existing turbochargers	<ul style="list-style-type: none">Declining demand for aircrafts due to carbon-neutral requirements and standardization of alternative highspeed means of transportation
Opportunities	<ul style="list-style-type: none">Increasing demand for fuel conversion, carbon capture and storage (CCUS), and other decarbonization technologiesIncreasing demand for regulated power supplies, storage energy, and Power-to-X to provide a stable energy supply as renewable energy becomes the standard	<ul style="list-style-type: none">Increasing demand for roads (bridges and tunnels) to provide a more efficient transportation networkIncreasing demand for railway construction due to expansion of railway systems overseas	<ul style="list-style-type: none">Potential to secure market competitiveness and leverage an increase in demand for turbochargers by being first to market with new turbocharger products (electric products in addition to existing models) for carbon-neutral electric vehicles (PHEV, HEV, FCV, etc.)	<ul style="list-style-type: none">Increasing demand for the development of aircraft engines supporting carbon neutral requirements and a rise in opportunities due to electrification of engines and utilization of advanced material technologies.
Main counter-measures	<ul style="list-style-type: none">Rapidly deploy carbon-neutral technologies to societyPromote technological development to stabilize the energy supplyExpand the lifecycle business through remote monitoring and other Internet of Things (IoT) technologies	<ul style="list-style-type: none">Reduce construction schedules and labor costs by labor-saving, remotization, and improving construction methods through promoting digital transformation (DX)	<ul style="list-style-type: none">Rapid development and commercialization of turbochargers for electric vehicles that comply with carbon-neutral requirement trends	<ul style="list-style-type: none">Early commercialization of electric engines and advanced technologies such as advanced composites.
(2) Risks, Opportunities, and Main Countermeasures in a World Greatly Impacted by Climate Change				
Risks	<ul style="list-style-type: none">Extreme delays due to on-site construction stoppages or disasters caused by frequent severe weather	<ul style="list-style-type: none">Extreme delays due to on-site construction stoppages or disasters caused by frequent severe weather	<ul style="list-style-type: none">Suspension of production due to disrupted supply chains caused by frequent severe weather	<ul style="list-style-type: none">Suspension of production due to disrupted supply chains caused by frequent severe weather
Opportunities	<ul style="list-style-type: none">Contributing to early recovery of equipment damaged in severe weatherIncreasing demand for digital technologies to promote labor saving and remote operation	<ul style="list-style-type: none">Increasing demand to build robust national infrastructureContributing in early recovery of infrastructure damaged in severe weather	<ul style="list-style-type: none">No opportunities unique to our business	<ul style="list-style-type: none">No opportunities unique to our business
Main counter-measures	<ul style="list-style-type: none">Expand the lifecycle business through www monitoring and other Internet of Things (IoT) technologies	<ul style="list-style-type: none">Expand business beyond lifecycle business with wider perspective to include disaster prevention businessCreate technologies and systems that contribute to maintenance, disaster prevention, disaster mitigation, and quick recovery of infrastructure	<ul style="list-style-type: none">Strengthen supply chains	<ul style="list-style-type: none">Strengthen supply chains

Climate Change

2. Main Risks and Countermeasures Shared Across All Businesses

(1) Transition Risks and Countermeasures for a Carbon-neutral World		
Category	Main Items	Main Countermeasures and Transitioning to Opportunities
Policy and legal	Introduction of carbon taxes, stronger industrial waste regulations, raising costs due to the adoption of renewable energy and energy-efficient equipment, etc.	Reduce costs in business activities through efficient production and distribution as well as the proper management of energy consumption
Technology	Raising costs due to research to realize carbon-neutral products and services, failed technological development, etc.	Concentrate investments in technological development while staying acutely aware of policies, technologies, markets, and other social trends
Market	Declining demand for products and services with high CO ₂ emissions, etc.	Actively draft and promote business plans that always anticipate multiple business scenarios to adapt to dramatic changes in market structures
Reputation	Lost opportunities due to poor evaluations of our response to climate change, declining social credibility, etc.	Disseminate easy-to-understand information about products and services that can help both mitigate and adapt to climate change

(2) Physical Risks and Countermeasures in a World Greatly Impacted by Climate Change		
Category	Main Items	Main countermeasures
Acute/Chronic	Ceased business activities due to damaged offices and business sites caused by typhoons, floods, or other natural disasters, etc.	<ul style="list-style-type: none">• Incorporate the response to climate change into the business continuity plans of plants and offices to ensure the safety of Officers and employees and strengthen the supply chain• Draft, execute, and manage advance measures in anticipation of foreseeable flood damage

P.17 Environmental Management—Strategy

Risk Management

In addition to short-term business risks, the IHI Group also manages sustainability-related risks that affect the medium- to long-term business environment as a risk to conducting business. In particular the IHI Group assesses the medium- to long-term impact of these risks to the Group and convert them into short-term business risks. The Group has clarified the roles and responsibilities of its Internal Audit Division, corporate divisions, business areas, and business divisions (including affiliated companies), which are managed under a multi-layered risk management framework.

P.112 Risk Management

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Metrics and Targets

The IHI Group aims to achieve carbon neutrality throughout its entire value chain by 2050.
In fiscal 2023, the Board of Directors adopted a resolution setting a goal of halving the Group’s fiscal 2019 GHG emissions from plants, offices, and other business establishments (Scope 1 and 2) by fiscal 2030.

CO2 Emission and Energy Consumption Targets and Results (IHI Group Environmental Action Plan 2023 [FY2023–2025])

Action Plans	Target	KPI	FY2022 Results (Base Year)	FY2023 Results	
					Status of Achievement
Climate change	A 12,000 t-CO ₂ e reduction in Scope 1 and 2 with capital investment	Reduced amount of GHG emissions (t-CO ₂ e)	215,753 t-CO ₂ e (emissions)	211,970 t-CO ₂ e (emissions)	3,783 t-CO ₂ e reduction
	Reduce energy consumption intensity by 3% in FY2025 from that in FY2022	Energy consumption intensity (TJ/10 billion yen)	17.0	17.6	3.5% increase

GHG Emissions (Scope 1 and 2) and Energy Consumption

(Scope: IHI and consolidated subsidiaries)

Item	FY2019	FY2020	FY2021		FY2022		FY2023	
Breakdown				Third-party Verification		Third-party Verification		Third-party Verification
GHG emissions (Scope 1 + Scope 2) (t-CO ₂ e)* ¹	254,227	225,066	220,138	○	215,753	○	211,970	○
Scope1 (t-CO ₂ e)	64,724	58,517	64,270	○	61,469	○	65,033	○
CO ₂ (t-CO ₂)	—	—	—	—	60,178	○	63,393	○
CH ₄ (t-CO ₂ e)	—	—	—	—	447	○ (Domestic only)	974	○ (Domestic only)
N ₂ O(t-CO ₂ e)	—	—	—	—	85	○ (Domestic only)	85	○ (Domestic only)
HFCs(t-CO ₂ e)	—	—	—	—	469	○ (Domestic only)	281	○ (Domestic only)
PFCs(t-CO ₂ e)	—	—	—	—	0	○ (Domestic only)	0	○ (Domestic only)
SF ₆ (t-CO ₂ e)	—	—	—	—	290	○ (Domestic only)	299	○ (Domestic only)
NF ₃ (t-CO ₂ e)	—	—	—	—	0	○ (Domestic only)	0	○ (Domestic only)
Scope 2 (market-based) (t-CO ₂)	189,503	166,549	155,868	○	154,284	○	146,937	○
GHG emissions intensity (t-CO ₂ e/100 million yen)* ² , * ³	18.3	20.2	18.8	—	15.9	—	16.0	—
Energy consumption (TJ)* ¹	2,468	2,283	2,348	○	2,294	○	2,322	○
Fuel consumption (TJ)	1,044	974	1,084	○	1,019	○	1,070	○
Electricity consumption (TJ)	1,398	1,276	1,229	○	1,230	○	1,184	○
Heat consumption (TJ)	—	7	5	○	0	○	0	○
Renewable energy used (TJ)	26	26	31	○	45	○	69	○
Energy consumption intensity (TJ/10 billion yen)* ² , * ⁴	17.8	20.5	20.0	—	17.0	—	17.6	—

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

*2 The numerator of the intensity is GHG emissions (Scope 1 + Scope 2) and the denominator is net sales revenue.

*3 GHG emissions intensity in FY2023 is 14.2 t-CO₂e/100 million yen, excluding special factors.

*4 Energy consumption intensity in FY2023 is 15.6 TJ/10 billion yen, excluding special factors.

Third-party Verification of Data

JQA

No.1811004815

Environmental Information
Independent Verification Report

To: IHI Corporation

1. Objective and Scope

Japan Quality Assurance Organization (hereafter, “JQA”) was engaged by IHI Corporation (hereafter, “the Company”) to provide an independent verification on “FY2023 IHI Group Environmental Data” (hereafter, “the Report”). The content of our verification was to express our conclusion, based on our verification procedures, on whether the statement of information regarding GHG emissions, energy consumption, renewable energy consumption, total water withdrawal, total water discharge and waste discharge (hereafter, “the Environmental Information”) in the Report was correctly measured and calculated, in accordance with the “FY2023* IHI Group Environmental Information Collection and Calculation Rule” (hereafter, “the Rule”). The purpose of the verification is to evaluate the Report objectively and to enhance the credibility of the Environmental Information.

*The fiscal year 2023 of the Company ended on March 31, 2024.

2. Procedures Performed

JQA conducted verification in accordance with “ISO 14064-3” for GHG emissions, and with “ISAE3000” for energy consumption, renewable energy consumption, total water withdrawal, total water discharge and waste discharge respectively. The organizational boundaries of this verification include sixty domestic sites and thirteen overseas sites of the IHI Group. The scope of this verification assignment covers Scope 1 & 2 (Market-based) GHG emissions, energy consumption, renewable energy consumption, total water withdrawal, total water discharge, general waste discharge, industrial waste discharge, hazardous waste discharge and values for domestic sites, and Scope 1 & 2 (Country location-based) CO₂ emissions, energy consumption, renewable energy consumption, total water withdrawal, total water discharge, waste discharge and values for overseas sites. The verification was conducted to a limited level of assurance and quantitative materiality was set at 5 percent of each subject of the Environmental Information in the Report.

Our verification procedures include:


- Confirming the Rule and overall control prior to the on-site assessment.
- Conducting on-site verification at the Company’s three domestic sites: IHI Corporation Toyosu IHI Building, Toyosu Energy Service Co., Ltd. and IHI Agri-Tech Corporation Matsumoto Head Office. The location of sampling sites for on-site assessment was selected by the Company.
- On-site assessment to check the Reports’ scope and boundaries; monitoring points of energy consumption, renewable energy consumption, water withdrawal and discharge; GHG emission sources; waste discharge; and monitoring and calculation system.
- Vouching: Cross-checking the activity data against evidence.

3. Conclusion

Based on the procedures described above, nothing has come to our attention that has caused us to believe that the Environmental Information in the Report is not materially correct or has not been prepared in accordance with the Rule.

4. Considerations

The Company was responsible for preparing the Report, and JQA’s responsibility was to conduct verification of the Environmental Information in the Report only. There is no conflict of interest between the Company and JQA.



Sumio Asada, Board Director
For and on behalf of Japan Quality Assurance Organization
1-25, Kandoudacho, Chiyoda-ku, Tokyo, Japan
August 1, 2024

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The IHI Group calculated its Scope 3 emissions based on the GHG Protocol and the Ministry of the Environment Guideline*. Within Scope 3, emissions from category 11 (use of sold products) were the highest, followed by category 1 (purchased products and services).

* A basic guideline for calculating GHG emissions for organizations across the supply chain.

GHG Emissions (Scope 3) (Unit: t-CO₂e)

Item	Category	Calculation Methods	Scope of Calculation	Emissions				
				FY2019	FY2020	FY2021	FY2022	FY2023
GHG emissions (Scope 3) total				881,504,000	322,462,000	177,593,000	184,475,000	403,575,000
1. Purchased goods and services	Calculation based on expenditures	IHI and consolidated subsidiaries	4,930,000	4,075,000	4,197,000	4,665,000	5,130,000	
2. Capital goods	Calculation based on amount of capital investment	IHI and consolidated subsidiaries	270,000	162,000	145,000	205,000	239,000	
3. Fuel and energy-related activities not included in Scope 1 or Scope 2	Calculation based on consumption of various types of energy	Domestic consumption of electric power and city gas only	15,000	14,000	13,000	13,000	13,000	
4. Upstream transportation and delivery	Calculation based on weight, distance, and energy for each means of transportation	IHI	2,000	1,000	1,000	1,000	1,000	
5. Waste generated in operations	Calculation based on waste generated	IHI and consolidated subsidiaries	10,000	8,000	8,000	8,000	9,000	
6. Business travel	Calculation based on amounts of business travel expenses	IHI and consolidated subsidiaries	13,000	14,000	14,000	14,000	14,000	
7. Employee commuting	Calculation based on amount of commuting expenses	IHI and consolidated subsidiaries	4,000	4,000	4,000	4,000	4,000	
8. Upstream leased assets	Calculation included in Scope 1 and 2	—	—	—	—	—	—	
9. Downstream transportation and distribution	Not covered*1	—	—	—	—	—	—	
10. Processing of sold products	Not covered*2	—	—	—	—	—	—	
11. Use of sold products	Calculation based on energy consumption by products*3	IHI and consolidated subsidiaries	876,260,000	318,184,000	173,211,000	179,565,000	398,165,000	
12. End-of-life treatment of sold products	Not covered*4	—	—	—	—	—	—	
13. Downstream leased assets	Calculation included in category 11	—	—	—	—	—	—	
14. Franchises	Not covered*5	—	—	—	—	—	—	
15. Investments	Not covered*6	—	—	—	—	—	—	

*1 Many products are excluded because they are rarely transported after delivery and installation and as a result, emissions are minimal.

*2 In many instances, finished products are delivered, and even if there are parts, the emissions from assembly and so on are minimal, and as a result, they are excluded.

*3 For calculation method for civil aero engines, please refer to the following page. **P133 Scope 3 Category 11 Calculation Method for Civil Aero Engines**

*4 Many products are made of metal and are recyclable, thus the final disposal volumes are minimal and the amount of waste is small, and have been excluded as a result.

*5 The IHI Group is does not use a franchise format, making it ineligible.

*6 In Ministry of the Environment materials (frequently asked questions and answers on supply chain emissions calculations), category 15 applies to private financial institutions, and accordingly, is excluded.

Climate Change

Initiatives

Mitigating Climate Change
(Initiatives to Become Carbon Neutral)

Reducing CO₂ Emissions from Business Activities

The IHI Group makes every effort to reduce CO₂ emissions from plants, offices, and other business establishments by both actively pursuing energy-efficient business practices and promoting the use of low-carbon energy.

Initiatives for the efficient use of energy not only enhance operations, but also cover all necessary capital investment. The Group has put in place energy management standards to drive these operational improvements. These standards aim to provide ideal operation conditions and criteria to review operational management. These standards also become a knowledge base to conduct training on energy efficiency through outside experts in an effort to heighten the management quality of Managers.

The Group’s capital investments systematically renew aged equipment with energy-efficient equipment and adopt renewable energy sources. Another aspect important to reducing CO₂ emissions is shipping and transport. The IHI Group strives to promote modal shifts through greater load efficiency and active use of marine vessels.

Reducing GHG Emissions from Products and Services

The IHI Group promotes efforts to mitigate climate change through reduction in two steps: (1) Reducing greenhouse gas emissions by utilizing existing technology and equipment and (2) Building new technology and techniques. The Group will steadily continue these efforts to achieve carbon neutrality throughout the value chain.

By expanding the existing lifecycle business of the IHI Group products to its customer value chain and by improving the value it provides, the Group contributes to

the realization of carbon neutrality for its customers. The Group invests management resources derived through its lifecycle business from a customer value chain perspective into the development of new technologies and systems that contribute to carbon neutrality as well as growth businesses and development-focus businesses, aiming for both carbon neutrality and increased sustainable growth.

Moreover, by actively introducing these new technologies and systems within the IHI Group, this will in turn lead the early realization of carbon neutrality in its business activities.

Initiatives to Become Carbon Neutral

Business operations	Procurement	● Partner with eco-friendly businesses
	Production	● Pioneer the adoption of new technologies, including for in-house products and systems ● Fuel conversion ● Use of renewable energy
Products and services	Improve current technologies Transition	● Enhance efficiency of current power plants ● Lighten and electrify products ● Utilize renewable energy
	Introduce new technologies Transformation	● Use hydrogen and ammonia ● Recycle carbon

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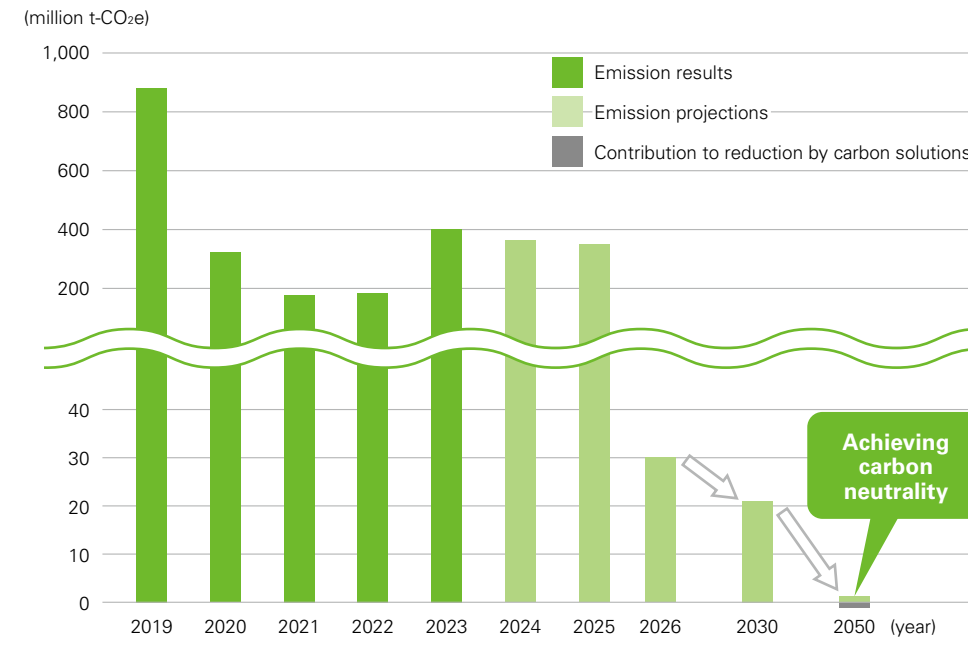
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Reducing Scope 3 Emissions

The majority of IHI Group's Scope 3 emissions fell under category 11 (use of sold products) with coal-fired power plant boilers accounting for most of these emissions during fiscal 2023. However, new boiler construction will be completed by fiscal 2025, with emissions expected to decrease significantly from fiscal 2026 onwards. The Group also aims to significantly reduce emissions from other products included in category 11 by 2050 by converting to clean energy and improving energy consumption efficiency. In order to achieve these goals, the IHI Group has devised a roadmap for reducing its Scope 3 emissions by 2050. In line with this roadmap, the Group will continue to reduce GHG emissions throughout the life cycle of our products from the material procurement, design, and manufacturing stages and use after customer purchase. Furthermore, the Group aims to create a carbon-neutral society by working to come up with carbon solutions to reduce its carbon footprint, such as building a fuel ammonia value chain and through carbon dioxide capture, utilization, and storage (CCUS).

Scope 3 Emissions Results and Projections



Regarding civil aero engines, which serve as the IHI Group's main product, the Group is working with business partners to make its entire supply chain, including material procurement, carbon neutral. Additionally, the Group is making efforts to improve conventional aero engine fuel efficiency and develop revolutionary aero engines with the goal of improving aircraft energy efficiency as a whole. Moreover, the Group will be focusing on developing and expanding the use of sustainable aviation fuel (SAF) production technology, aiming for carbon neutrality across its entire value chain. In particular, the IHI Group has taken an interest in fuel ammonia. The Group plans to build a value chain by leveraging its strengths throughout each stage in the process, from fuel manufacturing, receiving, storage, and utilization. This will be beneficial toward expanding the use of fuel ammonia and contributing to reducing GHG emissions among society as a whole.

Scope 3 Emissions Reduction Roadmap

		2020	2030	2040	2050
Category 11	Transition to clean energy	Development of fuel conversion technology (ammonia)	Promotion and expansion of products using fuel ammonia		
		Promotion and expansion of the use of biomass power generation			
		Development of methanation technology	Promotion of social implementation of e-methane		
		Development and expansion of the use of SAF manufacturing technology			
	Improving energy consumption efficiency	Improvement of conventional aero engines			
		Development of revolutionary aero engines	Launch of revolutionary aero engines		
		Support for improving customer operations			
		Improvement of product functionality and efficiency			
Category 1	Carbon neutralization throughout the supply chain	Sharing information and improving cooperation among business partners			
		Expansion of carbon-neutral product purchasing			
		Support for business partners to decarbonize their operations			
Reduction contribution	Carbon solutions	Establishment of ammonia value chain	Expansion of fuel ammonia supply		
		Development of CCUS technology			
		Reduction contribution through fuel conversion and introducing CCUS technology			

Climate Change

Adapting to Climate Change

Preparations for Disasters to Continue Business Operations

The IHI Group established rules on organizational structures and actions to be taken in normal times and during disasters and makes preparations for the occurrence of large-scale earthquakes, typhoons, and other wind and flood disasters.

P.115 Crisis Management

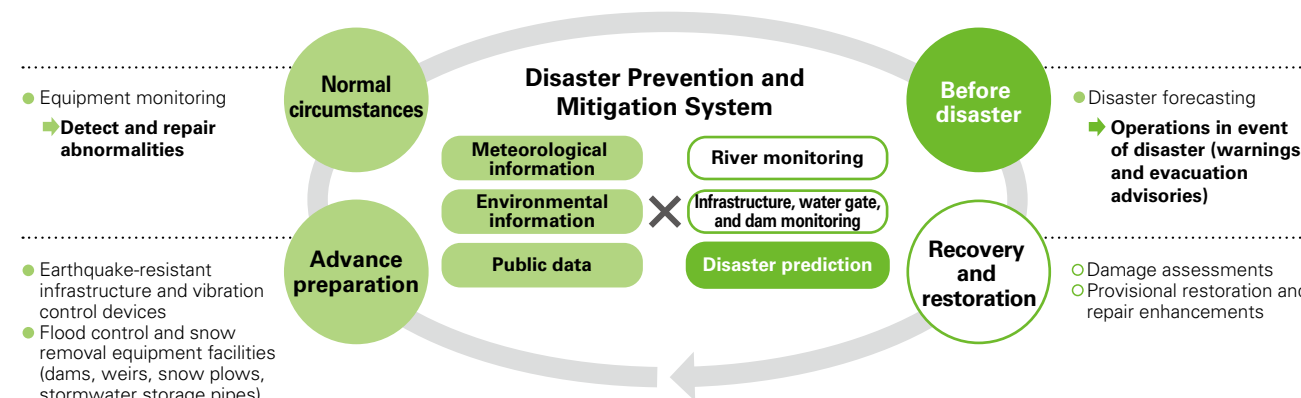
Preventing and Mitigating Disasters through Products and Services

The IHI Group seeks to create safe, secure, and livable communities and is developing infrastructure that is resilient against natural disasters and economical and building systems that integrate disaster and damage forecasts that can minimize human casualties with infrastructure.

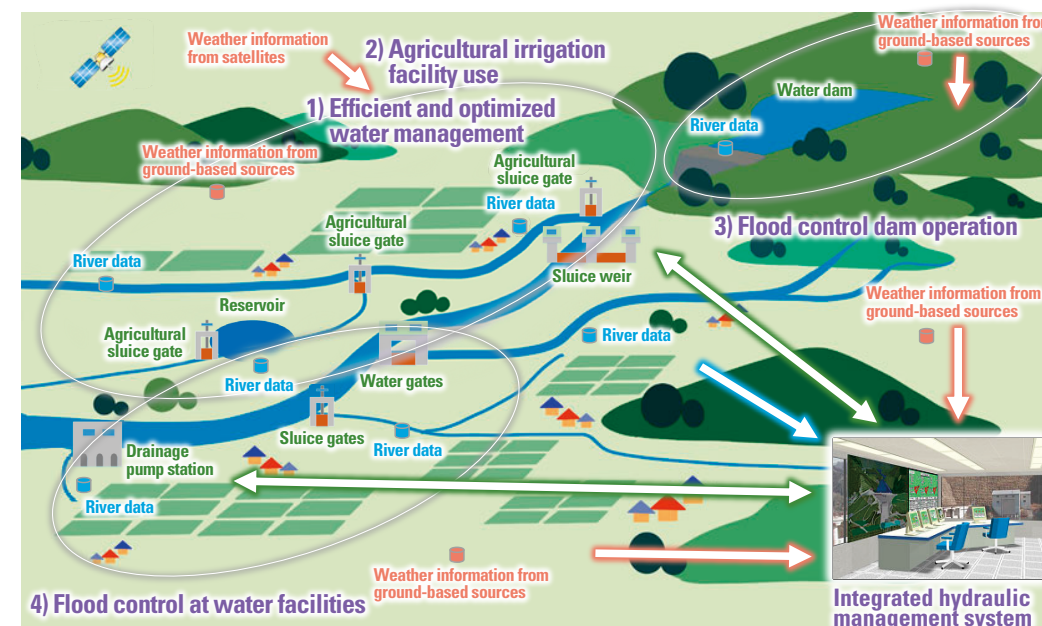
As infrastructure development, the Group is conducting timely and appropriate maintenance projects that leverage its advanced maintenance knowledge, sensing technology, and monitoring technology for infrastructure with a focus on bridges. To minimize human casualties and economic losses from disasters, the Group forecasts disasters based on meteorological information and disaster-related sensing data and performs integrated flood control management that optimally controls regional infrastructure (river management facilities including dams, sluice gates, and drainage pumping stations).

In addition, the Group contributes to the rapid restoration of normal lives by providing products and services that are useful for recovery from disasters.

Creating a Resilient Social Infrastructure



Integrated Hydraulic Control



Conservation of the Global Environment (Pollution Prevention and Biodiversity Conservation)

Approach

The IHI Group sees conservation of the global environment as an important management issue and is working to prevent atmosphere, water, and soil pollution and protect biodiversity.

To address chemical substances in products, the IHI Group established the Basic Policy on Chemicals Information Management and performs management. This policy addresses the addition of regulated substances, changes in control values, and strengthening of rules based on laws and regulations or customer requirements in the countries and regions where our products and services are marketed.

Policy

●IHI Group’s Basic Policy on Chemicals Information Management

- Basic Activities
1. The IHI Group independently manages chemical substance data by not only complying with the laws, regulations, and standards on the management of chemical substances in Japan and overseas but by also clearly grasping trends of global chemical management. Minimizing the health and environmental impact of IHI Group products and services enhances the competitiveness of our products.
- Scope
2. All IHI Group business activities
- Education
3. The IHI Group provides the necessary information and training on laws and regulations to heighten legal and regulatory awareness among all Officers as well as IHI and partner company employees.
- Management System, etc.
4. The IHI Group sets regulations regarding chemical substance information management, putting measures into place, and the continual implementation of activities including both maintenance and improvement.

Governance

The IHI Group deliberates and decides on the approach and important matters concerning conservation of the global environment through the Environment Committee, a Group-wide body. Each office, plant, and business establishment has set up an environment committee to draft policies tailored to the needs of each region based on Group-wide policy.

- P.11 Sustainability Management
- P.17 Environmental Management—Governance

Strategy

The IHI Group has set zero violations of environmental laws and regulations and zero accidents as environmental targets, and compliance with environmental laws and regulations, as well as the prevention of environmental accidents, are positioned as the top priorities for environmental activities at offices and plants.

Regarding the conservation of biodiversity, the Group believes that the sustainable use of natural capital is crucial for the continuation of business, and accordingly, it is focusing on measures to address climate change, which has a major impact on biodiversity. At offices and plants, they are implementing measures linked to the 2030 global targets specified in the Kunming-Montreal Global Biodiversity Framework (GBF), which was formulated at COP15.

- P.17 Environmental Management—Strategy

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Risk Management

Water Pollution Prevention

The IHI Group strictly complies with wastewater standards and establishes and manages voluntary wastewater standards that exceed public standards set in laws and regulations, such as the Water Pollution Prevention Act, and ordinances adopted by local governments to preserve the quality of public bodies of water including oceans and rivers into which the Group discharges water. To confirm the status of achievement of standard values, the Group carries out regular voluntary water sampling, analysis, and monitoring and daily patrol inspections of discharge outlets. For maintenance of wastewater treatment facilities, the Group performs systematic updates of aging equipment, measuring devices, and buried pipes.

Soil Contamination Prevention

To prevent soil contamination, the IHI Group identified specific areas that use hazardous substances designated by the Soil Contamination Countermeasures Act and strives to prevent leaks of chemical substances by establishing operational procedures and performing periodic patrols. In areas where hazardous substances are used, the Group makes capital investments to prepare for leaks, such as by establishing liquid containment embankments with durable, highly chemical resistant interior coatings. At hazardous waste storage sites in particular, in principle, waste is stored indoors and the Group strives to prevent leaks caused by bad weather.

Prevention of Pollution by Chemical Substances

The IHI Group uses chemical substances while minimizing their impact on human health and the environment throughout the life cycle of IHI products from manufacture to disposal. To achieve this, the Group broadly divides chemical substances into those used at offices and plants and those contained in products and it performs management appropriate for each.

Chemical Substance Management at Offices and Plants

The IHI Group complies with laws and regulations relating to chemical substance management and gains accurate grasp and understanding of the properties and hazard information of chemical substances used to ensure worker safety and prevent environmental pollution. In accordance with the Act on Pollutant Release and Transfer Register (PRTR Act) administered by the Ministry of Economy, Trade and Industry, the Group appropriately determines the amount of emissions of specified chemical substances into the air, public waters, and soil and amounts discharged to sewers and waste and provides proper notifications to the national government via prefectural governments. In addition, the Group determines and properly complies with laws and regulations relating to chemical substances including the Air Pollution Control Act and local ordinances where its offices and plants are located.

To ensure worker safety at offices and plants, the IHI Group obtains and maintains Safety Data Sheets (SDS), determines hazard information and optimal handling, and manages chemical substances appropriately according to their properties. In addition, the Group prepared an operational management manual that covers the series of processes from purchasing and receiving to use, storage, and disposal to prevent soil, water, and atmospheric

pollution caused by leaks of chemical substances (environmental accidents). The Group also conducts emergency response training and makes periodic capital investment to update aging facilities. In parallel with these measures, the Group also participates in follow-ups to voluntary efforts to reduce VOC emissions as a member company of the Japan Society of Industrial Machinery Manufacturers. The Group is also working to reduce atmospheric emissions by determining the amounts handled and released of substances subject to voluntary control other than those covered by the PRTR Act and by investigating and implementing measures such as switching to paint with low VOC content and improving paint management methods during painting processes.

Management of Chemical Substances Contained in Products

The IHI Group established the Basic Policy on Chemical Information Management and manages chemical substances contained in products. To minimize the impact of Group products and services on human health and the environment, the Group obtains information about the chemical substances contained in materials, parts, etc. throughout the supply chain and confirms whether any chemicals are prohibited or exceed acceptable levels.

Conservation of the Global Environment (Pollution Prevention and Biodiversity Conservation)

Toxic Waste (Waste Containing PCB)

The IHI Group is furthering its response to properly dispose of hazardous polychlorinated biphenyls (PCBs) waste by organizing a specialized team led by the head office. As of March 31, 2024, the Group has successfully disposed of 100% of electrical equipment containing high-concentration PCBs and 94.9% of electrical equipment containing low-concentration PCBs. For fluorescent lamp, 83.7% processing has been completed.

Environmental Risk Monitoring

IHI Group Head Office personnel visit offices and plants and perform environmental risk monitoring to check whether on-site measures are being implemented to prevent water, soil, and air pollution and whether management systems for chemical substances, waste, and so on have been established. In fiscal 2023, audits were conducted at nine sites. The audits did not identify any major problems, but minor issues were found and promptly corrected, and the Group has confirmed that there are currently no problems with environmental management systems.

Biodiversity

IHI believes that it is important to enable sustainable use of natural resources while conducting business. The Group is fully aware of the impact of its business on natural resources and is working to establish a circular economy, conserve the global environment, and take measures against climate change, which has a major effect on biodiversity. The Group has been participating in the 30by30 Alliance for Biodiversity of the Ministry of the Environment since May 2024.



Biodiversity Conservation Initiatives in Each Business Process

Business process	Initiatives	Reference
Raw material procurement	<ul style="list-style-type: none">Incorporating biodiversity conservation into the IHI Group Code of Conduct for Business Partners	<div>P.80</div> Supply Chain Management <div>web</div> IHI Group Procurement Policy
Production/Processing	<ul style="list-style-type: none">Energy conservation activities, use of low-carbon energy in productionWastewater management based on environmental laws and regulationsReducing water consumption by monitoring water withdrawal	<div>P.21</div> Climate Change <div>P.32</div> Conservation of the Global Environment (Pollution Prevention and Biodiversity Conservation) <div>P.37</div> Circular Economy
Logistics	<ul style="list-style-type: none">Improving loading efficiency and promoting modal shift through the active use of ships	<div>P.21</div> Climate Change
Retail	<ul style="list-style-type: none">Product sales that contribute to achieving carbon neutrality	<div>P.40</div> Reduction of the Environmental Impact of Products and Services
Maintenance/Disposal/Recycling	<ul style="list-style-type: none">Development of lifecycle businesses leading to energy and resource conservation as well as product longevity	<div>P.4</div> Medium-term Management Plan
Land usage and development	<ul style="list-style-type: none">Using the ESG Checklist to screen investment projects pertaining to land use and development	—
Land management	<ul style="list-style-type: none">Monitoring and the conservation of biodiversity of holdings and in surrounding areas	<div>P.32</div> Conservation of the Global Environment (Pollution Prevention and Biodiversity Conservation) <div>P.84</div> Corporate Citizenship
Research & Development/Innovation	<ul style="list-style-type: none">Shortening development periods by the introduction of model-based developmentFocusing on technological development in the clean energy field	<div>P.116</div> Innovation Management
Fundraising	<ul style="list-style-type: none">Allocating funds raised through transitional bonds	<div>web</div> Sustainable Finance

Conservation of the Global Environment (Pollution Prevention and Biodiversity Conservation)

Metrics and Targets

Compliance with Environmental Laws and Regulations

The IHI Group properly investigates any environmental accident that occurs on a Group site and evaluates the severity and underlying factors to reduce environmental accidents and legal violations as well as to prevent recurrence.

In fiscal 2023, the IHI Group had no major environmental accidents or legal violations affecting management.

Targets and Results of Major Laws/Regulations Violations and Environmental Accidents (IHI Group Environmental Action Plan 2023 [FY2023–2025])

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

Action Plan	Target	KPI	FY2023 Results
Conservation of the global environment	Zero environmental accidents and environmental law violations	Number of environmental accidents and environmental law violations	0

Number of Environmental Accidents and Violations of Law

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

Item	FY2020	FY2021	FY2022	FY2023
Significant environmental accidents	0	0	0	0
Major violation of environmental laws/regulations	0	0	0	0
Number of cases in which IHI paid fines, penalties, etc.	0	0	0	0

Ozone Depleting Substances Emissions

(Unit: t-CO₂e, Scope: IHI and affiliated companies in Japan)

Item	FY2020	FY2021	FY2022	FY2023
HFCs	—	—	469	281

Volatile Organic Compounds Emissions

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

Item	FY2020	FY2021	FY2022	FY2023
Toluene	—	39	48	48
Xylene	—	29	59	50
Ethylbenzene	—	6	37	39
Methyl isobutyl ketone	—	0	0	4
Tetrachloroethylene	—	2	2	2

Ratio of Treated Toxic Waste (Waste Containing PCBs)

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

Item	FY2020	FY2021	FY2022	FY2023
Electrical equipment containing high-concentration PCBs	99.7	99.9	100	100
Electrical equipment containing low-concentration PCBs	98.1	94.0	97.5	94.9
Fluorescent lamps	44.5	58.8	69.5	83.7

Chemical Substance Emissions/Substances Transferred

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

Item	FY2020	FY2021	FY2022	FY2023
Emissions (atmosphere, public bodies of water, soil)	—	—	152	150
Transferred amount (sewage, waste)	—	—	85	93

Conservation of the Global Environment (Pollution Prevention and Biodiversity Conservation)

Initiatives

Biodiversity Conservation

Environmental Conservation of Agricultural
Waterways in the Echi River Basin in Higashiomi City
(IHI and IHI Construction Service)

IHI and IHI Construction Service (IHK) are involved in water management for agricultural waterways in the Echi River basin, which flows near the IHK Shiga Plant (Higashiomi City, Shiga Prefecture), and conduct environmental conservation activities in the surrounding river basin. Cleaning the agricultural waterways and improving the environment has also led to improved habitats for Biwa trout and sweetfish, species that are endemic to the Aichi River, where the water drains.

(GBF Target 1: Plan and Manage all Areas To Reduce Biodiversity Loss)

web Sustainability Activities

Cooperation with Tokyo Bay Eelgrass Field
Restoration Activities (IHI Yokohama Office)

Since 2008, the IHI Yokohama Office has been participating in eelgrass field restoration activities sponsored by the Amamo Revival Collaboration in Kanazawa-Hakkei, Tokyo Bay Area together with neighboring companies. Eelgrass field restoration is a program that involves collecting eelgrass seeds, growing them, and then planting them in the sea to expand eelgrass fields. Eelgrass is referred to as the “cradle of the sea” and contributes to biodiversity by providing hiding places for small fish and fixing CO₂ through photosynthesis.

(GBF Target 8: Minimize the Impacts of Climate Change on Biodiversity and Build Resilience)

web Sustainability Activities

Conservation of the Sugita Plum, a Native Species
(IHI Yokohama Office)

The IHI Yokohama Office conducts conservation activities to protect the Sugita plum tree, a species native to the Sugita district of Isogo Ward in Yokohama City, Kanagawa Prefecture, where the office is located. The office used a vacant area of about 3,000 square meters located on the premises to plant Sugita plum seedlings in January 2023, which have grown into about 30 young trees. In February 2024, some of these young trees already bloomed, just one year after being planted.

(GBF Target 4: Halt Species Extinction, Protect Genetic Diversity, and Manage Human-Wildlife Conflicts)

web Sustainability Activities

Biodiversity Habitat Disclosure (IHI Aioi Office)

The IHI Aioi Office is located in a rich natural environment surrounded by the Aioi Bay and mountain forests. Green spaces make up approximately 70% of the site’s area, and the biodiversity potential of those areas was confirmed through surveys of the flora and fauna and green infrastructure development. The site has been certified as a wildlife coexistence business establishment by the Association for Business Innovation in Harmony with Nature and Community (ABINC) since fiscal 2018 (the sixth time).

(GBF Target 2: Restore 30% of all Degraded Ecosystems)

Circular Economy

Approach

The IHI Group positions the creation of a circular economy as one of its main environmental issues, and strives to reduce waste emissions and water consumption, improve resource efficiency, and reduce environmental impact.

Governance

The IHI Group deliberates and decides on the approach and important matters of establishing a circular economy through the Environment Committee, a Group-wide body. Each office, plant, and business establishment has set up an Environment Committee to draft policies tailored to the needs of each region based on Group-wide policy.

P.11 Sustainability Management

P.17 Environmental Management—Governance

Strategy

The IHI Group aims to create a resource-recycling-oriented society thereby helping drive the transition to a circular economy. Therefore, in its business activities, the Group is working to reduce waste emissions through the 3Rs (reduce, reuse, recycle) and to reduce water withdrawal and water consumption. Also, in addition to providing resource-efficient products using minimal quantities of resource input and consumption, the Group is working to expand its business of providing comprehensive services that include reuse, repair and maintenance throughout the entire product life cycle.

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Waste

The IHI Group strives to reduce waste emissions by improving the yield of raw materials in plant production and improving recycling rates through careful separation. In addition, in order to promote the transition to a circular economy, the Group is working to develop designs that take into consideration the effective use of social stock in the cycles of raw material procurement, plant production, and product use, and to expand services that allow products to continue to be used for a long time. Additionally, to ensure that all waste is disposed of properly, the Group’s waste management initiatives also review collection, transportation, and waste disposal contracts, verify final disposal through digital manifests, and confirm circumstances on-site at intermediate and final waste disposal sites.

Cooperation with Third Parties to Reduce Waste Emissions

The IHI Group works with expert consultants to operate a waste management system to reduce waste emissions at its plants and offices and ensure compliance with laws and regulations. In addition to a detailed understanding of quantities of waste by type, the Group ensures compliance with laws and regulations and reduces waste emissions by checking interim treatment contracts and contract periods. Similarly, the Group regularly entrusts specialized consultants with group training for waste management personnel at offices, plants, and affiliated companies, where they learn about legal and regulatory requirements and case studies of legal and regulatory violations.

Water Resources

The IHI Group primarily uses public and industrial water as water resources. In regions with abundant underground and river water resources, the Group uses these resources in combination with public water carefully to reduce its risk of obstruction to stable water withdrawal. Therefore, each office and plant considers the water quality and quantity necessary for its use and chooses the best resource to withdrawal water. In some plants where river water is available in abundance, river water is used instead of tap water as cooling water for heat treatment furnaces, etc. When draining water, heat exchangers are used to avoid pollution risks during water discharge. Also, the Group is also working with local governments to consider products and services that contribute to the effective use of agricultural water and other water resources.

Water Risks Survey

The IHI Group conducted a survey of water-stressed regions using the World Resource Institute’s Aqueduct Water Risk Atlas, a global water risk map, targeting consolidated affiliate companies that collect environmental information. Of the 73 locations surveyed, six locations (8.2%) were in areas classified as High Risk or higher. Based on the survey results, the Group will consider measures at sites classified as High Risk or higher and implement water risk management.

Specific Activities to Reduce Water Consumption

In order to reduce water consumption, the IHI Group re-uses tertiary treated water instead of city water for sprinklers on its grounds to the extent possible, and reuses wastewater in painting and cleaning processes. At the head office building, gray water made from recycled kitchen wastewater and other gray water is used to flush the toilets. In addition, as a Group-wide environmental activity goal, the Group has set a 1% reduction in water withdrawal at each site compared to the previous fiscal year, and the Group is managing the monthly water withdrawal at each environmental management center by graphing it and comparing it over time. Monitoring the monthly changes in water withdrawal leads to early detection of any leakage.

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Metrics and Targets

Waste Emissions and Water Withdrawal Targets and Results (IHI Group Environmental Action Plan 2023 [FY2023–2025]) (Scope: IHI and consolidated subsidiaries)

Action Plan	Target	KPI	FY2022 Results (Base Year)	FY2023 Results*	
					Status of Achievement
Circular economy	Reduce waste emissions by 3% or more in FY2025 from that in FY2022	Waste emissions (tons)	23,044	25,410	10.3% increase
	Review the definition of recycling rate and determine the amount of final waste disposal (more than 90 wt% of all waste)	Recycling rate (%)	—	The definition of recycling rate was revised and finalized (FY2023 target)	
	Reduce water withdrawal by 3% or more in FY2025 from that in FY2022	Water withdrawal (1,000 m³)	4,037	5,844	44.8% increase


* Waste emissions and water withdrawal increased due to temporary changes in production processes at overseas sites.

Waste Emissions and Water Withdrawal/Waste Water (Scope: IHI and consolidated subsidiaries)

Item		FY2020	FY2021	FY2022		FY2023	
					Third-party Verification		Third-party Verification
Waste	Waste emissions (tons)	20,912	23,633	23,044	○	25,410	○
	Of which, toxic waste emissions (tons)	182	255	156	○ (Domestic only)	128	○ (Domestic only)
	Amount of valuable materials (recycled) (tons)	15,067	16,164	17,869	○	15,219	○
Water	Water withdrawal (1,000 m³)*	4,008	4,195	4,037	○	5,844	○
	Public water (1,000 m³)	651	664	670		2,326	
	Industrial water (1,000 m³)	799	792	737		738	
	Groundwater (1,000 m³)	1,731	1,691	1,451		1,506	
	Rainwater, rivers, lakes, etc. (1,000 m³)	827	1,047	1,180		1,274	
	Waste water (1,000 m³)	3,373	3,265	3,181	○	4,856	○

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

Third-party Verification of Data



No.1811004815

Environmental Information
Independent Verification Report

To: IHI Corporation

1. Objective and Scope

JQA conducted verification in accordance with "ISO 14064-3" for GHG emissions, and with "ISAE3000" for energy consumption, renewable energy consumption, total water withdrawal, total water discharge and waste discharge respectively. The organizational boundaries of this verification include sixty domestic sites and thirteen overseas sites of the IHI Group. The scope of this verification assignment covers Scope 1 & 2 (Market-based) GHG emissions, energy consumption, renewable energy consumption, total water withdrawal, total water discharge, general waste discharge, industrial waste discharge, hazardous waste discharge and valuables for domestic sites, and Scope 1 & 2 (Country location-based) CO₂ emissions, energy consumption, renewable energy consumption, total water withdrawal, total water discharge, waste discharge and valuables for overseas sites. The verification was conducted to a limited level of assurance and quantitative materiality was set at 5 percent of each subject of the Environmental Information in the Report.

Our verification procedures include:


- Confirming the Rule and overall control prior to the on-site assessment.
- Conducting on-site verification at the Company's three domestic sites: IHI Corporation Toyosu IHI Building, Toyosu Energy Service Co., Ltd. and IHI Agri-Tech Corporation Matsumoto Head Office. The location of sampling sites for on-site assessment was selected by the Company.
- On-site assessment to check the Reports' scope and boundaries; monitoring points of energy consumption, renewable energy consumption, water withdrawal and discharge; GHG emission sources; waste discharge; and monitoring and calculation system.
- Vouching: Cross-checking the activity data against evidence.

3. Conclusion

Based on the procedures described above, nothing has come to our attention that has caused us to believe that the Environmental Information in the Report is not materially correct or has not been prepared in accordance with the Rule.

4. Considerations

The Company was responsible for preparing the Report, and JQA's responsibility was to conduct verification of the Environmental Information in the Report only. There is no conflict of interest between the Company and JQA.



Sumio Asada, Board Director
For and on behalf of Japan Quality Assurance Organization
1-25, Kandaasudacho, Chiyoda-ku, Tokyo, Japan
August 1, 2024

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Reduction of the Environmental Impact of Products and Services

Approach

In order to resolve social issues through our business, the IHI Group provides society with products and services that help conserve the global environment and reduce environmental burdens. The Group manages a system to certify products and services that are particularly outstanding among those contributing to conservation of the global environment and reducing environmental impact as environmentally-friendly products. Moreover, as classification methods such as the EU taxonomy are currently being developed, the Group is also reviewing its scheme for certifying environmentally-friendly products.

Governance

P.11 Sustainability Management

P.17 Environmental Management—Governance

Strategy

The IHI Group has established an Environmentally-friendly Products Certification Scheme to promote environmental consideration at each stage of a product’s life cycle and to provide products and services with even higher environmental performance.

P.17 Environmental Management—Strategy

Risk Management

Environmentally-friendly Products
Certification Scheme

IHI’s Environment Committee examines the environmental performance of products and services, certifying those that are especially outstanding as an environmentally-friendly product. These reviews evaluate whether environmental considerations have been incorporated at each stage of a product’s life cycle (research and development, design, procurement, manufacturing, use, service, and disposal).

Certification Process of Environmentally-friendly
Products

Propose certification plan for products and services

Evaluate environmental impact of products and services



Energy efficiency

Enhance energy efficiency, recover and use exhaust energy, and level the energy load



Reduced GHG emissions

Reduce, absorb, capture, store, and break down greenhouse gas emissions, generate renewable energy, and reduce fluorocarbons



Resource saving

Reduce and recycle natural resources necessary during manufacture, use, and maintenance



Reduced environmental risks

Reduce waste, air, water, soil, noise, vibration, ground subsidence, and odor pollution as well as monitor and measure environmental protection data



Biodiversity protection

Evaluate biomass resources and adapt installations to each location

Assessment and certification (IHI Environment Committee)

Initiatives

Environmentally-friendly Products

Products and services certified as environmentally-friendly are listed in the following table.

Certified Products

Products and services

- Intake facility (Selective water withdrawal facility)
- LRT (Light Rail Transit)
- New Transit System
- Active Noise Control System
- Silencer/Enclosure
- Noise/Vibration Consultation
- Energy-saving Parking System NPC24H Tachikawa Midori-cho No.2 Parking Lot
- IHI IC Reactor
- LNG Smart Satellite
- Industrial photovoltaic power system
- Technology for cleaning, chipping, and cutting surfaces without using water
- Cycles Management System
- Turbochargers for Vehicles
- IWW-34C Vacuum Degreaser
- Toyosu Foresia Environmentally-friendly Building

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Diversity, Equity, and Inclusion

Human Resource Management

Approach

The IHI Group has established its Management Philosophy “Contribute to the development of society through technology” and “Human resources are our single most valuable asset,” as well as its Group Human Talent Strategy, which aims to realize the medium-term management plan. To achieve the aforementioned, the Group has established the IHI Group Human Resource Management Policy to enable employees of IHI Group companies to make full use of their abilities based on a set of values they all share.

In fiscal 2024 the IHI Group has revised the contents of this policy and further clarifying the human resource management ideologies that should be shared amongst the Group and along with redefining these values shared amongst its employees, the Group is working on specific measures toward developing human resource management structures, improving work environment, and transforming its corporate culture.

Policy

●IHI Group Human Resource Management Policy

To realize our management philosophies (“Contribute to the development of society through technology” and “Human resources are our single most valuable asset”) and the IHI Group’s medium-term management plan, we have established a “Group Human Talent Strategy” and are implementing various HR management measures.

We are committed to creating systems and environments, and promoting cultural reform, that allow all employees of IHI Group companies to maximize their abilities under a common set of values.

As part of our overall policy, we outline the future vision for our organization and human capital in our “Group Human Talent Strategy”. To achieve this, we have defined the “Ideal Behavior & Action and Ideal Human Resources” as shared values that all employees should embody, and we are working to promote their adoption across the organization.

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Group Human Talent Strategy 2023

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Ideal Behavior & Action and Ideal Human Resources

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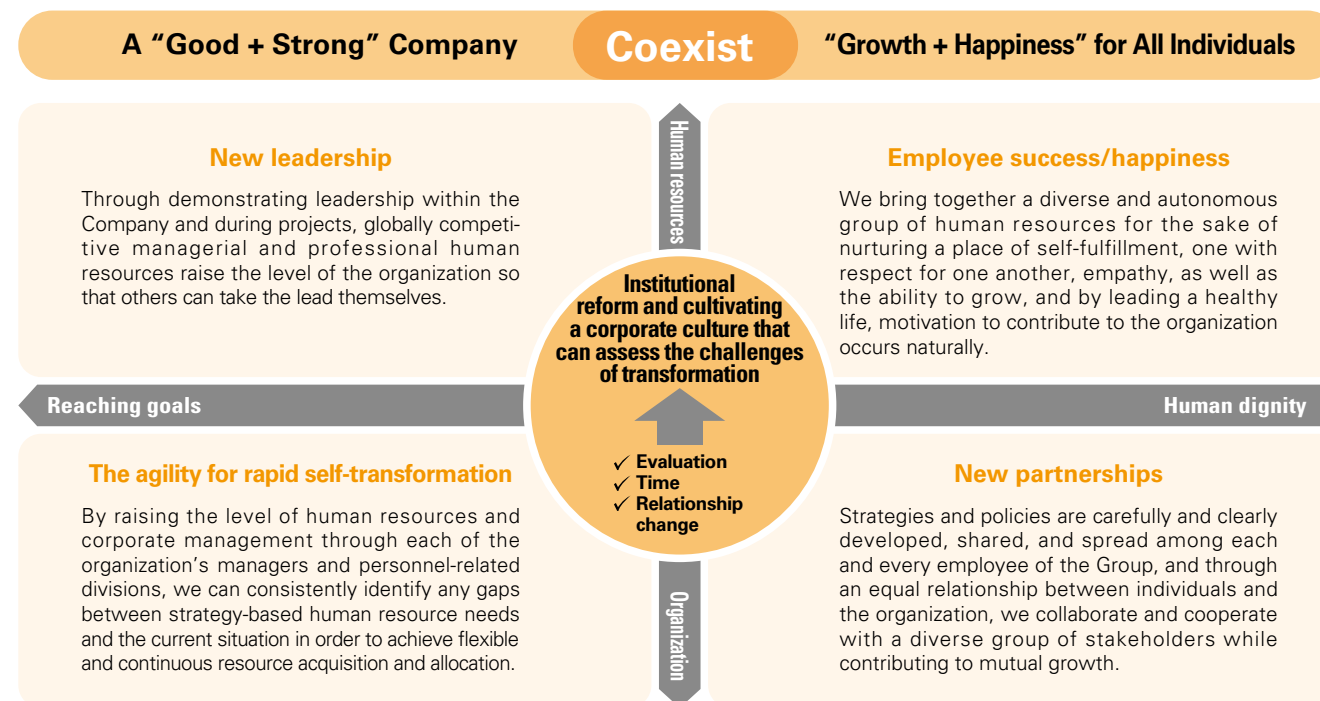
Group Human Talent Strategy 2023

In May 2023, the IHI Group announced the Group Human Talent Strategy 2023 in connection with the Group Management Policies 2023.

To accomplish this management policy, the Group Human Talent Strategy 2023 has outlined the Group's future vision to become a "Good + Strong" company as well as one realizing "Growth + Happiness" for all individuals. Moreover, the Group is reforming its evaluation system and accordingly cultivating a corporate culture that can assess the challenges of creating change, drawing on four ideals of "new leadership," "the agility for rapid self-transformation," "employee success/happiness," and "new partnerships" to embody the specific vision of the organization and human resources capable of realizing it.

During the second year of the Group Management Policies in fiscal 2024, the Group will hold workshops to facilitate understanding and familiarization with the actions necessary to utilize these measures, which will be implemented for all of its employees, including those overseas.

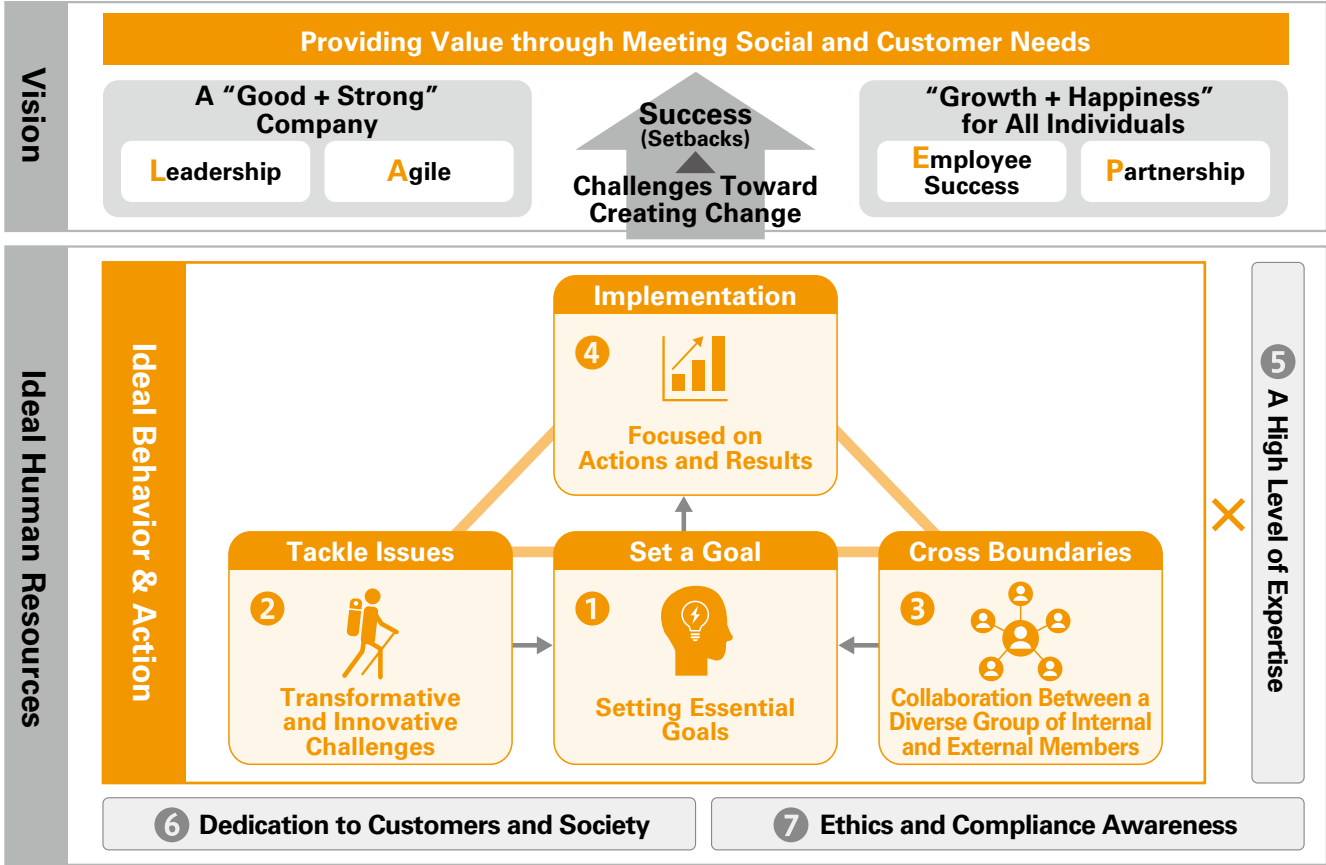
Group Human Talent Strategy 2023: Looking Toward the Future



Diversity, Equity, and Inclusion

Ideal Behavior & Action and Ideal Human Resources

In order to realize their vision set forth in the Group Management Policies 2023 and Group Human Talent Strategy 2023, in fiscal 2024, the IHI Group defined the “Ideal Behavior & Action” and “Ideal Human Resources” for all of its Group employees. “Ideal Behavior & Action” expresses the following four standards of behavior necessary to foster an organizational culture that embraces the challenges of change: 1) Set a Goal, 2) Tackle Issues, 3) Cross Boundaries, and 4) Implementation. In addition to the above, the Group has added three other crucial skills and mindsets for both present and future employees: 5) a High Level of Expertise, 6) Dedication to Customers and Society, and 7) Ethics and Compliance Awareness. These combine to create a total of seven items that define “Ideal Human Resources.” Among them, the four standards of “Ideal Behavior & Action” outline what is necessary for realizing change and, through workshops aimed to spread understanding at each worksite, the Group promotes the adoption and application of said values. By linking these initiatives with evaluations, training, and compensation systems, as well as through daily management, the Group encourages each employee to take action toward creating change.



Risks

In order to maintain the IHI Group’s business foundation and lead it to future growth, it is imperative for us to acquire, retain, and develop the human resources necessary for conducting its business. Should the Group finds itself unable to acquire external human resources or secure human resources capable of becoming key personnel or secure proper placement for them, the Group’s future growth, business results, and financial condition could face an adverse impact.

Opportunities

Through the management philosophy “Contribute to the development of society through technology” and the sustainability goal “Create a world where nature and technology work in unity,” each of IHI Group’s employees become more aware of the Group’s mission and the importance of their own role in society, creating behavior that makes external networks function effectively and leads to improvement in the Group’s social and corporate value.

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In order to achieve the goal of “business transformation to realize sustained high growth,” outlined in the Group Management Policies 2023, the IHI Group reported on human resource issues that must be addressed and the direction of initiatives under Group Human Talent Strategy 2023 at the Board of Directors meeting held July 24, 2023.

In addition to this, the Group also holds a Human Resource Committee where management can discuss human resource management from a business perspective as well as HRBP meetings where human resource managers exchange views on management measures developed by the Human Resources Division.

Human Resource Management Council Bodies

Names	Human Resource Committee	HRBP Council
Aims	Discussing human resource management from a business perspective	Communicating and exchanging views on human resource management measures developed by the head office’s Human Resources Division
Officers	Officer in charge of Group Human Resources	General Manager of Human Resources Division
Members	Representative Director, General Manager of Human Resources Division	General Manager of Human Resources Division, Human Resources Division Group Manager, IHI Academy Manager, and human resource manager of each business area
Frequency of meetings convened in FY2023	As needed	Monthly

Risk Management

Employee-awareness Surveys

The IHI Group conducts employee-awareness surveys targeting employees in Japan and overseas once a year to grasp the status of the employee engagement. During fiscal 2023 employee engagement rose to 54 points, an increase of 1 point from the previous year for the first time since surveying began in 2019. (Improved “strategy comprehension” and “management trust”) Additionally, at each business unit and affiliated company, the Group is implementing actions to improve engagement in line with the needs at each of its divisions. By linking this with the existing business management systems (through linking the timing of the business planning with engagement survey feedback/action under consideration), the Group is in the process of developing of follow up actions for highly effective engagement.

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Employee-awareness Surveys (Scope: IHI and affiliated companies)

Item	FY2020	FY2021	FY2022	FY2023
Employee engagement	56	54	53	54
Ratio of answered employee-awareness surveys	88%	88%	84%	83%

Number of Employees

Number of Group Employees (Unit: People, Scope: IHI and consolidated subsidiaries)

Item	FY2020	FY2021	FY2022	FY2023
Consolidated number of employees	29,149	28,801	28,486	28,237
Number of IHI employees	7,796	7,779	7,768	7,840
Male	6,766	6,727	6,695	6,753
Female	1,030	1,052	1,073	1,087
Ratio of female employees	13.2%	13.5%	13.8%	13.9%

Number of Employees by Region (Unit: People, Scope: IHI and consolidated subsidiaries)

Item	FY2020	FY2021	FY2022	FY2023
Japan	21,778	21,390	21,266	21,187
Asia Pacific	4,132	4,053	3,902	3,912
Americas	1,122	1,291	1,406	1,443
Europe, Middle East, and Africa	2,117	2,067	1,912	1,695

Number of Employees by Business Area (Unit: People, Scope: IHI and consolidated subsidiaries)

Item	FY2020	FY2021	FY2022	FY2023
Resources, Energy & Environment	6,595	6,514	6,626	6,434
Social Infrastructure	2,469	2,443	2,344	2,396
Industrial Systems & General-Purpose Machinery	10,028	9,797	9,645	9,574
Aero Engine, Space & Defense	6,765	7,062	7,010	7,111
Others	2,320	1,945	1,802	1,624
Entire company (common)	972	1,040	1,059	1,098

Number of Employees by Age (Male/Female) (Unit: People, Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Under 30	1,520	1,401	1,452	1,137
Male	—	—	1,261	978
Female	—	—	191	159
30 to 39	2,313	2,327	2,341	2,405
Male	—	—	2,035	2,101
Female	—	—	306	304
40 to 49	2,078	2,086	2,090	2,014
Male	—	—	1,745	1,720
Female	—	—	345	294
50 to 59	1,575	1,687	1,664	1,912
Male	—	—	1,445	1,610
Female	—	—	219	302
60 and over	310	278	221	372
Male	—	—	209	344
Female	—	—	12	28

Number and Ratio of Employees from Abroad* (Unit: People, Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Number of employees	82	74	66	59
Ratio of employees from abroad	0.9%	0.9%	0.8%	0.8%

* As of April 1 each year.

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●Number of Employees by Employment Status (Unit: People, Scope: IHI)

Item		FY2020	FY2021	FY2022	FY2023
Regular employment	Regular employees	7,447	7,400	7,358	7,416
	Male	6,456	6,397	6,339	6,381
	Female	991	1,003	1,019	1,035
	Ratio of female employees	13.3%	13.6%	13.8%	14.0%
	Second by other companies	256	270	283	286
	Male	218	222	232	238
	Female	38	48	51	48
	Ratio of female employees	14.8%	17.8%	18.0%	16.8%
	Re-hires	93	109	127	138
	Male	92	108	124	134
Non-regular employment	Female	1	1	3	4
	Ratio of female employees	1.1%	0.9%	2.4%	2.9%
	Advisors and contract employees	107	102	117	129
	Male	102	97	109	120
	Female	5	5	8	9
	Ratio of female employees	4.7%	4.9%	6.8%	7.0%
	Part-time employees	476	453	436	453
	Male	85	81	77	73
	Female	391	372	359	380
	Ratio of female employees	82.1%	82.1%	82.3%	83.9%
	Fixed-term employees	81	35	15	31
	Male	64	24	9	18
	Female	17	11	6	13
	Ratio of female employees	21.0%	31.4%	40.0%	41.9%

●Number of Temporary Employees (Unit: People, Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Temporary employees	956	986	998	823

*With consideration toward handling gender information regarding temporary employees, the IHI Group decided to refrain from disclosing employee numbers by gender from FY2023.

●Average Years of Service* (Unit: Year, Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
All employees	15.1	16.1	16.5	16.6
Male	15.3	16.2	16.6	16.7
Female	14.2	15.4	15.8	16.0

*Due to a revision in the scope of calculation, the average years of service for FY2021 and FY2022 have been revised.

Turnover

●Turnover Rate (Scope: IHI)

Item		FY2020	FY2021	FY2022	FY2023
Total turnover rate		2.9%	3.1%	2.7%	2.8%
Rate of resignation due to personal reasons		1.1%	1.6%	1.5%	1.5%
Rate of resignation due to personal reasons by age	Under 30	3.1%	3.9%	3.7%	3.0%
	30 to 39	1.2%	2.5%	1.9%	0.6%
	40 to 49	0.3%	0.5%	0.5%	1.0%
	50 to 59	2.2%	2.4%	0.1%	0.2%
	60 and over	34.8%	37.6%	26.4%	14.5%
Turnover rate within 3 years of joining the Company		4.3%	3.4%	5.5%	5.3%

●Turnover During 1 Year (Total Persons, Male/Female) (Unit: People, Scope: IHI)

Item		FY2020	FY2021	FY2022	FY2023
Total turnover		224	248	203	208
	Male	207	232	175	182
	Female	17	16	28	26

Diversity, Equity, and Inclusion

● Employees Union Membership Rate
(Scope: IHI and affiliated companies in Japan)

Item	FY2020	FY2021	FY2022	FY2023
Employees union membership rate	58%	59%	60%	62%

■ Engagement
● Number of Labor Complaints Received
(Unit: Reports, Owner: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Number of labor complaints received	0	0	0	0

Initiatives

■ Education/Awareness Building

In order to achieve the Group Human Talent Strategy 2023, the IHI Group is focusing on reforming its evaluation and treatment of human resources and corporate culture, which form the basis of its human resource strategies and measures.

Standardization of the Human Resource Management Policy for All Employees

The IHI Group is using its education program for new employees and various other education and training opportunities to build awareness for the Human Resource Management Policy among all Group employees in Japan and overseas.

Specifically, the Group has been holding workshops and other events that ensure each and every Group employee, including those overseas, understands and takes personal action to be an Ideal Human Resource and engage in Ideal Behavior & Action.

■ Fair and Equal Treatment

In order to establish fair and appropriate treatment, the IHI Group is working to raise wages through sincere dialogues between labor and management.

Furthermore, under a principle of equal pay for equal work based on the Part-time/Fixed-term Employment Act, the Group appropriately handles personnel according to the range of their duties and responsibilities and has established a personnel system to avoid unreasonable disparities. Additionally, the Group has made it a principle to, at minimum, set wages in accordance with the minimum age in each country.

Conversion of Fixed-term Employees into Regular Employees

IHI has put in place a system to convert fixed-term workers into regular employees. This program lays a path for fixed-term employees who satisfy certain criteria to request a regular position.

■ Employee Benefits Programs

The IHI Group’s employee benefits programs provide a variety of options that employees can choose from as a way of supporting their needs, including support for balancing work and childcare, nursing care, and medical care, as well as education, recreation, and other options.

Diversity, Equity, and Inclusion

Human Resources Development

Approach

Based on the management philosophy of “Human resources are our single most valuable asset,” the IHI Group endeavors to bring the full potential of its employees and has put human resource development programs into place to further improve their abilities. In addition, based on the Group Human Talent Strategy 2023, the Group has created a system for education and reeducation and is taking steps to provide independent learning opportunities to accommodate the diverse work styles and career perspectives of its employees for the purpose of developing human resources capable of change in response to business environment and technological innovation, achieving both a “Good + Strong” company and “Growth + Happiness” for individuals.

Policy

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Strategy

Risks

It is the IHI Group’s belief that improving corporate structure is necessary in order to respond to modern social environments where instability is a given. If the Group is unable to make progress toward developing and acquiring human resources capable of creating change, the most important asset for achieving global business and corporate structure transformation, the Group’s ability and corporate culture for sustainable and flexible personal change cannot be realized, and the survival and growth of the Group may be at risk.

Opportunities

The IHI Group strives to acquire global-level expertise and management skills by providing reskilling opportunities and supporting independent career development, transforming global business and corporate structure.

Risk Management

In order to develop and acquire human resources capable of creating change and measure the progress of independent career development, the IHI Group monitors the following items.

- ① Results regarding recruiting plan
- ② Employee engagement survey score improvement
- ③ Number of hand-up career challenge program transferees
- ④ Voluntary/independent selective training attendance

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Employee-awareness Surveys

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Number of Career Challenge Program Transferees

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

Item	FY2020	FY2021	FY2022	FY2023
Total	55	67	112	89

Participants in Main Training Courses and Number of Training Hours, Training Hours per Employee

(Scope: IHI and affiliated companies in Japan)

Item	FY2020*1	FY2021*2	FY2022*3, *4	FY2023
Stratified Training				
Participants	1,882	672	795	871
Training hours	34,672	24,028	25,960	29,616
Voluntary/Independent Selective Training				
Participants (total)	1,948	17,430	37,057	27,920
Training hours	16,358	49,648	88,822	71,348
Mandatory Courses				
Participants (total)	—	253,716	282,415	412,942
Training hours	—	188,927	170,164	362,415
Senior Management Candidate Training				
Participants	134	132	118	359
Training hours	11,550	13,992	10,525	47,444
Professional Development Training				
Participants	227	275	249	186
Training hours	6,988	8,443	7,615	5,725
Division-specific/Affiliated company-specific training				
Participants	—	—	—	70,147
Training hours	—	—	—	216,303
Average Annual Training Hours per Employee				
	13.3	12.1	14.3	34.9

*1 Due to the COVID-19 pandemic we refrained from conducting any programs during the first half of FY2020, and as a result of only making them available during the latter half, the number of participants declined compared to the previous fiscal years.

*2 Due to reforms to the Group Human Resource Development Program in FY2021, the number of participants and hours of each training course fluctuated compared to past years.

*3 Stratified training in FY2022 includes training conducted for new employee supporters.

*4 New management development and professional development programs were added in FY2022. These programs are not included in the average annual training hours per employee for FY2020 to FY2021.

Number of Employees Undergoing Regular Career Development Reviews (By Male/Female)

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

Item	FY2020	FY2021	FY2022	FY2023
Total	—	—	15,327	14,939
Male	—	—	13,024	12,605
Female	—	—	2,303	2,334

Training Expense per Employee

(Scope: IHI and affiliated companies in Japan)

Item	FY2020	FY2021	FY2022	FY2023
Total	—	—	23,512 JPY	40,380 JPY

Employees Certified as Master Artisans

(Unit: People, Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Number of employees certified	39	41	41	37
Soma	8	12	12	15
Mizuho	13	13	10	7
Tsurugashima	—	—	—	1
Tomioka	3	2	1	1
Yokohama	6	4	9	5
Aioi	3	3	3	3
Kure	6	7	6	5

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Initiatives

Human Resource Development Program

The IHI Group is building educational programs to support each employee to develop their career, accelerate their growth, and foster ongoing learning.

At the core of the Group's educational programs are the Career Development Support Program and Voluntary/Independent Selective Training. Through these programs, the Group will create conditions that foster ongoing independent learning and support employees to expand the possibilities for playing an active role at work.

Initiatives to Develop Diverse Human Resources

To support each employee's challenge and learning to achieve their career plans, the IHI Group has established various training systems, centered on selective training, and has developed shared educational programs that allows diverse human resources to grow and play an active role.

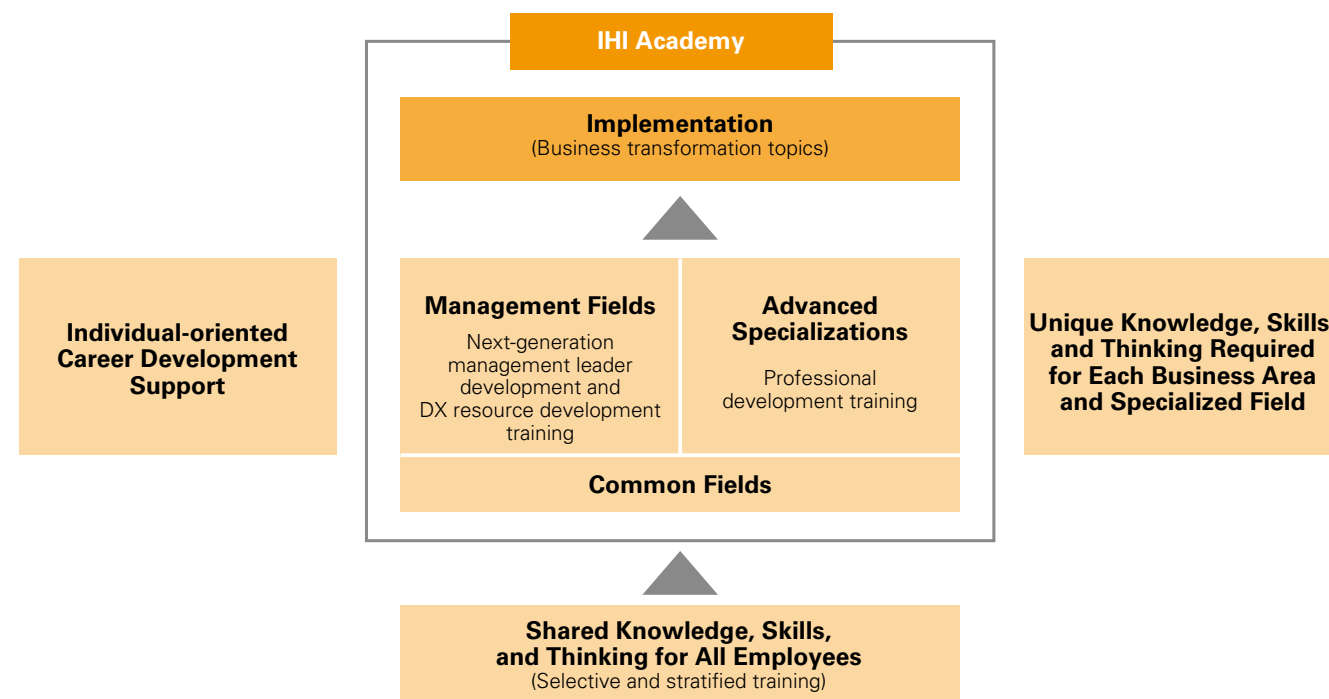
The IHI Academy provides training and skills enhancement for Senior Managers and specialist human resources that are active globally and lead transformation. Stratified training includes training for new employees as well as newly appointed managers and assistant foremen. In the global human resource development training, employees strategically build up experience at overseas production plants and in major projects as well as take courses to acquire global communication skills and gain cross-cultural competency before taking a post overseas. Furthermore, in addition to this the Group also conducts training emphasizing diversity, equity, and inclusion (DE&I).

Providing Training and Skills Enhancement for Senior Managers and Specialist Human Resources That Are Applicable Globally

Launched in April 2023, the IHI Academy provides training and skills enhancement for Senior Managers and specialist human resources that are active globally and lead IHI Group transformation.

In addition to standard recommendations coming from divisions, the IHI Academy also accepts applications from ambitious human resources to expand opportunities for participation. The Group is also augmenting the training program with a focus on real-world implementation.

Overall Image of Human Resource Development



Diversity, Equity, and Inclusion

● **Human Resource Development Program**

IHI Group Education and Training Programs						Elective Training	Selective Training	Stratified Training											
	IHI Academy		Selective and Career-based Training			Stratified Training	Global Human Resource Development Training	Diversity, Equity, and Inclusion											
	Management/DX Field	Professional Field																	
Managers	Cross-Industry Exchanges, MBA Dispatch, Study Abroad Programs, etc.	Practical Implementation (Business Transformation Issues)	Professional Development Training	Shared Areas	Technical Skills (Specialist Courses)	Business Skills	Communication Skills	Mental Fitness and Liberal Arts	Career Design Seminar (By Stage of Career)	Career Management Training	New Manager Training	Foreman Training	Assistant Foreman Training	Supporter Training	New Employee Training	Training for Overseas Assignments	Global Communication Skills and Cultural Competency	External Training and Cross-Industry Exchanges	DE&I Training (Human Rights Awareness, DE&I Understanding, Harassment Prevention, Work-Life Balance Support)
Workplace Leaders																			
Senior Employees																			
Junior Employees																			

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Voluntary/Independent Selective Training

Based on the Group Human Talent Strategy 2023, the IHI Group supports employees to independently shape their career and helps provide opportunities for skills development. The Group has been building Voluntary/Independent Selective Training programs since fiscal 2021 as a framework for employees to choose and learn various subjects anytime, anywhere according to their career plan. Specifically, this training system provides a wide variety of different inhouse technical, business, communication skill, and mental fitness courses. During fiscal 2023 the Group further increased the number of these courses to approximately 450, and strengthened tool (IHI Group learning platform) functionality for accessing each of them online.

Voluntary/Independent Selective Training

Selective Training		
Technical skills (approx. 250 courses)	Business skills (approx. 160 courses)	Communication skills (approx. 5 courses)
Physics/Chemistry Materials/Structures Heat/Fluids/Combustion Turbo Systems/ Mechanical Elements/Vibrations Production Processes Control/Sensing Project Management Intellectual Property Sales Procurement	Management Policy Sustainability/ESG Quality/Compliance DX Design Thinking Business Models Marketing Problem Solving/PDCA Finance/Accounting Engineering and Manufacturing Company Basics Management	Business Communication Team Building Coaching
		Mental fitness (approx. 40 courses)
		Philosophy Leadership Motivation Diversity

Relearning

The IHI Group is expanding training programs for reskilling to proactively have employees acquire the knowledge and skills necessary to adapt to changes in the business environment and technological innovation. As human resources are increasingly being shifted and optimally assigned to positions, the Group offers support programs to enable employees whose work duties have changed to quickly play an active role.

Passing Down Skills to Others

IHI strives to pass down welding, machining, and other core skills at each plant, which are the foundation of our manufacturing expertise. Many of its employees are experts in each of these fields. The Group has introduced a master artisan program to encourage employees certified as master artisans to pass on their skills to new up-and-comers.

IHI Human Resources Development & Communication Center

The I-STEP Shonan IHI Human Resources Development & Communication Center (Yokosuka City, Kanagawa) holds training and various meetings for Group employees from around the world. The Center is a base that promotes active communication and learning and where IHI Group colleagues can come together to share the Group’s corporate philosophy and values while they engage in active communication. Moreover, the Group is also taking steps to enhance well-being of its employees by improving recreational activities.

Career Challenge Program

As part of the IHI Group’s efforts to promote individual career development and provide skill opportunities for employees, the Group has introduced a voluntary transferable career challenge system (with open Group recruitment). Between fiscal 2019 to 2023, a total of 349 employees have taken advantage of this program and been matched with positions.

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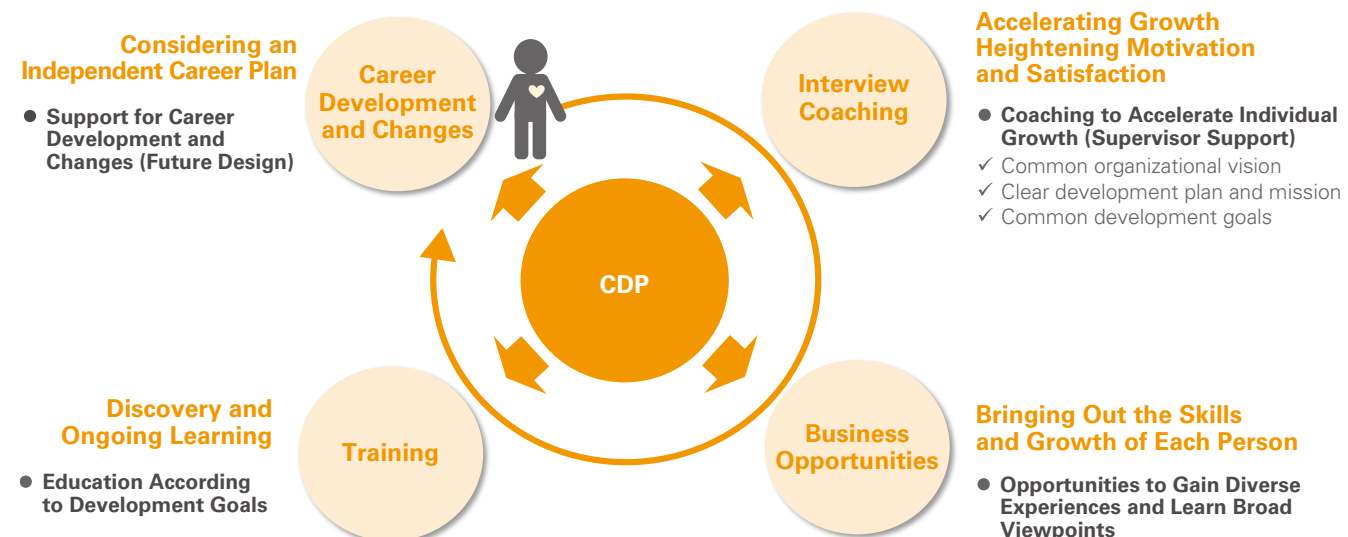
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Career Development Program

Since fiscal 2019 the IHI Group has been implementing a Group-wide individually-tailored career development program (CDP) as a tool for encouraging individual career development. Meetings with a supervisor based on the individual employee's career plan (future design) are held to discuss what challenges and training the employee needs to undertake to achieve their career plan.

Through this initiative, the Group is supporting each employee to independently think about their career plan as well as supporting their growth through work and educational opportunities and ongoing learning.

CDP



Career Development Support Program

In order to spread independent career design amongst employees and enrich both their work and life careers, the IHI Group has established the Career Development Support Program as an initiative to support career design and create workplaces where everyone can actively participate. Based on this program, the Group holds Career Design Seminars tailored to each career stage. They are intended to enable employees to independently consider and carry out plans for developing their skills and abilities to better advance their careers in the future.

As part of the support for career plan creation the Group manages a support desk where employees can consider their own career plan in one-on-one sessions with an in-house career advisor. To date, a total of 200 employees have used the support desk. The Group has also launched an intra-Group portal site, Build My Career, where it regularly releases general information about career development.

Career Shift Program

The IHI Group has a Career Shift Program targeting managers currently employed at IHI. Employees who take advantage of this program before the age of 50 are able to choose from multiple career courses for a future style of work. Among these courses, the Group has also prepared a Career Shift Support Program to assist those who are looking to move on from the company and carve out a second life. Those who make use of the system receive a career shift retirement allowance based on their age.

At the career planning support desk that serves the entire IHI Group, it has been making improvements to allow employees to select an external career advisor since fiscal 2023 to accommodate a diverse variety of career choices.

Diversity, Equity, and Inclusion

Diversity, Equity, and Inclusion

Approach

Based on the IHI Group ESG Management (announced in November 2021), Group Management Policies 2023, and Group Human Talent Strategy 2023, the IHI Group is striving to establish a corporate culture that emphasizes diversity, equity, and inclusion (DE&I) initiatives with respect for human rights as part of its corporate responsibility. To solve social issues through the business activities, it is necessary to incorporate perspectives from the Group’s diverse human resources into its practices to realize the issues and needs of consumers that make up society so that we can achieve a society offering safety, security, and prosperity. Additionally, the backgrounds, experiences, and individuality present in this diverse group bring fresh perspectives to the Group, and they will become the driving source for promoting change. The IHI Group considers the differences in each person’s position, living environment, gender, and so on to create fair opportunities, and to cultivate an environment in which each person’s strengths are utilized, with the power of diversity that results from this leading to value creation.

Governance

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Strategy

Risks

In order for IHI’s human resources from diverse backgrounds to maximize their full potential, it is necessary to recognize everyone’s values and individuality. If DE&I is not ingrained into the corporate culture it may result in a lack of diversity within the organization, making it difficult to coordinate and collaborate with various stakeholders and inhibiting the creation of new ideas and innovation. Moreover, when management and workplace environments are based on homogeneity, it becomes difficult for each employee to perform to the best of his or her abilities, which may lead to a decline in their engagement.

Opportunities

In order to realize the kind of sustainable society the IHI Group is aiming for, it is necessary for the Group to incorporate DE&I into its corporate culture and foster a flexible organizational culture when it comes to accepting diverse views. Raising awareness and educating each employee to put DE&I into practice and creating a workplace environment where diverse human resources can thrive helps to foster an organizational culture that, in the midst of dramatic environmental change, is able to transform the corporate structure to one not bound by conventional practices and frameworks. Furthermore, a well-functioning network both within and outside the Group helps corporate activity proceed smoothly.

Risk Management

The IHI Group has its Group Human Rights Committee monitor the progress of various measures (such as responses to instances of harassment, e-learning participation and response results, and so on), measuring the degree of understanding and integration of DE&I through the implementation of its Diversity Index. In addition, the Group provides information for empowering women, employing people with disabilities, and male employees taking childcare leave, topics of particular social interest that governments and organizations are working to establish specific indicators for, setting them as a diversity goal for the Group that it monitors the performance of.

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Metrics and Targets

DE&I Targets and Results (Scope: IHI)

KPI	Target	Target Year	FY2020	FY2021	FY2022	FY2023
Female recruitment rate	University graduates: About 20%	2026	16.5%	20.2%	14.3%	19.8%
Ratio of female Managers	7%	2026	3.4%	3.9%	4.7%	5.3%
	15%	2030				
Ratio of female Officers	Increasing the proportion of female Officers to exceed 30% by 2030 (Support for the Keidanren's 30% by 2030 Challenge)	2030	18%	18%	18%	18%
Ratio of employees with disabilities		2024	2.35%	2.39%	2.55%	2.62%
Promote male employees to take paternity leave or paid time off for childcare	Promote all applicable male employees to take childcare leave of at least a week, and promote 2 or more weeks	2025	26.5%	70.8%	90.1%	124.9%

DE&I Training Participants (Unit: People)

Training Topics		FY2020	FY2021	FY2022	FY2023	Targets
DE&I	Officer unconscious bias training	—	—	—	23	IHI Officers
	Diversity index	—	—	—	5,461	Management and key positions at IHI and Group companies within Japan
	Monthly seminars for promoting DE&I	—	—	—	600	IHI and Japanese Group company employees
	DE&I e-learning	—	—	—	25,991	IHI and consolidated subsidiaries (including overseas)
Female empowerment and work-life balance support	External dispatch training	3	16	13	14	IHI and Japanese Group company employees
	Coexistence Support Seminar	343	388	281	483	IHI and Japanese Group company employees
Active participation by diverse human resources	LGBTQ+ Ally conference	—	35	—	99	IHI and Japanese Group company employees
	Training and exchange of employees from abroad	—	—	—	12	IHI and Japanese Group company employees

Recruitment Results

New Graduate and Mid-career Recruitment Results (Unit: People, Scope: IHI)

Item		FY2020	FY2021	FY2022	FY2023
New graduate recruitment	Total	194	109	98	126
	Male (engineers)	133	75	72	81
	Female (engineers)	6	14	9	16
	Male (administrative)	29	12	12	20
	Female (administrative)	26	8	5	9
Ratio of female employees		16.5%	20.2%	14.3%	19.8%
Mid-career recruitment	Total	55	85	98*1	165
	Male	44	66	72	141
	Female	11	19	26	24
	Ratio of female employees	20.0%	22.4%	26.5%	14.5%
Total number of employees		249	194	196	291

*1 Number of mid-career recruitment for FY2022 has been revised.

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Board Diversity

Number of Officers*2 (Unit: People, Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Total	17	17	17	17
Male Officers	14	14	14	14
Female Officers (outside)	3	3	3	3
	(3)	(3)	(3)	(3)

*2 As of July 1 each year, members of the Board of Directors and Audit & Supervisory Board.

Ratio of Female Officers*3 (Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Ratio of female Officers	18%	18%	18%	18%

*3 As of July 1 each year, members of the Board of Directors and Audit & Supervisory Board.

Management Diversity

Number of Managers (by position, gender)*4 (Unit: People, Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Total*5	2,715	2,763	2,643	2,707
Male Managers	2,623	2,656	2,519	2,563
	General Managers	1,067	1,065	1,004
	Section Managers	1,556	1,591	1,515
Female Managers	92	107	124	144
	General Managers	23	31	39
	Section Managers	69	76	105

*4 As of April 1 each year.

*5 Due to a change in the calculation method, the total numbers of managers for FY2020 and FY2021 have been revised.

Ratio of Female Managers*6 (Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Ratio of male Managers	96.6%	96.1%	95.3%	94.7%
Ratio of General Managers*7	97.9%	97.2%	96.4%	96.3%
Ratio of Section Managers*7	95.8%	95.4%	94.6%	93.6%
Ratio of female Managers	3.4%	3.9%	4.7%	5.3%
Ratio of General Managers*7	2.1%	2.8%	3.6%	3.7%
Ratio of Section Managers*7	4.2%	4.6%	5.4%	6.4%

*6 As of April 1 each year.

*7 Due to a change in the calculation method, the ratios of female general managers and female section managers for FY2020–FY2022 have been revised.

Number of Managers That Joined IHI Mid-career*8 (Unit: People, Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Number of Managers	234	230	253	307

*8 As of April 1 each year.

Diversity, Equity, and Inclusion

●Number of Managers Among Employees from Abroad*⁹ (Unit: People, Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Number of Managers	13	14	16	22
Of which, General Managers	3	3	3	7
Of which, Section Managers	—	—	—	15

*⁹ As of April 1 each year.

●Local Managers at Overseas Regional Head Office Sites*¹⁰ (Unit: People, Scope: China, Singapore, and the United States)

Item	FY2020	FY2021	FY2022	FY2023
Total	22	25	26	30
IHI (Shanghai) Management Co. Ltd. (China)	5	6	6	6
IHI ASIA PACIFIC PTE.LTD. (Singapore)	6	5	11	11
IHI Americas Inc. (United States)	11	14	9	13

*¹⁰ As of April 1 each year.

Ratio of Employees

●Ratio of Employees with Disabilities*¹¹ (Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Ratio of Employees	2.35%	2.39%	2.55%	2.62%
Target	2.3%	2.3%	2.4%	2.6%

*¹¹ As of June 1 each year.

●Re-employment Rate of Employees at Retirement Age (Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Re-employment rate of employees at retirement age	81%	78%	100%	81%

Work-life Balance

●Work Hours (Unit: Hours, Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Monthly average overtime	13.00	18.90	21.60	21.90
Annual work hours	1,797.9	1,948.3	1,984.5	1,972.7

●Average Annual Paid Vacation Days Taken (Unit: Days, Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Average annual paid vacation days taken	18.73	17.37	18.65	19.78

●Leave Acquisition Rate (Unit: People, Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Employees who have used the reduced work hour program	139	158	140	141
Employees who have taken childcare leave	768	935	1,010	995
Employees who have taken parental leave	137	128	198	185
Male	31	60	78	89
Female	106	68	120	96
Percentage of employees who return to work after parental leave	100%	100%	99.6%	98.3%
Employees who have taken nursing care leave	2	6	3	10

●Ratio of Male Employees Who Took Paternity Leave or Paid Time Off for Childcare (1 Week or More)*¹² (Scope: IHI)

Item	FY2020	FY2021	FY2022	FY2023
Ratio that took leave	26.5%	70.8%	90.1%	124.9%

*¹² Male employees who took applicable leave or paid time off during the respective fiscal year divided by male employees who had a child born during the respective fiscal year.

Diversity, Equity, and Inclusion

Initiatives

Fostering an Organizational Culture that Promotes DE&I

The IHI Group rolled out its DE&I training program, “Diversity Index,” during fiscal 2023 and conducted management skills training for executives and managers at IHI and affiliated companies within Japan. With the aim of promoting understanding and raising awareness among each of our employees, the Group conducted e-learning programs to deepening their knowledge of DE&I and unconscious bias. Additionally, every year the Group designates December as DE&I Promotion month, delivering a message from the President regarding DE&I, providing executive training, and holding training sessions and seminars.

Supporting the Active Participation of Diverse Human Resources

Mid-career Recruitment

In order to achieve the business and corporate structure transformation outlined in Group Human Talent Strategy 2023, the IHI Group regularly—rather than sporadically—takes steps to acquire human resources externally in business and technical fields where the Group finds its knowledge lacking, promoting their active participation and internalizing the knowledge they bring. In particular the Group has welcomed over 100 hires in the Aero Engine, Space & Defense Business Area, positioned as a developing business, and actively utilize their past experience, technical skills, specializations, and perspectives and values that differ from those of IHI.

Empowering Female Employees

These initiatives include recruiting and developing female hires in key human resource roles to promote to middle and top management while also defining various goals to build a workplace environment where they can actively participate.

As part of its training, the IHI Group sets up career development opportunities for female Managers by dispatching them to training outside of the Group and giving networking support, in addition to supervisor instruction and coaching. Moreover, concerning the wages men and women make, there is currently a discrepancy due to the difference in personnel make-up between genders. In particular the main reason for this discrepancy is the lower ratio of women in management positions than of men, with fewer women in upper management positions and men working longer hours, including overtime. Taking these factors into account, going forward the Group will continue to promote the creation of a workplace environment where women can thrive.

Empowering Employees from Abroad

The IHI Group promotes the creation of a workplace environment where talented employees can work comfortably and fully realize their potential regardless of nationality. As part of this within Japan the Group provides pre-hire Japanese language training for employees from abroad, and upon recruitment to the Group, conducts cross-cultural training sessions which include new recruit superiors in addition to social events for the purpose of networking. Employees from abroad also encounter problems unique to foreign nationals. That is why the Group has put in place consultation services for employees from abroad.

Empowering Local Employees Overseas

The IHI Group is working to accelerate global expansion, recruiting and nurturing human resources with roots in the community while considering the unique labor market and practices of each country. Furthermore, in terms of human resource development, the head office works together to support the implemen-

tation of measures established at each site according to current conditions and needs. In the future, it will promote even more active participation by cultivating diverse human resources throughout the Group worldwide.

Empowering Employees with Disabilities

The IHI Group promotes the empowerment of employees with disabilities. As part of its recruitment activities, the Group builds relationships with local employment support organizations for people with disabilities, schools for the deaf, and others, linking them to its recruitment activity efforts. In 1992, IHI established an organization at its head office specializing in the promotion and success of its employees with disabilities. From 2018, IHI has been providing support tailored uniquely to each employee through specialized support staff, with assistance programs in place, covering work and general aspects of company life. IHI also supports career advancement of each employee by providing an environment conducive to further growth and success. Currently this same organization has been established at each of its sites in Yokohama, Akishima, and Soma. In order to resolve problems faced by employees with disabilities while helping to implement better measures regarding personnel and support corporate affiliates, IHI has been a member of the Accessibility Consortium of Enterprises (ACE) since fiscal 2013, sharing its recruitment guidelines and examples of employment with other ACE member companies.

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Building an Inclusive Workplace Regardless of Sexual Orientation or Gender Identity

The IHI Group is creating a working environment where LGBTQ+ employees can reach their full potential regardless of sexual orientation or gender identity.

The IHI Group actively engages in LGBTQ+ ally*¹ activities. The Group believes that expanding the ally mindset of not denying, judging, or spreading creates a workplace environment where everyone can work comfortably. Striving to promote understanding among all of its employees in Japan, the Group established an e-learning program and has made information available through the company intranet. Currently, there are over 3,000 people who have declared themselves allies.

In fiscal 2023 the Group sponsored Tokyo Rainbow Pride 2023, and held an ally conference inviting LGBTQ+ community members and experts.

In addition, IHI has also set up various different personnel programs. With the exception of congratulatory and/or condolence money, special paid leave, and other welfare and work benefits excluded due to legal requirements, same-sex partners are treated no differently than spouses. IHI has also developed a system for managing labor based on business name and self-identified gender. Moreover, IHI has a system in place for accepting consultations regarding SOGI harassment*² at its harassment consultation desk, as well as a counter where people can anonymously seek consultation regarding LGBTQ+ support.

*¹ Ally: Allies refer to people who understand and support LGBTQ+. Anyone can be an ally, even if they do not identify as LGBTQ+.

*² SOGI Harassment: Harassment related to sexual orientation or gender identity.

Work-life Balance Programs and Consultation Services

The IHI Group has put in place various support programs to help employees balance work while raising children, taking care of sick family, or undergoing treatment for an illness of their own. The Group publishes and distributes handbooks and leaflets to raise awareness and promote use of these support programs, holding seminars by external lecturers, and setting up a consultation desk with outside experts who can provide support based on the circumstances and needs of each individual.

Additionally, the IHI Group encourages men to take childcare leave and has created a handbook for male employees to support balancing work and childcare. Furthermore, in support of employees wishing to have children the Group is distributing leaflets to raise awareness about a program that supports fertility treatment.

Along with annual leave, IHI provides childcare leave that can be used to raise or care for a child in addition to 15 days of family care leave per year for each family member requiring care, establishing a system that exceeds legal requirements.

Empowering People Over 60

The IHI Group promotes the active participation of employees at retirement age in many different ways. The Group has adopted a program for each employee to decide when to retire between the ages of 60 to 65. Many senior employees are also taking advantage of a program that enables promotion of employees over the age of 60 to encourage people to persevere regardless of age. Programs to capitalize on the high level of expertise and skill also create a framework to better encourage employees at retirement age to play a greater role.

Providing Opportunities to Gain Diverse Experience

Transfer

The IHI Group rotates staff between departments, and dispatches employees to external training programs as well as to partner companies, government agencies, and startups. The staff members also participate in joint development projects with other companies, universities, and research institutes, which are just some of the many ways in which the Group provides access to a variety of experiences and differing viewpoints that increase the opportunity to Cross Boundaries, Tackle Issues, and Implementation.

To help facilitate the career development plans defined by each employee, the Group also recruits constantly from its career challenge program (within the Group).

External Training

The IHI Group provides opportunities to gain broader experiences and an open mind through active human resource exchanges outside the organization, such as external training and events as well as participation in various academic societies. In external training, participants deepen their professional skills and learn about the latest industry trends and better practices from other companies.

These external activities allow employees to interact with people from a variety of diverse backgrounds, expanding their possibility of incorporating different perspectives and ideas into the Group.

Not only does participation in academic conferences deepen understanding of cutting-edge research and technology, but also provides an opportunity to expand networking with other experts.

Diversity, Equity, and Inclusion

Concurrent In-house Positions and Side Businesses
Outside IHI

The IHI Group provides opportunities for employees to think individually and proactively, taking on new challenges to achieve individual self-actualization and growth. The Group encourages everyone to gain broad experience both inside and outside the organization. The Group supports employees to have concurrent positions inside the company and side businesses (second jobs) outside of it in the hope of leveraging diverse viewpoints and ideas in management.

For example, some of these activities have included those related to participation in universities and re-search institutes or administrative agencies and start-ups for side businesses outside of the company, and for concurrent inhouse positions, developing and shar-ing applications that contend with internal and external problem-solving as well as coming up with a concept de-sign for Toyosu Brewery.

As of fiscal 2023, employees have registered approxi-mately 110 different side businesses, 50 concurrent posi-tions, and a total of 140 activities.

Work-style and Operational Process Reforms

Approach

As outlined in the Management Philosophy and the Basic Code of Conduct, the IHI Group considers one of its most important corporate responsibilities to be the ability to ensure safe and comfortable working environment for all people who work in the Group. Additionally, in order to achieve the implementation of Active Participation from Diverse Human Resources under the IHI Group ESG Management as well as a “Good + Strong” company and individual “Growth + Happiness” under the Group Human Talent Strategy 2023, the Group believes that it is essential to provide a workplace that responds to diversification of work values as well as improve productivity within the entire organization. Moreover, as work is a part of each employee’s life, the Group believes that while the workplace is a place for self-fulfillment through respect, empathy, and ability to grow, it is also a place where each person can do their job while leading a healthy life that is necessary for human resources to engage in career autonomy and play an active role.

Governance

In order to realize the Group Human Talent Strategy 2023, the IHI Group has established a system allowing it to promote the comprehensive initiatives such as reforming its business practices through working style, human capital/resource management, implementing employee surveys, company-wide projects and so on.

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Strategy

Risks

If the IHI Group is unable to move quickly enough to realize the work style it strives for, or unable to keep up with technological advancements and changing employee needs, it may become difficult for the Group to secure talented human resources or lead to a decline in employee productivity. Furthermore, in situations that call for work style reform, if the organization is judged as being inflexible, its brand image and social reputation may also suffer.

Opportunities

The IHI Group believes that management direction toward each individual’s desire to build a career for themselves and contribute to the organization provides a valuable opportunity for sustainable growth as a company. Specifically, from fiscal 2023, the Group has been supporting each of its employee’s growth, encouraging changes in behavior and habits by holding workshops that raise awareness about shared individual and organizational goals, and by providing senior management training.

Risk Management

P.45 Human Resource Management—Risk Management

Metrics and Targets

P.46 Human Resource Management—Metrics and Targets

Work-style and Operational Process Reforms

Initiatives

Education/Awareness Building

The IHI Group has established a mechanism for systematic exchange of opinions and dialogue throughout the whole Group. Senior management, managers, and personal affairs divisions work together to promote everything from the mutual exchange of management intentions and employee awareness to maintaining a work environment that unifies individual career development motivation, willingness to contribute to the organization, and management direction. During fiscal 2024 the Group started workshops targeting all employees to help them further understand and take on Priority Measures 2024 as well as new evaluation system based on Ideal Behavior & Action.

Promotion of Diverse Work Styles

The IHI Group strives to realize work-life balance to achieve a work-friendly environment where every employee can find balance between their personal and professional lives. The Group offers programs and systems for each employee to take actions proactively. Some employees have side jobs and businesses while others enter into career challenge and selective training programs. This corporate climate is motivating and offers each person a way to find a work style matching their unique values. Various initiatives endeavor to enhance internal communications through engagement efforts, shift to online work formats and remote communications, and to inspire ideas by improving productivity.

Creating New Working Styles (Smart Work)

The IHI Group is focused on improving productivity as well as employee engagement through various activities so that each organization and individual can concentrate on high-value work. Moreover, to enable continued improvement the Group is making efforts to utilize DX and inter-department collaboration throughout the Group. Going forward, based on the above ideas, the Group will consider and take measures to naturally boost willingness to contribute to the Group, allowing each employee to come together as a place for self-actualization where diverse and autonomous human resources can respect each other, empathize, grow, and live a healthy life.

Labor Practice (Occupational Health and Safety)

Approach

As part of the Group Management Philosophy and the Basic Code of Conduct, the IHI Group believes ensuring a safe and comfortable environment for everyone is one of its most important corporate responsibilities. In particular the Group considers ensuring health and safety as one of the foundations of its business activities and one it has positioned as an extremely important human rights issue toward “respect for human rights” outlined in the IHI Group ESG Management. Every month, the Group shares the progress of Group-wide occupational health and safety as well as health management with all Officers.

In addition, its initiatives are undertaken according to the IHI Group Health and Safety Policy as a way to ensure a healthy and safe workplace for everyone who works with the IHI Group whether they are a Group or partner company employee.

Policies

●IHI Group Health and Safety Policy

Based on our management philosophy of “Contribute to the development of society through technology” and “Human resources are our single most valuable asset,” the IHI Group is committed to establishing a corporate culture that puts safety as the first priority. Specifically, based on the Basic Code of Conduct for the IHI Group, the following initiatives will be implemented to ensure a workplace environment in which all employees can work safely and in good health.

1. The “Safety 5 Principles” will be taken as a principle shared throughout the Group and managers as well as all employees will engage in safety and health activities to prevent accidents.

[Safety 5 Principles]

- Safety is the highest priority
- Don’t do or ask others to do dangerous work
- Eliminate things that could lead to an accident
- Follow the rules
- Take the initiative

2. We will endeavor to prepare facilities and provide opportunities to promote and maintain the mental and physical health of our employees, and create ideal workplaces in which employees can work in good health.

3. While complying with relevant laws and regulations on safety and health, we will give full consideration to how our business activities affect local communities and endeavor to ensure safety and health as a member of society.

Labor Practice (Occupational Health and Safety)

IHI Group Health Management Declaration

The IHI Group will implement management that values the health of employees based on the management philosophy of “Human resources are our single most valuable asset.”

We will support the proactive improvement of employee health and aim to energize the organization by maximizing employee vitality and capabilities.

By doing this, we will contribute to the development of society through the growth of the IHI Group.

July 1, 2020

Hiroshi Ide

President and Chief Operating Officer

IHI Corporation

Specific Initiatives

The IHI Group will work on both corporate health management and work-style reforms.

We will actively cooperate with labor unions and health insurance associations to spearhead the key measures below.

IHI asks every employee to strive to better their own health and take part in building an enthusiastic working environment.

1. Reduce individual and organizational health risks.
 - (i) Enforcement of working conditions according to the results of medical checkups.
 - (ii) Ensure the implementation of reactive mental health care measures. (Improve the working environment through stress checks, workplace surveys, and a clear response to illnesses.)
 - (iii) Encourage employees to stop smoking and prevent second-hand smoking.
2. Improve individual and organizational health to invigorate the working environment.
 - (i) Assist each person to actively manage their own health.
 - (ii) Proactively implement active mental health care measures. (Build a working environment where enthusiasm and professional growth is felt so that everyone cultivates an enduring spirit.)
3. Promote better health for both employees and their families.
 - (i) Expand activities to better health of employees and their families.
 - (ii) Increase employee participation in medical checkups and health guidance.

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Governance

The IHI Group has established the IHI Group Health and Safety Committee as a Group-wide committee. The Committee discusses and drafts important policies and promotes occupational health and safety activities. The committee is composed of an Officer in charge of Health and Safety as chairperson, and is vice chaired by the General Manager of Monozukuri System Transformation Division, who provides opinions from a general manufacturing perspective, and by the President of Social Infrastructure Business Area, who handles multiple construction sites. Presidents of other business areas participate as committee members, bringing together views a wide range of perspectives. Important matters related to health and safety, such as serious accidents, are discussed and reported to the Board of Directors.

Occupational Health and Safety Structure



IHI Group Health and Safety Committee

Chairperson	Officer in charge of Health and Safety
Deputy Chairperson	President of Social Infrastructure Business Area, General Manager and Deputy General Manager of Monozukuri System Transformation Division
Members	President of Resources, Energy & Environment Business Area, President of Industrial Systems & General-Purpose Machinery Business Area, President of Aero Engine, Space & Defense Business Area, General Manager of Corporate Research and Development Division, Chief Occupational Health Physician, and other persons nominated by the chairperson
Secretariat	Human Resources Division
Number of meetings convened in FY2023	1

Strategy

Risks

The IHI Group takes every possible measure to manage health and safety at our offices and construction sites, but in the unlikely event that an unexpected accident or disaster occurs, production activity may be disrupted, possibly having an adverse affect on the Group’s financial standing as a result. Although the Group has adopted measures such as taking its various types of liability insurance, in the event of a large-scale accident or disaster, it is possible the Group may be unable to recover all damages.

Opportunities

The IHI Group believes that ensuring occupational health and safety improves employee engagement and well-being* and that it is paramount to supporting sustainable business continuity and business transformation. In this way, the Group believes that efforts made toward occupational health and safety ultimately contribute to improving its competitiveness and increasing corporate value.

* Well-being: condition where body and mind are healthy, a person is able to work in a lively manner, and both employees and organization are full of vitality

Labor Practice (Occupational Health and Safety)

Risk Management

Workers Protected Under IHI’s Occupational Health and Safety Management System

The IHI Group has established standards laid out in both the occupational health and safety management system at works and research facilities and the occupational health and safety management system at construction sites.

These standards apply to all Group works, research facilities, and construction sites, and extend to all workers at these sites, including Group employees and partner company employees.

Health and Safety Management

The IHI Group is committed to eradicating occupational accidents through “Safety 5 Principles” that act as a Group-wide code of conduct.

The Group assesses risk at its works and construction sites to identify and mitigate potential hazards through strict verifiable countermeasures. The Group conducts regular health and safety training for all of its employees to eradicate occupational accidents. In addition, the Group gives support to business partners at works and construction sites to improve health and safety management in a cooperative effort to ensure safe working environments.

The Group carries out these health and safety initiatives as part of the occupational health and safety management system.

Occupational Accident Risk Management

The IHI Group promotes health and safety activities upon defining occupational health and safety policies, targets, and plans according to the standards set as part of our occupational health and safety management system. The annual occupational health and safety management evaluations also drive improvements to eradicate occupational accidents.

The Group defines items requiring its attention as well by identifying dangers and hazards related to machinery, facility, chemicals, and other such factors in order to reduce and eliminate them.

The IHI Group rolled out the Safety General Principle for the six most common types of occupational accident in fiscal 2020 and are focusing on eradicating these occupational accidents throughout the entire IHI Group.

FY2024 IHI Group Health & Safety Management Priority Policy

Management Targets

- (1) Zero lost time injuries or serious accidents
- (2) Total injuries frequency rate
(Works divisions) Less than 0.6, (Construction divisions) Less than 1.2

Based on our strong belief that all accidents are preventable, we aim to achieve zero accidents with the participation of all employees.

(1) Strengthen dialogue toward becoming an “independent and mutually enlightening” organization

- Promotion of dialogue activities and on-site verbal safety communication by management executives
- Promotion of dialogic safety activities by supervisor

(2) Eliminate accidents that fall under the Group’s Safety General Principle

- Strengthen risk identification and countermeasures focusing on human behavior
- Increase risk awareness and prediction level through the promotion of risk prediction meetings that are set up on the initiative of workers

(3) Elimination of accidents caused by unskilled workers

- Improve individual risk awareness (Danger experience training using VR, etc.)
- Strengthen identification, visualization, and intensive management of unskilled workers

(4) Enhance safety management systems in the construction and service sectors —Toward overcoming the declaration of a state of emergency

- Carry out thorough discussions in advance, such as pre-construction meetings
- Strengthen relations with partner companies (including training and guidance)
- Enhance on-site guidance and support by supervisors from the main office or branch offices

As part of the above efforts, we will make improvements to confirm and share countermeasures regarding prior accidents that occurred within individual divisions.

- In order to understand safety measure issues and weaknesses beforehand and make improvements, we will work to enhance our preventive safety measures by using leading indicators (safety awareness/fact surveys, reviews, and evaluations).

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IHI Group's Safety General Principle

1. Prevention of Fall from Height
2. Prevention of Fall from Medium and Minor Height
3. Prevention of Caught-In/Pinched-In Between Machines and Devices
4. Prevention of Caught-In/Pinched-In During Handling of Heavy Object
5. Prevention of Hand Tools-Related Accidents
6. Prevention of Grinder-Related Accidents

Due Diligence to Occupational Health and Safety during Construction and Other Projects

Concerning construction and other project execution, the IHI Group strives to identify and evaluate occupational health and safety risks in advance and take any necessary steps to reduce them.

Moreover, the Group carries out safety measures, which include the IHI Group’s Safety General Principle, with our business partners.

Investigation Procedures and Observations in the Event of an Occupational Accident

The IHI Group assesses and analyzes factors of any occupational accidents through Group-wide accident investigation procedures. The use of standardized accident report formats allows for swift sharing of information about an accident in the Group.

An analysis and evaluation of the accident information collected helps put in place measures to prevent any recurrence of the same or similar accidents throughout the Group.

In fiscal 2023, 54 accidents occurred without lost time or other serious consequences. As these accidents still fall under the IHI Group’s Safety General Principle, the Group is working on countermeasures for direct causes and indirect causes, focusing on root cause analysis including any background factors, and is working to strengthen countermeasures against them.

Occupational Accident Breakdown

(Unit: Incidents, Scope: IHI and 31 affiliated companies)

Item	FY2020	FY2021	FY2022	FY2023
Fall from height	2	2	2	1
Fall from medium and minor height	1	4	5	6
Caught-in/pinched-in between machines and devices	3	6	7	6
Caught-in/pinched-in during handling of heavy object	8	12	7	6
Hand tools-related accidents	5	1	6	6
Grinder-related accidents	3	1	2	2
Others	16	26	27	27
Total	38	52	56	54

Labor Practice (Occupational Health and Safety)

Health Management

The IHI Group aims to achieve a “Good + Strong” company and individual “Growth + Happiness” as set out in Group Human Talent Strategy 2023, and believes that greater employee well-being helps improve individual productivity and invigorate the workplace, which is why the Group strives for health management from both a physical and mental perspective.

The Group’s mental health education takes both reactive approaches, such as detailed follow-up with individuals suffering from mental illness, programs to help employees return to work, and reintegration programs, as well as active approaches, such as education to teach mental toughness to improve motivation and performance. These educational programs aim to build an enthusiastic workplace for everyone, from new employees to senior management.

FY2024 IHI Group Health Care Priority Policy

Carry out both offensive and defensive measures to improve each individual’s energy and create a workplace where everyone can feel the joy of working from the perspective of physical and mental well-being, which is the foundation for everything.

(1) Offense measures:

- Provide information and health education regarding sleep, exercise, diet, etc. to increase individual vitality
- Develop well-being activities utilizing workplace health and employee awareness surveys, etc.

(2) Defense measures:

- Establish a system that can promptly address physical and mental illness stemming from a change of environment

[KGI/KPI]

- (1) Employee engagement (increase the percentage of active employees)
- (2) Increase the percentage of employees ready to perform at their best (sleep, exercise, nutrition)

Promoting Workplace Improvement Activities

The IHI Group is working on activities that improve the well-being of its employees and the organization. In fiscal 2024, the Group is integrating measures based on employee awareness survey results and moving forward with activities to improve the workplace with a focus on management and communication.

Topics Covered Under the Main Dialogue Between Employee Representatives and Management on Health and Safety

The IHI Group convenes the Central Health and Safety Committee every year to engage in a labor-management dialogue about employee health and safety.

Initiatives to Reduce Long Working Hours

The IHI Group positions human resources as the driving force behind value creation, and as part of this, the Group has established policies regarding working time management and are making efforts to reduce long employee working hours.

In particular, when it comes to monthly working hour management, the Group has set the following two goals, monitored monthly conditions, and reported to Management Committee as needed. (1) Zero employees exceeding 60 hours of overtime in a month; (2) Zero employees exceeding 80 hours of overtime in a month.

Health Management of Employees Involved in the Nuclear Power Business

The IHI Group has an established set of Radiation Control Standards for preventing radiation hazard to our employees. Based on these standards, the Group regulates the exposure of all IHI Group employees and partner company employees engaged in radiation work at nuclear power plants, nuclear fuel cycle plants, and other sites to evaluate radiation damage caused by exposure (exposure dose control). Based on recommendations from the International Commission on Radiological Protection (ICRP), the Group has established an internal value standard (20 mSv/year) far stricter than the exposure limit for radiation workers set by the Japanese Ministry of Health, Labour and Welfare (50 mSv/year).

In fiscal 2023, 0 employees were exposed to this internal standard. Furthermore, IHI’s industrial physicians provide health checkups along with health advice.

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Metrics and Targets

Occupational Accidents

Occupational Accidents*1

(Unit: Incidents (figure inside parentheses indicates fatal incidents), Scope: IHI and 31 affiliated companies)

Item		FY2020	FY2021	FY2022	FY2023
Total		38 (0)	52 (1)	56 (0)	54 (0)
	Employees	18 (0)	31 (1)	25 (0)	26 (0)
	Temporary employees	1 (0)	3 (0)	4 (0)	2 (0)
	Partners	19 (0)	18 (0)	27 (0)	26 (0)
Minor incidents		—	—	—	—

*1 Fatalities caused by occupational accidents.

Total Injuries Frequency Rate*2

(Scope: IHI and 31 affiliated companies)

Item	FY2020	FY2021	FY2022	FY2023
Total injuries frequency rate	0.87	1.23	1.37	1.33

*2 Fatalities or injuries caused by occupational accidents per million working hours

Lost Time Injuries Frequency Rate*3

(Scope: IHI and 31 affiliated companies)

Item	FY2020	FY2021	FY2022	FY2023
IHI Group average	0.28	0.38	0.39	0.34
National average in manufacturing industry*4	1.21	1.31	1.25	1.29

*3 Fatalities or injuries caused by occupational accidents per million working hours (excluding injuries with no time lost).

*4 Scope: Business sites with at least 100 people (sample survey).

Occupational Health and Safety

Occupational Health and Safety Rate

(Scope: IHI and 31 affiliated companies)

Item		FY2020	FY2021	FY2022	FY2023
Works Divisions	Target	Under 0.7	Under 0.6	Under 0.6	Under 0.6
	Results	0.62	0.95	0.89	0.95
Construction Divisions	Target	Under 1.2	Under 1.2	Under 1.2	Under 1.2
	Results	1.31	1.75	2.30	2.10

Severity Rate of Occupational Health and Safety

(Scope: IHI and 31 affiliated companies)

Item	FY2020	FY2021	FY2022	FY2023
IHI Group average	0.01	0.18	0.01	0.01

Number of Administrative Penalties Due to Labor Standards Act Violations

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

Item	FY2020	FY2021	FY2022	FY2023
Number of administrative penalties due to Labor Standards Act violations	0	0	0	0

Health Management

Medical Checkup Related Items

(Scope: IHI and 35 affiliated companies)

Item	FY2020	FY2021	FY2022	FY2023
Participation rate of medical checkups	—	97%	96%	98%
Rate of diagnoses made as a result of medical checkups	72%	71%	72%	72%
Participation rate of stress checks	95%	95%	97%	96%
High stress rate	—	9%	9%	10%
Absenteeism (Ratio of employees who take three or more months of leave)	0.8%	0.7%	1.3%	1.4%
Presenteeism (Ratio of employees with restricted hours)	2.1%	1.8%	1.7%	2.3%
Smoking rate	27%	28%	25%	25%

Rate of Occupational Diseases*5

(Unit: Incidents, Scope: IHI and 31 affiliated companies)

Item	FY2020	FY2021	FY2022	FY2023
Rate of occupational diseases	0.15	0.118	0.098	0.098
Deaths due to occupational diseases or illnesses	0	0	0	0

*5 People suffering from occupational diseases per million working hours.

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Initiatives

Education/Awareness Building

Employee Training and Education

The IHI Group provides education on health and safety specific to each position to everyone from new employees to management.

The works division employees undergo Supervisor Safety Training (SST) to learn about health and safety when promoted to assistant foreman or foreman.

Design and development employees on construction sites undergo Construction Safety Standard Training (CSST) to learn the ins and outs of construction health and safety as new and senior employees or group leaders and management.

Employees who are candidates for construction site director or supervisor undergo Supervisor Safety Training (SVST) and Site Manager Safety Training (SMST) to learn about on-site health and safety. The Group also provides follow-up training thereafter to expand knowledge about health and safety. The IHI Group provides education on health and safety specific to each position to everyone from new employees to management.

The IHI Group also cultivates trainers for the SST, CSST, SVST, and SMST programs as a Group.

In addition, the Health and Safety Committee constantly reflects feedback from employees based on standards laid out in the occupational health and safety management system at works and research facilities.

IHI Group Health and Safety Training System

Construction Divisions

Eligible Participants	New employees	Training upon entry on new construction sites	Construction supervisors and test driving coordinators instructing operators	Small-scale construction site and service construction managers	Health and Safety Officer Head office Health and Safety Manager On-site Health and Safety Manager
Details	New Employee Training	CSST Training	Supervisor Training (SVST Training)	Site Manager Training (SMST-I)	Site Manager Training (SMST-II)

Works Divisions

Eligible Participants	New employees	Work safety leaders, acting assistant foremen, etc.	Upon appointment as an assistant foreman	Upon appointment as a foreman	Upon appointment as a plant manager
Details	New Employee Training	SST-1	SST-2	SST-3	New Manager Training

Training Participants

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

Item	FY2020	FY2021	FY2022	FY2023
SVST	—	—	268	209
SMST-I	125	69	56	109
SMST-II	—	—	—	22
SST-1	—	—	131	136
SST-2	—	—	109	98
SST-3	—	—	31	42
SST and SMST Trainer Courses	—	14	27	15
Safety Management Appointment Training	—	—	26	71

Labor Practice (Occupational Health and Safety)

Health Management

Management Resilience Program

The IHI Group started a Resilience Program for its management beginning in fiscal 2021. The industrial physicians give lectures throughout the year covering four topics where workers learn about the body (sleep, exercise, and nutrition), emotion, consideration, and spirituality and put them into practice. The purpose of this program is not only to maintain and improve physical strength, but through these initiatives, to further build an individual and organizational vitality and strengthen cooperation among Officers. By making changes within the management class that leads the organization, the Group will continue making efforts to improve the health of the organization as a whole by striving for the happiness of its employees and improving the organization’s corporate value.

Initiatives Related to Various Health Issues

When the IHI Group dispatches employees to overseas areas where there is risk of contracting infectious disease, the Group recommends that those employees receive vaccinations against measles, rubella and other diseases in accordance with the recommended standards set by the Ministry of Health, Labour and Welfare Quarantine Station (FORTH).

In addition to this the Group is working on a thorough system for preventing infection in the workplace, including administering in-house mass vaccinations for seasonal influenza and measures to prevent the spread of the new coronavirus. During annual medical checkups, chest X-rays are performed to detect early respiratory and circulatory diseases, including tuberculosis.

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Approach

The IHI Group formulated the IHI Group Human Rights Policy in December 2020 based on its management philosophy and its approach to human rights outlined in the Basic Code of Conduct for the IHI Group under the approval of the Board of Directors. In IHI Group ESG Management, the Group has identified respecting human rights as one of its most material issues. Through human rights awareness activities based on international standards, the Group will fulfill its responsibility to respect human rights of all by fostering a respectful corporate culture and promoting human rights throughout its business activities.

Participation in Third-party Initiatives for Human Rights

The IHI Group has endorsed the Ten Principles of the United Nations Global Compact. As part of this, the Group has been participating as a member of the Global Compact Network Japan since 2022. Employees participate in various GCNJ subcommittees and continue in various activities related to deepening their comprehension of environmental management, human rights due diligence, human rights training, and so on. In fiscal 2022, the Group participated in the Business and Human Rights Academy organized by the United Nations Development Programme. Members of the human rights task team were able to systematically learn about human rights due diligence through lectures by Japanese and international experts on human rights and group work with participating companies. During fiscal 2023, with the aim of further expediting the implementation of human rights due diligence, Officer in charge of Group ESG participated in a Business and Human Rights Roundtable for Senior Management hosted by the UNDP, where they engaged in deeper discussions of human rights in Japan and around the world with executives from other companies that have demonstrated a strong commitment to human rights due diligence.

Policy

IHI Group Human Rights Policy

The IHI Group recognizes and contributes to solving global issues based on group management philosophies of “Contribute to the development of society through technology” and “Human resources are our single most valuable asset.” As the basis of this activity, we have established the “IHI Group Human Rights Policy” in line with the Basic Code of Conduct for the IHI Group. Through human rights awareness activities based on international standards, we will fulfill our responsibility to respect the human rights of all by fostering a respectful corporate culture and promoting human rights throughout our business activities.

(Scope)

- 1. This policy applies to all officers and employees engaged in IHI Group business (hereinafter “Officers and Employees”).
- 2. We will account for the Human Rights of all people in the course of our business activities.
- 3. We will request our suppliers and business partners to understand this policy and respect human rights.

(Compliance with international standards, laws and regulations, Basic Code, etc.)

- 1. We support and respect international standards for human rights (e.g. the Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights) and will act progressively in line with these standards.
- 2. In the countries and regions where we conduct our business, we will strive to respect international standards while upholding the laws and regulations of those countries or regions.

- 3. We always act in accordance with the Basic Code of Conduct for the IHI Group.

(Human rights awareness promotion structure and human rights due diligence)

- 1. We will establish a system to systematically and continuously promote human rights awareness and will work proactively to resolve human rights issues.
- 2. We will develop a structure to understand and assess human rights risks and to evaluate and improve the effectiveness of our commitment (human rights due diligence) and implement continuously.
- 3. When a potential or actual human rights risk is assessed or confirmed, we will promptly take corrective and preventive measures through appropriate procedures.

(Training)

We will provide our Officers and Employees with appropriate training continuously so that actions based on this policy will be implemented throughout our business activities.

(Dialogue and consultation, information disclosure)

- 1. We will maintain continuous dialogue and consultations with relevant stakeholders on the set of actions set forth in this policy.
- 2. We will periodically disclose information about our efforts and results on respect for human rights.

December 10, 2020

Hiroshi Ide
President and Chief Operating Officer
IHI Corporation

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Governance

The IHI Group established the Human Rights Committee as a Group-wide committee responsible for the “S” part of the ESG Management Promotion Committee. With the goal of fostering a corporate culture that respects human rights and promotes human rights initiatives, the Group plans and deliberates on the details of important policies and activities related to the promotion of DE&I focusing on “respect for human rights” and the “active participation of diverse human resources.”

The Committee is chaired by the Officer in charge of Group Human Resources and comprised of members from corporate divisions and business areas. Important matters such as activity policies, priority measures, and performance evaluations are discussed within the ESG Management Promotion Committee and then reported to the Board of Directors as deemed appropriate.

The Group established a Task Team* under the IHI Group Human Rights Committee as the body to promote human rights initiatives with regard to respect for human rights, in cooperation with related divisions and staff in charge of human rights at Group companies.

Concerning the promotion of DE&I, the Group is working in tandem with related divisions and Group companies.

* Task Team: Comprised of members from the Human Resources Div., Procurement Strategy Planning Div., Corporate Communication Div., Project Risk Management Div., Corporate Planning Div., Legal Div., and Marketing & Sales Headquarters

Human Rights Awareness Promotion Framework



IHI Group Human Rights Committee

Chairperson	Officer in charge of Group Human Resources
Members	President of each business area, General Manager of Procurement Strategy Planning, General Manager of Corporate Research and 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 Secretariat Div., General Manager of Economic Security Div., General Manager of Corporate Planning Div., General Manager of Corporate Communication Div., General Manager of Legal Div., General Manager of Administration Div., General Manager of Finance & Accounting Div., General Manager of Project Risk Management Div., and General Manager of Human Resources Div.
Secretariat	Human Resources Division
Number of meetings convened in FY2023	3

Strategy

Risks

If a human rights violation or disregard for human rights were to occur under the IHI Group’s business activities, it could lead to a decline in public reputation along with customer business loss, in addition to compensation for damages which could have a negative impact on the Group’s business performance and financial condition.

Opportunities

The IHI Group views respect for human rights as an opportunity to enhance business sustainability and increase corporate value. Preventing and reducing any negative business activity impact on stakeholders and rights holders* throughout the value chain leads to realizing a richer lifestyle for everyone involved with the Group.

* Rights holder: Someone who holds human rights. Refers to persons and groups whose human rights may be affected by corporate activity.

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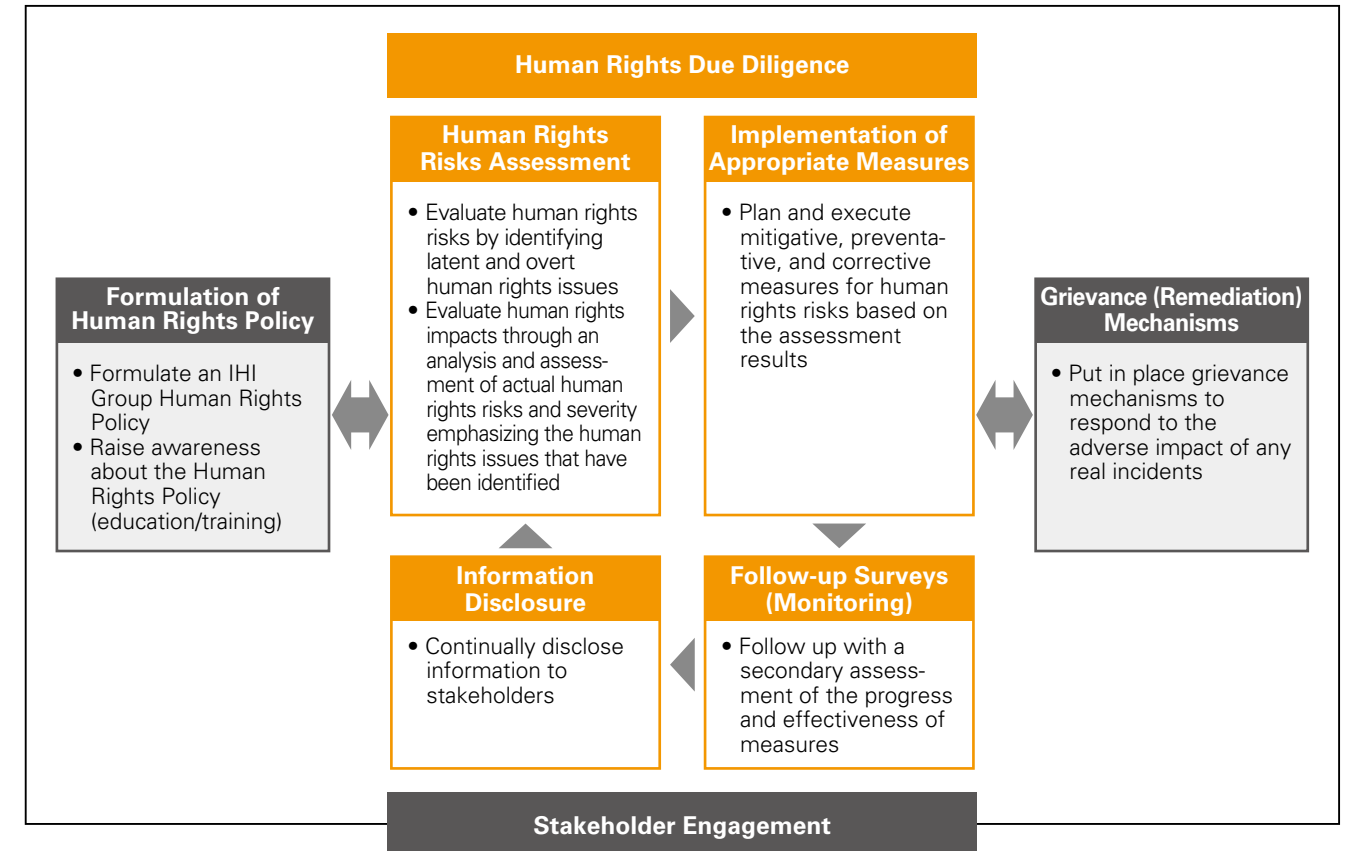
Human Rights Due Diligence

In order to fulfill the responsibility when it comes to respecting the human rights of those affected by its business activities, the Group promotes the process of human rights due diligence and taking measures to respect human dignity in line with the United Nations' Guiding Principles on Business and Human Rights. Human rights due diligence is an ongoing process of 1) conducting human rights impact assessments to analyze and evaluate the degree of impact of material human rights issues identified in human rights risk assessments, 2) incorporating appropriate risk mitigation measures into work policies and operational processes based on the results of these human rights risk assessments, 3) monitoring the status and results of implementing risk mitigation measures, and 4) publicly releasing their progress and results.

As the Group undertakes the process of human rights due diligence, it emphasizes continual stakeholder engagement during the entire process in order to understand the impact of its business activities on people's rights.

P.106 Compliance Hotline

Overall Human Rights Due Diligence



Human Rights

Human Rights Risk Assessments

In fiscal 2021, the IHI Group underwent a human rights risk assessment to identify potential and obvious human rights issues among IHI Group companies within Japan and overseas, with advice from outside experts. Based on analysis and the results of this evaluation, important human rights issues in the manufacturing industry, internal monitoring, and international social trends, the Group was able to identify key human rights issues. Thus, the Group has chosen its employees and business partners as its highest priority rights holders.

●Material Human Rights Issues

<p>Prohibition of forced labor</p> <p>All labor that is forced under threat of punishment or for which the individual has not offered herself or himself voluntarily is prohibited.</p>	<p>Prohibition of child labor</p> <p>Work by and employment of workers under the minimum age of statutory employment in the country or region in which the business operates is prohibited, and this labor is not used.</p>	<p>Guarantee of equal opportunity</p> <p>Diversity and individuality are respected, and fairness and equal opportunity in job openings and employment, including in recruiting, promotions, remuneration, and training, is ensured.</p>
<p>No Tolerance for Discrimination and Harassment</p> <p>Unjust discrimination and harassment based on race, skin color, sex, religion, birthplace, beliefs, age, disability, sexual orientation, and sexual identity, and other attributes are not permitted.</p>	<p>Guarantee of safe workplaces ensuring the health of working people</p> <p>The IHI Group strives to create and maintain safe and healthful workplaces so that people working in each workplace are able to demonstrate their abilities to the fullest extent.</p>	<p>Respect of the basic rights of working people</p> <p>The IHI Group respects basic labor rights, including freedom of association and workers’ right to organize and engage in collective bargaining. Payment of wages and management of labor hours are conducted appropriately.</p>

Human Rights

Progress of Human Rights Impact Assessments

The IHI Group began carrying out human rights impact assessments at Group sites worldwide over three years between fiscal 2022 and 2024 to understand the actual state of material human rights issues.

When conducting human rights risk assessments, the Group prioritizes overseas affiliated companies thought to be relatively high risk, targeting 59 companies in fiscal 2022 and 37 in fiscal 2023. Survey results for fiscal 2022 and 2023 and issues identified to be addressed are shown in the diagram below.

● Human Rights Impact Assessment
FY2022–FY2023 Survey Results, Issues Identified, and Countermeasure Status

Item	Issues	Countermeasure Status
Total Trends	Grievance mechanism maintenance shortfalls	Establishment of our reporting desk was completed in April 2024 and began operation.
	Shortfalls in dialogue with stakeholders	In parallel with dialogue held at our corporate divisions, each company is made aware of the importance of labor management dialogue, etc.
	Delays in diversity, equity, and inclusion (DE&I) efforts to ensure equal opportunities and treatment for employees	We are implementing initiatives to help foster an organizational culture emphasizing diversity. P.55 Diversity, Equity, and Inclusion
Red Flags*	Child labor <ul style="list-style-type: none">Internal regulations regarding minimum working ageAge verification using verifiable means	We have established internal regulations and rules that comply with the minimum working age in each country.
	Discrimination and harassment Providing equal employment opportunities and promotions and making a statement of no discrimination during recruitment	We are working to formulate policies that ensure equal employment opportunities and treatment.
	Guarantee of safe workplaces ensuring the health of working people <ul style="list-style-type: none">Clarification of the health and safety system and system rolesCommunication regarding our Occupational Health and Safety Policy to all employees	We are establishing our occupational health and safety policy and communicating it to all employees.

* Five established core labor standards (prohibition of forced labor, prohibition of child labor, eliminating discrimination, recognition of freedom of association and the right to collective bargaining, and a safe and healthy workplace environment) set by the International Labor Organization (ILO) of particular importance in relation to IHI Group’s material human rights issues

Additionally, since awareness was lacking among IHI Group companies regarding the Group’s material human rights issues, in fiscal 2023 the IHI Group Co., Ltd. Human Rights Policy Implementation Guidelines was developed and distributed in three languages: Japanese, English, and Chinese, and spread within the Group.

Grievance (Remediation) Mechanism Maintenance

In April 2024, the IHI Group established a grievance mechanism on its corporate website for Human Rights Grievance Desk that can be utilized by all stakeholders in the Group’s value chain. Cases reported through this point of contact will be handled fairly and appropriately through the Engagement and Remedy Platform provided by the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), of which the IHI Group is a regular member.

web Human Rights Grievance Desk

Environmental and Human Rights
Evaluations in New Business Investment

When participating in new business projects, the IHI Group conducts environmental and human rights impact evaluations, encompassing climate change countermeasures, waste, soil contamination, biodiversity, and so on using the ESG Checklist (Environment, Human Rights)*. For human rights violation risks, the Group conducts an internal review from the standpoints of ethnic minority and indigenous people’s rights, prohibition of involuntary relocation of residents, and ensuring occupational health and safety at project sites. In investment and lending projects, the Group also verifies the human rights promotion structure and human rights issues at the investee prior to any acquisition.

* ESG Checklist: The ESG Checklist was created while referencing the International Finance Corporation Performance Standards and the Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations.

Survey on Foreign Technical Intern Trainees

In fiscal 2023, the IHI Group conducted surveys for affiliated companies that had a record of directly employing foreign technical intern trainees etc. and confirmed that one company had received foreign technical intern trainees. The Group will maintain appropriate working conditions through continuing to conduct regular surveys.

Human Rights

Metrics and Targets

● Human Rights Impact Assessments Implemented (Unit: Assessments)

Item	Target	Year 1 (Second half of FY2021–FY2022)		Year 2 (FY2023)		Year 3 (FY2024 Plan)	
		Total Implemented	Targets	Total Implemented	Targets	Total Planned	Targets
Human rights impact assessments	Implemented at approximately 160 IHI Group Companies over 3 years*1 *2	59	Affiliated companies overseas	37	Affiliated companies overseas and SBU	48	Affiliated companies in Japan (including some affiliated companies overseas)

*1 Figures compiled in FY2021, which exclude companies that have been liquidated or are no longer part of the Group

*2 At companies and branches where one-time implementation is desired, implementation is done all at once

● Number of Human Rights Training Participants (Unit: People)

Item	FY2023	
	Participants	Targets
e-learning: DE&I (Diversity, equity, and inclusion)	25,991	IHI and affiliated companies in and outside Japan
e-learning: Harassment Prevention	24,545	IHI and affiliated companies in Japan
e-learning: IHI Group Human Rights Policy (basic)*3	384	New employees and others who wish to participate
e-learning: Business and Human Rights*3	86	Those who wish to participate
Human Rights Personnel Training	118	Those who need to be especially sensitive about business and human rights*4

*3 An elective course that employees of IHI and affiliated companies within Japan can take on a voluntary basis

*4 Those at the management level, personnel in charge of risk management and compliance, or personnel involved in order acceptance and project reviews

Human Rights

Initiatives

Education/Awareness Building

In order to foster a corporate culture with respect for human rights, the IHI Group strives to raise awareness at all levels so that initiatives based on the IHI Group Human Rights Policy can be implemented into practice.

(1) Grade-based education

Every year the Group conducts e-learning training aimed at respecting human rights and harassment prevention for all of its employees. In the e-learning training on harassment prevention, it introduces cases that may fall under harassment and contact points for seeking consultation. Additionally training for new managers includes examples of harassment that can occur during teambuilding and countermeasures toward them. The Group provides various types of training to Directors and Executive Officers so that they understand how companies are connected to stakeholders and utilize that knowledge as part of their management.

(2) Training for all employees

In fiscal 2023, the IHI Group held e-learning programs with topics such as Harassment Prevention and DE&I (Diversity, Equity & Inclusion) to have everyone who works at the Group learn how to frame human rights and DE&I and deepen their understanding.

(3) Personnel training

In fiscal 2023 the IHI Group conducted training aimed at those who need to be especially sensitive about business and human rights (those at the management level, personnel in charge of risk management and compliance, or personnel involved in order acceptance and project reviews, etc.). Through this training, participants were able to learn about changes in the global environment surrounding business and human rights and in addition to

developing systems and frameworks, as they promoted understanding and communicated the need for substantive initiatives worldwide.

(4) Messages from the President issued on international days

Every year on Human Rights Day (December 10) and on International Women’s Day (March 8) the President issues a message to promote the importance of respect for human rights and gender equality to IHI Group employees inside and outside Japan.

Initiatives Regarding Material Human Rights Issues

Prohibition of forced labor

The IHI Group prohibits forced labor of any kind. During recruitment, IHI always accept applications directly from the applicant, and when joining the company, it presents working conditions, including wages and so on, and obtains the applicant’s consent before employment begins.

Prohibition of child labor

Work by and employment of workers under the minimum age of statutory employment in the country or region in which the business operates is prohibited, and the IHI Group does not use this labor. IHI’s employment regulations stipulate that those hired must be at least 15 years of age, and are required to submit a resume including information regarding age.

Equal opportunity for all

The IHI Group is promoting diversity, equity, and inclusion (DE&I) by respecting diversity and individuality and striving to ensure fair employment, fair labor practices, and equal opportunity.

P.55 Diversity, Equity, and Inclusion

No tolerance for discrimination and harassment

The IHI Group has conducted awareness-building and educational activities to prevent harassment and have taken steps to create conditions that facilitate employees consulting the company when there is a problem. Based on the company’s efforts to create an environment where harassment cases are easier to perceive, the IHI Group has stated to its employees that it will strictly deal with incidents of power harassment.

Guarantee of safe workplaces ensuring the health of working people

The IHI Group believes in ensuring safety and health to be at the foundation of its business activities and one of its most important management concerns. The Group strives to create and maintain safe and healthful workplaces so that people working in each workplace are able to demonstrate their abilities to the fullest extent.

P.64 Labor Practice (Occupational Health and Safety)

Respect of the basic rights of working people

The IHI Group respects basic labor rights, including freedom of association and workers’ right to organize and engage in collective bargaining. The Group recognizes the freedom of employees to unionize and work together as a labor union and union members. The Group will never treat anyone involved in the union unfairly. The Group also engages in collective bargaining efforts in good faith, founded in mutual trust with the labor union.

IHI has an established labor agreement with the labor union based on this relationship of trust rooted in mutual understanding, and regularly holds meetings amongst the Health and Safety Committee, Management Councils, and Production Councils between Management and representative employees to improve workplace environment through a mutual candid exchange of opinion.

Supply Chain Management

Approach

The IHI group’s procurement activities are based upon the IHI Group Procurement Policy, which consists of three pillars: “Fair and Impartial Procurement,” “Mutually Beneficial Partnership with our Business Partners,” and “Approach to Compliance and Social Responsibility.” In fiscal 2022, the IHI Group formulated the IHI Group Code of Conduct for Business Partners, which sets out specific requests and expectations for its business partners. The IHI Group asks its business partners and their supply chains for considering human rights and labor, health and safety, environment, fair business and ethics, information security, and procurement responsibilities over mineral resources, on top of basic requirements such as compliance, quality, price, and delivery. Each procurement department in the IHI Group conducts its procurement activities in accordance with the Basic Rules of Procurement for the IHI Group which reflects the procurement policy described in the IHI Group Procurement Policy, and takes its social responsibility by building sustainable supply chains.

Policies

●IHI Group Procurement Policy

The IHI Group conducts procurement activities in accordance with the “Basic Code of Conduct for the IHI Group” as set forth below.

Article 1. Fair and Impartial Procurement

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

Article 2. Mutually Beneficial Partnership with Our Business Partners

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

Article 3. Approach to Compliance and Social Responsibility

We comply with the related laws that govern our local and global businesses. To fulfill our social responsibility, we shall conduct CSR procurement with due consideration not only of basic requirements such as quality, price and delivery, but also of human rights, labor conditions, health and safety, the environment, and information management.

Supply Chain Management

IHI Group Code of Conduct for Business Partners

1. Compliance with Laws and Regulations and Respect for International Norms

- 1.1. Compliance with Laws and Regulations and Respect for International Norms

2. Human Rights and Labor

- 2.1. Prohibition of Forced Labor
- 2.2. Prohibition of Child Labor
- 2.3. Prohibition of Inhumane Treatment
- 2.4. Prohibition of Discriminatory Practices
- 2.5. Appropriate Management of Working Hours
- 2.6. Appropriate Wages and Allowances
- 2.7. Freedom of Association and Right to Collective Bargaining

3. Health and Safety

- 3.1. Safe Workplaces
- 3.2. Emergency Preparedness
- 3.3. Occupational Injury and Illnesses
- 3.4. Industrial Hygiene
- 3.5. Consideration for Physically Demanding Work
- 3.6. Safety Measures for Plant Equipment
- 3.7. Health and Safety at Facilities
- 3.8. Health and Safety Communication
- 3.9. Worker Health Management

4. Environment

- 4.1. Climate Change Countermeasures
- 4.2. Proper Management of Water Resources
- 4.3. Proper Management of Chemical Substances
- 4.4. Proper Management of Waste
- 4.5. Biodiversity Conservation

5. Fair Business and Ethics

- 5.1. Prevention of Corruption and Accepting Improper Benefit
- 5.2. Information Disclosure
- 5.3. Respecting Intellectual Property
- 5.4. Conducting of Fair Business
- 5.5. Whistleblower Protection

6. Quality, Safety, and Stable Supply of Products

- 6.1. Product Safety
- 6.2. Quality Control
- 6.3. Stable Supply
- 6.4. Liability over Product Accidents and Nonconformities

7. Information Security

- 7.1. Defense against Cyber Attacks
- 7.2. Protection of Personal Information
- 7.3. Protection of Confidential Information

8. Competitive Edge

- 8.1. Enhancement of Competitiveness

9. Proactive Approach for Social Issues

- 9.1. Contributing to Local Communities
- 9.2. Reasonable Effort for Global Social Issues

10. Establishment of Management System

- 10.1. Establishment of Management System
- 10.2. Communication with Your Supply Chain
- 10.3. Procurement Responsibility over Mineral Resources
- 10.4. Proper Import and Export Controls
- 10.5. Grievance Mechanism
- 10.6. Progress Report

web IHI Group Procurement Policy

Governance

The IHI Group shares and deliberates activity policies and measures related to human rights issues in the supply chain, as well as their results, at the IHI Group Human Rights Committee.

P.74 IHI Group Human Rights Committee

Strategy

Risks

While the IHI Group manufactures key components within the Group, it also procures raw materials, parts, and services from suppliers outside the Group. Cost increase and/or delivery delay may be brought about by dramatic fluctuations in material and equipment prices, imbalance between supply and demand for special steel, sudden changes in the international situation, and supply chain disruption due to severe disasters or large-scale spread of infectious diseases. Additionally, in the process of promoting CSR procurement, procurement costs may rise, consequently causing negative impact on the Group’s business performance and financial condition.

Opportunities

The IHI Group’s firm conviction is that risk mitigation efforts in the supply chain brings edge over strengthening production capabilities, establishing a business structure that is less susceptible to external factors, and ultimately stabilizing business performance and financial conditions, as well as increasing corporate value.

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Strengthen Supply Chains

The IHI Group is globally promoting activities to strengthen its supply chain to prevent stagnation of corporate activities possibly caused by natural disasters, infectious diseases, conflicts, and emerged risks from the CSR procurement perspective, and so on.

The IHI Group strives for stable procurement by collecting market trends about raw materials and parts, thoroughly manages quality and delivery of its suppliers to avoid excessive concentration and dependence, and proceeds with multiple source selection. In particular, the IHI Group, identifying important suppliers essential to business continuity, establishes its supply chain that is less susceptible to various risks.

Utilization of Sustainability Assessment Service “EcoVadis”

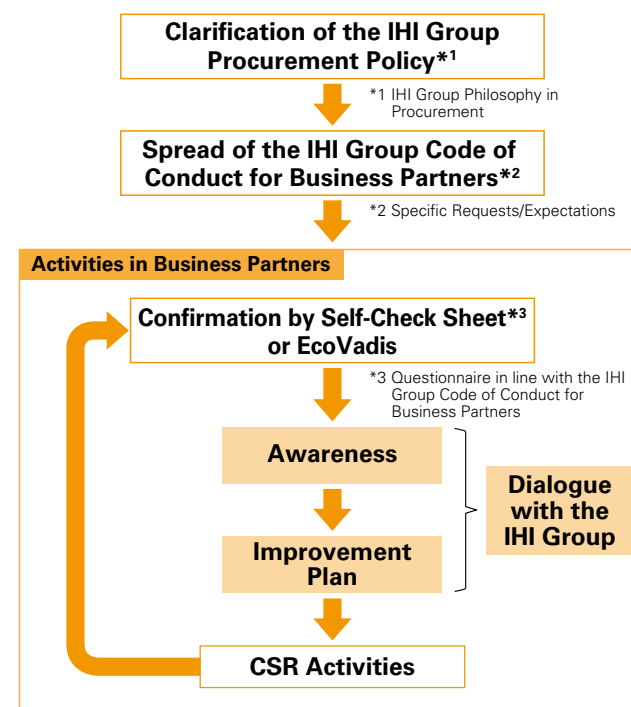
The IHI Group entered into an agreement with EcoVadis, a third-party ESG assessment firm, in June 2024, to establish a system to evaluate supply chain risk properly and fairly.

The IHI Group establishes a risk management system where it encourages its business partners to undergo sustainability assessments conducted by EcoVadis: if there are no issues found, it manages them as excellent suppliers, and if there are concerns picked up, it makes special interviews for clarification and improvement purpose. EcoVadis system also enables it to promptly pick up publicly opened news such as compliance violations, and to respond to the relevant supplier(s) in little time.

Supplier Management Using Self-check Sheets

The IHI Group develops a self-check sheet for its business partners that corresponds one-on-one with each item on the IHI Group Code of Conduct for Business Partners. Through this self-check, the Group asks its business partners to recognize issues to be addressed and to drive CSR activities.

CSR Activity Promotion Process



Operation of Grievance (Remediation) Mechanisms

P.77 Grievance (Remediation) Mechanism

Maintenance

Responding to Anti-social Forces and Anticorruption

The IHI Group contractually requires its business partners to prohibit all relationships with anti-social forces, and commits no acts of bribery toward foreign government officials as prohibited by the “Penal Code and the Unfair Competition Prevention Act” or against the laws enacted in the particular country. If any acts as said above are found, the IHI Group requests the relevant company(s) investigate and report it to the IHI Group.

Metrics and Targets

Participants in Procurement Training

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

Item	FY2021	FY2022	FY2023
Lecture on Subcontract Act*1	143	379	431
Lecture on Construction Business Act*1	98	354	313
Lecture on Overseas Procurement*1	82	112	152
Professional Procurement Training*2	642	1,367	1,534

*1 These three lectures are part of “Professional Procurement Training” and each participant number adds up to the numbers of “Professional Procurement Training.”

*2 Lectures on security trade control has been added since FY2022.

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Initiatives

Education/Awareness Building

The IHI Group enhances compliance consciousness prioritizing education and internal audits about laws and regulations in the procurement field including security trade control. The IHI Group conducts a variety of professional procurement and other training programs aimed at not only its procurement departments but also all other departments with a need to understand procurement-related laws. In fiscal 2023, educational lectures on “security trade control for procurement departments” and “supply chain management for senior employees” were newly added. E-learning is made for all employees and all procurement personnel, with content that enables them to thoroughly comply with laws and rules, understand the latest social demands, and acquire knowledge of laws and systems. Each IHI Group procurement department conducts regular self-audit against the record of the “Subcontract Act” on a monthly basis, and of import declarations on an annual basis to ensure proper practices. Rectification and countermeasures are mandatory in case improvement points are found by self-audit and/or internal audit by other divisions.

Permeation of the IHI Group Code of Conduct for Business Partners

The IHI Group not only publishes the IHI Group Code of Conduct for Business Partners on its website, but also distributes it to existing business partners through notification letter and information session for its business partners. For newcomers, each IHI group procurement department asks them to respect the IHI Group Code of Conduct for Business Partners on the contract. Additionally, the IHI Group has opened joint seminars led by Procurement Strategy Planning since fiscal 2024, starting with “Human Rights and Labor” (completed in June), followed by “Fair Business and Ethics” (planned in October) and then “Carbon Neutrality” (planned in February 2025).

Human Rights Risk Mitigation Activities

Starting in fiscal 2023, the IHI Group, in cooperation with the Global Alliance for Sustainable Supply Chains (ASSC), engages in proactive dialogue or direct dialogue for risk mitigation purpose regarding non-Japanese technical intern trainees working under its contractors and on the premises of IHI itself and Group affiliated companies. The IHI Group gets a handle on the interviewees’ grievance and/or complaints about work conditions and/or environment when they are small.

Procurement Responsibility over Mineral Resources including Conflict Minerals

The IHI Group endorses the aims of the Responsible Minerals Initiative (RMI), an international organization leading procurement responsibility regarding mineral resources. The IHI Group, for the time being, conducts activities regarding tin, tantalum, tungsten, and cobalt which have a considerable number of RMI-approved suppliers. The final target is to confirm that all purchases are manufactured through RMI-certified refiners and smelters. The IHI Group specifies product groups such as jet engine parts that surely contain the targeted mineral resources, and conducts surveys by sending questionnaires designated by RMI to manufacturers which produce the targeted parts. The IHI Group plans to expand the scope of the survey as needed. Respecting the “5-step Frame Work guidance” set out by the Organization for Economic Co-operation and Development (OECD), Procurement Planning Strategy in the IHI Group takes a lead over activities by designated procurement departments. In addition, the IHI Group has notified its business partners of the policy and recommendation about “Procurement Responsibility over Mineral Resources” in Section 10.3 in the IHI Group Code of Conduct for Business Partners.

Mutually Beneficial Partnership with Our Business Partners

In September 2020, the IHI Group publicized the registration of “Declaration for Building Partnerships.” Based on this declaration, the IHI Group aims for mutually beneficial partnership with its business partners. In response to the “Guidelines on Price Negotiation for Appropriate Pass-through of Labor Costs,” which were jointly developed by the Cabinet Secretariat and the Japan Fair Trade Council in November 2023, the IHI Group modified the Declaration for Building Partnerships incorporating price pass-through initiatives approved by its top management. The IHI Group, taking a careful look at circumstances its business partners are placed in, regularly reports to its top management about price pass-through status. The IHI Group considers its suppliers as valued partners to proceed with business in collaboration, and hones its competitive edge aiming for mutual prosperity through open dialogue and cooperation.

Corporate Citizenship

Approach

The IHI Group uses its technological capabilities and human resources to help create a rich and livable earth, and engages in social contribution activities that increase the Group’s value.

In line with the medium-term management plan Group Management Policies 2023, which started in fiscal 2023, the Group has established a three-year policy for social contribution activities (from fiscal 2023 to fiscal 2025). Under this policy, based on the actual state of its business operations and past social contribution activities, the Group will focus on two priority areas of social contribution activities: coexistence with local communities and development of next-generation professionals.

● Priority Areas of Social Contribution Activities

Priority Areas	Relevance to Business	SDGs
Coexistence with Local Communities	Establishing and maintaining good relationships with local communities is essential for smooth business expansion.	   
Development of Next-generation Professionals	Conducting activities that support STEAM education, etc., and supporting future research in science and technology fields will enrich the foundations of future industry and is essential for improving understanding of the products handled by the IHI Group, and expanding our business.	  

Strategy

Risks

If there is insufficient dialogue with local communities, the IHI Group’s business activities may have a negative impact on the local natural environment and livelihoods. As a result, relationships with local communities may deteriorate, which may impede the continuation of existing businesses or the launch of new businesses. Additionally, if good relationships with local communities are impaired, the Group’s public reputation may decline, potentially affecting its corporate value.

Opportunities

Establishing and maintaining good relationships with local communities is essential for smooth business expansion. In particular, collaboration between industry, academia, and government to address regional issues such as the development of next-generation professionals will enrich the future industrial base and improve the efficiency of internal and external networks. The IHI Group feels that this will also help with business continuity and growth.

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Metrics and Targets

In fiscal 2023, the IHI Group invested a total of ¥532 million into activities concerning social contribution.

As the infection classification of COVID-19 was lowered to category 5 in Japan, activities such as “coexistence with local communities” and “developing next-generation professionals,” which are priority areas of social contribution activities, have resumed. The Group was able to carry out a variety of unique activities at its offices. As a result, social contribution activity expenses increased by ¥43 million compared to fiscal 2022.

Breakdown of Social Contribution Activity Expenses

(Unit: Millions of yen, Scope: IHI and consolidated subsidiaries)

Item		FY2021	FY2022	FY2023
Breakdown by activity content	Coexistence with local communities	103	335	312
	Development of next-generation professionals	111	121	185
	Conservation of the global environment*	21	31	—
	Others	25	2	35
Breakdown by expenditure	Cash investment	120	251	244
	Time investment	87	94	184
	Goods donations and site costs	53	144	104
Reference	Membership fees for local organization	13	15	23
	Operating costs	110	106	97

*Since FY2023, our focus has been changed to two areas: “Coexistence with local communities” and “Development of next-generation professionals,” so figures for “Conservation of the global environment” will no longer aggregated from FY2023 onwards.

Activity Results

(Scope: IHI and consolidated subsidiaries)

Priority Area		Index	FY2021	FY2022	FY2023
Coexistence with local communities	Business interests*2	Visitors to events	645	1,535	18,803
	Social/environmental interests*2	Investments to local communities	103 million JPY	335 million JPY	312 million JPY
Development of next-generation professionals	Business interests*2	Number of participants in school visits, manufacturing classes, etc.	5,297	7,468*3	7,593
	Social/environmental interests*2				
Conservation of the global environment*1	Business interests*2	Participants in hosted events	254	156	—
	Social/environmental interests*2	Environment protection area	12,652m²	112m²	—

*1 Since FY2023, our focus has been changed to two areas: “Coexistence with local communities” and “Development of next-generation professionals,” so figures for “Conservation of the global environment” will no longer aggregated from FY2023 onwards.

*2 The indicators above for business and social/environmental interests defined by RobecoSAM are as follows.

Business interests: Factors directly related to product development, brand improvement, human resource development, and other such business interests.

Social/environmental interests: Factors linked to SDGs and other social/environmental interests.

*3 The number of participants in school visits, manufacturing classes, etc. in FY2022 has been revised.

Corporate Citizenship

Initiatives

● Main Social Contribution Activities (FY2023)

(Scope: IHI and consolidated subsidiaries)

Priority Area	Event		Overview	Involvement	Host/Participating Company	Main Venue	Number of Events Held, Number of Sites, etc.	Visitors/Frequency/Scale, etc.		Reference
Coexistence with local communities	Wheelchair basketball event		Holding a hands-on event to gain a better understanding of wheelchair basketball	Host	Meisei Electric	Iseaki City, Gunma Prefecture	1 time	About 100	IHI Group employees and their families	web
	Soma Nomaio (a horse festival)		Sponsorship and employee participation in traditional festivals in the Soma region of Fukushima Prefecture	Sponsor/Cooperation	IHI Soma Office	Soma City, Fukushima Prefecture	1 time	216	IHI Group employee	web
	Aioi Peron Festival		Sponsoring and participating in a festival held at Aioi Bay, Aioi City, Hyogo Prefecture	Sponsor/Cooperation	IHI Aioi Office	Aioi City, Hyogo Prefecture	1 time	136	IHI Group employee	—
	Tomioka Rocket Festival		Holding events to deepen exchanges with employees, their families, and local residents	Host	IHI Aerospace	Tomioka City, Gunma Prefecture	1 time	About 3,200	Local residents, business partners, IHI Group employees and their families	web
	IHI piano concert		Piano concert sponsored by the Piano Teachers' National Association of Japan (PTNA)	Host	IHI Head Office	Koto Ward, Tokyo	1 time	150	IHI Group employees and their families	web
	History walk		Sponsoring the history walk event of the Miyahara Residents Association of Kure City, Hiroshima Prefecture	Sponsor/Cooperation	IHI Kure Office	Kure City, Hiroshima Prefecture	1 time	36	Local residents	web
	Tour of Akishima and Mizuho Works		Work experience and workplace tour for junior high school students in Akishima City, Tokyo	Cooperation	IHI Akishima Office, IHI Mizuho Works	Akishima City, Tokyo; Mizuho Town, Nishitama County, Tokyo	20 times	637	Neighborhood junior high school students	—
	Tour of Tsurugashima Works		Plant tour for children attending Yumenosono Miraizu Amanuma Shinden, a support facility for children in Kawagoe City, Saitama Prefecture	Host	IHI Tsurugashima Works	Tsurugashima City, Saitama Prefecture	1 time	12	Children at child support facilities	web
	Cleanup activities near offices		Regular cleaning activities	Host	IHI Group	Group business location	42 locations	2168	IHI Group employee	web
	Blood donation		Cooperating with blood donations hosted by the Japanese Red Cross Society	Cooperation	IHI Group	Group business location	About 30 locations	2,211	IHI Group employee	web
	Conservation activities for Japan's ancient Sugita Plum trees		Cooperating with activities to revive and popularize the Sugita Plum, an ancient native species of Japan.	Cooperation	IHI Yokohama Office	Yokohama City, Kanagawa Prefecture	—	8	IHI Group employees plant 30 saplings	web
	Negishi Bay eelgrass field restoration activities		Participation in eelgrass field restoration activities sponsored by the Amamo Revival Collaboration in Kanazawa-Hakkei, Tokyo Bay Area together with neighboring companies located in Negishi Bay.	Cooperation	IHI Yokohama Office	Yokohama City, Kanagawa Prefecture	—	4	IHI Group employee	web
	Restoration of irrigation canal ecosystems in the Echi River basin		Cleaning and restoring of the ecosystems of irrigation canals connected to the Echi river basin	Cooperation	IHI, IHI Construction Service	Higashiomi City, Shiga Prefecture	—	18	IHI Group employee	web
Development of Next-generation Professionals	School visits	Let's explore the secrets of jet engines	Learn how jet engines work through classroom lectures and experiments, and gain a better understanding of the IHI Group's aircraft business.	Host	IHI Soma Office, IHI Kure Office, IHI Head Office	Soma City, Fukushima Prefecture; Kure City, Hiroshima Prefecture; Kawasaki City, Kanagawa Prefecture; Koto Ward, Tokyo	5 schools, 1 facility	540	Neighborhood elementary/junior high school students	web
		Ammonia	Learn about the characteristics of ammonia through experiments and gain a better understanding of the ammonia business that IHI is working on.		Meisei Electric, IHI Kagoshima Office, IHI Kure Office, IHI Head Office	Iseaki City, Gunma Prefecture; Hioki City, Kagoshima Prefecture; Kure City, Hiroshima Prefecture; Koto Ward, Tokyo	3 schools, 2 facilities	382	Neighborhood elementary/junior high school students	web
		Carbon dioxide capture technology	Learn about the mechanism of global warming, carbon dioxide capture methods, etc., and gain a better understanding of IHI's carbon capture technology.		Central Conveyor, Meisei Electric, IHI Kagoshima Office, IHI Yokohama Office, IHI Head Office	Koda Town, Aichi Prefecture; Iseaki City, Gunma Prefecture; Hioki City, Kagoshima Prefecture; Yokohama City, Kanagawa Prefecture; Koto Ward, Tokyo	4 schools, 1 facility	267	Neighborhood elementary/junior high school students	web
		Let's explore the secrets of bridges	Learn about the structure and role of bridges through classroom lectures and experience building bridge models, and gain a better understanding of the IHI Group's bridge business.		IHI Infrastructure Systems, IHI Tohoku Branch	Sakai City, Osaka Prefecture; Sendai City, Miyagi Prefecture	2 locations	172	Neighborhood junior high school students	web
		Let's explore the function of forests and soil	Learn the importance of protecting the rich nature and maintaining the ecosystem by observing soil organisms that live in the areas around us.		IHI Rotating Machinery Engineering, Meisei Electric, Central Conveyor, IHI Soma Office, Yokohama Office, IHI Kagoshima Office	Tatsuno City, Nagano Prefecture; Iseaki City, Gunma Prefecture; Koda Town, Aichi Prefecture; Soma City, Fukushima Prefecture; Yokohama City, Kanagawa Prefecture; Hioki City, Kagoshima Prefecture	7 schools, 2 facilities	396	Neighborhood elementary/junior high school students	web
	IHI manufacturing class		Experience the joy of manufacturing through things such as building a space station with cardboard, and building and programming a radio-controlled car powered by a smartphone.	Host	IHI Yokohama Office	Yokohama City, Kanagawa Prefecture	1 time	70	Local residents 45 IHI Group employee participants (staff)	web
	Toyosu Mirai Project		Developing young people who will support future science and technology through playing with vacuum mechanisms and making original candles.	Co-host	IHI	Koto Ward, Tokyo	1 time	48	Neighborhood junior high school students	—
Internship and workplace experience		Opportunity to deepen understanding of the IHI Group's business, manufacturing sites, research and development, etc.	Host	IHI Group	Group business locations	25 locations	262	Junior high school students, high school students, technical college students, and university students in nearby areas	web	
Others	Disaster recovery support		Donations made for natural disasters in Japan and overseas	—	—	—	5	¥25,033,827	<ul style="list-style-type: none">• Donations to help victims of cyclone damage in southeastern Bangladesh that occurred in March 2023• Donations to help victims of heavy rains and floods in Emilia-Romagna, Italy, that occurred in May 2023• Donations to help victims of the earthquake in central Morocco that occurred in September 2023• Donations to help victims of the fire in Maui that occurred in August 2023• Donations to help victims of the Noto Peninsula Earthquake that occurred in January 2024, and donation of teaching materials such as measuring instruments to support the recovery of schools affected by the disaster	—

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Quality and Product Safety

Approach

As stated in the IHI Group Basic Code of Conduct, the IHI Group pays sufficient attention to the safety of the products and services it develops and provides, confirms that customers and users are satisfied, and constantly improves its products and services. The Group is developing its business based on the principle of make every possible effort to raise the standards. The quality of the products and services is the bond of trust that connects the IHI Group with its customers and society, and the Group believes that ensuring quality is fundamental to its social mission and existence as a company.

Additionally, in response to an incident of inappropriate conduct in a Civil Aero Engine Maintenance Business in 2019, the Group established the IHI Group Quality Declaration, which states that it prioritizes quality as well as safety. This reiterates the Group’s basic approach to manufacturing and its actions and awareness of quality.

Policy

IHI Group Quality Declaration

- We, the IHI Group, shall:
1. Always put quality first.
 2. Continue improving quality via Sengen-Shugi and communication.
 3. Listen sincerely to issues, swiftly take action and share accurate information.
 4. Provide quality assurance through compliance with rules and working appropriately.
 5. All strive for the satisfaction of our customers.

Governance

Quality Assurance Framework

The IHI Group established the IHI Group Quality Committee as a Group-wide committee on quality. The Committee confirms that important policies related to quality are being developed as specific initiatives. The Officer in charge of Overall Group Quality Assurance acts as the Committee chairperson. Committee members consist of Presidents of business areas, Executives in charge of quality for business areas, and Executives of corporate divisions. The Committee also deliberates on the quality policy for the next year with implementation results and quality issues that occurred during the year in consideration.

Quality Improvement Promotion System



IHI Group Quality Committee

Chairperson	Officer in charge of Overall Group Quality Assurance
Members	Presidents of business areas, Executives in charge of quality for business areas, and Executives of corporate divisions
Secretariat	Monozukuri System Transformation Division
Number of meetings convened in FY2023	2

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Strategy

Risks

The IHI Group has built a Quality Assurance Framework and has a quality management system (QMS) in place to ensure quality in order to provide products and services that achieve customer satisfaction, safety, and peace of mind. The Group strives to maintain the QMS in an appropriate state at all times by reviewing it in a timely and appropriate manner in response to changes in customer expectations for products and services and changes in the external environment, including legal requirements. However, if an unexpected situation were to occur, it could lead to a decline in customer safety and public reputation, as well as compensation for damages, which could have a negative impact on the IHI Group’s business performance and financial condition.

Opportunities

Ensuring quality and product safety provides the IHI Group with great opportunities to improve customer satisfaction, strengthen its brand image, and improve market competitiveness. Also, rigorous approach to the quality management system will enhance the quality assurance ability of the entire organization, and timely and appropriate responses to environmental changes will promote product innovation.

Risk Management

Quality Assurance Activities

The IHI Group carries out its business activities after obtaining Quality Management System (QMS) certification such as ISO 9001 at its Offices and Works. QMSs that have been certified may be required to obtain certification other than ISO 9001 due to customer requests, and due to the nature of their business, there may be cases in which they intentionally do not obtain outside certification. As a result, the QMS certification acquisition rate for domestic business sites and works is 90.6% for ISO 9001, and 96.2% when other standards are included. In addition, in order to make Quality Assurance Activities using QMS more effective, the Group has been continuing activities since 2019 to create a comfortable workplace by solving problems that arise in the workplace. The Group aims to disseminate fantastic activities throughout the entire company by announcing them at Group-wide results reporting meetings.

Ensuring Product Safety

The IHI Group conducts life-cycle risk assessments during product development and implements design measures to reduce risk as much as possible. The Group then provides residual risk information to its customers. On the contrary, if an incident (nonconformity) occurs in which a product provided to a customer does not meet the requirements of the customer or society, including issues related to product safety, the product will be reviewed as determined by each organization’s Quality Management System (QMS). The Group will take measures to deal with any non-conformities that have occurred, following the procedures specified. In addition, in order to prevent the recurrence of previous nonconformities, the Group will conduct a thorough investigation of the problem to determine the root cause, which may include issues with systems and procedures, their management and operation, ability management, education, quality awareness, and so on. By improving the QMS that addresses these concerns and implementing the necessary education and training, the Group will achieve more reliable recurrence prevention.

Customer Satisfaction Surveys

The IHI Group conducts customer satisfaction surveys through questionnaires and interviews. Survey items are decided according to the characteristics of the business. The results are analyzed and shared with related divisions, leading to developing activities to further improve customer satisfaction.

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Metrics and Targets

● Number of Law Violations	(Unit: Incidents, Scope: IHI and consolidated subsidiaries)			
Item	FY2020	FY2021	FY2022	FY2023
Laws/regulations relating to PR activities	0	0	0	0

● Training Participants	(Unit: People, Scope: IHI and affiliated companies in Japan)			
Item	FY2020	FY2021	FY2022	FY2023
IHI Group Quality Declaration	519	288	262	384
Internal auditor programs	31	29	44	43
Basic quality management How to proceed with product safety risk assessment	211	81	50	12
Training seminars for manufacturing divisions focused on problem-solving and addressing issues in quality management	136	123	117	94
Professional Quality Training	7	6	6	6
Quality Assurance Division Manager Training	—	182	40	0
Quality & Compliance Training Training based on case studies	2,577	2,487	436	318
Quality & Compliance Training Based on Case Studies Discussion Leaders Training	339	398	77	62

Initiatives

Employee Education and Awareness Building

The IHI Group provides education and training, etc. tailored to each employee’s career and job position, with the aim of raising employee awareness of the importance of product and service quality and safety.

Training is provided for new employees to help them understand the IHI Group Quality Declaration. At the same time, the Group is also expanding educational programs to develop leaders who will play a central role in promoting quality assurance in each organization. In addition, as part of a quality improvement campaign for all employees, the Group holds an event to reconsider the contents of the IHI Group Quality Declaration, and distributes a questionnaire to determine employee agreement with the declaration and awareness of the issues. The results are used in various quality assurance activities, including key measures for the next year.

Disclosure of Information about Products and Services

The IHI Group discloses information about its products and services through various mediums, such as television and newspaper advertisements and the Group website. This information helps familiarize the stakeholders at large about the Group’s business operations. The Group cooperates with all relevant internal departments to provide accurate information in accordance with copyrights, trademarks, and all other relevant laws and industry regulations. The effectiveness of these advertisements is evaluated to examine opportunities on areas of improvement.

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Approach

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

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

Policy

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

●Basic Policy on Corporate Governance

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

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Structure

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

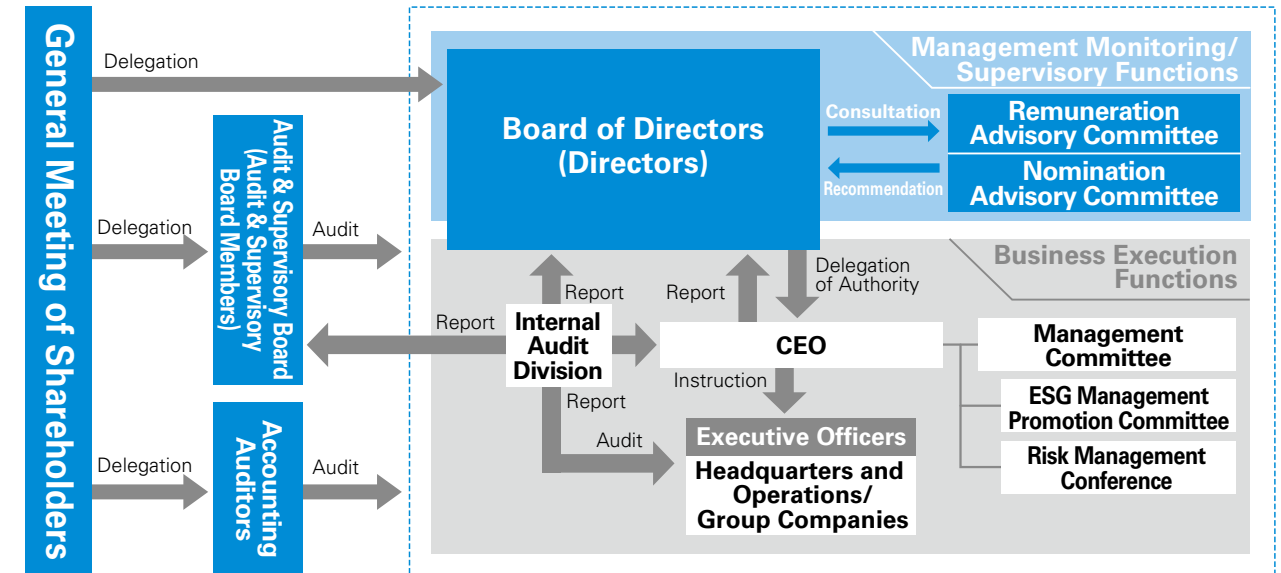
Remuneration Advisory Committee

IHI set up the Remuneration Advisory Committee as an advisory body to the Board of Directors. The Remuneration Advisory Committee ensures the suitability and objectivity of officer remuneration. This six-person committee is made up of three Independent Directors, one Independent Audit & Supervisory Board Member, the Director in charge of Human Resources, and the Director in charge of Finance & Accounting, with an Independent Director acting as Chairperson. The Committee convened five times with no absentees except for Kazuhiro Muto in fiscal 2023. Mr. Muto attended all two meetings held after his appointment as a member of the Committee.

Nomination Advisory Committee

IHI set up the Nomination Advisory Committee as an advisory body to the Board of Directors. This five-person committee is made up of the President and four Independent Directors with the President acting

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

Corporate Governance

Appointment of Officers

Policies and Procedures

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

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

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

Ideal Attributes for Officers

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

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

Independence Criteria for Independent Officers

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

1. Major shareholders

The Director should not be a major shareholder with 10% or more of the voting rights in IHI or serve as a Director, Audit & Supervisory Board Member, Executive Officer at a company with committees, Executive Officer or employee, of a corporation that is a major shareholder.

2. Major clients, suppliers, etc.

The Director should not currently serve as a Director, Audit & Supervisory Board Member, Executive Officer at a company with committees, Executive Officer or employee, of any of IHI’s major clients, suppliers, etc. detailed below, nor should he/she have served as an

Executive Director, Executive Officer at a company with committees, or Executive Officer, of such major clients, suppliers, etc. in the past.

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

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

The Director should not be an attorney at law, certified public accountant, or consultant, etc. who receives ¥10 million or more of monetary consideration or other property from IHI annually besides compensation as a Director/Audit & Supervisory Board Member.

4. Accounting auditor

The Director should not be a representative partner or partner of IHI’s accounting auditor.

5. Mutual exchange of Officers, etc. with IHI

The Director should not be assigned to a corporation with which IHI has a relationship of mutually exchanging Directors or Audit & Supervisory Board Members.

6. Close relatives

The Director should not be the spouse or first- to second-degree relative of a Director, Audit & Supervisory Board Member, Executive Officer or equivalent executive-level employee of the IHI Group.

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

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

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Dismissal Criteria for Officers

IHI judges dismissal of Officers based on the following criteria.

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

Approach to Independent Officer Nominations

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

Approach to Ensuring Diversity in Key Human Resource Roles

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

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

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

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

Name Position at IHI	Reasons for Appointment	Attendance at Board of Directors Meetings in FY2023	Term of Office as Director	Company Share- holding	Appointments to Advisory Committees	
					Remuneration Advisory Committee	Nomination Advisory Committee
Tsugio Mitsuoka Director, Chairman of the Board	Tsugio Mitsuoka has led the IHI Group's management as the President since April 2016, by actively carrying out the selection and concentration of business operations and the transformation of business model in response to the changing business environment, as well as bolstering the risk management and ensuring compliance. Since April 2020, he has been working to strengthen corporate governance as Chairman of the Board. Based on these abundant experience, accomplishments, and insight as corporate manager, the Company has appointed him as a Director.	18 of 18 (100%)	10 years	19,800 shares	—	—
Hiroshi Ide Representa- tive Director, President	Hiroshi Ide experienced many business operations in the overseas market- ing 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 sub- sidiary 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 Representa- tive Director	Tsuyoshi Tsuchida experienced many business operations mainly in the procurement division, and was responsible for the corporate manage- ment of a domestic subsidiary in charge of the manufacturing and sales of logistics equipment and industrial plants as the President. Subse- quently, he promoted the expansion of lifestyle businesses as Vice Presi- dent of the Industrial Systems & General-Purpose Machinery Business Area, and then he was engaged in the formulation of the "Group Man- agement 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 Representa- tive 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 busi- nesses, which the IHI Group positions as the growth businesses. Based on these abundant experience, accomplishments, and insight, the Com- pany 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 cor- porate divisions, such as human resources and labor relations, corpo- rate 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 Mar- keting 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 domes- tic 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 devel- opment 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 settle- ment of accounts, performance management, fundraising and cost manage- ment, 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 imple- mentation 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, accomplish- ments, 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 devel- opment 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 ser- vices 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 oper- ations and an extremely high level of expertise in corporate and financial strategies as a researcher. In addition, she has broad insight as an out- side officer of several companies. Aiming to have her reflect these quali- ties 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 super- visory 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, pro- duction 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 var- ious measures to respond to changes in the business environment. Aiming to have him reflect these qualities in the management of IHI and carry out management monitoring and supervisory functions from an independent perspective, the Company has appointed him as an Independent Director.	18 of 18 (100%)	2 years	700 shares	Member	Member

●Ratio of Independent Directors (Unit: %)

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

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

Name Position at IHI	Reasons for Appointment	Attendance at Board of Directors Meetings in FY2023	Attendance at Audit & Supervisory Board Meetings in FY2023	Term of Office as Audit & Supervisory Board Member	Company Share- holding	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	100	100	100	100

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

This table summarizes the expertise and experience necessary for the Board of Directors to efficiently fulfill its functions and realize the IHI Group’s management philosophy and the sustain-ability goal. Up to three skills that are particularly expected of each Director and Audit & Supervisory Board Member are listed, and do not cover all expertise and experience of each person.

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

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

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●System for Executing Business Operations (as of July 1, 2024)20 men, 3 women (13% of Executive Officers are women)

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

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.

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.

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

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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

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●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 analysisInterview 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 itemsFrom the standpoint of succession planning, expanding points of communication between Independent Directors who are members of the Nomination Advisory Committee and Executive OfficersProvide 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 2023Planned debate of the other important Company-wide measures of human talent strategy and DX strategyExpanding dialogue between Independent Officers and Executive OfficersReview of standards for discussion by the Board of Directors to enhance matters to be reportedProvide 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 analysisInterview 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 functionsEnsuring deliberation time and further deepening discussions on important issues to be discussed at the Board of DirectorsExpansion of information provision for appropriate decision-makingRestructuring 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 DirectorsSetting 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

web Your Guide to IHI Group’s “Basic Code of Conduct”

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

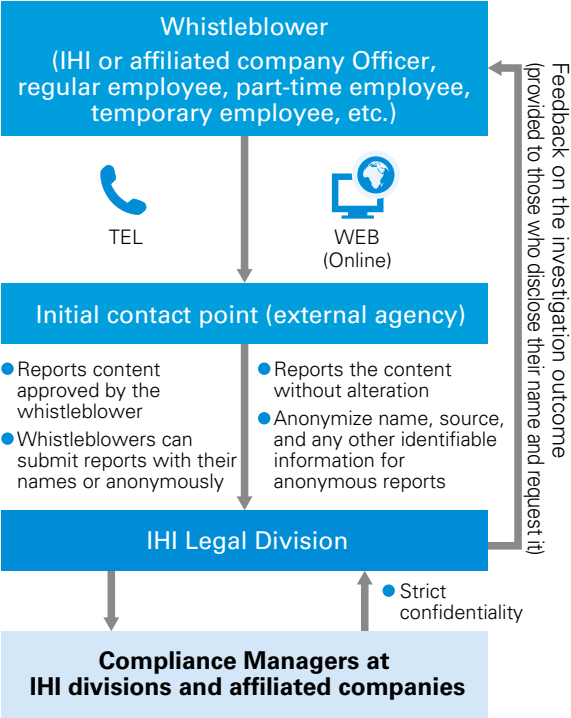
Risk Management

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

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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.

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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

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Security Trade Control

Approach

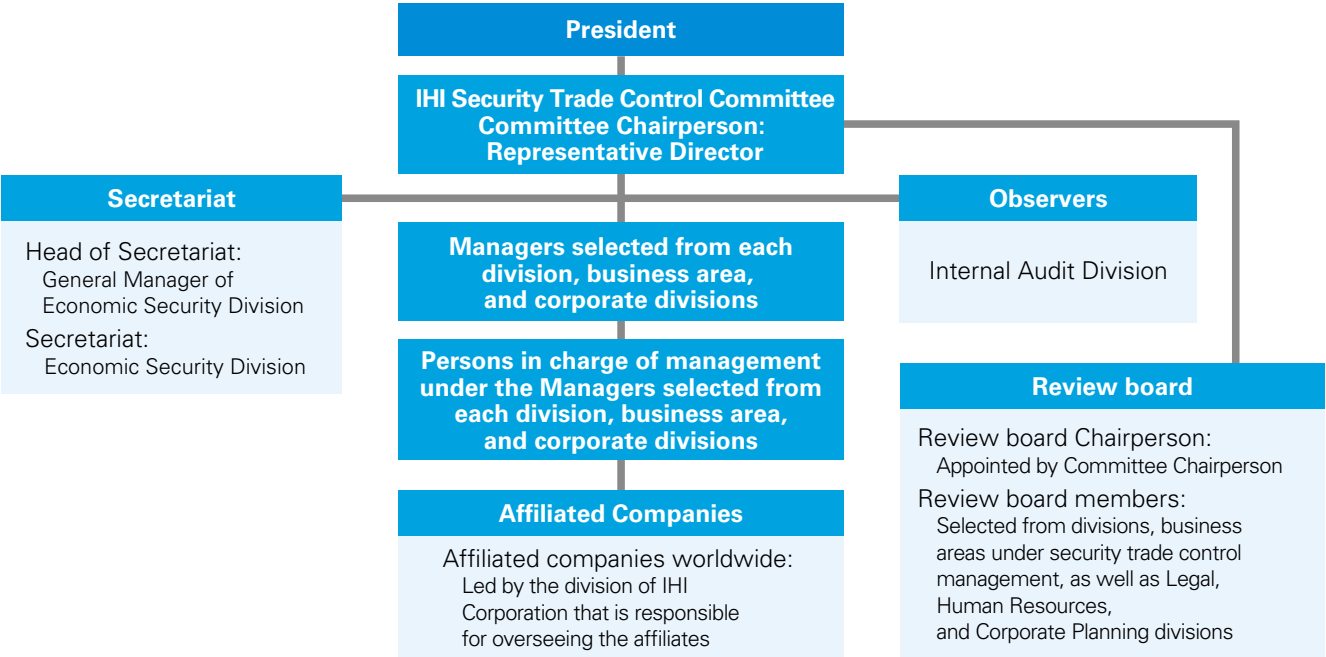
The IHI Group has established a series of Security Trade Control Rules to properly implement security trade control for the purpose of maintaining peace and safety in Japan and as part of the international community. The IHI Group is making an effort to reduce the risk of legal violations and economic 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

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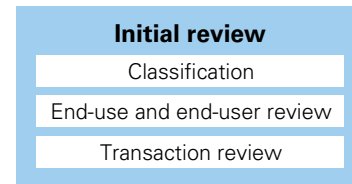
Security Trade Control Review

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

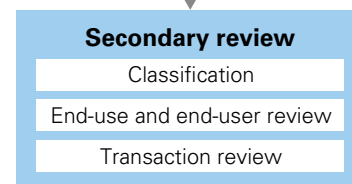
First defense line

(Transaction division)



Second defense line

(Divisions and business areas)

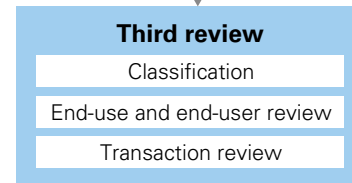


Not applicable to list control
(Catch-all control cases)
Non-concerns

Approval

Third defense line

(Chairperson and review board)



Transactions applicable to
list control or with concerns

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

Approval

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

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.

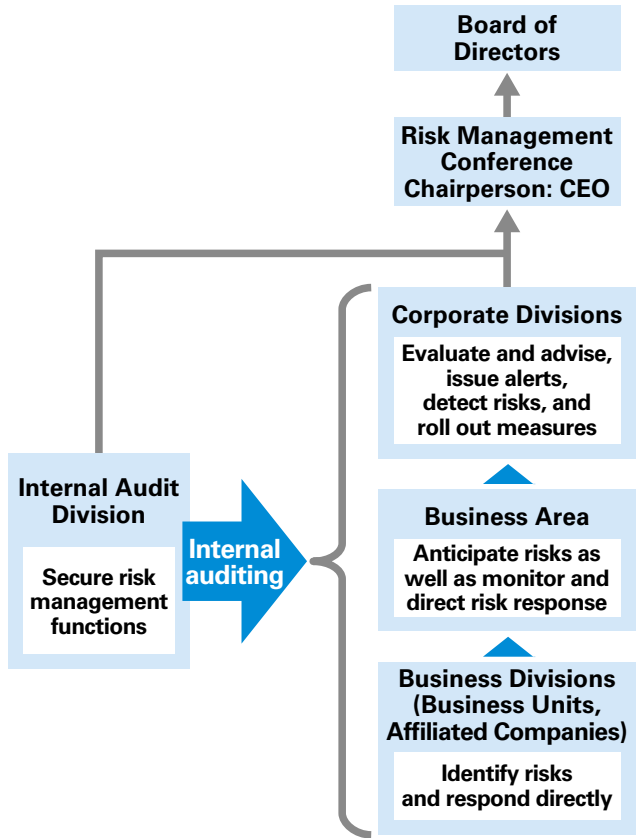
Governance

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

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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.

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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

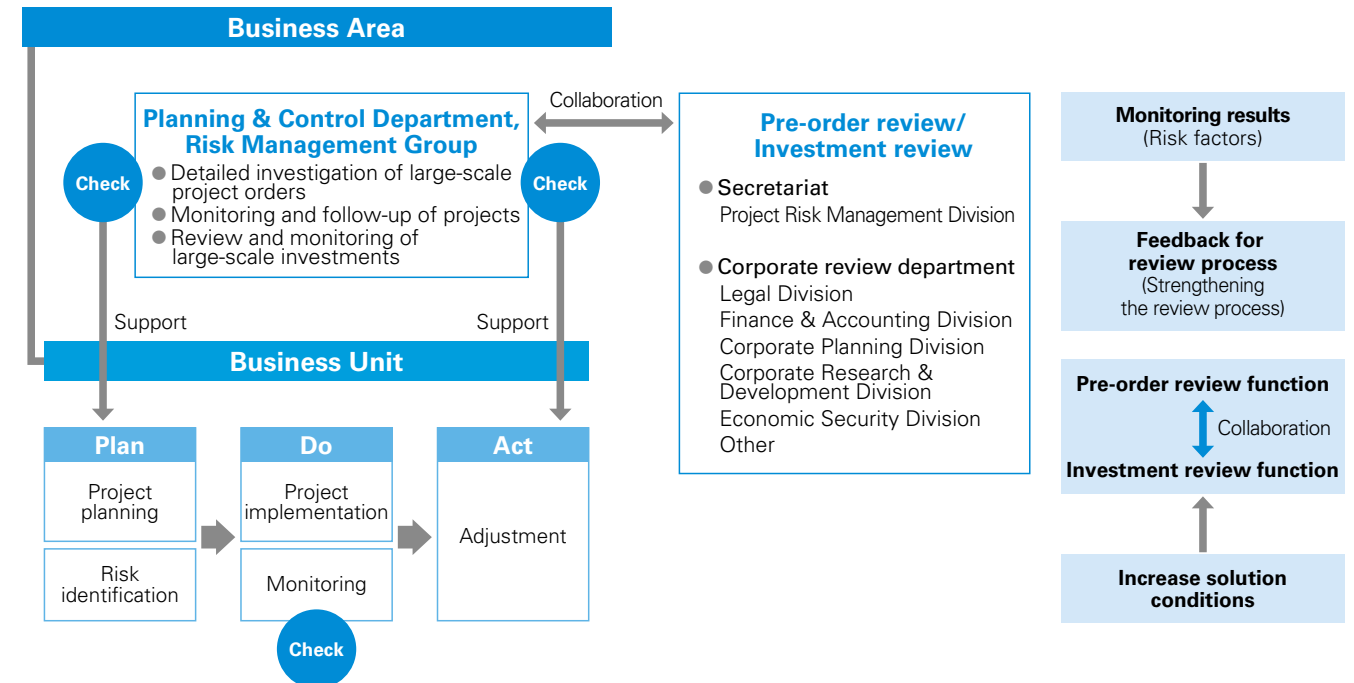
As a pre-order and pre-investment review, we check the appropriateness and risks in the initial plan, confirm no experience and inexperienced factors, and conduct a review by internal and external experts, as well as a multilateral and comprehensive review by the review department.

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

IHI Sustainability Data Book 2024

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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

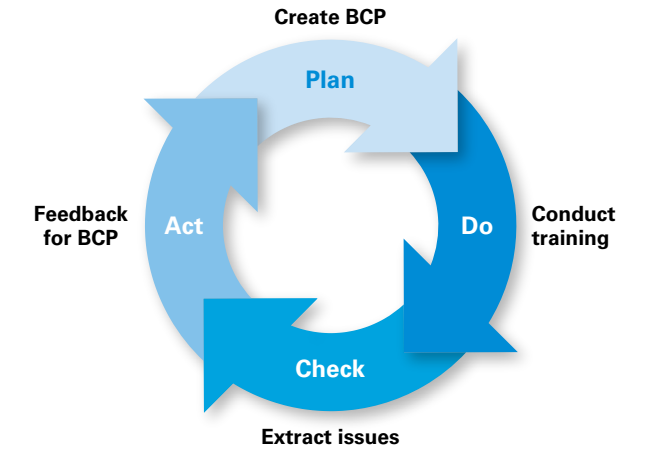
The IHI Group makes preparations for the occurrence of large-scale earthquakes, typhoons, and other wind and flood disasters which have become increasingly severe during recent years by ensuring the safety of its employees, quickly restoring damaged factories, and continuing its business operations. 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



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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

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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

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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

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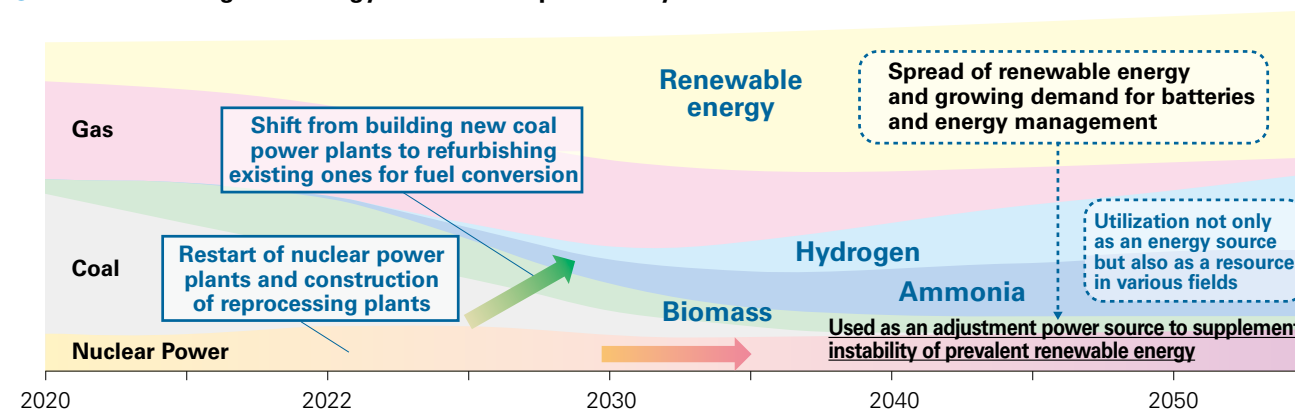
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Energy Management Systems

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.

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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

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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.

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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

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Material Issues	Theme	Index		Scope of Data	Results				
					FY2020	FY2021	FY2022	FY2023	
Environment – Reduce Environmental Impact –									
Climate change	GHG	GHG emissions (Scope 1 + Scope 2) (t-CO ₂ e)* ¹		IHI and consolidated subsidiaries	225,066	220,138	215,753	211,970	
		Scope 1 (t-CO ₂ e)		IHI and consolidated subsidiaries	58,517	64,270	61,469	65,033	
		Scope 2 (market-based) (t-CO ₂)		IHI and consolidated subsidiaries	166,549	155,868	154,284	146,937	
		GHG emissions intensity (t-CO ₂ e/100 million yen)* ^{2, *3}		IHI and consolidated subsidiaries	20.2	18.8	15.9	16.0	
		GHG Emissions (Scope 3) (t-CO ₂ e)			322,462,000	177,593,000	184,475,000	403,575,000	
		Category 1 Purchased goods and services		IHI and consolidated subsidiaries	4,075,000	4,197,000	4,665,000	5,130,000	
		Category 2 Capital goods		IHI and consolidated subsidiaries	162,000	145,000	205,000	239,000	
		Category 3 Fuel and energy-related activities not included in Scope 1 or Scope 2		Domestic consumption of electric power and city gas only	14,000	13,000	13,000	13,000	
		Category 4 Upstream transportation and delivery		IHI	1,000	1,000	1,000	1,000	
		Category 5 Waste generated in operations		IHI and consolidated subsidiaries	8,000	8,000	8,000	9,000	
		Category 6 Business travel		IHI and consolidated subsidiaries	14,000	14,000	14,000	14,000	
		Category 7 Employee commuting		IHI and consolidated subsidiaries	4,000	4,000	4,000	4,000	
		Category 8 Upstream leased assets		—	—	—	—	—	
		Category 9 Downstream transportation and distribution		—	—	—	—	—	
		Category 10 Processing of sold products		—	—	—	—	—	
		Category 11 Use of sold products		IHI and consolidated subsidiaries	318,184,000	173,211,000	179,565,000	398,165,000	
		Category 12 End-of-life treatment of sold products		—	—	—	—	—	
		Category 13 Downstream leased assets		—	—	—	—	—	
		Category 14 Franchises		—	—	—	—	—	
		Category 15 Investments		—	—	—	—	—	
	Energy	Energy consumption (TJ)* ¹			IHI and consolidated subsidiaries	2,283	2,348	2,294	2,322
			Fuel consumption (TJ)		IHI and consolidated subsidiaries	974	1,084	1,019	1,070
			Electricity consumption (TJ)		IHI and consolidated subsidiaries	1,276	1,229	1,230	1,184
			Heat consumption (TJ)		IHI and consolidated subsidiaries	7	5	0	0
			Renewable energy used (TJ)		IHI and consolidated subsidiaries	26	31	45	69
		Energy consumption intensity (TJ/10 billion yen)* ^{2, *4}		IHI and consolidated subsidiaries	20.5	20.0	170	176	
		External evaluation	Evaluation of CDP climate change		IHI and consolidated subsidiaries	B- (Management)	B- (Management)	B (Management)	B (Management)

*1 The total value for each item is rounded off and may not match the figures in the breakdown.
*2 The numerator of the intensity is GHG emissions (Scope 1 + Scope 2) and the denominator is net sales revenue.
*3 GHG emissions intensity in FY2023 is 14.2 t-CO₂e/100 million yen, excluding special factors.
*4 Energy consumption intensity in FY2023 is 15.6 TJ/10 billion yen, excluding special factors.

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Material Issues	Theme		Index	Scope of Data	Results							
					FY2020	FY2021	FY2022	FY2023				
Conservation of the global environment	Compliance with environmental laws and regulations	Environmental accidents and violation of environmental laws/regulations	Significant environmental accidents	IHI and consolidated subsidiaries	0	0	0	0				
			Major violation of environmental laws/regulations	IHI and consolidated subsidiaries	0	0	0	0				
			Number of cases IHI paid fines, penalties, etc.	IHI and consolidated subsidiaries	0	0	0	0				
		Ozone depleting substances (ODS) emissions (t-CO ₂ e)	HFCs	IHI and affiliated companies in Japan	—	—	469	281				
		Volatile organic compounds (VOC) emissions (tons)	Toluene	IHI and affiliated companies in Japan	—	39	48	48				
			Xylene	IHI and affiliated companies in Japan	—	29	59	50				
			Ethylbenzene	IHI and affiliated companies in Japan	—	6	37	39				
			Methyl isobutyl ketone	IHI and affiliated companies in Japan	—	0	0	4				
			Tetrachloroethylene	IHI and affiliated companies in Japan	—	2	2	2				
		Ratio of treated toxic waste (waste containing PCBs) (%)	Electrical equipment containing high-concentration PCBs	IHI and affiliated companies in Japan	99.7	99.9	100	100				
			Electrical equipment containing low-concentration PCBs	IHI and affiliated companies in Japan	98.1	94.0	97.5	94.9				
			Fluorescent lamps	IHI and affiliated companies in Japan	44.5	58.8	69.5	83.7				
		Chemical substance emissions/substances transferred (tons)	Emissions (atmosphere, public bodies of water, soil)	IHI and affiliated companies in Japan	—	—	152	150				
			Transferred amount (sewage/waste)	IHI and affiliated companies in Japan	—	—	85	93				
Conservation of the global environment	Costs to reduce the IHI environmental impact	Investments (millions of yen)* ⁵		IHI plants and offices	334	357	563	1,048				
		Expenditures (millions of yen)		IHI plants and offices	23	92	151	365				
	Environment-related capital investments	Energy-saving/climate change measures (millions of yen)* ⁶		IHI plants and offices	60	61	127	517				
		Environmental risk measures (millions of yen)		IHI plants and offices	271	285	432	532				
		PCB measures (millions of yen)		IHI plants and offices	4	10	3	—				
Circular economy	Waste	Waste emissions (tons)		IHI and consolidated subsidiaries	20,912	23,633	23,044	25,410				
		Of which, toxic waste emissions (tons)		IHI and consolidated subsidiaries	182	255	156	128				
		Amount of valuable materials (recycled) (tons)		IHI and consolidated subsidiaries	15,067	16,164	17,869	15,219				
	Water	Water withdrawal (1,000 m ³)* ¹		IHI and consolidated subsidiaries	4,008	4,195	4,037	5,844				
		Public water (1,000 m ³)		IHI and consolidated subsidiaries	651	664	670	2,326				
		Industrial water (1,000 m ³)		IHI and consolidated subsidiaries	799	792	737	738				
		Groundwater (1,000 m ³)		IHI and consolidated subsidiaries	1,731	1,691	1,451	1,506				
		Rainwater, rivers, lakes, etc. (1,000 m ³)		IHI and consolidated subsidiaries	827	1,047	1,180	1,274				
		Waste water (1,000 m ³)		IHI and consolidated subsidiaries	3,373	3,265	3,181	4,856				

*⁵ In FY2023, when consolidated subsidiaries are included, the amount is 2,010 million yen.

*⁶ In FY2023, when consolidated subsidiaries are included, the amount is 1,478 million yen.

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					FY2020	FY2021	FY2022	FY2023
Society – Materialize an Affluent Society –								
Diversity, equity, and inclusion	Number of employees	Consolidated number of employees		IHI and consolidated subsidiaries	29,149	28,801	28,486	28,237
		Number of employees (IHI)		IHI	7,796	7,779	7,768	7,840
			Male	IHI	6,766	6,727	6,695	6,753
			Female	IHI	1,030	1,052	1,073	1,087
			Ratio of female employees (%)	IHI	13.2	13.5	13.8	13.9
	Average years of service*7	All employees		IHI	15.1	16.1	16.5	16.6
			Male	IHI	15.3	16.2	16.6	16.7
			Female	IHI	14.2	15.4	15.8	16.0
	Turnover rate	Total turnover rate (%)		IHI	2.9	3.1	2.7	2.8
			Rate of retirement due to personal reasons (%)	IHI	1.1	1.6	1.5	1.5
			Turnover rate within 3 years of joining the company (%)	IHI	4.3	3.4	5.5	5.3
	Employment	Number of new graduate recruitments		IHI, University graduates	194	109	98	126
			Male	IHI, University graduates	162	87	84	101
			Female	IHI, University graduates	32	22	14	25
			Ratio of female employees (%)	IHI, University graduates	16.5	20.2	14.3	19.8
		Number of mid-career hires		IHI	55	85	98*8	165
		Number of employees from abroad*9		IHI	82	74	66	59
		Recruitment ratio of people with disabilities (%)*10		IHI	2.35	2.39	2.55	2.62
		Re-employment rate of employees at retirement age (%)		IHI	81	78	100	81

*7 Due to a revision in the scope of calculation, the average years of service for FY2021 and FY2022 have been revised.
*8 Number of mid-career recruitment for FY2022 has been revised.
*9 As of April 1 each year.
*10 As of June 1 each year.

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					FY2020	FY2021	FY2022	FY2023
Diversity, equity, and inclusion	Gender diversity	Number of officers* ¹¹		IHI	17	17	17	17
			Number of male officers	IHI	14	14	14	14
			Number of female officers	IHI	3	3	3	3
			Ratio of female officers (%)	IHI	18	18	18	18
		Number of managers* ¹² , * ¹³		IHI	2,715	2,763	2,643	2,707
			Number of male managers	IHI	2,623	2,656	2,519	2,563
			Number of female managers	IHI	92	107	124	144
			Number of female general managers	IHI	23	31	38	39
			Number of female section managers	IHI	69	76	86	105
		Ratio of female managers (%)* ¹²		IHI	3.4	3.9	4.7	5.3
			Ratio of female general managers (%)* ¹⁴	IHI	2.1	2.8	3.6	3.7
			Ratio of female section managers (%)* ¹⁴	IHI	4.2	4.6	5.4	6.4
	Work-life balance	Local managers at overseas sites* ¹²		China, Singapore, and United States	22	25	26	30
		Number of managers that joined IHI mid-career* ¹²		IHI	234	230	253	307
		Employees with reduced work hours		IHI	139	158	140	141
		Employees who have taken childcare leave		IHI	768	935	1,010	995
		Employees who have taken parental leave		IHI	137	128	198	185
			Male	IHI	31	60	78	89
			Female	IHI	106	68	120	96
		Percentage of employees who return to work after parental leave (%)		IHI	100	100	99.6	98.3
		Employees who have taken nursing care leave		IHI	2	6	3	10
		Average annual paid vacation days taken		IHI	18.73	17.37	18.65	19.78
		Monthly average overtime (hours)		IHI	13.00	18.90	21.60	21.90
		Annual work hours		IHI	1,797.9	1,948.3	1,984.5	1,972.7

*11 As of July 1 each year, members of the Board of Directors and Audit & Supervisory Board.
*12 As of April 1 each year.
*13 Due to a change in the calculation method, the total numbers of managers for FY2020 and FY2021 have been revised.
*14 Due to a change in the calculation method, the ratios of female general managers and female section managers for FY2020–FY2022 have been revised.

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Material Issues	Theme	Index		Scope of Data	Results				
					FY2020	FY2021	FY2022	FY2023	
Diversity, equity, and inclusion	Human resources development	Number of employees undergoing regular career development reviews		IHI and affiliated companies in Japan	—	—	15,327	14,939	
		Male		IHI and affiliated companies in Japan	—	—	13,024	12,605	
		Female		IHI and affiliated companies in Japan	—	—	2,303	2,334	
		Average annual training hours per employee		IHI and affiliated companies in Japan	13.3	12.1	14.3	34.9	
		Training expense per employee (yen)		IHI and affiliated companies in Japan	—	—	23,512	40,380	
	Labor-management partnership	Employee union membership rate (%)		IHI and affiliated companies in Japan	58	59	60	62	
	Engagement	Number of labor complaints received		IHI	0	0	0	0	
		Employee engagement		IHI and affiliated companies	56	54	53	54	
		Ratio of answered employee-awareness surveys (%)		IHI and affiliated companies	88	88	84	83	
	Improving occupational health and safety standards	Occupational health and safety	Participation rate of medical check-ups (%)		IHI and 35 affiliated companies	—	97	96	98
Rate of diagnoses made as a result of medical checkups (%)			IHI and 35 affiliated companies	72	71	72	72		
Participation rate of stress checks (%)			IHI and 35 affiliated companies	95	95	97	96		
High stress rate (%)			IHI and 35 affiliated companies	—	9	9	10		
Absenteeism (Ratio of employees who take three or more months of leave) (%)			IHI and 35 affiliated companies	0.8	0.7	1.3	1.4		
Presenteeism (Ratio of employees with restricted hours) (%)			IHI and 35 affiliated companies	2.1	1.8	1.7	2.3		
Smoking rate (%)			IHI and 35 affiliated companies	27	28	25	25		
Rate of occupational diseases*15			IHI and 31 affiliated companies	0.15	0.118	0.098	0.098		
Deaths due to occupational diseases or illnesses			IHI and 31 affiliated companies	0	0	0	0		
Total injuries frequency rate*16			IHI and 31 affiliated companies	0.87	1.23	1.37	1.33		
Lost time injuries frequency rate*17			IHI and 31 affiliated companies	0.28	0.38	0.39	0.34		
Occupational health and safety rate			Works Divisions	IHI and 31 affiliated companies	0.62	0.95	0.89	0.95	
			Construction Divisions	IHI and 31 affiliated companies	1.31	1.75	2.30	2.10	
Occupational accidents*18			IHI and 31 affiliated companies	38 (0)	52 (1)	56 (0)	54 (0)		
			Employees	IHI and 31 affiliated companies	18 (0)	31 (1)	25 (0)	26 (0)	
			Temporary employees	IHI and 31 affiliated companies	1 (0)	3 (0)	4 (0)	2 (0)	
			Partners	IHI and 31 affiliated companies	19 (0)	18 (0)	27 (0)	26 (0)	
Number of administrative penalties due to Labor Standards Act violations			IHI and affiliated companies in Japan	0	0	0	0		
Corporate citizenship			Social contribution activities	Social contribution expenses (millions of yen)		IHI and consolidated subsidiaries	215	260	489

*15 People suffering from occupational diseases per million working hours.
*16 Fatalities or injuries caused by occupational accidents per million working hours.
*17 Fatalities or injuries caused by occupational accidents per million working hours (excluding injuries with no time lost).
*18 Fatalities caused by occupational accidents. Figure inside parentheses indicates fatal incidents.

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- Corporate Governance
- Compliance
- Risk Management
- Innovation Management
- Information Security

Performance Data

Basic Information		Sustainability		Reduce Environmental Impact	Materialize an Affluent Society	Corporate Management		Performance Data	132
Non-financial Summary									
Material Issues	Theme	Index		Scope of Data	Results				
					FY2020	FY2021	FY2022	FY2023	
Governance – Principled Corporate Management –									
Corporate governance	Corporate governance	Average attendance of Independent Directors	Board of Directors meetings (%)	IHI	97	100	99	97	
		Average attendance of Independent Audit & Supervisory Board Members	Board of Directors meetings (%)	IHI	100	98	98	100	
			Audit & Supervisory Board meetings (%)	IHI	100	100	100	100	
Compliance	Legal compliance	Number of law violations	Competition law	IHI and consolidated subsidiaries	0	0	0	0	
			Anti-corruption law	IHI and consolidated subsidiaries	0	0	0	0	
			Laws/regulations relating to PR activities	IHI and consolidated subsidiaries	0	0	0	0	
		Expenditure to organizations	Political organizations (millions of yen)	IHI	10	10	10	10	
			Economic organizations (millions of yen)	IHI	57	52	55	55	
			Other major industry organizations (millions of yen)	IHI	122	119	122	123	
		Number of Compliance Hotline reports		IHI and affiliated companies	202	263	286	314	
		Number of compliance training participants	Quality & Compliance Training (Japan)	IHI and subsidiary companies in Japan	24,085	26,243	25,870	25,379	
			Quality & Compliance Training (overseas)	Subsidiary companies overseas	3,261	4,938	5,334	5,072	
		Number of competition law/anti-corruption law training participants		IHI and consolidated subsidiaries	2,252	1,871	2,007	51,222	
			Competition law	IHI and consolidated subsidiaries	—	—	622	26,148	
			Anti-corruption law	IHI and consolidated subsidiaries	—	—	1,385	25,074	
Innovation management	Technology development	Research and development expenses (billions of yen)*19		IHI Group	26.8	29.8	34.0	39.3	
	Intellectual property protection	Regional comparison in number of patents*20	Domestic patents	IHI	4,104	4,167	4,119	4,094	
			Foreign patents	IHI	3,972	4,244	4,245	4,078	
Information security	Information security measures	Evaluation of information security measures (out of 5) (score)		IHI and consolidated subsidiaries	3.4	3.7	3.7	3.8	

*19 The total value for each item is rounded off and may not match the figures in the breakdown.
*20 Figures for domestic and foreign patents between FY2020–2022 have been revised.

Reference

Scope 3 Category 11 Calculation Method for Civil Aero Engines

This page explains Scope 3 category 11 calculation method for the IHI Group’s civil aero engines.

Scope 3 category 11 includes greenhouse gas (GHG) emissions from the use of goods and services sold by the reporting company.

Commercial aircraft are required to achieve net-zero GHG emissions by 2050 in accordance with an international agreement specified by the International Civil Aviation Organization (ICAO). The IHI Group recognizes the importance of the calculation and evaluation of GHG emissions during use of its engines to achieve carbon neutrality in the civil aero engine business, which is positioned as one of our growth businesses.

The calculation formula for the IHI Group civil aero engine Scope 3 category 11 is shown as follows. The Group calculates the value based on the amount of GHG emissions generated during the use of its aero engines sold in the relevant fiscal year, taking account of the ratio of engine to aircraft weight, and the ratio of participation in engine development programs.

Scope 3 category 11 for IHI civil aero engines

$$= \Sigma \left\{ \left(\begin{array}{l} \text{Number of} \\ \text{engines sold} \end{array} \times \begin{array}{l} \text{Total lifetime of} \\ \text{the sold engine} \end{array} \times \begin{array}{l} \text{Annual fuel} \\ \text{consumption} \\ \text{per engine} \end{array} \times \begin{array}{l} \text{Emission} \\ \text{factor} \end{array} \right) \times \left(\begin{array}{l} \text{Engine weight / Aircraft weight} \end{array} \right) \times \begin{array}{l} \text{Ratio of participation in engine} \\ \text{development programs} \end{array} \right\}$$

1 2 3

①GHG emissions during the total lifetime of the sold aero engines in the relevant fiscal year

The Group calculates GHG emissions during the total lifetime of the sold engine in the relevant fiscal year by multiplying amount of fuel consumption during the use of engines sold (number of engines sold × total lifetime of the sold engine × annual fuel consumption per engine) by emission factor (CO₂ emissions per unit of fuel consumption). The emission factor is based on the values defined by the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) established by ICAO. It also takes into account potential changes through the future implementation of sustainable aviation fuel (SAF).

②Ratio of engine to aircraft weight

Since the engine is a part of the aircraft, it is necessary to multiply (engine weight / aircraft weight) in accordance with the Technical Guidance for Calculating Scope 3 Emissions, the international standard GHG protocol for calculating and reporting GHG emissions. Engine and aircraft weight are dry weight based on data provided by the European Union Aviation Safety Agency (EASA).

③Ratio of participation in engine development programs

Civil aero engines are usually developed jointly by several companies. Companies participating in engine development programs share development costs and management risks. They bear business costs and receive profits depending on the ratio of participation under individual contracts. Considering it appropriate to allocate GHG emissions during the use of engines according to the ratio of the participation in engine development programs, the Group multiplies the relevant participation ratio.

The calculation of Scope 3 category 11 for civil aero engines does not include engine maintenance and the manufacture of spare parts.



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