

(Translation)

Securities Code: 7013

June 2, 2023

To Shareholders:

**IHI Corporation**

1-1, Toyosu 3-chome, Koto-ku, Tokyo

Hiroshi Ide

Representative Director and President

**NOTICE OF CONVOCATION  
OF THE 206<sup>th</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

IHI Corporation (the “Company” or “IHI”) would hereby like to inform you that the 206<sup>th</sup> Ordinary General Meeting of Shareholders will be held on Friday, June 23, 2023, as described below.

When convening this General Meeting of Shareholders, the Company takes measures for providing information that constitutes the content of the reference material for the general meeting of shareholders, etc. (items for which measures for providing information in electronic format will be taken; hereinafter “items subject to measures for electronic provision”) in electronic format, and posts this information on the websites shown below. Please access any of the websites by using the Internet address shown below to review the information.

- The Company’s website: <https://www.ihico.jp/> (in Japanese)
  - \* From the top page, click “EN” on the top right, and select “Investor Relations,” then “Shareholders and Stock Information.”
- Website on which informational materials for the general meeting of shareholders are to be posted:
  - <https://d.sokai.jp/7013/teiji/> (in Japanese)
- Tokyo Stock Exchange (TSE) website:
  - <https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>  
(in Japanese)
  - \* Enter the Company’s issue code “7013” in “Code,” and click “Search,” and then click “Basic information” and select “Documents for public inspection/PR information.”

If you do not attend the meeting in person, voting rights can be exercised via the Internet or by voting form (i.e., “Form for Exercising Voting Right”). Please review the Reference Material for the General Meeting of Shareholders and exercise your voting rights, no later than 5:30 p.m. on Thursday, June 22, 2023. 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, 2023 (Friday) 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 206<sup>th</sup> Fiscal Year (from April 1, 2022 to March 31, 2023), 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 206<sup>th</sup> Fiscal Year (from April 1, 2022 to March 31, 2023)

**Matters to be Resolved:**

**Proposal No. 1:** Allotment of Dividend of Surplus

**Proposal No. 2:** Election of Twelve (12) Directors

**Proposal No. 3:** Election of One (1) Audit & Supervisory Board Member

## Guidance on Exercising Voting Rights

### ■ If Not Attending the Meeting in Person

- Exercise of Voting Rights via the Internet

#### By scanning the QR code

Please scan the QR code for logging in printed on the right side of the voting form enclosed herein with your smartphone and input your approval or disapproval of each of the proposals.

Deadline: No later than June 22, 2023 (Thursday), 5:30 p.m. (JST)

#### By entering the login ID and password

Please access the website (in Japanese; <https://www.web54.net>), and input your approval or disapproval of each of the proposals by following the instructions on the screen.

Deadline: No later than June 22, 2023 (Thursday), 5:30 p.m. (JST)

- Exercise of Voting Rights by Voting Form

Please indicate whether you are for or against each of the proposals on the voting form enclosed herein and return the completed form. If you do not indicate whether for or against a proposal on the voting form, you shall be considered to have stated that you are for the proposal.

Deadline: To arrive no later than June 22, 2023 (Thursday), 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, 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 reach us on the same day, the votes cast via the Internet shall be considered to be valid.
- (b) If any voting rights are exercised via the Internet more than once, the votes cast last shall be considered to be valid.

### ■ If Attending the Meeting in Person

Please hand in the voting form at the reception desk at the meeting venue.

Date and time of the meeting: June 23, 2023 (Friday), 10:00 a.m. (JST)

## Outline of Exercise of Voting Rights via the Internet

### ■ Method 1: By Scanning 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 by following the guidance stated in the Method 2, and exercise your voting rights again.

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

### ■ Method 2: By Entering Login ID and Password

Website for exercising voting rights ► <https://www.web54.net> (in Japanese)

1. Access the website for exercising voting rights.
2. Enter your voting code indicated on the voting form.
3. Enter your password indicated on the 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, 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.

## Matters regarding measures for electronic provision

When convening this General Meeting of Shareholders, the Company takes measures for providing information that constitutes the content of the reference material for the general meeting of shareholders, etc. (items subject to measures for electronic provision) in electronic format, and posts this information on the websites shown below. Please access any of the websites by using the Internet address shown below to review the information.

The Company's website:

<https://www.ihl.co.jp/> (in Japanese)

\* From the top page, click "EN" on the top right, and select "Investor Relations," then "Shareholders and Stock Information."

Website on which informational materials for the general meeting of shareholders are to be posted:

<https://d.sokai.jp/7013/teiji/> (in Japanese)

TSE website:

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>

(in Japanese)

\* Enter the Company's issue code "7013" in "Code," and click "Search," and then click "Basic information" and select "Documents for public inspection/PR information."

In accordance with the provisions of laws and regulations and Article 17 of the Articles of Incorporation of the Company, the following items are not provided in the paper-based documents delivered to shareholders who have made a request for delivery of such documents (documents that states items subject to measures for electronic provision).

- (i) "Share Acquisition Rights" in the Business Report
- (ii) "Consolidated Statement Of Changes In Equity" and "Notes to the Consolidated Financial Statements" in the Consolidated Financial Statements
- (iii) "Non-Consolidated Statement Of Changes In Equity" and "Notes to the Non-Consolidated Financial Statements" in the Non-Consolidated Financial Statements

Accordingly, the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements given in the documents that states items subject to measures for electronic provision are part of the documents included in the scope of audits by the Accounting Auditor and the Audit & Supervisory Board Members when they create their respective audit reports.

If revisions to the items subject to measures for electronic provision arise, the details of the items before and after the revisions will be posted on the Company's website, the website on which informational materials for the general meeting of shareholders are to be posted, and the TSE website.

**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.

- END -

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**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.

## 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 206<sup>th</sup> fiscal year will be as follows:

- (i) Type of Dividend Assets  
Cash
  
- (ii) Matters Concerning the Allotment of Dividend Assets and the Total Amount  
50 yen per share of the Company's Common Stock  
Total amount of Dividends 7,594,032,350 yen  
An interim dividend of 40 yen per share was paid, resulting in an annual dividend of 90 yen per share.
  
- (iii) Effective Date of Dividends  
June 26, 2023

**Proposal No. 2: 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              | 18 of 18 (100%)                                  | 9 years          |
| 2             | Hiroshi IDE         | Reappointment                           | Representative Director and President; Chief Executive Officer | 18 of 18 (100%)                                  | 3 years          |
| 3             | Masataka IKEYAMA    | Reappointment                           | Representative Director; Senior Executive Officer              | 14 of 14 (100%)                                  | 1 year           |
| 4             | Hideo MORITA        | Reappointment                           | Director; Managing Executive Officer                           | 18 of 18 (100%)                                  | 2 years          |
| 5             | Akihiro SEO         | Reappointment                           | Director; Managing Executive Officer                           | 14 of 14 (100%)                                  | 1 year           |
| 6             | Tsuyoshi TSUCHIDA   | New Candidate                           | Senior Executive Officer                                       | –  | –                |
| 7             | Jun KOBAYASHI       | New Candidate                           | Managing Executive Officer                                     | –  | –                |
| 8             | Yasuaki FUKUMOTO    | New Candidate                           | Executive Officer  | –  | –                |
| 9             | Yoshiyuki NAKANISHI | Reappointment<br>Outside<br>Independent | Director   | 18 of 18 (100%)                                  | 3 years          |
| 10            | Chieko MATSUDA      | Reappointment<br>Outside<br>Independent | Director   | 17 of 18 (94%)                                   | 3 years          |
| 11            | Minoru USUI         | Reappointment<br>Outside<br>Independent | Director   | 18 of 18 (100%)                                  | 2 years          |
| 12            | Toshihiro UCHIYAMA  | Reappointment<br>Outside<br>Independent | Director   | 14 of 14 (100%)                                  | 1 year           |

(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<br>(Date of Birth)  | Brief Personal History,<br>Position and Areas of Responsibility at IHI,<br>and Significant Concurrent Positions   | Number<br>of IHI Shares<br>Owned |
|--|--|---|----------------------------------|
| 1  | <p data-bbox="331 741 515 775" style="text-align: center;">Reappointment</p> <p data-bbox="344 808 502 943" style="text-align: center;">Tsugio<br/>MITSUOKA<br/>(October 13,<br/>1954)</p> | <p data-bbox="539 331 1321 958">           Apr. 1980: Joined IHI<br/>           Apr. 2010: Executive Officer; Vice President of Aero-Engine &amp; Space Operations, IHI<br/>           Apr. 2013: Managing Executive Officer; President of Aero-Engine &amp; Space Operations, IHI<br/>           Jun. 2014: Director; Managing Executive Officer; President of Aero-Engine &amp; Space Operations, IHI<br/>           Apr. 2016: Representative Director and President; Chief Operating Officer, IHI<br/>           Apr. 2017: Representative Director and President; Chief Executive Officer, IHI<br/>           Apr. 2020: Representative Director and Chairman of the Board and President; Chief Executive Officer, IHI<br/>           Jun. 2020: Representative Director and Chairman of the Board; Chief Executive Officer, IHI<br/>           Apr. 2021: Representative Director and Chairman of the Board, IHI (incumbent)         </p> <p data-bbox="539 976 1150 1043"> <u>Position and Areas of Responsibility at IHI</u><br/>           Representative Director and Chairman of the Board         </p> <p data-bbox="539 1061 1262 1196"> <u>Significant Concurrent Positions</u><br/>           Representative Director, Japanese Aero Engines Corporation<br/>           Outside Director, UBE Corporation<br/>           (scheduled to be appointed in June 2023)         </p> <p data-bbox="539 1214 1273 1281"> <u>Number of Other Listed Companies Concurrently Serving as Officer</u> </p> <p data-bbox="539 1290 995 1352">           Engaged in Business Execution: 0<br/>           Not Engaged in Business Execution: 0         </p> | 17,000 Shares                    |
| <p data-bbox="225 1361 520 1395"><u>Reasons for Nomination</u></p> <p data-bbox="225 1402 1458 1599">Mr. Tsugio Mitsuoka has led the IHI Group's management as the President since April 2016, by actively carrying out the selection and concentration of business operations and the transformation of business model in response to the changing business environment, as well as bolstering the risk management and ensuring compliance. Since April 2020, he has been working to strengthen corporate governance as Chairman of the Board of the Company. Based on these abundant experience, accomplishments, and insight as corporate manager, the Company has nominated him again as a candidate for director.</p> <p data-bbox="225 1615 740 1648"><u>Attendance at Board of Directors Meetings</u></p> <p data-bbox="225 1648 469 1682">18 out of 18 (100%)</p> <p data-bbox="225 1688 421 1722"><u>Period in Office</u></p> <p data-bbox="225 1727 1382 1794">At the conclusion of this meeting, Mr. Tsugio Mitsuoka will have served 9 years as director of the Company.</p> <p data-bbox="225 1794 395 1827"><u>Special Notes</u></p> <p data-bbox="225 1839 1445 2004">Mr. Tsugio Mitsuoka is serving concurrently as Representative Director of the Japanese Aero Engines Corporation (JAEC), which is involved in the transactions with the Company, including entrustment of development and research of civil aircraft engines, manufacture and delivery of civil aircraft engine components, etc. Other than the above, there are no special interests between Mr. Tsugio Mitsuoka and the Company.</p> |  |   |                                  |

| Candi-<br>date No.   | Name<br>(Date of Birth)  | Brief Personal History,<br>Position and Areas of Responsibility at IHI,<br>and Significant Concurrent Positions   | Number<br>of IHI Shares<br>Owned |
|--|--|---|----------------------------------|
| 2  | <div data-bbox="323 667 515 701" style="border: 1px solid black; padding: 2px;">Reappointment</div> <p data-bbox="339 741 499 842">Hiroshi IDE<br/>(February 16,<br/>1961)</p> | <p data-bbox="539 331 1286 472">Apr. 1983: Joined IHI<br/>Apr. 2013: Managing Director, Jurong Engineering Limited<br/>Apr. 2017: Executive Officer; Vice President of Resources,<br/>Energy and Environment Business Area, IHI</p> <p data-bbox="539 501 1257 602">Apr. 2019: Managing Executive Officer; President of<br/>Resources, Energy and Environment Business<br/>Area, IHI</p> <p data-bbox="539 607 1257 707">Apr. 2020: Chief Operating Officer and President of<br/>Resources, Energy and Environment Business<br/>Area, IHI</p> <p data-bbox="539 712 1257 775">Jun. 2020: Representative Director and President; Chief<br/>Operating Officer, IHI</p> <p data-bbox="539 779 1257 880">Apr. 2021: Representative Director and President; Chief<br/>Executive Officer and General Manager of<br/>Corporate Strategy Headquarters, IHI</p> <p data-bbox="539 884 1257 947">Apr. 2023: Representative Director and President; Chief<br/>Executive Officer, IHI (incumbent)</p> <div data-bbox="539 958 1286 1032" style="border: 1px solid black; padding: 2px;"> <p data-bbox="539 958 1046 992"><u>Position and Areas of Responsibility at IHI</u></p> <p data-bbox="539 996 1286 1032">Representative Director and President; Chief Executive Officer</p> </div> <div data-bbox="539 1043 1270 1117" style="border: 1px solid black; padding: 2px;"> <p data-bbox="539 1043 1270 1077"><u>Number of Other Listed Companies Concurrently Serving as</u></p> <p data-bbox="539 1081 624 1117"><u>Officer</u></p> </div> <p data-bbox="539 1122 943 1155">Engaged in Business Execution: 0</p> <p data-bbox="539 1160 991 1193">Not Engaged in Business Execution: 0</p> | 3,600<br>Shares                  |
| <div data-bbox="220 1193 515 1227" style="border: 1px solid black; padding: 2px;"><u>Reasons for Nomination</u></div> <p data-bbox="220 1232 1477 1496">Mr. Hiroshi Ide experienced many business operations in the overseas marketing division for the energy and plant businesses and as General Manager of an overseas representative office, and subsequently he was responsible for the management as the Managing Director of an overseas subsidiary undertaking EPC works. He was responsible for the Resources, Energy and Environment Business Area as President of the business area from 2019, and has been engaged in the management of the Group as Representative Director and President since 2020 by working on returning to growth trajectory and creating growth businesses, and other matters. Based on these abundant experience, accomplishments, and insight as corporate manager, the Company has nominated him again as a candidate for director.</p> <div data-bbox="220 1507 735 1541" style="border: 1px solid black; padding: 2px;"><u>Attendance at Board of Directors Meetings</u></div> <p data-bbox="220 1545 464 1579">18 out of 18 (100%)</p> <div data-bbox="220 1590 416 1624" style="border: 1px solid black; padding: 2px;"><u>Period in Office</u></div> <p data-bbox="220 1628 1441 1662">At the conclusion of this meeting, Mr. Hiroshi Ide will have served 3 years as director of the Company.</p> <div data-bbox="220 1673 392 1706" style="border: 1px solid black; padding: 2px;"><u>Special Notes</u></div> <p data-bbox="220 1711 1086 1744">There are no special interests between Mr. Hiroshi Ide and the Company.</p> |  |   |                                  |

| Candi-<br>date No.   | Name<br>(Date of Birth)   | Brief Personal History,<br>Position and Areas of Responsibility at IHI,<br>and Significant Concurrent Positions  | Number<br>of IHI Shares<br>Owned |
|--|---|--|----------------------------------|
| 3  | <div data-bbox="328 651 515 685" style="border: 1px solid black; padding: 2px;">Reappointment</div> <p data-bbox="352 703 491 831">Masataka<br/>IKEYAMA<br/>(January 4,<br/>1960)</p> | <p data-bbox="531 333 1307 846"> Apr. 1984: Joined IHI<br/> Apr. 2013: Division Director of Defense Systems Division,<br/> Aero-Engine &amp; Space Operations, IHI<br/> Apr. 2016: Executive Officer; Vice President of Aero-Engine<br/> &amp; Space Operations, IHI<br/> Apr. 2017: Executive Officer; Vice President of Aero-Engine,<br/> Space &amp; Defense Business Area, IHI<br/> Jun. 2019: Representative Director and President and CEO,<br/> MEISEI ELECTRIC CO., LTD.<br/> Aug. 2021: Managing Executive Officer; General Manager of<br/> MEISEI PMI Office, IHI<br/> Apr. 2022: Senior Executive Officer; General Manager of<br/> MEISEI PMI Office, IHI<br/> Jun. 2022: Representative Director; Senior Executive Officer,<br/> IHI (incumbent) </p> <div data-bbox="531 864 1043 898" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="531 902 1134 1003"> Representative Director; Senior Executive Officer;<br/> In Charge of Group Economic Security;<br/> In Charge of Group Quality Assurance•Design Process </p> <div data-bbox="531 1021 1267 1088" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently Serving as<br/>Officer</div> <p data-bbox="531 1093 987 1155"> Engaged in Business Execution: 0<br/> Not Engaged in Business Execution: 0 </p> | 4,800<br>Shares                  |
| <div data-bbox="220 1171 515 1205" style="border: 1px solid black; padding: 2px;">Reasons for Nomination</div> <p data-bbox="220 1209 1477 1469"> Mr. Masataka Ikeyama experienced many business operations in the aero-engine technology development field and led the Defense systems business as Division Director responsible for this business. Subsequently, he served as Vice President of Aero-Engine, Space &amp; Defense Business Area, and then he was appointed as the President of MEISEI ELECTRIC CO., LTD., a listed subsidiary, and worked on management reforms of the said company. After that, at the Company, he worked on risk management such as the Group's economic security and quality assurance as Senior Executive Officer. Based on these abundant experience, accomplishments, and insight, the Company has nominated him again as a candidate for director. </p> <div data-bbox="220 1487 735 1520" style="border: 1px solid black; padding: 2px;">Attendance at Board of Directors Meetings</div> <p data-bbox="220 1525 464 1559">14 out of 14 (100%)</p> <div data-bbox="220 1563 416 1597" style="border: 1px solid black; padding: 2px;">Period in Office</div> <p data-bbox="220 1601 1393 1664"> At the conclusion of this meeting, Mr. Masataka Ikeyama will have served 1 year as director of the Company. </p> <div data-bbox="220 1668 389 1702" style="border: 1px solid black; padding: 2px;">Special Notes</div> <p data-bbox="220 1706 1174 1740"> There are no special interests between Mr. Masataka Ikeyama and the Company. </p> |   |  |                                  |

| Candi-<br>date No.   | Name<br>(Date of Birth)  | Brief Personal History,<br>Position and Areas of Responsibility at IHI,<br>and Significant Concurrent Positions  | Number<br>of IHI Shares<br>Owned |
|--|--|--|----------------------------------|
| 4  | <div data-bbox="328 533 515 566" style="border: 1px solid black; padding: 2px;">Reappointment</div> <p data-bbox="344 618 499 745">Hideo<br/>MORITA<br/>(October 20,<br/>1961)</p> | <p data-bbox="531 333 1308 674">Apr. 1986: Joined IHI<br/>Apr. 2017: Division Director of Civil Aero-Engine Division,<br/>Aero-Engine, Space &amp; Defense Business Area, IHI<br/>Apr. 2018: Executive Officer; Vice President of Aero-Engine,<br/>Space &amp; Defense Business Area, IHI<br/>Apr. 2021: Managing Executive Officer; President of Aero-<br/>Engine, Space &amp; Defense Business Area, IHI<br/>Jun. 2021: Director; Managing Executive Officer; President of<br/>Aero-Engine, Space &amp; Defense Business Area, IHI<br/>(incumbent)</p> <div data-bbox="531 692 1043 725" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="531 730 1233 792">Director; Managing Executive Officer;<br/>President of Aero-Engine, Space &amp; Defense Business Area</p> <div data-bbox="531 813 1267 880" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently Serving as<br/>Officer</div> <p data-bbox="531 884 989 947">Engaged in Business Execution: 0<br/>Not Engaged in Business Execution: 0</p> | 3,200<br>Shares                  |
| <div data-bbox="220 960 515 994" style="border: 1px solid black; padding: 2px;">Reasons for Nomination</div> <p data-bbox="220 999 1468 1229">Mr. Hideo Morita experienced the development of space equipment and many other business operations in production, design and engineering departments of the Aero-Engine &amp; Space Operations. Subsequently, he had led the Civil Aero-Engine Division as manager responsible for the division since April 2018, and as the President of Aero-Engine, Space &amp; Defense Business Area since April 2021, he has been responsible for the management of this business under drastic environmental changes. Based on these abundant experience, accomplishments, and insight, the Company has nominated him again as a candidate for director.</p> <div data-bbox="220 1240 735 1274" style="border: 1px solid black; padding: 2px;">Attendance at Board of Directors Meetings</div> <p data-bbox="220 1279 464 1312">18 out of 18 (100%)</p> <div data-bbox="220 1323 416 1357" style="border: 1px solid black; padding: 2px;">Period in Office</div> <p data-bbox="220 1361 1468 1395">At the conclusion of this meeting, Mr. Hideo Morita will have served 2 years as director of the Company.</p> <div data-bbox="220 1406 389 1440" style="border: 1px solid black; padding: 2px;">Special Notes</div> <p data-bbox="220 1444 1110 1476">There are no special interests between Mr. Hideo Morita and the Company.</p> |  |  |                                  |

| Candi-<br>date No. | Name<br>(Date of Birth)   | Brief Personal History,<br>Position and Areas of Responsibility at IHI,<br>and Significant Concurrent Positions   | Number<br>of IHI Shares<br>Owned |
|--------------------|---|---|----------------------------------|
| 5                  | <div data-bbox="328 703 515 741" style="border: 1px solid black; padding: 2px;">Reappointment</div> <p data-bbox="344 752 499 853">Akihiro SEO<br/>(October 21,<br/>1963)</p> | <p data-bbox="531 333 1299 846"> Apr. 1987: Joined IHI<br/> Dec. 2007: President, Alpha Automotive Technologies LLC<br/> Apr. 2013: Manager of Planning &amp; Control Department,<br/> Global Marketing Headquarters, IHI<br/> Apr. 2017: Manager of Corporate Business Development<br/> Division, IHI<br/> Apr. 2018: General Manager of Corporate Planning Division,<br/> IHI<br/> Apr. 2021: Executive Officer; General Manager of Corporate<br/> Planning Division, IHI<br/> Apr. 2022: Managing Executive Officer; General Manager of<br/> Human Resources Division, IHI<br/> Jun. 2022: Director; Managing Executive Officer; General<br/> Manager of Human Resources Division, IHI<br/> (incumbent) </p> <div data-bbox="531 864 1043 902" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="531 904 1238 1070"> Director; Managing Executive Officer;<br/> In Charge of Group Human Resources, and Administration,<br/> In Charge of Group Safety and Health,<br/> In Charge of Group ESG,<br/> General Manager of Human Resources Division </p> <div data-bbox="531 1088 1267 1160" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently Serving as<br/>Officer</div> <p data-bbox="531 1162 987 1220"> Engaged in Business Execution: 0<br/> Not Engaged in Business Execution: 0 </p> | 800<br>Shares                    |

**Reasons for Nomination**

Mr. Akihiro Seo experienced many business operations mainly in the corporate divisions, such as human resources and labor relations, corporate planning, and corporate business development. He launched a new company for a new business in Europe and was responsible for the management of this business as the President. Subsequently, he worked at the Planning & Control Department of the Global Marketing Headquarters and then served as Manager of the Corporate Business Development Division and General Manager of Corporate Planning Division. Since 2022, he has been working on the promotion of human resources strategies as General Manager of Human Resources Division. Based on these abundant experience, accomplishments, and insight, the Company has nominated him again as a candidate for director.

**Attendance at Board of Directors Meetings**

14 out of 14 (100%)

**Period in Office**

At the conclusion of this meeting, Mr. Akihiro Seo will have served 1 year as director of the Company.

**Special Notes**

There are no special interests between Mr. Akihiro Seo and the Company.

| Candi-<br>date No.   | Name<br>(Date of Birth)   | Brief Personal History,<br>Position and Areas of Responsibility at IHI,<br>and Significant Concurrent Positions   | Number<br>of IHI Shares<br>Owned |
|--|---|---|----------------------------------|
| 6  | <div data-bbox="320 589 515 651" style="border: 1px solid black; padding: 2px; width: fit-content;">Candidate for New Director</div> <p data-bbox="344 667 496 797">Tsuyoshi<br/>TSUCHIDA<br/>(January 5,<br/>1961)</p> | <p data-bbox="531 333 1315 712">Apr. 1984: Joined IHI<br/>Apr. 2010: Vice President of Logistics systems Operations, IHI<br/>Jun. 2015: President, IHI Logistics &amp; Machinery Corporation<br/>Apr. 2020: Vice President of Industrial Systems &amp; General-Purpose Machinery Business Area, IHI<br/>Apr. 2021: Executive Officer; Vice President of Industrial Systems &amp; General-Purpose Machinery Business Area, IHI<br/>Apr. 2022: Managing Executive Officer; General Manager of Corporate Planning Division. IHI<br/>Apr. 2023: Senior Executive Officer, IHI (incumbent)</p> <div data-bbox="531 730 1043 763" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="531 768 1099 900">Senior Executive Officer;<br/>In Charge of Business Relating to Procurement;<br/>In Charge of Group DX;<br/>In Charge of Corporate Planning Division</p> <div data-bbox="531 918 1267 987" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently Serving as Officer</div> <p data-bbox="531 992 991 1055">Engaged in Business Execution: 0<br/>Not Engaged in Business Execution: 0</p> | 2,700<br>Shares                  |
| <div data-bbox="217 1066 512 1099" style="border: 1px solid black; padding: 2px;">Reasons for Nomination</div> <p data-bbox="217 1104 1469 1368">Mr. Tsuyoshi Tsuchida experienced many business operations mainly in the procurement division, and was responsible for the corporate management of a domestic subsidiary in charge of the manufacturing and sales of logistics equipment and industrial plants as the President. Subsequently, he promoted the expansion of lifecycle businesses utilizing ICT and DX as Vice President of the Industrial Systems &amp; General-Purpose Machinery Business Area, and then he was engaged in business operations related to the Group's overall business management including risk management as General Manager of the Corporate Planning Division. Based on these abundant experience, accomplishments, and insight, the Company has nominated him as a candidate for new director.</p> <div data-bbox="217 1379 735 1413" style="border: 1px solid black; padding: 2px;">Attendance at Board of Directors Meetings</div> <p data-bbox="217 1429 233 1451">-</p> <div data-bbox="217 1462 416 1496" style="border: 1px solid black; padding: 2px;">Period in Office</div> <p data-bbox="217 1512 233 1534">-</p> <div data-bbox="217 1545 384 1579" style="border: 1px solid black; padding: 2px;">Special Notes</div> <p data-bbox="217 1583 1171 1606">There are no special interests between Mr. Tsuyoshi Tsuchida and the Company.</p> |   |   |                                  |



| Candi-<br>date No.   | Name<br>(Date of Birth)  | Brief Personal History,<br>Position and Areas of Responsibility at IHI,<br>and Significant Concurrent Positions   | Number<br>of IHI Shares<br>Owned |
|--|--|---|----------------------------------|
| 7  | <div data-bbox="320 763 515 824" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Candidate for New Director</div> <p data-bbox="320 860 515 958" style="text-align: center;">Jun<br/>KOBAYASHI<br/>(May 23, 1964)</p> | <p data-bbox="531 331 1307 365">Apr. 1988: Joined IHI</p> <p data-bbox="531 371 1307 432">Apr. 2013: General Manager of Sales Department, Solution &amp; Engineering Headquarters, IHI</p> <p data-bbox="531 439 1307 568">Sep. 2018: Assistant General Manager of Corporate Business Development &amp; Solution Headquarters<br/>General Manager of Rome Office, Global Marketing &amp; Sales Headquarters, IHI</p> <p data-bbox="531 575 1307 808">Apr. 2019: General Manager of Global Business Development Group, Strategy Development Department, Social Infrastructure &amp; Offshore Facilities Business Area, Assistant General Manager of Corporate Business Development &amp; Solution Headquarters, and General Manager of Rome Office, Global Marketing &amp; Sales Headquarters, IHI</p> <p data-bbox="531 815 1307 945">Apr. 2020: Vice President of Social Infrastructure &amp; Offshore Facilities Business Area and General Manager of Rome Office, Global Marketing &amp; Sales Headquarters, IHI</p> <p data-bbox="531 952 1307 1012">Apr. 2021: Executive Officer; General Manager of Solution &amp; Business Development Headquarters, IHI</p> <p data-bbox="531 1019 1307 1115">Apr. 2023: Managing Executive Officer; General Manager of Business Development Headquarters, IHI (incumbent)</p> <div data-bbox="531 1133 1043 1167" style="border: 1px solid black; padding: 2px; margin-top: 10px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="531 1173 1214 1234">Managing Executive Officer;<br/>General Manager of Business Development Headquarters</p> <div data-bbox="531 1254 1267 1288" style="border: 1px solid black; padding: 2px; margin-top: 10px;">Number of Other Listed Companies Concurrently Serving as</div> <div data-bbox="531 1294 624 1328" style="border: 1px solid black; padding: 2px; margin-top: 2px;">Officer</div> <p data-bbox="531 1335 938 1361">Engaged in Business Execution: 0</p> <p data-bbox="531 1368 991 1395">Not Engaged in Business Execution: 0</p> | 500 Shares                       |
| <div data-bbox="217 1402 512 1435" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Reasons for Nomination</div> <p data-bbox="217 1442 1474 1704">Mr. Jun Kobayashi experienced many business operations related to domestic and overseas sales and marketing in industrial machinery and bridge businesses, and particularly in overseas sales and marketing, he worked on local business expansion as General Manager of an overseas representative office. Subsequently, he served as General Manager of the sales and marketing division at a domestic subsidiary in charge of manufacture and sales of bridges and water gates. Since 2013, he has worked on the development of new business models in the Solution &amp; Engineering Headquarters and involved in many overseas projects in a responsible position. Based on these abundant experience, accomplishments, and insight, the Company has nominated him as a candidate for new director.</p> <div data-bbox="217 1715 732 1749" style="border: 1px solid black; padding: 2px; margin-top: 10px;">Attendance at Board of Directors Meetings</div> <p data-bbox="217 1765 236 1787">-</p> <div data-bbox="217 1800 413 1834" style="border: 1px solid black; padding: 2px; margin-top: 10px;">Period in Office</div> <p data-bbox="217 1850 236 1872">-</p> <div data-bbox="217 1886 384 1919" style="border: 1px solid black; padding: 2px; margin-top: 10px;">Special Notes</div> <p data-bbox="217 1924 1123 1951">There are no special interests between Mr. Jun Kobayashi and the Company.</p> |  |   |                                  |

| Candi-<br>date No.  | Name<br>(Date of Birth)  | Brief Personal History,<br>Position and Areas of Responsibility at IHI,<br>and Significant Concurrent Positions  | Number<br>of IHI Shares<br>Owned |
|---|--|--|----------------------------------|
| 8   | <div data-bbox="320 573 515 629" style="border: 1px solid black; padding: 2px;">Candidate for New Director</div> <p data-bbox="320 640 515 775">Yasuaki<br/>FUKUMOTO<br/>(September 8,<br/>1966)</p> | <p data-bbox="531 327 1307 360">Apr. 1990: Joined IHI</p> <p data-bbox="531 371 1307 439">Apr. 2014: General Manager of Accounting Group, Finance &amp; Accounting Division, IHI</p> <p data-bbox="531 439 1307 506">Jun. 2018: Manager of Group Strategy Group, Corporate Planning Division, IHI</p> <p data-bbox="531 506 1307 573">Apr. 2020: General Manager of Accounting Group, Finance &amp; Accounting Division, IHI</p> <p data-bbox="531 573 1307 640">Apr. 2021: General Manager of Finance &amp; Accounting Division, IHI</p> <p data-bbox="531 640 1307 707">Apr. 2022: Executive Officer; General Manager of Finance &amp; Accounting Division, IHI (incumbent)</p> <div data-bbox="531 719 1043 763" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="531 763 1307 864">Executive Officer;<br/>In Charge of Group Finance &amp; Accounting;<br/>General Manager of Finance &amp; Accounting Division</p> <div data-bbox="531 875 1267 943" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently Serving as Officer</div> <p data-bbox="531 954 1307 987">Engaged in Business Execution: 0</p> <p data-bbox="531 987 1307 1021">Not Engaged in Business Execution: 0</p> | 600<br>Shares                    |
| <div data-bbox="217 1032 512 1066" style="border: 1px solid black; padding: 2px;">Reasons for Nomination</div> <p data-bbox="217 1066 1477 1335">Mr. Yasuaki Fukumoto had been engaged in business operations such as settlement of accounts, performance management, fundraising and cost management, and accumulated a high level of finance-related expertise in the finance division and a domestic subsidiary since joining the Company. Subsequently, he coordinated the consolidated settlement of accounts of the Group and was involved in the formulation of a medium-term management plan in the Corporate Planning Division. Then, he has been engaged in the implementation of the Group's financial strategies and business management as General Manager of Finance &amp; Accounting Division since 2021. Based on these abundant experience, accomplishments, and insight, the Company has nominated him as a candidate for new director.</p> <div data-bbox="217 1346 732 1379" style="border: 1px solid black; padding: 2px;">Attendance at Board of Directors Meetings</div> <p data-bbox="217 1391 233 1413">-</p> <div data-bbox="217 1424 413 1458" style="border: 1px solid black; padding: 2px;">Period in Office</div> <p data-bbox="217 1469 233 1491">-</p> <div data-bbox="217 1503 384 1536" style="border: 1px solid black; padding: 2px;">Special Notes</div> <p data-bbox="217 1547 1166 1581">There are no special interests between Mr. Yasuaki Fukumoto and the Company.</p> |  |  |                                  |

| Candi-<br>date No. | Name<br>(Date of Birth)   | Brief Personal History,<br>Position and Areas of Responsibility at IHI,<br>and Significant Concurrent Positions  | Number<br>of IHI Shares<br>Owned |
|--------------------|---|--|----------------------------------|
| 9                  | <div data-bbox="320 566 515 607" style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Reappointment</div> <div data-bbox="320 613 515 674" style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Candidate for<br/>Outside Director</div> <div data-bbox="320 680 515 770" style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Candidate for<br/>Independent<br/>Director</div> <p data-bbox="320 842 515 972">Yoshiyuki<br/>NAKANISHI<br/>(November 3,<br/>1954)</p> | <p data-bbox="531 333 1315 398">Apr. 1978: Joined Dainippon Ink and Chemicals, Incorporated (now DIC Corporation)</p> <p data-bbox="531 405 1315 499">Apr. 2010: Executive Officer; In Charge of Corporate Strategy Division and Kawamura Memorial Museum of Art, DIC Corporation</p> <p data-bbox="531 506 1315 607">Jun. 2011: Director; Executive Officer; In Charge of Corporate Strategy Division and Kawamura Memorial DIC Museum of Art, DIC Corporation</p> <p data-bbox="531 613 1315 674">Apr. 2012: Representative Director; President and CEO, DIC Corporation</p> <p data-bbox="531 680 1315 741">Jan. 2018: Chairman of the Board of Directors, DIC Corporation</p> <p data-bbox="531 748 1315 777">Jun. 2020: Director, IHI (incumbent)</p> <p data-bbox="531 784 1315 813">Jan. 2021: Director, DIC Corporation</p> <p data-bbox="531 819 1315 848">Mar. 2021: Executive Advisor, DIC Corporation</p> <div data-bbox="531 855 1046 938" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI<br/>Director</div> <div data-bbox="531 945 927 983" style="border: 1px solid black; padding: 2px;">Significant Concurrent Positions</div> <p data-bbox="531 990 1315 1019">Outside Director, The Japan Steel Works, Ltd.</p> <p data-bbox="531 1025 1315 1055">Outside Director, SHIMADZU CORPORATION</p> <div data-bbox="531 1061 1270 1140" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently Serving as<br/>Officer</div> <p data-bbox="531 1146 1315 1176">Engaged in Business Execution: 0</p> <p data-bbox="531 1182 1315 1211">Not Engaged in Business Execution: 2</p> | 500<br>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

18 out of 18 (100%)

#### Period in Office

At the conclusion of this meeting, Mr. Yoshiyuki Nakanishi will have served 3 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 and less than 0.01% of consolidated net sales of DIC Corporation (for the fiscal year ended March 31, 2023), which is immaterial. Therefore, this has no impact on his independence.

The Company has registered Mr. Yoshiyuki Nakanishi with the Tokyo Stock Exchange (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) In The Japan Steel Works, Ltd. in which Mr. Yoshiyuki Nakanishi has served as Outside Director since June 2020, it came to light through internal investigation in May 2022 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 Investigating Committee and carried out an investigation, and it is working on measures to prevent recurrence based on the results of the Committee's investigation and recommendations to prevent recurrence. In addition, in September 2022, SHIMADZU CORPORATION, for which he has served as an Outside Director since June 2021, announced that its subsidiary SHIMADZU MEDICAL SYSTEMS CORPORATION had engaged in inappropriate conduct in connection with the maintenance and inspection of X-ray equipment installed at medical institutions with which said company does business. The said company established an external investigation committee and carried out an investigation, and it is working on measures to prevent recurrence based on the results of the committee's investigation and recommendations to prevent recurrence. Although he was unaware of either of these incidents until they were discovered, he has always made proposals on the importance of legal compliance and internal control at meetings of the boards of directors of each company, and has fulfilled his responsibilities as an outside director by calling for further strengthening and enhancing legal compliance and internal control systems after the discovery of these incidents.

| Candi-<br>date No. | Name<br>(Date of Birth)  | Brief Personal History,<br>Position and Areas of Responsibility at IHI,<br>and Significant Concurrent Positions  | Number<br>of IHI Shares<br>Owned |
|--------------------|--|--|----------------------------------|
| 10                 | <div data-bbox="320 667 515 701" style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Reappointment</div> <div data-bbox="320 712 515 768" style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Candidate for<br/>Outside Director</div> <div data-bbox="320 779 515 869" style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Candidate for<br/>Independent<br/>Director</div> <p data-bbox="320 902 515 1037">Chieko<br/>MATSUDA<br/>(November 18,<br/>1964)</p> | <p data-bbox="531 327 1315 394">Apr. 1987: Joined The Long-Term Credit Bank of Japan, Limited</p> <p data-bbox="531 394 1315 427">Oct. 1998: Joined Moody's Japan K.K.</p> <p data-bbox="531 427 1315 461">Sep. 2001: Partner, Corporate Directions, Inc.</p> <p data-bbox="531 461 1315 495">May 2006: Representative Director, Matrix, Inc.</p> <p data-bbox="531 495 1315 528">Oct. 2006: Vice President (Partner), Booz &amp; Company, Inc.</p> <p data-bbox="531 528 1315 640">Apr. 2011: Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University (incumbent)</p> <p data-bbox="531 640 1315 707">Professor, Graduate School of Management, Tokyo Metropolitan University (incumbent)</p> <p data-bbox="531 707 1315 741">Jun. 2020: Director, IHI (incumbent)</p> <div data-bbox="531 752 1046 797" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="531 797 1315 831">Director</p> <div data-bbox="531 842 927 887" style="border: 1px solid black; padding: 2px;">Significant Concurrent Positions</div> <p data-bbox="531 887 1315 954">Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University</p> <p data-bbox="531 954 1315 1021">Professor, Graduate School of Management, Tokyo Metropolitan University</p> <p data-bbox="531 1021 1315 1088">Non-Executive Director of the Board, Kirin Holdings Company, Limited</p> <p data-bbox="531 1088 1315 1155">Outside Director, Asahi Kasei Corporation (scheduled to be appointed in June 2023)</p> <p data-bbox="531 1155 1315 1223">Outside Members of the Board, Toyota Tsusho Corporation (scheduled to be appointed in June 2023)</p> <div data-bbox="531 1234 1270 1301" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently Serving as<br/>Officer</div> <p data-bbox="531 1301 1315 1335">Engaged in Business Execution: 0</p> <p data-bbox="531 1335 1315 1368">Not Engaged in Business Execution: 1</p> | 1,400<br>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 18 (94%)

#### Period in Office

At the conclusion of this meeting, Ms. Chieko Matsuda will have served 3 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 the Tokyo Stock Exchange (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.

| Candi-<br>date No. | Name<br>(Date of Birth)  | Brief Personal History,<br>Position and Areas of Responsibility at IHI,<br>and Significant Concurrent Positions   | Number<br>of IHI Shares<br>Owned |
|--------------------|--|---|----------------------------------|
| 11                 | <div data-bbox="320 837 515 875" style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 2px;">Reappointment</div> <div data-bbox="320 887 515 943" style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 2px;">Candidate for<br/>Outside Director</div> <div data-bbox="320 954 515 1043" style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 2px;">Candidate for<br/>Independent<br/>Director</div> <p data-bbox="331 1070 504 1171">Minoru USUI<br/>(April 22,<br/>1955)</p> | <p data-bbox="531 331 1310 398">Nov. 1979: Joined Shinshu Seiki Co., Ltd. (now Seiko Epson Corporation)</p> <p data-bbox="531 405 1310 495">Jun. 2002: Director; Deputy Chief Operating Officer, Imaging &amp; Information Products Operations Division, Seiko Epson Corporation</p> <p data-bbox="531 501 1310 669">Nov. 2004: Director; Deputy General Administrative Manager, Corporate Research &amp; Development Division, and Deputy Chief Operating Officer, Imaging &amp; Information Products Operations Division, Seiko Epson Corporation</p> <p data-bbox="531 676 1310 766">Nov. 2005: Director; General Administrative Manager, Production Engineering &amp; Development Division, Seiko Epson Corporation</p> <p data-bbox="531 772 1310 938">Jul. 2007: Director; General Administrative Manager, Corporate Research &amp; Development Division, and General Administrative Manager, Production Engineering &amp; Development Division, Seiko Epson Corporation</p> <p data-bbox="531 945 1310 1113">Oct. 2007: Managing Director; General Administrative Manager, Corporate Research &amp; Development Division, and General Administrative Manager, Production Engineering &amp; Development Division, Seiko Epson Corporation</p> <p data-bbox="531 1120 1310 1187">Jun. 2008: President and Representative Director; Chief Executive Officer, Seiko Epson Corporation</p> <p data-bbox="531 1193 1310 1261">Apr. 2020: Chairman and Director, Seiko Epson Corporation (incumbent)</p> <p data-bbox="531 1267 1310 1285">Jun. 2021: Director, IHI (incumbent)</p> | 2,000<br>Shares                  |
|                    |  | <div data-bbox="531 1301 1046 1368" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI<br/>Director</div>   |                                  |
|                    |  | <div data-bbox="531 1391 922 1424" style="border: 1px solid black; padding: 2px;">Significant Concurrent Positions</div> <p data-bbox="531 1429 1118 1462">Chairman and Director, Seiko Epson Corporation</p> <p data-bbox="531 1467 1246 1534">*He is not a business executive at Seiko Epson Corporation.<br/>Outside Director, Sumitomo Pharma Co., Ltd.</p>   |                                  |
|                    |  | <div data-bbox="531 1547 1270 1615" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently Serving as<br/>Officer</div> <p data-bbox="531 1619 938 1653">Engaged in Business Execution: 0</p> <p data-bbox="531 1657 991 1675">Not Engaged in Business Execution: 2</p>   |                                  |

#### 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

18 out of 18 (100%)

#### Period in Office

At the conclusion of this meeting, Mr. Minoru Usui will have served 2 years 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 0.02% 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, 2023), which is immaterial. Therefore, this has no impact on his independence.

The Company has registered Mr. Minoru Usui with the Tokyo Stock Exchange (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.



| Candi-<br>date No. | Name<br>(Date of Birth)   | Brief Personal History,<br>Position and Areas of Responsibility at IHI,<br>and Significant Concurrent Positions  | Number<br>of IHI Shares<br>Owned |
|--------------------|---|--|----------------------------------|
| 12                 | <div data-bbox="320 685 515 719" style="border: 1px solid black; padding: 2px; text-align: center;">Reappointment</div> <div data-bbox="320 730 515 790" style="border: 1px solid black; padding: 2px; text-align: center;">Candidate for<br/>Outside Director</div> <div data-bbox="320 801 515 887" style="border: 1px solid black; padding: 2px; text-align: center;">Candidate for<br/>Independent<br/>Director</div> | <p>Apr. 1981: Joined NSK Ltd.</p> <p>Jun. 2008: Vice President; Deputy Head of Corporate Planning Division HQ, NSK Ltd.</p> <p>Jun. 2009: Vice President; Head of Corporate Planning Division HQ, NSK Ltd.</p> <p>Jun. 2010: Senior Vice President; Head of Corporate Planning Division HQ, NSK Ltd.</p> <p>Jun. 2012: Director; Senior Vice President; Head of Corporate Planning Division HQ, NSK Ltd.</p> <p>Jun. 2013: Director; Representative, Executive Vice President; Head of Corporate Strategy Division HQ, NSK Ltd.</p> <p>Jun. 2015: Director; Representative, President and Chief Executive Officer, NSK Ltd.</p> <p>Jun. 2017: Director; Representative, President and Chief Executive Officer, NSK Ltd.</p> <p>Apr. 2021: Chairman of the Board of Directors, NSK Ltd. (incumbent)</p> <p>Jun. 2022: Director, IHI (incumbent)</p> | 200<br>Shares                    |
|                    | <p>Toshihiro<br/>UCHIYAMA<br/>(November 28,<br/>1958)</p>   | <div data-bbox="531 999 1046 1066" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI<br/>Director</div> <div data-bbox="531 1081 927 1122" style="border: 1px solid black; padding: 2px;">Significant Concurrent Positions</div> <p>Director; Chairman, NSK Ltd.<br/>(scheduled to retire in June 2023)<br/>*He is not a business executive at NSK Ltd.<br/>Outside Director, Sapporo Holdings Limited</p> <div data-bbox="531 1267 1270 1339" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently Serving as<br/>Officer</div> <p>Engaged in Business Execution: 0<br/>Not Engaged in Business Execution: 2</p>   |                                  |

#### 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 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. Toshihiro Uchiyama will have served 1 year as outside director of the Company.

#### 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 0.1% of consolidated net sales of NSK Ltd. (for the fiscal year ended March 31, 2023), which is immaterial. Therefore, this has no impact on his independence. The Company has registered Mr. Toshihiro Uchiyama with the Tokyo Stock Exchange (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.

### Proposal No. 3: Election of One (1) Audit & Supervisory Board Member

Approval is hereby requested for the election of one (1) audit & supervisory board member, as follows, since out of the five (5) current audit & supervisory board members, the term of office of Mr. Toshio Iwamoto will expire at the conclusion of this General Meeting of Shareholders.

Consent to submission of this proposal has already been obtained from the Audit & Supervisory Board.

The candidate for the office of audit & supervisory board member is as follows:

| Name<br>(Date of Birth)  | Brief Personal History,<br>and Significant Concurrent Positions   | Number<br>of IHI Shares<br>Owned |
|--|---|----------------------------------|
| Candidate for New<br>Audit &<br>Supervisory Board<br>Member  | Apr. 1985: Joined IBM Japan, Ltd.   | 0<br>Shares                      |
| Candidate for<br>Outside Audit &<br>Supervisory Board<br>Member  | Jan. 2009: Managing Director of Mizuho Financial Group, IBM Japan, Ltd<br>Jan. 2014: Managing Executive Officer of Mizuho Financial Group, IBM Japan, Ltd |                                  |
| Candidate for<br>Independent Audit<br>& Supervisory<br>Board Member  | Sep. 2018: Managing Director of Panasonic Enterprise, IBM Japan, Ltd.<br>Jan. 2023: Advisor, IBM Japan, Ltd. (incumbent)                                  |                                  |
| Kazuhiro<br>MUTO<br><br>(February 14,<br>1963)   | <u>Significant Concurrent Positions</u><br>Advisor, IBM Japan, Ltd.   |                                  |
|  | <u>Number of Other Listed Companies Concurrently Serving as Officer</u><br>Engaged in Business Execution: 0<br>Not Engaged in Business Execution: 0       |                                  |
| <p><u>Reasons for Nomination</u><br/>As a senior executive of a Japanese subsidiary of an IT company operating globally, Mr. Kazuhiro Muto has extensive experience, and broad insight into corporate management in general, including overseas business and the promotion of various measures in response to changes in the business environment. Aiming to have him reflect these qualities in the management audit from an independent perspective, the Company has nominated him as a candidate for outside audit &amp; supervisory board member.</p> <p><u>Policy on Independence</u><br/>The IHI Group has business relationships involving the consignment of system introduction support, etc. with IBM Japan, Ltd., where Mr. Kazuhiro Muto 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 net sales of IBM Japan, Ltd. (for the fiscal year ended March 31, 2023), which is immaterial. Therefore, this has no impact on his independence.<br/>If appointment of Mr. Kazuhiro Muto is approved, the Company plans to register him with the Tokyo Stock Exchange (where the Company is listed) as independent audit &amp; supervisory board member.</p> <p><u>Overview of the Limited Liability Contract</u><br/>If appointment of Mr. Kazuhiro Muto 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.</p> |   |                                  |

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 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.

<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 skills 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 | Human Resources management/development | Finance and accounting | Legal/compliance/risk management |
|---|---------------------|----------------------|-------------------------------------|-----------------|-----------------|--------|--|------------------------|----------------------------------|
| Directors                                 | Tsugio MITSUOKA     | ○                    | ○                                   |                 |                 |        |  |                        | ○                                |
|   | Hiroshi IDE         | ○                    |                                     | ○               | ○               |        |  |                        |                                  |
|   | Masataka IKEYAMA    | ○                    | ○                                   |                 |                 |        |  |                        | ○                                |
|   | Tsuyoshi TSUCHIDA   | ○                    |                                     |                 |                 | ○      |  |                        | ○                                |
|   | Hideo MORITA        |                      | ○                                   |                 |                 |        |  |                        |                                  |
|   | Akihiro SEO         |                      |                                     |                 |                 |        | ○                                      |                        | ○                                |
|   | Jun KOBAYASHI       |                      |                                     | ○               | ○               |        |  |                        |                                  |
| Outside Directors                         | Yasuaki FUKUMOTO    |                      |                                     |                 |                 |        |  | ○                      |                                  |
|   | Yoshiyuki NAKANISHI | ○                    |                                     | ○               | ○               |        |  |                        |                                  |
|   | Chieko MATSUDA      |                      |                                     |                 |                 |        | ○                                      | ○                      | ○                                |
|   | Minoru USUI         | ○                    | ○                                   | ○               |                 |        |  |                        |                                  |
| Audit & Supervisory Board Members         | Toshihiro UCHIYAMA  | ○                    |                                     | ○               | ○               |        |  |                        |                                  |
|   | Takashi NIIMURA     |                      |                                     |                 | ○               |        |  |                        | ○                                |
| Outside Audit & Supervisory Board Members | Seiji MARUYAMA      |                      |                                     |                 |                 |        |  | ○                      |                                  |
|   | Aiko SEKINE         |                      |                                     |                 |                 |        |  | ○                      |                                  |
|   | Yumiko WASEDA       |                      |                                     |                 |                 |        |  |                        | ○                                |
|   | Kazuhiro MUTO       |                      |                                     | ○               | ○               | ○      |  |                        |                                  |

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

## Basic Views on Governance

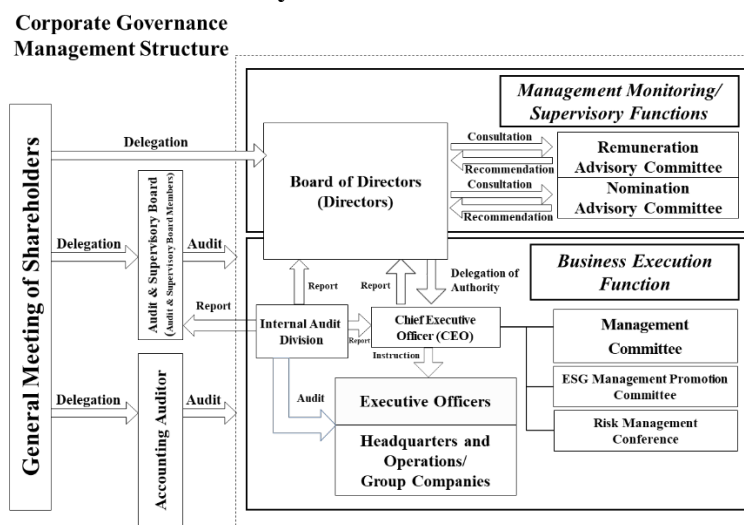
The Company defines corporate governance as a system that assures sustainable growth and maximization of corporate value by enhancing management efficiency so that the Company can leverage its innate capabilities to the fullest extent possible. To achieve this, the Company targets efficient and appropriate 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 24 executive officers (six (6) of whom are executive officers who concurrently serve as director). If Proposals No. 2 and No. 3 are approved in their original forms, 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 24 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 &amp; 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"> <li>• 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)</li> <li>• 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)</li> <li>• Major lenders to the Company (as listed in the business report for the most recent fiscal year)</li> </ul> |
| (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 &amp; 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 &amp; 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, 2022 to March 31, 2023)

### **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, the outlook for the global economy remained uncertain due to heightened geopolitical risks, such as the lengthening of the Russian invasion upon Ukraine, and inflation and monetary tightening policies internationally. In the Japanese economy, as economic activities normalize after COVID-19, the economy is gradually recovering, although it is still affected by global inflation.

In the IHI Group's main business, the civil aero engines business, although affected by the supply chain disruptions, the aftermarket, including sales of spare parts, has been generally steady along with the recovery in demand for aero transportation which had been depressed by COVID-19. In the vehicular turbocharger business, although the shortage of semiconductors is being resolved, the production volume in the automobile industry is only recovering moderately due to concerns about the risk of a global economic slowdown. In the IHI Group's businesses as a whole, although the soaring prices of raw materials has affected the profitability of many of its business, we addressed to reflect that in sales prices and improve construction profitability.

Under the "Project Change" initiative, the IHI Group has positioned the period through FY2022 as a period of preparation for business reforms in response to changes in the business environment, and has been working to return to a growth trajectory and create growth businesses. In the fiscal year under review, the final fiscal year of the initiative, the IHI Group has further promoted the expansion of lifecycle businesses, steadily reflected the prolonged sharp rise in raw material prices in sales prices, and improved the construction profitability.

- **Operating Results**

For the IHI Group's operating results during the fiscal year ended March 31, 2023, orders received increased 8.3% from the previous fiscal year to 1,366.1 billion yen and revenue increased 15.3% from the previous fiscal year to 1,352.9 billion yen.

In terms of profit, operating profit increased by 4.0 billion yen to 81.9 billion yen due to increased sales of spare parts and improved profitability in the civil aero engines business, increased revenue of nuclear power-related components, and improved profitability in the carbon solutions business, as well as the effect of yen depreciation, despite decreased profit due to the recording of gain on sales of assets in the previous fiscal year and the effect caused by the soaring prices of raw materials. Both revenue and operating profit increased in all of the business areas. On the other hand, profit before tax decreased by 22.7 billion yen to 64.8 billion yen, mainly due to the recording of share of loss of investments accounted for using equity method and foreign exchange losses. Profit attributable to owners of parent decreased by 21.5 billion yen to 44.5 billion yen.

[Earnings Highlights (Consolidated)] IFRS

|   | 205 <sup>th</sup> Fiscal Year | 206 <sup>th</sup> Fiscal Year | Change |
|---|-------------------------------|-------------------------------|--------|
|   | Amount<br>(Billions of yen)   | Amount<br>(Billions of yen)   |        |
| Orders Received                         | 1,261.2                       | 1,366.1                       | 8.3%   |
| Revenue                                 | 1,172.9                       | 1,352.9                       | 15.3%  |
| Operating Profit                        | 81.4                          | 81.9                          | 0.6%   |
| Profit before tax                       | 87.6                          | 64.8                          | △26.0% |
| Profit Attributable to Owners of Parent | 66.0                          | 44.5                          | △32.6% |
| Order Backlog                           | 1,265.0                       | 1,299.4                       | 2.7%   |

- **Interim Dividend**

The Company's interim dividend for the first half of the fiscal year under review was 40 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
- Nuclear power (components for nuclear power plants)

The movement toward carbon neutrality is accelerating in many countries around the world. Efforts to move away from fossil fuels and eliminate CO<sub>2</sub> emissions are not limited to the energy sector, such as electricity and gas, but are also spreading to the industrial sector, such as steel and chemicals.

In the Resources, Energy and Environment Business area, the IHI Group is developing lifecycle businesses that contribute to reducing the environmental impact, such as increasing the efficiency of existing energy and industrial infrastructures and improving maintenance efficiency by utilizing digital technology. We are also building infrastructure to promote the use of ammonia, which does not emit CO<sub>2</sub> during combustion, and promoting carbon recycling technology, including methanation. Through these initiatives, we will contribute to the stable supply of energy and the transition to a carbon neutral society.

## ○ 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, the national land resilience policy continues to be implemented as a countermeasure against aging infrastructure and worsening natural disasters, and further promotion of maintenance, repair, and conservation of bridges and flood control measures in watersheds is required. Furthermore, to address the normalized shortage of workers in the construction sector, the improvement of productivity by promoting labor-saving, automation, and DX has become an urgent issue.

In this business area, the IHI Group will work to provide strong and sustainable social infrastructure systems internally and globally by expanding its lifecycle businesses to increase value for customers in the fields of conservation, disaster prevention, and disaster mitigation, including bridge replacement and seismic reinforcement works, and sophisticated water management for dams and rivers using digital technology.

## ○ Industrial System and General-Purpose Machinery

### **Main Businesses**

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

In the industrial sector, it is an urgent issue for customers to reduce CO2 emissions to become carbon neutral and to save labor due to a shrinking workforce. Moreover, the movement toward local production for local consumption, in which supply chains that have been fragmented by the emergence of geopolitical risks are completed in each region or country, is advancing.

In this business area, the IHI Group will focus on the lifecycle of its customers' business activities, propose new value that transcends the boundaries of existing businesses, and promote the development of new services that utilize its advanced digital infrastructure. By doing so, we will contribute to solving social issues such as decarbonization and labor-saving and to building industrial infrastructures that meet the characteristics of each country and region.

○ **Aero Engine, Space and Defense**

**Main Businesses**

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

In the civil aero engines business, revenue in the aftermarket continues to recover due to a recovery in global passenger demand as well as the superiority of our aero engines in terms of fuel efficiency and operating costs. In the defense and space businesses, we are working to create new value in response to the increased budget for defense sector and market expansion in the space industry.

In this business area, the IHI Group will further promote the enhancement of its cost structure, such as by increasing productivity through DX, and will also strengthen its response in the aftermarket realm, in order to give every possible support to its customers' aircraft operations. In addition, we will promote the development of new engines with higher efficiency and lower fuel consumption by evolving our unique technology and Monozukuri (manufacturing) capabilities. Furthermore, we will take initiatives with a view to future adoption of electrification and SAF(sustainable aviation fuels).



## **(2) Issues to be Addressed**

### **(I) Outcomes of “Project Change”**

In order to respond to changes in the business environment, including the spread of COVID-19, the IHI Group launched “Project Change” in 2020, and has worked to return to a growth trajectory and create growth businesses.

As for returning to a growth trajectory, the IHI Group achieved the highest ever level of operating profit by expanding its lifecycle businesses and enhancing its cost structure. In particular, with regard to the expansion of its lifecycle businesses, on which the IHI Group focused its efforts, the IHI Group was able to achieve results that exceeded its initial goal of increasing revenue of the target by 30% compared to FY2019. As for the creation of growth businesses, the IHI Group has started full-scale efforts to develop a new business model, the ammonia value chain business, with the aim of creating a growth business that will be twinned with the aero-engine business.

### **(II) “Group Management Policies 2023”**

Although the IHI Group is getting ready for preparation toward business reforms through “Project Change,” an unstable social environment, including heightened geopolitical risks, has become the norm. Despite these circumstances, the IHI Group has launched a medium-term management plan, “Group Management Policies 2023,” starting from FY2023, with the aim of realizing (i) business transformation to achieve sustainable high growth and (ii) transformation into a corporate structure capable of responding to changes in the environment.

#### **(i) Business transformation to achieve sustainable high growth**

In order to solve social issues through its business and achieve sustainable high growth for both society and the IHI Group, it is important to provide value throughout the lifecycle of customers’ businesses and to enhance value by building a value chain. The “Group Management Policies 2023” divide its business into the following three categories, all of which will be approached with a strong awareness of lifecycles and value chains.

- **Growth businesses: aero-engine and rocket fields**

The IHI Group positioned the aero-engine and rocket fields as businesses that will drive the growth of the IHI Group.

In addition to strengthening the aero-engine business and the rocket business, including the defense sector, the IHI Group will expand its business with an awareness of lifecycles and value chains such as weight reduction and electrification of equipment and airframes, development of SAF fuel to realize environmentally friendly and economically efficient aircraft, and utilization of space, ground, and undersea data acquired during rocket launches.

- **Development businesses: clean energy field**

The IHI Group will work to develop the clean energy field into a business that will be the twin of the aero-engine and rocket fields and a growth driver for the IHI Group.

The IHI Group is a world leader in ammonia combustion technologies, and going forward, the IHI Group will strive to contribute to society and customers by building an ammonia value chain that includes storage and transportation. The IHI Group will also work to create new business models, such as investing in fuel production projects.

- Core businesses:

The IHI Group continued to position the business areas of Resources, Energy and Environment, Social Infrastructure, and Industrial Systems and General-Purpose Machinery as the core of the IHI Group.

These businesses will not be an extension of its existing businesses, however, will provide more advanced services to customers by getting deeper into their lifecycle and feeding back the knowledge the IHI Group gains from this process.

In addition, in order to generate cash and other management resources to be invested in growth businesses and development businesses, the IHI Group will further improve operational efficiency by reforming business processes and utilizing digital infrastructure.

- (ii) Transformation into a corporate structure capable of responding to changes in the environment

It is important to acquire and train human resources who can realize the transformation of the corporate structure in order to promote business reforms. The IHI Group will foster a corporate culture in which employees are able to fully demonstrate their abilities by acquiring expertise and management skills on a global level through means such as reskilling, and by improving engagement and wellbeing. In addition, the IHI Group will continue to work on the advancement of its digital infrastructure, which is indispensable for business reforms.

Under the “Group Management Policies 2023,” the IHI Group plans to invest 500.0 billion yen over a three-year period, focusing on growth businesses and development businesses. We are determined to meet the expectations of our shareholders, and we would like to ask for your continued understanding and support.

**Management targets of Group Management Policies 2023 (FY2025)**

| Operating Margin | ROIC after tax | CCC      | Return to Shareholders   |
|------------------|----------------|----------|--|
| 7.5%             | 8% or more     | 100 days | Aiming for a consolidated dividend payout ratio of 30% based on a basic policy of stable dividends |

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

\* CCC (Cash Conversion Cycle) = Working capital / Revenue x 365 days

**Forecasts of Consolidated Results for Fiscal 2023 and Dividend Forecast**

On May 9, 2023, the Company announced its forecasts of full-year consolidated results for fiscal 2023 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 <sup>th</sup> Fiscal Year (IFRS) |                  |                   |   | (Billions of yen)   |
|--------------------------------------|------------------|-------------------|---|---|
| Revenue                              | Operating Profit | Profit before tax | Profit Attributable to Owners of Parent | Annual Dividend   |
| 1,450.0                              | 90.0             | 85.0              | 50.0                                    | 100 yen per share<br>(Interim: 50 yen,<br>Year-end: 50 yen) |

**(3) Financing**

(Millions of Yen)

| Item                                | YoY Increase / Decrease | Balance at End of Period |
|-------------------------------------|-------------------------|--------------------------|
| Short-term and long-term borrowings | 1,492                   | 313,887                  |
| Commercial papers                   | -                       | -                        |
| Bonds payable                       | 19,962                  | 79,774                   |
| Total                               | 21,454                  | 393,661                  |

**(4) Capital Investment**

Total capital investment for the fiscal year under review was 61.1 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 plant and office facilities for the bridges/water gates business, and; rental facility construction work mainly pertaining to investment real estate for the urban development business.

**(5) Changes in Assets and Profit/Loss**

(Millions of Yen)

| Item  | 203 <sup>rd</sup><br>Fiscal Year |           | 204 <sup>th</sup><br>Fiscal Year | 205 <sup>th</sup><br>Fiscal Year | 206 <sup>th</sup><br>Fiscal Year |
|---|----------------------------------|-----------|----------------------------------|----------------------------------|----------------------------------|
|   | J-GAAP                           | IFRS      | IFRS                             | IFRS                             | IFRS                             |
| Orders Received   | 1,373,995                        | 1,280,052 | 1,097,012                        | 1,261,252                        | 1,366,172                        |
| Net Sales / Revenue   | 1,386,503                        | 1,263,178 | 1,112,906                        | 1,172,904                        | 1,352,940                        |
| Profit Attributable to Owners of Parent / Profit Attributable to Owners of Parent       | 12,812                           | 8,204     | 13,093                           | 66,065                           | 44,545                           |
| Earnings per Share / Basic Earnings per Share (Yen)                                     | 84.21                            | 53.93     | 88.13                            | 439.77                           | 294.48                           |
| Total Assets  | 1,740,782                        | 1,869,038 | 1,832,891                        | 1,879,673                        | 1,941,964                        |
| Net Assets / Total Equity   | 353,746                          | 306,040   | 327,727                          | 407,039                          | 456,251                          |
| ROE (Return on Equity) / Profit to Equity Attributable to Owners of Parent (Note 2) (%) | 3.8                              | 2.8       | 4.5                              | 19.3                             | 11.0                             |

(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)

**(6) Main lenders of Corporate Group (As of March 31, 2023)**

(Millions of Yen)

| Lender                              | Amount |
|-------------------------------------|--------|
| Mizuho Bank, Ltd.                   | 47,392 |
| Sumitomo Mitsui Trust Bank, Limited | 31,510 |
| Sumitomo Mitsui Banking Corporation | 30,449 |
| Development Bank of Japan           | 26,500 |
| MUFG Bank, Ltd.                     | 14,500 |
| The Hachijuni Bank, Ltd.            | 12,866 |
| The Yamaguchi Bank, Ltd.            | 12,098 |
| The Hiroshima Bank, Ltd.            | 11,687 |
| Resona Bank, Limited                | 11,366 |
| THE NISHI-NIPPON CITY BANK, LTD.    | 9,194  |

**(7) Main Sales Offices and Works (As of March 31, 2023)**

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

(Note) Locations of main subsidiaries of the Company are as provided in “(9) Main Subsidiaries.”

**(8) Employees (As of March 31, 2023)**

| Business Segment                                 | Number of Employees |
|--|---------------------|
| Resources, Energy and Environment                | 6,626               |
| Social Infrastructure and Offshore Facilities    | 2,344               |
| Industrial Systems and General-Purpose Machinery | 9,645               |
| Aero Engine, Space and Defense                   | 7,010               |
| Others   | 1,802               |
| Corporate (Company-Wide)                         | 1,059               |
| Total  | 28,486              |

(315 decrease compared to March 31, 2022)

**(9) Main Subsidiaries (As of March 31, 2023)**

| Company Name                                    | Location          | Capital                    | Voting Interest of the Company (Note 1) | Main Business  |
|---|-------------------|----------------------------|---|--|
| Resources, Energy and Environment Business Area |                   |                            |   |  |
| IHI Power Systems Co., Ltd. (Note 2)            | Chiyoda-ku, Tokyo | 3,000 Million Yen          | 100.00 %                                | Manufacture And Sale Of Internal Combustion Engines, Gas Turbine Engines And Marine Equipment  |
| 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 Power Generation Corporation                | U.S.A.            | 38,250 Thousand US Dollars | 100.00 %                                | Investment In Biomass Power Generation Business  |

| Company Name   | Location                        | Capital                                    | Voting Interest of the Company (Note 1) | Main Business  |
|--|---------------------------------|--|---|--|
| <b>Resources, Energy and Environment Business Area</b>           |                                 |  |   |  |
| Jurong Engineering Limited                                       | Singapore                       | 51,788<br>Thousand<br>Singapore<br>Dollars | 95.56<br>%                              | Installation Of Various Types Of Plants And Facilities/Equipment, Engineering And Consulting Of Architectural Work And Civil Engineering And Plants  |
| IHI E&C International Corporation                                | U.S.A.                          | 21,257<br>Thousand<br>Us Dollars           | 100.00<br>%                             | Feasibility Study, Front End Engineering Design, And Engineering, Procurement, And Construction Businesses In Oil And Gas Field  |
| IHI SOLID BIOMASS MALAYSIA SDN.BHD.                              | Malaysia                        | 25,400<br>Thousand<br>Malaysian<br>Ringgit | 100.00<br>%                             | Fuel Production, Sales And Exports In Malaysia   |
| <b>Social Infrastructure and Offshore Facility Business Area</b> |                                 |  |   |  |
| IHI Infrastructure Systems Co., Ltd. (Note 3)                    | Sakai-ku,<br>Sakai-city         | 1,000<br>Million<br>Yen                    | 100.00<br>%                             | Design, Manufacture, Sale, Maintenance And Repair Of Bridges, Water Gates, Etc.  |
| Niigata Transys Co., Ltd.  | Kitakanbara-<br>gun,<br>Niigata | 1,000<br>Million<br>Yen                    | 100.00<br>%                             | Manufacture And Sale Of Rolling Stock, Industrial Vehicles And Machines For Snow Removal   |
| IHI INFRASTRUCTURE ASIA CO., LTD.                                | Vietnam                         | 542,638<br>Million<br>Vietnamese<br>Dong   | 100.00<br>%                             | Engineering, Manufacture, Installation And Maintenance Of Steel Structures And Concrete Structures, In Addition To Manufacture And Installation Of Construction And Industrial Machineries |
| <b>Social Infrastructure and Offshore Facility Business Area</b> |                                 |  |   |  |



| Company Name  | Location                  | Capital                          | Voting Interest of the Company (Note 1) | Main Business  |
|---|---------------------------|----------------------------------|---|--|
| I&H Engineering Co., Ltd.                                     | Myanmar                   | 12,238<br>Thousand<br>Us Dollars | 60.00<br>%                              | Design, Engineering, Manufacture And Construction Services Of Concrete Products  |
| Industrial System and General-Purpose Machinery Business Area |                           |                                  |   |  |
| IHI Transport Machinery Co., Ltd.                             | Chuo-ku,<br>Tokyo         | 2,647<br>Million<br>Yen          | 100.00<br>%                             | Design, Manufacture, Sale, Installation, Maintenance, And Repair Of Parking Systems, Materials Handling Equipment, And Transport And Distribution Plants     |
| IHI Agri-Tech Corporation                                     | Chitose-city,<br>Hokkaido | 1,111<br>Million<br>Yen          | 100.00<br>%                             | 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<br>Million<br>Yen          | 100.00<br>%                             | Design, Manufacture, Sale, Installation, Maintenance And Repair Of Compressors, Separators, Superchargers, Etc., For Ships                                   |
| IHI Turbo Co., Ltd. (Note 4)                                  | Koto-ku, Tokyo            | 1,000<br>Million<br>Yen          | 100.00<br>%                             | Manufacture Of Vehicular Turbochargers   |
| Industrial System and General-Purpose Machinery Business Area |                           |                                  |   |  |

| Company Name   | Location       | Capital   | Voting Interest of the Company (Note 1) | Main Business  |
|--|----------------|---|---|--|
| 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 |
| 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 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  |
| IHI-Sullair Compression Technology (Suzhou) Co., Ltd.                | China          | 55,465 Thousand Chinese Yuan                    | 51.00 %                                 | Manufacture, Sale And Service Of General-Purpose Turbo Compressors   |
| <b>Industrial System and General-Purpose Machinery Business Area</b> |                |   |   |  |
| 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  |

| Company Name                                 | Location       | Capital                           | Voting Interest of the Company (Note 1) | Main Business   |
|--|----------------|-----------------------------------|---|---|
| Aero Engine, Space and Defense Business Area |                |                                   |   |   |
| IHI AEROSPACE CO., LTD.                      | Koto-ku, Tokyo | 5,000 Million Yen                 | 100.00 %                                | Manufacture, Sale, And Repair Of Space Development Equipment And Vehicles   |
| IHI Aero Engines US Co., Ltd. (Note 5)       | U.S.A.         | 0 Thousand US Dollars             | 89.50 %                                 | Investment In Civil Aircraft Engine Program   |
| Other Business Area                          |                |                                   |   |   |
| IHI INC.                                     | U.S.A.         | 92,407 Thousand US Dollars        | 100.00 %                                | Maintenance Of Gas Turbines, Sale Of Industrial Equipment, Purchase And Sale Agent  |
| ALPHA Automotive Technologies LLC            | Russia         | 1,558,653 Thousand Russian Ruble  | 83.11 %                                 | Production And Sale Of Automotive Panels  |
| IHI ASIA PACIFIC PTE. LTD.                   | Singapore      | 22,459 Thousand Singapore Dollars | 100.00 %                                | Order Procurement, Business Support, Purchase And Sale Agent (Regional Headquarters)  |
| 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   |
| 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)  |
| Other Business Area                          |                |                                   |   |   |
| 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) |

(Notes)

1. The Voting Interests of the Company include indirectly owned portions.
2. Business related to marine large bore engines and its incidental business were succeeded to IPS Aioi Co., Ltd., a wholly-owned subsidiary of IHI Power Systems Co., Ltd., by an absorption-type company split on April 1, 2023. Also, the shares of IPS Aioi Co., Ltd. were transferred to MITSUI E&S Co., Ltd. on the same day.
3. The business related to water gates/steel pipes (excluding water pipe bridges) and vibration control/vibration isolation/disaster prevention was succeeded to IHI Construction Service Co., Ltd., a wholly-owned subsidiary of IHI Infrastructure Systems Co., Ltd., by an absorption-type company split on April 1, 2023.
4. The company is a specified subsidiary.
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, 2023)

| 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<br>In Charge of Risk Management<br>General Manager of Corporate Strategy Headquarters  |
| Representative Director; Senior Executive Officer              | Takeshi YAMADA      | Assistant to the President<br>In Charge of Group Finance & Accounting<br>In Charge of Business Relating to Corporate Planning, and Corporate Communication  |
| Representative Director; Senior Executive Officer              | Masataka IKEYAMA    | Assistant to the President<br>In Charge of Economic Security<br>In Charge of Group Quality Assurance<br>In Charge of Business Relating to Procurement, Information Management   |
| Director; Managing Executive Officer                           | Takeshi KAWAKAMI    | In charge of <i>Monozukuri</i> System Strategy<br>President of Social Infrastructure & Offshore Facilities Business Area  |
| Director; Managing Executive Officer                           | Yasuhiro SHIGEGAKI  | In Charge of Production Base Strategy<br>President of Industrial Systems & General-Purpose Machinery Business Area  |
| Director; Managing Executive Officer                           | Hideo MORITA        | President of Aero Engine, Space & Defense Business Area   |
| Director; Managing Executive Officer                           | Akihiro SEO         | In Charge of Human Resources and Labor<br>In Charge of Group Safety and Health<br>In Charge of ESG<br>General Manager of Human Resources Division   |
| Director   | Yoshiyuki NAKANISHI | Outside Director, THE JAPAN STEEL WORKS, LTD.<br>Outside Director, SHIMADZU CORPORATION   |
| Director   | Chieko MATSUDA      | Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University<br>Professor, Graduate School of Management, Tokyo Metropolitan University<br>Non-Executive Director of the Board, Kirin Holdings Company, Limited |

| Title And Position                        | Name                  | Responsibilities And Significant Concurrent Position(s)   |
|---|-----------------------|---|
| Director                                  | Minoru<br>USUI        | Chairman and Director, Seiko Epson Corporation<br>Outside Director, Sumitomo Pharma Co., Ltd.   |
| Director                                  | Toshihiro<br>UCHIYAMA | Director; Chairman, NSK Ltd.<br>Outside Director, Sapporo Holdings Limited  |
| Standing Audit & Supervisory Board Member | Takashi<br>NIIMURA    |   |
| Standing Audit & Supervisory Board Member | Seiji<br>MARUYAMA     |   |
| Audit & Supervisory Board Member          | Toshio<br>IWAMOTO     | Chief Corporate Advisor, NTT DATA Corporation<br>Outside Director, Daiwa Securities Group Inc.<br>Outside Director, East Japan Railway Company  |
| Audit & Supervisory Board Member          | Aiko<br>SEKINE        | Certified Public Accountant<br>Advisor, JICPA<br>Professor, Faculty of Commerce, Waseda University<br>Outside Director, ORIX Corporation<br>Outside Audit & Supervisory Board Member, Sumitomo Riko Company Limited |
| Audit & Supervisory Board Member          | Yumiko<br>WASEDA      | Attorney at Law<br>Outside Audit & Supervisory Board Member, Chugai Pharmaceutical Co., Ltd.<br>Executive Director, Japan Law Foundation  |

(Notes)

1. Director: Messrs. Yoshiyuki Nakanishi, Minoru Usui, Toshihiro Uchiyama 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. Yoshiyuki Nakanishi, Minoru Usui, Toshihiro Uchiyama and Ms. Chieko Matsuda and Audit & Supervisory Board Members Mr. Toshio Iwamoto, Meses. Aiko Sekine and Yumiko Waseda with the Tokyo Stock Exchange (where the Company is listed) as independent directors and independent audit & supervisory board members, respectively.
6. There is no special relationship between the Company and other entities at which each outside director/outside audit & supervisory board member has concurrent positions.

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

At its Board of Directors' meeting held on May 9, 2023, 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) Remuneration of Officers Who Are Serving Outside Japan

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

(v) 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 FY2022

### (I) Total Amount of Remuneration, etc. Paid and Number of Recipients in FY2022 (Millions of yen)

| Officer Category                        |  | Total Amount Paid<br>(Millions of Yen) | Breakdown      |   |                            |
|---|--|--|----------------|---|----------------------------|
|   |  |  | Base<br>Amount | Performance-Based Remuneration,<br>etc.     |                            |
|   |  |  |                | Performance-<br>Based Share<br>Remuneration | Performance-Based<br>Bonus |
| Director (15)                           | Inside Director<br>(10)                                | 613                                    | 362            | 141   | 110                        |
|   | Outside Director<br>(5)                                | 55                                     | 55             | –   | –                          |
| Audit & Supervisory<br>Board Member (5) | Inside Audit &<br>Supervisory<br>Board Members<br>(2)  | 72                                     | 72             | –   | –                          |
|   | Outside Audit &<br>Supervisory<br>Board Members<br>(3) | 41                                     | 41             | –   | –                          |
| Total (20)                              |  | 782                                    | 531            | 141   | 110                        |

(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 6.3%.
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 25.6 billion yen, and consolidated operating cash flow amounted to 44.4 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 as of March 31, 2023 are 12 (including 4 outside directors). The reason for the discrepancy from the above is that figures in the chart include 3 directors who retired at the conclusion of the 205<sup>th</sup> Ordinary General Meeting of Shareholders held on June 23, 2022.
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) System for Executing Business Operations as of April 1, 2023**

| Title and Position   | Name                  | Responsibilities  |
|--|-----------------------|---|
| Representative Director and Chairman of the Board                | Tsugio<br>MITSUOKA    |   |
| Representative Director and President<br>Chief Executive Officer | Hiroshi<br>IDE        |   |
| Representative Director<br>Senior Executive Officer              | Masataka<br>IKEYAMA   | In Charge of Group Economic Security<br>In Charge of Group Quality Assurance /Design Process  |
| Director   | Takeshi<br>YAMADA     | In Charge of Special Mission from the President   |
| Director<br>Managing Executive Officer                           | Takeshi<br>KAWAKAMI   | President of Social Infrastructure Business Area  |
| Director<br>Managing Executive Officer                           | Yasuhiro<br>SHIGEGAKI | President of Industrial Systems & General-Purpose Machinery Business Area   |
| Director<br>Managing Executive Officer                           | Hideo<br>MORITA       | President of Aero-Engine, Space & Defense Business Area   |
| Director<br>Managing Executive Officer                           | Akihiro<br>SEO        | In Charge of Group Human Resources / Business Relating to Administration, Group Safety and Health, Group ESG<br>General Manager of Human Resources Division |
| Senior Executive Officer   | Tsuyoshi<br>TSUCHIDA  | In Charge of Group Procurement, Group DX<br>In Charge of Business Relating to Corporate Planning Division   |
| Managing Executive Officer                                       | Yoshinori<br>KOMIYA   | General Manager of Intelligent Information Management Headquarters  |
| Managing Executive Officer                                       | Kouji<br>TAKEDA       | President of Resources, Energy and Environment Business Area  |
| Managing Executive Officer                                       | Nobuhiko<br>KUBOTA    | In Charge of Group Engineering<br>General Manager of Technology & Intelligence Integration  |
| Managing Executive Officer                                       | Noriko<br>MORIOKA     | General Manager of Corporate Strategy Headquarters  |
| Managing Executive Officer                                       | Jun<br>KOBAYASHI      | General Manager of Business Development Headquarters  |
| Executive Officer  | Kiyoshi<br>NIHEI      | In Charge of Group Operations<br>General Manager of Marketing & Sales Headquarters  |
| Executive Officer  | Kazuhiro<br>ONITSUKA  | Vice President of Industrial Systems & General-Purpose Machinery Business Area  |
| Executive Officer  | Yukihisa<br>OZAWA     | Vice President of Resources, Energy and Environment Business Area   |
| Executive Officer  | Go<br>MAEDA           | General Manager of Project Risk Management Division   |
| Executive Officer  | Shotaro<br>TABATA     | Vice President of Industrial Systems & General-Purpose Machinery Business Area  |

| Title and Position | Name                | Responsibilities  |
|--------------------|---------------------|---|
| Executive Officer  | Yoshikazu<br>HAMADA | In Charge of Business Relating to Shareholder Meeting / Board of Directors<br>In Charge of Group Legal Affairs, Group Compliance<br>General Manager of Legal Division |
| Executive Officer  | Yasuaki<br>FUKUMOTO | In Charge of Group Finance & Accounting<br>General Manager of Finance & Accounting Division   |
| Executive Officer  | Chie<br>FUKUOKA     | Deputy General Manager of Technology & Intelligence Integration   |
| Executive Officer  | Atsushi<br>SATO     | Vice President of Aero-Engine, Space & Defense Business Area  |
| Executive Officer  | Takao<br>TANAKA     | Vice President of Resources, Energy and Environment Business Area   |
| Executive Officer  | Kazuya<br>UEDA      | Vice President of Social Infrastructure Business Area<br>Representative Director and President, IHI Infrastructure Systems Co., Ltd.                                  |
| Executive Officer  | Bernd<br>BAHLKE     | Deputy General Manager of Business Development Headquarters   |

**(4) Information Regarding Outside Directors and Outside Audit & Supervisory Board Members (as of March 31, 2023)**

- 1) 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 | Yoshiyuki<br>NAKANISHI | 18 of 18<br>(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<br>MATSUDA      | 17 of 18<br>(94%)           | –                                  | 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. |

| Position                         | Name               | Attendance at Meetings      |                                    | Activities  |
|----------------------------------|--------------------|-----------------------------|------------------------------------|---|
|                                  |                    | Board of Directors Meetings | Audit & Supervisory Board Meetings |   |
| Director                         | Minoru USUI        | 18 of 18<br>(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. |
| Director                         | Toshihiro UCHIYAMA | 14 of 14<br>(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 machinery manufacturer.   |
| Audit & Supervisory Board Member | Toshio IWAMOTO     | 18 of 18<br>(100%)          | 13 of 13<br>(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        | 18 of 18<br>(100%)          | 13 of 13<br>(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      | 17 of 18<br>(94%)           | 13 of 13<br>(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. Toshihiro Uchiyama considers only the Board of Directors meetings held after his assumption as director.

## 2) 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 or her 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.

**(5) Information Regarding Directors and Officers (D&O) Liability Insurance Contract**

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, 2023)

- |    |   |                                       |
|----|---|---------------------------------------|
| 1) | Total Number of Shares Authorized to be Issued: | 300,000,000                           |
| 2) | Total Number of Shares Issued:                  | 151,880,647                           |
|    |   | (Excluding 2,799,307 Treasury Shares) |
| 3) | Total Number of Shareholders:                   | 97,089                                |
| 4) | Major Shareholders (Top 10 Shareholders)        |                                       |

| Name   | Number of shares held<br>(Thousand shares) | Shareholding ratio (%) |
|--|--|------------------------|
| The Master Trust Bank of Japan (Holder in Trust)   | 21,952                                     | 14.45                  |
| Custody Bank of Japan, Ltd. (Holder in Trust)  | 12,339                                     | 8.12                   |
| Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd. | 3,218                                      | 2.11                   |
| STATE STREET BANK AND TRUST COMPANY 505001   | 3,124                                      | 2.05                   |
| IHI Suppliers Stock Ownership Association  | 2,774                                      | 1.82                   |
| The Dai-ichi Life Insurance Company, Limited   | 2,703                                      | 1.77                   |
| IHI Employee Stock Ownership Association   | 2,600                                      | 1.71                   |
| Sumitomo Life Insurance Company  | 2,284                                      | 1.50                   |
| JPMorgan Securities Japan Co., Ltd.  | 1,845                                      | 1.21                   |
| Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.   | 1,696                                      | 1.11                   |

#### (Notes)

- Voting rights for 3,218,000 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.
- Shareholding ratios are calculated without including total number of treasury shares (2,799,307 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.
- The Company holds 2,799,307 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 (13) | 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<br>(Date Of Decision)  | Number Of<br>Share<br>Acquisition<br>Rights | Class And Number Of<br>Shares Underlying Share<br>Acquisition Rights | Amount To Be Paid In<br>(Per Share Acquisition<br>Right) | Value Of Property To<br>Be Contributed Upon<br>Exercise<br>(Per Share Acquisition<br>Right) | Exercise<br>Period                               |
|---|---|--|--|---|--|
| 1 <sup>st</sup><br>Share Acquisition<br>Rights<br>(July 23, 2007) | 0   | Ordinary Share<br>0 Shares   | 462,000 Yen  | 100 Yen   | From August<br>10, 2007 to<br>August 9,<br>2037  |
| 2 <sup>nd</sup><br>Share Acquisition<br>Rights<br>(July 22, 2008) | 0   | Ordinary Share<br>0 Shares   | 185,000 Yen  | 100 Yen   | From August<br>19, 2008 to<br>August 18,<br>2038 |
| 3 <sup>rd</sup><br>Share Acquisition<br>Rights<br>(July 21, 2009) | 0   | Ordinary Share<br>0 Shares   | 165,000 Yen  | 100 Yen   | From August<br>6, 2009 to<br>August 5,<br>2039   |
| 4 <sup>th</sup><br>Share Acquisition<br>Rights<br>(July 23, 2010) | 23  | Ordinary Share<br>2,300 Shares                                       | 154,000 Yen  | 100 Yen   | From August<br>10, 2010 to<br>August 9,<br>2040  |
| 5 <sup>th</sup><br>Share Acquisition<br>Rights<br>(July 25, 2011) | 17  | Ordinary Share<br>1,700 Shares                                       | 178,000 Yen  | 100 Yen   | From August<br>18, 2011 to<br>August 17,<br>2041 |
| 6 <sup>th</sup><br>Share Acquisition<br>Rights<br>(July 23, 2012) | 21  | Ordinary Share<br>2,100 Shares                                       | 159,000 Yen  | 100 Yen   | From August<br>17, 2012 to<br>August 16,<br>2042 |
| 7 <sup>th</sup><br>Share Acquisition<br>Rights<br>(July 22, 2013) | 12  | Ordinary Share<br>2,100 Shares                                       | 376,000 Yen  | 100 Yen   | From August<br>22, 2013 to<br>August 21,<br>2043 |

| Name<br>(Date Of Decision)   | Number Of<br>Share<br>Acquisition<br>Rights | Class And Number Of<br>Shares Underlying Share<br>Acquisition Rights | Amount To Be Paid In<br>(Per Share Acquisition<br>Right) | Value Of Property To<br>Be Contributed Upon<br>Exercise<br>(Per Share Acquisition<br>Right) | Exercise<br>Period                               |
|--|---|--|--|---|--|
| 8 <sup>th</sup><br>Share Acquisition<br>Rights<br>(July 22, 2014)  | 19  | Ordinary Share<br>2,700 Shares                                       | 440,000 Yen  | 100 Yen   | From August<br>12, 2014 to<br>August 11,<br>2044 |
| 9 <sup>th</sup><br>Share Acquisition<br>Rights<br>(July 21, 2015)  | 14  | Ordinary Share<br>2,000 Shares                                       | 413,000 Yen  | 100 Yen   | From August<br>11, 2015 to<br>August 10,<br>2045 |
| 10 <sup>th</sup><br>Share Acquisition<br>Rights<br>(July 25, 2016) | 77  | Ordinary Share<br>9,500 Shares                                       | 278,000 Yen  | 100 Yen   | From August<br>10, 2016 to<br>August 9,<br>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 <sup>st</sup> Share Acquisition Rights  | August 9, 2036  | From August 10, 2036 to August 9, 2037      |
| 2 <sup>nd</sup> Share Acquisition Rights  | August 18, 2037 | From August 19, 2037 to August 18, 2038     |
| 3 <sup>rd</sup> Share Acquisition Rights  | August 5, 2038  | From August 6, 2038 to August 5, 2039       |
| 4 <sup>th</sup> Share Acquisition Rights  | August 9, 2039  | From August 10, 2039 to August 9, 2040      |
| 5 <sup>th</sup> Share Acquisition Rights  | August 17, 2040 | From August 18, 2040 to August 17, 2041     |
| 6 <sup>th</sup> Share Acquisition Rights  | August 16, 2041 | From August 17, 2041 to August 16, 2042     |
| 7 <sup>th</sup> Share Acquisition Rights  | August 21, 2042 | From August 22, 2042 to August 21, 2043     |
| 8 <sup>th</sup> Share Acquisition Rights  | August 11, 2043 | From August 12, 2043 to August 11, 2044     |
| 9 <sup>th</sup> Share Acquisition Rights  | August 10, 2044 | From August 11, 2044 to August 10, 2045     |
| 10 <sup>th</sup> 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<br>(Date of decision)                                      | Director                                    |   |                         | Audit & Supervisory Board Member            |   |                         |
|---|---|---|-------------------------|---|---|-------------------------|
|   | Number Of<br>Share<br>Acquisition<br>Rights | Number Of<br>Shares<br>Underlying<br>Share<br>Acquisition<br>Rights | Number<br>Of<br>Holders | Number Of<br>Share<br>Acquisition<br>Rights | Number Of<br>Shares<br>Underlying<br>Share<br>Acquisition<br>Rights | Number<br>Of<br>Holders |
| 1 <sup>st</sup> Share<br>Acquisition Rights<br>(July 23, 2007)  | 0   | 0<br>Shares   | 0                       | –   | –   | –                       |
| 2 <sup>nd</sup> Share<br>Acquisition Rights<br>(July 22, 2008)  | 0   | 0<br>Shares   | 0                       | –   | –   | –                       |
| 3 <sup>rd</sup> Share<br>Acquisition Rights<br>(July 21, 2009)  | 0   | 0<br>Shares   | 0                       | –   | –   | –                       |
| 4 <sup>th</sup> Share<br>Acquisition Rights<br>(July 23, 2010)  | 23  | 2,300 Shares  | 1                       | –   | –   | –                       |
| 5 <sup>th</sup> Share<br>Acquisition Rights<br>(July 25, 2011)  | 17  | 1,700 Shares  | 1                       | –   | –   | –                       |
| 6 <sup>th</sup> Share<br>Acquisition Rights<br>(July 23, 2012)  | 21  | 2,100 Shares  | 1                       | –   | –   | –                       |
| 7 <sup>th</sup> Share<br>Acquisition Rights<br>(July 22, 2013)  | 12  | 1,200 Shares  | 1                       | –   | –   | –                       |
| 8 <sup>th</sup> Share<br>Acquisition Rights<br>(July 22, 2014)  | 19  | 1,900 Shares  | 2                       | –   | –   | –                       |
| 9 <sup>th</sup> Share<br>Acquisition Rights<br>(July 21, 2015)  | 14  | 1,400 Shares  | 2                       | –   | –   | –                       |
| 10 <sup>th</sup> Share<br>Acquisition Rights<br>(July 25, 2016) | 64  | 6,400 Shares  | 3                       | 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   | 282                             |
| Total Sum of Cash and Profits Relating to Other Assets that The Company and Its Subsidiaries Should Pay to the Accounting Auditor | 483                             |

(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 Americas 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 and pays the accounting auditor with the guidance on accounting, human rights due diligence, and advice on supply chain management, etc.

##### (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, the content of the proposal for dismissal or non-reappointment of the accounting auditor to be submitted to the General Meeting of Shareholders shall be decided based on the resolution of the Audit & Supervisory Board.

## **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 related to the risk management, the IHI Group conducts risk management activities by clarifying each role and responsibility of 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. Four 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, 2023)

(Millions of Yen)

| Account Title                                    | Amount           | Account Title  | Amount           |
|--|------------------|--|------------------|
| <b>Assets</b>                                    |                  | <b>Liabilities</b>                                       |                  |
| <b>Current Assets</b>                            | <b>1,085,744</b> | <b>Current Liabilities</b>                               | <b>831,601</b>   |
| Cash And Cash Equivalents                        | 124,749          | Trade And Other Payables                                 | 247,086          |
| Trade And Other Receivables                      | 378,446          | Bonds And Borrowings                                     | 140,370          |
| Contract Assets                                  | 144,740          | Lease Liabilities  | 16,726           |
| Other Financial Assets                           | 4,368            | Other Financial Liabilities                              | 14,551           |
| Inventories                                      | 374,523          | Income Taxes Payable                                     | 9,685            |
| Total Current Assets                             | 58,918           | Contract Liabilities                                     | 201,883          |
|  |                  | Provisions   | 22,942           |
|  |                  | Other Current Liabilities                                | 178,358          |
| <b>Non-Current Assets</b>                        | <b>856,220</b>   | <b>Non-Current Liabilities</b>                           | <b>654,112</b>   |
| Property, Plant And Equipment                    |                  | Bonds And Borrowings                                     | 253,291          |
| Right-Of-Use Assets                              | 225,032          | Lease Liabilities  | 109,101          |
| Goodwill   | 102,432          | Other Financial Liabilities                              | 95,479           |
| Intangible Assets                                | 6,486            | Deferred Tax Liabilities                                 | 4,470            |
| Investment Property                              | 123,736          | Retirement Benefit Liability                             | 167,595          |
| Investments Accounted For Using<br>Equity Method | 142,550          | Provisions   | 7,948            |
| Other Financial Assets                           | 56,578           | Other Non-Current Liabilities                            | 16,228           |
| Deferred Tax Assets                              | 43,042           | <b>Total Liabilities</b>                                 | <b>1,485,713</b> |
| Other Non-Current Assets                         | 82,280           | <b>Equity</b>  |                  |
|  | 74,084           | <b>Equity</b>  |                  |
|  |                  | Share Capital  | 107,165          |
|  |                  | Capital Surplus  | 46,741           |
|  |                  | Retained Earnings  | 251,915          |
|  |                  | Treasury Shares  | (8,746)          |
|  |                  | Other Components Of Equity                               | 34,170           |
|  |                  | <b>Total Equity Attributable To<br/>Owners Of Parent</b> | <b>431,245</b>   |
|  |                  | <b>Non-Controlling Interests</b>                         | <b>25,006</b>    |
|  |                  | <b>Total Equity</b>                                      | <b>456,251</b>   |
| <b>Total Assets</b>                              | <b>1,941,964</b> | <b>Total Liabilities And Equity</b>                      | <b>1,941,964</b> |

**Consolidated Statement Of Profit Or Loss**  
(Year Ended March 31, 2023)

(Millions Of Yen)

| Account Title   | Amount         |
|---|----------------|
| Revenue   | 1,352,940      |
| Cost Of Sales   | 1,070,935      |
| <b>Gross Profit</b>   | <b>282,005</b> |
| Selling, General And Administrative Expenses                            | 201,158        |
| Other Income  | 11,805         |
| Other Expenses  | 10,667         |
| <b>Operating Profit</b>   | <b>81,985</b>  |
| Finance Income  | 2,431          |
| Finance Costs   | 11,177         |
| Share Of Profit (Loss) Of Investments Accounted For Using Equity Method | (8,374)        |
| <b>Profit Before Tax</b>  | <b>64,865</b>  |
| Income Tax Expense  | 16,485         |
| <b>Profit</b>   | <b>44,380</b>  |
| <b>Profit Attributable To:</b>  |                |
| Owners Of Parent  | 44,545         |
| Non-Controlling Interests   | 3,835          |
| <b>Profit</b>   | <b>48,380</b>  |

(Reference)

**Consolidated Statement Of Cash Flows (Summary)**  
(Year Ended March 31, 2023)

(Millions Of Yen)

| Account Title  | Amount   |
|--|----------|
| Net Cash Provided By (Used In) Operating Activities          | 54,116   |
| Net Cash Provided By (Used In) Investing Activities          | (52,347) |
| Net Cash Provided By (Used In) Financing Activities          | (24,043) |
| Effect Of Exchange Rate Changes On Cash And Cash Equivalents | 1,528    |
| Net Increase (Decrease) In Cash And Cash Equivalents         | (20,746) |
| Cash And Cash Equivalents At End Of Period                   | 124,743  |

**Consolidated Statement Of Changes In Equity**  
(Year Ended March 31, 2023)

(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                                 | 47,052          | 213,026           | (8,815)         | 12,831  | (313)            |
| Profit  |   |                 | 44,545            |                 |   |                  |
| Other Comprehensive Income                                    |   |                 |                   |                 | 7,561   | 861              |
| Total Comprehensive Income                                    | -                                       | -               | 44,545            | -               | 7,561   | 861              |
| Purchase Of Treasury Shares                                   |   |                 |                   | (13)            |   |                  |
| Disposal Of Treasury Shares                                   |   | 5               |                   | 82              |   |                  |
| Dividends   |   |                 | (12,148)          |                 |   |                  |
| Share-Based Remuneration Transactions                         |   | 3               |                   |                 |   |                  |
| Changes In Equity Interest In Subsidiaries                    |   |                 |                   |                 |   |                  |
| Transfer From Other Components Of Equity To Retained Earnings |   |                 | 6,573             |                 |   |                  |
| Other   |   | (319)           | (81)              |                 | (2)   |                  |
| Total Transactions With Owners                                | -                                       | (311)           | (5,656)           | 69              | (2)   | -                |
| Balance At End Of Period                                      | 107,165                                 | 46,741          | 251,915           | (8,746)         | 20,390  | 548              |

|   | Equity Attributable To Owners Of Parent                                    |   |                          |                                  |          | Total Other Components Of Equity | Total    |
|---|--|---|--------------------------|----------------------------------|----------|----------------------------------|----------|
|   | Other Components Of Equity   |   |                          |                                  | Total    |                                  |          |
|   | Financial Assets Measured At Fair Value Through Other Comprehensive Income | Remeasurements Of Defined Benefit Plans | Share Acquisition Rights | Total Other Components Of Equity |          |                                  |          |
| Balance At Beginning Of Period                                | 10,933   | -                                       | 255                      | 23,706                           | 382,134  | 24,905                           | 407,039  |
| Profit  |  |   |                          | -                                | 44,545   | 3,835                            | 48,380   |
| Other Comprehensive Income                                    | 1,922  | 6,781                                   |                          | 17,125                           | 17,125   | 270                              | 17,395   |
| Total Comprehensive Income                                    | 1,922  | 6,781                                   | -                        | 17,125                           | 61,670   | 4,105                            | 65,775   |
| Purchase Of Treasury Shares                                   |  |   |                          | -                                | (13)     |                                  | (13)     |
| Disposal Of Treasury Shares                                   |  |   | (87)                     | (87)                             | -        |                                  | -        |
| Dividends   |  |   |                          |                                  | (12,148) | (4,490)                          | (16,638) |
| Share-Based Remuneration Transactions                         |  |   |                          |                                  | 3        |                                  | 3        |
| Changes In Equity Interest In Subsidiaries                    |  |   |                          |                                  | -        | 21                               | 21       |
| Transfer From Other Components Of Equity To Retained Earnings | 208  | (6,781)                                 |                          | (6,573)                          | -        |                                  | -        |
| Other   |  |   | 1                        | (1)                              | (401)    | 465                              | 64       |
| Total Transactions With Owners                                | 208  | (6,781)                                 | (86)                     | (6,661)                          | (12,559) | (4,004)                          | (16,563) |
| Balance At End Of Period                                      | 13,063   | -                                       | 169                      | 34,170                           | 431,245  | 25,006                           | 456,251  |



## 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:

145

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 allocates 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 group tax sharing system*

The group tax sharing 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:

- 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, 2024 and subsequent fiscal years, by considering the assumptions regarding the recovery of demand in the civil aero engines business, as well as the effect of measures including various investments for materializing transformations scheduled under the “Group Management Policies 2023,” expansion of lifecycle businesses, and the strengthening of earnings foundations. The demand in the civil aero engines business is expected to recover back to the pre-COVID19 level attained in 2019, in 2024, based on the data obtained from business partners in addition to the information provided by the International Air Transportation Association (IATA).

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 | 82,280 million yen |
|---------------------|--------------------|

- 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 “IV. Notes to Consolidated Statement of Financial Position, 4. Contingent Liabilities.”

### III. Notes on Changes in Accounting Estimates

For estimates of a part of consideration payable to a customer incurred related to the civil aero engine programs in which the Company participates, primarily due to the progress in performance improvement of the aero engines and the decrease in actual payments, the IHI Group changed to the method based on the burden after performance improvement from the second quarter ended September 30, 2022.

As a result, revenue, operating profit, and profit before tax each increased by 11,206 million yen for the fiscal year under review.

### IV. 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)          | 761 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

13,216 million yen

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

|                               |                     |
|-------------------------------|---------------------|
| Property, plant and equipment | 680,521 million yen |
| Right-of-use assets           | 81,090 million yen  |
| Intangible assets             | 119,884 million yen |
| Investment property           | 69,817 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<br>(Millions Of Yen) |
|---|-----------------------------|
| IHI Investment For Aero Engine Leasing LLC        | 8,902                       |
| Japanese Aero Engines Corporation                 | 3,910                       |
| Japan Aeroforge, Ltd.                             | 177                         |
| Contingent liabilities for employee housing loans | 185                         |
| Total   | 13,174                      |

(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<br>(Millions Of Yen) |
|---|-----------------------------|
| Contingent liabilities for employee housing loans | 2,629                       |
| Total   | 2,629                       |

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 30.3 billion yen at an exchange rate of

133.41 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 15.6 billion yen at an exchange rate of 133.41 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.

## V. Notes to Consolidated Statement of Profit or Loss

(Gain on sale of investment property)

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<br>Showa-machi, Kanazawa-ku, Yokohama, Kanagawa<br>(approximately 36,400m <sup>2</sup> ) | 4,961 million yen                   |
| Others   | 66 million yen                      |

## VI. 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 3,391,607 shares

Note: As of March 31, 2023, 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   |
|--|-------------------|---|---------------------------|--------------------|------------------|
| Ordinary General Meeting Of Shareholders Held On June 23, 2022 | Ordinary shares   | 6,074                                       | 40                        | March 31, 2022     | June 24, 2022    |
| Board of Directors' meeting Held On November 8, 2022           | Ordinary shares   | 6,074                                       | 40                        | September 30, 2022 | December 9, 2022 |

(Notes)

- 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.
- Total dividends determined by a resolution of the Board of Directors' meeting held on November 8, 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.

(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, 2023 | Ordinary shares   | 7,594                                       | 50                        | March 31, 2023 | June 26, 2023  |

(Note) Total dividends determined by a resolution of the Ordinary General Meeting of Shareholders held on June 23, 2023 included 29 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 | 57,100 shares |
|-----------------|---------------|

## VII. 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  | 313,887         | 313,220    |
| Bonds payable   | 79,774          | 78,818     |
| Government grants classified under contingent settlement provisions | 96,223          | 94,072     |
| Total   | 489,884         | 486,090    |



(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  | -       | 1,063   | -       | 1,063  |
| Other  | -       | 1,459   | 4,637   | 6,096  |
| Financial assets measured at fair value through other comprehensive income |         |         |         |        |
| Shares and investments in capital  | 10,262  | -       | 14,051  | 24,313 |
| Total  | 10,262  | 2,522   | 18,688  | 31,472 |
| Financial liabilities:   |         |         |         |        |
| Financial liabilities measured at fair value through profit or loss        |         |         |         |        |
| Derivatives  | -       | 606     | -       | 606    |
| Total  | -       | 606     | -       | 606    |

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  | 17,160  |
| Total gains and losses  |         |
| Profit or loss (Note 1)   | 417     |
| Other comprehensive income  | 502     |
| Purchases   | 1,673   |
| Sales   | (27)    |
| Transfer from Level 3   | -       |
| Other (Note 2)  | (1,037) |
| Balance at end of period  | 18,688  |
| Changes in unrealized gains or losses recorded in profit or loss on assets held at the end of the reporting period (Note 1) | 417     |

(Notes)

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.

## VIII. 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 |
| 142,550           | 344,046    |

(Notes)

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.

## IX. 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 | 369,721                           | 149,794                                       | 428,175  | 360,252                        | 1,307,942 | 27,638 | 1,335,659 |
| Revenue recognized from other sources of revenue | -                                 | 16,361  | 20   | 20                             | 16,401    | 959    | 17,281    |
| Total  | 369,721                           | 166,155                                       | 428,195  | 360,272                        | 1,324,343 | 28,597 | 1,352,940 |

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                          | 81,885                            |   |  |                                | 81,885    |          | 81,885    |
| Carbon solutions                       | 156,297                           |   |  |                                | 156,297   |          | 156,297   |
| Nuclear energy                         | 71,020                            |   |  |                                | 71,020    |          | 71,020    |
| Bridges and water gates                |                                   | 103,172                                       |  |                                | 103,172   |          | 103,172   |
| Shield systems                         |                                   | 18,003  |  |                                | 18,003    |          | 18,003    |
| Urban development                      |                                   | 17,506  |  |                                | 17,506    |          | 17,506    |
| Vehicular turbochargers                |                                   |   | 189,567  |                                | 189,567   |          | 189,567   |
| Parking                                |                                   |   | 46,368   |                                | 46,368    |          | 46,368    |
| Rotating machineries                   |                                   |   | 58,911   |                                | 58,911    |          | 58,911    |
| Heat treatment and surface engineering |                                   |   | 47,757   |                                | 47,757    |          | 47,757    |
| Transport machineries                  |                                   |   | 33,929   |                                | 33,929    |          | 33,929    |
| Logistics and industrial systems       |                                   |   | 33,640   |                                | 33,640    |          | 33,640    |
| Civil aero engines                     |                                   |   |  | 201,400                        | 201,400   |          | 201,400   |
| Other                                  | 75,290                            | 32,424  | 27,005   | 184,338                        | 319,057   | 54,277   | 373,334   |
| Intersegment revenue                   | (14,771)                          | (4,950)                                       | (8,982)  | (25,466)                       | (54,169)  | (25,680) | (79,849)  |
| Revenue from external customers        | 369,721                           | 166,155                                       | 428,195  | 360,272                        | 1,324,343 | 28,597   | 1,352,940 |

### 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                           | 192,190                           | 115,983                                       | 200,608  | 157,681                        | 666,462   | 26,202 | 692,664   |
| North America                   | 25,999                            | -   | 33,021   | 185,088                        | 244,108   | 311    | 244,419   |
| Asia                            | 141,234                           | 36,112  | 131,970  | 2,732                          | 312,048   | 713    | 312,761   |
| Europe                          | 2,018                             | 13,819  | 45,921   | 14,530                         | 76,288    | 226    | 76,514    |
| Central and South America       | 333                               | 57  | 15,995   | 42                             | 16,427    | -      | 16,427    |
| Other                           | 7,947                             | 184   | 680  | 199                            | 9,010     | 1,145  | 10,155    |
| Overseas                        | 177,531                           | 50,172  | 227,587  | 202,591                        | 657,881   | 2,395  | 660,276   |
| Revenue from external customers | 369,721                           | 166,155                                       | 428,195  | 360,272                        | 1,324,343 | 28,597 | 1,352,940 |

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 | 339,141                        | 367,112                  |
| Contract assets                           | 126,560                        | 144,740                  |
| Contract liabilities                      | 214,726                        | 201,883                  |

Portion of revenues recognized in the fiscal year under review that was included in contract liabilities at the beginning of the year was 136,603 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:

|                                   | 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 | 565,718                           | 218,410                                       | 201,033  | 293,455                        | 1,278,616 | 20,879 | 1,299,495 |

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.

**X. Notes to Per Share Information**

|   |              |
|---|--------------|
| <b>1. Equity attributable to owners of parent per share</b> | 2,850.48 Yen |
| <b>2. Basic earnings per share</b>                          | 294.48Yen    |

**XI. Significant Subsequent Events**

Not applicable.

**Non-Consolidated Balance Sheet**  
(As Of March 31, 2023)

(Millions Of Yen)

| Account Title   | Amount           | Account Title   | Amount           |
|---|------------------|---|------------------|
| <b>Assets</b>   |                  | <b>Liabilities</b>  |                  |
| <b>Current Assets</b>                                 | <b>708,868</b>   | <b>Current Liabilities</b>                                      | <b>516,871</b>   |
| Cash And Deposits                                     | 56,636           | Notes Payable – Trade   | 59               |
| Notes Receivable – Trade                              | 797              | Accounts Payable – Trade  | 98,362           |
| Accounts Receivable – Trade                           | 188,002          | Current Portion of Bonds Payable                                | 10,000           |
| Contract Assets                                       | 35,724           | Short-Term Borrowings   | 182,880          |
| Work In Process                                       | 199,082          | Lease Obligations   | 2,427            |
| Raw Materials And Supplies                            | 97,693           | Accounts Payable – Other  | 26,314           |
| Advance Payments – Other                              | 11,197           | Accrued Expenses  | 32,436           |
| Prepaid Expenses                                      | 4,581            | Income Taxes Payable  | 1,817            |
| Accounts Receivable – Other                           | 32,338           | Contract Liabilities  | 102,352          |
| Short-Term Loans Receivable                           | 79,297           | Refund Liabilities  | 38,641           |
| Other   | 6,111            | Deposits Received   | 1,086            |
| Allowance For Doubtful Accounts                       | (10,595)         | Provision For Bonuses   | 11,453           |
| <b>Non-Current Assets</b>                             | <b>568,310</b>   | Provision For Bonuses For Directors (And Other Officers)        | 1,111            |
| Property, Plant And Equipment                         | 201,570          | Provision For Construction Warranties                           | 3,769            |
| Buildings   | 98,147           | Provision For Loss On Construction Contracts                    | 1,775            |
| Structures  | 7,197            | Other   | 2,383            |
| Docks And Building Berths                             | 0                | <b>Non-Current Liabilities</b>                                  | <b>412,309</b>   |
| Machinery And Equipment                               | 23,856           | Bonds Payable   | 70,000           |
| Vessels   | 3                | Long-Term Borrowings  | 166,000          |
| Vehicles  | 123              | Lease Obligations   | 4,650            |
| Tools, Furniture And Fixtures                         | 13,078           | Leasehold And Guarantee Deposits Received                       | 12,324           |
| Land  | 43,965           | Provision For Retirement Benefits                               | 104,448          |
| Leased Assets   | 6,302            | Provision For Loss On Business Of Subsidiaries And Associates   | 5,522            |
| Construction In Progress                              | 8,895            | Asset Retirement Obligations                                    | 4,668            |
| Intangible Assets                                     | 15,702           | Other   | 44,695           |
| Royalties And Other Intangible Assets                 | 641              | <b>Total Liabilities</b>  | <b>929,180</b>   |
| Leasehold Interests In Land                           | 32               | <b>Net Assets</b>   |                  |
| Right To Use Facilities                               | 29               | <b>Shareholders' Equity</b>                                     | <b>337,777</b>   |
| Software  | 14,773           | Share Capital   | 107,165          |
| Leased Assets   | 158              | Capital Surplus   | 54,525           |
| Other   | 67               | Legal Capital Surplus   | 54,520           |
| Investments And Other Assets                          | 351,037          | Other Capital Surplus   | 4                |
| Investment Securities                                 | 16,214           | Retained Earnings   | 184,833          |
| Shares Of Subsidiaries And Associates                 | 177,130          | Legal Retained Earnings   | 6,083            |
| Investments In Capital                                | 1,146            | Other Retained Earnings   | 178,749          |
| Investments In Capital Of Subsidiaries And Associates | 23,149           | Reserve For Tax Purpose Reduction Entry Of Non-Current Assets   | 6,245            |
| Long-Term Loans Receivable                            | 2,021            | Reserve For Investment Loss On Restructuring Specified Business | 485              |
| Deferred Tax Assets                                   | 63,579           | Retained Earnings Brought Forward                               | 172,018          |
| Other   | 68,243           | Treasury Shares   | (8,746)          |
| Allowance For Doubtful Accounts                       | (447)            | <b>Valuation And Translation Adjustments</b>                    | <b>2,051</b>     |
|   |                  | Valuation Difference On Available-For-Sale Securities           | 1,922            |
|   |                  | Deferred Gains Or Losses On Hedges                              | 129              |
|   |                  | <b>Share Acquisition Rights</b>                                 | <b>168</b>       |
|   |                  | <b>Total Net Assets</b>   | <b>339,998</b>   |
| <b>Total Assets</b>                                   | <b>1,269,179</b> | <b>Total Liabilities And Net Assets</b>                         | <b>1,269,179</b> |

**Non-Consolidated Statement Of Income**  
(Year Ended March 31, 2023)

(Millions Of Yen)

| Account Title   | Amount         |
|---|----------------|
| Net Sales   | 535,285        |
| Cost Of Sales   | 428,570        |
| <b>Gross Profit</b>   | <b>106,714</b> |
| Selling, General And Administrative Expenses                  | 78,687         |
| <b>Operating Profit</b>                                       | <b>28,027</b>  |
| Non-Operating Income  |                |
| Interest And Dividend Income                                  | 37,529         |
| Other   | 4,213          |
| Non-Operating Expenses  |                |
| Interest Expenses   | 1,269          |
| Foreign Exchange Losses                                       | 4,271          |
| Other   | 7,203          |
| <b>Ordinary Profit</b>  | <b>57,025</b>  |
| Extraordinary Income  |                |
| Gain On Sale Of Non-Current Assets                            | 5,206          |
| Extraordinary Losses  |                |
| Provision for loss on business of subsidiaries and affiliates | 4,358          |
| <b>Profit Before Income Taxes</b>                             | <b>57,873</b>  |
| Income Taxes – Current  | 4,748          |
| Income Taxes – Deferred                                       | 1,850          |
| <b>Profit</b>   | <b>51,275</b>  |



## Non-Consolidated Statement Of Changes In Equity (Year Ended March 31, 2023)

(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                | –                     | 54,520                | 6,083                   | 6,629   | 485   | 132,508                           | 145,707                       | (8,815) | 298,577         |                            |
| Changes During Period   |                      |                       |                       |                       |                         |   |   |                                   |                               |         |                 |                            |
| Dividends Of Surplus  |                      |                       |                       | –                     |                         |   |   | (12,148)                          | (12,148)                      |         | (12,148)        |                            |
| Profit  |                      |                       |                       | –                     |                         |   |   | 51,275                            | 51,275                        |         | 51,275          |                            |
| Reversal Of Reserve For Tax Purpose Reduction Entry Of Non-Current Assets |                      |                       |                       | –                     |                         | (384)   |   | 384                               | –                             |         | –               |                            |
| Purchase Of Treasury Shares   |                      |                       |                       | –                     |                         |   |   |                                   | –                             | (13)    | (13)            |                            |
| Disposal Of Treasury Shares   |                      |                       | 4                     | 4                     |                         |   |   |                                   | –                             | 82      | 86              |                            |
| Changes From Share Exchange   |                      |                       |                       | –                     |                         |   |   |                                   | –                             |         | –               |                            |
| Transfer From Retained Earnings To Capital Surplus                        |                      |                       |                       | –                     |                         |   |   |                                   | –                             |         | –               |                            |
| Net Changes In Items Other Than Shareholders' Equity                      |                      |                       |                       | –                     |                         |   |   |                                   | –                             |         | –               |                            |
| Total Changes During Period   | –                    | –                     | 4                     | 4                     | –                       | (384)   | –   | 39,510                            | 39,126                        | 69      | 39,200          |                            |
| Balance At End Of Period  | 107,165              | 54,520                | 4                     | 54,525                | 6,083                   | 6,245   | 485   | 172,018                           | 184,833                       | (8,746) | 337,777         |                            |

|   | 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  | 367   | (33)                               | 334   | 255                      | 299,167          |
| Changes During Period   |   |                                    |   |                          |                  |
| Dividends Of Surplus  |   |                                    | –   |                          | (12,148)         |
| Profit  |   |                                    | –   |                          | 51,275           |
| Reversal Of Reserve For Tax Purpose Reduction Entry Of Non-Current Assets |   |                                    | –   |                          | –                |
| Purchase Of Treasury Shares   |   |                                    | –   |                          | (13)             |
| Disposal Of Treasury Shares   |   |                                    | –   |                          | 86               |
| Changes From Share Exchange   |   |                                    | –   |                          | –                |
| Transfer From Retained Earnings To Capital Surplus                        |   |                                    | –   |                          | –                |
| Net Changes In Items Other Than Shareholders' Equity                      | 1,554   | 163                                | 1,717                                       | (86)                     | 1,630            |
| Total Changes During Period   | 1,554   | 163                                | 1,717                                       | (86)                     | 40,831           |
| Balance At End Of Period  | 1,922   | 129                                | 2,051                                       | 168                      | 339,998          |

## 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) Application of the group tax sharing system*

The group tax sharing system has been applied.

## II. 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.

- 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, 2024 and subsequent fiscal years, by considering the assumptions regarding the recovery of demand in the civil aero engines business, as well as the effect of measures including various investments for materializing transformations scheduled under the “Group Management Policies 2023,” expansion of lifecycle businesses, and the strengthening of earnings foundations. The demand in the civil aero engines business is expected to recover back to the pre-COVID19 level attained in 2019, in 2024, based on the data obtained from business partners in addition to the information provided by the International Air Transportation Association (IATA).

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

63,579 million yen

### **III. Notes on Changes in Accounting Estimates**

For the estimates of part of consideration paid to customers in connection with the civil aero engine programs in which IHI participates, the Company has changed the method to the one based on the burdens after the improved performance from the second quarter, due primarily to the decrease in actual payment resulting from the improvement of performance of the civil aero engines.

As a result, revenue, operating profit and profit before tax increased 11,206 million yen, respectively, in the fiscal year under review.

#### IV. 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

412,246 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<br>(Millions of Yen) |
|--|-----------------------------|
| IHI Charging System International GmbH     | 826                         |
| IHI Turbo America Co.                      | 1,979                       |
| IHI Investment For Aero Engine Leasing LLC | 8,902                       |
| Japanese Aero Engines Corporation          | 3,909                       |
| IHI Charging System International S.p.A.   | 2,740                       |
| Japan Aeroforge, Ltd.                      | 177                         |
| IHI Americas Inc.                          | 1,063                       |
| Total                                      | 19,599                      |

###### (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<br>(Millions of Yen) |
|---|-----------------------------|
| Contingent liabilities for employee housing loans | 2,626                       |
| Total   | 2,626                       |

(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      | 101,248 million yen |
| Long-term monetary claims       | 1,298 million yen   |
| Short-term monetary liabilities | 125,899 million yen |
| Long-term monetary liabilities  | 10,610 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       | 19,347 million yen  |
| Purchases from subsidiaries and associates | 190,746 million yen |

(2) Non-operating transactions

44,793 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)<br>Showa-machi, Kanazawa-ku, Yokohama, Kanagawa<br>(approximately 36,400m <sup>2</sup> ) | 4,961 million yen                  |
| Others   | 245 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 | 3,391,607 shares |
|-----------------|------------------|

(Note)

The number of treasury shares at March 31, 2023 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**

### **1. 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.

### **2. Accounting treatment of income taxes and local income taxes as well as tax effect accounting related these taxes**

From the fiscal year under review, the Company has transitioned from consolidated taxation system to a group tax sharing system. Accordingly, accounting treatment and disclosure of income taxes and local income taxes as well as tax effect accounting is in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021 (hereinafter, the “ASBJ PITF No. 42”)).

Change in the accounting policy in line with the adoption of the ASBJ PITF No. 42 is deemed to have no effect in accordance with Paragraph 32 (1) of the ASBJ PITF No. 42.

## **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 |
| Subsidiary | IHI INC.                             | New York, U.S.A   | 92,407 thousand USD     | Sale, Order Procurement, Etc. | Holding Directly 100%         | Company Sharing Business Function |
| Subsidiary | IHI Infrastructure Systems Co., Ltd. | Sakai-city, Osaka | 1,000                   | Manufacturing                 | Holding Directly 100%         | Company Sharing Business Function |
| Subsidiary | IHI Transport Machinery Co., Ltd.    | Chuo-Ku, Tokyo    | 2,647                   | Manufacturing                 | Holding Directly 100%         | Company Sharing Business Function |
| Subsidiary | IHI Turbo Co., Ltd.                  | Koto-Ku, Tokyo    | 1,000                   | Manufacturing                 | Holding Directly 100%         | Manufacturing Subsidiary          |
| 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, 2023 (Note 1) |
|--------------------------------------|---|-----------------------------|--|---------------------------------------|
| IHI Plant Services Corporation       | - Borrowing Of Funds                        | 10,270                      | Short-Term Borrowings                                | 24,931                                |
| IHI INC.                             | - Lending Of Funds                          | 5,787                       | Short-Term Loans Receivable                          | 17,169                                |
| IHI Infrastructure Systems Co., Ltd. | - Lending Of Funds                          | 8,140                       | Short-Term Loans Receivable                          | 16,888                                |
| IHI Transport Machinery Co., Ltd.    | - Borrowing Of Funds                        | 5,660                       | Short-Term Borrowings                                | 14,484                                |
| IHI Turbo Co., Ltd.                  | - Purchase Of Vehicular Turbochargers, Etc. | (Note 2) 47,167             | Accounts Payable – Trade<br>Accounts Payable – Other | 13,267<br>17                          |
| IHI Finance Support Corporation      | - Factoring                                 | (Note 3) 12,785             | Accounts Payable – Trade<br>Accounts Payable – Other | 5,191<br>566                          |

### 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%              | Representative Director and Chairman of the Board |

(Millions of Yen)

| Name               | Transactions  | Transaction Amount<br>(Note 1)          | Account Title                         | Balance as Of<br>March 31,<br>2023<br>(Note 1) |
|--------------------|---|---|---------------------------------------|--|
| Tsugio<br>MITSUOKA | Operating Transactions With<br>Japanese Aero Engines Corporation<br>(JAEC) (Note 4) |   |                                       |  |
|                    | -Subcontract Of Work From JAEC<br>Related To R&D Of Jet Engines                     | 1,840                                   | —                                     | —  |
|                    | -Payment Of A Portion Of Funding<br>Related To The Above                            | 1,699                                   | —                                     | —  |
|                    | -Acceptance Of Subsidies Related To<br>The Above                                    | 2,237                                   | Accounts Payable –<br>Other           | 11,634   |
|                    |   |   | Long-Term Accounts<br>Payable – Other | 41,979   |
|                    | -Manufacture Of Jet Engine<br>Components And Delivery Thereof<br>To JAEC            | 157,558                                 | Accounts Receivable –<br>Trade        | 122,848  |
|                    |   |   | Contract Liabilities                  | 36,822   |
|                    |   | Investments And Other<br>Assets (Other) | 32,171                                |  |
|                    |   | Refund Liabilities                      | 32,077                                |  |
|                    | -Payment Of A Portion Of Expenses<br>Related To The Above                           | 94,182                                  | —                                     | —  |

(Notes)

1. 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.

## 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** 2,246.23 yen

**2. Basic Profit per Share** 338.97 yen

(Notes)

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

|                                       |                         |
|---------------------------------------|-------------------------|
| Profit                                | 51,275 million yen      |
| Amounts For Non-Ordinary Shareholders | —                       |
| Profit Regarding Ordinary Shares      | 51,275 million yen      |
| Average Number Of Ordinary Shares     | 151,267 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 thousand shares, and the average number of treasury shares outstanding during the period excluded for the calculation of basic profit per share is 592 thousand shares.

## **XII. Significant Subsequent Events**

Not applicable.

## Audit Report of Accounting Auditor on Consolidated Financial Statements

(Translation)

### Report of Independent Auditor

May 18, 2023

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, 2022 through March 31, 2023.

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, 2023, 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 18, 2023

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 206th fiscal year from April 1, 2022 through March 31, 2023.

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 206th fiscal year ended March 31, 2023 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 206<sup>th</sup> fiscal year, from April 1, 2022 through March 31, 2023, 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 described 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 19, 2023

### **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