

(Translation)

Securities Code: 7013

June 5, 2024

To Shareholders:

IHI Corporation

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

Hiroshi Ide

Representative Director and President

**NOTICE OF CONVOCATION
OF THE 207th ANNUAL GENERAL MEETING OF SHAREHOLDERS**

IHI Corporation (the “Company” or “IHI”) would hereby like to inform you that the 207th ANNUAL GENERAL MEETING OF SHAREHOLDERS will be held on Wednesday, June 26, 2024, 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,” and click “Stock Information,” and select “Shareholder Meeting.”
- 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.”
- The Portal of Shareholders’ Meeting®:
<https://www.soukai-portal.net> (in Japanese)
*Please follow the instructions on page 4 to either scan the QR code on the voting form or login with your ID and password.

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 Tuesday, June 25, 2024. In addition, the proceedings of this General Meeting of Shareholders will be distributed to shareholders over the Internet so that they can view 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 26, 2024 (Wednesday) 10:00 a.m. Japan Standard Time
(The reception of the attendees to the meeting shall start at 9:00 a.m.)
2. **Location:** Heian Room, 1st Floor, The Okura Prestige Tower, The Okura Tokyo
2-10-4 Toranomom, Minato-ku, Tokyo
* Please note that the venue for this General Meeting of Shareholders is not the same as last time.
3. **Agenda:**
Matters to be Reported:
Report No.1: Report on the Business Report and the Consolidated Financial Statements for the 207th Fiscal Year (from April 1, 2023 to March 31, 2024), 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 207th Fiscal Year (from April 1, 2023 to March 31, 2024)

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 Two (2) Audit & Supervisory Board Members

Guidance on Exercising Voting Rights

- **If Not Attending the Meeting in Person**

- Exercise of Voting Rights via the Internet

Input your approval or disapproval of the proposals by following the instructions on the next page. If any voting rights are exercised via the Internet more than once, the votes cast last shall be considered to be valid.

Deadline: No later than June 25, 2024 (Tuesday), 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 25, 2024 (Tuesday), 5:30 p.m. (JST)

- * Notes on Exercise of Voting Rights

If any voting rights are exercised redundantly both via the Internet and by the voting form, 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.

- **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 26, 2024 (Wednesday), 10:00 a.m. (JST)

Outline of The Portal of Shareholders' Meeting® (Method of exercising voting rights via the Internet and Acceptance of Questions in Advance)

● **1: Exercise Voting Rights via Smartphone, etc.**

1. Scan the QR code® on the voting form.

(Notes) 1. "QR code" is a registered trademark of DENSO WAVE INCORPORATED.

2. If you need to change your vote after already exercising your voting rights, you will need to enter your voting code and password indicated on the voting form.

2. From the landing page of the The Portal of Shareholders' Meeting®, tap on "Exercise Voting Rights."

3. You will be redirected to the landing page of Smart Vote®. Indicate your approval or disapproval following the instructions on the screen.

● **2: Exercise Voting Rights via PC, etc.**

Please follow the URL below and enter your voting code/The Portal of Shareholders' Meeting login ID and password indicated on the voting form. After logging in, indicate your approval or disapproval following the instructions on the screen.

The Portal of Shareholders' Meeting® ► <https://www.soukai-portal.net> (in Japanese)

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

● **3: Guidance on Questions in Advance**

Deadline: No later than June 16, 2024 (Sunday), 5:30 p.m. (JST)

Questions regarding the proposals for this General Meeting of Shareholders can be submitted in advance by shareholders via the The Portal of Shareholders' Meeting®. Of the questions received, those thought to be of most interest to shareholders will be selected and presented during the meeting. Similar to the aforementioned method for exercising your voting rights, access the The Portal of Shareholders' Meeting®, press the "Questions in Advance" button from the landing page and when the "Submit Questions in Advance" screen appears follow the instructions on the screen to type in your questions.

*Please note that your questions will not be answered individually.

Notes:

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

Contact:

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

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," and then click "Stock Information," and select "Shareholder Meeting."

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."

The Portal of Shareholders' Meeting[®]:

<https://www.soukai-portal.net> (in Japanese)

* Please follow the instructions on page 4 to either scan the QR code on the voting form or login with your ID and password.

In accordance with the provisions of laws and regulations and 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

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.

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 TSE website, and the The Portal of Shareholders' Meeting[®].

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 -

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.

Despite significant loss attributable to owners of parent in the fiscal year under review, we believe the factors behind the earnings deterioration are temporary, so based on the policy above, the year-end dividend 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 7,595,140,500 yen

An interim dividend of 50 yen per share was paid, resulting in an annual dividend of 100 yen per share.

(iii) Effective Date of Dividends

June 27, 2024

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	Gender		Current Position at IHI	Attendance at Board of Directors Meetings (Note)	Period in Office
1	Tsugio MITSUOKA	Male	Reappointment	Director and Chairman of the Board	18 of 18 (100%)	10 years
2	Hiroshi IDE	Male	Reappointment	Representative Director and President; Chief Executive Officer	18 of 18 (100%)	4 years
3	Tsuyoshi TSUCHIDA	Male	Reappointment	Representative Director; Senior Executive Officer	14 of 14 (100%)	1 year
4	Hideo MORITA	Male	Reappointment	Representative Director; Senior Executive Officer	18 of 18 (100%)	3 years
5	Akihiro SEO	Male	Reappointment	Director; Managing Executive Officer	18 of 18 (100%)	2 years
6	Jun KOBAYASHI	Male	Reappointment	Director; Managing Executive Officer	14 of 14 (100%)	1 year
7	Yasuaki FUKUMOTO	Male	Reappointment	Director; Executive Officer	14 of 14 (100%)	1 year
8	Noriko MORIOKA	Female	New Candidate	Managing Executive Officer	–	–
9	Yoshiyuki NAKANISHI	Male	Reappointment Outside Independent	Director	18 of 18 (100%)	4 years
10	Chieko MATSUDA	Female	Reappointment Outside Independent	Director	16 of 18 (89%)	4 years
11	Minoru USUI	Male	Reappointment Outside Independent	Director	18 of 18 (100%)	3 years
12	Toshihiro UCHIYAMA	Male	Reappointment Outside Independent	Director	18 of 18 (100%)	2 years

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

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

Candidate No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
1		Apr. 1980: Joined IHI Apr. 2010: Executive Officer; Vice President of Aero-Engine & Space Operations, IHI Apr. 2013: Managing Executive Officer; President of Aero-Engine & Space Operations, IHI Jun. 2014: Director; Managing Executive Officer; President of Aero-Engine & Space Operations, IHI Apr. 2016: Representative Director and President; Chief Operating Officer, IHI Apr. 2017: Representative Director and President; Chief Executive Officer, IHI Apr. 2020: Representative Director and Chairman of the Board and President; Chief Executive Officer, IHI Jun. 2020: Representative Director and Chairman of the Board; Chief Executive Officer, IHI Apr. 2021: Representative Director and Chairman of the Board, IHI Apr. 2024: Director and Chairman of the Board, IHI (incumbent)	19,700 Shares
	Reappointment Tsugio MITSUOKA (October 13, 1954)	<u>Position and Areas of Responsibility at IHI</u> Director and Chairman of the Board <u>Significant Concurrent Positions</u> Representative Director, Japanese Aero Engines Corporation Outside Director, UBE Corporation <u>Number of Other Listed Companies Concurrently Serving as Officer</u> Engaged in Business Execution: 0 Not Engaged in Business Execution: 1	
<u>Reasons for Nomination</u> 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.			
<u>Attendance at Board of Directors Meetings</u> 18 out of 18 (100%)			
<u>Period in Office</u> At the conclusion of this meeting, Mr. Tsugio Mitsuoka will have served 10 years as a director of the Company.			
<u>Special Notes</u> 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 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.			

Candi- date No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
2	<div data-bbox="323 622 515 656" style="border: 1px solid black; padding: 2px; text-align: center;">Reappointment</div> <div data-bbox="341 689 497 786" style="text-align: center;">Hiroshi IDE (February 16, 1961)</div>	<div data-bbox="531 331 1310 880" style="text-align: left;"> <p>Apr. 1983: Joined IHI</p> <p>Apr. 2013: Managing Director, Jurong Engineering Limited</p> <p>Apr. 2017: Executive Officer; Vice President of Resources, Energy and Environment Business Area, IHI</p> <p>Apr. 2019: Managing Executive Officer; President of Resources, Energy and Environment Business Area, IHI</p> <p>Apr. 2020: Chief Operating Officer and President of Resources, Energy and Environment Business Area, IHI</p> <p>Jun. 2020: Representative Director and President; Chief Operating Officer, IHI</p> <p>Apr. 2021: Representative Director and President; Chief Executive Officer and General Manager of Strategic Technologies Division, IHI</p> <p>Apr. 2023: Representative Director and President; Chief Executive Officer, IHI (incumbent)</p> </div> <div data-bbox="531 898 1310 965" style="border: 1px solid black; padding: 2px;"> <p><u>Position and Areas of Responsibility at IHI</u> Representative Director and President; Chief Executive Officer</p> </div> <div data-bbox="531 981 1310 1077" style="border: 1px solid black; padding: 2px;"> <p><u>Number of Other Listed Companies Concurrently Serving as Officer</u> Engaged in Business Execution: 0 Not Engaged in Business Execution: 0</p> </div>	6,500 Shares
<div data-bbox="220 1088 502 1122" style="border: 1px solid black; padding: 2px;"><u>Reasons for Nomination</u></div> <p data-bbox="220 1126 1484 1379">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 April 2019, and has been leading the management of the IHI Group as Representative Director and President since June 2020 by promoting transformation toward sustainable high growth, and other matters. Based on these abundant experience, accomplishments, and insight as corporate manager, the Company has nominated him again as a candidate for director.</p> <div data-bbox="220 1391 711 1424" style="border: 1px solid black; padding: 2px;"><u>Attendance at Board of Directors Meetings</u></div> <p data-bbox="220 1429 453 1458">18 out of 18 (100%)</p> <div data-bbox="220 1462 408 1496" style="border: 1px solid black; padding: 2px;"><u>Period in Office</u></div> <p data-bbox="220 1500 1406 1529">At the conclusion of this meeting, Mr. Hiroshi Ide will have served 4 years as a director of the Company.</p> <div data-bbox="220 1541 381 1574" style="border: 1px solid black; padding: 2px;"><u>Special Notes</u></div> <p data-bbox="220 1579 1043 1608">There are no special interests between Mr. Hiroshi Ide and the Company.</p>			

Candi-date No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
3	<p>Reappointment</p> <p>Tsuyoshi TSUCHIDA (January 5, 1961)</p>	<p>Apr. 1984: Joined IHI</p> <p>Jun. 2015: President, IHI Logistics & Machinery Corporation</p> <p>Apr. 2020: Vice President of Industrial Systems & General-Purpose Machinery Business Area, IHI</p> <p>Apr. 2021: Executive Officer; Vice President of Industrial Systems & General-Purpose Machinery Business Area, IHI</p> <p>Apr. 2022: Managing Executive Officer; General Manager of Corporate Planning Division. IHI</p> <p>Apr. 2023: Senior Executive Officer, IHI</p> <p>Jun. 2023: Representative Director; Senior Executive Officer, IHI (incumbent)</p> <p>Position and Areas of Responsibility at IHI Representative Director; Senior Executive Officer; In Charge of Business Relating to Procurement; In Charge of Group DX</p> <p>Number of Other Listed Companies Concurrently Serving as Officer Engaged in Business Execution: 0 Not Engaged in Business Execution: 0</p>	3,400 Shares

Reasons for Nomination

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 life-cycle businesses as Vice President of the Industrial Systems & General-Purpose Machinery Business Area, and then he was engaged in the formulation of the “Group Management Policies 2023” as General Manager of the Corporate Planning Division from April 2022, and has been promoting the implementation of the policies as Senior Executive Officer from April 2023. Based on these abundant experience, accomplishments, and insight, the Company has 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. Tsuyoshi Tsuchida will have served 1 year as a director of the Company.

Special Notes

There are no special interests between Mr. Tsuyoshi Tsuchida and the Company.

Candi- date No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
4	<div data-bbox="328 562 512 595" style="border: 1px solid black; padding: 2px;">Reappointment</div> <div data-bbox="347 629 494 752" style="text-align: center;">Hideo MORITA (October 20, 1961)</div>	<div data-bbox="528 327 1294 689"> <p>Apr. 1986: Joined IHI</p> <p>Apr. 2017: Division Director of Civil Aero-Engine Division, Aero-Engine, Space & Defense Business Area, IHI</p> <p>Apr. 2018: Executive Officer; Vice President of Aero-Engine, Space & Defense Business Area, IHI</p> <p>Apr. 2021: Managing Executive Officer; President of Aero-Engine, Space & Defense Business Area, IHI</p> <p>Jun. 2021: Director; Managing Executive Officer; President of Aero-Engine, Space & Defense Business Area, IHI</p> <p>Apr. 2024: Representative Director; Senior Executive Officer, IHI (incumbent)</p> </div> <div data-bbox="528 707 1305 875" style="border: 1px solid black; padding: 2px;"> <p>Position and Areas of Responsibility at IHI</p> <p>Representative Director; Senior Executive Officer; In Charge of Group Economic Security; In Charge of Group Quality Assurance / Design Process; In Charge of Group Production Base Strategy</p> </div> <div data-bbox="528 887 1305 987" style="border: 1px solid black; padding: 2px;"> <p>Number of Other Listed Companies Concurrently Serving as Officer</p> <p>Engaged in Business Execution: 0 Not Engaged in Business Execution: 0</p> </div>	4,200 Shares
<div data-bbox="220 999 504 1032" style="border: 1px solid black; padding: 2px;">Reasons for Nomination</div> <p data-bbox="220 1032 1482 1256">Mr. Hideo Morita experienced the development of space equipment and many other business operations in production, design and engineering departments of the Aero-Engine & Space Operations. Subsequently, he had led the Civil Aero-Engine Division as manager responsible for the division since April 2018, and as the President of Aero-Engine, Space & Defense Business Area since April 2021, he has been working to strengthen and upscale the civil aero engines, defense and space businesses, which the IHI Group positions as the growth business. Based on these abundant experience, accomplishments, and insight, the Company has nominated him again as a candidate for director.</p> <div data-bbox="220 1267 711 1301" style="border: 1px solid black; padding: 2px;">Attendance at Board of Directors Meetings</div> <p data-bbox="220 1301 456 1335">18 out of 18 (100%)</p> <div data-bbox="220 1346 408 1379" style="border: 1px solid black; padding: 2px;">Period in Office</div> <p data-bbox="220 1379 1430 1413">At the conclusion of this meeting, Mr. Hideo Morita will have served 3 years as a director of the Company.</p> <div data-bbox="220 1424 384 1458" style="border: 1px solid black; padding: 2px;">Special Notes</div> <p data-bbox="220 1458 1070 1491">There are no special interests between Mr. Hideo Morita and the Company.</p>			

Candi- date No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
5	<div data-bbox="328 658 515 689" style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Reappointment</div> Akihiro SEO (October 21, 1963)	<p>Apr. 1987: Joined IHI</p> <p>Dec. 2007: President, Alpha Automotive Technologies LLC</p> <p>Apr. 2013: Manager of Planning & Control Department, Global Marketing Headquarters, IHI</p> <p>Apr. 2017: Manager of Corporate Business Development Division, IHI</p> <p>Apr. 2018: General Manager of Corporate Planning Division, IHI</p> <p>Apr. 2021: Executive Officer; General Manager of Corporate Planning Division, IHI</p> <p>Apr. 2022: Managing Executive Officer; General Manager of Human Resources Division, IHI</p> <p>Jun. 2022: Director; Managing Executive Officer; General Manager of Human Resources Division, IHI</p> <p>Apr. 2024: Director; Managing Executive Officer, IHI (incumbent)</p> <div data-bbox="531 842 1021 873" style="border: 1px solid black; padding: 2px; margin-top: 10px;">Position and Areas of Responsibility at IHI</div> <p>Director; Managing Executive Officer; In Charge of Group Human Resources / Business Relating to Administration; In Charge of Group Safety and Health; In Charge of Group ESG</p> <div data-bbox="531 1055 1305 1086" style="border: 1px solid black; padding: 2px; margin-top: 10px;">Number of Other Listed Companies Concurrently Serving as Officer</div> <p>Engaged in Business Execution: 0 Not Engaged in Business Execution: 0</p>	1,000 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 the business as the President. Subsequently, he served as Manager of the Planning & Control Department of the Global Marketing Headquarters, Manager of the Corporate Business Development Division and General Manager of Corporate Planning Division. He has been working on the formation and implementation of human resources strategies as an officer in charge of Human Resources Division as well as promoting the IHI Group's ESG management as an officer in charge of ESG. 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

18 out of 18 (100%)

Period in Office

At the conclusion of this meeting, Mr. Akihiro Seo will have served 2 years as a director of the Company.

Special Notes

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

Candi-dat No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
6	<p data-bbox="323 757 515 790">Reappointment</p> <p data-bbox="323 824 515 913">Jun KOBAYASHI (May 23, 1964)</p>	<p data-bbox="531 331 1307 365">Apr. 1988: Joined IHI</p> <p data-bbox="531 376 1307 499">Sep. 2018: Assistant General Manager of Corporate Business Development & Solution Headquarters General Manager of Rome Office, Global Marketing & Sales Headquarters, IHI</p> <p data-bbox="531 510 1307 723">Apr. 2019: General Manager of Global Business Development Group, Strategy Development Department, Social Infrastructure & Offshore Facilities Business Area, Assistant General Manager of Corporate Business Development & Solution Headquarters, and General Manager of Rome Office, Global Marketing & Sales Headquarters, IHI</p> <p data-bbox="531 734 1307 880">Apr. 2020: Vice President of Social Infrastructure & Offshore Facilities Business Area, Assistant General Manager of Corporate Business Development & Solution Headquarters, and General Manager of Rome Office, Global Marketing & Sales Headquarters, IHI</p> <p data-bbox="531 891 1307 947">Apr. 2021: Executive Officer; General Manager of Solution & Business Development Division, IHI</p> <p data-bbox="531 958 1307 1014">Apr. 2023: Managing Executive Officer; General Manager of Business Development Division, IHI</p> <p data-bbox="531 1025 1307 1104">Jun. 2023: Director; Managing Executive Officer; General Manager of Business Development Division, IHI (incumbent)</p> <p data-bbox="531 1126 1307 1227"><u>Position and Areas of Responsibility at IHI</u> Director; Managing Executive Officer; General Manager of Business Development Division</p> <p data-bbox="531 1238 1307 1339"><u>Number of Other Listed Companies Concurrently Serving as Officer</u> Engaged in Business Execution: 0 Not Engaged in Business Execution: 0</p>	600 Shares
<p data-bbox="217 1361 499 1384"><u>Reasons for Nomination</u></p> <p data-bbox="217 1395 1477 1641">Mr. Jun Kobayashi experienced many business operations mainly in domestic and overseas sales and marketing in industrial machinery and bridge businesses, and then he worked on local business expansion as General Manager of an overseas representative office. Subsequently, he served as General Manager of the sales and marketing division at a domestic subsidiary in charge of manufacture and sales of bridges and water gates. He led the development of new business models in the Solution & Engineering Headquarters and then has been promoting business development including the establishment of fuel ammonia value chain as General Manager of Business Development Division since April 2023. Based on these abundant experience, accomplishments, and insight, the Company has nominated him again as a candidate for director.</p> <p data-bbox="217 1653 707 1686"><u>Attendance at Board of Directors Meetings</u></p> <p data-bbox="217 1697 451 1731">14 out of 14 (100%)</p> <p data-bbox="217 1742 403 1776"><u>Period in Office</u></p> <p data-bbox="217 1787 1430 1809">At the conclusion of this meeting, Mr. Jun Kobayashi will have served 1 year as a director of the Company.</p> <p data-bbox="217 1821 379 1854"><u>Special Notes</u></p> <p data-bbox="217 1865 1078 1888">There are no special interests between Mr. Jun Kobayashi and the Company.</p>			

Candi- date No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
7	<div data-bbox="320 573 515 611" style="border: 1px solid black; padding: 2px; text-align: center;">Reappointment</div> <p data-bbox="336 645 499 768">Yasuaki FUKUMOTO (September 8, 1966)</p>	<p data-bbox="531 331 1310 757"> Apr. 1990: Joined IHI Apr. 2014: General Manager of Accounting Group, Finance & Accounting Division, IHI Jun. 2018: Manager of Group Strategy Group, Corporate Planning Division, IHI Apr. 2020: General Manager of Accounting Group, Finance & Accounting Division, IHI Apr. 2021: General Manager of Finance & Accounting Division, IHI Apr. 2022: Executive Officer; General Manager of Finance & Accounting Division, IHI Jun. 2023: Director; Executive Officer; General Manager of Finance & Accounting Division, IHI (incumbent) </p> <div data-bbox="531 775 1023 808" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="531 813 1129 904"> Director; Executive Officer; In Charge of Group Finance & Accounting; General Manager of Finance & Accounting Division </p> <div data-bbox="531 922 1305 956" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently Serving as Officer</div> <p data-bbox="531 960 970 1016"> Engaged in Business Execution: 0 Not Engaged in Business Execution: 0 </p>	900 Shares
<div data-bbox="220 1032 499 1066" style="border: 1px solid black; padding: 2px;">Reasons for Nomination</div> <p data-bbox="220 1070 1481 1323"> 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 IHI Group and was involved in the formulation of a medium-term management plan in the Corporate Planning Division. Then, he has been working on the steady implementation of the IHI Group's financial strategies and capital strategies as well as on business management as General Manager of Finance & Accounting Division since April 2021. Based on these abundant experience, accomplishments, and insight, the Company has nominated him again as a candidate for director. </p> <div data-bbox="220 1335 711 1368" style="border: 1px solid black; padding: 2px;">Attendance at Board of Directors Meetings</div> <p data-bbox="220 1373 451 1406">14 out of 14 (100%)</p> <div data-bbox="220 1417 403 1451" style="border: 1px solid black; padding: 2px;">Period in Office</div> <p data-bbox="220 1456 1481 1489">At the conclusion of this meeting, Mr. Yasuaki Fukumoto will have served 1 year as a director of the Company.</p> <div data-bbox="220 1500 379 1534" style="border: 1px solid black; padding: 2px;">Special Notes</div> <p data-bbox="220 1538 1129 1572">There are no special interests between Mr. Yasuaki Fukumoto and the Company.</p>			

Candi- date No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
8	<div data-bbox="320 645 518 712" style="border: 1px solid black; padding: 2px; text-align: center;">Candidate for New Director</div> <p data-bbox="320 741 518 837" style="text-align: center;">Noriko MORIOKA (April 23, 1964)</p>	<p data-bbox="528 331 1310 931"> Apr. 1987: Joined IHI Apr. 2016: General Manager of New Technology Project Group, Engine Technology Department, Research & Engineering Division, Aero-Engine & Space Operations, IHI Apr. 2018: General Manager of Corporate Business Development Department, Corporate Business Development & Solution Headquarters; Deputy Division Director of Research & Engineering Division, Aero Engine, Space & Defense Business Area, IHI Apr. 2020: Executive Officer; Deputy General Manager of Corporate Business Development & Solution Headquarters, IHI Apr. 2021: Executive Officer; Deputy General Manager of Strategic Technologies Division, IHI Apr. 2023: Managing Executive Officer; General Manager of Strategic Technologies Division, IHI (incumbent) </p> <div data-bbox="528 949 1023 981" style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> <p data-bbox="528 987 1134 1048">Managing Executive Officer; General Manager of Strategic Technologies Division</p> <div data-bbox="528 1066 1305 1097" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently Serving as Officer</div> <p data-bbox="528 1104 970 1160">Engaged in Business Execution: 0 Not Engaged in Business Execution: 0</p>	1,900 Shares
<div data-bbox="220 1173 501 1205" style="border: 1px solid black; padding: 2px;">Reasons for Nomination</div> <p data-bbox="220 1211 1481 1458">Ms. Noriko Morioka has gained experience from many roles centered on the development of control technology in the aero-engine business and has been involved in projects examining future technological concepts for aero engines and the commercialization of aircraft electrification systems since joining the Company. She served as Manager of the Corporate Business Development Division, and subsequently, from April 2023, assumed the position of General Manager of the Strategic Technologies Division and has been formulating and implementing scenarios for the creation of future Growth Business, as well as the acquisition of strategic technology. Based on these abundant experience, accomplishments, and insight, the Company has nominated her as a new candidate for director.</p> <div data-bbox="220 1473 708 1505" style="border: 1px solid black; padding: 2px;">Attendance at Board of Directors Meetings</div> <p data-bbox="220 1512 236 1543">-</p> <div data-bbox="220 1559 405 1590" style="border: 1px solid black; padding: 2px;">Period in Office</div> <p data-bbox="220 1597 236 1628">-</p> <div data-bbox="220 1644 379 1675" style="border: 1px solid black; padding: 2px;">Special Notes</div> <p data-bbox="220 1682 1102 1713">There are no special interests between Ms. Noriko Morioka and the Company.</p>			

Candi-dat No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
9		Apr. 1978: Joined Dainippon Ink and Chemicals, Incorporated (now DIC Corporation)	1,300 Shares
	Reappointment	Apr. 2010: Executive Officer; In Charge of Corporate Strategy Division and Kawamura Memorial Museum of Art, DIC Corporation	
	Candidate for Outside Director	Jun. 2011: Director; Executive Officer; In Charge of Corporate Strategy Division and Kawamura Memorial DIC Museum of Art, DIC Corporation	
	Candidate for Independent Director	Apr. 2012: Representative Director; President and CEO, DIC Corporation	
	Yoshiyuki NAKANISHI (November 3, 1954)	Jan. 2018: Chairman of the Board of Directors, DIC Corporation	
		Jun. 2020: Director, IHI (incumbent)	
		Jan. 2021: Director, DIC Corporation	
		Mar. 2021: Executive Advisor, DIC Corporation	
		<div style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> Director	
		<div style="border: 1px solid black; padding: 2px;">Significant Concurrent Positions</div> Outside Director, The Japan Steel Works, Ltd. Outside Director, SHIMADZU CORPORATION	
	<div style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently Serving as Officer</div> Engaged in Business Execution: 0 Not Engaged in Business Execution: 2		

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 4 years as an outside director of the Company.

Policy on Independence

The IHI Group has business relationships involving the maintenance and sale of industrial machinery, etc. with DIC Corporation, where Mr. Yoshiyuki Nakanishi previously served as an executive. However, the transaction amount that business relationship generates is less than 0.1% of the Company's consolidated revenue and less than 0.1% of consolidated net sales of DIC Corporation (in the most recent fiscal year), 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 an 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-dat No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
10		Apr. 1987: Joined The Long-Term Credit Bank of Japan, Limited Oct. 1998: Joined Moody's Japan K.K. Sep. 2001: Partner, Corporate Directions, Inc. May 2006: Representative Director, Matrix, Inc. Oct. 2006: Vice President (Partner), Booz & Company, Inc. Apr. 2011: Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University (incumbent) Professor, Graduate School of Management, Tokyo Metropolitan University (incumbent)	2,200 Shares
	<div style="border: 1px solid black; padding: 2px; text-align: center;">Reappointment</div>		
	<div style="border: 1px solid black; padding: 2px; text-align: center;">Candidate for Outside Director</div>	Jun. 2020: Director, IHI (incumbent)	
	<div style="border: 1px solid black; padding: 2px; text-align: center;">Candidate for Independent Director</div> <p style="text-align: center;">Chieko MATSUDA (November 18, 1964)</p>	<div style="border: 1px solid black; padding: 2px;">Position and Areas of Responsibility at IHI</div> Director <div style="border: 1px solid black; padding: 2px; margin-top: 5px;">Significant Concurrent Positions</div> Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University Professor, Graduate School of Management, Tokyo Metropolitan University Outside Director, Asahi Kasei Corporation Outside Members of the Board, Toyota Tsusho Corporation External Director, Isetan Mitsukoshi Holdings Ltd. (scheduled to be appointed in June 2024) <div style="border: 1px solid black; padding: 2px; margin-top: 5px;">Number of Other Listed Companies Concurrently Serving as Officer</div> Engaged in Business Execution: 0 Not Engaged in Business Execution: 2	
<div style="border: 1px solid black; padding: 5px;"> <p>Reasons for Nomination and Overview of Expected Role</p> <p>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.</p> <p>Attendance at Board of Directors Meetings 16 out of 18 (89%)</p> <p>Period in Office At the conclusion of this meeting, Ms. Chieko Matsuda will have served 4 years as an outside director of the Company.</p> <p>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 an independent director.</p> <p>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.</p> </div>			

Candi- date No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
11		Nov. 1979: Joined Shinshu Seiki Co., Ltd. (now Seiko Epson Corporation) Jun. 2002: Director; Deputy Chief Operating Officer, Imaging & Information Products Operations Division, Seiko Epson Corporation Nov. 2004: Director; Deputy General Administrative Manager, Corporate Research & Development Division, and Deputy Chief Operating Officer, Imaging & Information Products Operations Division, Seiko Epson Corporation Nov. 2005: Director; General Administrative Manager, Production Engineering & Development Division, Seiko Epson Corporation Jul. 2007: Director; General Administrative Manager, Corporate Research & Development Division, and General Administrative Manager, Production Engineering & Development Division, Seiko Epson Corporation	3,500 Shares
	Reappointment		
	Candidate for Outside Director		
	Candidate for Independent Director	Oct. 2007: Managing Director; General Administrative Manager, Corporate Research & Development Division, and General Administrative Manager, Production Engineering & Development Division, Seiko Epson Corporation	
	Minoru USUI (April 22, 1955)	Jun. 2008: President and Representative Director; Chief Executive Officer, Seiko Epson Corporation	
		Apr. 2020: Chairman and Director, Seiko Epson Corporation (incumbent)	
		Jun. 2021: Director, IHI (incumbent)	
		<u>Position and Areas of Responsibility at IHI</u> Director	
		<u>Significant Concurrent Positions</u> Chairman and Director, Seiko Epson Corporation (scheduled to retire in June 2024) *He is not an executive at Seiko Epson Corporation. Outside Director, Sumitomo Pharma Co., Ltd.	
		<u>Number of Other Listed Companies Concurrently Serving as Officer</u> Engaged in Business Execution: 0 Not Engaged in Business Execution: 2	

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 3 years as an 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 an executive. However, the transaction amount that business relationship generates is less than 0.1% of the Company's consolidated revenue and less than 0.1% of Seiko Epson Corporation's consolidated revenue (in the most recent fiscal year), 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 an independent director.

Overview of the Limited Liability Contract

The Company has concluded a contract with Mr. Minoru Usui 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-dat No.	Name (Date of Birth)	Brief Personal History, Position and Areas of Responsibility at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
12		Apr. 1981: Joined NSK Ltd. Jun. 2008: Vice President; Deputy Head of Corporate Planning Division HQ, NSK Ltd. Jun. 2009: Vice President; Head of Corporate Planning Division HQ, NSK Ltd. Jun. 2010: Senior Vice President; Head of Corporate Planning Division HQ, NSK Ltd. Jun. 2012: Director; Senior Vice President; Head of Corporate Planning Division HQ, NSK Ltd.	600 Shares
	Reappointment	Jun. 2013: Director; Representative, Executive Vice President; Head of Corporate Strategy Division HQ, NSK Ltd.	
	Candidate for Outside Director	Jun. 2015: Director; Representative, President and Chief Executive Officer, NSK Ltd.	
	Candidate for Independent Director	Jun. 2017: Director; Representative, President and Chief Executive Officer, NSK Ltd.	
	Toshihiro UCHIYAMA (November 28, 1958)	Apr. 2021: Chairman of the Board of Directors, NSK Ltd. Jun. 2022: Director, IHI (incumbent) Jun. 2023: Advisor, NSK Ltd. (incumbent)	
		<u>Position and Areas of Responsibility at IHI</u> Director	
		<u>Significant Concurrent Positions</u> Advisor, NSK Ltd. *He is not an executive at NSK Ltd. Outside Director, Sapporo Holdings Limited	
		<u>Number of Other Listed Companies Concurrently Serving as Officer</u> Engaged in Business Execution: 0 Not Engaged in Business Execution: 1	

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

18 out of 18 (100%)

Period in Office

At the conclusion of this meeting, Mr. Toshihiro Uchiyama will have served 2 years as an 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 an executive. However, the transaction amount that business relationship generates is less than 0.1% of the Company's consolidated revenue and less than 0.2% of consolidated net sales of NSK Ltd. (in the most recent fiscal year), 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 an independent director.

Overview of the Limited Liability Contract

The Company has concluded a contract with Mr. Toshihiro Uchiyama 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) The Company's subsidiary IHI Power Systems Co., Ltd. was found to have made improper alterations in the test operation records for marine engines and land-use engines that the said company manufactured when Messrs. Yoshiyuki Nakanishi, Minoru Usui, Toshihiro Uchiyama and Ms. Chieko Matsuda were outside directors of the Company. The Company disclosed this matter in April 2024. Regarding this matter, the Company, having established a special investigation committee, is conducting a probe into the cause and taking measures to prevent recurrence while carrying out a renewed investigation to find similar incidents within the Group.

Although the four outside directors were unaware of this incident until it was discovered, they had fulfilled their responsibilities by regularly timely suggestions regarding the importance of legal compliance and internal controls, and expressing their opinions upon receiving successive reports on these initiatives after the incident had come to light.

Proposal No. 3: Election of Two (2) Audit & Supervisory Board Members

Approval is hereby requested for the election of two (2) audit & supervisory board members, as follows, since out of the five (5) current audit & supervisory board members, the terms of office of Mr. Takashi Niimura and Ms. Aiko Sekine 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 candidates for the office of audit & supervisory board members are as follows:

Candidate No.	Name (Date of Birth)	Brief Personal History, Position at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
1	<p>Candidate for New Audit & Supervisory Board Member</p> <p>Tae HOZOJI (July 28, 1967)</p>	<p>Apr. 1991: Joined IHI</p> <p>Apr. 2015: General Manager of Security Export Control Group, Legal Division, IHI</p> <p>Apr. 2019: General Manager of Recruiting Group, Human Resources Division, IHI</p> <p>Apr. 2022: General Manager of Internal Audit Division, IHI</p> <p>Apr. 2024: Fellow of Internal Audit Division, IHI (incumbent)</p> <p><u>Position at IHI</u> Fellow of Internal Audit Division</p> <p><u>Number of Other Listed Companies Concurrently Serving as Officer</u> Engaged in Business Execution: 0 Not Engaged in Business Execution: 0</p>	1,400 Shares

Reasons for Nomination

Ms. Tae Hozoji has gained experience from many roles since joining the Company, including planning and coordination, and sales in the industrial machinery business and in corporate divisions such as legal affairs and human resources. Since April 2022, as General Manager of the Internal Audit Division, she has undertaken internal audits and assessments of internal controls of the IHI Group. She has also worked to strengthen the auditing functions of the corporate divisions. In the belief that her abundant experience, accomplishments, and insight will be utilized in the IHI Group's audits, and has therefore nominated her as a new candidate for audit & supervisory board member.

Attendance at the Audit & Supervisory Board Meeting

None

Attendance at the Board of Directors Meeting

None

Special Notes

There are no special interests between Ms. Tae Hozoji and the Company.

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.

Candi- date No.	Name (Date of Birth)	Brief Personal History, Position at IHI, and Significant Concurrent Positions	Number of IHI Shares Owned
2	<div data-bbox="323 689 515 723" style="border: 1px solid black; padding: 2px;">Reappointment</div> <div data-bbox="323 741 515 846" style="border: 1px solid black; padding: 2px;">Candidate for Outside Audit & Supervisory Board Member</div> <div data-bbox="323 864 515 969" style="border: 1px solid black; padding: 2px;">Candidate for Independent Audit & Supervisory Board Member</div> <p data-bbox="323 1010 515 1077">Aiko SEKINE (May 13, 1958)</p>	<p data-bbox="531 331 1310 902"> Apr. 1981: Joined Citibank, N.A., Tokyo Branch Oct. 1985: Joined Aoyama Audit Corporation Mar. 1989: Registered as Certified Public Accountant Sep. 2006: Partner, PricewaterhouseCoopers Aarata (now PricewaterhouseCoopers Japan LLC) Jul. 2007: Executive Board Member, Japanese Institute of CPAs (JICPA) Jul. 2010: Deputy President, JICPA Jul. 2016: Chairman and President, JICPA Jul. 2019: Advisor, JICPA (incumbent) Jan. 2020: Member, IFRS Advisory Council, IFRS Foundation (incumbent) Jun. 2020: Audit & Supervisory Board Member, IHI (incumbent) Sep. 2020: Professor, Faculty of Commerce, Waseda University (incumbent) Oct. 2020: Trustee, International Valuation Standards Council (incumbent) </p> <div data-bbox="531 920 707 954" style="border: 1px solid black; padding: 2px;">Position at IHI</div> <p data-bbox="531 958 954 992">Audit & Supervisory Board Member</p> <div data-bbox="531 1003 911 1037" style="border: 1px solid black; padding: 2px;">Significant Concurrent Positions</div> <p data-bbox="531 1041 1310 1328"> Certified Public Accountant Advisor, JICPA Professor, Faculty of Commerce, Waseda University Outside Director, ORIX Corporation Outside Audit & Supervisory Board Member, Sumitomo Riko Company Limited (scheduled to retire in June 2024) Outside Director, NIPPON STEEL CORPORATION (scheduled to be appointed in June 2024) </p> <div data-bbox="531 1346 1310 1379" style="border: 1px solid black; padding: 2px;">Number of Other Listed Companies Concurrently Serving as Officer</div> <p data-bbox="531 1384 975 1440"> Engaged in Business Execution: 0 Not Engaged in Business Execution: 2 </p>	0 Shares

Reasons for Nomination

Ms. Aiko Sekine has accumulated abundant experience and insight as a partner of an audit corporation, and Chairman and President of JICPA, as well as abundant experience as an outside officer. Expecting such experience and insight to be reflected in the management auditing of the Company from an independent perspective, the Company has nominated her again as a candidate for outside audit & supervisory board member.

Although she has not been involved in company management, the Company has judged that she can execute her duties as an outside audit & supervisory board member appropriately for the above-mentioned reasons.

Attendance at the Audit & Supervisory Board Meeting

14 out of 14 (100%)

Attendance at the Board of Directors Meeting

18 out of 18 (100%)

Period in Office

At the conclusion of this meeting, Ms. Aiko Sekine will have served 4 years as an audit & supervisory board member of the Company.

Policy on Independence

There are no special interests between Ms. Aiko Sekine and the Company. The Company has registered Ms. Aiko Sekine with the Tokyo Stock Exchange (where the Company is listed) as an independent audit & supervisory board member.

Overview of the Limited Liability Contract

The Company has concluded a contract with Ms. Aiko Sekine 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 audit & supervisory board member is approved, the Company shall continue the aforementioned contract to limit liability with her.

(Notes)

1. The name of Ms. Aiko Sekine in the family register is Aiko Sano.
2. The Company's subsidiary IHI Power Systems Co., Ltd. was found to have made improper alterations in the test operation records for marine engines and land-use engines that the said company manufactured when Ms. Aiko Sekine was an outside audit & supervisory board member of the Company. The Company disclosed this matter in April 2024. Regarding this matter, the Company, having established a special investigation committee, is conducting a probe into the cause and taking measures to prevent recurrence while carrying out a renewed investigation to find similar incidents within the Group. Although she was unaware of this incident until it was discovered, she had fulfilled their responsibilities by timely suggestions regarding the importance of legal compliance and internal controls, and expressing her opinions upon receiving successive reports on these initiatives after the incident had come to light.

<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	○		○	○				
	Tsuyoshi TSUCHIDA	○				○			○
	Hideo MORITA		○	○					
	Akihiro SEO						○		○
	Jun KOBAYASHI			○	○				
	Yasuaki FUKUMOTO							○	
Outside Directors	Noriko MORIOKA		○						
	Yoshiyuki NAKANISHI	○		○	○				
	Chieko MATSUDA						○	○	○
	Minoru USUI	○	○	○					
Audit & Supervisory Board Members	Toshihiro UCHIYAMA	○		○	○				
	Seiji MARUYAMA							○	
Outside Audit & Supervisory Board Members	Tae HOZOJI								○
	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

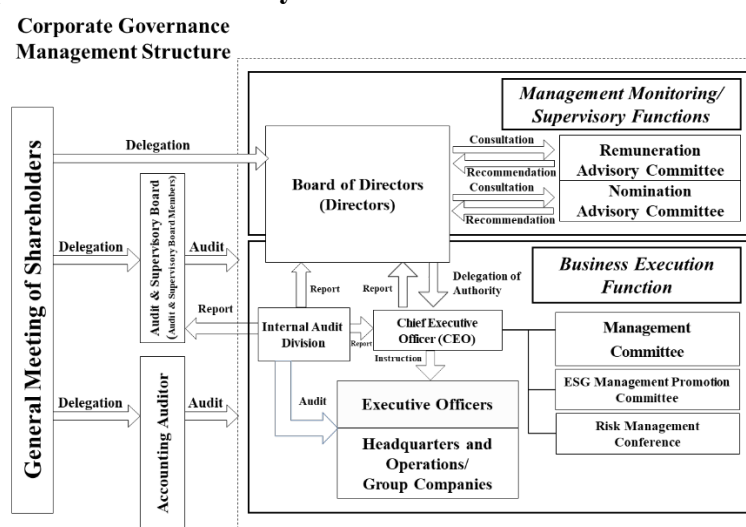
The Company defines corporate governance as a system that assures sustainable growth and maximization of corporate value by enhancing management efficiency so that the Company can leverage its innate capabilities to the fullest extent possible. To achieve this, the Company targets efficient and appropriate 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 the execution of their duties. 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 executive structure will be as follows if Proposals No. 2 and 3 are approved in their original forms:

	Number of officers	Number (percentage) that are independent outside officers	Number (percentage) that are female officers
Directors	12	4 (33%)	2 (16%)
Audit & Supervisory Board Members	5	3 (60%)	3 (60%)
Total	17	7 (41%)	5 (29%)

Remuneration Advisory Committee

The Company established the Remuneration Advisory Committee as the optional committee. The Committee held five meetings during the fiscal year under review and deliberated on the policy for, and details of, the remuneration paid to directors and audit & supervisory board members.

Nomination Advisory Committee

The Company established the Nomination Advisory Committee as the optional committee. The Committee held five meetings during the fiscal year under review and deliberated on ideas for officer appointments and plans for successor training.

[Composition and attendance at meetings of Remuneration Advisory Committee and Nomination Advisory Committee]

Title and Position	Remuneration Advisory Committee		Attendance at Meetings
	Name		
Outside Director	Yoshiyuki NAKANISHI	Chair	5 out of 5 (100%)
Director	Akihiro SEO	Member	5 out of 5 (100%)
Director	Yasuaki FUKUMOTO	Member	5 out of 5 (100%)
Outside Director	Minoru USUI	Member	5 out of 5 (100%)
Outside Director	Toshihiro UCHIYAMA	Member	5 out of 5 (100%)
Outside Audit & Supervisory Board Member	Kazuhiro MUTO	Member	2 out of 2 (100%) ^(Note)

(Note) The stated attendance at meetings for Mr. Kazuhiro Muto considers only the Remuneration Advisory Committee meetings held after his assumption as a member of the committee.

Title and Position	Nomination Advisory Committee		Attendance at Meetings
	Name		
Representative Director and President	Hiroshi IDE	Chair	5 out of 5 (100%)
Outside Director	Yoshiyuki NAKANISHI	Member	5 out of 5 (100%)
Outside Director	Chieko MATSUDA	Member	5 out of 5 (100%)
Outside Director	Minoru USUI	Member	5 out of 5 (100%)
Outside Director	Toshihiro UCHIYAMA	Member	5 out of 5 (100%)

Policies and Procedures relating to Appointment of Officers

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

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

Should members of senior management or executive officers meet the dismissal criteria for officers, a determination of such dismissal shall be resolved promptly by the Board of Directors.

Ideal Attributes for Officers

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

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

Independence Criteria for Outside Directors

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

(1)Major Shareholders	The director should not be a major shareholder with 10% or more of the voting rights in the Company, or serve as a director, audit & supervisory board member, executive officer at a company with committees, executive officer or employee, of a corporation that is a major shareholder.
(2)Major Clients, Suppliers, etc.	<p>The director should not currently serve as a director, audit & supervisory board member, executive officer at a company with committees, executive officer or employee, of any of the Company's major clients, suppliers, etc. detailed below, nor should he/she have served as an executive director, executive officer at a company with committees, or executive officer, of such major clients, suppliers, etc. in the past.</p> <ul style="list-style-type: none"> • Major clients of the IHI Group (with transactions valued at 2% or more of the Company's consolidated revenue in the most recent fiscal year) • Major suppliers to the IHI Group (with transactions valued at 2% or more of the supplier's consolidated revenue in the most recent fiscal year) • Major lenders to the Company (as listed in the business report for the most recent fiscal year)
(3) Providers of Specialist Services (Attorneys at Law, Certified Public Accountants, or Consultants, etc.)	The director should not be an attorney at law, certified public accountant, or consultant, etc. who receives 10 million yen or more of monetary consideration or other property from the Company annually besides compensation as a director/audit & supervisory board member.
(4)Accounting Auditor	The director should not be a representative partner or partner of the Company's accounting auditor.
(5) Mutual Exchange of Officers, etc. with IHI	The director should not be assigned to a corporation with which the Company has a relationship of mutually exchanging directors or audit & supervisory board members.

(6)Close Relatives	<p>The director should not be the spouse or first- to second-degree relative of a director, audit & supervisory board member, executive officer or equivalent executive-level employee of the IHI Group. In addition, the director should not be the spouse or first- to second-degree relative of any person* referred to in (1) through (4) above.</p> <p>* If a major shareholder or a major client, supplier, etc. is a corporation, this applies only to directors, audit & supervisory board members, executive officers at companies with committees, executive officers, or equivalent executive-level employees of the corporation in question.</p>
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Business Report

(From April 1, 2023 to March 31, 2024)

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

Regarding the global economy during the fiscal year under review, while there were energy issues in Europe and stagnation in the real estate market in China, the U.S. economy remained steady supported by a solid employment and income environment. Regarding the Japanese economy, amid an improving employment and income environment, the economy has been recovering gradually, although it is still affected by global inflation.

In the IHI Group's main business, the civil aero engines business, sales of main units of engines and spare parts have been steady due to the recovery in demand for aero transportation. In the defense business, orders are increasing due to the significant increase in the defense budget under the government policy. In order to respond to the expected increase in demand, the IHI Group will promote efforts to increase production capacity and achieve the world's highest level of production efficiency. In the international joint venture for the PW1100G-JM engines, a quality issue was discovered with a component manufactured by a project partner. The Company's share of expenses required for additional inspections and maintenance of engines using the component, as well as for costs related to compensation and so forth to airline companies while aircraft using the engines are out of service for maintenance, have been included as a lump sum in FY2023. We will continue working with our partners to enhance the maintenance capacity to reduce the impacts on airlines as customers and to restore their confidence.

In the vehicular turbochargers business, the production volume of automiles significantly exceeded the initial forecasts thanks to improvements in the semiconductor shortage and rising vehicle sales in China. In addition to reliably responding to current demand, the IHI Group will move forward with business structure reforms to respond to market changes, including the spread of electric vehicles.

In line with global movements toward decarbonization and environmental changes including shrinking workforce in Japan and other developed countries, as a group we will strive to expand our life-cycle businesses to meet customers' needs in terms of carbon neutrality and energy- and labor-saving solutions.

As announced on April 24 of this year, IHI Power Systems Co., Ltd., a subsidiary of the Company, was found to have made improper alterations to the test operation records for marine engines and land-use engines that it had manufactured. In response, the Company has established a special investigation committee and is working to investigate the causes and formulate measures to prevent recurrence, and conducting further inspections to determine whether similar events have occurred in the IHI Group. On September 12, 2023, IHI Transport Machinery Co., Ltd., a subsidiary of the Company, has been subjected to an on-site investigation by the Japan Fair Trade Commission for suspected violation of the Antimonopoly Act in connection with its parking system business. The Company takes this matter seriously, and is fully cooperating with the investigation by the Japan Fair Trade Commission.

- **Operating Results**

For the IHI Group's operating results during the fiscal year ended March 31, 2024, orders received increased by 0.8% from the previous fiscal year to 1,376.8 billion yen, but revenue decreased by 2.2% from the previous fiscal year to 1,322.5 billion yen due to expenses related to the shipped PW1100G-JM engines, losses from the settlement of litigation involving IHI's consolidated subsidiary, and other factors.

In terms of profit, Operating Margin decreased by 152.1 billion yen to a loss of 70.1 billion yen due to the aforementioned decrease in revenue and business restructuring expenses for the vehicular turbochargers business, despite the effects of yen depreciation, higher sales of spare parts for civil aero engines, expansion of lifecycle businesses, etc. Profit attributable to owners of parent was a loss of 68.2 billion yen.

Changes in Assets and Profit/Loss [Earnings Highlights (Consolidated)] IFRS

(Millions of Yen)

Item	204 th Fiscal Year	205 th Fiscal Year	206 th Fiscal Year	207 th Fiscal Year
Orders Received	1,097,012	1,261,252	1,366,172	1,376,870
Revenue	1,112,906	1,172,904	1,352,940	1,322,591
Operating Margin	27,961	81,497	81,985	(70,138)
Profit Attributable to Owners of Parent	13,093	66,065	44,545	(68,214)
Basic Earnings per Share (Yen)	88.13	439.77	294.48	(450.78)
Total Assets	1,832,891	1,879,673	1,941,964	2,097,810
Total Equity	327,727	407,039	456,251	402,268
(Reference) ROE (Profit to Equity Attributable to Owners of Parent) (Note) (%)	4.5	19.3	11.0	(16.9)

(Note) Profit attributable to owners of parent / (Average of ending Equity Attributable to Owners of Parent for the previous and current years)

- **Interim Dividend**

The Company's interim dividend for the first half of the fiscal year under review was 50 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, and the shift away from fossil fuels is not limited to the energy sector, but is also spreading to the entire industrial sector.

In the Resources, Energy and Environment Business area, the IHI Group is promoting carbon recycling technology, including methanation, and building infrastructure to promote the use of ammonia, which does not emit CO₂ during combustion. Furthermore, to promote the safe and secure use of nuclear power, we are contributing to the restart of nuclear power plants, radioactive waste disposal, and decontamination and decommissioning. Elsewhere, we are rolling out our high-added-value life-cycle businesses that contribute to reducing the environmental impact for existing energy and industrial infrastructures. In this way, we will contribute to the stable supply of energy and the transition to a carbon neutral society.

○ **Social Infrastructure**

Main Businesses

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

In Japan, as countermeasures against aging infrastructure and worsening natural disasters caused by climate change, initiatives are underway based on the Fundamental Plan for National Resilience for the implementation of flood control measures in watersheds to counter large-scale floods, the reinforcement of road network functions to prepare against road blockages during disasters, and the maintenance, repair, and conservation of aging bridges. Furthermore, as the shortage of workers in the construction sector becomes increasingly common, the improvement of productivity by promoting labor-saving, automation, and DX has become an urgent issue.

In this business area, the IHI Group will expand its life-cycle businesses not just internally but also globally to increase value for customers in the fields of transportation infrastructure, disaster prevention and disaster mitigation, and water management. In doing so, we will strive to provide strong and sustainable social infrastructure systems.

○ **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

The industrial sector is confronting an array of challenges including soaring material and labor costs, shrinking workforce in line with declining birthrate and aging population, and rising social requirements for the reduction of CO2 emissions to achieve carbon neutrality. Responding to these changing social and business environments is an urgent matter for the industrial sector.

In this business area, the IHI Group is using decarbonization and energy-saving technologies, labor-saving and automation technologies, and digital technologies to solve the diverse issues facing its customers. By providing optimal solutions to our customers that exceed the boundaries of our existing businesses, we will contribute to the creation of industrial infrastructure.

○ **Aero Engine, Space and Defense**

Main Businesses

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

In the civil aero engines business, global passenger demand is entering a growth phase, and in the defense and space businesses, growth is expected due to the Japanese government's increased budget and market expansion in the space industry, etc.

In this business area, the IHI Group will continue with additional maintenance on PW1100G-JM engines, which were the cause of significant losses recorded, and will also strengthen its response in the aftermarket realm, in order to give every possible support to its customers' aircraft operations. In addition, to respond to growing passenger demand, we are moving forward with efforts to increase our production capacity. We are also working on the technological development of lighter, high-efficiency aero engines, as well as the synthesis of SAF(sustainable aviation fuels), to contribute to decarbonization in the aviation industry over the medium to long term.

(2) Issues to be Addressed

(I) Misconduct by a Consolidated Subsidiary of the Company

As announced on April 24 of this year, IHI Power Systems Co., Ltd., a subsidiary of the Company, was found to have made improper alterations to the test operation records for marine engines and land-use engines that it had manufactured.

In response, the Company has established a special investigation committee, composed of lawyers and outside experts, and is working to investigate the causes and formulate measures to prevent recurrence, and conducting further inspections to determine whether similar events have occurred in the IHI Group.

The Company, in response to inadequate inspections of civil aircraft engines that were carried out at the Company's Mizuho Aero-Engine Works in 2019, has been making organization-wide efforts to implement recurrence prevention measures. However, the occurrence again of a similar event shows that our efforts have been insufficient.

To regain the trust of our stakeholders as quickly as possible, the IHI Group will make organization-wide efforts to remind employees of the importance of thorough compliance, to improve its corporate culture, and to create systems that ensure events like this never happen again.

(II) Initiatives for "Group Management Policies 2023"

In May 2023, the IHI Group announced "Group Management Policies 2023," within which it separated its businesses into three categories of Growth Businesses, Development – focus Businesses, and Core Businesses. While boldly shifting its management resources toward the Growth Businesses and Development – focus Businesses that will support the IHI Group's growth over the medium to long term, for its Core Businesses, the IHI Group will seek to improve profitability with a focus on life-cycle businesses.

- Growth Businesses (civil aero engines, defense and space businesses)

In the civil aero engines business, a continuous rise in sales of engines is expected in line with growing passenger demand, and aftermarket demand is also expected to grow. In addition to steadily capturing this demand, we will work on technological development aimed at weight reduction and efficiency improvements to realize environmentally friendly aircraft, and over the long term, move forward with aircraft electrification.

The defense business is set to achieve further growth in line with the Japanese government's policy to fundamentally reinforce its defense capabilities. Going forward, while working to expand our businesses by using our technological strengths, we will also proceed with global business expansion, such as through our participation in the Global Combat Air Programme (GCAP), a collaboration between Japan, the U.K., and Italy, and in the future, defense equipment transfers.

Looking ahead, the IHI Group will use the production system, technological foundation, and state-of-the-art technologies it has developed through the civil and defense sectors for dual-use* business development, and aim to expand its business opportunities through creation of synergy between businesses, including in the space sector.

*Products and services that can be used in both the civil and defense sectors

- Development - focus Businesses (fuel ammonia value-chain business)

For more than 10 years, the IHI Group has pioneered global efforts to develop technologies that enable the use of ammonia as fuel for power generation. In April of this year, we began the world's first demonstration of a 20% ammonia fuel conversion at a coal-fired thermal power plant at the JERA Hekinan Thermal Power Station. To develop the creation of value chains that cover everything from the manufacture, transportation, storage to use of ammonia as decarbonized fuel into a medium- to long-term business, in addition to moving forward with technological development and business investments, we will continue working with our worldwide partners with a view to global expansion.

- Core Businesses (Resources, Energy and Environment, Social Infrastructure, and Industrial Systems and General-Purpose Machinery)

In the business areas of Resources, Energy and Environment, Social Infrastructure, and Industrial

Systems and General-Purpose Machinery, which are our Core Businesses, we are expanding the life-cycle businesses that increase value for customers by getting deeper into lifecycles of products they use, and in FY2023, revenue increased by 50% compared to FY2019.

In order to solve customers' challenges, such as reducing environmental impact and promoting labor-saving, we will provide maintenance and other services and solutions to move forward with exploit and evolution that create new products and services. As customers' businesses continue to undergo change, the IHI Group will also review its existing businesses and move forward with the optimization of its business portfolio.

The IHI Group will strengthen its financial structure and at the same time invest mainly in the Development - focus Businesses and the Growth Business by setting priorities by organization-wide efforts to strengthen operating cash flow, as well as generating cash through the sale of assets, etc.

(III) Beyond “Group Management Policies 2023”

The source of the IHI Group's value is its technologies. For 170 years since its founding, the IHI Group has provided value to its customers through products and services that have made use of these technologies.

Going forward, we will place particular emphasis on value itself, and by linking the value created using the IHI Group's technologies with the value that customers seek, we will aim to become a company that creates new value beyond products and services alongside new value chains.

To our shareholders, 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 Margin + 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 2024 and Dividend Forecast

On May 8, 2024, the Company announced its forecasts of full-year consolidated results for fiscal 2024 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.

208 th Fiscal Year (IFRS)			(Billions of yen)	
Revenue	Operating Margin	Profit before tax	Profit Attributable to Owners of Parent	Annual Dividend
1,600.0	110.0	100.0	60.0	100 yen per share (Interim: 50 yen, Year-end: 50 yen)

(3) Financing

(Millions of Yen)

Item	YoY Increase / Decrease	Balance at End of Period
Short-term and long-term borrowings	65,435	379,322
Commercial papers	-	-
Bonds payable	(9,944)	69,830
Total	55,491	449,152

(4) Capital Investment

Total capital investment for the fiscal year under review was 71.2 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 Business Area which involved manufacturing facilities and plant and office facilities for the bridges/water gates business, and; investment in construction work mainly pertaining to investment real estate for the urban development business.

(5) Main lenders of Corporate Group (As of March 31, 2024)

(Millions of Yen)

Lender	Amount
Mizuho Bank, Ltd.	76,000
Sumitomo Mitsui Trust Bank, Limited	42,551
Sumitomo Mitsui Banking Corporation	41,720
Resona Bank, Limited	21,800
Development Bank of Japan	17,900
The Hiroshima Bank, Ltd.	12,949
The Yamaguchi Bank, Ltd.	12,449
MUFG Bank, Ltd.	11,300
The Hachijuni Bank, Ltd.	11,219
The Chiba Bank, Ltd.	9,500

(6) Main Sales Offices and Works (As of March 31, 2024)

Head Office	1-1, Toyosu 3-chome, Koto-ku, Tokyo			
Sales Offices	Hokkaido Branch (Kita-ku, Sapporo-city)	Tohoku Branch (Aoba-ku, Sendai-city)		
	Hokuriku Branch (Toyama-city, Toyama)	Chubu Branch (Nakamura-ku, Nagoya-city)		
Overseas Offices	Kansai Branch (Kita-ku, Osaka-city)	Chugoku Branch (Naka-ku, Hiroshima-city)		
	Shikoku Branch (Takamatsu-city, Kagawa)	Kyushu Branch (Chuo-ku, Fukuoka-city)		
The Main Works in Japan	The U.K. (London)	France (Paris)	Algeria (Oran)	Italy (Rome)
	Turkey (Istanbul)	UAE (Dubai)	Singapore	India (New Delhi)
	Thailand (Bangkok)	Malaysia (Kuala Lumpur)	Vietnam (Hanoi)	
	Indonesia (Jakarta)	Taiwan (Taipei)	Korea (Seoul)	Australia(Sydney)
	Shanghai	Beijing	Hong Kong	
	North America (New York)	South America (Sao Paolo)		
	Mizuho Aero-Engine Works (Mizuho-machi, Nishitama-gun, Tokyo)			
	Tsurugashima Aero-Engine Works (Tsurugashima-city, Saitama)			
	Kure Aero-Engine & Turbo Machinery Works (Kure-city, Hiroshima)			
	Soma No.1 Aero-Engine Works/Soma No.2 Aero-Engine Works (Soma-city, Fukushima)			
	Yokohama Works (Isogo-ku, Yokohama-city)			
	Aioi Works (Aioi-city, Hyogo)			
	IHI Power Systems Co., Ltd.:			
	Ohta Plant (Ota-city, Gunma); Niigata Engine Plant/Niigata Foundry Plant (Higashi-ku, Niigata); Niigata Gas Turbine Plant (Seiro-machi, Kitakanbara-gun, Niigata)			
	IHI Infrastructure Systems Co., Ltd.:			
	Sakai Works (Sakai-ku, Sakai-city)			
	Niigata Transys Co., Ltd.:			
	Niigata Works (Seiro-machi, Kitakanbara-gun, Niigata)			
	IHI Transport Machinery Co., Ltd.:			
	Numazu Works (Numazu-city, Shizuoka); Yasuura Works (Kure-city, Hiroshima)			
	IHI Agri-Tech Corporation:			
	Chitose Works (Chitose-city, Hokkaido); Matsumoto Works (Matsumoto-city, Nagano)			
	IHI Rotating Machinery Engineering Co., Ltd.:			
	Tatsuno Works (Tatsuno-machi, Kamiina-gun, Nagano)			
	IHI Turbo Co., Ltd.			
	Kiso No.1 Plant/Kiso No.2 Plant/Kiso No.3 Plant (Okuwa-mura, Kiso-gun, Nagano)			
	IHI Logistics & Machinery Corporation			
	Motomiya Works (Motomiya-city, Fukushima)			
	IHI AEROSPACE CO., LTD.:			
	Tomioka Plant (Tomioka-city, Gunma)			

(Note) Locations of main subsidiaries of the Company are as provided in “(8) Main Subsidiaries.”

(7) Employees (As of March 31, 2024)

Business Segment	Number of Employees
Resources, Energy and Environment	6,434
Social Infrastructure	2,396
Industrial Systems and General-Purpose Machinery	9,574
Aero Engine, Space and Defense	7,111
Others	1,624
Corporate (Company-Wide)	1,098
Total	28,237

(249 decrease compared to March 31, 2023)

(8) Main Subsidiaries (As of March 31, 2024)

Company Name	Location	Capital	Voting Interest of the Company (Note 1)	Main Business
Resources, Energy and Environment Business Area				
IHI Power Systems Co., Ltd.	Chiyoda-ku, Tokyo	3,000 Million Yen	100.00 %	Manufacture And Sale Of Internal Combustion Engines, Gas Turbine Engines And Marine Equipment
IHI Plant Services Corporation (Note 2)	Koto-ku, Tokyo	500 Million Yen	100.00 %	Engineering, 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
Jurong Engineering Limited	Singapore	51,788 Thousand Singapore Dollars	95.56 %	Installation Of Various Types Of Plants And Facilities/Equipment, Engineering And Consulting Of Architectural Work And Civil Engineering And Plants
IHI E&C International Corporation	U.S.A.	21,257 Thousand Us Dollars	100.00 %	Feasibility Study, Front End Engineering Design, And Engineering, Procurement, And Construction Businesses In Oil And Gas Field
IHI SOLID BIOMASS MALAYSIA SDN.BHD.	Malaysia	25,400 Thousand Malaysian Ringgit	100.00 %	Fuel Production, Sales And Exports In Malaysia
Social Infrastructure Business Area				
IHI Infrastructure Systems Co., Ltd.	Sakai-ku, Sakai-city	1,000 Million Yen	100.00 %	Engineering, Manufacture, Sale, Maintenance And Repair Of Bridges, Water Gates, Etc.
Niigata Transys Co., Ltd.	Kitakanbara-gun, Niigata	1,000 Million Yen	100.00 %	Manufacture And Sale Of Rolling Stock, Industrial Vehicles And Machines For Snow Removal
IHI INFRASTRUCTURE ASIA CO., LTD.	Vietnam	542,638 Million Vietnamese Dong	100.00 %	Engineering, Manufacture, Installation And Maintenance Of Steel Structures And Concrete Structures, In Addition To Manufacture And Installation Of Construction And Industrial Machineries
I&H Engineering Co., Ltd.	Myanmar	12,238 Thousand Us Dollars	60.00 %	Design, Engineering, Manufacture And Construction Services Of Concrete Products

Industrial System and General-Purpose Machinery Business Area				
IHI Transport Machinery Co., Ltd.	Chuo-ku, Tokyo	2,647 Million Yen	100.00 %	Design, Manufacture, Sale, Installation, Maintenance, And Repair Of Parking Systems, Materials Handling Equipment, And Transport And Distribution Plants
IHI Agri-Tech Corporation	Chitose-city, Hokkaido	1,111 Million Yen	100.00 %	Development, Manufacture, And Sale Of Agricultural Machinery, Turf-Grass And Lawn Maintenance Equipment, Forged/Cast Materials, and Electronic Control Units
IHI Rotating Machinery Engineering Co., Ltd.	Koto-ku, Tokyo	1,033 Million Yen	100.00 %	Design, Manufacture, Sale, Installation, Maintenance And Repair Of Compressors, Separators, and Superchargers For Ships, Etc.
IHI Turbo Co., Ltd.	Koto-ku, Tokyo	1,000 Million Yen	100.00 %	Manufacture Of Vehicular Turbochargers

IHI Logistics & Machinery Corporation	Koto-ku, Tokyo	1,000 Million Yen	100.00 %	Sale, Design, Manufacture, Procurement, Construction, Installation, Conversion And Repair Related To Logistics Equipment, FA Equipment, Industrial Equipment And Disinfecting/Deodorizing 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	100.00 %	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
Jiangsu IHI Fengdong Vacuum Technology Co., Ltd	China	30,000 Thousand Chinese Yuan	50.00 %	Design, Manufacture, Sale And After-Sales Support Of Vacuum Heat Treatment Furnaces
IHI-Sullair Rotating Machinery Engineering	China	188,510 Thousand	51.00 %	Manufacture, Sale And Service Of Compressors

and Manufacturing (Suzhou) Co., Ltd.		Chinese Yuan		
Aero Engine, Space and Defense Business Area				
IHI AEROSPACE CO., LTD.	Koto-ku, Tokyo (Note 3)	5,000 Million Yen	100.00 %	Manufacture, Sale, And Repair Of Space Development Equipment And Vehicles
IHI Aero Engines US Co., Ltd. (Note 4)	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
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)
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. The company is a specified subsidiary.
3. The Company became a wholly owned subsidiary of IHI due to the share acquisition.

4. As of April 1, 2024, the head office location has been changed to Tomioka-city, Gunma Prefecture.
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, 2024)

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 Outside Director, UBE Corporation
Representative Director and President; Chief Executive Officer	Hiroshi IDE	
Representative Director; Senior Executive Officer	Masataka IKEYAMA	In Charge of Group Economic Security In Charge of Group Quality Assurance Process
Representative Director; Senior Executive Officer	Tsuyoshi TSUCHIDA	In Charge of Group Procurement In Charge of Group DX In Charge of Business Relating to Corporate Planning Division
Director; Managing Executive Officer	Hideo MORITA	President of Aero Engine, Space & Defense Business Area
Director; Managing Executive Officer	Akihiro SEO	In Charge of Group Human Resources / Business Relating to Administration In Charge of Group Safety and Health In Charge of Group ESG General Manager of Human Resources Division
Director; Managing Executive Officer	Jun KOBAYASHI	General Manager of Business Development Division
Director; Executive Officer	Yasuaki FUKUMOTO	In Charge of Group Finance & Accounting General Manager of Finance & Accounting Division
Director	Yoshiyuki NAKANISHI	Outside Director, THE JAPAN STEEL WORKS, LTD. Outside Director, SHIMADZU CORPORATION
Director	Chieko MATSUDA	Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University Professor, Graduate School of Management, Tokyo Metropolitan University Outside Director, Asahi Kasei Corporation Outside Members of the Board, Toyota Tsusho Corporation
Director	Minoru USUI	Chairman and Director, Seiko Epson Corporation Outside Director, Sumitomo Pharma Co., Ltd.
Director	Toshihiro UCHIYAMA	Advisor, NSK Ltd. Outside Director, Sapporo Holdings Limited

Title And Position	Name	Responsibilities And Significant Concurrent Position(s)
Standing Audit & Supervisory Board Member	Takashi NIIMURA	
Standing Audit & Supervisory Board Member	Seiji MARUYAMA	
Audit & Supervisory Board Member	Aiko SEKINE	Certified Public Accountant Advisor, JICPA Professor, Faculty of Commerce, Waseda University Outside Director, ORIX Corporation Outside Audit & Supervisory Board Member, Sumitomo Riko Company Limited
Audit & Supervisory Board Member	Yumiko WASEDA	Attorney at Law Outside Audit & Supervisory Board Member, Chugai Pharmaceutical Co., Ltd. Outside Director, SCSK Corporation Executive Director, Japan Law Foundation
Audit & Supervisory Board Member	Kazuhiro MUTO	Executive Operating DOfficer, Oracle Corporation Japan

(Notes)

1. Director: Messrs. Yoshiyuki Nakanishi, Minoru Usui, Toshihiro Uchiyama and Ms. Chieko Matsuda are outside directors.
2. Audit & Supervisory Board Member: Meses. Aiko Sekine, Yumiko Waseda and Mr. Kazuhiro Muto 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 Meses. Aiko Sekine, Yumiko Waseda and Mr. Kazuhiro Muto 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.

To further promote ESG management, the amount of remuneration provided based on individual evaluation indicators corresponding to tasks assigned to each executive will be calculated in line with the level of achievement of targets: reduction of greenhouse gases, improvement of employee engagement, and promotion of DE&I (diversity, equity, and inclusion).

(b) Method of calculating remuneration

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

$$\text{The monetary amount to be paid} = \left(\begin{array}{l} \text{Standard payment} \\ \text{amount determined} \\ \text{by titles and} \\ \text{positions} \end{array} \times \begin{array}{l} \text{Performance} \\ \text{evaluation payout} \\ \text{rates proportionate} \\ \text{to the percentage} \\ \text{achievement of} \\ \text{profit indicators} \end{array} + \begin{array}{l} \text{Payment amount} \\ \text{based on individual} \\ \text{evaluation} \\ \text{indicators} \end{array} \right) \times \begin{array}{l} \text{Adjustment factor} \\ \text{based on growth} \\ \text{rate of consolidated} \\ \text{Operating Margin} \end{array}$$

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

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

(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 FY2023

(I) Total Amount of Remuneration, etc. Paid and Number of Recipients in FY2023

(Millions of yen)

Officer Category		Total Amount Paid (Millions of Yen)	Breakdown		
			Base Amount	Performance-Based Remuneration, etc.	
				Performance-Based Share Remuneration	Performance-Based Bonus
Director (15)	Inside Director (11)	624	413	159	51
	Outside Director (4)	57	57	–	–
Audit & Supervisory Board Member (6)	Inside Audit & Supervisory Board Members (2)	72	72	–	–
	Outside Audit & Supervisory Board Members (4)	43	43	–	–
Total (21)		797	586	159	51

(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 (5.4)%.
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 (72.5) billion yen, and consolidated operating cash flow amounted to 60.6 billion yen.
5. Some adjustments, such as excluding the effects of the sale of investment properties, adjustment based on the level of planned foreign exchange, were made to the financial statements figures disclosed by the Company to calculate the actual result of the performance indicators related to the performance-based bonus for the fiscal year under review.
6. The number of directors as of March 31, 2024 is 12 (including 4 outside directors) and the number of audit & supervisory board members is 5 (including 3 outside audit & supervisory board members). The reason for the discrepancy from the above is that figures in the chart include 3 directors and 1 audit & supervisory board member who retired at the conclusion of the 206th Ordinary General Meeting of Shareholders held on June 23, 2023.
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 (including total amount of 60 million yen for outside directors and excluding salaries for working as employees) per year. There were 14 directors (including 4 outside 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 5 audit & supervisory members 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 advice of the Remuneration Advisory Committee based on the inquiry of the Board 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, 2024

Title and Position	Name	Responsibilities
Representative Director and President Chief Executive Officer	Hiroshi IDE	
Representative Director Senior Executive Officer	Tsuyoshi TSUCHIDA	In Charge of Group Procurement In Charge of Group DX
Representative Director Senior Executive Officer	Hideo MORITA	In Charge of Group Economic Security In Charge of Group Quality Assurance /Design Process In Charge of Production Base Strategy
Director Managing Executive Officer	Akihiro SEO	In Charge of Group Human Resources / Business Relating to Administration In Charge of Group Safety and Health In Charge of Group ESG
Director Managing Executive Officer	Jun KOBAYASHI	General Manager of Business Development Division
Director Executive Officer	Yasuaki FUKUMOTO	In Charge of Group Finance & Accounting General Manager of Finance & Accounting Division
Managing Executive Officer	Takeshi KAWAKAMI	President of Social Infrastructure Business Area
Managing Executive Officer	Kouji TAKEDA	President of Resources, Energy and Environment Business Area
Managing Executive Officer	Nobuhiko KUBOTA	In Charge of Group Engineering General Manager of Corporate Research and Development Division
Managing Executive Officer	Noriko MORIOKA	General Manager of Strategic Technologies Division
Managing Executive Officer	Kiyoshi NIHEI	President of Industrial Systems & General-Purpose Machinery Business Area
Managing Executive Officer	Yoshikazu HAMADA	In Charge of Business Relating to Shareholder Meeting / Board of Directors In Charge of Group Legal Affairs In Charge of Group Compliance General Manager of Corporate Planning Division
Managing Executive Officer	Chie FUKUOKA	General Manager of Intelligent Information Management Division
Managing Executive Officer	Atsushi SATO	President of Aero-Engine, Space & Defense Business Area
Executive Officer	Yukihisa OZAWA	General Manager of <i>Monozukuri</i> System Transformation Division
Executive Officer	Go MAEDA	Vice President of Social Infrastructure Business Area
Executive Officer	Shotaro TABATA	In Charge of Group Operations General Manager of Corporate Marketing & Sales Division
Executive Officer	Takao TANAKA	Deputy General Manager of Business Development Division General Manager of Americas Headquarters

Title and Position	Name	Responsibilities
Executive Officer	Kazuya UEDA	Vice President of Social Infrastructure Business Area Representative Director and President, IHI Infrastructure Systems Co., Ltd.
Executive Officer	Bernd BAHLKE	Vice President of Industrial Systems & General-Purpose Machinery Business Area
Executive Officer	Chiyuki NAKAMATA	Vice President of Aero Engine, Space & Defense Business Area
Executive Officer	Kensuke YAMAMOTO	Deputy General Manager of Business Development Division Vice President of Resources, Energy and Environment Business Area
Executive Officer	Noriaki OZAWA	Vice President of Resources, Energy and Environment Business Area

(4) Information Regarding Outside Directors and Outside Audit & Supervisory Board Members (as of March 31, 2024)

- 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 NAKANISHI	18 of 18 (100%)	–	Offered advice and suggestions to ensure adequacy and appropriateness of the decisions of the Board of Directors meetings based on his ample experience and broad insight gained as the top management of a global chemicals manufacturer.
Director	Chieko MATSUDA	16 of 18 (89%)	–	Offered advice and suggestions to ensure adequacy and appropriateness of the decisions of the Board of Directors meetings based on her high level of expertise in corporate and financial strategies, and ample experience and broad insight gained as a researcher and business person.
Director	Minoru USUI	18 of 18 (100%)	–	Offered advice and suggestions to ensure adequacy and appropriateness of the decisions of the Board of Directors meetings based on his extensive experience and broad insight gained as the top management of a precision electronics manufacturer.

Position	Name	Attendance at Meetings		Activities
		Board of Directors Meetings	Audit & Supervisory Board Meetings	
Director	Toshihiro UCHIYAMA	18 of 18 (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	Aiko SEKINE	18 of 18 (100%)	14 of 14 (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	18 of 18 (100%)	14 of 14 (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.
Audit & Supervisory Board Member	Kazuhiro MUTO	14 of 14 (100%)	12 of 12 (100%)	Addressed questions and expressed opinions accordingly based on his ample experience and broad insight gained as a corporate manager of a Japanese subsidiary of a state of the art IT company.

(Notes)

- The stated attendance at meetings for audit & supervisory board member Mr. Kazuhiro Muto considers only the Board of Directors meetings and Audit & Supervisory Board meetings held after his assumption as audit & supervisory board member.
- During the tenure of directors Messrs. Yoshiyuki Nakanishi, Minoru Usui, Toshihiro Uchiyama and Ms. Chieko Matsuda and audit & supervisory board members Mses. Aiko Sekine, Yumiko Waseda and Mr. Kazuhiro Muto, it was found that improper alterations have been made to the test operation records for marine engines and land-use engines manufactured by IHI Power Systems Co., Ltd., a subsidiary of the Company, and the Company has announced this issue in April of this year. With regard to this matter, the Company has established a special investigation committee to investigate the cause and formulate measures to prevent recurrence, and conducting further inspections to determine whether similar events have occurred in the IHI Group.

Although the above seven outside officers were unaware of these incidents until they were discovered, they have fulfilled their responsibilities by regularly timely recommendations on the importance of legal compliance and internal control, and by receiving successive reports on these efforts and providing opinions after the discovery of these incidents.

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, audit & supervisory board members and executive officers. 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, 2024)

- | | | |
|----|---|---------------------------------------|
| 1) | Total Number of Shares Authorized to be Issued: | 300,000,000 |
| 2) | Total Number of Shares Issued: | 151,902,810 |
| | | (Excluding 2,777,144 Treasury Shares) |
| 3) | Total Number of Shareholders: | 130,581 |
| 4) | Major Shareholders (Top 10 Shareholders) | |

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan (Holder in Trust)	23,366	15.38
Custody Bank of Japan, Ltd. (Holder in Trust)	8,589	5.65
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15.315 PCT NON TREATY ACCOUNT	4,189	2.75
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
IHI Suppliers Stock Ownership Association	2,891	1.90
IHI Employee Stock Ownership Association	2,717	1.78
The Dai-ichi Life Insurance Company, Limited	2,703	1.77
Sumitomo Life Insurance Company	2,284	1.50
BNYM AS AGT/CLTS 10 PERCENT	1,772	1.16
STATE STREET BANK WEST CLIENT - TREATY 505234	1,680	1.10

(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 (2,777,144 shares). In addition, (546,200 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 2,777,144 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 (11)	11,100

(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, 2024, a trust account for the performance-based share remuneration plan for its directors owns 546,200 shares of the Company.

(2) Share Acquisition Rights

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

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

Name (Date Of Decision)	Number Of Share Acquisition Rights	Class And Number Of Shares Underlying Share Acquisition Rights	Amount To Be Paid In (Per Share Acquisition Right)	Value Of Property To Be Contributed Upon Exercise (Per Share Acquisition Right)	Exercise Period
1 st Share Acquisition Rights (July 23, 2007)	0	Ordinary Share 0 Shares	462,000 Yen	100 Yen	From August 10, 2007 to August 9, 2037
2 nd Share Acquisition Rights (July 22, 2008)	0	Ordinary Share 0 Shares	185,000 Yen	100 Yen	From August 19, 2008 to August 18, 2038
3 rd Share Acquisition Rights (July 21, 2009)	0	Ordinary Share 0 Shares	165,000 Yen	100 Yen	From August 6, 2009 to August 5, 2039
4 th Share Acquisition Rights (July 23, 2010)	23	Ordinary Share 2,300 Shares	154,000 Yen	100 Yen	From August 10, 2010 to August 9, 2040
5 th Share Acquisition Rights (July 25, 2011)	17	Ordinary Share 1,700 Shares	178,000 Yen	100 Yen	From August 18, 2011 to August 17, 2041
6 th Share Acquisition Rights (July 23, 2012)	21	Ordinary Share 2,100 Shares	159,000 Yen	100 Yen	From August 17, 2012 to August 16, 2042
7 th Share Acquisition Rights (July 22, 2013)	12	Ordinary Share 1,200 Shares	376,000 Yen	100 Yen	From August 22, 2013 to August 21, 2043

Name (Date Of Decision)	Number Of Share Acquisition Rights	Class And Number Of Shares Underlying Share Acquisition Rights	Amount To Be Paid In (Per Share Acquisition Right)	Value Of Property To Be Contributed Upon Exercise (Per Share Acquisition Right)	Exercise Period
8 th Share Acquisition Rights (July 22, 2014)	11	Ordinary Share 1,100 Shares	440,000 Yen	100 Yen	From August 12, 2014 to August 11, 2044
9 th Share Acquisition Rights (July 21, 2015)	8	Ordinary Share 800 Shares	413,000 Yen	100 Yen	From August 11, 2015 to August 10, 2045
10 th Share Acquisition Rights (July 25, 2016)	64	Ordinary Share 6,400 Shares	278,000 Yen	100 Yen	From August 10, 2016 to August 9, 2046

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

- 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”).
- 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.)

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

Name	Due date	Exercise period of share acquisition rights
1 st Share Acquisition Rights	August 9, 2036	From August 10, 2036 to August 9, 2037
2 nd Share Acquisition Rights	August 18, 2037	From August 19, 2037 to August 18, 2038
3 rd Share Acquisition Rights	August 5, 2038	From August 6, 2038 to August 5, 2039
4 th Share Acquisition Rights	August 9, 2039	From August 10, 2039 to August 9, 2040
5 th Share Acquisition Rights	August 17, 2040	From August 18, 2040 to August 17, 2041
6 th Share Acquisition Rights	August 16, 2041	From August 17, 2041 to August 16, 2042
7 th Share Acquisition Rights	August 21, 2042	From August 22, 2042 to August 21, 2043
8 th Share Acquisition Rights	August 11, 2043	From August 12, 2043 to August 11, 2044
9 th Share Acquisition Rights	August 10, 2044	From August 11, 2044 to August 10, 2045
10 th Share Acquisition Rights	August 9, 2045	From August 10, 2045 to August 9, 2046

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

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

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

(II) Number of Share Acquisition Rights

Name (Date of decision)	Director			Audit & Supervisory Board Member		
	Number Of Share Acquisition Rights	Number Of Shares Underlying Share Acquisition Rights	Number Of Holders	Number Of Share Acquisition Rights	Number Of Shares Underlying Share Acquisition Rights	Number Of Holders
1 st Share Acquisition Rights (July 23, 2007)	0	0 Shares	0	–	–	–
2 nd Share Acquisition Rights (July 22, 2008)	0	0 Shares	0	–	–	–
3 rd Share Acquisition Rights (July 21, 2009)	0	0 Shares	0	–	–	–
4 th Share Acquisition Rights (July 23, 2010)	23	2,300 Shares	1	–	–	–
5 th Share Acquisition Rights (July 25, 2011)	17	1,700 Shares	1	–	–	–
6 th Share Acquisition Rights (July 23, 2012)	21	2,100 Shares	1	–	–	–
7 th Share Acquisition Rights (July 22, 2013)	12	1,200 Shares	1	–	–	–
8 th Share Acquisition Rights (July 22, 2014)	11	1,100 Shares	1	–	–	–
9 th Share Acquisition Rights (July 21, 2015)	8	800 Shares	1	–	–	–
10 th Share Acquisition Rights (July 25, 2016)	51	5,100 Shares	2	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	292
Total Sum of Cash and Profits Relating to Other Assets that The Company and Its Subsidiaries Should Pay to the Accounting Auditor	485

(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 17 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 Business Activities and Operation Status of the Systems

(1) Systems to Ensure Appropriateness of Business Activities

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 business activities of a stock company and business activities 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 Executive 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.

IHI Power Systems Co., Ltd., a subsidiary of the Company, was found to have made improper alterations to the test operation records for marine engines and land-use engines that it manufactures, and the Company announced this issue on April of this year. The Company has established a special investigation committee to investigate the cause and formulate measures to prevent recurrence.

The Company, in response to inadequate inspections of civil aircraft engines that were carried out at the Company's Mizuho Aero-Engine Works in 2019, has been making organization-wide efforts to implement recurrence prevention measures. However, the occurrence again of a similar event shows that our efforts have been insufficient. The IHI group will make further efforts to remind employees of the importance of thorough compliance, to improve its corporate culture, and to create systems that ensure events like this never happen again.

Consolidated Statement Of Financial Position
(As of March 31, 2024)

(Millions of Yen)

Account Title	Amount	Account Title	Amount
Assets		Liabilities	
Current Assets	1,210,708	Current Liabilities	1,051,064
Cash And Cash Equivalents	138,805	Trade And Other Payables	258,581
Trade And Other Receivables	452,665	Bonds And Borrowings	177,021
Contract Assets	130,734	Lease Liabilities	17,642
Other Financial Assets	3,754	Other Financial Liabilities	20,310
Inventories	422,251	Income Taxes Payable	7,277
Total Current Assets	62,499	Contract Liabilities	204,121
		Provisions	25,190
		Refund Liabilities	192,679
		Other Current Liabilities	148,243
Non-Current Assets	887,102	Non-Current Liabilities	644,478
Property, Plant And Equipment	236,777	Bonds And Borrowings	272,132
Right-Of-Use Assets	101,904	Lease Liabilities	107,581
Goodwill	6,338	Other Financial Liabilities	82,242
Intangible Assets	127,059	Deferred Tax Liabilities	4,080
Investment Property	134,724	Retirement Benefit Liability	156,124
Investments Accounted For Using Equity Method	61,873	Provisions	6,631
Other Financial Assets	50,799	Other Non-Current Liabilities	15,688
Deferred Tax Assets	98,173		
Other Non-Current Assets	69,455		
		Total Liabilities	1,695,542
		Equity	
		Equity	
		Share Capital	107,165
		Capital Surplus	46,362
		Retained Earnings	177,403
		Treasury Shares	(8,589)
		Other Components Of Equity	53,648
		Total Equity Attributable To Owners Of Parent	375,989
		Non-Controlling Interests	26,279
		Total Equity	402,268
Total Assets	2,097,810	Total Liabilities And Equity	2,097,810

Consolidated Statement Of Profit Or Loss
(Year Ended March 31, 2024)

(Millions Of Yen)

Account Title	Amount
Revenue	1,322,591
Cost Of Sales	1,177,736
Gross Profit	144,855
Selling, General And Administrative Expenses	212,837
Other Income	10,206
Other Expenses	12,362
Operating Loss	70,138
Finance Income	4,899
Finance Costs	7,815
Share Of Profit Of Investments Accounted For Using Equity Method	774
Loss Before Tax	72,280
Income Tax Expense	(7,430)
Loss	64,850
Loss Attributable To:	
Owners Of Parent	(68,214)
Non-Controlling Interests	3,364
Loss	64,850

(Reference)

Consolidated Statement Of Cash Flows (Summary)
(Year Ended March 31, 2024)

(Millions Of Yen)

Account Title	Amount
Net Cash Provided By (Used In) Operating Activities	62,117
Net Cash Provided By (Used In) Investing Activities	(51,699)
Net Cash Provided By (Used In) Financing Activities	(2,569)
Effect Of Exchange Rate Changes On Cash And Cash Equivalents	6,213
Net Increase (Decrease) In Cash And Cash Equivalents	14,062
Cash And Cash Equivalents At End Of Period	138,805

Consolidated Statement of Changes In Equity
(Year Ended March 31, 2024)

(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	46,741	251,915	(8,746)	20,390	548
Loss			(68,214)			
Other Comprehensive Income					15,882	348
Total Comprehensive Income	-	-	(68,214)	-	15,882	348
Purchase Of Treasury Shares				(5)		
Disposal Of Treasury Shares		9		162		
Dividends			(15,189)			
Share-Based Remuneration Transactions		40				
Changes In Equity Interest In Subsidiaries		(25)				
Transfer From Other Components Of Equity To Retained Earnings			8,788			
Changes In Non-controlling Interest Due To Change In Scope Of Consolidation						
Other		(403)	103			
Total Transactions With Owners	-	(379)	(6,298)	157	-	-
Balance At End Of Period	107,165	46,362	177,403	(8,589)	36,272	896

	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	13,063	-	169	34,170	431,245	25,006	456,251	
Loss				-	(68,214)	3,364	(64,850)	
Other Comprehensive Income	3,509	8,610		28,349	28,349	2,089	30,438	
Total Comprehensive Income	3,509	8,610	-	28,349	(39,865)	5,453	(34,412)	
Purchase Of Treasury Shares				-	(5)		(5)	
Disposal Of Treasury Shares			(83)	(83)	88		88	
Dividends				-	(15,189)	(5,699)	(20,888)	
Share-Based Remuneration Transactions				-	40		40	
Changes In Equity Interest In Subsidiaries				-	(25)	628	603	
Transfer From Other Components Of Equity To Retained Earnings	(178)	(8,610)		(8,788)	-		-	
Changes In Non-controlling Interest Due To Change In Scope Of Consolidation				-	-	806	806	
Other				-	(300)	85	(215)	
Total Transactions With Owners	(178)	(8,610)	(83)	(8,871)	(15,391)	(4,180)	(19,571)	
Balance At End Of Period	16,394	-	86	53,648	375,989	26,279	402,268	

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:

143

Major consolidated subsidiaries:

Refer to “Main Subsidiaries” in Business Report.

3. Application of the Equity Method

Number of entities accounted for using the equity method:

28

Major equity method affiliates:

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

4. Significant Accounting Policies

(1) Financial instruments

A. Financial assets

a. Initial recognition and measurement

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

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

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

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

For financial assets measured at fair value, except for equity instruments held for trading, which must be measured at fair value through profit or loss, the IHI Group designates, for each financial instrument, whether the instrument is measured at fair value through profit or loss or the instrument is measured at fair value through other comprehensive income, and consistently applies the same designation. The IHI Group decides on such classification at the initial recognition.

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

b. Subsequent measurement

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

(i) Financial assets measured at amortized cost

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

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

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

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

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

c. Impairment losses of financial assets

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

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

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

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

d. Derecognition

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

B. Financial liabilities

a. Initial recognition and measurement

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

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

b. Subsequent measurement

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

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

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

c. Derecognition

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

d. Revenue-sharing arrangements

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

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

C. Derivatives and hedge accounting

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

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

At the inception of the hedge, the IHI Group formally designates and documents the hedging relationship for which the hedge accounting is applied and its risk management objective and strategy for undertaking the hedge. That documentation includes identification of the specific hedging instrument, the hedged item, the nature of the risk being hedged and the method of assessing the hedge effectiveness. In addition, the IHI Group assesses on an ongoing basis whether the hedging relationship is prospectively effective.

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

a. Fair value hedges

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

b. Cash flow hedges

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

D. Offsetting a financial asset and a financial liability

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

(2) *Inventories*

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

(3) *Property, plant and equipment*

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

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

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

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

(4) *Intangible assets*

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

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

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

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

(5) *Leases*

A. Lessee

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

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

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

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

B. Lessor

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

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

(6) *Investment property*

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

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

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

(7) *Impairment of non-financial assets*

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

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

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

(8) *Provisions*

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

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

(9) *Employee benefits*

A. Post-employment benefit plans

a. Defined benefit plans

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

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

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

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

b. Defined contribution plans

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

B. Short-term employee benefits

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

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

C. Termination benefits

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

(10) *Business combinations*

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

of an acquiree.

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

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

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

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

(11) Foreign currency translation

A. Translation of foreign currency transactions

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

B. Translation of foreign operations

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

(12) Revenue

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

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

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

The IHI Group identifies the contract based on its substance and may combine two or more contracts. If two or more performance obligations are identified in the contract, the IHI Group allocate the transaction price, which appropriately reflects variable consideration, consideration payable to a customer, etc., to each of the identified performance obligations on a relative stand-alone selling price

basis. The transaction price does not include a significant financing component.

The IHI Group recognizes as an asset the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract to the extent that it expects to recover those costs. The asset recognized above is amortized in a manner that is consistent with the method used to recognize revenue from the products and services to which the asset relates.

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

The recognition criteria by major revenue classification are as follows:

A. Sale of goods

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

B. Provision of services and construction contracts

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

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

Application of the 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:

- Revenue recognition and estimated refund liabilities

In the civil aero engines business, as a result of the additional inspection program for shipped PW1100G-JM engines conducted during the second quarter ended September 30, 2023, revenue was reduced by 155,973 million yen and a refund liability was recorded for the fiscal year under review. This was due to the fact that an average of 350 aircraft on the ground are to be expected during the period from 2024 to 2026 due to the increase in the number of shop visits over the next few years, and the Company, which holds approximately 15% share in the aforementioned engine program, expects to incur costs related to compensation, additional maintenance, and so forth. The reason for the increase in the number of shop visits is that at Pratt & Whitney (“P&W”), a partner company in the PW1100G-JM engines program, it was discovered that there were quality issues rarely in the manufacturing process of powder metallurgy parts (*) manufactured in the past, and as a result of P&W’s technical review, a policy of repetitive inspections and shortening the service life was issued for parts in question in September 2023. Approximately 3,000 engines are affected, repetitive inspections at certain cycle intervals and parts replacement are required, these result in an increase in the number of shop visits. The time between engine removal and installation is expected to be 250 to 300 days. Effective countermeasures have already been taken for the manufacturing process, and no

similar issues have occurred with parts other than those currently known to be affected.

(*) Powder metallurgy: A technology that produces metal powder by spraying molten metal, and then solidifies and forges the powder to manufacture parts.

Refund liabilities 153,328 million yen

- Recoverability of deferred tax assets

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

In the fiscal year under review, the IHI Group has made estimates for taxable income for the fiscal year ending March 31, 2025 and subsequent fiscal years, by considering the assumptions regarding the additional inspection program for shipped PW1100G-JM engines in the civil aero engines business, along with the effects of the initiatives including various investments for materializing the transformations scheduled under the “Group Management Policies 2023,” expansion of life-cycle businesses, and strengthening of earnings foundations.

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 98,173 million yen

III. Notes on Changes in Accounting Estimates

For the payment to customers for sales promotion in some of the civil aero engines programs in which IHI participates that have entered the investment payback phase, the IHI Group has changed its estimation method based on the most recent payment status, considering the recent changes in the burden and timing of payment, effective from the third quarter ended December 31, 2023.

As a result, revenue increased 8,531 million yen, and operating loss and loss before tax decreased 8,531 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) 2,758 million yen (Note 3, 4)

(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.
4. In order to guarantee all and any liabilities of the first issue of unsecured bonds (limited to qualified institutional investors) issued by affiliate Nanatsujima Biomass Power Limited Liability Company, under the aggregate underwriting agreement, the Company has entered into a subordinated bond revolving pledge agreement with Nanatsujima Biomass Power Limited Liability Company. The amount of assets pledged as collateral is 2,000 million yen.

(2) *Secured liabilities*

Not applicable

2. Allowance for doubtful accounts deducted directly from assets

21,278 million yen

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

Property, plant and equipment	697,755 million yen
Right-of-use assets	88,229 million yen
Intangible assets	129,433 million yen
Investment property	74,523 million yen

4. Contingent liabilities

(1) *Liabilities on guarantee (Note)*

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

Details of liabilities on guarantee	Amount (Millions Of Yen)
IHI Investment For Aero Engine Leasing LLC	9,588
Japanese Aero Engines Corporation	618
Japan Aeroforge, Ltd.	177
Contingent liabilities for employee housing loans	172
Total	10,555

(2) *Guarantees in kind (Note)*

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

Details of guarantees in kind	Amount (Millions Of Yen)
Contingent liabilities for employee housing loans	2,211
Total	2,211

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.

V. Notes to Consolidated Statement of Profit or Loss

(Gain on sale of investment property)

In order to generate cash that contributes to business transformation to achieve sustainable high growth through the effective use of real estate owned by the Company, the Company transferred the following investment property, and recorded other income as gain on sale of investment property.

Details and location of assets	Gain on sale of investment property
Investment property (land, buildings, etc.) Kozono Aza Shimohara, Ayase-city	5,209 million yen
Others	743 million yen

(Impairment losses)

The impairment loss of 5,061 million yen recognized in the fiscal year under review was mainly due to the impairment of the carrying amount of the right-of-use asset account to the recoverable amount due to the implementation of business restructuring at IHI Charging Systems International GmbH.

The impairment loss is recorded under other expenses in the consolidated statement of profit or loss.

Name	Address	Impairment loss
IHI Charging Systems International GmbH	Ichtershausen, Germany	3,117 million yen
Others		1,944 million yen

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.

	Carrying amount	(Millions of Yen) Fair value
Financial liabilities measured at amortized cost		
Borrowings	379,322	379,077
Bonds payable	69,831	69,208
Government grants classified under contingent settlement provisions	84,522	83,220
Total	533,675	531,505

(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	-	1,038	-	1,038
Other	-	1,192	3,683	4,875
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	15,373	-	14,016	29,389
Total	15,373	2,230	17,699	35,302
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	-	5,148	-	5,148
Total	-	5,148	-	5,148

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	18,688
Total gains and losses	
Profit or loss (Note 1)	256
Other comprehensive income	554
Purchases	237
Sales	(1,927)
Transfer from Level 3	-
Other (Note 2)	(109)
Balance at end of period	17,699
Changes in unrealized gains or losses recorded in profit or loss on assets held at the end of the reporting period (Note 1)	256

(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
134,724	341,945

(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

	Reportable segments				Total	Other	(Millions of Yen)
	Resources, Energy and Environment	Social Infrastructure	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense			Total
Revenue recognized from contracts with customers	402,503	149,309	457,097	266,876	1,275,785	29,709	1,305,494
Revenue recognized from other sources of revenue	-	16,085	35	20	16,140	957	17,097
Total	402,503	165,394	457,132	266,896	1,291,925	30,666	1,322,591

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

	Reportable segments				Total	Other	(Millions of Yen)
	Resources, Energy and Environment	Social Infrastructure	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense			Total
Power systems	76,046				76,046		76,046
Carbon solutions	171,855				171,855		171,855
Nuclear energy	56,877				56,877		56,877
Bridges and water gates		100,515			100,515		100,515
Shield systems		16,566			16,566		16,566
Urban development		16,662			16,662		16,662
Vehicular turbochargers			209,067		209,067		209,067
Parking			54,623		54,623		54,623
Rotating machineries			60,907		60,907		60,907
Heat treatment and surface engineering			48,303		48,303		48,303
Transport machineries			30,475		30,475		30,475
Logistics and industrial systems			35,593		35,593		35,593
Civil aero engines (*1)				97,075	97,075		97,075
Other	108,287	37,332	27,936	201,822	375,377	56,084	431,461
Intersegment revenue	(10,562)	(5,681)	(9,772)	(32,001)	(58,016)	(25,418)	(83,434)
Revenue from external customers	402,503	165,394	457,132	266,896	1,291,925	30,666	1,322,591

3) Breakdown by region

	Reportable segments					Total	Other	(Millions of Yen)
	Resources, Energy and Environment	Social Infrastructure	Industrial Systems and General- Purpose Machinery	Aero Engine, Space and Defense	Total			Total
Japan	192,759	124,290	210,549	170,936	698,534	27,419	725,953	
North America (*2)	13,151	-	45,968	69,486	128,605	31	128,636	
Asia	180,777	32,458	137,141	4,824	355,200	689	355,889	
Europe	8,770	8,157	49,504	20,234	86,665	977	87,642	
Central and South America	533	489	13,209	1,386	15,617	-	15,617	
Other	6,513	-	761	30	7,304	1,550	8,854	
Overseas	209,744	41,104	246,583	95,960	593,391	3,247	596,638	
Revenue from external customers	402,503	165,394	457,132	266,896	1,291,925	30,666	1,322,591	

The IHI Group consists of segments by business area and sets the business areas of Resources, Energy and Environment; Social Infrastructure; 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

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.

(*1) (*2) Due to the additional inspection program for shipped PW1100G-JM engines, IHI was required to share the costs related to aircraft on the ground as well as the direct costs of engine maintenance in participation share of the engine program. In the fiscal year under review, IHI has made the estimates based on currently available information and reduced the revenue by 155,973 million yen as the consideration to be paid to customers under the maintenance contracts. Details of events are described in “II. Accounting Estimates.”

(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	367,112	441,740
Contract assets	144,740	130,734
Contract liabilities	201,883	204,121

Portion of revenues recognized in the fiscal year under review that was included in contract liabilities at the beginning of the year was 112,164 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.

During the second quarter ended September 30, 2023, revenue was reduced by 14,685 million yen by reversing contract assets recorded at the Company’s consolidated subsidiary, IHI E&C International Corporation (hereinafter, “IHI E&C”), by 15,694 million yen.

This case was caused by a delay in the construction of a North American process plant project(*1) that IHI E&C received in 2016 from Elba Liquefaction Company, L.L.C. and Southern LNG Company, L.L.C. (hereinafter, “Ordering Group”). Recognizing that the delays were attributable to the Ordering Group, the IHI Group negotiated enlisting the perspective that the Ordering Group 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 Ordering Group, 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 Ordering Group pay approximately 227 million U.S. dollars 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 Ordering Group amounting to 117 million U.S. dollars as liquidated and ascertained damages contractually stipulated with respect to late delivery (hereinafter, the “Invoice Amount”). Up until now, it was 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 condensed quarterly consolidated financial statements.

On the other hand, IHI E&C and the Ordering Group have been negotiating a settlement in parallel with the litigation. During the negotiations, on October 13, 2023, IHI E&C reached a settlement under which it would receive settlement payment of 37 million U.S. dollars from the Ordering Group. The impact was recorded in the second quarter ended September 30, 2023. Due to the settlement, a decrease in revenue was recorded in the second quarter ended September 30, 2023 due to a partial shortfall in the recovery of costs arising from the reasons of the Ordering Group.

(*1) Process plant delivery to the customer has been completed, and the customer launched commercial operations of LNG offloading facilities on August 26, 2020.

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

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

(Millions of Yen)

	Reportable segments					Other	Total
	Resources, Energy and Environment	Social Infrastructure	Industrial Systems and General-Purpose Machinery	Aero Engine, Space and Defense	Total		
Remaining performance obligations	483,425	210,234	205,432	450,974	1,350,065	22,320	1,372,385

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

- | | |
|---|--------------|
| 1. Equity attributable to owners of parent per share | 2,484.12Yen |
| 2. Basic earnings (loss) per share | (450.78) Yen |

XI. Significant Subsequent Events

Not applicable.

Non-Consolidated Balance Sheet
(As Of March 31, 2024)

(Millions Of Yen)

Account Title	Amount	Account Title	Amount
Assets		Liabilities	
Current Assets	796,842	Current Liabilities	721,260
Cash And Deposits	54,760	Notes Payable – Trade	-
Notes Receivable – Trade	964	Accounts Payable – Trade	107,967
Accounts Receivable – Trade	252,592	Current Portion of Bonds Payable	10,000
Contract Assets	21,732	Short-Term Borrowings	221,663
Work In Process	221,014	Lease Obligations	2,374
Raw Materials And Supplies	101,295	Accounts Payable – Other	31,977
Advance Payments – Other	15,711	Accrued Expenses	33,788
Prepaid Expenses	5,413	Income Taxes Payable	62
Accounts Receivable – Other	39,339	Contract Liabilities	95,065
Short-Term Loans Receivable	88,539	Refund Liabilities	192,679
Other	5,738	Deposits Received	1,606
Allowance For Doubtful Accounts	(10,261)	Provision For Bonuses	9,976
Non-Current Assets	593,835	Provision For Bonuses For Directors (And Other Officers)	808
Property, Plant And Equipment	199,871	Provision For Construction Warranties	3,330
Buildings	90,981	Provision For Loss On Construction Contracts	2,204
Structures	7,580	Other	7,756
Docks And Building Berths	-	Non-Current Liabilities	414,246
Machinery And Equipment	22,238	Bonds Payable	60,000
Vessels	2	Long-Term Borrowings	197,300
Vehicles	114	Lease Obligations	4,605
Tools, Furniture And Fixtures	16,447	Leasehold And Guarantee Deposits Received	12,041
Land	45,575	Provision For Retirement Benefits	103,104
Leased Assets	6,161	Provision For Loss On Business Of Subsidiaries And Associates	155
Construction In Progress	10,770	Asset Retirement Obligations	4,719
Intangible Assets	18,201	Other	32,319
Royalties And Other Intangible Assets	431	Total Liabilities	1,135,507
Leasehold Interests In Land	32	Net Assets	
Right To Use Facilities	11	Shareholders' Equity	249,915
Software	17,520	Share Capital	107,165
Leased Assets	138	Capital Surplus	54,534
Other	67	Legal Capital Surplus	54,520
Investments And Other Assets	375,761	Other Capital Surplus	13
Investment Securities	21,699	Retained Earnings	96,804
Shares Of Subsidiaries And Associates	176,701	Legal Retained Earnings	6,083
Investments In Capital	1,182	Other Retained Earnings	90,720
Investments In Capital Of Subsidiaries And Associates	24,263	Reserve For Tax Purpose Reduction Entry Of Non-Current Assets	5,918
Long-Term Loans Receivable	3,605	Reserve For Investment Loss On Restructuring Specified Business	485
Deferred Tax Assets	85,350	Retained Earnings Brought Forward	84,316
Other	72,046	Treasury Shares	(8,589)
Allowance For Doubtful Accounts	(9,088)	Valuation And Translation Adjustments	5,170
		Valuation Difference On Available-For-Sale Securities	5,166
		Deferred Gains Or Losses On Hedges	3
		Share Acquisition Rights	85
		Total Net Assets	255,170
Total Assets	1,390,678	Total Liabilities And Net Assets	1,390,678

Non-Consolidated Statement Of Income
(Year Ended March 31, 2024)

(Millions Of Yen)

Account Title	Amount
Net Sales	428,548
Cost Of Sales	460,522
Gross Loss	31,974
Selling, General And Administrative Expenses	89,729
Operating Loss	121,704
Non-Operating Income	
Interest And Dividend Income	33,212
Foreign Exchange Gain	3,799
Other	2,429
Non-Operating Expenses	
Interest Expenses	1,536
Administrative Expenses For Idle Assets	859
Other	5,246
Ordinary Loss	89,906
Extraordinary Income	
Gain On Sale Of Non-Current Assets	6,807
Extraordinary Losses	
Loss On Debt Write-Offs For Subsidiaries And Associates	12,008
Loss On Valuation Of Investments In Capital Of Subsidiaries And Associates	7,859
Loss on Valuation Of Shares Of Subsidiaries And Associates	967
Loss Before Income Taxes	103,934
Income Taxes – Current	(8,115)
Income Taxes – Deferred	(22,979)
Loss	72,840

Non-Consolidated Statement Of Changes In Equity (Year Ended March 31, 2024)

(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	4	54,525	6,083	6,245	485	172,018	184,833	(8,746)	337,777	
Changes During Period												
Dividends Of Surplus				—				(15,188)	(15,188)		(15,188)	
Loss				—				(72,840)	(72,840)		(72,840)	
Reversal Of Reserve For Tax Purpose Reduction Entry Of Non-Current Assets				—		(326)		326	—		—	
Purchase Of Treasury Shares				—					—	(4)	(4)	
Disposal Of Treasury Shares			9	9					—	161	170	
Changes From Share Exchange				—					—		—	
Transfer From Retained Earnings To Capital Surplus				—					—		—	
Net Changes In Items Other Than Shareholders' Equity				—					—		—	
Total Changes During Period	—	—	9	9	—	(326)	—	(87,702)	(88,028)	156	(87,862)	
Balance At End Of Period	107,165	54,520	13	54,534	6,083	5,918	485	84,316	96,804	(8,589)	249,915	

	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	1,922	129	2,051	168	339,998
Changes During Period					
Dividends Of Surplus			-		(15,188)
Loss			-		(72,840)
Reversal Of Reserve For Tax Purpose Reduction Entry Of Non-Current Assets			-		-
Purchase Of Treasury Shares			-		(4)
Disposal Of Treasury Shares			-		170
Changes From Share Exchange			-		-
Transfer From Retained Earnings To Capital Surplus			-		-
Net Changes In Items Other Than Shareholders' Equity	3,244	(126)	3,118	(82)	3,035
Total Changes During Period	3,244	(126)	3,118	(82)	(84,827)
Balance At End Of Period	5,166	3	5,170	85	255,170

● 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.

- Revenue recognition and estimated refund liabilities

In the civil aero engines business, as a result of the additional inspection program for shipped PW1100G-JM engines conducted during the second quarter, revenue was reduced by 155,973 million yen and a refund liability was recorded for the fiscal year under review. This was due to the fact that an average of 350 aircraft on the ground are to be expected during the period from 2024 to 2026 due to the increase in the number of shop visits over the next few years, and the Company, which holds approximately 15% share in the aforementioned engine program, expects to incur costs related to compensation, additional maintenance, and so forth. The reason for the increase in the number of shop visits is that at Pratt & Whitney (“P&W”), a partner company in the PW1100G-JM engines program, it was discovered that there were quality issues rarely in the manufacturing process of powder metallurgy parts (*) manufactured in the past, and as a result of P&W’s technical review, a policy of repetitive inspections and shortening the service life was issued for parts in question in September 2023. Approximately 3,000 engines are affected, repetitive inspections at certain cycle intervals and parts replacement are required, these result in an increase in the number of shop visits. The time between engine removal and installation is expected to be 250 to 300 days. Effective countermeasures have already been taken for the manufacturing process, and no similar issues have occurred with parts other than those currently known to be affected.

(*) Powder metallurgy: A technology that produces metal powder by spraying molten metal, and then solidifies and forges the powder to manufacture parts.

Refund liabilities	153,327 million yen
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- 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, 2025 and subsequent fiscal years, by considering the assumptions regarding the additional inspection program for shipped PW1100G-JM engines in the civil aero engines

business, along with the effects of the initiatives including various investments for materializing the transformations scheduled under the “Group Management Policies 2023,” expansion of life-cycle businesses, and strengthening of earnings foundations.

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	85,350 million yen
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III. Notes on Changes in Accounting Estimates

For the payment to customers for sales promotion in some of the civil aero engines programs in which IHI participates that have entered the investment payback phase, the Company has changed its estimation method based on the most recent payment status, considering the recent changes in the burden and timing of payment, effective from the third quarter.

As a result, revenue increased 8,531 million yen, and operating loss and loss before income taxes decreased 8,531 million yen for 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	2,646 million yen (Note 1, 2)
Investments in capital of subsidiaries and associates	4,663 million yen (Notes 3, 4)

(Notes)

- 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.
- In order to guarantee all and any liabilities of the first issue of unsecured bonds (limited to qualified institutional investors) issued by affiliate Nanatsujima Biomass Power Limited Liability Company, under the aggregate underwriting agreement, the Company has entered into a subordinated bond revolving pledge agreement with Nanatsujima Biomass Power Limited Liability Company. The amount of assets pledged as collateral is 2,000 million yen.
- 3. 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.
- 4. 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

428,162 million yen

3. Contingent Liabilities

(1) Liabilities on guarantee (Note)

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

Details of liabilities on guarantee	Amount (Millions of Yen)
IHI Investment for Aero Engine Leasing LLC	9,587
IHI Charging Systems International GmbH	4,411
IHI Charging Systems International S.p.A.	2,298
IHI Turbo America Co.	1,854
Japanese Aero Engines Corporation	617
Japan Aeroforge, Ltd.	177
Total	18,946

(2) Guarantees in kind (Note)

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

Details of guarantees in kind	Amount (Millions of Yen)
Contingent liabilities for employee housing loans	2,209
Total	2,209

(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	119,368 million yen
Long-term monetary claims	3,297 million yen
Short-term monetary liabilities	134,283 million yen
Long-term monetary liabilities	5,397 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	20,227 million yen
Purchases from subsidiaries and associates	239,652 million yen

(2) Non-operating transactions

43,993 million yen

2. Gain on Sale of Non-Current Assets

In order to generate cash that contributes to business transformation to achieve sustainable high growth through the effective use of real estate owned by the Company, the Company transferred the following non-current assets, etc., and recorded gain on sale of non-current assets.

Details and location of assets	Gain on sale of non-current assets
Property, plant and equipment (land, buildings, etc.) Kozono Aza Shimohara, Ayase-city	5,209 million yen
Others	1,598 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	3,323,344 shares
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(Note)

The number of treasury shares at March 31, 2024 includes 546,200 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 refund liabilities, provision for retirement benefits, and loss on valuation of shares of subsidiaries and associates, and deferred tax liabilities are mainly in association with investments and other assets.

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

The Company applies a group tax sharing system. 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).

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 Contri-bution	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 Infrastructure Systems Co., Ltd.	Sakai-city, Osaka	1,000	Manufacturing	Holding Directly 100%	Company Sharing Business Function
Affiliate	IHI Finance Support Corporation	Chiyoda-Ku, Tokyo	200	Lease, Factoring, Etc.	Holding Directly 33.5%	Factoring

(Millions of Yen)

Name	Transactions	Transaction Amount (Note 1)	Account Title	Balance as Of March 31, 2024 (Note 1)
IHI Plant Services Corporation	- Borrowing Of Funds	3,934	Short-Term Borrowings	28,865
	- Orders For Plant Business, etc.	62,893	Accounts Payable – Trade	10,607
IHI Infrastructure Systems Co., Ltd.	- Lending Of Funds	20,286	Short-Term Loans Receivable	37,175
IHI Finance Support Corporation	- Factoring	(Note 2) 15,122	Accounts Payable – Trade	4,509
			Accounts Payable – Other	1,324

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 (Note 1)	Account Title	Balance as Of March 31, 2024 (Note 1)
Tsugio MITSUOKA	Operating Transactions With Japanese Aero Engines Corporation (JAEC) (Note 3)			
	-Subcontract Of Work From JAEC Related To R&D Of Jet Engines	949	–	–
	-Payment Of A Portion Of Funding Related To The Above	1,400	–	–
	-Acceptance Of Subsidies Related To The Above	2,127	Accounts Payable – Other	12,399
			Long-Term Accounts Payable – Other	30,124
	-Manufacture Of Jet Engine Components And Delivery Thereof To JAEC	35,045	Accounts Receivable – Trade	172,457
			Contract Liabilities	34,902
		Investments And Other Assets (Other)	28,981	
			Contract Liabilities	186,644
			Accrued Expenses	2,274
	-Payment Of A Portion Of Expenses Related To The Above	115,694	–	–

(Notes)

1. The transaction amount does not include foreign exchange gains or losses, and the ending balance includes foreign exchange gains or losses.
2. 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.
3. 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 1,685.32 yen

2. Basic Profit (Loss) per Share (481.35) yen

(Notes)

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

Profit (Loss) (72,840) million yen

Amounts For Non-Ordinary Shareholders –

Profit (Loss) Regarding Ordinary Shares (72,840) million yen

Average Number Of Ordinary Shares 151,324 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 567 thousand shares, and the average number of treasury shares outstanding during the period excluded for the calculation of basic profit per share is 567 thousand shares.

XII. Significant Subsequent Events

Not applicable.

Audit Report of Accounting Auditor on Consolidated Financial Statements

(Translation)

Report of Independent Auditor

May 20, 2024

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, 2023 through March 31, 2024.

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, 2024, in accordance with accounting standards with the omission of certain disclosure items required under Designated International Financial Reporting Standards as provided for in the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting.

Basis for Audit Opinion

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

Other Statements

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

Our audit opinion on the consolidated financial statements does not include the other statements, and we

express no opinion on the other statements.

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

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

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

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

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

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting standards with the omission of certain disclosure items required under Designated International Financial Reporting Standards as provided for in the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

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

Conflicts of Interest

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

Audit Report of Accounting Auditor on Non-Consolidated Financial Statements

(Translation)

Report of Independent Auditor

May 20, 2024

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 207th fiscal year from April 1, 2023 through March 31, 2024.

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 207th fiscal year ended March 31, 2024 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 207th fiscal year, from April 1, 2023 through March 31, 2024, 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

- 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.
- 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:
 - 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.
 - 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.
 - 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

- 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.
- 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.
- 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.

As reported in the Business Report, IHI Power Systems Co., Ltd., a subsidiary of the Company, was found to have made improper alterations to the test operation records for marine engines and land-use engines that it manufactures. The Audit & Supervisory Board has been monitoring and verifying the initiative to investigate the causes by a special investigation committee, formulate measures to prevent recurrence, and conduct further inspections to determine whether similar events have occurred in the IHI Group.

Furthermore, as reported in the Business Report, IHI Transport Machinery Co., Ltd., a subsidiary of the Company, has been subjected to an on-site investigation by the Japan Fair Trade Commission for suspected violation of the Antimonopoly Act in connection with its parking system business. The Audit and Supervisory Board has been monitoring the transition and the Company's response.

(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.

- 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 21, 2024

**The Audit & Supervisory Board
IHI Corporation**

Takashi Niimura (Seal)

Standing Audit & Supervisory Board Member

Seiji Maruyama (Seal)

Standing Audit & Supervisory Board Member

Aiko Sekine (Seal)

Outside Audit & Supervisory Board Member

Yumiko Waseda (Seal)

Outside Audit & Supervisory Board Member

Kazuhiro Muto (Seal)

Outside Audit & Supervisory Board Member