

(Translation)

Securities Code: 7013
June 6, 2022

To Shareholders:

IHI Corporation
1-1, Toyosu 3-chome, Koto-ku, Tokyo
Hiroshi Ide
Representative Director and President

**NOTICE OF CONVOCATION
OF THE 205th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

IHI Corporation (the “Company” or “IHI”) would hereby like to inform you that the 205th Ordinary General Meeting of Shareholders will be held on Thursday, June 23, 2022, as described below.

To prevent the spread of the novel coronavirus (“COVID-19”) infections, please review the Reference Material for the General Meeting of Shareholders in this document and exercise your voting rights by voting form (i.e., “Form for Exercising Voting Right”) or via the Internet, etc., no later than 17:30 on Wednesday, June 22, 2022.

In addition, the proceedings of this general meeting of shareholders will be distributed to shareholders over the Internet so that they can be viewed in real time. In addition to distributing this general meeting of shareholders by live stream, we have prepared a dedicated form for shareholders to submit questions in advance.

- 1. Date and Time:** June 23, 2022 (Thursday) 10:00 a.m. Japan Standard Time (The reception of the attendees to the meeting shall start at 9:00 a.m.)
- 2. Location:** The “Hiten” main banquet hall, Grand Prince Hotel Shin Takanawa 13-1, Takanawa 3-chome, Minato-ku, Tokyo
- 3. Agenda:**

Matters to be Reported:

Report No.1: Report on the Business Report and the Consolidated Financial Statements for the 205th Fiscal Year (from April 1, 2021 to March 31, 2022), and the Results of the Audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board

Report No.2: Report on the Non-Consolidated Financial Statements for the 205th Fiscal Year (from April 1, 2021 to March 31, 2022)

Matters to be Resolved:

- Proposal No. 1:** Allotment of Dividend of Surplus
Proposal No. 2: Partial Amendment to the Articles of Incorporation
Proposal No. 3: Election of Twelve (12) Directors

Guidance on Exercising Voting Rights

In addition to the exercise of voting rights by attendance at the General Meeting of Shareholders, voting rights may be exercised through the following methods:

- **Exercise of Voting Rights by Voting Form**
Please exercise your voting rights by stating whether you are for or against each of the proposals on the voting form enclosed herein and return the form that it reaches us by the deadline below.
If you do not state whether for or against a proposal when exercising your voting rights by the voting form, you shall be considered to have stated that you are for the proposal.

Deadline: To arrive no later than June 22, 2022 (Wednesday), 5:30 p.m. (JST)

- **Exercise of Voting Rights via the Internet, etc.**
There are two methods of exercising voting rights via the Internet, etc.:
 - I. Scanning the QR code using a smartphone, etc. (“Smart Vote”)
 - II. Entering the voting code and password printed on the voting form on the voting website, using a personal computer, etc.Please exercise your voting rights via personal computer or smartphone by the deadline below.
For details of the methods for exercising voting rights, please refer to the following page.

Deadline: No later than June 22, 2022 (Wednesday), 5:30 p.m. (JST)

In Case of Repeated Exercise of Voting Rights

- (a) If any voting rights are exercised redundantly both by the voting form and via the Internet, etc., the votes which reach us last shall be considered to be valid. If both the votes by the voting form and the votes via the Internet, etc. reach us on the same day, the votes cast via the Internet, etc. shall be considered to be valid.
- (b) If any voting rights are exercised via the Internet, etc. more than once, the votes cast last shall be considered to be valid.

Outline of Exercise of Voting Rights via the Internet, etc.

■ Method 1: Scan QR Code® on “Smart Vote”

You can simply login to the website for exercising voting rights without entering your voting code and password.

1. Scan the QR code® located on the bottom right of the voting form.
(Note) “QR code” is a registered trademark of DENSO WAVE INCORPORATED.
2. Indicate your approval or disapproval following the instructions on the screen

Note that your voting rights may be exercised only once by using the “Smart Vote” method.

If you need to make a correction to the content of your vote after you have exercised your voting rights, please access the website for personal computer and login by entering your voting code and password printed on the voting form, and exercise your voting rights again.

(Note) You can access the website for personal computer by scanning the QR code® again.

■ Method 2: Enter Voting Code and Password

Website for exercising voting rights ► <https://www.web54.net>

1. Access the website for exercising voting rights
2. Enter your voting code indicated on voting form
3. Enter password indicated on voting form
4. Indicate your approval or disapproval following the instructions on the screen

In case you need instructions for how to operate your personal computer/smartphone in order to exercise your voting rights via the Internet, etc., please contact:

**Sumitomo Mitsui Trust Bank, Limited
Securities Agency Web Support Hotline
[Toll Free] 0120-652-031 (only from Japan)
(9:00 a.m. – 9:00 p.m.) (JST)**

(Note) Institutional investors may use the platform operated for institutional investors by ICJ, Inc. to electronically exercise the voting rights.

Response to the Risk of Infections of the Novel Coronavirus Disease (COVID-19) at the General Meeting of Shareholders

- To our shareholders, we ask that you consider your own safety and health and exercise careful judgment regarding whether to attend the meeting in person.
- As we will be spacing the chairs at the venue widely apart to avoid crowding and close-contact settings, the number of seats available will be limited. As such you may be refused entry to the meeting even if you arrive at the venue.
- We ask that those attending the venue in person to take care to wear a mask and implement other measures to prevent infection.
- On the day of the event, attendees will have their temperature taken at the entrance to the venue. Shareholders who are confirmed to have a temperature of 37.5°C or higher, or who are feeling unwell, will be refused entry to the venue.
- If future developments necessitate a change in the way the general meeting of shareholders will be run, shareholders will be informed on our website (URL: <https://www.ihico.jp/en/ir/stock/meeting/>).

Matters regarding the Reference Material for the General Meeting of Shareholders and the Attachment to the Notice of Convocation

Please be noted that we will post any amendments to the Reference Material for the General Meeting of Shareholders, or the business report, the consolidated financial statements or the non-consolidated financial statements on our website, if any such amendment is made.

Matters regarding Notice of Resolution

The results of resolutions at this General Meeting of Shareholders will be posted on our website. Please be noted that any written notice of resolution will not be delivered.

IHI Website: <http://www.ihico.jp/en/>

- END -

Disclaimer:

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.

Reference Material for the General Meeting of Shareholders

Proposals and Reference Matters

Proposal No. 1: Allotment of Dividend of Surplus

The Company maintains a basic policy to aim for stable dividend payment and sustainable dividend increase, in proportion with the IHI Group's growth.

In consideration of the above policy, the results for the fiscal year under review and retained earnings, the year-end dividend for the 205th fiscal year will be as follows:

- (i) Type of Dividend Assets
Cash

- (ii) Matters Concerning the Allotment of Dividend Assets and the Total Amount
40 yen per share of the Company's Common Stock
Total amount of Dividends 6,074,104,920 yen
An interim dividend of 30 yen per share was paid, resulting in an annual dividend of 70 yen per share.

- (iii) Effective Date of Dividends
June 24, 2022

Proposal No. 2: Partial Amendment to the Articles of Incorporation

1. Reasons for the proposal

(1) Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format.

1) Article 17, paragraph 1 in “Proposed Amendments” below will stipulate that the Company shall take measures for providing information that constitutes the content of reference materials for the general meeting of shareholders, etc. in electronic format.

2) Article 17, paragraph 2 in “Proposed Amendments” below will establish provisions to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.

3) Since the provisions for Website Disclosure and Deemed Provision of Reference Statement for the General Meeting of Shareholders, etc. (Article 17 of the current Articles of Incorporation) will no longer be required, they will be deleted.

4) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.

(2) The Company proposes to make the following changes to its Articles of Incorporation to make the separation between management oversight and monitoring, and business execution clearer, and strengthen each of the governance function and the management function in the management structure.

1) To separate the oversight and monitoring function for management by the Board of Directors from the business execution function, the provision for Directors with Executive Duties (Article 25 of the current Articles of Incorporation) will be deleted and the provision for the Chairman of the Board who presides over the Board of Directors and serves the oversight and monitoring function (Article 25 in “Proposed Amendments”) will be established. At the same time, the provision that the President who is responsible for execution of business may also be flexibly chosen from among Executive Officers who are not Directors (Article 26 in “Proposed Amendments”) will be established.

2) The Company adopted an executive officer system in 2003 for the purpose of clarifying the separation between management oversight and monitoring and business execution and speeding up decision-making on business execution. Accompanying the aforementioned changes, the provision for Executive Officers (Article 28 in “Proposed Amendments”) will be established to clarify the role of Executive Officers.

3) Accompanying the aforementioned changes, relevant articles, etc. will be amended.

2. Content of amendment

The amendments shall be as follows: (underlines show amendment)

Current Articles of Incorporation	Proposed Amendments
<p>Article 14. (Convocation)</p> <p>The general meeting of shareholders shall <u>be convened by the President upon resolution of the Board of Directors</u> unless otherwise provided in laws or ordinances. <u>If the President is unable to act, another Director shall convene the meeting in the order prescribed in advance by resolution of the Board of Directors.</u></p> <p>The general meeting of shareholders shall be held within the Tokyo ward area.</p> <p>Article 16. (Chairman)</p> <p>The President shall serve as chairman of the general meeting of shareholders. If the President is unable to act, another Director shall take his place in the order prescribed in advance by resolution of the Board of Directors.</p> <p><u>Article 17. (Website Disclosure and Deemed Provision of Reference Statement for the General Meeting of Shareholders, etc.)</u></p> <p><u>In convening the general meeting of shareholders, the Company shall be deemed to have provided the shareholders with the information which must be mentioned or displayed in reference statement for the general meeting of shareholders, business report, financial statements and consolidated financial statements by disclosing such information using the Internet pursuant to the regulations issued by the Ministry of Justice.</u></p>	<p>Article 14. (Convocation)</p> <p>The general meeting of shareholders shall <u>be convened upon resolution of the Board of Directors</u> unless otherwise provided in laws or ordinances.</p> <p>The general meeting of shareholders shall be held within the Tokyo ward area.</p> <p>Article 16. (Chairman)</p> <p>The President shall serve as chairman of the general meeting of shareholders. If the President is unable to act, another Director shall take his/her place in the order prescribed in advance by resolution of the Board of Directors. (Change in Japanese only; English unchanged)</p> <p>(Deleted)</p>

Current Articles of Incorporation	Proposed Amendments
<p>(Newly established)</p> <p><u>Article 25. (Directors with Executive Duties)</u> <u>The Board of Directors may, by its resolution, appoint one each of the Chairman of the Board of Directors and the President, as well as a number of Executive Vice Presidents.</u></p> <p>(Newly established)</p> <p>(Newly established)</p> <p><u>Article 26. (Division of Duties)</u> The Chairman of the Board of Directors shall preside over the Board Meetings. The President shall implement resolutions of the Board of Directors and exercise general control over the Company business. <u>The Executive Vice Presidents shall assist the President. In case the President is unable to act, the Executive Vice Presidents shall take his place, in the order prescribed in advance by resolution of the Board of Directors.</u></p>	<p><u>Article 17. (Measures, etc. for Providing Information in Electronic Format)</u> <u>In convening the general meeting of shareholders, the Company shall take measures for providing information that constitutes the content of reference material for the general meeting of shareholders, etc.in electronic format.</u> <u>Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p> <p>(Deleted)</p> <p><u>Article 25. (Chairman of the Board of Directors)</u> <u>The Board of Directors may appoint, by its resolution, one Chairman of the Board.</u></p> <p><u>Article 26. (President)</u> <u>The Board of Directors shall appoint, by its resolution, one President from among Directors or Executive Officers.</u></p> <p><u>Article 27. (Division of Duties)</u> The Chairman of the Board of Directors shall preside over the Board Meetings. The President shall implement resolutions of the Board of Directors and exercise general control over the Company business. In case the President is unable to act, <u>another Directors</u> shall take his/her place, in the order prescribed in advance by resolution of the Board of Directors.</p>

Current Articles of Incorporation	Proposed Amendments
(Newly established)	<p><u>Article 28. (Executive Officers)</u></p> <p><u>The Board of Directors shall appoint, by its resolution, Executive Officers, and have them share the execution of business of the Company.</u></p>
<p>Article <u>27.</u> to Article <u>41.</u> (Omitted)</p> <p>(Newly established)</p>	<p>Article <u>29.</u> to Article <u>43.</u> (Unchanged)</p> <p><u>Supplementary Provisions</u></p> <p><u>The deletion of Article 17 (Internet Disclosure and Deemed Provision of Reference Material for the General Meeting of Shareholders, Etc.) in the pre-amended Articles of Incorporation and the establishment of the new Article 17 in the amended Articles of Incorporation shall be effective from September 1, 2022, which is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u></p> <p><u>Notwithstanding the provision of the preceding paragraph, Article 17 of the pre-amended Articles of Incorporation shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u></p> <p><u>These Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p>

Proposal No. 3: Election of Twelve (12) Directors

The terms of office of all twelve (12) current directors will expire at the conclusion of this General Meeting of Shareholders. In that regard, approval is hereby requested for the election of twelve (12) directors, including four (4) outside directors.

The candidates for the offices of directors are as follows:

Candidate No.	Name		Current Position at IHI	Attendance at Board of Directors Meetings (Note)	Period in Office
1	Tsugio MITSUOKA	Reappointment	Representative Director and Chairman of the Board	17 of 17 (100%)	8 years
2	Hiroshi IDE	Reappointment	Representative Director and President; Chief Executive Officer	17 of 17 (100%)	2 years
3	Takeshi YAMADA	Reappointment	Representative Director and Executive Vice President; Senior Executive Officer	17 of 17 (100%)	5 years
4	Takeshi KAWAKAMI	Reappointment	Director; Managing Executive Officer	17 of 17 (100%)	2 years
5	Yasuhiro SHIGEGAKI	Reappointment	Director; Managing Executive Officer	17 of 17 (100%)	2 years
6	Hideo MORITA	Reappointment	Director; Managing Executive Officer	14 of 14 (100%)	1 year
7	Yoshiyuki NAKANISHI	Reappointment Outside Independent	Director	17 of 17 (100%)	2 years
8	Chieko MATSUDA	Reappointment Outside Independent	Director	17 of 17 (100%)	2 years
9	Minoru USUI	Reappointment Outside Independent	Director	14 of 14 (100%)	1 year
10	Masataka IKEYAMA	New Candidate	Senior Executive Officer	-	-
11	Akihiro SEO	New Candidate	Managing Executive Officer	-	-
12	Toshihiro UCHIYAMA	New Candidate Outside Independent	-	-	-

(Note) The stated attendance at board of Directors meetings is based merely on the attendance after his/her assumption as director.

To enable officers to fully discharge their role as expected during the performance of their duties, and to attract highly effective individuals, the Company has entered into a directors and officers liability insurance ("D&O insurance") policy, with all Directors and Audit & Supervisory Board Members, as provided for in Article 430-3, Paragraph 1 of the Companies Act, and in the event that the respective elections of the candidates are approved, they will each be covered by this policy. The insurance policy covers losses that may arise from the insured's assumption of liability incurred in the course of the performance of duties as an officer or a person at a certain position, or receipt of the pursuit of such liability. However, there are certain reasons for coverage exclusion, such as cover not being extended to liability originating in behavior that was performed with the awareness that it was in violation of laws or regulations. Furthermore, the insurance premiums, including those for special clauses, are fully borne by the Company, and there are no insurance premiums borne by the insureds.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
1	<p data-bbox="331 786 515 819">Reappointment</p> <p data-bbox="331 853 515 987">Tsugio MITSUOKA (October 13, 1954)</p>	<p data-bbox="539 371 1318 1032"> Apr. 1980: Joined IHI Apr. 2010: Executive Officer; Vice President of Aero-Engine & Space Operations, IHI Apr. 2013: Managing Executive Officer; President of Aero-Engine & Space Operations, IHI Jun. 2014: Director; Managing Executive Officer; President of Aero-Engine & Space Operations, IHI Apr. 2016: Representative Director and President; Chief Operating Officer, IHI Apr. 2017: Representative Director and President; Chief Executive Officer, IHI Apr. 2020: Representative Director and Chairman of the Board and President; Chief Executive Officer, IHI Jun. 2020: Representative Director and Chairman of the Board; Chief Executive Officer, IHI Apr. 2021: Representative Director and Chairman of the Board, IHI (incumbent) </p> <p data-bbox="539 1055 1286 1122"> <u>Position and Areas of Responsibility at IHI</u> Representative Director and Chairman of the Board </p> <p data-bbox="539 1144 1238 1245"> <u>Significant Concurrent Positions</u> Representative Director, Japanese Aero Engines Corporation </p> <p data-bbox="539 1267 1270 1402"> <u>Number of Other Listed Companies Concurrently Serving as Officer</u> Engaged in Business Execution: 0 Not Engaged in Business Execution: 0 </p>	16,000 Shares

Reasons for Nomination

Mr. Tsugio Mitsuoka has led the IHI Group's management as the President of the Company since April 2016, by actively carrying out the selection and concentration of business operations and the transformation of business model in response to the changing business environment, as well as bolstering the risk management and ensuring compliance. Since April 2020, he has been working to strengthen corporate governance as Chairman of the Board of the Company. In the belief that his abundant experience and insight as corporate manager will be indispensable in the management of the IHI Group, the Company has nominated him again as a candidate for director.

Attendance at Board of Directors Meetings

17 out of 17 (100%)

Period in Office

At the conclusion of this meeting, Mr. Tsugio Mitsuoka will have served 8 years as director of the Company.

Special Notes

Mr. Tsugio Mitsuoka is serving concurrently as Representative Director of the Japanese Aero Engines Corporation (JAEC), which is involved in the following transactions with the Company.

- (1) The Company is entrusted with development and research of civil aircraft jet engines and pays a portion of its funding necessary for the work.
- (2) The Company guarantees a portion of JAEC's loan obligations, etc.
- (3) The Company receives subsidies from JAEC for developing civil aircraft jet engines.
- (4) The Company manufactures and delivers civil aircraft jet engine components, etc. to JAEC.
- (5) The Company pays a portion of expenses required for the profit-making activities of JAEC.

There are no special interests between Mr. Tsugio Mitsuoka and the Company.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
2	<div data-bbox="323 857 515 891" style="border: 1px solid black; padding: 2px;">Reappointment</div> <p data-bbox="323 925 515 1032">Hiroshi IDE (February 16, 1961)</p>	<p data-bbox="531 371 1302 1205"> Apr. 1983: Joined IHI Apr. 2010: General Manager of Corporate Sales Planning Group, Global Marketing Headquarters, IHI Apr. 2012: General Manager of Global Strategic Planning Department, Global Marketing Headquarters, IHI Apr. 2013: Managing Director, Jurong Engineering Limited Apr. 2017: Executive Officer; Vice President of Resources, Energy and Environment Business Area, IHI Apr. 2019: Managing Executive Officer; President of Resources, Energy and Environment Business Area, IHI Apr. 2020: Chief Operating Officer and President of Resources, Energy and Environment Business Area, IHI Jun. 2020: Representative Director and President; Chief Operating Officer, IHI Apr. 2021: Representative Director and President; Chief Executive Officer and General Manager of Corporate Strategy Headquarters, IHI (incumbent) </p> <div data-bbox="531 1227 1150 1261" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="531 1261 1238 1361">Representative Director and President; Chief Executive Officer; General Manager of Corporate Strategy Headquarters</p> <div data-bbox="531 1384 1262 1417" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently</div> <div data-bbox="531 1417 799 1451" style="border: 1px solid black; padding: 2px;">Serving as Officer</div> <p data-bbox="531 1451 1091 1516"> Engaged in Business Execution: 0 Not Engaged in Business Execution: 0 </p>	2,900 Shares

Reasons for Nomination

Mr. Hiroshi Ide has accumulated a great deal of knowledge mainly in the overseas marketing division for the energy and plant businesses. After serving as Managing Director of an overseas subsidiary, he has formulated business strategies with a long-term perspective as President of Resources, Energy and Environment Business Area for the realization of a carbon-free recycling society. Since becoming Chief Operating Officer in April 2020, and subsequently President in June 2020, he has led the management of the Group. In the belief that these abundant business experience, accomplishments, and insight will be indispensable in the management of the IHI Group, the Company has nominated him again as a candidate for director.

Attendance at Board of Directors Meetings

17 out of 17 (100%)

Period in Office

At the conclusion of this meeting, Mr. Hiroshi Ide will have served 2 years as director of the Company.

Special Notes

There are no special interests between Mr. Hiroshi Ide and the Company.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
3	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">Reappointment</div> <p style="text-align: center;">Takeshi YAMADA (July 14, 1958)</p>	<p>Apr. 1981: Joined IHI</p> <p>Jul. 2011: General Manager of Planning Group, Corporate Planning Division, IHI</p> <p>Apr. 2014: Executive Officer; Deputy General Manager of Finance & Accounting Division, IHI</p> <p>Apr. 2017: Executive Officer; General Manager of Finance & Accounting Division, IHI</p> <p>Jun. 2017: Director; Executive Officer; General Manager of Finance & Accounting Division, IHI</p> <p>Apr. 2018: Director; Managing Executive Officer; General Manager of Finance & Accounting Division, IHI</p> <p>Apr. 2019: Representative Director and Executive Vice President; Senior Executive Officer, IHI (incumbent)</p> <p>Feb. 2020: Director, Japan Marine United Corporation (incumbent)</p> <div style="border: 1px solid black; padding: 2px; margin-top: 10px;">Position and Areas of Responsibility at IHI</div> <p>Representative Director and Executive Vice President; Senior Executive Officer; Assistant to the President; In charge of Group Finance & Accounting; In charge of Business Relating to Corporate Planning; In charge of Business Relating to Corporate Communication</p> <div style="border: 1px solid black; padding: 2px; margin-top: 10px;">Number of Other Listed Companies Concurrently Serving as Officer</div> <p>Engaged in Business Execution: 0 Not Engaged in Business Execution: 0</p>	2,600 Shares

Reasons for Nomination

Mr. Takeshi Yamada has accumulated a great deal of knowledge mainly in the finance & accounting field and corporate planning division, and since April 2017 as General Manager of the finance & accounting division, he has been deeply engaged in formulation and execution of the Group's financial strategies. After being appointed Executive Vice President in April 2019, he has been focusing on strengthening communication with stakeholders while promoting improvements in the Group's financial structure. In the belief that these abundant experience and high level of insight into the Group's overall business management will be indispensable in the management of the IHI Group, the Company has nominated him again as a candidate for director.

Attendance at Board of Directors Meetings

17 out of 17 (100%)

Period in Office

At the conclusion of this meeting, Mr. Takeshi Yamada will have served 5 years as director of the Company.

Special Notes

There are no special interests between Mr. Takeshi Yamada and the Company.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
4	<p data-bbox="331 981 515 1010">Reappointment</p> <p data-bbox="336 1048 510 1182">Takeshi KAWAKAMI (February 23, 1964)</p>	<p data-bbox="536 371 1318 1480"> Apr. 1989: Joined IHI Apr. 2009: General Manager of Bridge and Road Engineering Department, Infrastructure Operations, IHI Nov. 2009: General Manager of Project Department, Engineering Division, IHI Infrastructure Systems Co., Ltd. Apr. 2011: General Manager of IZMIT Project, Overseas Project Department, IHI Infrastructure Systems Co., Ltd. Jun. 2012: Associate Director; General Manager of IZMIT Project, Overseas Project Department, Bridge and Road Construction Division, IHI Infrastructure Systems Co., Ltd. Apr. 2017: Representative Director and President, IHI Infrastructure Systems Co., Ltd. Apr. 2018: Executive Officer; Vice President of Social Infrastructure & Offshore Facilities Business Area, IHI and Representative Director and President, IHI Infrastructure Systems Co., Ltd. Apr. 2019: Executive Officer; President of Social Infrastructure & Offshore Facilities Business Area, IHI Apr. 2020: Managing Executive Officer; President of Social Infrastructure & Offshore Facilities Business Area, IHI Jun. 2020: Director; Managing Executive Officer; President of Social Infrastructure & Offshore Facilities Business Area, IHI (incumbent) </p> <p data-bbox="536 1496 1262 1637"> <u>Position and Areas of Responsibility at IHI</u> Director; Managing Executive Officer; In charge of Monozukuri System Strategy; President of Social Infrastructure & Offshore Facilities Business Area </p> <p data-bbox="536 1653 1262 1794"> <u>Number of Other Listed Companies Concurrently Serving as Officer</u> Engaged in Business Execution: 0 Not Engaged in Business Execution: 0 </p>	2,100 Shares

Reasons for Nomination

Mr. Takeshi Kawakami has accumulated a great deal of knowledge in the bridge design, manufacturing and construction divisions. He subsequently served as the manager responsible for many projects, including overseas projects at a subsidiary operating bridge/water gate business, which the Company established through the acquisition of a leading Japanese company, and then as that company's President. Since April 2019, as President of Social Infrastructure & Offshore Facilities Business Area, he has led that business area in a globally competitive environment. In the belief that these abundant experience, accomplishments, and insight will contribute to the growth of the IHI Group, the Company has nominated him again as a candidate for director.

Attendance at Board of Directors Meetings

17 out of 17 (100%)

Period in Office

At the conclusion of this meeting, Mr. Takeshi Kawakami will have served 2 years as director of the Company.

Special Notes

There are no special interests between Mr. Takeshi Kawakami and the Company.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
5	<div data-bbox="320 857 520 891" style="border: 1px solid black; padding: 2px;">Reappointment</div> <p data-bbox="336 931 504 1066">Yasuhiro SHIGEGAKI (March 15, 1964)</p>	<p data-bbox="536 371 863 405">Apr. 1988: Joined IHI</p> <p data-bbox="536 416 1310 551">Apr. 2012: General Manager of New Products Incubation Center, Corporate Research & Development and General Manager of Products Development Department, IHI</p> <p data-bbox="536 562 1302 618">Jul. 2016: Representative Director and Chairman of the Board, IHI Ionbond AG</p> <p data-bbox="536 629 1302 819">Apr. 2018: Representative Director and Chairman of the Board, IHI Ionbond AG, and General Manager of Heat Treatment and Surface Engineering Business Unit, Industrial Systems & General Purpose Machinery Business Area, IHI</p> <p data-bbox="536 831 1302 999">Apr. 2019: Executive Officer; Vice President of Industrial Systems & General Purpose Machinery Business Area and General Manager of Heat Treatment and Surface Engineering Business Unit, IHI</p> <p data-bbox="536 1010 1302 1111">Apr. 2020: Managing Executive Officer; President of Industrial Systems & General-Purpose Machinery Business Area, IHI</p> <p data-bbox="536 1122 1302 1245">Jun. 2020: Director; Managing Executive Officer and President of Industrial Systems & General-Purpose Machinery Business Area, IHI (incumbent)</p> <div data-bbox="536 1256 1142 1290" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="536 1301 1310 1402">Director; Managing Executive Officer; In Charge of Production Base Strategy; President of Industrial Systems & General Purpose Machinery Business Area</p> <div data-bbox="536 1413 1262 1447" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently</div> <div data-bbox="536 1458 791 1491" style="border: 1px solid black; padding: 2px;">Serving as Officer</div> <p data-bbox="536 1503 1031 1536">Engaged in Business Execution: 0</p> <p data-bbox="536 1536 1086 1570">Not Engaged in Business Execution: 0</p>	2,600 Shares

Reasons for Nomination

Mr. Yasuhiro Shigegaki has accumulated a great deal of experience and knowledge mainly in the research and development division. In addition to having served as Chairman of an overseas subsidiary that the Company acquired for the Heat Treatment and Surface Engineering Business, he has actively pursued global expansion to achieve growth as the manager responsible for the business. As the President of Industrial Systems & General-Purpose Machinery Business Area since April 2020, he has been leading the business in a globally competitive environment. In the belief that these abundant experience, accomplishments, and insight will contribute to the growth of the IHI Group, the Company has nominated him again as a candidate for director.

Attendance at Board of Directors Meetings

17 out of 17 (100%)

Period in Office

At the conclusion of this meeting, Mr. Yasuhiro Shigegaki will have served 2 years as director of the Company.

Special Notes

There are no special interests between Mr. Yasuhiro Shigegaki and the Company.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
6	<div data-bbox="325 763 512 797" style="border: 1px solid black; padding: 2px;">Reappointment</div> <p data-bbox="325 846 512 981">Hideo MORITA (October 20, 1961)</p>	<p data-bbox="531 371 1294 1066"> Apr. 1986: Joined IHI Apr. 2015: General Manager of Civil Engine Engineering Department, Civil Aero-Engine Division, Aero-Engine & Space Operations, IHI Apr. 2016: Deputy Division Director of Civil Aero-Engine Division, Aero-Engine & Space Operations, IHI Apr. 2017: Division Director of Civil Aero-Engine Division, Aero-Engine, Space & Defense Business Area, IHI Apr. 2018: Executive Officer; Vice President of Aero-Engine, Space & Defense Business Area, IHI Apr. 2021: Managing Executive Officer; President of Aero-Engine, Space & Defense Business Area, IHI Jun. 2021: Director; Managing Executive Officer; President of Aero-Engine, Space & Defense Business Area, IHI (incumbent) </p> <div data-bbox="531 1081 1145 1115" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="531 1122 1294 1223">Managing Executive Officer; President of Aero-Engine, Space & Defense Business Area</p> <div data-bbox="531 1238 1259 1272" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently</div> <div data-bbox="531 1279 791 1312" style="border: 1px solid black; padding: 2px;">Serving as Officer</div> <p data-bbox="531 1319 1027 1352">Engaged in Business Execution: 0</p> <p data-bbox="531 1359 1086 1393">Not Engaged in Business Execution: 0</p>	3,000 Shares
<div data-bbox="217 1391 568 1424" style="border: 1px solid black; padding: 2px;">Reasons for Nomination</div> <p data-bbox="217 1431 1477 1700">Mr. Hideo Morita has accumulated a great deal of knowledge as manager responsible for the development of space equipment, production, design, and engineering departments of the Aero-Engine & Space Operations. Since April 2018, he had led the Civil Aero-Engine Division, and subsequently as the President of Aero-Engine, Space & Defense Business Area since April 2021, he has been leading the business under environmental changes. In the belief that his abundant experience, accomplishments, and insight will contribute to the growth of the IHI Group, the Company has nominated him again as a candidate for director.</p> <div data-bbox="217 1715 836 1749" style="border: 1px solid black; padding: 2px;">Attendance at Board of Directors Meetings</div> <p data-bbox="217 1756 504 1789">14 out of 14 (100%)</p> <div data-bbox="217 1796 443 1830" style="border: 1px solid black; padding: 2px;">Period in Office</div> <p data-bbox="217 1836 1461 1892">At the conclusion of this meeting, Mr. Hideo Morita will have served 1 year as director of the Company.</p> <div data-bbox="217 1908 416 1942" style="border: 1px solid black; padding: 2px;">Special Notes</div> <p data-bbox="217 1948 1302 1982">There are no special interests between Mr. Hideo Morita and the Company.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
7	<div data-bbox="320 707 515 741" style="border: 1px solid black; padding: 2px;">Reappointment</div> <div data-bbox="320 757 515 813" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <div data-bbox="320 828 515 913" style="border: 1px solid black; padding: 2px;">Candidate for Independent Director</div> <p data-bbox="331 987 504 1122">Yoshiyuki NAKANISHI (November 3, 1954)</p>	<p data-bbox="531 371 1307 439">Apr. 1978: Joined Dainippon Ink and Chemicals, Incorporated (now DIC Corporation)</p> <p data-bbox="531 443 1307 577">Apr. 2010: Executive Officer; In Charge of Corporate Strategy Division and Kawamura Memorial Museum of Art, DIC Corporation</p> <p data-bbox="531 582 1307 712">Jun. 2011: Director; Executive Officer; In Charge of Corporate Strategy Division and Kawamura Memorial DIC Museum of Art, DIC Corporation</p> <p data-bbox="531 716 1307 817">Apr. 2012: Representative Director and Representative Director; President and CEO, DIC Corporation</p> <p data-bbox="531 822 1307 889">Jan. 2018: Chairman of the Board of Directors, DIC Corporation</p> <p data-bbox="531 893 1066 927">Jun. 2020: Director, IHI (incumbent)</p> <p data-bbox="531 931 1078 965">Jan. 2021: Director, DIC Corporation</p> <p data-bbox="531 969 1219 1037">Mar. 2021: Executive Advisor, DIC Corporation (incumbent)</p> <div data-bbox="531 1048 1145 1115" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI Director</div> <div data-bbox="531 1133 1007 1167" style="border: 1px solid black; padding: 2px;">Significant Concurrent Positions</div> <p data-bbox="531 1171 1283 1305">Executive Advisor, DIC Corporation *He is not a business executive at DIC Corporation. Outside Director, THE JAPAN STEEL WORKS, LTD. Outside Director, SHIMADZU CORPORATION</p> <div data-bbox="531 1323 1259 1357" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently</div> <div data-bbox="531 1361 791 1395" style="border: 1px solid black; padding: 2px;">Serving as Officer</div> <p data-bbox="531 1400 1027 1433">Engaged in Business Execution: 0</p> <p data-bbox="531 1438 1086 1471">Not Engaged in Business Execution: 2</p>	0 Shares

Reasons for Nomination and Overview of Expected Role

Mr. Yoshiyuki Nakanishi, following experiences in sales of products and services of a global chemical manufacturer and involvement in operations of its key business, has gained abundant experience, accomplishments, and extensive insight into overall corporate management at the helm of the manufacturer, where he implemented various measures to respond to changes in the business environment. Aiming to have him reflect these qualities in the management of the Company and carry out management oversight and monitoring functions from an independent perspective, the Company has nominated him again as a candidate for outside director.

Attendance at Board of Directors Meetings

17 out of 17 (100%)

Period in Office

At the conclusion of this meeting, Mr. Yoshiyuki Nakanishi will have served 2 years as outside director of the Company.

Policy on Independence

Some of the Company's subsidiaries have business relationships involving the maintenance and sale of industrial machinery, etc. with DIC Corporation, where Mr. Yoshiyuki Nakanishi previously served as a business executive. However, the transaction amount that business relationship generates is less than 0.01% of the Company's consolidated revenue, which is immaterial, and the Company also has no history of purchases from DIC Corporation (for the fiscal year ended March 31, 2022). Therefore, this has no impact on his independence.

The Company has registered Mr. Yoshiyuki Nakanishi with domestic financial instrument exchanges (where the Company is listed) as independent director.

Overview of the Limited Liability Contract

The Company has concluded a contract with Mr. Yoshiyuki Nakanishi to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of his liability for damages under the said contract shall be the amount stipulated by laws and regulations. If reappointment of the director is approved, the Company shall continue the aforementioned contract to limit liability with him.

(Note) Mr. Yoshiyuki Nakanishi served as Outside Director of THE JAPAN STEEL WORKS, LTD. It came to light through internal investigation that, for a portion of products manufactured by Japan Steel Works M&E, Inc., which is a subsidiary of the said company, there was improper conduct in some examinations that should have been carried out during the manufacturing process. The said company established a special investigation committee, and carried out investigations. Although he had not been aware of the fact until it came to light, he appropriately carried out his duties from the perspective of corporate compliance, such as by regularly making appropriate recommendations regarding legal compliance and the importance of internal control.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
8	<div data-bbox="320 725 515 757" style="border: 1px solid black; padding: 2px;">Reappointment</div> <div data-bbox="320 775 515 831" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <div data-bbox="320 848 515 931" style="border: 1px solid black; padding: 2px;">Candidate for Independent Director</div> <p data-bbox="341 972 494 1106">Chieko MATSUDA (November 18, 1964)</p>	<p data-bbox="531 371 1251 434">Apr. 1987: Joined The Long-Term Credit Bank of Japan, Limited</p> <p data-bbox="531 443 1091 474">Oct. 1998: Joined Moody's Japan K.K.</p> <p data-bbox="531 483 1203 515">Sep. 2001: Partner, Corporate Directions, Inc.</p> <p data-bbox="531 524 1227 555">May 2006: Representative Director, Matrix, Inc.</p> <p data-bbox="531 564 1166 620">Oct. 2006: Vice President (Partner), Booz & Company, Inc.</p> <p data-bbox="531 629 1230 819">Apr. 2011: Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University (incumbent) Professor, Graduate School of Management, Tokyo Metropolitan University (incumbent)</p> <p data-bbox="531 828 1066 860">Jun. 2020: Director, IHI (incumbent)</p> <div data-bbox="531 878 1145 943" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="531 913 655 945">Director</p> <div data-bbox="531 963 1007 994" style="border: 1px solid black; padding: 2px;">Significant Concurrent Positions</div> <p data-bbox="531 1003 1203 1068">Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University</p> <p data-bbox="531 1077 1262 1133">Professor, Graduate School of Management, Tokyo Metropolitan University</p> <p data-bbox="531 1142 1283 1207">Non-Executive Director of the Board, Kirin Holdings Company, Limited</p> <p data-bbox="531 1216 1066 1247">Outside Director, T&D Holdings, Inc.</p> <p data-bbox="531 1256 1134 1288">(scheduled to be appointed in June 2022)</p> <div data-bbox="531 1328 1259 1359" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently</div> <div data-bbox="531 1368 791 1400" style="border: 1px solid black; padding: 2px;">Serving as Officer</div> <p data-bbox="531 1408 1027 1440">Engaged in Business Execution: 0</p> <p data-bbox="531 1449 1082 1480">Not Engaged in Business Execution: 1</p>	700 Shares

Reasons for Nomination and Overview of Expected Role

Ms. Chieko Matsuda has extensive experience and insight gained through financial and capital market operations and management consulting operations and an extremely high level of expertise in corporate and financial strategies as a researcher. In addition, she has broad insight as an outside officer of several companies. Aiming to have her reflect these qualities in the management of the Company and carry out management oversight and monitoring functions from an independent perspective, the Company has nominated her again as a candidate for outside director.

Attendance at Board of Directors Meetings

17 out of 17 (100%)

Period in Office

At the conclusion of this meeting, Ms. Chieko Matsuda will have served 2 years as outside director of the Company.

Policy on Independence

There are no special interests between Ms. Chieko Matsuda and the Company. The Company has registered Ms. Chieko Matsuda with domestic financial instrument exchanges (where the Company is listed) as independent director.

Overview of the Limited Liability Contract

The Company has concluded a contract with Ms. Chieko Matsuda to limit her liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of her liability for damages under the said contract shall be the amount stipulated by laws and regulations. If reappointment of the director is approved, the Company shall continue the aforementioned contract to limit liability with her.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
9	<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Reappointment</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Candidate for Outside Director</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Candidate for Independent Director</div> <p style="text-align: center;">Minoru USUI (April 22, 1955)</p>	<p>Nov. 1979: Joined Shinshu Seiki Co., Ltd. (now Seiko Epson Corporation)</p> <p>Jun. 2002: Director; Deputy Chief Operating Officer, Imaging & Information Products Operations Division, Seiko Epson Corporation</p> <p>Nov. 2004: Director; Deputy General Administrative Manager, Corporate Research & Development Division, and Deputy Chief Operating Officer, Imaging & Information Products Operations Division, Seiko Epson Corporation</p> <p>Nov. 2005: Director; General Administrative Manager, Production Engineering & Development Division, Seiko Epson Corporation</p> <p>Jul. 2007: Director; General Administrative Manager, Corporate Research & Development Division, and General Administrative Manager, Production Engineering & Development Division, Seiko Epson Corporation</p> <p>Oct. 2007: Managing Director; General Administrative Manager, Corporate Research & Development Division, and General Administrative Manager, Production Engineering & Development Division, Seiko Epson Corporation</p> <p>Jun. 2008: President and Representative Director; Chief Executive Officer, Seiko Epson Corporation</p> <p>Apr. 2020: Chairman and Director, Seiko Epson Corporation (incumbent)</p> <p>Jun. 2021: Director, IHI (incumbent)</p> <div style="border: 1px solid black; padding: 2px; margin-top: 10px;">Position and Areas of Responsibility at IHI Director</div> <div style="border: 1px solid black; padding: 2px; margin-top: 5px;">Significant Concurrent Positions Chairman and Director, Seiko Epson Corporation *He is not a business executive at Seiko Epson Corporation. Outside Director, Sumitomo Pharma Co., Ltd.</div> <div style="border: 1px solid black; padding: 2px; margin-top: 5px;">Number of Other Listed Companies Concurrently Serving as Officer Engaged in Business Execution: 0 Not Engaged in Business Execution: 2</div>	700 Shares

Reasons for Nomination and Overview of Expected Role

Mr. 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 the Company and carry out management oversight and monitoring functions from an independent perspective, the Company has nominated him again as a candidate for outside director.

Attendance at Board of Directors Meetings

14 out of 14 (100%)

Period in Office

At the conclusion of this meeting, Mr. Minoru Usui will have served 1 year as outside director of the Company.

Policy on Independence

The IHI Group has business relationships involving real estate leasing etc. with Seiko Epson Corporation, where Mr. Minoru Usui previously served as a business executive. However, the transaction amount that business relationship generates is less than 0.01% of the Company's consolidated revenue and less than 0.01% of Seiko Epson Corporation's consolidated revenue (for the fiscal year ended March 31, 2022), which is immaterial. Therefore, this has no impact on his independence.

The Company has registered Mr. Minoru Usui with domestic financial instrument exchanges (where the Company is listed) as independent director.

Overview of the Limited Liability Contract

The Company has concluded a contract with him to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of his liability for damages under the said contract shall be the amount stipulated by laws and regulations. If reappointment of the director is approved, the Company shall continue the aforementioned contract to limit liability with him.

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
10	<div data-bbox="320 734 515 792" style="border: 1px solid black; padding: 2px;">Candidate for New Director</div> <p data-bbox="320 792 515 943">Masataka IKEYAMA (January 4, 1960)</p>	<p data-bbox="531 371 1315 891"> Apr. 1984 Joined IHI Apr. 2013 Division Director of Defense Systems Division, Aero-Engine & Space Operations, IHI Apr. 2016 Executive Officer; Vice President of Aero- Engine & Space Operations, IHI Apr. 2017 Executive Officer; Vice President of Aero- Engine, Space & Defense Business Area, IHI Jun. 2019 Representative Director and President and CEO, MEISEI ELECTRIC CO., LTD. Aug. 2021 Managing Executive Officer; General Manager of MEISEI PMI Office, IHI Apr. 2022 Senior Executive Officer; General Manager of MEISEI PMI Office, IHI (incumbent) </p> <div data-bbox="531 909 1145 943" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="531 943 1315 1155"> Senior Executive Officer; In Charge of Economic Security; In Charge of Group Quality Assurance; In Charge of Business Relating to Procurement, Information Management; General Manager of MEISEI PMI Office </p> <div data-bbox="531 1173 1259 1207" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently</div> <div data-bbox="531 1207 791 1240" style="border: 1px solid black; padding: 2px;">Serving as Officer</div> <p data-bbox="531 1240 1315 1312"> Engaged in Business Execution: 0 Not Engaged in Business Execution: 0 </p>	4,500 Shares
<div data-bbox="217 1323 568 1357" style="border: 1px solid black; padding: 2px;">Reasons for Nomination</div> <p data-bbox="217 1357 1477 1738"> Mr. Masataka Ikeyama has accumulated a great deal of knowledge in the aero-engine technology development field, particularly as manager responsible for the Defense systems business, and subsequently, he was appointed as President of MEISEI ELECTRIC CO., LTD., a listed subsidiary, in 2019 and worked on management reforms of the said company. In August 2021, he achieved IHI's acquisition of 100% ownership of the said company as part of the IHI Group's efforts for creation of new growth businesses. Since then, at the Company, he has also been working to strengthen economic security of which the importance is growing. In the belief that these abundant experience, accomplishments, and insight will be indispensable in the management of the IHI Group, the Company has nominated him as a candidate for director. </p> <div data-bbox="217 1749 836 1783" style="border: 1px solid black; padding: 2px;">Attendance at Board of Directors Meetings</div> <p data-bbox="217 1783 248 1805">—</p> <div data-bbox="217 1827 443 1861" style="border: 1px solid black; padding: 2px;">Period in Office</div> <p data-bbox="217 1861 248 1883">—</p> <div data-bbox="217 1906 416 1939" style="border: 1px solid black; padding: 2px;">Special Notes</div> <p data-bbox="217 1939 1390 1975"> There are no special interests between Mr. Masataka Ikeyama and the Company. </p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
11	<div data-bbox="320 712 515 779" style="border: 1px solid black; padding: 2px;">Candidate for New Director</div> Akihiro SEO (October 21, 1963)	<p>Apr. 1987 Joined IHI</p> <p>Dec. 2007 President, Alpha Automotive Technologies LLC</p> <p>Apr. 2013 Manager of Planning & Control Department, Global Marketing Headquarters, IHI</p> <p>Apr. 2017 Manager of Corporate Business Development Division, IHI</p> <p>Apr. 2018 General Manager of Corporate Planning Division, IHI</p> <p>Apr. 2021 Executive Officer; General Manager of Corporate Planning Division, IHI</p> <p>Apr. 2022 Managing Executive Officer; General Manager of Human Resources Division, IHI (incumbent)</p> <div data-bbox="531 909 1145 943" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> Managing Executive Officer; In Charge of Human Resources and Labor; In Charge of Safety and Health; In Charge of ESG; General Manager of Human Resources Division <div data-bbox="531 1099 1259 1133" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently</div> <div data-bbox="531 1137 791 1171" style="border: 1px solid black; padding: 2px;">Serving as Officer</div> Engaged in Business Execution: 0 Not Engaged in Business Execution: 0	500 Shares
<div data-bbox="217 1252 568 1285" style="border: 1px solid black; padding: 2px;">Reasons for Nomination</div> <p>Mr. Akihiro Seo has accumulated a great deal of knowledge, mainly in human resources and labor relations and in the corporate planning division, and then was engaged in promotion of a new business and served as the President of an overseas subsidiary established by the Company. He has been involved in a medium-term management plan as General Manager of Corporate Planning Division since April 2018, and been working on the formulation and promotion of the “IHI Group’s ESG Management,” which was released in November 2021. In the belief that these abundant experience, accomplishments, and insight will contribute to the management of the IHI Group, the Company has nominated him as a candidate for director.</p> <div data-bbox="217 1641 834 1675" style="border: 1px solid black; padding: 2px;">Attendance at Board of Directors Meetings</div> <p>—</p> <div data-bbox="217 1720 443 1753" style="border: 1px solid black; padding: 2px;">Period in Office</div> <p>—</p> <div data-bbox="217 1805 416 1839" style="border: 1px solid black; padding: 2px;">Special Notes</div> <p>There are no special interests between Mr. Akihiro Seo and the Company.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
12	<div data-bbox="320 636 515 696" style="border: 1px solid black; padding: 2px;">Candidate for New Director</div> <div data-bbox="320 712 515 772" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <div data-bbox="320 788 515 871" style="border: 1px solid black; padding: 2px;">Candidate for Independent Director</div> <p data-bbox="320 909 515 1043">Toshihiro UCHIYAMA (November 28, 1958)</p>	<p data-bbox="531 371 1307 994"> Apr. 1981 Joined NSK Ltd. Jun. 2008 Vice President; Deputy Head of Corporate Planning Division HQ, NSK Ltd. Jun. 2009 Vice President; Head of Corporate Planning Division HQ, NSK Ltd. Jun. 2010 Senior Vice President; Head of Corporate Planning Division HQ, NSK Ltd. Jun. 2012 Director; Senior Vice President; Head of Corporate Planning Division HQ, NSK Ltd. Jun. 2013 Director; Representative, Executive Vice President; Head of Corporate Strategy Division HQ, NSK Ltd. Jun. 2015 Director; Representative, President and Chief Executive Officer, NSK Ltd. Jun. 2017 Director; Representative, President and Chief Executive Officer, NSK Ltd. Apr. 2021 Chairman of the Board of Directors, NSK Ltd. (incumbent) </p> <div data-bbox="531 1016 1007 1048" style="border: 1px solid black; padding: 2px;">Significant Concurrent Positions</div> <p data-bbox="531 1055 1166 1155"> Director; Chairman, NSK Ltd. *He is not a business executive at NSK Ltd. Outside Director, Sapporo Holdings Limited </p> <div data-bbox="531 1173 1259 1205" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently</div> <div data-bbox="531 1211 791 1243" style="border: 1px solid black; padding: 2px;">Serving as Officer</div> <p data-bbox="531 1249 1086 1308"> Engaged in Business Execution: 0 Not Engaged in Business Execution: 2 </p>	0 Shares

Reasons for Nomination and Overview of Expected Role

Mr. Toshihiro Uchiyama, after working on sales of products and services, production reforms in its overseas affiliated company, and other initiatives in an electronic equipment manufacturer that operates business globally, has gained abundant experience and extensive insight into overall corporate management at the helm of the manufacturer, where he implemented various measures to respond to changes in the business environment. Aiming to have him reflect these qualities in the management of the Company and carry out management oversight and monitoring functions from an independent perspective, the Company has nominated him as a candidate for outside director.

Attendance at Board of Directors Meetings

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Period in Office

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Policy on Independence

The IHI Group has business relationships involving the maintenance of industrial machinery, purchase of aircraft components, etc. with NSK Ltd., where Mr. Toshihiro Uchiyama previously served as a business executive. However, the transaction amount that business relationship generates is less than 0.01% of the Company's consolidated revenue and less than 0.2% of consolidated net sales of NSK Ltd. (for the fiscal year ended March 31, 2022), which is immaterial. Therefore, this has no impact on his independence.

If appointment of Mr. Toshihiro Uchiyama is approved, the Company plans to register him with domestic financial instrument exchanges (where the Company is listed) as independent director.

Overview of the Limited Liability Contract

If appointment of Mr. Toshihiro Uchiyama is approved, the Company plans to conclude a contract with him to limit his liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The amount of the limitation of his liability for damages under the said contract shall be the amount stipulated by laws and regulations.

<Reference>

Expertise and experience of Directors and Audit & Supervisory Board Members (skills matrix)

The Company has sorted out expertise and experience necessary for the Board of Directors to sufficiently fulfill its function and realize the IHI Group's management philosophy and future ideal vision. The following list shows up to three fields that are particularly expected of each Director and Audit & Supervisory Board Member (including candidates), and does not cover all expertise and experience of each person.

	Name	Corporate management	Technology/ research and development	Global business	Sales/ marketing	ICT/DX	Personnel affairs and human resources development	Finance and accounting	Legal/ compliance/ risk management
Directors	Tsugio MITSUOKA	○	○						○
	Hiroshi IDE	○		○	○				
	Takeshi YAMADA	○						○	
	Masataka IKEYAMA	○				○			○
	Takeshi KAWAKAMI		○						
	Yasuhiro SHIGEGAKI		○						
	Hideo MORITA		○						
	Akihiro SEO						○		○
Outside Directors	Yoshiyuki NAKANISHI	○		○	○				
	Chieko MATSUDA						○	○	○
	Minoru USUI	○	○	○					
	Toshihiro UCHIYAMA	○		○	○				
Audit & Supervisory Board Members	Takashi NIIMURA				○				○
	Seiji MARUYAMA							○	
Outside Audit & Supervisory Board Members	Toshio IWAMOTO	○		○		○			
	Aiko SEKINE							○	
	Yumiko WASEDA								○

Basic Views on Governance

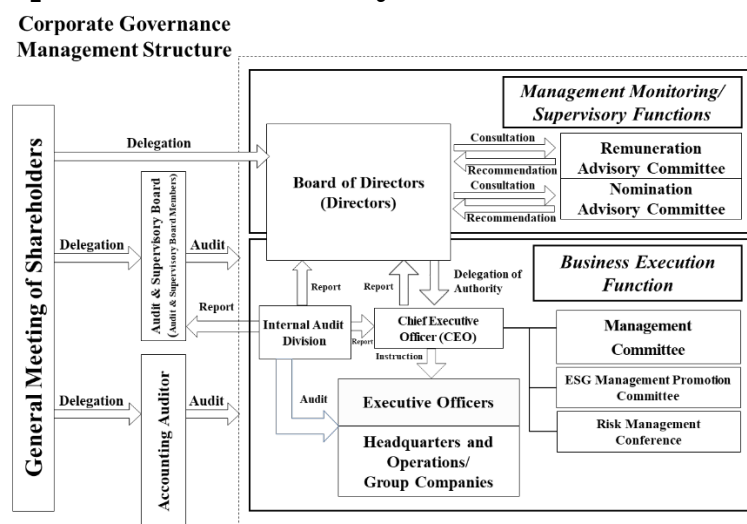
The Company defines corporate governance as a system that assures sustainable growth and maximization of corporate value by enhancing management efficiency so that the Company can leverage its innate capabilities to the fullest extent possible. To achieve this, the Company targets efficient and appropriate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

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

The Company will work to enhance its corporate governance in line with the following basic policies:

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

Overview of Corporate Governance System



The Company has an Audit & Supervisory Board, which comprises audit & supervisory board members who audit the duties executed by directors.

The Board of Directors makes decisions related to all important matters concerning the management of the Company and the Group, in addition to supervising directors in their business execution. The outside directors, who are elected from among individuals with extensive experience and broad insight gained at the helm of business managers, or with a high degree of specialist knowledge and

diverse experience, participate in the Board of Directors' decision-making process, offer advice and make recommendations independently of managers who have been delegated the authority to handle day-to-day operations.

System for Executing Business Operations

The Company has an executive officer system to strengthen the decision-making and supervisory functions of the Board of Directors, as well as to improve the efficiency of business operations. Executive officers are appointed by resolution of the Board of 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 Management Committee, which consists of members appointed by the CEO, supports the CEO's decision-making and business execution.

In addition, the Company has set up the "ESG Management Promotion Committee" and "Risk Management Conference" as bodies for which the CEO himself serves as the chairman. The ESG Management Promotion Committee aims to examine basic policies and specific measures for ESG management, and assess and improve the implementation status. The Risk Management Conference aims to control risk management of the IHI Group, and discuss and approve important matters in relation to general risk management.

Executive Structure

The current executive structure consists of 12 directors (four (4) of whom are outside directors), five (5) audit & supervisory board members (three (3) of whom are outside audit & supervisory board members) and 22 executive officers (five (5) of whom are executive officers who concurrently serve as director). If Proposal No. 3 is approved in its original form, the executive structure will consist of 12 directors (four (4) of whom will be outside directors), five (5) audit & supervisory board members (three (3) of whom will be outside audit & supervisory board members) and 22 executive officers (seven (7) of whom will be executive officers who concurrently serve as director).

Remuneration Advisory Committee

The Company established the Remuneration Advisory Committee as the optional committee. To ensure appropriateness and objectivity of officer remuneration, the Remuneration Advisory Committee comprises six (6) members: three (3) outside directors and one (1) outside audit & supervisory board member, the director in charge of human resources, and the director in charge of finance and accounting, with an outside director serving as the committee chairman.

Nomination Advisory Committee

The Company established the Nomination Advisory Committee as the optional committee. To proper implementation of officer appointments, the Nomination Advisory Committee comprises five (5) members: the Representative Director and President, and four (4) outside directors, with the Representative Director and President serving as the committee chairman.

Policies and Procedures relating to Appointment of Officers

The Company's Board of Directors decides on ideal attributes for officers and draws up independence standards for outside directors and outside 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 outside directors and outside audit & supervisory board members are genuinely independent. The Company's Board of Directors sets the basic policy of appointing the most appropriate officers according to the ideal attributes and the independence standards for outside directors and outside 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, the Company's Board of Directors has supplemented the legally required procedures by establishing a Nomination Advisory Committee comprised of all the independent outside 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 outside directors. It supervises appointment-related procedures to ensure that they are applied appropriately, and offers related advice.

Should members of senior management 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

The Company appoints directors and audit & supervisory board members who are healthy in mind and body and have all the following attributes:

- Deep understanding of, and sympathy 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 Outside Directors

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

(1)Major Shareholders	The director should not be a major shareholder with 10% or more of the voting rights in the Company, or serve as a director, audit & supervisory board member, executive officer at a company with committees, executive officer or employee, of a corporation that is a major shareholder.
(2)Major Clients, Suppliers, etc.	<p>The director should not currently serve as a director, audit & supervisory board member, executive officer at a company with committees, executive officer or employee, of any of the Company's major clients, suppliers, etc. detailed below, nor should he/she have served as an executive director, executive officer at a company with committees, or executive officer, of such major clients, suppliers, etc. in the past.</p> <ul style="list-style-type: none"> • Major clients of the IHI Group (with transactions valued at 2% or more of the Company'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 the Company (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 yen or more of monetary consideration or other property from the Company annually besides compensation as a director/audit & supervisory board member.
(4)Accounting Auditor	The director should not be a representative partner or partner of the Company's accounting auditor.

(5) Mutual Exchange of Officers, etc. with IHI	The director should not be assigned to a corporation with which the Company has a relationship of mutually exchanging directors or audit & supervisory board members.
(6) Close Relatives	<p>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.</p> <p>* 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.</p>

- END -

Business Report

(From April 1, 2021 to March 31, 2022)

1. Matters on Current Status of the IHI Group

(1) Progress of Business Operations and Their Results

● Business Environment and Initiatives Taken by the IHI Group

During the fiscal year under review, there was an easing of restrictions on economic activity that had been imposed following the spread of COVID-19, as well as signs of a rally in production and consumption activity, but the prolongation of the semiconductor shortages and soaring raw material prices have hindered the recovery of the Japanese economy. The global economy showed signs of a revival, primarily in Europe and the U.S., with the spread of vaccinations. However, outlook is becoming more uncertain due to Russian's invasion of Ukraine, the economic sanctions by each country, and the spread of new variants of COVID-19 in China leading to the imposition of restrictions on economic activities.

In the civil aero engines business, which has been affected by COVID-19, the demand for long-distance international flight has been slow to recover, but the demand for aero transportation on domestic and short-distance international flight is recovering. Along with this the sales of spare parts continue to be on the rise.

In the vehicular turbocharger business, the production adjustment in the automobile industry has been continuing and the number of units delivered is sluggish. Although some regions are heading for recovery of the number of units delivered, it is expected that the recovery of each automobile company's production will not take place before the second half of fiscal 2022.

Under such circumstances, the Group considers the period through FY2022 as a period of preparation and transition for business reforms in response to changes in the business environment, and is promoting the "Project Change" initiative. Under "Project Change," we aim for an early return to a growth trajectory by reforming the Group's business structure to overcome environmental changes, strengthening the earnings foundations by implementing financial strategies, and steadily expanding lifecycle businesses. Furthermore, we are accelerating the creation of growth businesses that contribute to the realization of a sustainable society, and are promoting the transformation of the Group's business portfolio. As in the previous fiscal year, we sold real estate investments in order to secure investment resources for the creation of growth businesses.

Furthermore, the IHI Group announced the "IHI Group's ESG Management" in November 2021, and reiterated its commitment to placing ESG at the center of its management. We are committed to solving climate change issues through our business activities and realizing a sustainable world in which nature and technology work in unity, while upholding human rights and creating a corporate culture in which diverse and inclusive workforce are built.

• Positioning



- **Operating Results**

For the IHI Group's operating results during the fiscal year ended March 31, 2022, orders received increased 15.0% from the previous fiscal year to 1,261.2 billion yen and revenue increased 5.4% from the previous fiscal year to 1,172.9 billion yen.

In terms of profit, although impairment losses of non-current assets were recorded, operating profit increased by 53.5 billion yen to 81.4 billion yen mainly due to increased sales of spare parts in the civil aero engines business, increased revenue in the nuclear energy business and the heat treatment and surface engineering business, and sales of investment property. Profit before tax increased by 60.0 billion yen to 87.6 billion yen, an increase in profit margin due to the improvement in share of profit (loss) of investments accounted for using equity method and improvements in foreign exchange gain. Profit attributable to owners of parent was 66.0 billion yen, an increase of 52.9 billion yen.

[Earnings Highlights (Consolidated)] IFRS

	204 th Fiscal Year	205 th Fiscal Year
	Amount (Billions of yen)	Amount (Billions of yen)
Orders Received	1,097.0	1,261.2
Revenue	1,112.9	1,172.9
Operating Profit	27.9	81.4
Profit before tax	27.6	87.6
Profit Attributable to Owners of Parent	13.0	66.0
Order Backlog	1,165.0	1,265.0

(Note) The IHI Group has adopted the International Financial Reporting Standards (IFRS) from the beginning or the previous fiscal year.

- **Interim Dividend**

The Company's interim dividend for the first half of the fiscal year under review was 30 yen per share, which was determined in consideration of a broad range of factors such as earnings outlook during the fiscal year under review.

- **Overview of Each Business Division**

The overview of each business division for the fiscal year under review is as follows:

○ **Resources, Energy and Environment**

Main Businesses

- Power systems (power systems plants for land use and power systems for ships)
- Carbon solutions (boilers, storage facilities, chemical plants)
- Nuclear power (components for nuclear power plants)

With the completion of the rulebook of the Paris Agreement at COP26 and the establishment of long-term targets for balancing greenhouse gas emissions and absorption, countries, regions, and customers are facing various challenges in reducing their environmental impact. In Japan, efforts to achieve "carbon neutrality by 2050" are accelerating.

In the Resource, Energy and Environment Business area, the IHI Group will strengthen its earnings foundation by further expanding the lifecycle business, such as improving the efficiency of existing energy infrastructure. At the same time, we will contribute to achieving "carbon neutrality by 2050" by promoting the creation of growth businesses giving rise to the reduction in environmental load, from the development of fuel ammonia combustion technologies to realize thermal power generation free from CO₂ emissions, to the development of technologies that contribute to carbon recycling, such as methanation, and participation in the small module nuclear reactor business.

○ **Social Infrastructure and Offshore Facility**

Main Businesses

- Bridges/water gates
- Shield systems
- Urban development (real estate sales and rental)
- Transport systems
- Concrete construction materials

In Japan, maintenance, repair, and rehabilitation work is increasing in accordance with the "Five-Year Acceleration Measures for Strengthening the National Disaster Prevention and Mitigation System" formulated by the Japanese government as countermeasures against aging infrastructure and worsening natural disasters. In addition, the public and private sectors are working together to address social issues, such as the development of labor-saving and DX systems to address the shortage of construction workers, and the development of new materials to achieve carbon neutrality.

In this business area, the IHI Group is working on initiatives to roll out and expand lifecycle businesses, which include not only new infrastructure construction work but also planning, operation, maintenance and conservation, primarily of bridges and water management, not only domestically but also internationally to offer robust and sustainable social infrastructure systems. Furthermore, it will create growth businesses such as shortening lead time through promoting DX and increasing the sophistication of water usage and flood control systems.

○ **Industrial System and General-Purpose Machinery**

Main Businesses

- Vehicular turbochargers
- Parking
- Heat treatment and surface engineering
- Transport machineries
- Rotating machineries (compressors, separation systems, turbochargers for ships)
- Logistics/industrial systems (logistics systems, industrial machineries)

With the aim of meeting the growing needs of customers, such as energy-saving, automation, and labor-saving, the IHI Group, in the Industrial System and General-Purpose Machinery Business area, will contribute to the development of industrial infrastructure by bringing forward cross-business service proposals, including the integration of multiple business service bases, the sophistication of services using DX, and proposals for energy management, as well as meeting the diverse needs of customers throughout their lifecycles.

The vehicle turbocharger business has been impacted by the prolonged shortage of semiconductors and the spread of COVID-19 in China, and we expect the business to recover from the latter half of FY2022 onward. We will continue to strengthen our cost structure by lowering the break-even point, while developing electric turbochargers for fuel cell vehicles which reduce environmental impacts as an effort to generate growth business.

○ **Aero Engine, Space and Defense**

Main Businesses

- Aero engines
- Rocket systems/space utilization systems
- Defense systems

Passenger demand is recovering gradually, primarily in Europe and the U.S., and for our aero engines that are mounted on relatively new type aircraft, due to their superiority in operating costs such as fuel efficiency, their operation has been resumed preferentially, and revenue in the aftermarket is recovering.

In this business area, the IHI Group will work to increase productivity and enhance the cost structure through sophistication of DX, and will strengthen its response in the aftermarket realm, including the commencement of operation of Tsurugashima Aero-Engine Works, in order to give every possible support to customers resuming operation of aircraft. In addition, we will evolve our unique technology and Monozukuri (manufacturing) capabilities and advance our efforts for creation of growth businesses such as development of materials for aircraft engines and next-generation engines, and furthermore will respond to the expected future of electrification of aircraft and the introduction of sustainable aviation fuels.

Topics

Initiatives for the establishment of ammonia value chain

Ammonia is drawing attention as fuel that contributes to reduction of greenhouse gas emissions, and the Company has continued to research the usage over the past 10 years.

In Japan, being subsidized by the NEDO*, the IHI Group has been working together with JERA Co., Ltd. to advance the demonstration of power generation through the mixed combustion of coal and ammonia. The IHI Group has also been working to realize a 20% mixed-fuel combustion, which will be the first in the world at a large-scale commercial coal-fired thermal power generation facility. In other countries, such as India and Malaysia, the IHI Group is undertaking similar initiatives in cooperation with local customers.

In addition, the IHI Group is working with Marubeni Corporation and Woodside Energy Ltd. (Australia) to build an ammonia value chain from manufacturing to storage and utilization. The IHI Group is also reviewing a business to produce and export CO₂-free ammonia made from water and nitrogen using renewable energy. The IHI Group is also working with Idemitsu Kosan Co., Ltd. to jointly study the establishment of an ammonia supply chain utilizing existing facilities.

* New Energy and Industrial Technology Development Organization

Initiatives for space utilization

IHI AEROSPACE Co., Ltd. (IA), an IHI subsidiary, was tasked with manufacturing and developing aircraft systems for the Epsilon rocket developed by JAXA*1. By the end of last year, IA had contributed to the successful consecutive launch of five aircraft. In April 2022, IA received an order for the first time to launch a commercial satellite on the No. 6 launch of Epsilon rocket. The development of the Epsilon S rocket is currently underway in collaboration with JAXA, and IA plans to roll out a launching transport service business following the development.

In addition, the IHI Group has begun working with Sumitomo Forestry Co., Ltd. to implement a consulting business that appropriately manages tropical peatland*2 using satellite data. The IHI Group has been accelerating the commercialization of space utilization, as represented by the launch of the "IHI-SAT" ultrasmall satellite in February 2022.

*1 Japan Aerospace Exploration Agency

*2 The soil resulted from deposition of remains of plants which were not decomposed in water, and is said to store carbon equivalent to approximately 10 times the global carbon emissions (annual). Since dryness causes peat fires, groundwater levels need to be appropriately controlled.

Promotion of IHI Group's ESG Management

The IHI Group announced the "IHI Group's ESG Management" in November last year. The IHI Group signed the United Nations Global Compact as part of its initiatives, and the IHI Group was registered as a participating company in February 2022.

In March 2022, the Company decided to issue transition bonds (the "Bonds"). The Bonds are for raising funds spent for the initiatives that contribute to the reduction in greenhouse gases, such as the use of ammonia and the development of

electrification technologies. The Bonds have been selected as a model case for the 2021 Climate Transition Finance Model Projects by the Ministry of Economy, Trade, and Industry.

Furthermore, the Company was selected as a constituent of “FTSE Blossom Japan Sector Relative Index,” which is composed of Japanese companies that excel in ESG initiatives, in April 2022. The index is one of ESG indices employed by the GPIF*.

* Government Pension Investment Fund

(2) Financing

(Millions of Yen)

Item	YoY Increase / Decrease	Balance at End of Period
Short-term and long-term borrowings	(70,960)	312,395
Commercial papers	-	-
Bonds payable	(19,945)	59,812
Total	(90,905)	372,207

(3) Capital Investment

Total capital investment for the fiscal year under review was 43.3 billion yen. That mainly consisted of investment in the Aero Engine, Space and Defense Business Area which involved manufacturing facilities for the aero-engine business and the rocket systems and space utilization business; investment in the Social Infrastructure & Offshore Facilities Business Area which involved manufacturing facilities for the bridges/water gates business, and; large-scale renovation work mainly pertaining to investment real estate for the urban development business.

(4) Status of Important Business Reorganizations, Etc.

On August 1, 2021, the Company made MEISEI ELECTRIC CO., LTD. its wholly-owned subsidiary through a share exchange.

(5) Issues to be Addressed

(I) Responses to changes in the business environment

The business environment has been changing drastically due to frequent occurrence of large-scale natural disasters, rapid acceleration towards carbon neutrality, widespread uncertainties over the global situation as represented by the Ukraine issue in addition to the impact of COVID-19. It is believed that such environmental changes are never temporal and will become normal.

While the dramatic changes are becoming normal, the IHI Group will drive the establishment of a revenue base that is capable of withstanding changes and radical reforms of the business structure to achieve sustainable improvement in the corporate value through initiatives of the “Project Change” .

(II) Initiatives for the final fiscal year of the “Project Change”

FY2022 is the final fiscal year of the “Project Change,” which is a period of preparation and transition towards business reforms to deal with the environmental change. The IHI Group will pursue the following initiatives, aiming to achieve the highest ever level of operating profit by enhancing the revenue foundation in each business are through the “Project Change.”

- Strengthen cash flow generation

Under the “Project Change,” the IHI Group has advanced cash generation-centric business operations by making efforts to review conditions for receipts of money and cut working capital, etc. including reduction of inventories. Consequently, operating cash flow for the fiscal year under review stood at the level exceeding ¥100 billion, the highest in the past. The IHI Group will strive to further strengthen cash flow generation by making continued and intensive efforts for these measures.

- Expand lifecycle businesses

The IHI Group has worked to expand lifecycle businesses such as

maintenance and operation of products and facilities. The IHI Group aims to increase revenue in lifecycle businesses to 30% or more (compared to FY2019) in three onshore sections other than the Aero Engine, Space and Defense business area, by continuing to drive proactive utilization of DX and resource shifts, and furthermore focusing on global expansion in FY2022.

(III) Investments for creating growth businesses

Under the "Project Change," the IHI Group redefined its growth businesses as "carbon solutions," "conservation, disaster prevention and mitigation," and "air transport systems." These are the pivot of new growth businesses the IHI Group is creating, and the IHI Group is promoting research and exploration, technological development, and collaboration with various companies and organizations. In fiscal 2022, with a plan to make a proactive investment to actualize these initiatives, the IHI Group will invest in establishing ammonia value chains and creating growth businesses, including carbon recycling technologies, air transportation systems, and electrification technologies.

The IHI Group announced the "IHI Group's ESG Management" in November 2021, and declared its ambition to make its entire value chain carbon-neutral by 2050 as a response to climate change. The IHI Group will advance technological development for provision of high efficiency of existing power generation facilities, utilization of ammonia, carbon recycling, and lighter-civil aero engines etc. to cut CO2 emitted by the IHI Group through its business activities and reduce CO2 emissions in customers and the entire supply chain through its products and services.

The driving for promotion of ESG Management is human resources. The IHI Group will continue to work on various measures so that diverse human resources can participate proactively. In addition, respect of human rights is the foundation for all business activities. The IHI Group has established the "IHI Group Human Rights Policy" for the purpose of fostering a respectful corporate culture and promoting human rights throughout its business activities.

The IHI Group thinks that presenting these initiatives and the progress to shareholders and other stakeholders will lead to gaining stakeholders' trust and improving its governance.

We would like to ask for your continued understanding and support.

Forecasts of Consolidated Results for Fiscal 2022 and Dividend Forecast

On May 10, 2022, the Company announced its forecasts of full-year consolidated results for fiscal 2022 and dividend forecast as follows.

Details have been made available on the “IR” section of the Company’s website; please refer to them as necessary.

206 th Fiscal Year (IFRS)				(Billions of yen)	
Revenue	Operating Profit	Profit before tax	Profit Attributable to Owners of Parent	Annual Dividend	
1,300.0	75.0	65.0	40.0	80 yen per share (Interim: 40 yen, Year-end: 40 yen)	

The Company’s Dividend Policy (announced on May 8, 2019)

The Company’s management policy calls for it to contribute to building a sustainable society, aiming to boost corporate value by working together with its customers to solve various social problems.

Under this management policy of contributing toward achieving sustainable society, the Company aims to increase dividends on a sustainable basis in proportion with the IHI Group’s growth while following the basic policy of stable dividend payment.

With respect to the amount of dividends, the Company targets a consolidated payout ratio of around 30% while comprehensively considering investments and allocations to enrich and bolster equity to enhance corporate value.

(6) Changes in Assets and Profit/Loss

(Millions of Yen)

Item	202 nd Fiscal Year	203 rd Fiscal Year		204 th Fiscal Year	205 th Fiscal Year
	J-GAAP	J-GAAP	IFRS	IFRS	IFRS
Orders Received	1,399,242	1,373,995	1,280,052	1,097,012	1,261,252
Net Sales / Revenue	1,483,442	1,386,503	1,263,178	1,112,906	1,172,904
Profit Attributable to Owners of Parent / Profit Attributable to Owners of Parent	39,889	12,812	8,204	13,093	66,065
Earnings per Share / Basic Earnings per Share (Yen)	258.53	84.21	53.93	88.13	439.77
Total Assets	1,664,529	1,740,782	1,869,038	1,832,891	1,879,673
Net Assets / Total Equity	381,692	353,746	306,040	327,727	407,039
ROE (Return on Equity) / Profit to Equity Attributable to Owners of Parent (Note 2) (%)	11.8	3.8	2.8	4.5	19.3

(Notes)

1. The IHI Group adopted the International Financial Reporting Standards (IFRS) beginning in the 204th fiscal year.
2. Profit attributable to owners of parent / (Average of ending equity for the previous and current years / Profit attributable to owners of parent / (Average of ending Equity Attributable to Owners of Parent for the previous and current years)

(7) Main lenders of Corporate Group (As of March 31, 2022)

(Millions of Yen)

Lender	Amount
Mizuho Bank, Ltd.	48,212
Sumitomo Mitsui Banking Corporation	34,649
Sumitomo Mitsui Trust Bank, Limited	33,919
Development Bank of Japan	30,800
MUFG Bank, Ltd.	14,500
The Hachijuni Bank, Ltd.	10,894
The Yamaguchi Bank, Ltd.	10,195
Resona Bank, Limited	10,000
The Hiroshima Bank, Ltd.	7,519
THE NISHI-NIPPON CITY BANK, LTD.	6,600

(8) Main Sales Offices and Works (As of March 31, 2022)

Head Office	1-1, Toyosu 3-chome, Koto-ku, Tokyo			
Sales Offices	Hokkaido Branch (Kita-ku, Sapporo-city) Hokuriku Branch (Toyama-city, Toyama) Kansai Branch (Kita-ku, Osaka-city) Shikoku Branch (Takamatsu-city, Kagawa)	Tohoku Branch (Aoba-ku, Sendai-city) Chubu Branch (Nakamura-ku, Nagoya-city) Chugoku Branch (Naka-ku, Hiroshima-city) Kyushu Branch (Chuo-ku, Fukuoka-city)		
Overseas Representative Offices	PARIS HANOI SEOUL KUALA LUMPUR	MOSCOW DUBAI BEIJING ISTANBUL	ROME JAKARTA TAIPEI	ALGERIA NEW DELHI BANGKOK
Main Overseas Companies	IHI Americas Inc. (U.S.A.) IHI ASIA PACIFIC PTE. LTD. (Singapore) IHI (Shanghai) Management Co., Ltd. (China) IHI Europe Ltd. (U.K.)			
The Main Works in Japan	Mizuho Aero-Engine Works (Mizuho-machi, Nishitama-gun, Tokyo) Tsurugashima Aero-Engine Works (Tsurugashima-city, Saitama) Kure Aero-Engine & Turbo Machinery Works (Kure-city, Hiroshima) Soma No.1 Aero-Engine Works/Soma No.2 Aero-Engine Works (Soma-city, Fukushima) Yokohama Works (Isogo-ku, Yokohama-city) Aioi Works (Aioi-city, Hyogo) IHI AEROSPACE CO., LTD.: Tomioka Plant (Tomioka-city, Gunma) IHI Power Systems Co., Ltd.: Ohta Plant (Ota-city, Gunma); Niigata Engine Plant/Niigata Foundry Plant (Higashi-ku, Niigata); Niigata Gas Turbine Plant (Seiro-machi, Kitakanbara-gun, Niigata) MEISEI ELECTRIC CO., LTD.: Isesaki Plant (Isesaki-city, Gunma) IHI Transport Machinery Co., Ltd.: Numazu Works (Numazu-city, Shizuoka); Yasuura Works (Kure-city, Hiroshima) IHI Agri-Tech Corporation: Chitose Works (Chitose-city, Hokkaido); Matsumoto Works (Matsumoto-city, Nagano) IHI Rotating Machinery Engineering Co., Ltd.: Tatsuno Works (Tatsuno-machi, Kamiina-gun, Nagano) IHI Infrastructure Systems Co., Ltd.: Sakai Works (Sakai-ku, Sakai-city) Niigata Transys Co., Ltd.: Niigata Works (Seiro-machi, Kitakanbara-gun, Niigata) IHI Logistics & Machinery Corporation Motomiya Works (Motomiya-city, Fukushima)			

	IHI Turbo Co., Ltd. Kiso No.1 Plant/Kiso No.2 Plant/Kiso No.3 Plant (Okuwa-mura, Kiso-gun, Nagano)
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(Note) Locations of main subsidiaries of the Company are as provided in “(10) Main subsidiaries.”

(9) Employees (As of March 31, 2022)

Business Segment	Number of Employees
Resources, Energy and Environment	6,514
Social Infrastructure and Offshore Facilities	2,443
Industrial Systems and General-Purpose Machinery	9,797
Aero Engine, Space and Defense	7,062
Others	1,945
Corporate (Company-Wide)	1,040
Total	28,801

(348 increase compared to March 31, 2021)

(10) Main Subsidiaries (As of March 31, 2022)

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI AEROSPACE CO., LTD.	Koto-ku, Tokyo	5,000 Million Yen	100.00 %	Manufacture, Sale, And Repair Of Space Development Equipment And Vehicles
IHI Power Systems Co., Ltd.	Chiyoda-ku, Tokyo	3,000 Million Yen	100.00 %	Manufacture And Sale Of Internal Combustion Engines, Gas Turbine Engines And Marine Equipment
IHI Transport Machinery Co., Ltd.	Chuo-ku, Tokyo	2,647 Million Yen	100.00 %	Design, Manufacture, Sale, Installation, Maintenance, And Repair Of Parking Systems, Materials Handling Equipment, And Transport And Distribution Plants

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI Agri-Tech Corporation	Chitose-city, Hokkaido	1,111 Million Yen	100.00 %	Development, Manufacture, And Sale Of Agricultural Machinery, Turf-Grass And Lawn Maintenance Equipment, Forged/Cast Materials, and Electronic Control Units
IHI Rotating Machinery Engineering Co., Ltd.	Koto-ku, Tokyo	1,033 Million Yen	100.00 %	Design, Manufacture, Sale, Installation, Maintenance And Repair Of Compressors, Separators, Superchargers, Etc., For Ships
IHI Infrastructure Systems Co., Ltd.	Sakai-ku, Sakai-city	1,000 Million Yen	100.00 %	Design, Manufacture, Sale, Maintenance And Repair Of Bridges, Water Gates, Etc.
Niigata Transys Co., Ltd. (Note 2)	Kitakanbara-gun, Niigata	1,000 Million Yen	100.00 %	Manufacture And Sale Of Rolling Stock, Industrial Vehicles And Machines For Snow Removal
IHI Turbo Co., Ltd. (Note 3)	Koto-ku, Tokyo	1,000 Million Yen	100.00 %	Manufacture Of Vehicular Turbochargers
IHI Logistics & Machinery Corporation	Koto-ku, Tokyo	1,000 Million Yen	100.00 %	Sales, Design, Manufacturing, Procurement, Construction, Installation, Conversion And Repair Related To Logistics Equipment, Fa Equipment And Industrial Equipment, In Addition To Repair And Maintenance Services For Parts And Equipment

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI Plant Services Corporation	Koto-ku, Tokyo	500 Million Yen	100.00 %	Design, Installation And Repair Of Boiler Facilities, Nuclear Power Facilities, Environmental And Storage Plant Facilities, Industrial Machinery Facilities, And Solar Power And Renewable Energy Facilities, Etc.
IHI INC.	U.S.A.	92,407 Thousand US Dollars	100.00 %	Maintenance Of Gas Turbines, Sale Of Industrial Equipment, Purchase And Sale Agent
IHI Power Generation Corporation	U.S.A.	38,250 Thousand US Dollars	100.00 %	Investment In Biomass Power Generation Business
Jurong Engineering Limited	Singapore	51,788 Thousand Singapore Dollars	95.56 %	Installation Of Various Types Of Plants And Facilities/Equipment, Engineering And Consulting Of Architectural Work And Civil Engineering And Plants
ALPHA Automotive Technologies LLC	Russia	1,558,653 Thousand Russian Ruble	83.11 %	Production And Sale Of Automotive Panels
IHI E&C International Corporation	U.S.A.	21,257 Thousand Us Dollars	100.00 %	Feasibility Study, Front End Engineering Design, And Engineering, Procurement, And Construction Businesses In Oil And Gas Field

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI INFRASTRUCTURE ASIA CO., LTD.	Vietnam	542,638 Million Vietnamese Dong	100.00 %	Engineering, Manufacture, Installation And Maintenance Of Steel Structures And Concrete Structures, In Addition To Manufacture And Installation Of Construction And Industrial Machineries
Changchun FAWER-IHI Turbo Co., Ltd.	China	158,300 Thousand Chinese Yuan	57.16 %	Manufacture And Sale Of Vehicular Turbochargers
IHI Charging Systems International GmbH	Germany	15,000 Thousand Euro	100.00 %	Design, Development, Manufacture And Sale Of Vehicular Turbochargers
IHI ASIA PACIFIC PTE. LTD.	Singapore	22,459 Thousand Singapore Dollars	100.00 %	Order Procurement, Business Support, Purchase And Sale Agent (Regional Headquarters)
I&H Engineering Co., Ltd.	Myanmar	12,238 Thousand Us Dollars	60.00 %	Design, Engineering, Manufacture And Construction Services Of Concrete Products
IHI DALGAKIRAN MAKİNA SANAYİ VE TİCARET A.Ş.	Turkey	33,155 Thousand Revaluation Of The Turkish Lira	51.00 %	Development, Design, Manufacture, Sale And Service Of General-Purpose Turbo Compressors
IHI Transport Machinery Taiwan Corporation	Taiwan	250,000 Thousand Taiwan Dollars	100.00 %	Manufacture, Sale And Maintenance Of Large Transport Machinery
IHI Turbo America Co.	U.S.A.	7,700 Thousand US Dollars	100.00 %	Manufacture And Sale Of Vehicular Turbochargers
IHI TURBO (THAILAND) CO., LTD.	Thailand	260,000 Thousand Thai Baht	90.00 %	Manufacture And Sale Of Vehicular Turbochargers

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
IHI-Sullair Compression Technology (Suzhou) Co., Ltd.	China	55,465 Thousand Chinese Yuan	51.00 %	Manufacture, Sale And Service Of General-Purpose Turbo Compressors
IHI SOLID BIOMASS MALAYSIA SDN.BHD.	Malaysia	25,400 Thousand US Dollars	100.00 %	Fuel Production, Sales And Exports In Malaysia
IHI Europe Ltd.	U.K.	2,500 Thousand Pound	100.00 %	Sale And Mediation Of Various Types Of Plant, Machinery, Ships/Vessels And Aircraft Engines
Jiangsu IHI Fengdong Vacuum Technology Co., Ltd	China	30,000 Thousand Chinese Yuan	50.00 %	Design, Manufacture, Sale And After-Sales Support Of Vacuum Heat Treatment Furnaces
IHI Americas Inc.	U.S.A.	2,000 Thousand US Dollars	100.00 %	Provision Of Compliance And Risk Management, And Consulting And Shared Services, Within The Region It Covers (Regional Headquarters)
IHI (Shanghai) Management Co., Ltd.	China	13,604 Thousand Chinese Yuan	100.00 %	Sale, Order Procurement And Purchase Of Various Industrial Equipment, Technical Support Including Maintenance And Engineering, Provision Of Shared Services (Regional Headquarters)
IHI Aero Engines US Co., Ltd. (Note 5)	U.S.A.	0 Thousand US Dollars	89.50 %	Investment In Civil Aircraft Engine Program

(Notes)

1. The Voting Interests of the Company include indirectly owned portions.
2. Location moved to Kitakanbara-gun, Niigata.
3. The company is a specified subsidiary.

4. Capital has been changed.
5. IHI Aero Engines US Co., Ltd. has an equity stake in GE Passport, LLC, an equity method affiliate of the Company.
6. Capital is displayed rounded down to the nearest unit. In the figures for the Voting Interests of the Company, shares of less than one unit are rounded to the nearest unit.

2. Company Officers

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2022)

Title And Position	Name	Responsibilities And Significant Concurrent Position(s)
Representative Director and Chairman of the Board	Tsugio MITSUOKA	Representative Director, Japanese Aero Engines Corporation
Representative Director and President; Chief Executive Officer	Hiroshi IDE	In Charge of Business Relating to Internal Audit In Charge of Risk Management General Manager of Corporate Strategy Headquarters
Representative Director and Executive Vice President; Senior Executive Officer	Takeshi YAMADA	Assistant to the President In Charge of Group Finance & Accounting In Charge of Business Relating to Corporate Planning, and Corporate Communication
Representative Director and Executive Vice President; Senior Executive Officer	Tomoharu SHIKINA	Assistant to the President In Charge of Group Quality Assurance In Charge of Business Relating to Procurement, Information Management, Human Resources and Labor, Safety and Health
Director; Managing Executive Officer	Kazuki AWAI	In Charge of Business Relating to Administration, Legal and CSR In Charge of Group Compliance
Director; Managing Executive Officer	Takeshi KAWAKAMI	In charge of <i>Monozukuri</i> System Strategy President of Social Infrastructure & Offshore Facilities Business Area
Director; Managing Executive Officer	Yasuhiro SHIGEGAKI	In Charge of Production Base Strategy President of Industrial Systems & General-Purpose Machinery Business Area
Director; Managing Executive Officer	Hideo MORITA	President of Aero Engine, Space & Defense Business Area

Title And Position	Name	Responsibilities And Significant Concurrent Position(s)
Director	Kazuhiko ISHIMURA	President and Chief Operating Officer, National Institute of Advanced Industrial Science and Technology Outside Director, TDK Corporation Outside Director, Nomura Holdings, Inc.
Director	Yoshiyuki NAKANISHI	Executive Advisor, DIC Corporation Outside Director, THE JAPAN STEEL WORKS, LTD. Outside Director, SHIMADZU CORPORATION
Director	Chieko MATSUDA	Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University Professor, Graduate School of Management, Tokyo Metropolitan University Non-Executive Director of the Board, Kirin Holdings Company, Limited
Director	Minoru USUI	Chairman and Director, Seiko Epson Corporation Outside Director, Sumitomo Dainippon Pharma Co., Ltd. (Currently Sumitomo Pharma Co., Ltd.)
Standing Audit & Supervisory Board Member	Takashi NIIMURA	
Standing Audit & Supervisory Board Member	Seiji MARUYAMA	
Audit & Supervisory Board Member	Toshio IWAMOTO	Chief Corporate Advisor of NTT DATA Corporation Outside Director, Daiwa Securities Group Inc.
Audit & Supervisory Board Member	Aiko SEKINE	Certified Public Accountant Advisor, JICPA Professor, Faculty of Commerce, Waseda University Outside Director, ORIX Corporation Outside Audit & Supervisory Board Member, Sumitomo Riko Company Limited
Audit & Supervisory Board Member	Yumiko WASEDA	Attorney at Law Outside Audit & Supervisory Board Member, Asahi Group Holdings, Ltd. Executive Director, Japan Law Foundation

(Notes)

1. Director: Messrs. Kazuhiko Ishimura, Yoshiyuki Nakanishi, Minoru Usui and Ms. Chieko Matsuda are outside directors.
2. Audit & Supervisory Board Member: Mr. Toshio Iwamoto, Meses. Aiko Sekine and Yumiko Waseda are outside audit & supervisory board members.

3. Standing Audit & Supervisory Board Member: Mr. Seiji Maruyama possesses considerable knowledge of financial and accounting matters gained through his years of experience working in the Finance Division of the Company.
4. Audit & Supervisory Board Member: Ms. Aiko Sekine is a certified public accountant and possesses considerable knowledge of financial and accounting matters.
5. The Company has registered Directors Messrs. Kazuhiko Ishimura, Yoshiyuki Nakanishi and Ms. Chieko Matsuda and Audit & Supervisory Board Members Mr. Toshio Iwamoto, Mses. Aiko Sekine and Yumiko Waseda with domestic financial instrument exchanges (where the Company is listed) as independent directors and independent audit & supervisory board members, respectively.

(2) Remuneration, etc. of Directors and Audit & Supervisory Board Members

At its Board of Directors' meeting held on May 13, 2021, the Company 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 deliberation on and reported findings thereof on a preliminary basis, prior to having been resolved by the Board of Directors (an outside director serves as the chairman of the Remuneration Advisory Committee, which consists of six (6) members, including three (3) outside directors, one (1) outside audit & supervisory board member, the director in charge of human resources, and the director in charge of finance and accounting).

(I) Directors (Excluding Outside Directors) and Executive Officers

(i) 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 the Company'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 the Company in consideration of the Company's management environment, and social roles and accountabilities the Company undertakes.

(ii) Remuneration Level and Allocated Ratios of Remuneration

The Company shall appropriately establish remuneration levels and allocated ratios of remuneration upon having considered factors that include the Company'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.

With respect to allocated ratios of remuneration, the Company shall set fixed base amount, performance-based bonuses, and performance-based share remuneration at approximate proportions of 50%:30%:20% for the Representative Director and President and

the Representative Director and Chairman of the Board, and at approximate proportions of 55%:25%:20% for other directors, subject to standard business performance.

(iii) Framework of Incentive Remuneration

a. Performance-based bonus (annual incentive)

(a) Performance indicators and reasons for selection thereof

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

(b) Method of calculating remuneration

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

b. Performance-based share remuneration (medium- and long-term incentive)

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

(iv) 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 the Company.

(II) Remuneration of Outside Directors and Audit & Supervisory Board Members

Remuneration of outside directors shall consist only of a base amount in the light of their duties. Remuneration of audit & supervisory board members shall consist only of a base amount, as compensation for responsibilities for auditing the execution of business throughout the IHI Group. The amount shall be determined through discussions among the audit & supervisory board members. The base amount for outside 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.

Remuneration, etc. in FY2021

(I) Total Amount of Remuneration, etc. Paid and Number of Recipients in FY2021

(Millions of yen)

Officer Category		Total Amount Paid (Millions of Yen)	Breakdown		
			Base Amount	Performance-Based Remuneration, etc.	
				Performance-Based Share Remuneration	Performance-Based Bonus
Director (15)	Inside Director (10)	613	366	154	93
	Outside Director (5)	48	48	-	-
Audit & Supervisory Board Member (7)	Inside Audit & Supervisory Board Members (3)	72	72	-	-
	Outside Audit & Supervisory Board Members (4)	36	36	-	-
Total (22)		769	522	154	93

(Notes)

1. Remuneration of directors does not include salaries of those who are also company employees.
2. The Company has introduced a performance-based share remuneration plan, which grants shares, etc. to corporate officers after a certain period of time has elapsed. 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.
3. The actual result of the performance indicator related to performance-based share remuneration (medium- to long-term incentives) for the fiscal year under review resulted in a consolidated ROIC of 1%.
4. With respect to results for the fiscal year under review involving the performance indicators relevant to performance-based bonus (annual incentive), profit attributable to owners of parent amounted to 7.9 billion yen, and consolidated operating cash flow amounted to 91.0 billion yen.
5. Some adjustments, such as excluding the effects of the sale of investment properties, were made to the KPIs and financial statements figures disclosed by the Company to calculate the actual result of the performance indicators related to performance-based share remuneration and performance-based bonus for the fiscal year under review.
6. The numbers of directors and audit & supervisory board members as of March 31, 2022 are respectively 12 (including 4 outside directors) and 5 (including 3 outside audit & supervisory board members). The reason for the discrepancy from the above is that figures in the chart include 3 directors and 2 audit & supervisory board members who retired at the conclusion of the 204th Ordinary General Meeting of Shareholders held on June 24, 2021.
7. The date of resolution at Ordinary General Meeting of Shareholders about the remuneration of the Company's directors was on June 23, 2017, and maximum total amount of that was resolved as 1,090 million yen or below (excluding salaries for working as employees) per year. There were 14 directors upon conclusion of said Ordinary General Meeting of Shareholders.

The Company resolved matters with respect to performance-based share remuneration at its Ordinary General Meeting of Shareholders held on June 23, 2017. Accordingly, the Company resolved to contribute up to 450 million yen and to furthermore set a maximum of 150,000 points to be granted (equivalent to 150,000 shares of the Company's ordinary share), separately from the total remuneration for directors. This is to serve as remuneration for directors (excluding outside directors) every fiscal year associated with the execution of their duties during the period extending from the start of the fiscal year until its conclusion, for the purpose of providing the directors with shares of the Company and money equivalent to the market value of such shares through the trust set up by the Company. There were 10 directors (excluding outside directors) upon conclusion of said Ordinary General Meeting of Shareholders.

The date of resolution at Ordinary General Meeting of Shareholders about the remuneration of the Company's audit & supervisory members was on June 27, 2014, and the maximum total amount of that was resolved as 120 million yen or below. There were five (5) directors (excluding outside directors) upon conclusion of said Ordinary General Meeting of Shareholders.

(II) Reason for Determining Remuneration, etc. for Individual Directors Is in Line with Company Policy

In determining matters involving remuneration of the respective directors for the fiscal year under review, the Remuneration Advisory Committee, primarily consisting of independent outside directors, took a multifaceted approach in reviewing matters that included alignment with the Company's policies for determining remuneration, in light of objective and specialized information required for deliberations. The Board of Directors respects the findings of the Remuneration Advisory Committee and accordingly deems them to be in alignment with policy for determining matters involving remuneration for the respective directors.

(3) Directors and Audit & Supervisory Board Members Who Resigned During the Fiscal Year Under Review

Directors and Audit & Supervisory Board Members who held office during the fiscal year under review and whose terms expired during the fiscal year under review are as follows:

Position (At Time of Resignation)	Name	Significant Concurrent Positions at Time of Resignation	Date of Resignation
Director	Masafumi NAGANO	In Charge of Special Mission from the President	June 24, 2021
Director	Kouichi MURAKAMI	In Charge of Special Mission from the President	June 24, 2021
Director	Taketsugu FUJIWARA	Special Advisor, Asahi Kasei Corporation Independent Director of the Board, KOKUYO Co., Ltd. Outside Director, KONICA MINOLTA, INC.	June 24, 2021
Standing Audit & Supervisory Board Member	Taizo SUGA		June 24, 2021
Audit & Supervisory Board Member	Tomomi YATSU	Attorney at Law Outside Executive Director, SMBC Nikko Securities Inc. Outside Corporate Auditor, KURARAY CO., LTD. Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd.	June 24, 2021

(4) System for Executing Business Operations as of April 1, 2022

Title and Position	Name	Responsibilities
Representative Director and Chairman of the Board	Tsugio MITSUOKA	
Representative Director and President Chief Executive Officer	Hiroshi IDE	In Charge of Business Relating to Internal Audit In Charge of Risk Management General Manager of Corporate Strategic Planning Headquarters
Representative Director and Executive Vice President Senior Executive Officer	Takeshi YAMADA	Assistant to the President In Charge of Group Finance & Accounting, In Charge of Business Relating to Corporate Planning, and Corporate Communication
Director	Tomoharu SHIKINA	In Charge of Special Mission from the President
Director	Kazuki AWAI	In Charge of Special Mission from the President
Director Managing Executive Officer	Takeshi KAWAKAMI	In Charge of <i>Monozukuri</i> System Strategy President of Social Infrastructure & Offshore Facilities Business Area
Director Managing Executive Officer	Yasuhiro SHIGEGAKI	In Charge of Production Base Strategy President of Industrial Systems & General-Purpose Machinery Business Area
Director Managing Executive Officer	Hideo MORITA	President of Aero-Engine, Space & Defense Business Area
Senior Executive Officer	Masataka IKEYAMA	In Charge of Economic Security In Charge of Group Quality Assurance In Charge of Business Relating to Procurement, Information Management General Manager of MEISEI PMI Office
Managing Executive Officer	Yoshinori KOMIYA	General Manager of Intelligent Information Management Headquarters
Managing Executive Officer	Koji TAKEDA	President of Resources, Energy and Environment Business Area
Managing Executive Officer	Akihiro SEO	In Charge of Human Resources and Labor In Charge of Group Safety and Health In Charge of ESG General Manager of Human Resources Division
Managing Executive Officer	Nobuhiko KUBOTA	In Charge of Group Engineering General Manager of Technology & Intelligence Integration
Managing Executive Officer	Tsuyoshi TSUCHIDA	General Manager of Corporate Planning Division
Executive Officer	Tetsuji FUJIMURA	Vice President of Aero-Engine, Space & Defense Business Area
Executive Officer	Kiyoshi NIHEI	In Charge of Group Operations General Manager of Global Marketing & Sales Headquarters

Title and Position	Name	Responsibilities
Executive Officer	Noriko MORIOKA	In Charge of New Corporate Businesses Headquarters Deputy General Manager of Corporate Strategic Planning Headquarters
Executive Officer	Jun KOBAYASHI	General Manager of Solution & Business Development Headquarters
Executive Officer	Kazuhiro ONITSUKA	Vice President of Industrial Systems & General-Purpose Machinery Business Area
Executive Officer	Yukihisa OZAWA	Vice President of Resources, Energy and Environment Business Area
Executive Officer	Go MAEDA	General Manager of Project Risk Management Division
Executive Officer	Shotaro TABATA	Vice President of Industrial Systems & General-Purpose Machinery Business Area
Executive Officer	Yoshikazu HAMADA	In Charge of Business Relating to Administration and Legal In Charge of Group Compliance General Manager of Legal Division
Executive Officer	Yasuaki FUKUMOTO	General Manager of Finance & Accounting Division
Executive Officer	Chie FUKUOKA	General Manager of Corporate Communication Division

(5) Information Regarding Outside Directors and Outside Audit & Supervisory Board Members (as of March 31, 2022)

- 1) Significant concurrent positions at other entities and the relationship between the Company and those entities

Significant concurrent positions at other entities are as follows. There is no special relationship between the Company and these entities.

Position	Name	Significant concurrent positions at other entities
Director	Kazuhiko ISHIMURA	President and Chief Operating Officer, National Institute of Advanced Industrial Science and Technology Outside Director, TDK Corporation Outside Director, Nomura Holdings, Inc.
Director	Yoshiyuki NAKANISHI	Executive Advisor, DIC Corporation Outside Director, THE JAPAN STEEL WORKS, LTD. Outside Director, SHIMADZU CORPORATION

Position	Name	Significant concurrent positions at other entities
Director	Chieko MATSUDA	Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University Professor, Graduate School of Management, Tokyo Metropolitan University Non-Executive Director of the Board, Kirin Holdings Company, Limited
Director	Minoru USUI	Chairman and Director, Seiko Epson Corporation Outside Director, Sumitomo Dainippon Pharma Co., Ltd. (Currently Sumitomo Pharma Co., Ltd.)
Audit & Supervisory Board Member	Toshio IWAMOTO	Chief Corporate Advisor of NTT DATA Corporation Outside Director, Daiwa Securities Group Inc.
Audit & Supervisory Board Member	Aiko SEKINE	Certified Public Accountant Advisor, JICPA Professor, Faculty of Commerce, Waseda University Outside Director, ORIX Corporation Outside Audit & Supervisory Board Member, Sumitomo Riko Company Limited
Audit & Supervisory Board Member	Yumiko WASEDA	Attorney at Law Outside Audit & Supervisory Board Member, Asahi Group Holdings, Ltd. Executive Director, Japan Law Foundation

2) Attendance to directors/audit & supervisory board members' meetings

and activities during the fiscal year under review:

Position	Name	Attendance at Meetings		Activities
		Board of Directors Meetings	Audit & Supervisory Board Meetings	
Director	Kazuhiko ISHIMURA	17 of 17 (100%)	-	Offered advice and suggestions to ensure adequacy and appropriateness of the decisions of the Board of Directors meetings based on his extensive experience and broad insight gained at the helm of a comprehensive materials manufacturer.
Director	Yoshiyuki NAKANISHI	17 of 17 (100%)	-	Offered advice and suggestions to ensure adequacy and appropriateness of the decisions of the Board of Directors meetings based on his ample experience and broad insight gained as the top management of a global chemicals manufacturer.
Director	Chieko MATSUDA	17 of 17 (100%)	-	Offered advice and suggestions to ensure adequacy and appropriateness of the decisions of the Board of Directors meetings based on her high level of expertise in corporate and financial strategies, and ample experience and broad insight gained as a researcher and business person.
Director	Minoru USUI	14 of 14 (100%)	-	Offered advice and suggestions to ensure adequacy and appropriateness of the decisions of the Board of Directors meetings based on his extensive experience and broad insight gained as the top management of a precision electronics manufacturer.

Position	Name	Attendance at Meetings		Activities
		Board of Directors Meetings	Audit & Supervisory Board Meetings	
Audit & Supervisory Board Member	Toshio IWAMOTO	17 of 17 (100%)	13 of 13 (100%)	Addressed questions and expressed opinions accordingly based on his ample experience and broad insight gained as a corporate manager of a state of the art IT company.
Audit & Supervisory Board Member	Aiko SEKINE	16 of 17 (94%)	13 of 13 (100%)	Addressed questions and expressed opinions accordingly based on her extensive experience and insight accumulated by responding to various corporate issues as a certified public accountant.
Audit & Supervisory Board Member	Yumiko WASEDA	14 of 14 (100%)	10 of 10 (100%)	Addressed questions and expressed opinions accordingly based on her extensive experience and insight accumulated by responding to various corporate issues as an attorney at law.

(Note) The stated attendance at meetings for director Mr. Minoru Usui and audit & supervisory board member Ms. Yumiko Waseda considers only the Board of Directors meetings and Audit & Supervisory Board meetings held after his assumption as audit & supervisory board member.

3) Limitation of liability

In accordance with Article 427, Paragraph 1 of the Companies Act, each outside director/audit & supervisory board member has entered into an agreement with the Company to limit his liability for damages stipulated in Article 423, Paragraph 1 of the same Act. Amount of maximum liability of each director/audit & supervisory board member under the agreement shall be subject to laws and regulations.

(6) Information Regarding Directors and Officers (D&O) Liability Insurance

In order to enable its corporate officers to fulfill their expected roles in performing their duties and to attract useful personnel, the Company has entered into a directors and officers (D&O) liability insurance contract as stipulated in Article 430-3, Paragraph 1 of the Companies Act, providing coverage for all directors and audit & supervisory board members. A candidate for director will become insured under the said insurance policy upon approval of his or her appointment. D&O liability

insurance covers the insured corporate officers against damages that may arise when they are held liable for the execution of their duties or when subject to such liability. However, there are some exclusions. For example, the insurance does not cover damages arising from conduct committed by an officer knowing that he or she is violating the law. The Company pays the premiums for full coverage, including riders, so the insured officers do not have to pay anything.

3. Corporate Share Information

(1) Corporate Shares (as of March 31, 2022)

- 1) Total Number of Shares Authorized to be Issued: 300,000,000
- 2) Total Number of Shares Issued: 151,852,623
(Excluding 2,827,331 Treasury Shares)
- 3) Total Number of Shareholders: 82,664
- 4) Major Shareholders (Top 10 Shareholders)

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan (Holder in Trust)	23,902	15.74
Custody Bank of Japan, Ltd. (Holder in Trust)	14,336	9.44
The Dai-ichi Life Insurance Company, Limited	5,406	3.56
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	4,597	3.02
JPMorgan Securities Japan Co., Ltd.	2,937	1.93
IHI Suppliers Stock Ownership Association	2,759	1.81
IHI Employee Stock Ownership Association	2,571	1.69
Sumitomo Life Insurance Company	2,284	1.50
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	1,665	1.09
STATE STREET BANK AND TRUST COMPANY 505103	1,658	1.09

(Notes)

1. Voting rights for 4,597,000 shares held by “Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.” are exercised in accordance with the instructions of Mizuho Bank because Mizuho Bank is a consigner of the shares.
2. Shareholding ratios are calculated without including total number of treasury shares (2,827,331 shares). In addition, (592,300 shares) of the Company owned by Custody Bank of Japan, Ltd. (Holder in trust E) for a performance-based share remuneration plan for its directors are not included in treasury shares.
3. The Company holds 2,827,331 treasury shares, but is excluded from major shareholders listed above.

5) Shares Granted to Corporate Officers of the Company during the Fiscal Year under Review for their Performance of Duties

Shares granted during the fiscal year under review are as shown below.

Officer Category	Recipients	Number of Shares
Directors	Inside Directors (16)	0

(Notes)

1. Information about the Company's share remuneration is previously provided in "(2) Remuneration, etc. of Directors and Audit & Supervisory Board Members".
2. The figures presented above include shares that have been granted to officers of the Company who have retired.

6) Other Significant Corporate Share Information

Through a resolution passed at the 200th Ordinary General Meeting of Shareholders, held on June 23, 2017, the Company has introduced a performance-based share remuneration plan for its directors (excluding outside directors). To assure neutrality towards the Company's management, voting rights of the Company's shares held in the Trust accounts will not be exercised. In addition, as of March 31, 2022, a trust account for the performance-based share remuneration plan for its directors owns 592,300 shares of the Company.

(2) Share Acquisition Rights

1) Share Acquisition Rights at the End of the Fiscal Year Under Review

(I) Share Acquisition Rights Granted to Company Officers in Remuneration for the Performance of Their Duties:

Name (Date Of Decision)	Number Of Share Acquisition Rights	Class And Number Of Shares Underlying Share Acquisition Rights	Amount To Be Paid In (Per Share Acquisition Right)	Value Of Property To Be Contributed Upon Exercise (Per Share Acquisition Right)	Exercise Period
1 st Share Acquisition Rights (July 23, 2007)	0	Ordinary Share 0 Shares	462,000 Yen	100 Yen	From August 10, 2007 to August 9, 2037
2 nd Share Acquisition Rights (July 22, 2008)	0	Ordinary Share 0 Shares	185,000 Yen	100 Yen	From August 19, 2008 to August 18, 2038
3 rd Share Acquisition Rights (July 21, 2009)	0	Ordinary Share 0 Shares	165,000 Yen	100 Yen	From August 6, 2009 to August 5, 2039
4 th Share Acquisition Rights (July 23, 2010)	23	Ordinary Share 2,300 Shares	154,000 Yen	100 Yen	From August 10, 2010 to August 9, 2040
5 th Share Acquisition Rights (July 25, 2011)	17	Ordinary Share 1,700 Shares	178,000 Yen	100 Yen	From August 18, 2011 to August 17, 2041
6 th Share Acquisition Rights (July 23, 2012)	21	Ordinary Share 2,100 Shares	159,000 Yen	100 Yen	From August 17, 2012 to August 16, 2042
7 th Share Acquisition Rights (July 22, 2013)	21	Ordinary Share 2,100 Shares	376,000 Yen	100 Yen	From August 22, 2013 to August 21, 2043

Name (Date Of Decision)	Number Of Share Acquisition Rights	Class And Number Of Shares Underlying Share Acquisition Rights	Amount To Be Paid In (Per Share Acquisition Right)	Value Of Property To Be Contributed Upon Exercise (Per Share Acquisition Right)	Exercise Period
8 th Share Acquisition Rights (July 22, 2014)	27	Ordinary Share 2,700 Shares	440,000 Yen	100 Yen	From August 12, 2014 to August 11, 2044
9 th Share Acquisition Rights (July 21, 2015)	20	Ordinary Share 2,000 Shares	413,000 Yen	100 Yen	From August 11, 2015 to August 10, 2045
10 th Share Acquisition Rights (July 25, 2016)	95	Ordinary Share 9,500 Shares	278,000 Yen	100 Yen	From August 10, 2016 to August 9, 2046

(Notes) Terms and conditions for exercising share acquisition rights are as follows.

1. Share acquisition rights shall be exercisable for five (5) years from the date one (1) year after a director or an executive officer lost its position (in the event that such individual assumes the position of audit & supervisory board member within one (1) year after he/she resigns a director or an executive officer, the date he/she lost its position as audit & supervisory board member) (“Exercise Start Date”).
2. Notwithstanding the above 1, in the event of the following (1) or (2), share acquisition rights shall be exercisable for the period stipulated below. (However, (2) does not apply to share acquisition rights issued by a reorganized company.)

- (1) In the event that the Exercise Start Date does not become effective by the dates indicated below for each of the share acquisition rights (the “due date”):

Name	Due date	Exercise period of share acquisition rights
1 st Share Acquisition Rights	August 9, 2036	From August 10, 2036 to August 9, 2037
2 nd Share Acquisition Rights	August 18, 2037	From August 19, 2037 to August 18, 2038
3 rd Share Acquisition Rights	August 5, 2038	From August 6, 2038 to August 5, 2039
4 th Share Acquisition Rights	August 9, 2039	From August 10, 2039 to August 9, 2040
5 th Share Acquisition Rights	August 17, 2040	From August 18, 2040 to August 17, 2041
6 th Share Acquisition Rights	August 16, 2041	From August 17, 2041 to August 16, 2042
7 th Share Acquisition Rights	August 21, 2042	From August 22, 2042 to August 21, 2043
8 th Share Acquisition Rights	August 11, 2043	From August 12, 2043 to August 11, 2044
9 th Share Acquisition Rights	August 10, 2044	From August 11, 2044

Name	Due date	Exercise period of share acquisition rights
		to August 10, 2045
10 th Share Acquisition Rights	August 9, 2045	From August 10, 2045 to August 9, 2046

- (2) In the event that a proposal of a merger agreement (under which the Company becomes an absorbed company) or a proposal plan of an equity-swap agreement and/or an equity transfer plan (under which the Company becomes a wholly-owned subsidiary of another company) is approved at a General Meeting of Shareholders of the Company (or at a Board of Director meeting or by the Chief Executive Officer if a decision at a shareholders' meeting is not necessary)

Fifteen (15) days from the following day of such decision

3. A holder of share acquisition rights who relinquishes his/her share acquisition rights shall not be able to exercise such rights.
4. With October 1, 2017 as the effective date, the Company changed the number of shares constituting one unit from 1,000 shares to 100 shares and conducted a consolidation of ordinary shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares). As a result, "class and number of shares underlying share acquisition rights" and "value of property to be contributed upon exercise" have been adjusted.

(II) Number of Share Acquisition Rights

Name (Date of decision)	Director			Audit & Supervisory Board Member		
	Number Of Share Acquisition Rights	Number Of Shares Underlying Share Acquisition Rights	Number Of Holders	Number Of Share Acquisition Rights	Number Of Shares Underlying Share Acquisition Rights	Number Of Holders
1 st Share Acquisition Rights (July 23, 2007)	0	0 Shares	0	-	-	-
2 nd Share Acquisition Rights (July 22, 2008)	0	0 Shares	0	-	-	-
3 rd Share Acquisition Rights (July 21, 2009)	0	0 Shares	0	-	-	-
4 th Share Acquisition Rights (July 23, 2010)	23	2,300 Shares	1	-	-	-
5 th Share Acquisition Rights (July 25, 2011)	17	1,700 Shares	1	-	-	-
6 th Share Acquisition Rights (July 23, 2012)	21	2,100 Shares	1	-	-	-

Name (Date of decision)	Director			Audit & Supervisory Board Member		
	Number Of Share Acquisition Rights	Number Of Shares Underlying Share Acquisition Rights	Number Of Holders	Number Of Share Acquisition Rights	Number Of Shares Underlying Share Acquisition Rights	Number Of Holders
7 th Share Acquisition Rights (July 22, 2013)	21	2,100 Shares	2			
8 th Share Acquisition Rights (July 22, 2014)	27	2,700 Shares	3	-	-	-
9 th Share Acquisition Rights (July 21, 2015)	20	2,000 Shares	3	-	-	-
10 th Share Acquisition Rights (July 25, 2016)	82	8,200 Shares	5	13	1,300	1

(Notes) 1. These share acquisition rights are not granted to outside directors and audit & supervisory board members.

2. The share acquisition rights held by audit & supervisory board members were granted to them while they were serving as executive officers and not granted to them while serving as audit & supervisory board members.

2) Share acquisition rights granted to the Company's executive officers in remuneration for the performance of their duties during the fiscal year under review:

No items to report.

3) Other important matters regarding share acquisition rights

No items to report.

4. Status of Accounting Auditor

(1) Name

Ernst & Young ShinNihon LLC

(2) Remunerations, etc.

	Amount Of Payment (Million Yen)
Remunerations Paid to the Accounting Auditor for the Fiscal Year Under Review	276
Total Sum of Cash and Profits Relating to Other Assets that The Company and Its Subsidiaries Should Pay to the Accounting Auditor	470

(Notes)

1. The audit agreement entered into by the accounting auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the remunerations paid to the accounting auditor for the fiscal year under review indicates the total of these two kinds of amounts.
2. The Audit & Supervisory Board sought confirmation that the audit plan that the accounting auditor submitted was suitable and appropriate, and carefully studied the grounds and contents of calculations, such as time required for audits and the remuneration unit price. As a result of the aforementioned, the Audit & Supervisory Board found that the remuneration was appropriate, and therefore approved the amount of remunerations paid to the accounting auditor.
3. Of the Company's main subsidiaries, IHI INC., Jurong Engineering Limited and other 18 companies were audited by certified public accountants or accounting auditors (including persons overseas possessing the overseas country's equivalent qualification) other than the accounting auditor of the Company.

(3) Details of Non-Audit Services

The Company entrusts the accounting auditor with the guidance on accounting.

(4) Policy for Decisions on Dismissal or Non-Reappointment of Accounting Auditors

In the case where it is deemed that the accounting auditor has fallen under any of the reasons for dismissal prescribed in Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the accounting auditor based on the consent of all audit & supervisory board members.

In addition, in cases where the accounting auditor is deemed to have difficulty in conducting audit operations appropriately, based on the resolution of the Audit & Supervisory Board, the dismissal or non-reappointment of the accounting auditor shall be decided.

5. Systems to Ensure Appropriateness of Operations and Operation Status of the Systems

(1) Systems to Ensure Appropriateness of Operations

The Company, through resolution by the Board of Directors, decided on a basic policy relating to “systems to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation, and other systems necessary to ensure the appropriateness of operations of a stock company and of operations of a corporate group consisting of said stock company and its subsidiaries” as stipulated by the Companies Act, and it is working to improve the effectiveness of corporate governance of the IHI Group and thereby increase corporate value. The overview of the basic policy is as follows.

1) System for Ensuring Compliance of Directors and Employees with Laws and Regulations and Articles of Incorporation

Directors of the Company shall establish rules to ensure that the performance of their duties is compliant with laws and regulations and articles of incorporation, and directors and employees shall observe such rules. Directors of the Company shall establish systems to ensure the appropriateness of operation activities throughout the Company, at each division, and at each affiliate company, and to audit such activities are properly pursued.

(i) Preparation of rules and regulations

Directors shall prepare group-wide, company-wide and departmental rules and procedures such as the “Basic Code of Conduct for the IHI Group” that all directors and employees of the Company must follow to perform their duties. Divisions and sections in charge of each operation must be specified clearly in each rule and regulation. A mechanism to update such rules and regulations in the event of amendment of laws shall also be defined.

(ii) Compliance activities

With respect to compliance activities, the “Compliance Committee” chaired by an officer in charge of compliance for the entire Company shall establish a company-wide compliance policy. The company-wide policy shall be applied to the plan for each division, and each division shall create its own rules and activity plans. In addition to the company-wide training organized and administered by Legal Division, training for each level (such as managerial staff, mid-level staff, and new employees) and training for each competency (such as human resources, finance, and procurement) shall be conducted to ensure compliance by all employees.

(iii) A system to ensure and correct activities

An internal audit mechanism shall be created to monitor, inspect, and assess operation activities at each division to ensure the appropriateness of such activities. "Internal Audit Division," which is independent of all other divisions, shall be established. Internal Audit Division shall report the results of audits to the Board of Directors as needed. To prevent noncompliance, a "Compliance Hotline" shall be established as an internal reporting system and Legal Division shall provide the necessary consultations.

2) System for Storing and Managing Information

Directors of the Company shall preserve information related to Directors' exercise of their duties as a written document or in an electromagnetic form. Directors shall establish a basic policy for storing and managing documents and electromagnetic records, and shall manage information thereof.

Amendment of such basic policy shall be subject to approval of the Board of Directors.

3) System for Managing Risks

Directors of the Company shall continuously assess, identify, and monitor business risks at each division of IHI group companies. Directors shall recognize the importance of assessing, identifying, and monitoring any of the following risks as various risks relevant to the execution of duties of IHI group companies, and shall establish an appropriate system to manage such risks as well as a system to apply and evaluate it.

(i) Contracts/agreements	Operational risks relating to contracts/agreements such as competition, alliance/M&A with other companies, business integration, overseas operations, material procurement, and debt guarantee.
(ii) Design, manufacturing, and technologies	Risks that manufacturing sites, quality assurance, technology agreements, and research and development perform below expectations.
(iii) Laws and regulations	Risks of losses or loss of credibility due to violation of law.
(iv) Information systems	Risks of leakage, theft, and loss of information assets, and damage thereto.
(v) Safety, health, and environment	Risks of problems with health and safety assurance and environmental conservation at offices and construction sites.
(vi) Disaster and system failure	Risks of interruption of business activities due to disaster, accidents, and information system failures.
(vii) Financial activities	

Risks regarding financial activities such as exchange rate and interest rate trends.
(viii) Financial reporting
Risks of fictitious financial reporting (whether due to fraud or negligence).

Directors of the Company shall continuously assess, identify, and monitor business risks at each division of IHI group companies and promptly appoint personnel to deal with risks in the event new risks arise, and shall report to the Board of Directors of the Company regarding such risks that may affect IHI group performance, financial condition, and share price.

4) System for Assuring That Directors Exercise Their Duties Efficiently

Directors of the Company shall clearly separate the function of management oversight and monitoring from that of performance to ensure efficient performance of duties, and shall delegate most rights to perform duties to executive officers for efficiency.

To make appropriate decisions through multi-dimensional considerations, the Chief Executive Officer shall organize a Management Committee as an advisory body to discuss important matters of IHI group companies.

Directors shall prepare profit plans including target profitability of each business area and SBU (Strategic Business Unit) at the beginning of every financial period and verify their results each month.

5) System for Assuring Operational Legitimacy Within the Corporate Group

Directors of the Company shall establish a system to ensure IHI group-wide governance by setting rules to manage group companies and appointing responsible divisions to manage, control, and direct such companies. As for group company matters with high levels of importance, directors shall submit/report to the Board of Directors and Management Committee.

Directors of the Company shall monitor the business conditions of group companies on a routine basis by deploying part-time audit & supervisory board members or other employees to group companies. If necessary, responsible division or related division shall provide support to secure the appropriateness of business operations.

Directors also establish the Corporate Planning Division to create a group-wide management mechanism and to supervise group company businesses.

6) Employees to Assist Audit & Supervisory Board Members

Audit & supervisory board members of the Company shall establish an Audit & Supervisory Board Division to assist them in the performance of their duties.

The Audit & Supervisory Board Division shall consist of several employees, including managerial staff, of the Company, and personnel matters regarding such employees shall be decided based on mutual consultation between audit & supervisory board members and related directors.

The employees of Audit & Supervisory Board Division shall follow the instructions of the audit & supervisory board members, and directors shall pay attention to maintaining independence of the Audit & Supervisory Board Division employees from the persons who execute business and to ensuring the effectiveness of instructions by the audit & supervisory board members to the Audit & Supervisory Board Division employees.

7) Audit by Audit & Supervisory Board Members

Audit & supervisory board members of the Company, in accordance with the audit policies defined at the Audit & Supervisory Board, shall attend important meetings including the Board of Directors meetings and management meetings, and audit the performance of directors through interviews with directors, reviews of documents related to important resolutions, and investigations of operations and financial situations of each division and main subsidiaries. The Company shall bear any expenses required for the performance of duties by audit & supervisory board members.

8) Reporting to Audit & Supervisory Board Members

Directors and employees of the Company shall, without delay, report to audit & supervisory board members and the Audit & Supervisory Board on matters provided for in laws and regulations, results of internal audits, results of hotline system, and other important matters that have an impact on the IHI Group.

No individual shall be treated unfavorably for making such a report.

(2) Overview of Operation Status of System to Ensure the Appropriateness of Operations

1) System for Ensuring Compliance of Directors and Employees with Laws and Regulations and Articles of Incorporation

Group-wide, company-wide and departmental rules have been established, and in addition to regularly updating rules and regulations to reflect amendment of laws, reviews are periodically carried out based on the regulations for managing rules.

The Compliance Committee has been established, decisions on annual compliance policy are made and such policy is implemented internally as well as in group companies.

Under the investigative organization for its internal reporting system, the Company has made progress in quickly and optimally addressing reported incidents. Meanwhile, with respect to an outline of the operating status of the internal reporting system, the Company has been disclosing such matters internally on a quarterly basis, while also reporting such matters to the audit & supervisory board members

and reporting such matters at the Risk Management Conference established pursuant to the IHI Group Basic Regulations of Risk Management.

2) System for Storing and Managing Information

The following activities are carried out pursuant to the policy established for storing and management of documents and digital records: document management, investigation of the status of the management on a company-wide basis, and guidance to ensure appropriate filing methods, etc.

The Company has been taking action from an information security perspective to ensure that such practices take hold. Based on “Information Management Rules of the IHI Group”, the IHI Group is ensuring thorough information management on a group-wide basis, and engaging in activities to monitor the status of information management.

3) System for Managing Risks

Based on the Basic Rules of Risk Management for IHI Group, the Risk Management Conference, chaired by the Chief Operating Officer, discusses policies on initiatives related to risk management and annual plans.

Based on the policies and plans determined by the Risk Management Conference, the IHI Group conducts risk management activities by clarifying the roles and responsibilities of managing each risk in the Group Risk Management Units centered on the corporate division, business domains, and business divisions. The progress of these activities is reported quarterly to the Board of Directors.

The Company has been working to cultivate and grow a corporate culture devoted to uncompromising quality assurance and compliance. This has involved implementing measures to prevent recurrence of past incidents of indiscretion by providing quality and compliance training to all Group employees and having training participants provide written oaths subsequent to the training. In addition, we have set May 10 of each year as “Compliance Day” for our Group to raise awareness of compliance.

The Company identified material risks that could hamper implementation of strategies for each business segment and worked to bolster its ability to detect early signs of risks in order to quickly and adequately address them.

4) System Assuring Directors to Exercise their Duties Efficiently

An executive officer system has been introduced to make clear functional separation of management oversight and monitoring and the performance of duties while a Remuneration Advisory Committee and a Nomination Advisory Committee have been established to strengthen oversight and monitoring function. In addition, Management Committee has been established as an advisory body for the Chief Executive Officer as a forum to discuss important matters.

In discussions at the Board of Directors meetings and the Management Committee meetings, we delegate authority for certain matters related to decision-making for important business execution to the CEO or the Presidents of Business Areas. In this way we seek to invigorate discussions on important matters and to make them more substantial.

5) System Assuring Operational Legitimacy within the Corporate Group

Rules have been established to serve as rules for management of IHI Group companies, and in accordance with these rules, each division manages, controls and directs group companies for which it is responsible. Also with respect to group company matters with high levels of importance, discussions are held and reports are made at the Board of Directors meetings and the Management Committee meetings of the Company, and feedback is provided with regard to issues raised in evaluation processes. In addition, the current statuses of the management are confirmed by such measures as dispatching the Company's employees to part-time audit & supervisory board members of each company.

6) Employees to Assist Audit & Supervisory Board Members

An Audit & Supervisory Board Division is established to assist audit & supervisory board members in the performance of their duties. Five employees are posted full-time to the Audit & Supervisory Board Division, and Audit & Supervisory Board Division's independence from the persons who execute business is maintained.

7) Audit by Audit & Supervisory Board Members

The audit & supervisory board members attend, in addition to the Board of Directors meetings of the Company, important meetings such as Management Committee meetings of the Company. In addition, the audit & supervisory board members review important documents related to the execution of business and conduct investigations at each division and main subsidiaries.

8) Reporting to Audit & Supervisory Board Members

Directors and employees of the IHI Group report to the audit & supervisory board members via the Company's Board of Directors, Management Committee and other means on not only matters prescribed by laws and regulations, but also important matters affecting the IHI Group.

Consolidated Statement Of Financial Position
(As of March 31, 2022)

(Millions of Yen)

Account Title	Amount	Account Title	Amount
Assets		Liabilities	
Current Assets	1,023,992	Current Liabilities	773,675
Cash And Cash Equivalents	145,489	Trade And Other Payables	235,414
Trade And Other Receivables	347,998	Bonds And Borrowings	95,220
Contract Assets	126,560	Lease Liabilities	17,061
Other Financial Assets	3,193	Other Financial Liabilities	14,636
Inventories	340,125	Income Taxes Payable	18,005
Total Current Assets	60,627	Contract Liabilities	214,726
		Provisions	22,433
		Other Current Liabilities	156,180
Non-Current Assets	855,681	Non-Current Liabilities	698,959
Property, Plant And Equipment	230,306	Bonds And Borrowings	276,987
Right-Of-Use Assets	109,034	Lease Liabilities	116,285
Goodwill	6,094	Other Financial Liabilities	103,681
Intangible Assets	120,998	Deferred Tax Liabilities	3,485
Investment Property	137,679	Retirement Benefit Liability	175,328
Investments Accounted For Using Equity Method	56,732	Provisions	7,348
Other Financial Assets	43,167	Other Non-Current Liabilities	15,845
Deferred Tax Assets	78,428		
Other Non-Current Assets	73,243		
		Total Liabilities	1,472,634
		Equity	
		Equity	
		Share Capital	107,165
		Capital Surplus	47,052
		Retained Earnings	213,026
		Treasury Shares	(8,815)
		Other Components Of Equity	23,706
		Total Equity Attributable To Owners Of Parent	382,134
		Non-Controlling Interests	24,905
		Total Equity	407,039
Total Assets	1,879,673	Total Liabilities And Equity	1,879,673

Consolidated Statement Of Profit Or Loss
(Year Ended March 31, 2022)

(Millions Of Yen)

Account Title	Amount
Revenue	1,172,904
Cost Of Sales	963,497
Gross Profit	209,407
Selling, General And Administrative Expenses	176,600
Other Income	71,452
Other Expenses	22,762
Operating Profit	81,497
Finance Income	9,577
Finance Costs	4,624
Share Of Profit (Loss) Of Investments Accounted For Using Equity Method	1,187
Profit Before Tax	87,637
Income Tax Expense	18,718
Profit	68,919
Profit Attributable To:	
Owners Of Parent	66,065
Non-Controlling Interests	2,854
Profit	68,919

(Reference)

Consolidated Statement Of Cash Flows (Summary)
(Year Ended March 31, 2022)

(Millions Of Yen)

Account Title	Amount
Net Cash Provided By (Used In) Operating Activities	114,155
Net Cash Provided By (Used In) Investing Activities	27,926
Net Cash Provided By (Used In) Financing Activities	(121,489)
Effect Of Exchange Rate Changes On Cash And Cash Equivalents	4,131
Net Increase (Decrease) In Cash And Cash Equivalents	24,723
Cash And Cash Equivalents At End Of Period	145,489

Consolidated Statement Of Changes In Equity
(Year Ended March 31, 2022)

(Millions Of Yen)

	Equity Attributable To Owners Of Parent					
	Share Capital	Capital Surplus	Retained Earnings	Treasury Shares	Other Components Of Equity	
					Exchange Differences On Translation Of Foreign Operations	Cash Flow Hedges
Balance At Beginning Of Period	107,165	51,735	148,428	(15,953)	1,102	(61)
Profit			66,065			
Other Comprehensive Income					11,729	(206)
Total Comprehensive Income	-	-	66,065	-	11,729	(206)
Purchase Of Treasury Shares				(109)		
Disposal Of Treasury Shares		5		154		
Dividends			(4,555)			
Share-Based Remuneration Transactions		(5)				
Changes In Equity Interest In Subsidiaries		(4,683)		7,093		
Transfer From Other Components Of Equity To Retained Earnings			3,416			
Other			(328)			(46)
Total Transactions With Owners	-	(4,683)	(1,467)	7,138	-	(46)
Balance At End Of Period	107,165	47,052	213,026	(8,815)	12,831	(313)

	Equity Attributable To Owners Of Parent					Total Other Components Of Equity	Total
	Other Components Of Equity						
	Financial Assets Measured At Fair Value Through Other Comprehensive Income	Remeasurements Of Defined Benefit Plans	Share Acquisition Rights	Total Other Components Of Equity	Total		
Balance At Beginning Of Period	7,939	-	414	9,394	300,769	26,958	327,727
Profit				-	66,065	2,854	68,919
Other Comprehensive Income	2,229	4,181		17,933	17,933	1,388	19,321
Total Comprehensive Income	2,229	4,181	-	17,933	83,998	4,242	88,240
Purchase Of Treasury Shares				-	(109)		(109)
Disposal Of Treasury Shares			(159)	(159)	-		-
Dividends				-	(4,555)	(3,978)	(8,533)
Share-Based Remuneration Transactions				-	(5)		(5)
Changes In Equity Interest In Subsidiaries				-	2,410	(2,326)	84
Transfer From Other Components Of Equity To Retained Earnings	765	(4,181)		(3,416)	-		-
Other				(46)	(374)	9	(365)
Total Transactions With Owners	765	(4,181)	(159)	(3,621)	(2,633)	(6,295)	(8,928)
Balance At End Of Period	10,933	-	255	23,706	382,134	24,905	407,039

Notes to the Consolidated Financial Statements

I. Basis of Preparation of the Consolidated Financial Statements

1. Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS") pursuant to Article 120, Paragraph 1 of the Regulation on Corporate Accounting. Pursuant to the provisions of the second sentence of said paragraph, some of the disclosure items required by IFRS have been omitted.

2. Scope of Consolidation

Number of consolidated subsidiaries:

150

Major consolidated subsidiaries:

Refer to "Main Subsidiaries" in Business Report.

3. Application of the Equity Method

Number of entities accounted for using the equity method:

28

Major equity method affiliates:

Japan Marine United Corporation, GE Passport, LLC, IHI Investment for Aero Engine Leasing LLC

4. Significant Accounting Policies

(1) Financial instruments

A. Financial assets

a. Initial recognition and measurement

The IHI Group recognizes financial assets on the transaction date when it becomes a party to the contract for the financial assets.

Financial assets are classified into those measured at fair value and those measured at amortized cost.

Financial assets are classified into those measured at amortized cost if they meet both of the following conditions. Financial assets other than the above are classified into those measured at fair value.

- The assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For financial assets measured at fair value, except for equity instruments held for trading, which must be measured at fair value through profit or loss, the IHI Group designates, for each financial instrument, whether the instrument is measured at fair value through profit or loss or the instrument is measured at fair value through other comprehensive income, and consistently applies

the same designation. The IHI Group decides on such classification at the initial recognition.

All financial assets are measured at fair value plus transaction costs directly attributable to the financial assets unless they are classified into those measured at fair value through profit or loss.

b. Subsequent measurement

After the initial recognition, financial assets are measured as follows, depending on respective classifications:

(i) Financial assets measured at amortized cost

They are measured at amortized cost using the effective interest method.

(ii) Financial assets measured at fair value through profit or loss

After the initial recognition, they are measured at fair value, and changes in the fair value are recognized in profit or loss.

(iii) Financial assets measured at fair value through other comprehensive income

Changes in fair value are recognized in other comprehensive income. If such financial assets are derecognized or the fair value decreased significantly, such changes are transferred to retained earnings. Dividends from such financial assets are recognized in profit or loss for the fiscal year.

c. Impairment losses of financial assets

The IHI Group recognizes allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost.

The IHI Group determines, at the end of each reporting period, whether credit risk of the assets has increased significantly since the initial recognition. If the credit risk has increased significantly, allowance for doubtful accounts is recognized at an amount equal to lifetime expected credit losses. If no significant increase in the credit risk is identified, allowance for doubtful accounts is recognized at an amount equal to expected credit losses for 12 months.

However, for trade receivables and contract assets, allowance for doubtful accounts is recognized at an amount equal to lifetime expected credit losses, regardless of whether or not the credit risk has increased significantly since the initial recognition.

Objective evidence indicating a significant increase in credit risk includes default or delinquency by a debtor, extension of the due date of receivables on terms that the IHI Group would not otherwise grant, and indications that a debtor or issuer will enter bankruptcy. Provision for, or reversal of, allowance for doubtful accounts for expected credit losses is recognized in profit or loss.

d. Derecognition

The IHI Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the contractual rights to receive the cash flows of the financial asset and also transfers substantially all the risks and rewards incidental to ownership of the financial asset.

B. Financial liabilities

a. Initial recognition and measurement

Financial liabilities, except for financial guarantee contracts, are classified as those measured at amortized cost.

At initial recognition, financial liabilities measured at amortized cost are measured at fair value less transaction costs.

b. Subsequent measurement

After the initial recognition, financial liabilities measured at amortized cost are measured using the effective interest method.

After the initial recognition, financial guarantee contracts are measured at the higher of:

- the best estimate of expenditures required to settle obligations as of the account closing date and
- the amount initially recognized less accumulated amortization.

c. Derecognition

The IHI Group derecognizes a financial liability when it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

d. Revenue-sharing arrangements

In the Civil aero engines Business, the Company has entered into revenue-sharing arrangements mainly with financial institutions, and classifies these arrangements into financial liabilities measured at amortized cost. Under these arrangements, the Company receives funding to execute certain business projects and makes payments based on future earnings of the projects.

At the initial recognition, the Company measures such financial liabilities measured at amortized cost at the amount of the funds received. After the initial recognition, the Company applies the effective interest method using a discount rate equal to the rate of return estimated upon entering into the arrangement. Furthermore, the number of engines to be delivered in the future etc. are not taken into consideration when measuring at amortized cost.

C. Derivatives and hedge accounting

The IHI Group uses derivatives, including forward exchange contracts and interest rate swap contracts, to hedge foreign currency risk and interest rate risk.

These derivatives are initially recognized at fair value. Even after the initial recognition, they are measured at fair value with subsequent changes in the fair value being recognized in profit or loss unless they are designated as a hedging instrument in a cash flow hedge.

At the inception of the hedge, the IHI Group formally designates and documents the hedging relationship for which the hedge accounting is applied and its risk management objective and strategy for undertaking the hedge. That documentation includes identification of the specific hedging instrument, the hedged item, the nature of the risk being hedged and the method of

assessing the hedge effectiveness. In addition, the IHI Group assesses on an ongoing basis whether the hedging relationship is prospectively effective.

Hedges that qualify for the hedge accounting are classified and accounted for as follows:

a. Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment. The IHI Group recognizes, in profit or loss, any changes in fair value of the recognized asset or liability or the unrecognized firm commitment and related derivatives.

b. Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a forecast transaction or a recognized asset or liability. As long as the hedge is highly effective, changes in fair value of the effective portion of the derivative designated as a cash flow hedge are recognized in other comprehensive income, whereas changes in fair value of the ineffective portion thereof are recognized in profit or loss.

D. Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset with the net amount presented in the consolidated statement of financial position when, and only when the IHI Group currently has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(2) *Inventories*

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion include fixed production overheads based on the normal capacity level. In determining the cost of inventories, finished goods and work in process are determined principally by the specific identification method, whereas raw materials and supplies are determined principally by the moving average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(3) *Property, plant and equipment*

As the IHI Group uses the cost model to measure property, plant and equipment, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment includes any costs directly attributable to acquiring the item, the borrowing costs eligible for capitalization, the costs of dismantling and removing the item and the restoration costs.

Except for non-depreciable assets such as land, each asset is depreciated on a straight-line basis over its estimated useful life.

The estimated useful life and depreciation method etc. are subject to review at the end of each fiscal year, and any changes to them are prospectively applied as a change in an accounting estimate.

(4) *Intangible assets*

As the IHI Group uses the cost model to measure intangible assets, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses.

A separately acquired intangible asset is measured initially at cost, which includes borrowing costs that should be capitalized. The cost of intangible assets acquired through business combinations is measured at fair value at the acquisition date. For internally generated intangible assets, all expenditures, except for development expenditure eligible for capitalization, are recorded as expenses for the period in which they are incurred. The cost of an internally generated intangible asset eligible for capitalization is the sum of expenditures incurred from the date when the intangible asset first meets the criteria for capitalization.

Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful life and tested for impairment whenever there is an indication of impairment. The estimated useful life and amortization method for intangible assets with a finite useful life are subject to review at the end of each fiscal year, and any changes to them are prospectively applied as a change in an accounting estimate.

Intangible assets with an indefinite useful life and those yet to be available for use are not amortized and are tested for impairment individually or by cash-generating unit in each fiscal year or whenever there is an indication of impairment.

(5) *Leases*

A. Lessee

The IHI Group recognizes a right-of-use asset, which represents its right to use an underlying asset, and a lease liability, which represents its obligation to pay lease payments. It also recognizes expenses associated with leases as depreciation charge for the right-of-use asset and interest expense on the lease liability. For short-term leases, which are leases with a lease term of 12 months or less, and leases for which the underlying asset is of low value, the IHI Group recognizes the lease payments associated with those leases in profit or loss on a straight-line basis over the lease term.

As the IHI Group uses the cost model to measure a right-of-use asset, a right-of-use asset is carried at cost at the commencement date less any accumulated depreciation and any accumulated impairment losses. The cost of the right-of-use asset is measured at the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, the costs of dismantling and removing the underlying asset and the restoration costs under the lease contract. Each right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Any change in the useful life or the lease term is treated as a change in an accounting estimate and accounted for prospectively.

The lease liability is measured and presented at the present value of the lease payments that are not paid at the commencement date. The lease payments

are discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. Interest expense on the lease liability in each period during the lease term is the amount that produces constant periodic rate of interest on the remaining balance of the lease liability. The interest expense is recognized in profit or loss over the lease term and included in "Finance costs."

B. Lessor

The IHI Group classifies a lease of property, plant and equipment as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset to a lessee. Under the finance lease, the lessor derecognizes the underlying asset, but instead recognizes and measures the net investment in the lease at the present value of the total lease payments.

A lease of property, plant and equipment is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. Under the operating lease, the lessor continues to recognize the underlying asset, and also recognizes the lease income on a straight-line basis over the lease term.

(6) *Investment property*

Investment property is real estate property held to earn rent income, or capital gains, or both. Investment property does not include real estate property for sale in the ordinary course of business, nor does it include real estate property for use in the production or sale of goods or services or for other administrative purposes.

As the IHI Group uses the cost model to measure investment property after the initial recognition, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses. The cost of investment property includes any costs directly attributable to acquiring the asset, the borrowing costs eligible for capitalization, the costs of dismantling and removing the asset and the restoration costs.

Investment property is depreciated on a straight-line basis over the estimated useful life. The estimated useful life and depreciation method etc. are subject to review at the end of each fiscal year, and any changes to them are prospectively applied as a change in an accounting estimate.

(7) *Impairment of non-financial assets*

The IHI Group determines, at the account closing date, whether there is any indication of impairment of non-financial assets excluding inventories and deferred tax assets. If any such indication exists, the IHI Group estimates the recoverable amount of the asset. Goodwill, intangible assets with indefinite useful lives and intangible assets yet to be available for use are tested for impairment in each fiscal year, mainly in the fourth quarter, irrespective of whether there is any indication that they may be impaired. When the recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less costs of disposal and its value in use. When the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, an impairment loss is recognized, and the carrying amount of the asset

or cash-generating unit is reduced to its recoverable amount. In determining the value in use, estimated future cash flows are discounted to the present value using the pre-tax discount rate that reflects current market assessment of the time value of money, the risks specific to the asset, etc. In determining the fair value less costs of disposal, the IHI Group uses an appropriate valuation model supported by available indicators of the fair value.

The IHI Group determines, at the account closing date, whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may have decreased or may no longer exist. Such indications include a change in assumptions used to determine the recoverable amount of the asset. If any such indication exists, the IHI Group estimates the recoverable amount of the asset or cash-generating unit. When the recoverable amount of the asset or cash-generating unit exceeds its carrying amount, the impairment loss is reversed to the extent of the lower of the estimated recoverable amount and the carrying amount less depreciation or amortization that would have been recognized had no impairment losses been recognized in prior periods.

(8) *Provisions*

The IHI Group recognizes a provision when it has a present obligation (legal or constructive) as a result of a past event; it is probable that the IHI Group will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation. In determining the present value, the IHI Group uses a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(9) *Employee benefits*

A. Post-employment benefit plans

a. Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined benefit obligations are separately accounted for each plan. The amount of each obligation is determined by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods, and discounting the estimated amount to the present value using the projected unit credit method. The fair value of any plan assets is deducted from the above-determined present value of the defined benefit obligations.

The discount rate is determined by reference to market yields at the account closing date on high quality corporate bonds with the terms being almost the same as those of the defined benefit obligations of the IHI Group.

The IHI Group recognizes changes in the obligations as a result of the remeasurement of the benefit obligations and plan assets of the defined benefit plans in other comprehensive income, and immediately transfers them to retained earnings.

Past service cost is recognized in profit or loss for the period in which it is incurred.

b. Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an employer pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions. Contribution obligations under the defined contribution plans are recognized as expenses for the period in which employees render the related service.

B. Short-term employee benefits

The IHI Group recognizes undiscounted amounts of short-term employee benefits and paid annual leave as expenses at the time when the related services are rendered.

When the IHI Group has a present legal or constructive obligation to pay bonuses in return for services that the employees have rendered in the past, and can make a reliable estimate of their amount, it recognizes the amount that can be expected to be paid under the relevant bonus plan as a liability.

C. Termination benefits

The IHI Group recognizes termination benefits as an expense at the time when it has a detailed official plan of providing a retirement allowance to those employees whose employment will be terminated before the normal retirement date as a result of implementing an early retirement incentive program or another similar plan, and also it becomes virtually impossible for the IHI Group to withdraw the plan.

(10) Business combinations

The IHI Group accounts for business combinations by applying the acquisition method. The consideration for acquisition is measured as the sum of the acquisition-date fair value of the assets transferred, liabilities assumed, and equity instruments issued by the Company in exchange for control of an acquiree.

If the aggregate amount of consideration for acquisition, the amount of non-controlling interest, and previously held equity interests exceeds the fair value of identifiable assets and liabilities, such excess is recorded as goodwill in the consolidated statements of financial position. If, conversely, the consideration turns out to be less than the fair value, the difference is immediately recorded as revenue in the consolidated statements of profit or loss. If the initial accounting for a business combination is incomplete by the end of the period in which the combination occurs, the items for which the accounting is incomplete are measured at provisional amounts, and subsequently adjusts the provisional amounts during the measurement period, which is one year from the acquisition date.

Goodwill is presented at cost less any accumulated impairment losses. Goodwill is not subject to amortization, but an impairment test for goodwill is performed in each fiscal year, mainly in the fourth quarter, and impairment losses are recorded when necessary. Impairment losses of goodwill are not reversed.

Acquisition-related costs incurred in connection with business combination are expensed as incurred. Acquisition of additional non-controlling interests after control is obtained is accounted for as an equity transaction and no goodwill arising from such a transaction is recognized.

For a business combination achieved in stages, the IHI Group remeasures its previously held equity interest in the acquiree at fair value as of the date of obtaining control and recognizes the resulting gains or losses in profit or loss, or other comprehensive income.

(11) Foreign currency translation

A. Translation of foreign currency transactions

Foreign currency transactions are translated into the functional currencies of the IHI Group and its associates using the spot exchange rate at the dates of the transactions or rates that approximate such rates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies at the spot exchange rates at the consolidated account closing date. Exchange differences arising from the translation and settlement are recognized in profit or loss.

B. Translation of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the spot exchange rates at the account closing date, whereas revenue and expenses of foreign operations are translated into Japanese yen using the average exchange rate during the period. Exchange differences arising from such translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation are recognized in profit or loss for the period in which the foreign operation is disposed of.

(12) Revenue

The IHI Group recognizes revenue at an amount that reflects the consideration to which the IHI Group expects to be entitled in exchange for the transfer of goods or services to customers based on the following five-step approach, except for interest and dividend income, etc. under IFRS 9 Financial instruments.

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations in the contract.

Step 5: Recognize revenue when (or as) the IHI Group satisfies a performance obligation.

The IHI Group identifies the contract based on its substance and may combine two or more contracts. If two or more performance obligations are identified in the contract, the IHI Group allocate the transaction price, which appropriately reflects variable consideration, consideration payable to a customer, etc., to each of the identified performance obligations on a relative stand-alone selling price basis. The transaction price does not include a significant financing component.

The IHI Group recognizes as an asset the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract to the extent that it expects to recover those costs. The asset recognized above is

amortized in a manner that is consistent with the method used to recognize revenue from the products and services to which the asset relates.

Assuming that persuasive evidence supporting a transaction exists, the IHI Group recognizes revenue when it is certain that economic benefits will flow to the IHI Group and those benefits can be measured reliably. Revenues from sale of goods, provision of services, construction contracts, etc. are measured at fair value of consideration received or receivable.

The recognition criteria by major revenue classification are as follows:

A. Sale of goods

For revenue from sale of goods, the IHI Group determines that its performance obligations are satisfied primarily when a customer obtains control of the goods upon delivery. Hence, revenue from sale of goods is usually recognized upon the delivery of goods.

B. Provision of services and construction contracts

For revenue from provision of services and construction contracts, in which performance obligations are satisfied over time, the IHI Group recognizes revenue by measuring progress towards complete satisfaction of the performance obligations. Measurements are based on the ratio of the estimated costs incurred to satisfy the performance obligations against the estimated total costs to fully satisfy the contractual obligations. Revenue is recognized by the cost recovery method when it is not possible to reasonably estimate progress towards satisfaction of performance obligations, but it is probable that the costs incurred will be recovered.

(13) Other significant matters concerning the preparation of consolidated financial statements

Application of the consolidated taxation system

The consolidated taxation system has been applied.

II. Accounting Estimates

Assumptions and estimates that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year and amounts recorded in the fiscal year under review are as follows:

- Impairment of non-financial assets

Regarding property, plant, and equipment, right-of-use assets, intangible assets and other non-current assets for aero engines, which was impacted by COVID-19, the IHI Group performed impairment tests, confirmed that the recoverable value, which is the current value of future cash flows generated for those assets, is expected to adequately exceed the carrying amount for those assets, and accordingly deemed that there was no requirement to recognize an impairment loss for the fiscal year under review.

In preparing estimates of the recoverable value for the impairment test, the IHI Group applied the following assumptions. For demand recovery, the IHI Group has considered data obtained from business partners as well as data obtained from the International Air Transportation Association (IATA), and is assuming

that recovery to the 2019 level, i.e. before the impact of COVID-19, would be achieved in 2024. Moreover, the IHI Group expects demand to start recovering during the fiscal year under review, up to the level equivalent to 80% of levels before the impact of COVID-19, due primarily to factors including widespread vaccination, and the gradual easing of restrictions on the movement of people accompanying this. As such recovery of demand occurs, the Group is assuming that it will be able to record revenue and adequate operating profit.

Impairment losses for the fiscal year under review	– million yen
Property, plant and equipment	63,416 million yen
Right-of-use assets	22,084 million yen
Intangible assets	104,149 million yen
Other non-current assets	59,855 million yen

- Recoverability of deferred tax assets

The IHI Group recognizes deferred tax assets to the extent that it is likely that taxable income will be available against which the deductible temporary differences can be utilized. In determining the probability that taxable income will be available, the IHI Group estimates the timing and the amount of the taxable income based on the business plan.

In the fiscal year under review, the IHI Group has made estimates for taxable income for the fiscal year ending March 31, 2023, and subsequent fiscal years by considering the assumptions regarding the timing and speed of the demand recovery in the civil aero engines business under the impact of COVID-19 as well as measures for the expansion of the lifecycle business targeted by “Project Change” and the strengthening of the cost structure.

Although these estimates are management’s best estimates, the actual results may differ as a result of changes in uncertain future economic environment, and may affect the estimate on future taxable income and judgement on the recoverability, etc. of deferred tax assets.

At present there have been no significant changes in the judgment on the recoverability, etc. of deferred tax assets from the previous fiscal year.

Deferred tax assets	78,428 million yen
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- Contingencies

The IHI Group discloses contingent liabilities whenever any item exists that may have significant impacts on future businesses, financial position, operating results and cash flows after all evidence available on the reporting date is examined and the probability and impact in terms of the amount are taken into consideration.

The subject amounts are shown in Note “III. Notes to Consolidated Statement of Financial Position, 4. Contingent Liabilities.”

III. Notes to Consolidated Statement of Financial Position

1. Assets Pledged as Collateral and Secured Liabilities

(1) *Assets pledged as collateral*

Investments accounted for using equity method	4,663 million yen (Notes 1, 2)
Other financial assets (non-current)	752 million yen (Note 3)

(Notes)

1. Nanatsujima Biomass Power Limited Liability Company, its nine shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee all and any liabilities incurred by affiliate Nanatsujima Biomass Power Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions. The amount of assets pledged as collateral is 2,793 million yen.
2. Onahama Higashikou Bulk Terminal Limited Liability Company, its six shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee all and any liabilities incurred by affiliate Onahama Higashikou Bulk Terminal Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions. The amount of assets pledged as collateral is 1,870 million yen.
3. Kagoshima Mega Solar Power Corporation and seven shareholder companies of the said company entered into a revolving pledge agreement with financial institutions in order to secure all and any liabilities of the said company under the limited loan agreement concluded between Kagoshima Mega Solar Power Corporation and the financial institutions. The amount of assets pledged as collateral is 646 million yen.

(2) *Secured liabilities*

Not applicable

2. Allowance for doubtful accounts deducted directly from assets

6,017 million yen

3. Accumulated Depreciation (accumulated amortization) and accumulated impairment losses on Assets

Property, plant and equipment	651,236 million yen
Right-of-use assets	77,387 million yen
Intangible assets	113,268 million yen
Investment property	62,778 million yen

4. Contingent liabilities

(1) *Liabilities on guarantee (Note)*

Guarantees for loans from financial institutions etc. are as follows:

Details of liabilities on guarantee	Amount (Millions Of Yen)
IHI Investment For Aero Engine Leasing LLC	8,269
Japanese Aero Engines Corporation	4,180
Japan Aeroforge, Ltd.	236
Contingent liabilities for employee housing loans	186
Yachiyo 5 Logistic Specific Purpose Company	33
Total	12,904

(2) *Guarantees in kind (Note)*

Debt guarantees and guarantees in kind for borrowings, etc. from financial and other institutions provided by the IHI Group are as follows:

Details of guarantees in kind	Amount (Millions Of Yen)
Contingent liabilities for employee housing loans	3,062
Total	3,062

Notes: In any of the following cases, the amount represents the amounts for which the IHI Group is liable:

- A. In the case of joint guarantees and guarantees in kind for debts with protection requirements against creditors, where the IHI Group's liabilities are specifically stated and clarified regardless of the debt capacity of other guarantors in the contract.
- B. In the case of joint and several guarantees in which there are two or more guarantors, where the percentage or amount of the IHI Group's liabilities is specifically stated and clarified such as in agreement among the guarantors and other joint and several guarantors are considered to have sufficient debt capacity.

(3) *Other*

In the U.S., construction delays have been incurred by the Company's consolidated subsidiary IHI E&C International Corporation (hereinafter, "IHI E&C") with respect to a North American process plant project ordered in 2016. Process plant delivery to the customer was completed, and the customer launched commercial operations of LNG offloading facilities on August 26, 2020.

Recognizing that the delays were attributable to the customer, the IHI Group continued negotiations enlisting the perspective that the customer could be invoiced for additional costs incurred as a consequence of the delays, pursuant to the contract. In 2019, inter-party discussions were held based on provisions of the contract concluded with the customer, and in March and October 2020, a series of good-faith discussions ensued in the form of mediation enlisting a third party, in accordance with contractual provisions as a next step. However, because the discussions ultimately did not culminate in agreement, the Company deemed that the discussions had reached a stage where there was no

option left but to refer the matter of dispute resolution to juridical proceedings in a local court, pursuant to contractual provisions. As of December 4, 2020, the Company accordingly filed an action with the local court seeking to have the customer pay approximately 227 million U.S. dollars (approximately 27.8 billion yen at an exchange rate of 122.39 yen to the U.S. dollar) as a claim for a higher contracted amount primarily on the grounds of breach of contract.

Meanwhile, on December 4, 2019, in the midst of the aforementioned inter-party discussion phase, IHI E&C received an invoice from the customer amounting to 117 million U.S. dollars (approximately 14.3 billion yen at an exchange rate of 122.39 yen to the U.S. dollar) as liquidated and ascertained damages contractually stipulated with respect to late delivery (hereinafter, the “Invoice Amount”). Proceedings are ongoing at this stage, however, and the specific amount the customer stands to invoice IHI E&C has yet to be disclosed.

At this point, it is difficult to reasonably estimate the effect this situation is likely to have on financial position and operating results. Therefore, the potential effect of the Invoice Amount has not been reflected in the consolidated financial statements.

Note that it is not possible to make a prediction at present regarding the result of the aforementioned litigation. The IHI Group is not providing detailed disclosure on the matter as it is possible that such disclosure could have a material impact on the course of the litigation.

IV. Notes to Consolidated Statement of Profit or Loss

(Gain on sale of investment property)

The Company transferred investment property in order to secure funds for investment for creating growth businesses to contribute for materializing sustainable society based on “Project Change,” which was announced on November 10, 2020. As a result, other income has been recorded as gain on sale of investment property as follows in the fiscal year under review.

Details and location of assets	Gain on sale of investment property
Land as investment property Toyosu, Koto-ku, Tokyo	27,989 million yen
Land as investment property Matobashinmachi, Kawagoe-shi, Saitama (approximately 66,100m ²)	5,896 million yen
Land as investment property Showa-machi, Kanazawa-ku, Yokohama-shi, Kanagawa (approximately 26,400m ²)	5,595 million yen
Others	1,800 million yen

The Company has decided to construct state-of-the-art logistics facilities and rent out logistics facilities on the following land, in order to respond to social needs in the logistics field which continues to grow, through the effective use of real estate owned by the Company. In line with the launch of this project, the Company transferred a part of its investment properties to its business partner, Nomura Real Estate Development Co., Ltd. As a result, other income has been recorded as gain on sale of investment property as follows in the fiscal year under review.

Details and location of assets	Gain on sale of investment property
Land as investment property Showa-machi, Kanazawa-ku, Yokohama, Kanagawa (approximately 72,700m ²)	4,948 million yen

(Gain on sale of property, plant and equipment)

The Company transferred non-current assets in order to secure funds for investment for creating growth businesses to contribute for materializing sustainable society based on “Project Change,” which was announced on November 10, 2020. As a result, other income has been recorded as gain on sale of property, plant and equipment as follows in the fiscal year under review.

Details and location of assets	Gain on sale of property, plant and equipment
Property, plant and equipment (Land, buildings, etc.) Kitahama-cho, Chita-shi, Aichi (approximately 393,400 m ²)	16,179 million yen
Property, plant and equipment (Land) Kitahama-cho, Chita-shi, Aichi (approximately 52,900 m ²)	2,064 million yen
Property, plant and equipment (Land, buildings, etc.) Kitahama-cho, Chita-shi, Aichi (approximately 46,300 m ²)	1,210 million yen
Others	370 million yen

(Impairment losses)

Impairment losses of 9,757 million yen recognized in the fiscal year under review is primarily due to the reduction of carrying amounts of construction in progress and others to the recoverable amount at ALPHA Automotive Technologies LLC, in consideration of the uncertainty surrounding the outlook of the resumption of automobile production at its customers following Russia’s invasion of Ukraine and it is very difficult to reasonably forecast its business conditions.

Impairment losses are recorded as other expenses in the Consolidated Statement of Profit or Loss.

Name	Address	Impairment losses
ALPHA Automotive Technologies LLC	Moscow, Russia	4,788 million yen
Others		4,969 million yen

V. Notes to Consolidated Statement of Changes in Equity

1. Total Number of Shares Issued at End of Fiscal Year under Review

(1) *Classes and total number of shares issued*

Ordinary shares 154,679,954 shares

(2) *Classes and number of treasury shares*

Ordinary shares 3,419,631 shares

Note: As of March 31, 2022, the number of treasury shares, a trust account for the performance-based share remuneration plan for its directors owns includes 592,300 shares of the Company.

2. Dividends

(1) *Dividends paid*

Resolution	Classes Of Shares	Total Amount Of Dividends (Millions of Yen)	Dividends Per Share (Yen)	Record Date	Effective Date
Board of Directors' meeting Held On November 9, 2021	Ordinary shares	4,555	30	September 30, 2021	December 10, 2021

Note: Total dividends determined by a resolution of the Board of Directors' meeting held on November 9, 2021 included 18 million yen, which were dividends for shares of the Company owned by a trust account for the performance-based share remuneration plan for its directors.

(2) *Of The Dividends Whose Record Date Belongs To The Fiscal Year Under Review The Dividend Effective Date Falls In the Following Fiscal Year.*

Resolution	Classes Of Shares	Total Amount Of Dividends (Millions of Yen)	Dividends Per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting Of Shareholders Held On June 23, 2022	Ordinary shares	6,074	40	March 31, 2022	June 24, 2022

Note: Total dividends determined by a resolution of the Ordinary General Meeting of Shareholders held on June 23, 2022 included 24 million yen, which were dividends for shares of the Company owned by a trust account for the performance-based share remuneration plan for its directors.

3. Class and total number of shares underlying share acquisition rights

Ordinary shares 88,700 shares

VI. Notes to Financial Instruments

1. Financial instruments

The IHI Group is exposed to financial risks (credit risk, liquidity risk, foreign exchange risk, interest rate risk, market price fluctuation risk) in the course of performing operation activities. To mitigate such financial risks, the IHI Group has managed the risks in accordance with certain policies.

The IHI Group uses derivative transactions to hedge the fluctuation risks of foreign exchange rates or interest rates under the policy of not entering into any speculative transactions.

(1) *Credit risk management*

Credit risk is the risk of a financial loss that the IHI Group will incur from a default of a contractual obligation by a counterparty of financial assets held by the IHI Group.

To manage the credit risks, pursuant to the internal regulations related to receivable management, the department of the IHI Group in charge of collections in each business department periodically monitors the condition of major customers, manages the collectability and balances by customer or by project ordered, and thus seeks for preservation of receivables by means of such as a collection of collateral and an early identification and mitigation of collectability concern caused by deterioration in financial status.

In derivative transactions, the IHI Group enters into contracts only with financial institutions with high ratings to reduce the counterparty risks.

(2) *Liquidity risk management*

Liquidity risk is a risk that the IHI Group is unable to perform payments on the due date when it should perform the repayment obligation of financial liabilities as they become due.

The IHI Group prepares the appropriate funds for repayment by procuring short-term funds through measures, such as bank borrowings and commercial papers, and long-term funds through measures, such as long-term borrowings and bonds payables, if needed, in addition to net cash provided by operating activities.

Also, the IHI Group is taking efforts to secure liquidity and improve capital efficiency by means of financing through the cash management system among the Company and domestic subsidiaries, and among foreign affiliates in a partial area.

In addition, the IHI Group manages liquidity risks by measures such as timely forming and updating the cash flow plan by each group company.

(3) *Foreign exchange risk management*

To manage the foreign exchange risks for trade receivables and payables denominated in foreign currencies, the IHI Group hedges the foreign exchange risks monthly identified by currency by utilizing forward foreign exchange contracts and foreign currency options. Hedge results are reported monthly to the executive in charge of the Finance & Accounting Division, and quarterly to the Management Committee. The IHI Group also carries out similar management for principal consolidated subsidiaries.

To reduce the fluctuation risk of foreign exchange rates of borrowings denominated in foreign currencies, the Company and certain consolidated subsidiaries use foreign currency swaps.

As for derivatives, transactions are recorded and the balance is confirmed between the IHI Group and the counterparty. Moreover, derivative balances and

valuation gains or losses as of the month-end are reported to the executive in charge of the Finance & Accounting Division on a monthly basis.

(4) *Interest rate risk management*

To reduce the fluctuation risks of interest rates regarding bonds payable and long-term borrowings, the Company and certain consolidated subsidiaries use interest rate swaps.

As for derivatives, transactions are recorded and the balance is checked up between the IHI Group and the contract partner. Moreover, derivative balances and valuation gains or losses as of the month-end are reported to the executive in charge of the Finance & Accounting Division on a monthly basis.

(5) *Market price fluctuation risk management*

The Company and certain consolidated subsidiaries hold shares associated with business consolidation or capital consolidation with companies to maintain business relationships, and such shares are exposed to the market price fluctuation risk.

As for such shares, their market prices and the financial condition of issuers (companies with which the IHI Group does business) are periodically monitored. Also, the IHI Group's holding status of those securities is continuously reviewed by taking into account the relationships with the companies with which the IHI Group does business.

2. Fair value of financial instruments, etc.

The fair value measurements of financial instruments measured at fair value are categorized into the following three levels based on the observability and significance of inputs used to measure such financial instruments.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price

Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs

(1) *Measurement method for fair value*

The measurement method for fair value of financial instruments is as follows.

(Cash and cash equivalents, trade and other receivables and trade and other payables)

It is omitted as the fair value of these accounts is assumed to be approximate to their carrying amount due to the short-term maturity.

(Bonds and borrowings)

The fair value of bonds is determined based on the market prices or prices provided by financial and other institutions with which the IHI Group does business.

The fair value of borrowings is determined based on the present value of future cash flows discounted at the interest rate to be applied if similar new contracts were entered into.

These liabilities are classified as Level 2.

(Government grants classified under contingent settlement provisions)

The fair value of government grants classified under contingent settlement provisions is determined based on the present value of future cash flows discounted at the interest rate to be applied if similar new contracts were entered into.

These liabilities are classified as Level 2.

(Other financial assets and other financial liabilities)

Derivatives are measured as financial assets or liabilities measured at fair value through profit or loss based on prices provided by the counterparty financial institutions and classified as Level 2.

The fair value of marketable shares and investments in capital are calculated based on the market price at the account closing date and classified as Level 1.

The fair value of non-marketable shares and investments in capital are calculated by the valuation technique using the net asset value, and by the valuation technique using quoted market prices of comparable companies, and in both cases, they are classified as Level 3.

(2) *Financial instruments measured at amortized cost*

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows:

Financial instruments whose carrying amount is a reasonable approximation of the fair value are not included in the following table.

(Millions of Yen)

	Carrying amount	Fair value
Financial liabilities measured at amortized cost		
Borrowings	312,395	311,918
Bonds payable	59,812	59,340
Government grants classified under contingent settlement provisions	103,226	100,822
Total	475,433	472,080

(3) *Financial instruments measured at fair value*

The fair value hierarchy for financial instruments measured at fair value is as follows:

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivatives	—	313	—	313
Other	—	1,166	3,056	4,222
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	11,302	—	14,104	25,406
Total	11,302	1,479	17,160	29,941
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	2,223	—	2,223
Total	—	2,223	—	2,223

Transfers between levels of the fair value hierarchy are recognized on the day when the event or change in circumstances that caused the transfer occurred. The IHI Group did not recognize any significant transfers between Level 1 and Level 2 for the fiscal year under review.

(4) *Valuation processes*

For financial instruments classified as Level 3, the staff determines the valuation method of target financial instruments and measures the fair value in accordance with the valuation policy and procedures set by the IHI Group. The fair value measurement result is approved by the responsible person.

(5) *Reconciliation of financial instruments classified as Level 3 from the beginning to the end of the fiscal year under review.*

Changes in financial instruments classified as Level 3 from the beginning to the end of the fiscal year under review are as follows:

(Millions of Yen)	
Balance at beginning of period	23,590
Total gains and losses	
Profit or loss (Note 1)	620
Other comprehensive income	203
Purchases	101
Sales	(4,541)
Transfer from Level 3	—
Other (Note 2)	(2,813)
Balance at end of period	17,160
Changes in unrealized gains or losses recorded in profit or loss on assets held at the end of the reporting period (Note 1)	620

(Note)

1. Included in “Finance income” and “Finance costs” in the consolidated statement of profit or loss.
2. The impact of change in scope of consolidation is included.

VII. Investment Property

1. Investment property

The Company and certain consolidated subsidiaries own rental office buildings (including land) and commercial facilities in Tokyo and other areas.

2. Fair value of investment property

(Millions of Yen)	
Carrying amount	Fair value
137,679	335,554

(Note)

1. The amount in the consolidated statement of financial position is calculated by subtracting accumulated depreciation and impairment losses from acquisition cost.
2. The fair value at the end of the fiscal year under review is mainly the amount calculated based on the real estate survey report by an external real estate appraiser.

VIII. Notes on Revenue Recognition

(1) Disaggregation of revenues

Disaggregation of revenue recognized from contracts with customers and other sources of revenue, and revenue by major type of goods or services and regional market and the relationships with reportable segments are as follows:

1) Revenue recognized from contracts with customers and other sources of revenue

(Millions of Yen)

	Reportable segments					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Revenue recognized from contracts with customers	342,430	140,651	369,785	262,056	1,114,922	39,958	1,154,880
Revenue recognized from other sources of revenue	–	16,794	63	239	17,096	928	18,024
Total	342,430	157,445	369,848	262,295	1,132,018	40,886	1,172,904

Revenue recognized from other sources of revenue includes lease income under IFRS 16 *Leases* (hereinafter, “IFRS 16”).

2) Breakdown by type of goods or services

(Millions of Yen)

	Reportable segments					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Power systems	88,914				88,914		88,914
Carbon solutions (Note)	155,858				155,858		155,858
Nuclear energy	45,396				45,396		45,396
Bridges and water gates		89,628			89,628		89,628
Shield systems		22,706			22,706		22,706
Urban development		18,624			18,624		18,624
Vehicular turbochargers			149,406		149,406		149,406
Parking			47,212		47,212		47,212
Rotating machineries			52,757		52,757		52,757
Heat treatment and surface engineering			39,642		39,642		39,642
Transport machineries			31,081		31,081		31,081
Civil aero engines				123,382	123,382		123,382
Other	62,025	36,624	57,869	158,026	314,544	62,763	377,307
Intersegment revenue	(9,763)	(10,137)	(8,119)	(19,113)	(47,132)	(21,877)	(69,009)
Revenue from external customers	342,430	157,445	369,848	262,295	1,132,018	40,886	1,172,904

3) Breakdown by region

(Millions of Yen)

	Reportable segments					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Japan	187,247	123,618	192,560	141,099	644,524	32,794	677,318
North America	24,573	—	19,101	110,209	153,883	57	153,940
Asia	115,630	26,744	106,375	2,102	250,851	1,303	252,154
Europe	6,619	7,072	38,531	8,633	60,855	6,204	67,059
Central and South America	510	11	12,748	223	13,492	3	13,495
Other	7,851	—	533	29	8,413	525	8,938
Overseas	155,183	33,827	177,288	121,196	487,494	8,092	495,586
Revenue from external customers	342,430	157,445	369,848	262,295	1,132,018	40,886	1,172,904

The IHI Group consists of segments by business area and sets the business areas of Resources, Energy and Environment; Social Infrastructure and Offshore Facilities; Industrial Systems and General-Purpose Machinery; and Aero Engine, Space and Defense, and is engaged in the sale of goods, execution of construction and rendering of services in each business area.

The primary method to record revenue for each segment is as follows:

- Resources, Energy and Environment and Social Infrastructure and Offshore Facilities

For revenue from sale of goods, the IHI Group determines that performance obligations have been satisfied when customers obtain control of the goods upon its delivery. Hence, revenue from sale of goods is usually recognized upon the delivery of goods.

With regard to the execution of construction contracts and rendering of services including maintenance services, the IHI Group determines that performance obligations are satisfied over time, and revenue is recognized by measuring the progress towards complete satisfaction of said performance obligations to provide such services to customers.

The progress is measured by specifying the satisfaction of performance obligations. Measurements are estimated based on the ratio of the costs incurred to satisfy the performance obligations against the total expected costs to fully satisfy the contractual obligations.

Revenue is recognized by the cost recovery method when it is not possible to reasonably estimate progress towards satisfaction of performance obligations, but it is probable that the costs incurred will be recovered.

- Industrial Systems and General-Purpose Machinery and Aero Engine, Space and Defense

In the sale of goods mainly in the Civil aero engines Business and the Vehicular turbochargers Business, the IHI Group determines that performance obligations have been satisfied when customers obtain control of the goods upon its delivery. Hence, revenue from sale of goods is usually recognized upon the delivery of goods.

In the Civil aero engines Business, revenue decreased after estimating the costs to be borne in connection with the civil aero engine programs in which IHI participates, which are deducted revenue as consideration paid to customers.

Furthermore, “Revenue” decreased during reversal as consideration prepaid by customers was recorded in “Other non-current assets.”

When certain refund obligations to customers are expected to arise, such as compensation for damages incurred in association with performance of contracts, the IHI Group reduces revenue to the extent of the estimated refund liability.

The consideration of a transaction is generally received based on the progress for each performance obligation satisfied over time, such as a milestone in the case of a construction contract. The consideration for the sale of goods or rendering of services is mostly received within one year after the performance obligation is satisfied.

In either case, the contract does not include a significant financing component.

Further, IHI provides warranties assuring that a product satisfies specifications as provided in the contract. However, IHI does not identify this warranty as a separate performance obligation because it does not provide a distinct service.

(2) Contract balance

The details of receivables, contract assets and contract liabilities derived from contracts with customers are as follows:

	(Millions of Yen)	
	Balance at beginning of period	Balance at end of period
Receivables from contracts with customers	330,075	339,141
Contract assets	111,830	126,560
Contract liabilities	165,818	214,726

Portion of revenues recognized in the fiscal year under review that was included in contract liabilities at the beginning of the year was 125,883 million yen.

Revenue recognized from performance obligations fulfilled (or partially fulfilled) in the previous periods is immaterial.

Contract assets pertain to the consideration for the work completed but not invoiced as of the reporting date.

Contract assets are transferred to receivables at the point in time when right to payment becomes unconditional.

Contract liabilities pertain mainly to advances received from customers.

(3) *Transaction price allocated to remaining performance obligations*

The total amount of transaction prices allocated to remaining performance obligations is as follows:

(Millions of Yen)

	Reportable segments					Other	Total
	Resources, Energy and Environment	Social Infrastructure and Offshore Facilities	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Remaining performance obligations	527,519	250,075	180,760	283,805	1,242,159	22,877	1,265,036

The above amounts include all considerations from contracts with customers.

Vehicular turbochargers and rotating machineries under Industrial Systems and General-Purpose Machinery, as well as civil aero engines under Aero Engine, Space and Defense are classified as mass production business, and their performance obligations are largely expected to be fulfilled within one year.

Businesses other than those listed above are classified primarily as built-to-order production business, consisting mainly of transactions related to construction contracts involving performance obligations being fulfilled over a long period in excess of one year.

IX. Notes to Per Share Information

- | | |
|-------------------------------------------------------------|--------------|
| 1. Equity attributable to owners of parent per share | 2,526.33 Yen |
| 2. Basic earnings per share | 439.77 Yen |

IX. Significant Subsequent Events

Not applicable.

Non-Consolidated Balance Sheet
(As Of March 31, 2022)

(Millions Of Yen)

Account Title	Amount	Account Title	Amount
Assets		Liabilities	
Current Assets		Current Liabilities	
656,402	483,668		
Cash And Deposits	94,700	Notes Payable – Trade	209
Notes Receivable – Trade	747	Accounts Payable – Trade	83,706
Accounts Receivable – Trade	163,662	Short-Term Borrowings	137,840
Contract Assets	21,204	Lease Obligations	2,337
Work In Process	178,797	Accounts Payable – Other	24,651
Raw Materials And Supplies	102,515	Accrued Expenses	30,466
Advance Payments – Other	13,777	Income Taxes Payable	12,388
Prepaid Expenses	4,201	Contract Liabilities	135,637
Accounts Receivable – Other	31,944	Refund Liabilities	33,637
Short-Term Loans Receivable	42,570	Deposits Received	1,008
Other	5,404	Provision For Bonuses	9,086
Allowance For Doubtful		Provision For Bonuses For Directors	
Accounts	(3,123)	(And Other Officers)	1,194
		Provision For Construction	
Non-Current Assets	571,818	Warranties	4,321
Property, Plant And Equipment	203,023	Provision For Loss On Construction	
Buildings	97,803	Contracts	3,365
Structures	7,414	Other	3,815
Docks And Building Berths	0		
Machinery And Equipment	27,361	Non-Current Liabilities	445,385
Vessels	4	Bonds Payable	60,000
Vehicles	87	Long-Term Borrowings	198,800
Tools, Furniture And Fixtures	12,857	Lease Obligations	5,990
Land	46,002	Leasehold And Guarantee Deposits	
Leased Assets	7,485	Received	12,059
Construction In Progress	4,006	Provision For Retirement Benefits	104,922
Intangible Assets	14,682	Provision For Loss On Business Of	
Royalties And Other Intangible		Subsidiaries And Associates	6,262
Assets	882	Asset Retirement Obligations	4,617
Leasehold Interests In Land	32	Other	52,733
Right To Use Facilities	30		
Software	13,534	Total Liabilities	929,054
Leased Assets	134	Net Assets	
Other	67	Shareholders' Equity	298,577
Investments And Other Assets	354,112	Share Capital	107,165
Investment Securities	16,787	Capital Surplus	54,520
Shares Of Subsidiaries And		Legal Capital Surplus	54,520
Associates	177,714	Retained Earnings	145,707
Investments In Capital	1,125	Legal Retained Earnings	6,083
Investments In Capital Of		Other Retained Earnings	139,623
Subsidiaries And Associates	21,416	Reserve For Tax Purpose	
Long-Term Loans Receivable	3,385	Reduction Entry Of Non-Current	
Deferred Tax Assets	65,695	Assets	6,629
Other	68,622	Reserve For Investment Loss On	
Allowance For Doubtful		Restructuring Specified Business	485
Accounts	(636)	Retained Earnings Brought	
		Forward	132,508
		Treasury Shares	(8,815)
		Valuation And Translation	
		Adjustments	334
		Valuation Difference On Available-	
		For-Sale Securities	367
		Deferred Gains Or Losses On Hedges	(33)
		Share Acquisition Rights	255
		Total Net Assets	299,167
Total Assets	1,228,221	Total Liabilities And Net Assets	1,228,221

Non-Consolidated Statement Of Income
(Year Ended March 31, 2022)

(Millions Of Yen)

Account Title	Amount
Net Sales	423,640
Cost Of Sales	383,003
Gross Profit	40,636
Selling, General And Administrative Expenses	64,755
Operating loss	24,118
Non-Operating Income	
Interest And Dividend Income	29,940
Foreign exchange gains	7,702
Other	2,396
Non-Operating Expenses	
Interest Expenses	1,379
Settlement-related expenses related to delivered boiler facilities	868
Other	5,295
Ordinary loss	8,377
Extraordinary Income	
Gain On Sale Of Non-Current Assets	59,860
Gain on sale of investment securities	2,077
Extraordinary Losses	
Loss on valuation of investments in capital of subsidiaries and associates	7,989
Provision for loss on business of subsidiaries and affiliates	4,905
Loss on sale of investment securities	1,896
Loss on soil pollution remediation expensed for Shinsugita logistics facility project	2,070
Loss on dismantlement costs for former Sunamachi Works	1,340
Loss on dismantlement costs for former Yokohama Works of IHI Construction Machinery Limited	1,242
Profit Before Income Taxes	50,870
Income Taxes – Current	9,126
Income Taxes – Deferred	(4,340)
Profit	46,084

Non-Consolidated Statement Of Changes In Equity
(Year Ended March 31, 2022)

(Millions Of Yen)

	Shareholders' Equity											
	Capital Surplus				Retained Earnings						Treasury Shares	Total Shareholders' Equity
	Share Capital	Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus	Legal Retained Earnings	Other Retained Earnings			Total Other Retained Earnings			
						Reserve For Tax Purpose Reduction Entry Of Non-Current Assets	Reserve For Investment Loss On Restructuring Specified Business	Retained Earnings Brought Forward				
Balance At Beginning Of Period	107,165	54,520	2	54,523	6,083	7,134	485	90,691	104,395	(15,953)	250,131	
Changes During Period												
Dividends Of Surplus				-				(4,555)	(4,555)		(4,555)	
Profit				-				46,084	46,084		46,084	
Reversal Of Reserve For Tax Purpose Reduction Entry Of Non-Current Assets				-		(505)		505	-		-	
Purchase Of Treasury Shares				-					-	(109)	(109)	
Disposal Of Treasury Shares			5	5					-	153	159	
Changes From Share Exchange			(226)	(226)					-	7,093	6,866	
Transfer From Retained Earnings To Capital Surplus			217	217				(217)	(217)		-	
Net Changes In Items Other Than Shareholders' Equity				-					-		-	
Total Changes During Period	-	-	(2)	(2)	-	(505)	-	41,816	41,311	7,137	48,446	
Balance At End Of Period	107,165	54,520	-	54,520	6,083	6,629	485	132,508	145,707	(8,815)	298,577	

	Valuation And Translation Adjustments			Share Acquisition Rights	Total Net Assets
	Valuation Difference On Available-For-Sale Securities	Deferred Gains Or Losses On Hedges	Total Valuation And Translation Adjustments		
Balance At Beginning Of Period	(354)	(77)	(431)	413	250,112
Changes During Period					
Dividends Of Surplus			-		(4,555)
Profit			-		46,084
Reversal Of Reserve For Tax Purpose Reduction Entry Of Non-Current Assets			-		-
Purchase Of Treasury Shares			-		(109)
Disposal Of Treasury Shares			-		159
Changes From Share Exchange			-		6,866
Transfer From Retained Earnings To Capital Surplus			-		-
Net Changes In Items Other Than Shareholders' Equity	722	43	766	(158)	607
Total Changes During Period	722	43	766	(158)	49,054
Balance At End Of Period	367	(33)	334	255	299,167

Notes to the Non-Consolidated Financial Statements

I. Significant Accounting Policies

1. Valuation Bases and Methods Of Assets

(1) Securities

Shares of subsidiaries and associates are stated at moving-average cost. Securities other than shares without market prices available are stated at fair market value. The related valuation differences are directly included into net assets and the cost of sale price is determined by the moving-average method. Other shares without market prices available are stated at moving-average cost.

(2) Derivatives

Derivatives are stated at fair market value.

(3) Inventories

Work in process is stated at identified cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used). Raw materials and supplies are stated at moving-average cost (for figures shown on balance sheet, the book value write-down method based on decreased profitability is used).

2. Depreciation and Amortization of Non-current Assets

(1) Property, plant and equipment (except for leased assets)

These assets are depreciated by the straight-line method.

(2) Intangible assets (except for leased assets)

Intangible assets are amortized by the straight-line method. Software used internally is amortized using the straight-line method over the useful life of the assets as estimated by the company (within five years).

(3) Leased assets

Leased assets related to ownership transfer finance lease transactions are depreciated using the same method as that applied to non-current assets. Leased assets related to non-ownership transfer finance leases are depreciated over the lease period as useful period using the straight-line method with no residual value. The Company uses the method for ordinary rental transactions for non-ownership transfer finance leases for which lease agreements were concluded on or before March 31, 2008.

3. Bases for Allowances and Provisions

(1) Allowance for doubtful accounts

To prepare for losses on bad debts, the allowance for doubtful accounts is provided for based on historical default rates for general receivables, plus individually estimated uncollectible amounts for specific receivables such as doubtful receivables.

(2) Provision for bonuses

For payment of employee bonuses, the provision for bonuses is provided for in the amount that is expected to be paid.

(3) Provision for bonuses for directors (and other officers)

To prepare for the transfer of money and shares to the directors, etc., an amount is recognized based on the estimated amount of the liability for transfer of money and shares at the end of the fiscal year under review.

(4) Provision for construction warranties

To prepare for expenditures for construction warranties, the provision for construction warranties is provided for in the amount of estimated future expenditures based on historical experience.

(5) Provision for loss on construction contracts

Provision for loss on construction contracts is provided for in the amount of estimated losses on undelivered construction contracts to occur at the end of the fiscal year under review.

(6) Provision for retirement benefits

Provision for retirement benefits is provided for based on estimated amounts of projected benefit obligations and pension fund assets as of the balance sheet date.

In the calculation of defined benefit liability, the method used to attribute projected benefit obligations in the period up to the fiscal year under review is benefit formula basis.

Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.

Actuarial gain or loss is amortized starting in the fiscal year following the fiscal year in which it occurs using the straight-line method over a certain number of years within the average remaining service period of employees.

(7) Provision for loss on business of subsidiaries and associates

To prepare for losses on businesses of subsidiaries and associates, estimated loss amount is provided for, taking into account the details of assets and other factors of the relevant subsidiaries.

4. Basis of Recognizing Revenues and Expenses

The Company is engaged in the sale of goods, rendering of services and execution of construction contracts.

- Sale of goods

Revenues from the sale of goods are recognized in principle at the point of delivery of goods, as performance obligations are considered to be fulfilled generally at the point of delivery of goods when the customer gains the control of the goods.

- Rendering of services and execution of construction contracts

Revenues from rendering of services and execution of construction contracts where performance obligations are fulfilled over a period of time are recognized based on the measured degree of progress of the fulfillment of such performance obligations for the customer. The aforementioned degree of progress is measured based on the ratio of the cost incurred for fulfilling the performance obligation thus far against the total cost expected for fulfilling the entire performance obligation. In cases where such degree of progress cannot be measured reasonably but cost incurred is likely to be recovered, revenues are recognized based on the cost recovery method.

5. Other Significant Matters Concerning Preparation of the Non-Consolidated Financial Statements

(1) Hedge accounting

1) Hedge accounting

Deferred hedge accounting is applied.

2) Hedging instruments and hedged items

Interest rate swaps are used to hedge interest rate risks associated with borrowings, and forward exchange contracts, etc. are used to hedge foreign currency risks associated with monetary claims and liabilities denominated in foreign currencies.

3) Hedging policy

Hedging instruments necessary for each risk category are selected.

4) Method of assessing effectiveness of hedging

In the period from the beginning of hedging to the point of assessment, effectiveness is evaluated by comparing the cumulative total of the change in market value of or the change in cash flow of a hedged item, with the cumulative total of the change in market value of or the change in cash flow of hedging instruments.

(2) Accounting method for retirement benefits

In the non-consolidated financial statements, the treatment for unrecognized actuarial gain or loss and unrecognized past service cost on the balance sheet is different to the treatment in the consolidated financial statements. On the non-consolidated balance sheet, unrecognized actuarial gain or loss and unrecognized past service cost are added or deleted from projected benefit obligations and the resulting amount is recorded in provision for retirement benefits.

(3) Application of the consolidated taxation system

The consolidated taxation system has been applied.

(4) Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system

The Company will transition from the consolidated taxation system to a group tax system from the beginning of the following fiscal year. However, regarding the transition to group tax sharing system established in “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020), and items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system, the Company has calculated the amounts of deferred tax assets and deferred tax liabilities according to the tax acts before amended based on the treatment of Paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ Practical Issues Task Force No. 39, March 31, 2020) instead of applying the provision on Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018).

Effective from the beginning of the following fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021), which provides for the accounting treatment and disclosure of income taxes and local income taxes as well as tax effect accounting when group tax sharing system is applied.

II. Notes to Changes in Presentation

Application of the Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter the “Accounting Standard for Fair Value Measurement”), etc. from the beginning of the fiscal year under review, while prospectively applying the new accounting policies under the Accounting Standard for Fair Value Measurement, etc., in accordance with the transitional measures prescribed under Paragraph 19 of the Accounting Standard for Fair Value Measurement, and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

The foregoing has no impact on the non-consolidated financial statements for the fiscal year under review.

III. Accounting Estimates

Items whose amounts were recorded in the non-consolidated financial statements for the fiscal year under review based on accounting estimates, and which may have a significant impact on the non-consolidated financial statements for the following fiscal year, are as follows.

- Impairment of non-current assets

Regarding property, plant, and equipment, right-of-use assets, intangible assets and other non-current assets for aero engines, which was impacted by COVID-19, the Company performed impairment tests, confirmed that the recoverable value, which is the current value of future cash flows generated for those assets, is expected to adequately exceed the carrying amount for those

assets, and accordingly deemed that there was no requirement to recognize a non-consolidated impairment loss for the fiscal year under review.

In preparing estimates of the recoverable value for the impairment test, the Company applied the following assumptions. For demand recovery, the Company has considered data obtained from business partners as well as data obtained from the International Air Transportation Association (IATA), and is assuming that recovery to the 2019 level, i.e. before the impact of COVID-19, would be achieved in 2024. Moreover, the IHI Group expects demand to start recovering during the fiscal year under review, up to the level equivalent to 80% of levels before the impact of COVID-19, due primarily to factors including widespread vaccination, and the gradual easing of restrictions on the movement of people accompanying this. As such recovery of demand occurs, the Company is assuming that it will be able to record revenue and adequate operating profit.

Impairment losses for the fiscal year under review	– million yen
Property, plant and equipment	69,897 million yen
Intangible assets	7,046 million yen
Investments and other assets	58,437 million yen

- Recoverability of deferred tax assets

The Company recognizes deferred tax assets to the extent that it is likely that taxable income will be available against which the deductible temporary differences can be utilized. In determining the probability that taxable income will be available, the IHI Group estimates the timing and the amount of the taxable income based on the business plan.

In the fiscal year under review, the Company has made estimates for taxable income for the fiscal year ending March 31, 2023, and subsequent fiscal years by considering the assumptions regarding the timing and speed of the demand recovery in the civil aero engines business under the impact of COVID-19, as well as measures for the expansion of the lifecycle business targeted by “Project Change” and the strengthening of the cost structure.

Although these estimates are management’s best estimates, the actual results may differ as a result of changes in uncertain future economic environment, and may affect the estimate on future taxable income and judgement on the recoverability, etc. of deferred tax assets.

At present there have been no significant changes in the judgment on the recoverability, etc. of deferred tax assets from the previous fiscal year.

Deferred tax assets	65,695 million yen
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V. Notes to the Non-Consolidated Balance Sheet

1. Assets Pledged as Collateral and Secured Liabilities

Assets pledged as collateral

Investment securities	646 million yen (Note 1)
Investments in capital of subsidiaries and associates	4,663 million yen (Notes 2, 3)

(Notes)

1. Kagoshima Mega Solar Power Corporation and seven shareholder companies of the said company entered into a revolving pledge agreement with financial institutions in order to secure all and any liabilities of the said company under the limited loan agreement concluded between Kagoshima Mega Solar Power Corporation and the financial institutions.
2. Nanatsujima Biomass Power Limited Liability Company, its nine shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee all and any liabilities incurred by affiliate Nanatsujima Biomass Power Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions. The amount of assets pledged as collateral is 2,793 million yen.
3. Onahama Higashikou Bulk Terminal Limited Liability Company, its six shareholder companies and certain financial institutions have entered into an employee equity interest pledge agreement in order to guarantee all and any liabilities incurred by affiliate Onahama Higashikou Bulk Terminal Limited Liability Company, under the limited loan agreement concluded between the said company and financial institutions. The amount of assets pledged as collateral is 1,870 million yen.

2. Accumulated Depreciation of Property, Plant and Equipment

392,085 million yen

3. Contingent Liabilities

(1) *Liabilities on guarantee (Note)*

Guarantees for loans from financial institutions etc. are as follows:

Details of liabilities on guarantee	Amount (Millions of Yen)
IHI Investment For Aero Engine Leasing LLC	8,269
Japanese Aero Engines Corporation	4,179
IHI Turbo America Co.	2,131
Alpha Automotive Technologies LLC	395
Japan Aeroforge, Ltd.	236
Total	14,817

(2) *Guarantees in kind (Note)*

Debt guarantees and guarantees in kind for borrowings, etc. from financial and other institutions provided by the IHI Group are as follows:

Details of guarantees in kind	Amount (Millions of Yen)
Contingent liabilities for employee housing loans	3,059
Total	3,059

(Note)

The amounts shown above are the amounts the Company would pay to creditors in any of the following cases:

- (1) In the case of a perfected joint guarantee agreement, etc., if the amount guaranteed by the Company is clearly expressed and specified irrespective of other guarantors' capacities to guarantee.
- (2) In the case of a joint and several guarantee agreement with multiple guarantors, if the percentage or the amount guaranteed by the Company is clearly expressed in accordance with an arrangement among guarantors and other joint and several guarantors' capacities to guarantee are deemed adequate.

4. Monetary Claims and Liabilities to Subsidiaries and Associates

Short-term monetary claims	68,028 million yen
Long-term monetary claims	2,905 million yen
Short-term monetary liabilities	116,656 million yen
Long-term monetary liabilities	6,766 million yen

V. Notes to the Non-Consolidated Statement of Income

1. Amounts of Transactions with Subsidiaries and Associates

(1) *Operating transactions*

Sales to subsidiaries and associates	21,160 million yen
Purchases from subsidiaries and associates	151,656 million yen

(2) *Non-operating transactions*

44,341 million yen

2. Gain on Sale of Non-Current Assets

The Company has decided to construct state-of-the-art logistics facilities and rent out logistics facilities on the following land, in order to respond to social needs in the logistics field which continues to grow, through the effective use of real estate owned by the Company. In line with the launch of this project, the Company transferred a part of its non-current assets to its business partner, Nomura Real Estate Development Co., Ltd. As a result, gain on sale of non-current assets has been recorded.

Details and location of assets	Gain on sale of non-current assets
Non-current assets (Land) Showa-machi, Kanazawa-ku, Yokohama, Kanagawa (approximately 72,700m ²)	4,948 million yen

In order to secure funds for investment for creating growth businesses to contribute for materializing sustainable society based on “Project Change,” which was announced on November 10, 2020, the Company transferred a part of the land, etc. As a result, gain on sale of non-current assets has been recorded as follows.

Details And Location Of Assets	Gain on sale of non-current assets
Property, plant and equipment (Land) Toyosu, Koto-ku, Tokyo	27,989 million yen
Property, plant and equipment (Land, buildings, etc.) Kitahama-cho, Chita-shi, Aichi (approximately 393,400 m ²)	16,179 million yen
Property, plant and equipment (Land) Showa-machi, Kanazawa-ku, Yokohama-shi, Kanagawa (approximately 26,400m ²)	5,595 million yen
Property, plant and equipment (Land) Kitahama-cho, Chita-shi, Aichi (approximately 52,900 m ²)	2,064 million yen
Property, plant and equipment (Land, buildings, etc.) Kitahama-cho, Chita-shi, Aichi (approximately 46,300 m ²)	1,210 million yen
Others	1,875 million yen

VI. Notes to the Non-Consolidated Statement of Changes in Equity

Class and Number of Treasury Shares at the End of the Fiscal Year

Ordinary shares 3,419,631 shares

(Note)

The number of treasury shares at March 31, 2022 includes 592,300 shares of the Company owned by a trust account for the performance-based share remuneration plan for its directors.

VII. Tax Effect Accounting

(Primary causes for the occurrence of deferred tax assets and liabilities)

Deferred tax assets are mainly in association with loss on valuation of shares of subsidiaries and associates, and provision for retirement benefits, and deferred tax liabilities are mainly in association with reserve for tax purpose reduction entry of non-current assets.

VIII. Non-current Assets Used Through Leases

In addition to the non-current assets on the non-consolidated balance sheet, some buildings of Headquarters Representative’s Offices are used through non-ownership transfer finance leases.

IX. Related Party Transactions

1. Subsidiaries, Affiliates and Other Related Parties

(Millions of Yen)

Type	Name	Location	Capital Or Contribution	Nature Of Business	Voting Rights Holding Or Held	Relation With The Party
Subsidiary	IHI Plant Services Corporation	Koto-Ku, Tokyo	500	Construction	Holding Directly 100%	Company Sharing Business Function
Affiliate	IHI Finance Support Corporation	Chiyoda-Ku, Tokyo	200	Lease, Factoring, Etc.	Holding Directly 33.5%	Factoring

(Millions of Yen)

Name	Transactions	Transaction Amount (Note 1)	Account Title	Balance as Of March 31, 2022 (Note 1)
IHI Plant Services Corporation	- Ordering Of Field Work, Etc. For Plant Construction Business	(Note 2) 31,444	Accounts Payable - Trade Accounts Payable - Other	10,045 2
IHI Finance Support Corporation	- Factoring	(Note 3) 9,938	Accounts Payable - Trade Accounts Payable - Other	2,658 286

2. Directors/Audit & Supervisory Board Members and Major Individual Shareholders

(Millions of Yen)

Type	Name	Location	Capital Or Contribution	Nature Of Business Or Occupation	Voting Rights Holding Or Held	Relation With The Party
Officer	Tsugio MITSUOKA	-	-	Japanese Aero Engines Corporation (Representative Director)	Held Directly 0%	Chairman of the Board

(Millions of Yen)

Name	Transactions	Transaction Amount (Note 1)	Account Title	Balance as Of March 31, 2022 (Note 1)
Tsugio MITSUOKA	Operating Transactions With Japanese Aero Engines Corporation (JAEC) (Note 4)			
	-Subcontract Of Work From JAEC Related To R&D Of Jet Engines	1,323	-	-
	-Payment Of A Portion Of Funding Related To The Above	1,227	-	-
	-Acceptance Of Subsidies Related To The Above	4,438	Accounts Payable – Other	(Note 5) 10,900
			Long-term accounts payable – other	49,779
	-Manufacture Of Jet Engine Components And Delivery Thereof To JAEC	88,358	Accounts receivable – trade	99,474
			Contract liabilities	37,512
		Investments and other assets (Other)	32,949	
		Refund liabilities	30,015	
	-Payment Of A Portion Of Expenses Related To The Above	66,465	-	-

(Notes)

1. Amounts of transactions do not include consumption taxes and balances as of March 31, 2022 do. The transaction amount does not include foreign exchange gains or losses, and the ending balance includes foreign exchange gains or losses.
2. Amounts of transactions and trading prices were based on conditions for general transactions, and took into account market prices.
3. With regard to factorings, the Company, any customer and IHI Finance Support Corporation enter into a basic agreement concerning the Company's liabilities and settle the amount.
4. The Company conducted these transactions as a representative of third parties, and amounts of transactions and trading prices were based on conditions for general transactions.
5. Consumption tax, etc. are not included in Accounts payable – other or Long-term accounts payable – other for which Japanese Aero Engines Corporation is the counterparty.

X. Recognition of Revenue

Notes on recognition of revenue are omitted as they are stated in the Notes to the Consolidated Financial Statements.

XI. Per Share Information

1. Net Assets per Share	1,976.14 yen
2. Basic Profit per Share	306.76 yen

(Notes)

1. The basis for calculating basic profit per share is as follows.

Profit	46,084 million yen
Amounts For Non-Ordinary Shareholders	–
Profit Regarding Ordinary Shares	46,084 million yen
Average Number Of Ordinary Shares	150,225 thousand shares

2. The number of shares issued at the end of the period, and the number of treasury shares excluded for the calculation of the average number of shares outstanding during the period, include shares of the Company owned by a trust account for the performance-based share remuneration plan for its directors. The number of treasury shares at the end of the period excluded for the calculation of net assets per share is 592,300 shares, and the average number of treasury shares outstanding during the period excluded for the calculation of basic profit per share is 580,663 shares.

XII. Significant Subsequent Events

Not applicable.

(Note)

In preparing the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to the non-consolidated financial statements, monetary amounts less than one unit are rounded down.

Audit Report of Accounting Auditor on Consolidated Financial Statements

(Translation)

Report of Independent Auditor

May 20, 2022

To The Board Of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Tokyo Office

Yoshiyuki Sakuma (Seal)
Certified Public Accountant
Designated And Engagement Partner

Hiroataka Oya (Seal)
Certified Public Accountant
Designated And Engagement Partner

Yoichi Takanashi (Seal)
Certified Public Accountant
Designated And Engagement Partner

Audit Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and notes to consolidated financial statements of IHI Corporation (the “Company”) applicable to the fiscal year from April 1, 2021 through March 31, 2022.

In our opinion, the above consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the IHI Group, which consists of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2022, in accordance with accounting standards with the omission of certain disclosure items required under Designated International Financial Reporting Standards as provided for in the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit

evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Statements

Other statements consist of the business report and the supplementary schedules. Management is responsible for the preparation and disclosure of the other statements. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the development and operation of the reporting process for the other statements.

Our audit opinion on the consolidated financial statements does not include the other statements, and we express no opinion on the other statements.

Our responsibility in the audit of the consolidated financial statements is to read the other statements carefully and, in the course of that reading, to consider whether there are material differences between the other statements and the consolidated financial statements or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements besides such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report in respect to the other statements.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements pursuant to accounting standards with the omission of certain disclosure items required under Designated International Financial Reporting Standards as provided for in the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting. This includes the development, implementation, and maintenance of internal control determined necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Company's ability to continue as a going concern and disclosing matters related thereto as necessary based on accounting standards with the omission of certain disclosure items required under Designated International Financial Reporting Standards as provided for in the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting standards with the omission of certain disclosure items required under Designated International Financial Reporting Standards as provided for in the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and

significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We or engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act of Japan.

Audit Report of Accounting Auditor on Non-Consolidated Financial Statements

(Translation)

Report of Independent Auditor

May 20, 2022

To the Board of Directors
IHI Corporation

Ernst & Young ShinNihon LLC

Tokyo Office

Yoshiyuki Sakuma (Seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroataka Oya (Seal)
Certified Public Accountant
Designated and Engagement Partner

Yoichi Takanashi (Seal)
Certified Public Accountant
Designated and Engagement Partner

Audit Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to the non-consolidated financial statements and the related supplementary schedules (the “financial statements, etc.”) of IHI Corporation (the “Company”) applicable to the 205th fiscal year from April 1, 2021 through March 31, 2022.

In our opinion, the financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of IHI Corporation applicable to the 205th fiscal year ended March 31, 2022 in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements, etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Statements

Other statements consist of the business report and the supplementary schedules. Management is responsible for the preparation and disclosure of the other statements. The Audit & Supervisory Board Members and the Audit & Supervisory

Board are responsible for overseeing the Directors' performance of duties within the development and operation of the reporting process for the other statements.

Our audit opinion on the financial statements, etc. does not include the other statements, and we express no opinion on the other statements.

Our responsibility in the audit of the financial statements, etc. is to read the other statements carefully and, in the course of that reading, to consider whether there are material differences between the other statements and the financial statements, etc. or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements besides such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report in respect to the other statements.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the financial statements, etc. in accordance with accounting principles generally accepted in Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of the financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the financial statements, etc. with the assumption of the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements, etc.

Our responsibilities are to obtain reasonable assurance about whether the financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, etc. whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements, etc. is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the financial statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the financial statements, etc. or, if the notes to the financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the financial statements, etc. and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the financial statements, etc., including the related notes thereto, and whether the financial statements, etc. fairly represent the underlying transactions and accounting events.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We or engagement partners have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act of Japan.

Audit Report of the Audit & Supervisory Board

<Translation>

Audit Report

We, the Audit & Supervisory Board, having discussed the Directors' performance of duties during the 205th fiscal year, from April 1, 2021 through March 31, 2022, based on audit reports from each Audit & Supervisory Board Member, prepared the following Audit Report.

1. Methods and Contents of the Audit Implemented by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board established its audit policy, assigned responsibilities to each Audit & Supervisory Board Member in carrying out the policy, and received reports from each Audit & Supervisory Board Member on status of audit implementation and results. In addition, the Audit & Supervisory Board, when necessary, received reports and requested explanations from Directors, other executives and accounting auditors concerning the execution of their duties.
- (2) Each Audit & Supervisory Board Member, in accordance with the Audit & Supervisory Board Members standard of audit, established by the Audit & Supervisory Board, as well as the audit policy and assigned responsibilities, communicated with Directors, internal audit divisions, and other employees, in order to gather information and develop an optimal audit environment, and audits were implemented as follows:
 - (i) Each Audit & Supervisory Board Member attended meetings of the Board of Directors and other vital meetings, received reports on the execution of duties from Directors, employees and other personnel, received reports and requested explanations from them when necessary, reviewed important documents including those subject to executive approval, and examined the conditions of assets and businesses at the head office and other major operations. With regard to the Company's subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with Directors, Audit & Supervisory Board Members, and other personnel of the subsidiaries, requested reports, and examined the conditions of assets and business when necessary.
 - (ii) Regarding the system for ensuring compliance of directors with laws and regulations and the Articles of Incorporation, which is escribed in the Business Report, and other systems established in accordance with the content of the resolution of the Board of Directors and the resolution thereof in relation to the establishment of the systems provided for in Article 100, paragraphs (1) and (3) of the Regulation for Enforcement of the Companies Act of Japan as necessary to ensure the properness of the business operations of a corporate group consisting of a stock company and its subsidiaries (internal control system), Audit & Supervisory Board Members regularly received reports from Directors, employees, and others on the status

of the establishment and implementation of such systems, sought explanations, as necessary, and expressed opinions.

- (iii) Furthermore, each Audit & Supervisory Board Member has monitored the accounting auditor to verify its independence and the propriety of their audit implementation, and has received reports and requested explanations when necessary. In addition, each Audit & Supervisory Board Member received a notice from the accounting auditor regarding “the system for securing appropriate execution of duties” (items listed in Article 131 of the Regulation on Corporate Accounting) has been developed in accordance with “the Standard on Quality Control Concerning Audit” (the Business Accounting Council), and requested explanations from them when necessary.

Based on the methods described above, the Audit & Supervisory Board reviewed the Business Report and its supplementary schedules, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements) and their supplementary schedules, along with consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, and notes to consolidated financial statements) for the fiscal year.

2. Results of Audit

(1) Results of the audit of the business report and other documents

- (i) The Business Report and its supplementary schedules accurately present the condition of the Company in accordance with applicable laws and regulations, along with the Articles of Incorporation.
- (ii) With regard to the execution of Directors’ duties, no misconduct nor material matters in violation of laws, regulations, or the Articles of Incorporation were found.
- (iii) The content of the Board of Directors’ resolution on the internal control system was found sufficient. Subsequently, with regard to the description of the internal control system in the Business Report and execution of Director’s duties, nothing is to be pointed out.

(2) Results of the audit of non-consolidated financial statements and supplementary schedules

The method and results of the audit conducted by Ernst & Young ShinNihon LLC, the Company’s accounting auditor, are recognized as appropriate.

(3) Results of the audit of consolidated financial statements

The method and results of the audit conducted by Ernst & Young ShinNihon LLC, the Company’s accounting auditor, are recognized as appropriate.

May 23, 2022

**The Audit & Supervisory Board
IHI Corporation**

Takashi Niimura (Seal)
Standing Audit & Supervisory Board
Member

Seiji Maruyama (Seal)
Standing Audit & Supervisory Board
Member

Toshio Iwamoto (Seal)
Outside Audit & Supervisory Board
Member

Aiko Sekine (Seal)
Outside Audit & Supervisory Board
Member

Yumiko Waseda (Seal)
Outside Audit & Supervisory Board
Member