

IHI SUSTAINABILITY DATA BOOK 2019

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Editorial Policy

The basic concept of the IHI SUSTAINABILITY REPORT 2018 is to communicate to readers the initiatives IHI is promoting in order to provide solutions to various social issues and realize a sustainable society.

In FY2019, we have issued IHI Integrated Report 2019 summarizing management policy, strategy and business foundation initiatives, as well as Sustainability Data Book, which provides a more in-depth look at business foundation initiatives. The “CSR Initiatives” of our website is a source of the latest information relating to society and our sustainability, and serves as a tool to provide timely, up-to-date information.

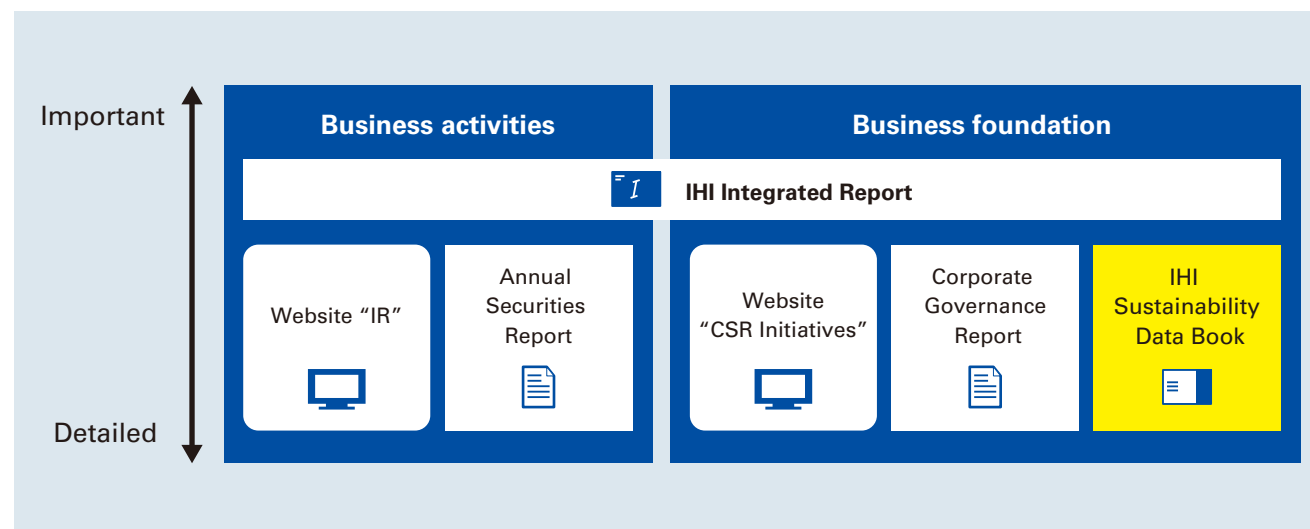
Scope of Data Book

IHI Corporation and its consolidated subsidiaries
(Some information is based on IHI independently or another specific scope.)

Period

This report covers activities carried out in FY2018 (April 1, 2018 to March 31, 2019), but may also include information prior to or after this period.

Structure of Information Disclosure



Publication Date (Japanese version)

September 2019 (The previous Sustainability Report was published in September 2018, and the next Sustainability Data Book will be published in 2020)

Guidelines Referenced

Global Reporting Initiative Sustainability Reporting Standards
Environmental Reporting Guidelines (2018 version),
Ministry of the Environment

Disclaimer

This book contains facts, both past and present, as well as forward-looking plans and projections based on our business plans and policies in effect as of the date of this report. These forward-looking plans and projections, which are based on assumptions and decisions made as of the date of this report, are subject to change and may be materially different as a result of actual business or changes in company terms, conditions or policies.

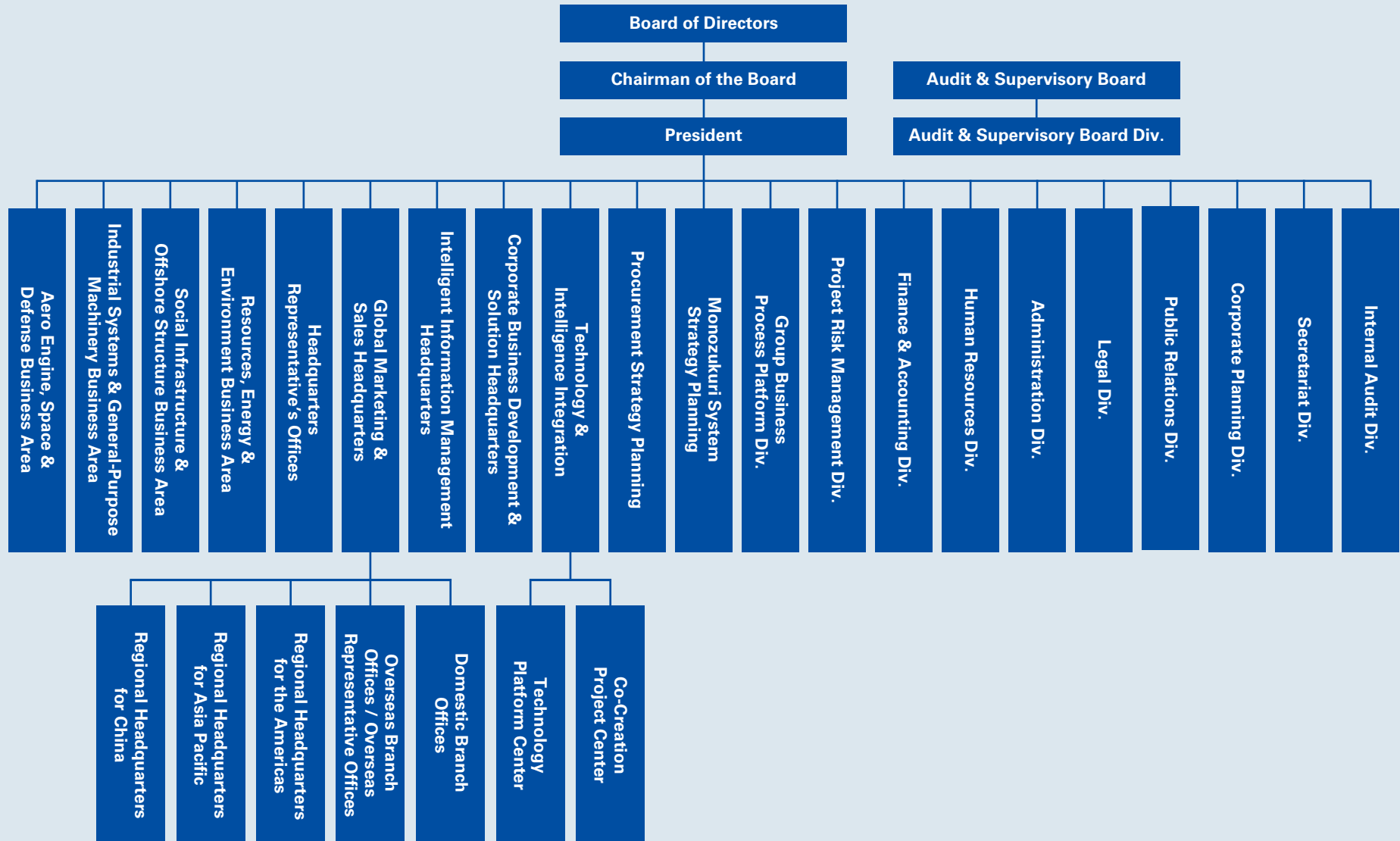
IHI Group Basic Information

About IHI (as of March 31, 2019)

Company Name	IHI Corporation
Head Office	Address Toyosu IHI Building, 1-1, Toyosu 3-chome, Koto-ku, Tokyo 135-8710, Japan
President	Tsugio Mitsuoka, CEO
Year of establishment	December 5, 1853
Capital	107.1 billion yen
Net sales (Consolidated)	1,483.4 billion yen (FY2018 ended March 31, 2019)
Employees (Consolidated)	29,286 (as of March 31, 2019)
Works	6
Branches in Japan	8
Overseas Representative Offices	14
Group Companies	<p>Group companies in Japan: 69</p> <ul style="list-style-type: none"> • Subsidiary companies in Japan: 50 • Affiliated companies in Japan: 19 <p>Group companies overseas: 148</p> <ul style="list-style-type: none"> • Subsidiary companies overseas: 123 • Affiliated companies overseas: 25

IHI Group Basic Information

Organization



IHI Group Basic Information

Corporate Philosophy and Group Vision

IHI's primary objective is to be a good corporate citizen that develops together with society and fulfills its social mission in accordance with the IHI group vision and corporate philosophies.

Corporate Philosophy

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

Group Vision - IHI Group Aims -

The IHI Group seeks to solve the various environmental, industrial, social, and energy related problems of the 21st century, through using engineering expertise to focus on "Monozukuri" technology. In striving towards these goals, IHI is becoming a global enterprise offering the safety and security for the benefit of both the environment and humanity.

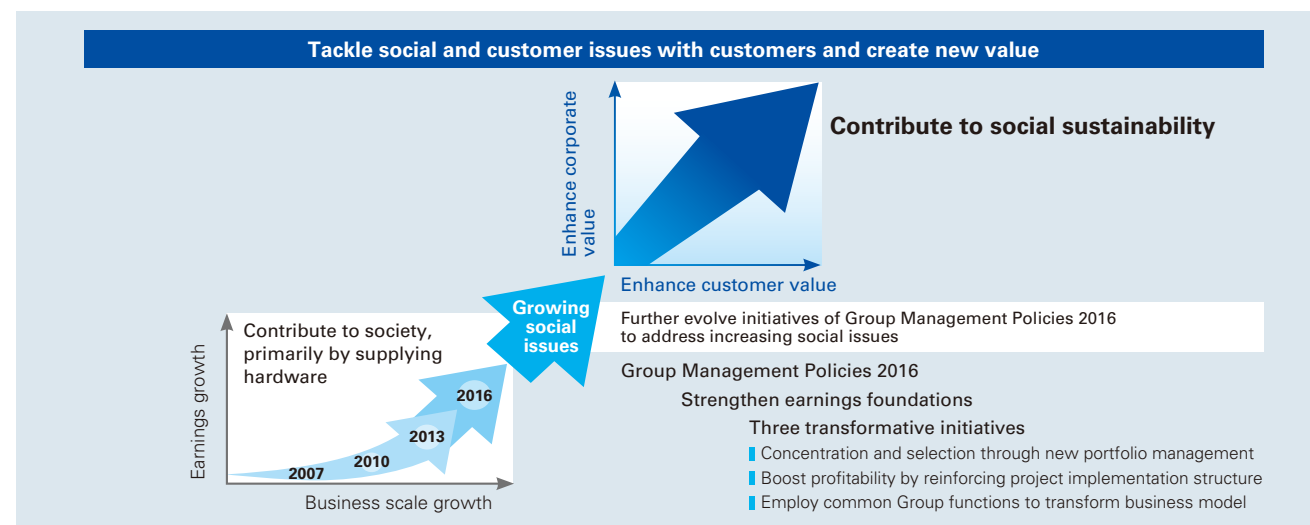
"Monozukuri" Technology means the technology used to improve the competitiveness of products and services offered, by strengthening the capabilities required in development, design, supply, manufacture and construction.

Group Management Policy

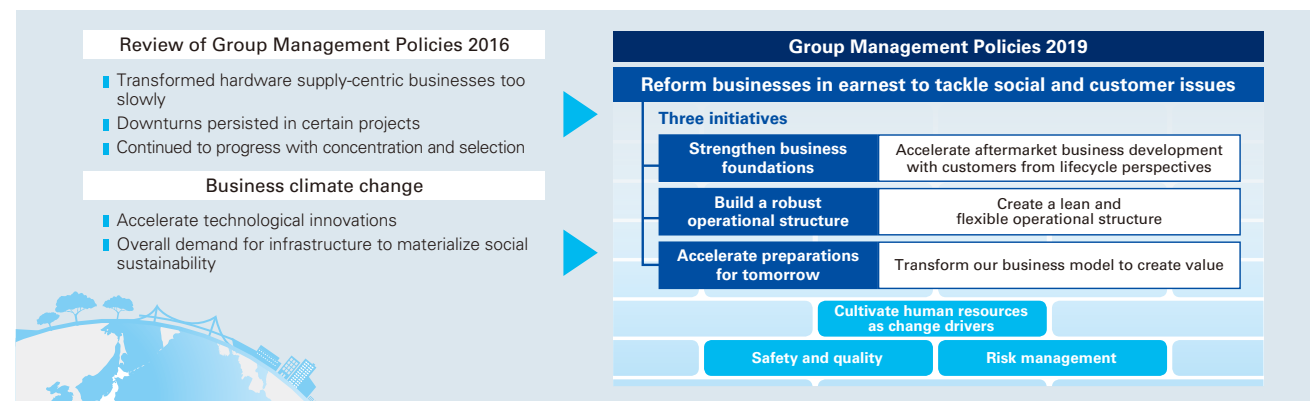
In April 2019, IHI launched a new mid-term management policy "Group Management Policies 2019." With the aim of contributing to social sustainability from long-term perspectives, it is a three-year plan

focused on tackling social and customer issues, and transforming itself into an enterprise that creates new values.

Long-Term Approach Under Group Management Policies 2019



Initiatives Under Three Years of Group Management Policies 2019



IHI Group Basic Information

Basic Code of Conduct

IHI believes that meeting society's expectations is one of its basic corporate social responsibilities (CSR).

In accordance with this belief, Basic Code of Conduct for the IHI Group compiles the necessary practices we are obliged to carry out.

Basic Code of Conduct for the IHI Group

We at the IHI Group are committed to implementing what is necessary to meet the expectations and gain the trust of not only our customers, business partners, shareholders and colleagues, but also the local and international communities, while keeping an awareness of global issues. By doing so, we aim to enhance our existential value as we move forward into the future and realize our Group's management principles of "Contribute to the development of society through technology" and "Human resources are our single most valuable asset."

Fundamental and Universal Principles of the Entire IHI Group

Respect for the rule of law and ethical conduct

We strictly observe laws and ordinances based on a clear understanding of their meaning. We also act sincerely and fairly and in accordance with high ethical standards so that we do not violate social rules or international norms.

Respect for human rights

We fully recognize the importance of, and always strive to respect, human rights during our business activities.

Promotion of mutual understanding

In order to promote mutual understanding with those around us, we strive to disseminate information on our business activities, explain the effects of these activities on the surrounding environment, and engage in an exchange of opinions with our broader communities on a daily basis.

Responsibilities toward People, Society, and the Environment

Responsibilities toward people connected with the IHI Group via our products and services

- ① We establish relationships of mutual trust with the people with whom we are involved in the course of our business, help solve social issues in a variety of fields by using our abilities to the utmost, and develop and provide products and services to assure more comfortable lives for people around the world.
- ② We pay full attention to the safety of the products and services we develop and provide and constantly strive to raise the quality level of our products and services by confirming whether they satisfy customers and users.
- ③ We deal appropriately with other parties in our business transactions and seek profit fairly, while at the same time we strive to establish fair and mutually-productive relationships with our customers and business partners.

Responsibilities towards those with whom we work

We strive to respect mutually the character and individuality of all people with whom we work and maintain a safe, supportive, and comfortable environment in which we can work easily.

Responsibilities toward local and international communities

- ① With an awareness that each one of us is a member of society, we actively take part in initiatives to solve the problems faced by society.
- ② No matter the region of the world where we conduct our business, we understand the value of the culture unique

to each region and strive to meet the expectations of people living there.

- ③ We take a resolute attitude against organizations and forces that threaten social order and safety.

Responsibilities toward the global environment

Based on our recognition that the global environment provides the foundation for the existence of all societies and cultures, we take care so as not harm that which also will be needed by future generations and strive to protect, and reduce the burdens on, the global environment, not only in the course of our provision of products and services but also in all other aspects of our business activities.

Roles and Responsibilities of Senior Management

Roles of Senior Management

- ① Senior Management recognizes that their role is to ensure the realization of this Code of Conduct and takes the initiative to demonstrate leadership in order to put the purposes of this Code of Conduct into practice.
- ② Senior Management ensures that this Code of Conduct is known to all people with whom they work and constantly strives to establish, maintain, and improve effective internal systems and to enhance our corporate value.

Responsibilities of Senior Management

If a violation of this Code of Conduct occurs, Senior Management will strive to take the initiative to solve the problem, discover its cause, and prevent the recurrence of similar violations. They also will promptly disclose accurate information to society, clarify the responsibilities and scope of the authority of the persons involved, and impartially take disciplinary action even upon themselves.

IHI Group Basic Information

Sustainability Promotion System

The heart of IHI's sustainability system is the CSR Committee, in which the president serves as the chairperson, executive officer in charge of CSR serves as the vice-chairperson and general managers of head office divisions and presidents of business areas serve as members.

The CSR Committee meets once a year and is a place for management executives to consider society's expectations, and discuss basic policies and measures relating to sustainability.

Approved agendas at the CSR Committee meeting are deployed in detail to the CSR Liaison Group, which is comprised of managers from business areas and head office divisions.

Sustainability Promotion System



Dialogue with Stakeholders

We adopt various approaches to facilitating dialogue with its stakeholders; namely, customers, suppliers, government, shareholders/investors, local communities, and employees. We publish the Integrated Report and Sustainability Data Book as communication tools.

We come to learn what society's expectations are through dialogue with stakeholder, and reflect these in corporate activities and report especially important dialogue to the Management Committee or Board of Directors.

Main Dialogue Activities with Stakeholders

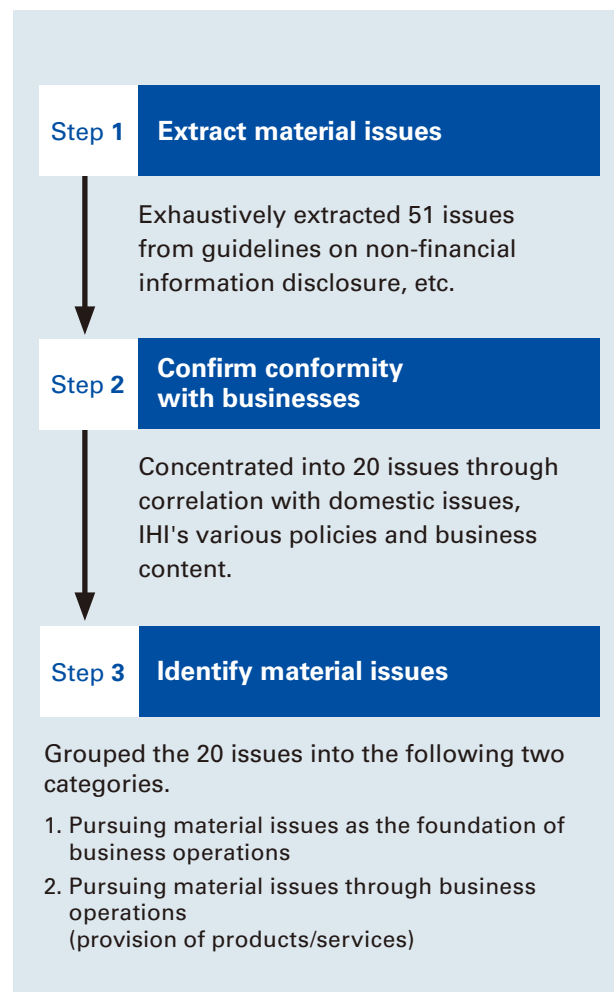
Stakeholders	Main engagements and methods
Customers	<ul style="list-style-type: none"> ● Sales activities ● Customer satisfaction surveys ● Product/service information on website ● CSR questionnaires
Suppliers	<ul style="list-style-type: none"> ● Procurement activities ● Explanation of IHI Group Procurement Policy ● Reviews of quality management systems ● Supplier award system
Government organizations	<ul style="list-style-type: none"> ● Relevant laws & regulations ● Notifications, permission and authorization
Shareholders & investors	<ul style="list-style-type: none"> ● General meeting of shareholders ● Financial results briefing ● Factory tours ● Institutional investor visits
Local communities	<ul style="list-style-type: none"> ● Activities contributing to local communities, (sponsorship of traditional events, atrium concerts, etc.)
Employees	<ul style="list-style-type: none"> ● e-learning (questionnaires) ● Employee-awareness surveys

IHI Group Material Issues

Material issue identification process

IHI has identified the “material issues” it must prioritize in order to realize a sustainable society, and group growth.

Material issue identification process



Pursuing material issues as the foundation of business operations

We separated the 14 material issues underpinning our businesses into the categories of environment, social and governance.

We disclose ESG management along with each material issue. Please refer to the following pages on Sustainability Data Book 2019.

Environment —Reduce Environmental Impact— P11	
Climate change.....	P19
Circular economy.....	P21
Environmental protection	P23
Society —Materialize an Affluent Society— P25	
Customer relationship management	P26
Supply chain management	P27
Corporate citizenship	P30
Diverse human resources.....	P35
Labor practices	P41
Human rights	P27 , P45
Governance —Principled Corporate Management— P46	
Corporate governance	P47
Compliance.....	P57
Information security.....	P61
Timely and proper disclosure.....	P26 , P63
Risk management.....	P65

Pursuing material issues through business operations

Below are the 9 material issues we pursue through business. Activity themes are set for each material issue individually. We work to solve social issues through business while revising these activity themes as necessary.

Reference [Helping to Solve Social Issues](#)

Material Issues	Priority Activities
Climate change	<ul style="list-style-type: none"> ● Increase energy efficiency ● Control and reduce consumption of natural resources (fuels) ● Control and reduce greenhouse gas emissions, including CO₂
Circular economy	<ul style="list-style-type: none"> ● Control and reduce consumption of resources
Environmental protection	<ul style="list-style-type: none"> ● Expand anti-pollution measures (seven types of pollution) ● Prevent chemicals in products from being released into the atmosphere ● Protect native species
Stable supply of energy and resources	<ul style="list-style-type: none"> ● Contribute to balancing of environmental consideration and stable energy supply ● Develop and utilize resources replacing fossil fuels and rare metals
Building and maintaining social infrastructure	<ul style="list-style-type: none"> ● Renew and extend life of aged infrastructure ● Disaster recovery support ● Improve infrastructure of each country ● Compact, functional urban development
Advancement of mobility society	<ul style="list-style-type: none"> ● Optimize the mobility of people and materials
Strengthening and sophistication of “Monozukuri”	<ul style="list-style-type: none"> ● Evolution of industrialization ● Evolution of products and services ● Utilization of IoT/ICT, AI
Utilization of aerospace	<ul style="list-style-type: none"> ● Efficient and reliable means of aerospace transportation ● Utilization and application of acquired data
Securing safe and stable living	<ul style="list-style-type: none"> ● Alleviate safety and security issues

IHI Group Material Issues

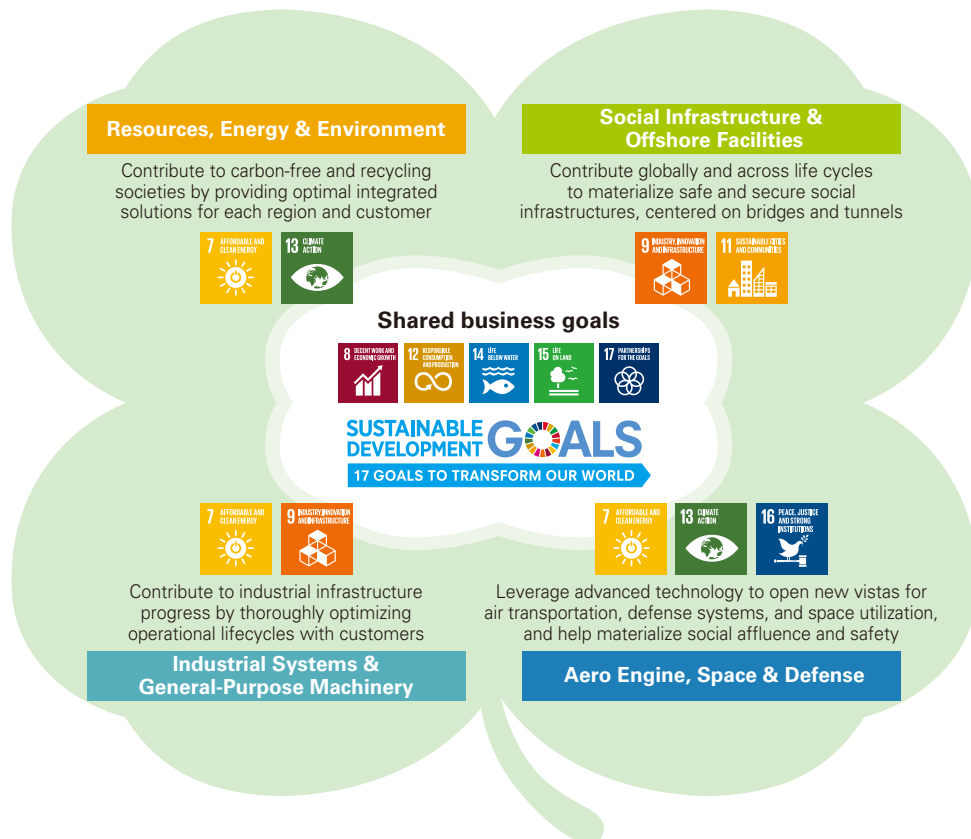
Initiatives targeting Sustainable Development Goals (SDGs)

Sustainable Development Goals (SDGs) were adopted by the United Nations in 2015. IHI believes that one of society's expectations is for companies to contribute to the achievement of these SDGs, therefore we identified material issues with consideration to each of the SDG targets.

In Group Management Policies 2019, our mid-term management plan starting in FY2019, we have linked the direction aimed for by each business area with SDGs. With the aim of creating a sustainable society, we will contribute to the achievement of the SDGs through our business.

IHI Group Business Area Direction

Create new value needed for social sustainability



Reduce Environmental Impact

Environmental Management	12
Reduction of the Environmental Impact of Products and Services	17
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Environmental Management

Basic Policy

In Group Management Policies 2019, IHI spells out its commitment to creating new value for sustainable societies. Accordingly, IHI again confirmed our direction of reducing is combating by working continuously to reduce the environmental impact of various aspects throughout society, seizing business opportunities and developing new business models in order to solve climate change and other environmental issues. We have been obeying environmental laws/regulations and reducing the environmental impact of our plants and offices in regional areas as priority. In addition, we also propose solutions for the reduction of CO₂ emissions based on life cycle CO₂ assessment of our products and services.

IHI Group Basic Environmental Policy

Article 1. Establishment of Environmental Management System

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

Article 2. Compliance with Environmental Laws and Regulations

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

Article 3. Provision of Environmentally-Friendly Products

The IHI Group provides the society with the products/services that contribute to reducing environmental burdens.

Article 4. Reduction in Environmental Burdens in Business Activities

The IHI Group strives to preserve environment and reduce environmental burdens in all of its business activities.

Article 5. Environmental Education

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

Article 6. Disclosure of Information

The IHI Group actively participates in the society, disclose information, and develop communications to commune with local communities and preserve regional environment.

Environmental Management

Targets

IHI formulates an Environmental Action Plan every three years and promotes environmental activities accordingly.

For the new 3-year plan covering FY2019 – 2021, Environmental Action Plan 2019, the following three major themes have been established; Reduce environmental impact through products/services, reduce environmental impact in factories, offices, etc., and cultivate human resources to promote environmental management.

Action Plan	FY2021 Targets
Reduce environmental impacts through products and services	We are performing studies to formulate targets with CO ₂ emission as the index.
Reduce environmental impact in factories, offices, etc.	No major violation of environmental laws/regulations and environmental accidents
	Reduce CO ₂ emissions intensity by more than 3% compared to FY2018
	Reduce energy intensity by more than 3% compared to FY2018
	Waste generation for each fiscal year from FY2019 to FY2021 will not exceed that of FY2018.
	Water consumption for each fiscal year from FY2019 to FY2021 will not exceed that of FY2018.
Cultivate human resources to promote environmental management	Develop professionals who can carry out environment management

Environmental Management

Results

The status of achievement for the IHI Group Environment Action Plan 2016 covering the period between FY2016 and FY2018 is shown below.

Activity Plan	FY2018 Targets	FY2018 Results
Reduce environmental impact of products and services	Reduce emissions from products and services by more than 10 million tons of CO ₂	Contribution amount exceeds 2.5 million tons per annum
	Environmentally friendly products accounted for 70% of net sales	Certifications: 18
Reduce environmental impact of our business activities	Reduce energy intensity ¹ by more than 3% compared to FY2015	Up 1.6% compared to FY2015
	Reduce CO ₂ emissions ² intensity ¹ by more than 3% compared to FY2015	Up 5.2% compared to FY2015
	Reduce waste generation intensity ¹ by more than 3% compared to FY2015	Down 3.9% compared to FY2015
	Reduce water consumption intensity ¹ by more than 3% compared to FY2015	Up 4.8% compared to FY2015
Promote group environment management	No major violation of environmental laws/regulations or environmental accident	No incident
	Environmental e-Learning participation rate: 100%	Course completion ratio: 85.6%
	Earn “management” or “leadership” rating in CDP climate change evaluation	Management level B
	Nikkei Environmental Management Survey score of 400 or higher (out of 500)	437

¹ Net sales as the denominator.

² The emissions coefficient by electricity retailer was used to calculate CO₂ emissions based on electricity consumption.

Environmental Management

Management System

The Environment Committee oversaw our environmental activities. From this year, the Environment Committee has been strengthened separating environmental impact-reducing initiatives into two categories: products/services (proactive environmental activities) and plants/offices (reactive environmental activities), with the former the former category under the Corporate Planning Division and the latter under the Administration Division, Environment Group.

The decisions are shared with principal domestic and overseas affiliates through the Environmental Officers Liaison Group in each Business Area/SBU*.

Furthermore, business areas and SBUs formulate an Environment Action Plan in line with individual themes to reduce environmental impact; such as capital investment to reduce environment risk, observing laws/regulations, energy-saving, and reduction of waste generation. Then they follow up on own progress by using the PDCA cycle.

* SBU: Strategic Business Unit (the strategic base unit under each business area)

Environmental Management Systems Diagram



Collection of Environmental Information

The scope of our environmental-management activities includes consolidated group companies, including overseas affiliates.

The Group companies appoint their own General Environmental Officer and Environmental Management Officer. Also, each environmental management center, which is the minimal unit of individual company's environmental activities, is responsible for practical environmental activities.

The Group companies targeted by environmental management cover various different business types,

such as companies with plants which conduct production activities, companies with the primary businesses of engineering and on-site construction work, and companies without plants and only an administrative department. While confirming the flow of energy, water, etc. for each environmental management base unit, we are pushing ahead with building of a system to efficiently collect environmental information. The FY2018 data shows figures current as of July 1, 2019.

ISO14001 (Environmental Management System)

With a focus on bases engaging in major production activities, IHI obtains EMS (Environmental Management System) certification for individual environmental management base units, and repeats a PDCA cycle for environmental management activities. The results of activities are evaluated through periodic internal audits and external reviews, and IHI endeavors to improve our level of environmental management.

In FY2017, IHI obtained EMS certification for around 70% of its environmental management bases with production scales of a certain scale. EMS certification is obtained by selecting a review body considered the most suitable for the business activities of the individual environmental management base.

ISO14001 Certification	Around 70%*
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* No. of bases with ISO14001 Certification ÷ No. of environmental management base units with a certain fixed production scale or more

Environmental Management

Employee Awareness

In addition to each IHI business location acquiring ISO14001 certification on its own, IHI provides these locations with level-specific environmental guidance through group-wide education and training.

IHI conducted level-based training for employees in their third year of employment and e-learning for all employees of affiliates in Japan. The aim is to raise employee awareness of our environment-focused initiatives and its obligation both to protect the environment and reduce the company's impact.

Outside specialists provide education on energy efficiency and chemical management. Also, location-specific environmental training is conducted by internal and external experts to improve the skills of specialized personnel in specific regions, worksites and major group companies. Other training is organized to improve the skills of ISO14001 internal auditors and the effectiveness of environment-related activities.

Every June is "Environment Month" at IHI, where employees complete an environmental quiz to heighten their awareness of the environment.

Target of education and training	Main education and training content
Specialized education and training	<ul style="list-style-type: none"> Education of specialized environment personnel by outside specialists
General training (Target: Employees with specific ranks)	<ul style="list-style-type: none"> Training in 3rd year of employment
General training (Target: All employees)	<ul style="list-style-type: none"> e-Learning Environment quiz during Environment Month

Third-party Evaluation

We disclosed information on IHI business by responding to questionnaires of third parties.

Our efforts to operate group companies in an environmentally friendly manner led to improved ratings by third parties.

	FY2016	FY2017	FY2018
CDP Climate Change ¹	A– (Leadership level)	B (Management level)	B (Management level)
Nikkei Environmental Management Survey (total number of manufactures) ²	429 (75/396)	431 (77/395)	437 (70/360)

¹ The CDP is a non-profit organization established by responsible investors worldwide. Every year it discloses the results of questionnaires sent to corporations and local governments, aiming to encourage more action in tackling climate change.

² Nikkei Inc. conducts an annual survey of Japan's leading companies to evaluate their environmental initiatives and business efficiency, and then publishes the scores and rankings of each company. The full score is 500. The number in parentheses indicates the rank / total number of manufacturers.

Reduction of the Environmental Impact of Products and Services

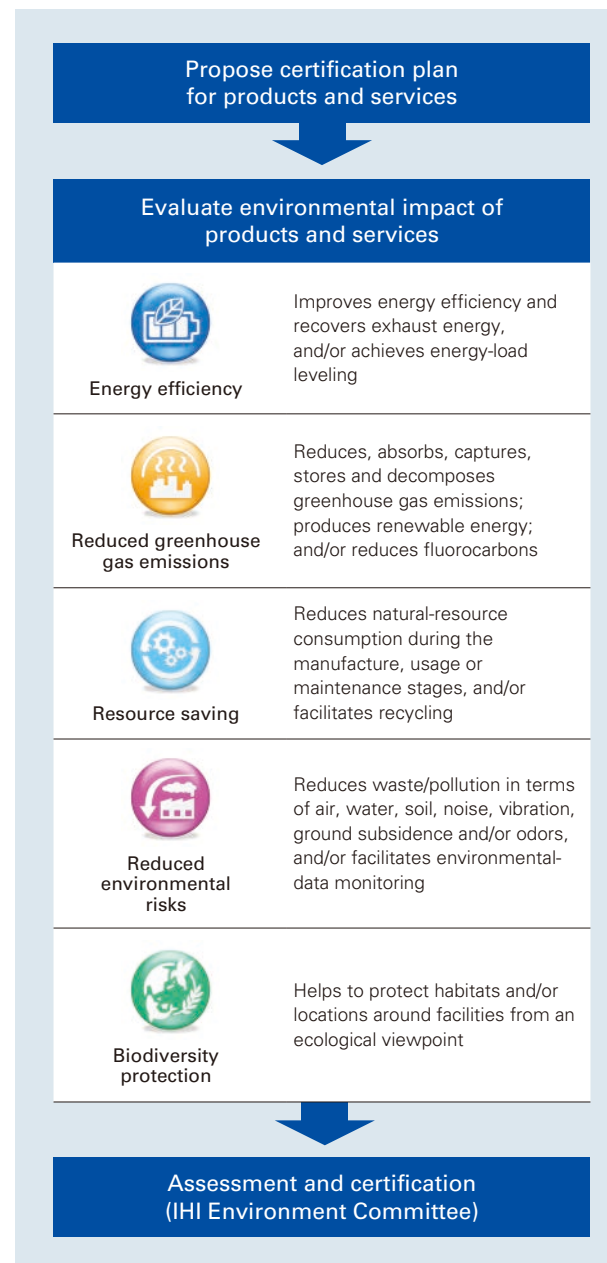
Environmentally Friendly Products Certification Scheme

Since FY2014, IHI has been running an Environmentally Friendly Products Certification Scheme to promote reduction of environmental impact of products and services.

This is an in-house certification scheme to identify products and services offered by IHI with outstanding environmentally friendly performance helping to protect the environment or reduce environmental impact. By offering society a higher number of eco-friendly products and services, we are helping to reduce the impact on the planet's environment overall, and protect the environment.

Certification Process

The Environmental Committee, a group-wide organization, determines and evaluates products for review. Under the scheme, the environmental performance of products and services is evaluated against self-established criteria and those exhibiting particularly outstanding performance are designated "environmentally friendly products." The review examines whether or not environmentally friendly factors have been incorporated in products throughout each lifecycle stage, and evaluates based on the five criteria shown in the table in the right.








Reduction of the Environmental Impact of Products and Services

Environmentally Friendly Products

Products and services designated “Environmentally Friendly Products” are as shown in the right table.
IHI products and services, including certified products, are introduced on the below website.

Reference  [IHI-WORLD](https://www.ihi-world.com)

Certified Products

Products and services	Evaluation items				
	Energy efficiency 	Reduced greenhouse gas emissions 	Resource saving 	Reduced environmental risks 	Biodiversity protection 
Active Noise Control System				●	
Silencer/Enclosure				●	
Noise/Vibration Consultation				●	
Diesel Engines	●	●	●	●	
Life Cycle Administrator (LC-A)	●		●	●	
TF-Detector	●		●	●	
MF-Detector	●		●	●	
Energy-saving parking system NPC24H Tachikawa Midori-cho No.2 Parking Lot	●				
IHI IC Reactor	●	●	●	●	
ORC Power Generator HEAT INNOVATOR®		●	●	●	
LNG Smart Satellite	●	●	●		
Industrial photovoltaic power system		●			
Technology for cleaning, chipping and cutting surfaces without using water		●	●	●	
Cycle Management Systems	●	●	●		
Turbochargers for Vehicles	●		●	●	
ORC Power Generator Heat Recovery HR Series		●	●	●	
IWV-34C Vacuum Degreaser	●		●		
Toyosu Foresia Environmentally Friendly Building	●	●	●	●	

Climate Change

Basic Policy

IHI considers climate change a major management issue. In May 2019, following a resolution passed by the Board of Directors, IHI became a signatory to the policy recommendation of the Task Force on Climate-related Financial Disclosures (TCFD). The framework for information disclosure recommended by the TCFD comprises of four themes—Governance, Strategy, Risk Management, and Metrics and Targets—which are the core elements of organizational management. By using this framework as a tool for formulating strategy, we aim to strengthen our risk management and develop related business opportunities.

Targets

We plan to establish our long-term target for GHG emissions reduction by the end of FY2019.

Action Plans	Targets
Reduce the Environmental Impact of Products and Services	We are performing studies to formulate targets with CO ₂ emission as the index.
Reduce the Environmental Impact of Our Business Activities	Reduce CO ₂ emissions intensity by more than 3% compared to FY2018 (Target year: FY2021) Reduce energy intensity by more than 3% compared to FY2018 (Target year: FY2021)

Results

KPI	Targets	Target Year	FY2018 Results
CO ₂ emissions intensity*	Down 3% compared to FY2015	2018	22.2 (ton CO ₂ /100 million yen) Up 5.2% compared to FY2015
Energy intensity*	Down 3% compared to FY2015	2018	39.3 (TJ/10 billion yen) Up 1.6% compared to FY2015

* Net sales as the denominator.

Management System

Our initiatives and material issues relating to climate change are discussed at Board of Directors' meetings in light of deliberation by the Environment Committee and Management Committee.

Reference  [Environmental Management-Management System \(P15\)](#)

Risk and Opportunity due to Climate Change

In Group Management Policies 2019, we formulated business strategy with consideration to factors changing the external environment in the mid-to-long term, such as climate change. We plan to conduct scenario analyses regarding those businesses potentially impacted by climate change. Also, climate change could affect our business operations. To prepare for climate-related disasters, our business sites and divisions are formulating BCP (business continuity plans).

Reference  [Risk Management-Anti-Disaster Initiatives \(P67\)](#)

Reducing Energy Consumption and GHG Emissions

IHI is exerting effort to reduce CO₂ emissions. The concept for this combines energy-saving activities for more efficient energy usage and activities promoting greater usage of low-carbon energy. We engage in energy-saving activities from both aspects of operations improvement and capital investment. In terms of operations improvement, we are promoting optimal operational management using energy management standards, holding energy-saving training led by outside specialists, improving load capacity and promoting a modal shift through proactive ship usage. In terms of capital investment, we are updating our aged equipment to energy-efficient one. In utilization of low-carbon energy, we are considering using carbon intensity as a new evaluation index, to promote conversion to fuel with a low CO₂ emissions coefficient, introduction of renewable energy, etc.

Climate Change

Performance Data

	FY2015	FY2016	FY2017	FY2018
CO ₂ emissions ¹ (ton CO ₂)	325,545	316,914	330,162	329,602
Direct (Scope1) CO ₂ emissions	-	-	-	80,032
Energy indirect (Scope2) CO ₂ emissions	-	-	-	249,570
CO ₂ emissions intensity ^{1, 2} (ton CO ₂ /100 million yen)	21.1	21.3	20.8	22.2
Energy consumption (TJ)	5,962	6,015	6,087	5,828
Energy intensity ² (TJ/10 billion yen)	38.7	40.5	38.3	39.3

Coverage: Consolidated basis (include overseas)

1 The emissions coefficient by electricity retailer was used to calculate CO₂ emissions based on electricity consumption.

2 Net sales as the denominator.

Circular Economy

Basic Policy

In order to realize a sustainable society, IHI improves resource efficiency and reduce environmental impact through appropriate management of waste and water resources.

Regarding waste, in addition to promoting 3R (Reduce, Reuse, Recycle), we are appropriately managing and disposing of waste generated by each environment management base unit.

In terms of water resources, we are appropriately managing water resource consumption through the optimal maintenance of equipment.

Meanwhile, as for chemical substances, we have established the IHI Group's Basic Policy on Chemicals Information Management, which identifies prohibited substances and controlled substances regulated in laws/regulations in the country/region where our products and services are to be released.

Targets

Action Plans	Targets
Reduce the Environmental Impact of Our Business Activities	Waste generation for each fiscal year from FY2019 to FY2021 will not exceed that of FY2018.
	Water consumption for each fiscal year from FY2019 to FY2021 will not exceed that of FY2018.

Results

KPI	Targets	Target Year	FY2018 Results
Waste generation intensity*	Down 3% compared to FY2015	2018	1.96 (ton/100 million yen) Down 3.9% compared to FY2015
Water consumption intensity*	Down 3% compared to FY2015	2018	28.2 (1000 m ³ /10 billion yen) Up 4.8% compared to FY2015

* Net sales as the denominator.

Management System

Our initiatives and material issues relating to circular economy are discussed and determined by the Environment Committee, the companywide committee chaired by the Executive Officer in charge of CSR.

Reference  [Environmental Management-Management System \(P15\)](#)

Waste

IHI engages in efforts to improve yield in our plants and transform waste into resources through separating garbage upon disposal.

In terms of waste management, we are ensuring waste is appropriately disposed of through checking outsourcing contracts relating to the collection, transportation, and disposal of waste, checking the final disposal on an electronic manifest, and visits to intermediate and final waste disposal sites.

Toxic Waste

Since FY2009, IHI has been detoxifying electric equipment containing highly concentrated polychlorinated biphenyl (PCB). As of March 2019, detoxification had been completed on 99.7% of such equipment.

The same processing has been completed for 95.5% of low-concentration PCB and 48.8% of stabilizers.

Water

As a measure to prevent water leakage from underground pipes, IHI is systematically replacing aged pipes.

When we make such replacements, in order to ensure early detection of leaks, we adopt various approaches, such as installing pipes aboveground, installing pipes in underground housing, and using overhead pipes with supports to protect them.

Circular Economy

Chemical Substances

In accordance with the IHI Group's Basic Policy on Chemicals Information Management, IHI organizes a structure to share customer requirements relating to products containing chemical substances.

In regards to the supply chain, we discuss with each business area whether they will introduce chemSHERPA, a scheme to communicate information on chemical substances in products. As for chemicals subject to the PRTR Law, we assess discharge into the air, public waterways and soil, as well as transfer to sewers and waste.

Regarding VOC (Volatile Organic Compounds), we are suppressing emissions into the atmosphere based on the Voluntary Action Plan for Establishing a Sound Material-Cycle Society by the Japan Society of Industrial Machinery Manufacturers.

Performance Data

	FY2015	FY2016	FY2017	FY2018
Waste generated (ton)	31,394	30,531	28,691	29,010
Waste generated intensity* (ton/100 million yen)	2.04	2.05	1.80	1.96
Water Consumption (1000 m ³)	4,148	4,169	3,776	4,182
Water Consumption Intensity* (1000 m ³ /10 billion yen)	26.9	28.0	23.7	28.2

Coverage: Consolidated basis (include overseas)

* Net sales as the denominator.

Environmental Protection

Basic Policy

In order to sustain business activities at its worksites, plants, etc. IHI engages in environmental conservation on a daily basis to ensure it does not adversely impact the health or living environments of people in surrounding communities in relation to the seven major types of pollution (air pollution, water pollution, soil contamination, noise, vibration, subsidence and foul odor).

To achieve this, of course we must comply with all related laws and regulations, but we also have anti-pollution agreements with government and local residents in each region where we have operations and promote environmental conservation activities which better suit the respective region's circumstances. Many of our worksites, plants, etc. are situated near the sea; therefore water pollution prevention measures are particularly imperative. Other important themes are the appropriate disposal of industrial waste and measures to prevent soil contamination from leakage of the oils, lubricants, chemicals, etc. used in our plants, etc. We stay on guard by conducting regular internal audits, environment patrols, etc. as part of our environmental management system, and do our best to prevent environmental accidents.

Targets

Action Plans	Targets
Reduce the Environmental Impact of Our Business Activities	No major violation of environmental laws/regulations or environmental accident

Results

Targets	FY2018 Results
No major violation of environmental laws/regulations or environmental accident	No incident

Management System

Our initiatives and material issues relating to environmental conservation are discussed and determined by the Environment Committee, the companywide committee chaired by the Executive Officer in charge of CSR.

Reference  [Environmental Management-
Management System \(P15\)](#)

Water Pollution Prevention

IHI monitors the quality of wastewater discharged from plants, one of many ways it protects public waters (oceans, rivers, etc.) at wastewater discharge points. For this reason, not only is daily maintenance essential, but also is the replacement of aged wastewater treatment equipment, devices, and measurement instruments.

In FY2018, we replaced and began using wastewater treatment facilities.

We also positioned prevention of leaks from underground pipes, which are often hidden from view, as a key issue, and perform checks of water quantity in set zones, replace underground pipes, prepare underground piping diagrams, etc.

Environmental Protection

Soil Contamination Prevention

IHI prevents leaks of hazardous substances through regular patrols of its business sites, replacement of aging equipment, etc. Moreover, at the 68 production bases including former factory sites, we conduct surveys into the usage history of specific harmful substances* and oils. The survey results are compiled in a database, and utilize this when changing a factory's traits.

* Including lead, hexavalent chromium and mercury, which are listed in Article 2 of Japan's Soil Contamination Countermeasures Act

Biodiversity

IHI helps to preserve biodiversity by promoting activities liaising with the communities surrounding our business sites, and awareness-raising activities for our officers and employees.

Reference  [Corporate Citizenship-
Environmental Protection \(P31\)](#)

Performance Data

Compliance with Environmental Laws and Regulations

Aiming to reduce environmental accidents, violations of environmental law, etc., and prevent recurrence, IHI evaluates the level of importance and analyzes factors behind occurrence.

In FY2018, there were no major environmental accidents or legal violations.

	FY 2015	FY 2016	FY 2017	FY 2018
Significant environmental accident	0	0	0	0
Major violation of environmental laws/regulations	0	0	0	0
No. of cases IHI paid fines, penalties, etc.	0	0	0	0

Coverage: Consolidated basis (include overseas)

Materialize an Affluent Society

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Customer Relationship Management

Basic Policy

IHI satisfies customers and gains their trust by leveraging technology to offer safe, useful products and services that meet real needs in society. The quality of products and services forms the foundation of trust between IHI and our customers and society, therefore we consider securing quality as our corporate social mission and a fundamental element of our existence.

Employee Training and Education

Based on our corporate philosophy of “human resources are our single most valuable asset,” IHI maintains a training system aimed at strengthening awareness of quality management systems, quality assurance, quality control, and product safety to improve customer satisfaction. This training system includes courses all employees must complete as part of position-specific training.

Our new recruit training is designed so that participants will appreciate the importance of having a customer perspective from an early stage. For training of 2nd-year employees, we focus on quality, PDCA cycle, and work procedure. For training of 3rd-year employees, the emphasis is on the ethics, environment and safety as a monozukuri company. Each business area also maintains independent training systems.

Also, in relation to compliance with company rules and major laws/regulations, IHI has an e-Learning-based awareness/problem-presenting system, promotes activities to prevent violation of quality-related rules, and reduce risk.

Employee Training and Education (FY2018)

Course	No. of participants
Internal auditor training	105
3 rd -year employee training on quality management and product safety	352
Training seminar for newly-appointed foremen and assistant foreman of manufacturing divisions focused on problem solving and issue achieving for quality management	101
Training related to quality and product safety (3 seminars/total of 6 sessions)	472

Product Safety

IHI is constantly working to enhance the safety of its products considering the product life cycle. We conduct a risk assessment considering the product's life cycle and design to reduce risk as much as possible. We then inform our customers of any residual risk.

Disclosure of Information about Products and Services

IHI is carrying out a continuing series of media campaigns, including via advertisements on TV, newspapers and the Internet, to introduce its product and service information to the public, raise awareness of IHI and bring IHI closer to people's everyday lives. The campaigns are closely coordinated with relevant divisions to ensure that accurate information is provided to customers and other stakeholders. In addition, precautions are taken to ensure compliance with laws and regulations, such as the Copyright Act and the Trademark Act, and related industry rules and regulations. Moreover, effects of the campaigns are monitored regularly to identify opportunities for improvement.

Performance Data

No. of law/regulation violations (FY2018)

Laws/regulations	No. of violations
Laws/regulations relating to PR activities	0

Supply Chain Management

Basic Policy

IHI Group Procurement Policy is based on three core principles – fair and impartial procurement, mutually beneficial partnerships with business partners and satisfying compliance and societal needs.

The procurement of materials or equipment involves not only compliance with legal requirements but also consideration of human rights, the environment and conflict minerals*. In addition to education for employees, IHI also distributes this policy to our major business partners and requests that they too promote compliance with laws and social norms, paying attention to human rights, labor conditions, and occupational safety and health, ensuring optimal quality, cost and delivery conditions, enhancement of competitiveness, respect for the environment and information disclosure.

* Minerals from conflict regions that, if purchased, sometimes result inadvertently in funding armed insurgents or fueling regional disputes.

IHI Group Procurement Policy

Basic Procurement Policy

1. Fair and Impartial Procurement

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

2. Mutually Beneficial Partnership with our Business Partners

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

3. Approach to Compliance and Social Needs

We comply with the related laws that govern our local and global businesses. In addition, we promote procurement activities that prioritize factors such as the environment, human rights, labor conditions, occupational safety and health, and information management.

Request to Our Business Partners

The IHI Group works on the following values to promote our business activities. We ask for the co-operation and understanding of our business partners with regard to the promotion of these values.

1. Compliance
2. Paying Attention to Human Rights, Labor Conditions, and Occupational Safety and Health
3. Ensuring Optimal Quality, Cost and Delivery Conditions
4. Enhancement of Competitiveness
5. Respect for the Environment
6. Information Disclosure

Supply Chain Management

Initiatives for Legal Compliance

IHI conducts internal training on procurement-related laws, such as Japan's Act Against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Subcontractors Act) and the Construction Business Act. Internal training courses are now offered to not only the procurement division, but also to all divisions to which the Subcontractors Act and Construction Business Act are believed relevant. Moreover, we provide e-Learning training for procurement officers to instill knowledge required to engage in regular work, such as knowledge on the Subcontractors Act, Construction Business Act, import declarations, and appropriate subcontracting systems.

Also, each of our procurement division carries out voluntary inspections of the Subcontractors Act and import declaration tasks. In order to confirm such operations are being performed appropriately, implement improvements where required, and also provide guidance on improvements through internal audits.

Participants in procurement training (FY2018)

	No. of participants
Subcontractors Act training seminar	120
Construction Business Act training seminar	93
Overseas procurement training seminar	231

IHI Group Policy on Conflict Minerals

We have established the IHI Group Policy on Conflict Minerals as part of the IHI Group Procurement Policy, and are engaging in procurement activities to suit. As a company policy, IHI will not procure raw materials, parts, or products that contain conflict minerals produced in the Democratic Republic of the Congo or its adjoining countries. We have also conveyed this policy to our major business partners to ask for their cooperation in disclosing information relating to conflict minerals if requested by our clients.

Reference  [IHI Group Procurement Policy-IHI Group Policy on Conflict Minerals](#)

Response to Anti-social Forces and Anti-corruption

In the terms of our contracts with business partners, IHI stipulates that our business partners will have no relationship whatsoever with anti-social forces, and will not commit acts of bribery toward overseas state officials prohibited by the Penal Code and Unfair Competition Prevention Act or any other acts such as acts of bribery prohibited by laws of any country. If a business partner is guilty of such an act, we seek its cooperation for reporting and investigation purposes.

Outstanding Suppliers

IHI awarded suppliers for their high achievements and thereafter strengthened its partnerships with these companies. In FY2018, the following three companies were presented Appreciation Awards.

Dalian Xindong Machinery Co., Ltd. (China)

Possesses outstanding welding technology and has delivered high-quality steel structural parts primarily for compressors.

Dalianshi Jinzhou Dongfang Zhugangchang (China)

Possesses excellent technological capabilities for using a broad range of materials to manufacture forged products, mainly for boilers and compressors.

DEE Development Engineers Ltd. (India)

Using highly efficient precision-manufacturing, the company supports IHI's stable supply of pipes and joints for boilers and plants.

Supply Chain Management

Strengthening Procurement Capacity of the Group Overall

IHI has established Product-Specific Expert Councils to strengthen group wide procurement capabilities. Council members endeavor to build optimal procurement networks for the Group by reviewing product specifications and suppliers in collaboration with business areas. These efforts cover key items common to the entire Group, including steel and electrical products.

Furthermore, in terms of procurement from China and Taiwan, until now each business area and group company had procured materials independently, but now the Group has combined its purchasing know-how and supplier information, and strengthened liaison with the Chinese headquarters to increase efficiency in developing new suppliers and aggregating them, as well as sharing best practice.

Developing Global Procurement Professionals

In order to expand our business globally, the IHI Group will build the optimal supply chain while developing new suppliers on a global base as required. As such, IHI also focuses on nurturing global procurement officers and accepts local employees of overseas group companies for training in Japan, as well as provides employees of group companies in Japan with training in overseas procurement.

We will continue group-wide efforts to develop procurement professionals who can operate on a global level.

Procurement Cost Reduction Initiatives

IHI holds once-annual Procurement Cost-reduction Case Study Presentations for the promotion of Group efforts to reduce procurement costs and share best practices. The presentations introduce outstanding internal examples of improving and standardizing procurement specifications, improving competitiveness by shifting to global multisourcing and concentrated purchasing. At a presentation held in March 2019, 7 of the 81 case studies were deemed outstanding and were therefore specially commended and then shared within the Group.

Overseas Procurement Network



Corporate Citizenship

Basic Policy

With the belief that “Meeting society’s expectations” is one of our corporate social responsibilities, the IHI Group engages in social contribution activities. Of the UN’s Sustainable Development Goals (SDGs), we consider the goals of each business area indicated in Group Management Policies 2019, and establish material issues for our social contribution activities in the localities where we operate manufacturing bases, construction sites, etc. Through our social contribution activities, we encourage each and every one of our employees to be self-aware as a member of the community, and proactively respond to social expectations.

Material issues of social contribution activities

Material issues	Relevance to business	Related SDGs
Coexistence with local communities	Establishing and maintaining good relationships with local communities is essential for our smooth business expansion.	 
Development of next-generation professionals	Promoting development of next-generation professionals involved in monozukuri and supporting research in the future science & technology fields is essential to enriching the foundation of future industry, improving awareness of IHI and securing the survival of our businesses.	  
Environment protection	Supporting activities contributing to biosystem preservation and countermeasures for extreme climate change, nurturing nature’s bounty and preserving a healthy plant is essential for securing the survival of our business, and encouraging our employees’ understanding of environmental problems.	  

Targets

Dedicate approx. 1% of ordinary income on social contribution activities.

Results

In FY2018, our social contribution activity expenditure was 6.35 million JPY.

Material issues	Indices		FY2018 results
Coexistence with local communities	Business interests*	No. of visitors to hosted events	9,129
	Social/environmental interests*	Expenditure toward local communities	5.02 million JPY
Development of next-generation professionals	Business interests*	Participants in science (monozukuri) classes	2,664
	Social/environmental interests*		
Environment protection	Business interests*	No. of participants to hosted events	200
	Social/environmental interests*	Environment protection area	11,605 m ²

* The above indices of “Business interest” and “Social/environmental interests” are defined on the DJSI Questionnaire as follows.

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

Social/environmental interests: Factors linked with social/environmental interests, such as sustainable development goals (SDGs)

Corporate Citizenship

Coexistence with Local Communities

Aioi Pe-on Festival

The Pe-on Festival's history traces back to IHI's roots as a shipbuilder, when it used to hold aquatic sports events. Although the festival is now organized by Aioi city, it is still conducted in front of an IHI waterfront factory. The event attracts tens of thousands of visitors each year and IHI sponsors some of the boats that participate in the race.

Soma Wild Horse Chase (Soma Nomaoui)

The Soma Nomaoui, an annual festival going back more than 1,000 years, is famous for its staged fight among warriors on horseback. In a parade associated with the festival, young IHI Group employees shoulder a portable shrine from Soma Nakamura Shrine and the head of the local IHI office rides a horse.

Wheelchair Basketball

The IHI Group supports the Japan Wheelchair Basketball Federation. As part of this, in FY2017, we held interactive events with wheelchair basketball players in Shinchi town, Soma district, near IHI Soma Works. This event attracted many people, including IHI Group employees and local residents. The hugely successful undertaking included players participating in an exhibition match and trial session and more.

IHI Atrium Concert

IHI uses the atrium at its head office in Toyosu to stage orchestral concerts of various genres. These concerts are for the enjoyment of a wide range of guests, from senior citizens to families with small children. The eighth concerts were held in FY2018, attracting some 650 people to each.

Development of Next-generation Professionals

Lecture for Elementary & Junior High Students

With the aim of nurturing future-generation science professionals, IHI provides visiting classes for elementary and junior high students. These classes are held jointly with Ochanomizu University and convey how interesting science is, as well as how school-based study is helping society. In FY2018, IHI members ran classes on jet engines and power generation boilers for elementary and junior high school students attending schools nearby our head office. In both cases, students learned about systems and principles through watching footage and then conducted experiments to deepen their understanding. Surveys conducted after the classes showed that the students' level of interest in science had risen.

Environmental Protection

IHI engages in biodiversity initiatives.

Aioi Works Initiatives

IHI Aioi Works is surrounded in lush nature due to being located between the forests of the mountains and the bay. The vast greenbelt accounting for 71% of the site area is home to many rare animals and plants. In FY2018, we established green infrastructure considering biodiversity to prevent landslides of slopes. This green infrastructure utilized biomass, which is natural capital, in the form of a retainer wall made from logs and clumps of sticks, into which various plants and trees were planted. As soon as the logs and brushwood decay, the trees, etc. that were planted take root and preserve the slope.

We held tree-planting event for employees and their families aimed at improving their environmental awareness.

According to the above activity, IHI Aioi Works won the certification by the Association for Business Innovation in Harmony with Nature and Community (ABINC). Moving forward, IHI will continue promoting management considering biodiversity.

Corporate Citizenship

Performance Data

Social contribution activity expenditure (FY2018)

(Millions of yen)

Total	635
Details [Coexistence with local communities]	502
[Development of next-generation professionals]	56
[Environment protection]	16
Other	61

Details by expenditure item

Monetary donation	113
Employee activity fee	162
Donation of goods and site provision cost	360

(Reference)

Local community organization membership fee	10
Cost	121

Human Resource Management

Basic Policy

Based on our management philosophies of “Contribute to the development of society through technology” and “Human resources are our single most valuable asset”, the IHI Group works to develop and secure professionals as our most important management resource.

IHI strives to provide its entire workforce with workplace environments where all individuals feel safe, respected, welcome, motivated and rewarded.

Group Human Resource Management Policy

To achieve our Group Vision of "Devising reliable and convenient solutions that bring benefit to humanity and the environment as a global company," we develop supportive systems, workplace environments and a corporate culture that enable employees to realize their full potential while sharing common values.

In 2013, we introduced our Group Human Resource Management Policy for all Group employees. The policy includes measures for realizing ideal human resources by observing the key concepts of “group,” “global” and “diversity” in personnel hiring, deployment, development and evaluation.

Group Human Resource Management Policy

In line with IHI’s management principles and Group vision, IHI Group aims to create customer value through using engineering expertise to focus on Monozukuri technology by the following:

1. In order to become an enterprise with distinguished global professionals who strive to excel in Monozukuri Technology and engineering technologies with world-renowned high quality products, ideal human resources shall be enhanced and shall serve as a shared value for employees within the group.
2. Ideal human resources shall serve as the foundation for the establishment of HR management policies in order to provide employees with opportunities for development.
3. Providing a work environment where people of diverse backgrounds can demonstrate their abilities and are in tune with the management principles and Group vision of IHI.

Ideal Human Resources

Integrity and Trust

For Customers and Society

Innovation and Creation

Team Work

World-class Professional

Keywords

Group

Global

Diversity

Human Resource Management

Workforce Demographics

Number of Employees

By region

(people, as of March 31 each year)

	FY2016	FY2017	FY2018
Number of employees	29,659	29,706	29,286
Japan	22,752	22,667	21,862
Asia Oceania	3,856	3,888	4,213
Americas	1,166	1,244	1,352
Europe, Middle East & Africa	1,885	1,907	1,859

By business area

(people, as of March 31 each year)

	FY2016	FY2017	FY2018
Number of employees	29,659	29,706	29,286
Resources, Energy & Environment	7,744	7,579	6,467
Social Infrastructure & Offshore Facilities	2,493	2,290	2,359
Industrial Systems & General-Purpose Machinery	9,677	9,946	10,220
Aero Engine, Space & Defense	6,348	6,463	6,660
Other	2,406	2,458	2,619
Entire company (common)	991	970	961

By age/gender

(people, as of March 31 each year, IHI)

	FY2016		FY2017		FY2018	
	Men	Women	Men	Women	Men	Women
Number of employees	7,625	1,005	7,245	1,011	6,994	1,017
Under 30	1,810	263	1,674	254	1,554	226
30 to 39	1,994	302	1,988	295	1,986	291
40 to 49	2,083	349	1,911	360	1,804	367
50 to 59	1,168	84	1,203	93	1,267	122
60 and over	570	7	469	9	383	11

By employment status

(people, as of March 31 each year, IHI)

	FY2016		FY2017		FY2018	
	Men	Women	Men	Women	Men	Women
Number of employees	7,980	1,421	7,470	1,430	7,240	1,458
Regular employees	7,216	964	6,958	980	6,694	984
Re-hires	181	1	83	0	84	0
Second by other companies	228	40	204	31	216	33
Constants and contract employees	216	10	126	5	77	6
Part-time employees	83	389	71	399	85	413
Fixed-term employees	56	17	28	15	84	22

Turnover Rate

Turnover rate within 3 years of joining company

(As of March 31 each year, IHI)

	FY2016	FY2017	FY2018
Turnover rate within 3 years of joining company	5.8%	5.7%	7.4%
Men	5.1%	4.7%	6.9%
Women	9.7%	10.6%	10.8%

Employee Situation

Average years of service

(year, as of March 31 each year, IHI)

	FY2016	FY2017	FY2018
Average years of service	15.4	15.3	14.9
Men	11.1	12.5	15.1
Women	14.8	14.9	13.2

Diverse Human Resources

Basic Policy

Based on our corporate philosophy of “human resources are our single most valuable asset,” our Group Human Resource Management Policy establishes “Diversity” as one of its material words.

This aims to tie together various different values and foster a corporate culture breeding creativity and innovation by establishing a workplace in which individual employees with diverse personalities and views can fully draw upon their capabilities. A corporate culture breeding creativity and innovation is essential to the realization of our management philosophy of “Contribute to the development of society through technology,” therefore we strive for diversity promotion as a part of our management strategy.

Diversity involves many elements, including gender, ethnicity, nationality, existence of a disability, age, sexual orientation, religion, values, career experience, and work style. IHI is involved in diversity promotion spanning a broad spectrum including existing major focuses of women, foreign national workers, disabled persons, senior workers, and now also activities to promote sexual minorities such as LGBT.

Reference  [Human Rights-Support for sexual minorities \(LGBT, etc.\) \(P45\)](#)

Targets and Results

KPI	Targets	Target Year	FY2018 Results
No. of female employees	University graduates: Total 15% or more (Engineers: 10% or more, administrative staff: 35% or more as approximates)	—	University graduates: Total 13% (Engineers: 6%, administrative staff: 34%)
	FY2016 - FY2018 Total of 15 or more technical staff	—	FY2016 - FY2018 Total of 16 technical staff
Ratio of female managers	3.5%	2020	2.8%
No. of female officers	1 person or more	2020	4 ¹
Disabled persons employment rate	2.3%	2020	2.2% ²

¹ As of April 2018

² As of June 1, 2018

Diverse Human Resources

Employment

To ensure a diverse workforce, IHI recruits human resources regardless of nationality, gender or age, and accepts candidates who have been out of school for up to three years.

In its recruiting practices, IHI selects suitable and capable candidates that fit the company's standards for ideal human resources described in the Group Human Resource Management Policy. Moreover, personnel assigned to candidate interviews, etc. are trained to follow fair and impartial recruitment practices.

Female Employment

To recruit more women, IHI has developed pamphlets, created a special webpage on the company's website and staged seminars for women candidates.

Employment of Disabled Persons

To create workplaces where anyone can work with ease, IHI encourages the employment of persons with disabilities. We will continue to cooperate with schools and public employment agencies to actively provide employment opportunities for workers with disabilities.

Employment of Overseas Persons

IHI provides a wide range of opportunities, including recruitment seminars in the U.S., U.K., South Korea and Singapore.

Mid-Career Recruitments

IHI actively recruits mid-career employees. We conduct an annual symposium to inform mid-career recruits about career opportunities at IHI and to build networks.

Fixed-term Employment to Regular

IHI offers fixed-term employment contracts as a mechanism for shifting temporary staffers to regular employment. Under this system, personnel who meet certain standards can be subsequently hired as regular employees.

Employment from Age 60

IHI adopts a system allowing employees to decide their own retirement age anywhere between 60 and 65 years of age.

Since the system was introduced in April 2013, we have constantly revised it to enhance the attractiveness of the system, resulting in more than 80% of those who have reached the age of 60 choosing to continue working.

Diverse Human Resources

Promotion

IHI has taken constructive steps to create work environments based on workforce diversity and helping individuals to reach their potential.

Support for Female Employees and Development of Female Managers

In 2012, training was introduced for women in managerial positions to raise their awareness, enhance their leadership skills and support their networking efforts.

A networking leadership program was launched in 2013 to support women employees in diverse business areas and consists of workshops, seminars and a variety of other activities.

We also hold a seminar by an external expert every year for our management-level employees aimed at career development for female managers, awareness of development support by superiors, support for career design considering major life events, etc.

Locally Hired Employees of Overseas

Affiliates

Locally Hired Employees of Overseas Affiliates Based on the Group Human Resource Management Policy, IHI actively hires capable individuals regardless of gender, educational background, age or nationality, aiming to promote the diversity and global capabilities of its workforce. To achieve ideal human resources, as identified in the Group Human Resource Management Policy, each overseas base recruits candidates relative to the respective country's labor market and customs. IHI has conducted training to develop local managers at overseas bases, expanding such training in China and the Asia Pacific region in FY2018. In the past three years. We will continue working to develop local personnel to manage business in each country.

Diverse Human Resources

Performance Data

New Graduate Employment Results

(IHI)

	FY2016	FY2017	FY2018
Engineers	229	193	117
Men	208	174	110
Women	21	19	7
Administrative	59	52	38
Men	40	36	25
Women	19	16	13

Mid-career Employment Results

(people, as of March 31 each year, IHI)

	FY2016	FY2017	FY2018
Mid-career Employment	153	29	78

Disabled People Employment

(As of June 1 each year, IHI)

	FY2016	FY2017	FY2018
Disabled People Employment Percentage	2.14%	2.03%	2.21%

People Selecting a Retirement Age of 61 or Above (between the ages of 61 and 65)

(IHI)

	FY2016	FY2017	FY2018
Status of People Selecting a Retirement Age of 61 or Above	84%	87%	84%

Female University Graduate Employment

(IHI)

	FY2016	FY2017	FY2018
Female University Graduate Employment Percentages	14%	14%	13%
Engineers	9%	10%	6%
Administrative	32%	31%	34%

Female Officers

(people, as of July 1 each year, IHI)

	FY2016	FY2017	FY2018
Number of Female Officers (Outside Directors)	2 (1)	4 (3)	4 (3)

Female Manager

(People, as of April 1 each year, IHI)

	FY2016	FY2017	FY2018
Total No. of Managers	2,630	2,626	2,643
No. of Female Managers (Ratio of female managers)	66 (2.5%)	68 (2.6%)	74 (2.8%)
General Manager class	19	21	22
Section Manager class	47	47	52

Locally Hired Managers

(people, as of April 1 each year)

	FY2016	FY2017	FY2018
Locally Hired Managers	20	23	22
IHI Shanghai Management Co., Ltd. (ICL)	1	1	4
IHI ASIS PACIFIC PTE (IHI AP)	10	12	8
IHI INC	9	10	10

Training Aimed at Developing Local Managers in Overseas Bases

	FY2016	FY2017	FY2018
Implemented Regions	Regions in China, Regions in Asia Pacific	Regions in China, Regions in Asia Pacific	Regions in China, Regions in Asia Pacific
No. of Participants	33	25	36

Diverse Human Resources (Human Resource Development)

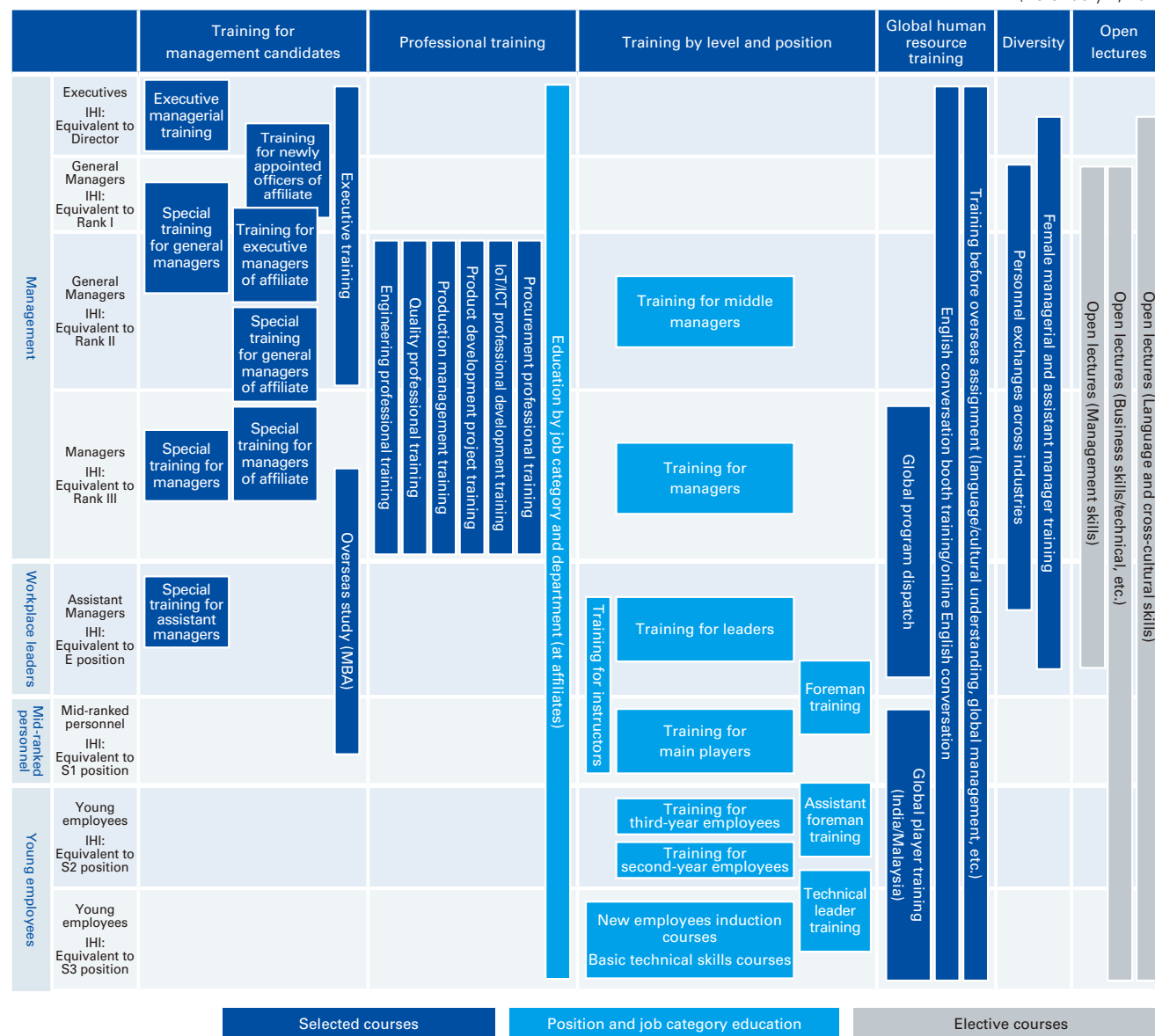
Basic Policy

Employees grow the most through day-to-day work. For this reason, the effort of employees who are willing to thrive, as well as the company-employee interaction best represented by the opportunities that the company provides to link this effort with growth, are fundamental for the development of human resources.

In accordance with our Group Human Resource Management Policy, IHI establishes a Group Human Resources Development Policy clarifying the role of individual employees and the company relating to professional development, as well as the role of superiors, the department, and HR department. Through the policy, we formulate development plans for individual employees in the workplace, employee development frameworks and training curriculums.

IHI Group Education and Training System

(As of July 1, 2019)



Diverse Human Resources (Human Resource Development)

Human Resource Development

HR training is based on the Group Human Resource Development Policy.

Position-specific training spanning the workforce, from new employees to newly appointed managers, is implemented via programs and curricula based on principles for ideal human resources described in the Group Human Resource Management Policy. There are also training courses for grooming executives, global human resources and women managers. Moreover, optional open seminars are offered to help employees hone specialties.

To ensure that training remains consistent with evaluations and deployments, a series of three interviews is administered to all employees over the course of a year. Results are fed back to employees to help them reinforce their positive qualities and work on any weakness, thereby helping them to develop further.

Development of Global Human Resource

The IHI Group invests time, money and effort into developing human resources who can perform in the global arena. This includes overseas training.

In 2018, 15 persons were sent to India for intensive training. Overseas training programs not only support the acquisition of language skills but also provide more in-depth exposure to different cultures. As for language training in Japan, booths were set up at business sites in 2013 so that employees could practice their English in between jobs. In 2018 alone, 210 persons attended conversational sessions.

In addition, language classes and seminars on cross-cultural understanding are open to all employees.

In FY2018, a total of 164 employees took part in 9 courses.

Moreover, at the IHI Human Resources Development & Communication Center, called I-STEP Shonan, IHI Group's dedicated facility for human resource training and meetings located in Yokosuka, Kanagawa Prefecture, over 12,000 group employees from Japan and overseas participate in training and various seminars each year. I-STEP Shonan is more than just a training facility – it is used as a place for members of the IHI Group from around the world to gather, share our corporate philosophy and values, actively communicate, learn and grow together.

Passing Skills Along to Others

Each IHI production facility is in charge of specific manufacturing skills, such as welding and machine work, that must be passed along to the next generation. Employees with specialized skills are designated as takumi (master artisans) and are assigned to train younger workers.

Performance Data

Participants in Main Training Courses and Total Training Hours

(Japan)

	FY2016	FY2017	FY2018
Position-specific			
Participants	Approx. 3,300	Approx. 2,900	Approx. 3,300
Hours of training	Approx. 112,000	Approx. 101,000	Approx. 112,000
Open lectures			
Participants	Approx. 5,800	Approx. 5,800	Approx. 6,200
Hours of training	Approx. 46,000	Approx. 44,000	Approx. 47,000

Employees Certified as Takumi

(people, IHI)

	FY2016	FY2017	FY2018
Employees Certified as Takumi	45	42	37
Welding	6	5	2
Assembly	6	7	10
Machine Work	14	13	9
Testing/ Inspection	10	10	9
Maintenance	3	2	2
Other	6	5	5

Labor Practices (Occupational Health and Safety)

Basic Policy

Ensuring employee safety and well-being is an important issue for IHI. Safety, hygiene and health issues across the group are reported to the Board of Directors every month. Moreover, IHI takes constructive steps to create workplace environments where all group employees feel respected, welcome, motivated and rewarded, and can exhibit their full potential.

Based on the Basic Code of Conduct for the IHI Group, the following initiatives will be implemented to ensure a workplace environment in which all employees can work safely and in good health.

IHI Health and Safety Policy

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

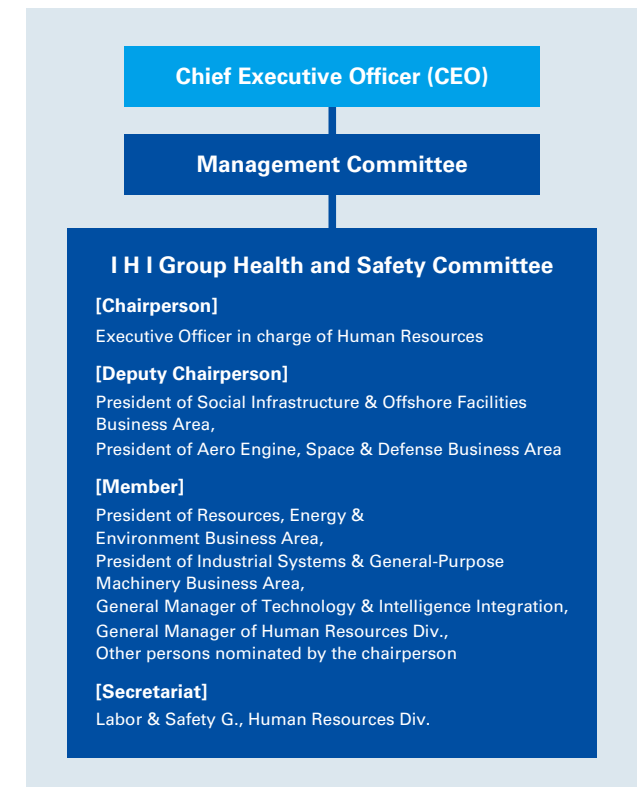
[Five Safety Principles]

- Safety is our first priority
 - Never do or let anyone else do anything dangerous
 - Eliminate potential hazards
 - Follow the rules strictly
 - Make a real effort
2. We will endeavor to prepare facilities and provide opportunities to promote and maintain the mental and physical health of our employees, and create ideal workplaces in which employees can work in good health.
 3. While complying with relevant laws and regulations on safety and health, we will give full consideration to how our business activities affect local communities and endeavor to ensure safety and health as a member of society.

Targets and Results

	Targets	Target Year	FY2018 Results
Total Injuries Frequency Rate	Under 1.1	2018	1.11
Lost Time Injuries Frequency Rate	Under 0.2	2018	0.26

Management System



Labor Practices (Occupational Health and Safety)

Health and Safety Management

Health Management

IHI emphasizes health management because it believes that a satisfying and fulfilling work environment improves productivity. We address health management from both mental and physical aspects.

Mental health education includes both remedial aftercare for people with mental illnesses and preventative measures promoting mental toughness. Everyone from senior managers to new employees is targeted as part of nurturing a workforce full of vitality and pleasant work environment.

Additional measures address health issues such as metabolic syndrome, smoking and other unhealthy lifestyles.

Safety Management

IHI is committed to eradicating work-related accidents and has established five group-wide safety principles as the basis for doing that.

At factories and construction sites, risk assessments are implemented to identify and mitigate potential hazards via strict verifiable countermeasures. Moreover, regular safety training is provided not only to supervisors, leaders and site managers but to all employees as well, in order to make workplaces accident-free. Support is also given to outside contractors at IHI work sites and construction sites to raise the level of their safety management and, together with IHI, keep the work site safe.

Our health and safety initiatives are based on a logical and far-reaching occupational health and safety management system.

Work- Life Balance

System Enhancement

Besides providing workplace environments that make jobs motivating and rewarding, IHI is always improving and adding programs and systems to help employees balance their professional and personal lives.

For example, the company offers flexible working hours, encourages employees to use paid holidays to take longer vacations, allows employees to take time off for childcare and nursing obligations, and requires worksites to shut down at certain times.

Management of Work Hours

Each year, IHI formulates a working-hours policy to promote a healthy work-life balance, by limiting nonessential overtime. The key initiatives under that policy are to promote work efficiency and delegate tasks among employees. Other activities serving that same purpose include having individual divisions craft action plans, shutting down all of our works at the same time, and reporting overtime conditions to the Board of Directors.

Labor Practices (Occupational Health and Safety)

Performance Data

Health Management Data

(Target: 35 IHI Group companies)

	FY2016	FY2017	FY2018
Health checkup prevalence rate	70%	69%	70%
Stress check participation rate	90%	91%	96%
Smokers	29%	28%	28%

Lost Time Injuries Frequency Rate*

(Target: 32 IHI Group companies)

	FY2016	FY2017	FY2018
IHI Group	0.33	0.57	0.26
National average, all industries	1.15	1.02	1.02

* No. of fatalities or injuries through work-related accidents per million working hours (excluding non-loss-time accidents)

Total Injuries Frequency Rate*

(Target: 32 IHI Group companies)

	FY2016	FY2017	FY2018
IHI Group	1.31	1.64	1.11

* No. of fatalities or injuries through work-related accidents per million working hours

Work-related Accidents*

(cases, number inside parentheses indicates fatal cases, Target: 32 IHI Group companies)

	FY2016	FY2017	FY2018
No. of work-related accidents	68 (1)	87 (1)	55 (0)
Employees	41 (0)	52 (0)	28 (0)
Temporary employees	0 (0)	4 (0)	4 (0)
Collaborators	27 (1)	31 (1)	23 (0)

* No. of fatalities through work-related accidents

Work- Life Balance Support Scheme

(IHI)

	FY2016	FY2017	FY2018
Employees with reduced work hours	149	159	158
Employees who have taken childcare leave	674	677	689
Employees who have taken parental leave	89	111	113
Percentage returning to work after taking parental leave	100 %	100 %	100 %
Employees who have taken nursing care leave	11	18	6

Paid Vacation Days

(days, IHI general employees)

	FY2016	FY2017	FY2018
Average of annual paid vacation days acquired	16.50	17.63	18.36

Overtime Work

(hours, IHI)

	FY2016	FY2017	FY2018
Average monthly overtime work	23.90	22.90	22.50

Third-party Evaluation

Health & Productivity Companies 2019 (White 500)

In keeping with the IHI Group Health Management Declaration, we collaborate with health insurance associations and the Labor Union Federation to foster the wellbeing of employees and their families. In FY2018, seven IHI Group companies received White 500 certification. They were the parent, IHI Scube Co., Ltd., IHI Plant Services Corporation, IHI Power Systems Co., Ltd., IHI Jet Service Co., Ltd., NICO Precision Co., Inc., and Chiba Warehouse Co., Ltd.



* The Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Council) maintain the White 500 program to recognize excellence in strategic corporate healthcare management.

Labor Practices (Partnership between Labor and Management)

Basic Policy and Management System

IHI concludes labor agreements with IHI Labor Union Federation based on mutual understanding and trust. IHI Labor Union Federation was formed in 1963 and all employees, excluding those ranked as a Section Manager or higher in the collective labor contract, are members.

Various labor-relations councils are organized in accordance with labor agreements, including workers' councils to promptly resolve day-to-day issues, management councils to discuss management initiatives and financial results, and production councils to maintain and improve productivity in works divisions.

Initiatives

IHI management and labor are provided with abundant opportunities for dialog under the I-Project group-wide initiative. In FY2018, meetings to exchange views and ideas were held at five IHI offices and six group companies. Moreover, when management visited factories and worksites, time was provided for them to tour the sites and interact with employees. The Management Council gathers management and labor for meetings to explain corporate policies and hear union proposals. The IHI president joins three meetings each year. Moreover, regular patrols of plants and construction sites are conducted through collaboration between management and labor to ensure that safety and hygiene are being properly managed.

Addressing Labor-related Complaints

Based on labor agreements, IHI operates a committee to promptly respond to labor-related complaints from employees in a fair manner, ultimately to realize harmonious work environments.

Performance Data

Labor Union Membership

(people, as of March 1 each year, IHI)

	FY2016	FY2017	FY2018
Total	7,884	7,851	7,564
Musashi	1,795	1,891	1,953
Tokyo	1,542	1,595	1,555
Yokohama	1,461	1,464	1,376
Soma	913	913	913
Tomioka	667	666	657
Aioi	505	509	473
Kure	501	489	503
Nagoya	500	324	133
Sakai	0	0	1

Addressing Labor-related Complaints

(cases, IHI)

	FY2016	FY2017	FY2018
No. of complaints	0	0	0

Human Rights

Basic Policy

The IHI Group promotes initiatives for raising awareness on human rights.

Activities to raise awareness of human rights began in 1981 with the establishment of the company-wide Dowa Promotion Committee. Recognizing IHI's corporate social responsibility, a basic policy was formulated to support fair, nondiscriminatory treatment of human resources, which is now a key aspect of IHI's business.

Since then, in light of domestic and international trends and changes in the social environment, based on the policies and plans decided our companywide committee, we roll out various activities such as human rights training and enlightenment campaign.

In FY2017, the name of the company-wide committee was changed to the IHI Group Committee for Promotion of Human Rights to recognize the broadening perspective and a group-wide approach of IHI's human rights activities.

Outside Japan, relevant human rights issues include child labor and forced labor, which IHI is addressing from a global perspective.

In this context, IHI's Basic Code of Conduct includes respect for human rights as a fundamental principle of the company. Since then, IHI has been implementing various relevant initiatives on an ongoing basis. The activities are reported to executive management, a reflection of their importance to the company.

Management System



Initiatives

Due Diligence

In order to grasp business-related risks, IHI has begun identifying our human rights risks and impacts. We conducted a Human Rights Awareness Status Survey targeting 16 major overseas affiliated companies in order to ascertain any human rights issues.

Human Rights Training

In 2018, over 5,000 employees participated in position specific training, training at IHI offices and plants, and training conducted by third parties, to deepen awareness and knowledge of human rights, compliance, harassment and more.

Equal Wages for International Recruits

IHI practices fair and impartial wage setting both in Japan and in international locations. Employees are treated equally-regardless of gender-and basic wages are set in the same manner.

Support for sexual minorities (LGBT, etc.)

As part of support for sexual minorities, we respond to the concerned person's requests regarding operation of various schemes, including work systems and benefits. Moreover, we have launched full-scale LGBT Ally Action to recruit allies (supporters) and disseminate information to them. Through such activities, we attempt to establish a work environment in which sexual minorities can work comfortably.

Installation of "Multipurpose Toilets"

As part of establishing an environment for sexual minorities, disabled persons, and other people with specific care needs, we have installed "Multipurpose Toilets" based on a universal design.

Opening of a Consultation Service

We opened a consultation service to fairly and sincerely handle complaints and concerns from employees while protecting their privacy.

Third-party Evaluation

PRIDE Index Gold Award

IHI received the Gold Award, the highest level of commendation for the PRIDE Index 2018, an index evaluating workplace initiatives for sexual minorities, such as LGBT, established by the voluntary organization, Work with Pride.



Principled Corporate Management

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Corporate Governance

Basic Views

IHI defines corporate governance as a system that assures sustainable growth and maximization of corporate value by enhancing management efficiency for the Company to 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 monitoring and supervisory functions from functions related to their execution of duties. Furthermore, by establishing the relevant internal rules and building a system for their administration, 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 a 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-monitoring and supervisory functions
- (5) Conduct constructive dialogues with shareholders whose investment policies accord with the medium- to long-term interests of shareholders

Corporate Governance

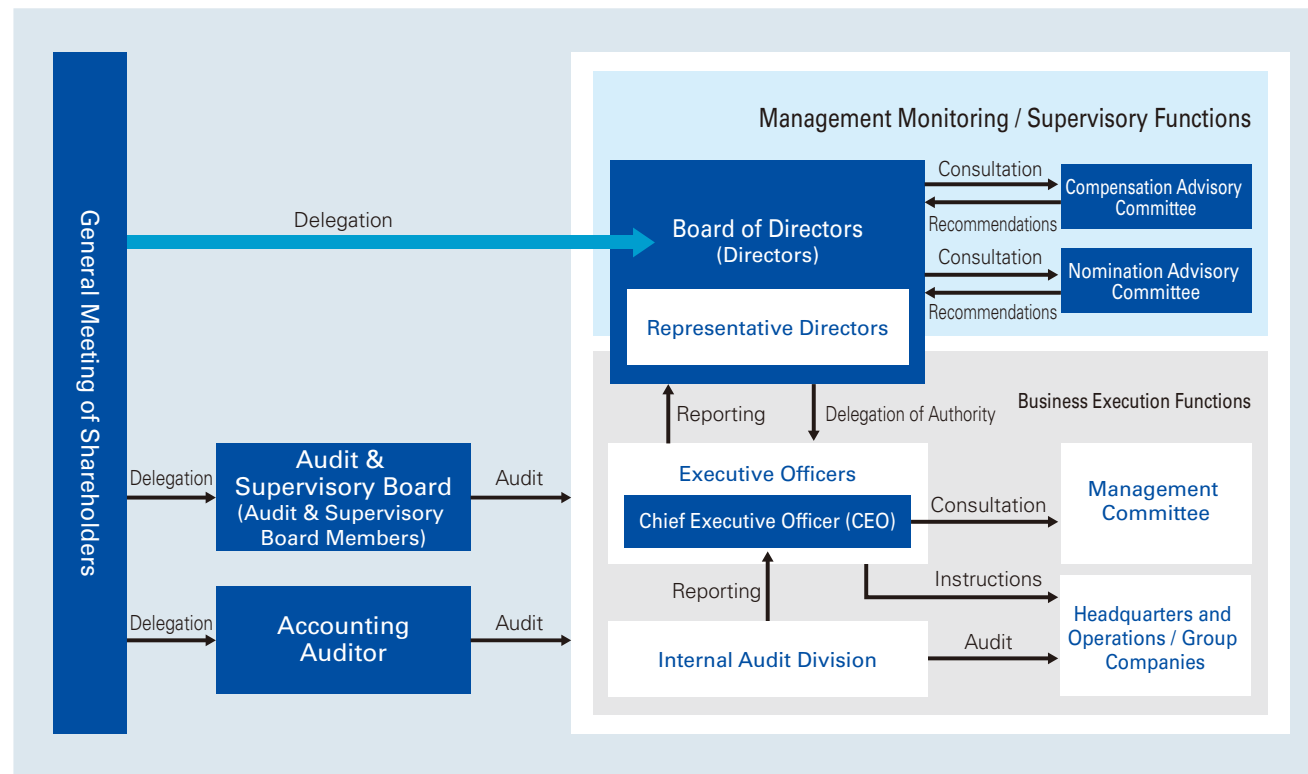
Corporate Governance System

IHI Corporation has an Audit & Supervisory Board, comprised of 5 audit & supervisory board members (3 from outside) who audit the duties executed by directors.

The Board of Directors, which consists of 11 directors (3 from outside), makes decisions related to all important matters concerning the management of the Company

and the Group, in addition to supervising directors in their business execution. In regard to outside directors, IHI appoints persons with rich experience as a corporate manager and broad knowledge, as well as persons with multifaceted experience and specialist knowledge. Outside directors will participate in the decision-making of the board of directors from a position independent of the management team involved in operation executions, and offer advice and proposals to IHI's management.

Corporate Governance Management Structure



Executive Officer System

IHI Corporation has an executive officer system to facilitate and 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 manages the duties of the executive officers, giving directions and supervision. The executive officers follow the Chief Executive Officer'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.

Remuneration Advisory Committee and Nomination Advisory Committee

We established the Remuneration Advisory Committee and the Nomination Advisory Committee as the optional committees.

To ensure that director remuneration is appropriate, the Remuneration Advisory Committee comprises six members: three outside directors, one outside audit & supervisory board member, the director in charge of human resources, and the director in charge of finance and accounting, with an outside director serving as the committee chairperson. To provide supervision and advice on nomination of directors and audit & supervisory board members by the representative director, the Nomination Advisory Committee comprises four members: the president and CEO, and three outside directors, with the president and CEO serving as the committee chairperson.

Corporate Governance

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 outside directors and outside audit & supervisory board members stipulated by the Tokyo Stock Exchange. The 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 ideal attributes and independence standards for outside directors and outside audit & supervisory board members. The aim is to ensure sustainable growth and increased corporate value for the IHI Group over the medium to long-term.

In appointing officers, the Board of Directors has supplemented the legally required procedures by establishing a Nomination Advisory Committee comprised of all the independent outside directors and the 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

IHI Corporation appoints officers 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 broad, global perspective and insight

Independence Criteria for Outside Directors

In addition to the requirements for outside directors and outside 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.






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.

- Major clients of the IHI Group (with transactions valued at 2% or more of the Company's consolidated net sales in the most recent fiscal year)
 - Major suppliers to the IHI Group (with transactions valued at 2% or more of the supplier's consolidated net sales 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 the Company
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
The director should not be the spouse or first to second-degree relative of a director, audit & supervisory board member, executive officer or equivalent executive-level employee of the IHI Group. In addition, the director should not be the spouse or first- to second-degree relative of any person* referred to in 1 through 4 above.
- *If a major shareholder or a major client, supplier, etc. is a corporation, this applies only to directors, audit & supervisory board members, executive officers at companies with committees, executive officers, or equivalent executive-level employees of the corporation in question. In addition to the above, the Company also considers age, concurrent positions, period in office, and related matters when nominating candidates as outside directors.

Corporate Governance

Members of the Board of Directors (As of July 1, 2019)

Name Position at the Company	Reasons for nomination	Attendance at Board of Directors meetings in FY2018	Period in office	Appointments to board advisory committees	
				Remuneration Advisory Committee	Nomination Advisory Committee
 Tamotsu Saito Chairman of the Board	After leading IHI Group's management as President and Chief Executive Officer since April 2012 until April 2016, he has worked to achieve further improvements in corporate governance as Chairman of the Board. His abundant experience and insight as corporate manager have been utilized in the management of the IHI Group.	18 of 18	11 years and 2 months	—	—
 Tsugio Mitsuoka President	He was appointed as President of Aero-Engine & Space Operations in April 2013, driving the growth of its globally-expanding business before becoming President and Chief Operating Officer in April 2016 and President and Chief Executive Officer in April 2017, in which capacity he has led IHI Group's management. His abundant experience and insight as corporate manager have been utilized in the management of the IHI Group.	18 of 18	5 years	Member	Chairperson
 Hiroyuki Otani Executive Vice President	He has accumulated a great deal of knowledge mainly in the aero-engine production and technology division. In addition, he has been responsible for business divisions including power systems, machinery and logistics, and the Resources, Energy & Environment Business Area, and has been serving as Executive Vice President since this April. This wide range of business management experience and insight has been utilized in the management of the IHI Group.	18 of 18	5 years	—	—
 Takeshi Yamada Executive Vice President	He accumulated a great deal of knowledge mainly in the finance and accounting field and corporate planning division. Appointed as Deputy General Manager of Finance & Accounting Division in April 2014 and General Manager of Finance & Accounting Division in April 2017, he contributes to IHI Group's management by leveraging his rich insight on financial strategies, improvements in financial condition, and overall group management.	18 of 18	2 years	Member	—
 Tomoharu Shikina Director	After accumulating a great deal of knowledge mainly in the aero-engine technology development field, he was appointed as President of Aero-Engine & Space Operations in April 2016. His abundant results and experience have been utilized for the growth of the IHI Group particularly in Aero Engine, Space & Defense Business Area.	18 of 18	3 years	—	—
 Nobuko Mizumoto Director	After accumulating achievements as a researcher at IHI's technology research institute, she has served in important posts in the headquarter divisions, beginning with a project regarding the relocation of the headquarter building. The wide range of experience and achievements she has accumulated in her career have been utilized for the growth of the IHI Group.	14 of 14 ¹	1 year	—	—

Name Position at the Company	Reasons for nomination	Attendance at Board of Directors meetings in FY2018	Period in office	Appointments to board advisory committees	
				Remuneration Advisory Committee	Nomination Advisory Committee
 Masafumi Nagano Director	He has accumulated a great deal of knowledge mainly in the Human Resources Division. In addition, he has been responsible for the domestic sales headquarters, the Human Resources Division, and subsequently, the Corporate Planning Division. His abundant experience and results have been utilized for the growth of the IHI Group particularly in Industrial Systems & General-Purpose Machinery Business Area.	14 of 14 ¹	1 year	—	—
 Kouichi Murakami Director	After gaining experience in the research and development of materials and technological management overall in the Corporate Research & Development Division, he became in charge of the Rotating Machinery Operations Division, subsequently appointed as General Manager of Corporate Research & Development in April 2017. This experience and high level of insight into the Group's overall technologies have been utilized for the growth of the IHI Group.	14 of 14 ¹	1 year	—	—
 Taketsugu Fujiwara Outside Director ²	He gained extensive experience and broad insight at the Asahi Kasei Corporation, where he implemented diversified management. These qualities have been reflected in the management of the Company, acknowledging his proven ability in performing management oversight and monitoring functions from an independent perspective.	18 of 18	4 years	Chairperson	Member
 Hiroshi Kimura Outside Director ²	His extensive experience and broad insight as a business manager has led aggressive globalization in response to changes in business environment at the Japan Tobacco Inc. These qualities have been reflected in the management of the Company, acknowledging his proven ability in performing management oversight and monitoring functions from an independent perspective.	17 of 18	3 years	Member	Member
 Kazuhiko Ishimura Outside Director ²	He gained extensive experience and broad insight at the AGC Inc. These qualities have been reflected in the management of the Company, acknowledging his proven ability in performing management oversight and monitoring functions from an independent perspective.	18 of 18	2 years	Member	Member

¹ Shows attendance status to the Board of Directors' meetings held after appointment as director.

² Independent directors as stipulated by the Tokyo Stock Exchange, and directors satisfying IHI's "Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members"

Corporate Governance

Members of the Audit & Supervisory Board (As of July 1, 2019)

Name Position at the Company	Reasons for nomination	Attendance numbers in FY2018 Upper: Board of Directors meetings Lower: Audit & Supervisory Board meetings	Period in office	Appointments to board advisory committees	
				Compensation Advisory Committee	Nomination Advisory Committee
 Shigeru Uesugi Standing Audit & Supervisory Board Member	He has accumulated a great deal of knowledge mainly in the accounting and finance field of the aero-engine and space business. After having been in charge of formulating policy for the management of the Company's affiliates, he has extensive knowledge in internal control and compliance. These qualities have been reflected to the management auditing operations of the Company.	18 of 18 16 of 16	3 years	—	—
 Taizo Suga Standing Audit & Supervisory Board Member	After accumulating a great deal of knowledge mainly in the finance & accounting field, he was appointed as President and Chief Executive Officer of IHI ASIA PACIFIC PTE. LTD. His high degree of specialist knowledge in financial management and wide range of business experience in overall business management have been reflected to the management auditing operations of the Company.	18 of 18 16 of 16	2 years	—	—
 Yoko Hatta Outside Audit & Supervisory Board Member*	Her extensive experience and insight in global business operations, notably international taxation from an independent perspective have been reflected to the management auditing operations of the Company.	18 of 18 16 of 16	3 years	—	—
 Tomomi Yatsu Outside Audit & Supervisory Board Member*	She has accumulated extensive experience and insight by responding to various corporate issues as an attorney at law and a certified public accountant. These qualities and independent perspective have been reflected in the management auditing operations of the Company.	18 of 18 16 of 16	2 years	—	—
 Toshio Iwamoto Outside Audit & Supervisory Board Member*	His abundant experience and broad insight gained while serving as a top management executive and director in charge of finance at NTT Data have been reflected in IHI's management auditing tasks from an independent perspective.	—	Since June 2019	Member	—

* Independent directors as stipulated by the Tokyo Stock Exchange, and directors satisfying IHI's "Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members"

Corporate Governance

Policies on Determining of Remuneration for Officers

Policy on Determination of Remuneration for Officers

Remuneration shall be aimed at fully encouraging directors and executive officers to perform their duties in line with our 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.

To achieve this, remuneration shall be structured with the appropriate allocation of 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.

Furthermore, 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.

Procedures for Determining Remuneration

To ensure appropriateness and objectivity in determining the remuneration of directors and executive officers, the Remuneration Advisory Committee shall examine and report remuneration related to directors and executive officers, and the Board of Directors shall make decisions.

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 base amount, as remuneration 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.

Results of FY2018 Remuneration

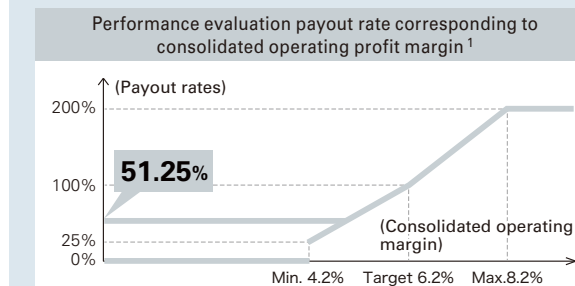
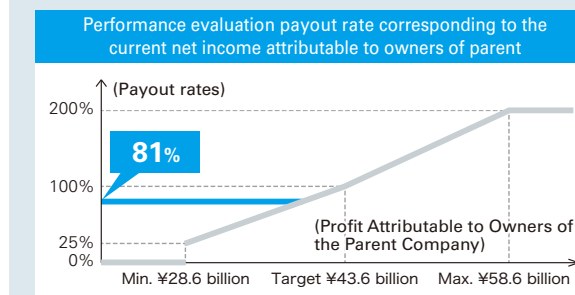
Details of director and audit & supervisory board members remuneration

(Millions of yen)

Category	Number of people remunerated	Total remuneration by type			Total remuneration
		Basic remuneration	Performance-based share remuneration	Performance-based bonuses	
Directors	17	450	134	83	668
Audit & Supervisory Board Members	5	108	—	—	108
Total (outside)	22 (7)	558 (84)	134 (—)	83 (—)	776 (84)

Note: Annual remuneration for directors is capped at 1,090 million yen, while the maximum corporate auditors are 120 million yen.

FY2018 Targets and Results of Performance Evaluation Payout Rates for Performance-based Bonuses



1. A minimum value of 0% and maximum value of 120% are the performance evaluation payout rate results corresponding to the consolidated operating profit margin of the said business area.

Corporate Governance

Remuneration Level and Allocated Ratios of Remuneration

IHI Corporation shall regularly survey objective market data regarding remuneration researched by a specialized external institution, and set an appropriate remuneration level.

Moreover, in consideration of the Company's business characteristics, effectiveness of incentive remuneration, etc., total amount of remuneration shall be allocated at approximate proportions of 60%, 20% and 20% to 1) "A fixed base amount," 2) "An annual incentive (performance-linked bonuses) to be provided upon the achievement of the targeted performance" and 3) "A medium- and long-term incentive (performance-based share remuneration) provided upon the achievement of the targeted performance respectively.

Calculation method for incentive remuneration

Consolidated ROIC and consolidated operating profit margin, which are important management indicators of profitability under Group Management Policies 2019, are used as the performance evaluation indicators.

Remuneration types	Performance-linked stock remuneration	Payment amount calculation method
(medium- and long-term incentives)	Stock	$\text{No. of issued shares} = \left(\text{Basic points corresponding to job title ranking} \times \text{Performance evaluation payout rate corresponding with consolidated ROIC} \times \text{Percentage obtainable by dividing the months of enrollment by 12} \right) \times 1/2$ <p>Fluctuation from 0 to around 150 Evaluation of level of accomplishment after completing performance evaluation period (upcoming 3 business years)</p>
	Cash	$\text{Amount of money to be issued} = \left(\text{No. of confirmed points}^1 - \text{No. of issued shares} \right) \times \text{Current value of IHI shares on the day rights are finalized}$ <p>1. 1 finalized point is equivalent to 1 IHI share.</p>
(annual incentives)	In the case of representative director	
	Cash	$\text{Performance-based bonuses} = \left(\text{Standard payment amount corresponding to job title ranking} \times \left(\text{Performance evaluation payout rate corresponding to the current net income attributable to owners of parent}^2 \times 50/100 + \text{Performance evaluation payout rate corresponding with consolidated operating profit margin}^2 \times 50/100 \right) \right)$
(annual incentives)	In the case of directors	
	Cash	$\text{Performance-based bonuses} = \left(\text{Standard payment amount corresponding to job title ranking} \times \left(\text{Performance evaluation payout rate corresponding to the current net income attributable to owners of parent}^2 \times 30/100 + \text{Performance evaluation payout rate corresponding to consolidated operating profit margin}^{2,3} \times 50/100 + \text{Payout rate based on individual performance evaluation}^2 \times 20/100 \right) \right)$ <p>2. Fluctuation from 0 to around 200 3. In the case of a director overseeing a business area, the performance evaluation payout rate corresponding to the consolidated operating profit margin of the said business area is used.</p>

Corporate Governance

Evaluation of the Board of Directors

Since FY2015, the Company has been carrying out evaluation of the Board of Directors annually and in principle as an initiative to raise the effectiveness of the Board of Directors.

The evaluation is performed as follows.

- An external consulting company administers an anonymous questionnaire to all directors and audit & supervisory board members. Items covered by the questionnaire include the composition and operation of the Board of Directors, risk management, and culture of the Board of Directors.
- The external consulting company collects and analyzes the questionnaire responses.
- All relevant officers are interviewed regarding the questionnaire and the analyzed responses. Furthermore, views are exchanged in a discussion comprised of mainly outside officers.
- The results of the above process are brought together in the form of a self-evaluation by the Board of Directors, and proposed points for improvement are identified.

In FY2017, the Company's Board of Directors has discussed what the Board of Directors should cope with referring to the result of evaluation of the Board of Directors in FY2016. As a result, from FY2018, the Company will proceed with the following three measures: enhance deliberation of important matters, promote the delegation of authority to the executive division further, and conduct effective operation of the Board of Directors meetings.

The Company did not carry out evaluation of the Board of Directors in FY2017, however carried it out on FY2018 and confirmed that effectiveness of the Board of Directors has been secured enough. In addition, it has been recognized that the Board of Directors should cope with issues such as enabling substantial debate about risk management. Therefore, the Company shall take measures with those issues, for further effectiveness of the Board of Directors.

The next evaluation of the Board of Directors is scheduled to be conducted during FY2019.

Others

For details on corporate governance, please see our "Corporate Governance Report."

Reference  [Corporate Governance Report](#)

Compliance (Quality)

Basic Policy

The occurrence of inadequate quality practices motivated us to return to our core ethics and deploy groupwide measures, as explained below.

1. Establishment and deploy IHI Group Code of Action and Quality Declaration
2. Strengthening Compliance System

Reference  [Compliance \(P57\)](#)

3. Strengthening Quality Assurance System and Quality Management System
4. Create workplaces where people speak up
5. Strengthen risk management

Reference  [Risk Management \(P65\)](#)

Establishment and Deployment of the IHI Group Code of Action and Quality Declaration

The IHI Group Code of Action was established to define the standards that all IHI Group employees must follow in their daily tasks. The Code of Action, which is based on the IHI Group Basic Code of Conduct, defines required actions and judgment criteria in understandable terms. Moreover, the IHI Group Quality Declaration confirms that safety and quality are top priorities. The Declaration clarifies the basic “monozukuri” concept as well as action and awareness.

The Code of Action and Quality Declaration were established and deployed immediately across the entire IHI Group. Awareness of these two policies is being spread through training so that they become daily practices.

IHI Group Code of Action

1. We truly understand and will comply with any and all applicable rules.
2. We do not engage in any wrongdoing.
3. We respect human rights.
4. We make safety and quality for our customers a top priority.
5. We enter into fair and legitimate transactions.
6. We never impair the safety of ourselves or our colleagues.
7. We strictly manage and control information.
8. If we discover an issue, we report it immediately.

IHI Group Quality Declaration

We, the IHI Group shall:

1. always put Quality First.
2. continue improving Quality via Sangen-Shugi* and Communication.
3. listen sincerely to Issues, swiftly take Action and share accurate Information.
4. provide Quality Assurance through Compliance with rules and working appropriately.
5. all strive for the Satisfaction of our Customers.

*Sangen-Shugi: Literally meaning “the principle of three gens” in Japanese, where “gen” stands for “genchi (actual site),” “genbutsu (actual thing/service)” and “genjitsu (reality),” this concept warns employees to make all decisions based on facts as observed and obtained from the actual things/services where they are actually being made or used by customers

Compliance (Quality)

Strengthening of Quality Assurance System and Quality Management System

The system was strengthened to promote quality improvement.

The Chairperson of the IHI Group Quality Committee serves as the Officer in Charge of Group Quality Assurance. At the Monozukuri System Strategy Planning Headquarters, a Quality Integration Department was newly established to strengthen the functions of the Quality Assurance divisions in Business Areas, SBUs*, and affiliated companies. Moreover, training is carried out to nurture quality leaders.

*SBU: Strategic Business Unit

Creation of Workplaces Where People Speak Up

Our President and other executives visit worksites and exchange opinions with employees regarding matters including the concept of quality as our first priority. Moreover, a term-based program has been launched to establish a more robust quality assurance system. Companywide improvement activities are implemented to stimulate dialogue in workplaces.

Quality Improvement Promotion System (July 1, 2019)



Compliance

Basic Policy

Compliance helps form the foundation for corporate activities.

The following conduct is specified in the Basic Code of Conduct for IHI's group companies.

- Observing strictly all laws, company rules, and other regulations
- Acting in a fair and responsible manner as businesspeople

This supports not only legal compliance but also efforts to accurately assess changing social values and demands, a necessary step in meeting society's expectations.

In response to the inadequate quality inspection problem in IHI's Civil Aero Engine Maintenance Business, IHI has strengthened its compliance and quality assurance systems, and promoted initiatives for recurrence prevention. As part of such initiatives, we have established the IHI Group Code of Action based on the IHI Group Basic Code of Conduct as the code which all IHI Group directors, officers and employees should observe in their daily work.

We continue enforcing compliance and, with consideration to the cause analysis of the inadequate quality inspection problem, ensure recurrence prevention measures in our effort to restore trust.

IHI Group Code of Action

1. We truly understand and will comply with any and all applicable rules.
2. We do not engage in any wrongdoing.
3. We respect human rights.
4. We make safety and quality for our customers a top priority.
5. We enter into fair and legitimate transactions.
6. We never impair the safety of ourselves or our colleagues.
7. We strictly manage and control information.
8. If we discover an issue, we report it immediately.

Management System

IHI established the Compliance Committee as a companywide entity that meets quarterly. The Chief Compliance Officer chairs the committee, which discussed and established important compliance policies and undertakes activities. The committee's purpose was to discuss and establish major compliance policy and promote activities.

Decisions made by the committee are rolled out to each division via members and reflected in compliance activities to suit the business type. Each compliance officer also shared information about the compliance activities in their divisions with the Compliance Committee. Activities were managed with the PDCA cycle.

As the secretariat, the Legal Department acted in accordance with policies set by the Compliance Committee to plan and implement activities and provide related guidance and support, as well as monitors the status of activities within each division.

Compliance Organizational Chart



Compliance

Compliance Education

IHI conducts multifaceted training and education to improve compliance awareness. Creative approaches are taken to achieve highly effective activities, such as ensuring that training is carefully tailored to the target participants.

Officer Training

IHI officers participate in collective compliance training. In FY2018, an external lecturer held training on the topic "Officers' Duty of Care Regarding Good Management," and covered content such as trends and characteristics of company scandals in recent times, as well as officers' duty of care regarding good management, and the judgment system thereof.

Training for Line Management

IHI holds training for line managers who instruct their subordinates on a daily basis. In FY2018, we considered keys to preventing compliance violations, the importance of fostering a corporate culture that heightens occupational self-esteem, and future management guidelines. The program has trained over 905 persons since FY2006.

e-Learning

Compliance education is provided to employees in the form of e-learning based on set themes. For FY2018, we set the topic as "Lessons Learnt from "Think about Quality Issues," and rolled out e-learning in our group companies both in Japan and overseas.

Compliance Hotline

IHI's Compliance Hotline facilitates reporting of possible illegal, unethical or improper conduct to take appropriate corrective actions.

Officers and employees can directly report and consult to Corporate Ethics Hotline, an independent third-party organization without going through an ordinary reporting line. Hotline Cards explaining the system and how to use it are distributed to all officers and employees, from senior managers to temporary staffers.

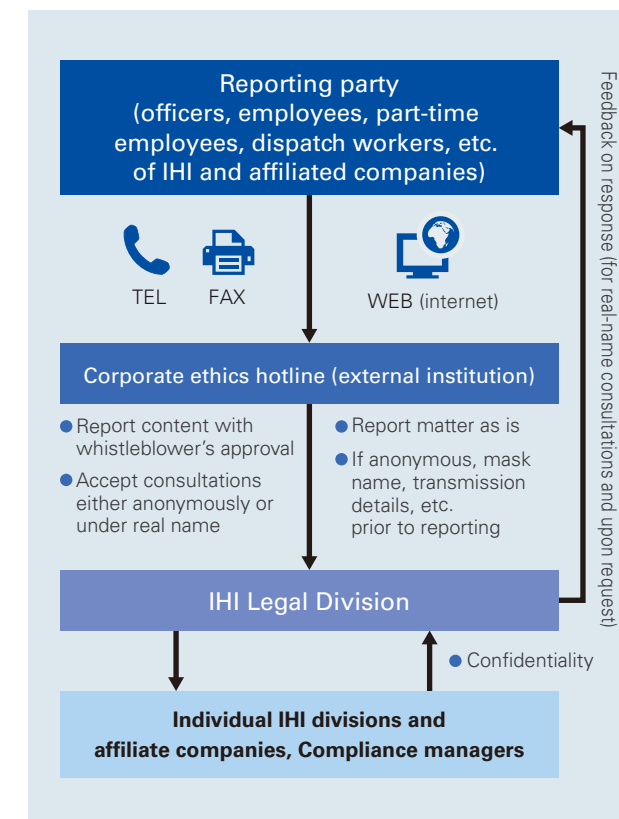
In FY2017, we expanded this system to U.S. in addition to the current domestic system. In FY2018, we have started preparations in Asia Pacific, China, Taiwan, and Korea, and commenced operations in most of these countries.

Corporate Ethics Month

In October, IHI's Corporate Ethics Month, President and CEO sent a message to officers and employees of the IHI Group regarding corporate ethics.

In FY2018, President and CEO sent out messages emphasizing the importance of "reviewing whether workplace rules correspond with the actual business environment and having opportunities for discussion about it in each workplace," as well as "when a problem arises, change your conduct in accordance with the rules, or change the inappropriate rules in accordance with the actual circumstances." Also, during October, we asked for submissions of compliance-themed *senryu* (Japanese short poem), which helped each employee reflect on their workplace and their own conduct.

Compliance Hotline



Compliance

Compliance Initiatives

With increasing globalization and borderless implications of corporate actions, fair international competition in terms of price and quality has become necessary to secure commercial opportunities. There is a growing international awareness that corrupt acts such as illegal payoffs must be stamped out.

Against a backdrop of regional conflicts and terrorist attacks around the globe, export controls have never been more important. In response to this environment, IHI has focused on compliance with competition law, anti-corruption law and the IHI's own compliance measures for export control.

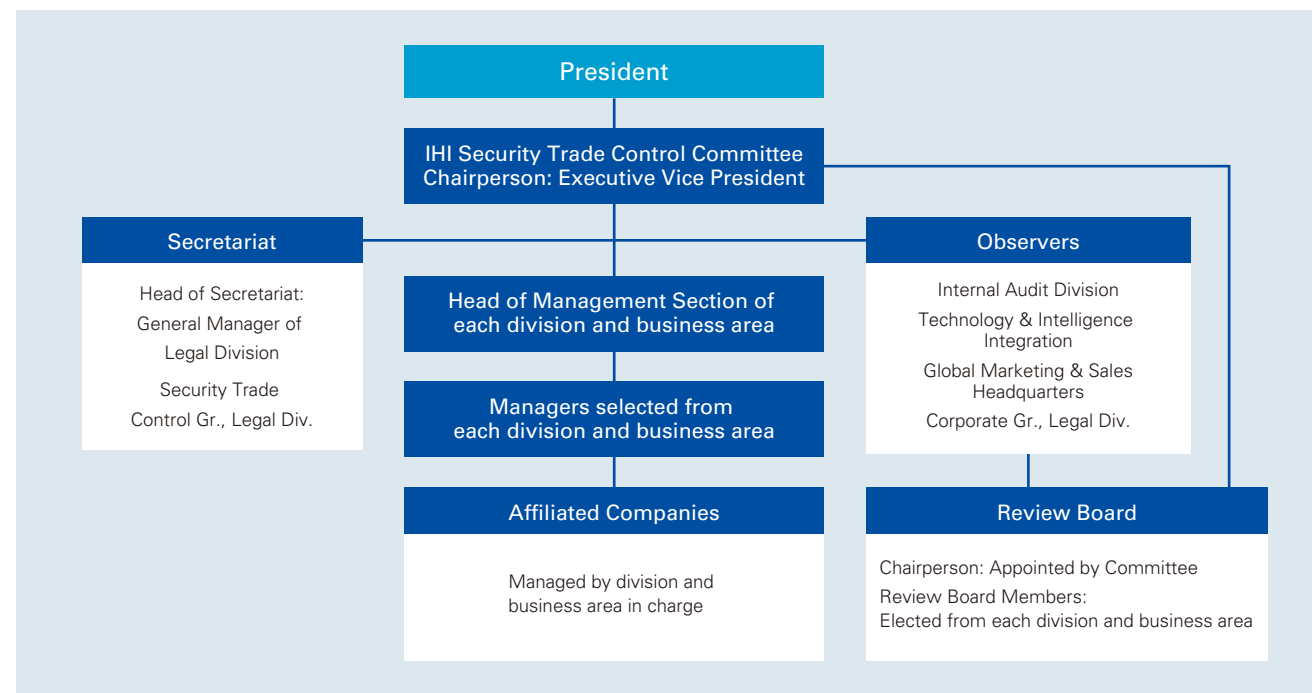
Competition Law Compliance

In addition to training employees on Japan's Antimonopoly Act, the U.S. Sherman Antitrust Act and the EU Competition Law, IHI is working to make its bidding process for public works projects more transparent.

Anti-corruption Law Compliance

IHI regularly trains its employees regarding the U.S. Foreign Corrupt Practices Act (FCPA), the U.K. 2010 Bribery Act and Japan's Unfair Competition Prevention Act. In addition, risk is monitored at both domestic and overseas sales offices throughout the IHI. IHI Group Basic Policy prohibits acts of bribery and inappropriate/unreasonable payment or donation toward public officials, etc. To enhance the effectiveness of the policy, each division establishes its operating standards, stipulate detailed procedures and appoint an administrator of the policy.

Export Control Compliance Organizational Chart



Export Control Compliance

IHI has internal compliance programs on export control and an Export Control Committee to ensure compliance with applicable export control laws and regulation including Japan's Foreign Exchange and Foreign Trade Act.

The committee is comprised of a chairman (an Executive Vice President of IHI Corporation), secretary (Legal Div.), ordinary members (managers selected from each division, business area and SBU) and reviewers. The committee is responsible for reviewing international transactions, internal audits, monitoring, training,

information sharing and raising awareness of related laws and regulations.

Going forward, IHI will continue to improve its export control by addressing needs and challenges identified through internal auditing.

Compliance

Performance Data

Compliance training results (FY2018)

Targets		No. of participants
Executives		47
Line managers		75
e-Learning participants	in Japan	18,234
	overseas	1,126

Compliance Hotline reports

(Cases, as of March 31 each year)

FY	2015	2016	2017	2018
Count	333	218	209	238

Initiatives for legal compliance and the number of law violations (FY2018)

Law	Initiatives for legal compliance	No. of law violations
Competition law	<ul style="list-style-type: none"> ● Competition law compliance training for Japan/overseas bases ● Operation of company rules/regulations 	0
Anticorruption law	<ul style="list-style-type: none"> ● Awareness-raising/training to prevent corruptive practices ● Monitoring of law violation risk at both Japan/overseas sales bases ● Operation of company rules/regulations 	0

Expenditure to political organizations, economic organizations, other major industry organizations

(Millions of yen)

	FY2015	FY2016	FY2017	FY2018
Political organizations	10	10	10	10
Economic organizations	41	41	42	48
Other major industry organizations	55	55	55	101

Information Security

Basic Policy

IHI, under its information security policies, strives to effectively manage information while maintaining and improving information security to protect the confidentiality of its customers and business partners, as well as Company information and technical data.

IHI Information Security Policy

The IHI Group hereby sets the following IHI Group Information Security Policy for the purpose of ensuring the security of information assets in its possession and thereby further solidifying its trust-based relationship with customers, users and society.

1. Basic Activities

The IHI Group will take appropriate measures with technology, organization and employees, in order to protect information assets against any leakage, theft, loss, destruction, illegal access, and disaster. In the event of any security problem regarding this information, the IHI Group will locate the cause as quickly as possible, and exert every possible effort to minimize the damage incurred.

2. Information Assets

"Information assets" refer to the information the IHI Group handles in the course of business activities, regardless of the type of media, and the equipment, facilities and services necessary for handling such information.

3. Scope

This Information Security Policy applies to all those using the information assets of the IHI Group, including but not limited to officers and employees of the IHI Group companies and temporary staff.

4. Compliance with Laws, Regulations, etc.

The IHI Group will strictly observe the laws, regulations and codes pertaining to the protection of information assets, and the requirements and obligations regarding information security provided for in the agreements with the customers.

5. Education

The IHI Group companies will provide all those using the information assets of the IHI Group with the necessary education on information security to enhance and maintain their awareness thereof.

6. Management of Information Security

The IHI Group companies will establish a mechanism of implementing and managing information security by taking such measures as establishing rules concerning information security and appointing persons in charge of information management, thereby conducting, maintaining and improving information security activities on a continual basis.

7. Responsibilities of Senior Management

The Senior Management of the IHI Group will set the example of enforcing this Information Security Policy. In the event of any infringement of this Policy, they will address the situation properly by defining their authorities and responsibilities, and do their utmost to resolve the problems, diagnose their causes, and prevent their recurrence.

8. Punishment

Any action in violation of the rules of information security will incur punishment according to regulation regarding employment of the IHI Group companies.

9. Announcement

This Information Security Policy will be announced and notified to all those using the information assets of the IHI Group as well as being announced to the public.

Information Security

Management System

Information Security Chart



Information Security Measures

IHI addresses information security risks from three perspectives: rules, tools and education. Internal rules include the Information Security Policy, Information Security Countermeasure Standards and Information System User Rules. IHI has implemented various security tools, including antivirus software, and keeps their tools up to date. E-learning sessions designed to maintain and raise security awareness are held annually. In FY2018, 96.8% of all employees participated in an e-learning program. Computer virus infections caused by targeted e-mail attacks made headlines in 2011. Since even before then, however, IHI has been working with government agencies and specialists to institute countermeasures against attacks. As of March 2019, IHI has not reported any leaked information or related damage.

Information Security Management System

The Information Security Committee consisting of representatives from IHI's major divisions and Group companies meets to coordinate planning, operations and inspections three times a year. Every year since FY2005, IHI has conducted an internal audit of its information security measures and provided guidance on improvements. A written survey of all group companies was conducted in FY2018, followed by interviews of seven selected companies. The audit found no major flaw in security measures. If a serious information security event were to occur, IHI would respond in accordance with the Basic Rules on Crisis Management for IHI Group. Divisions and Group companies engaged in sensitive projects for the national government are subject to annual certification reviews under the ISO27001 international standard for information security management systems, which is conducted by an external organization, to maintain a high level of information security.

Timely and Proper Disclosure

Basic Policy of IR and SR Activities

In order to strengthen its relationship of trust with shareholders and investors, IHI promotes industrial relations (IR) activities and shareholder relations (SR) activities with an awareness of enhancing our corporate value.

IHI Corporation is well-aware that timely and appropriate disclosure of corporate information to investors forms the foundation of a sound financial instruments market. Based on the basic principle of promoting highly transparent management throughout the Company, its basic policy with regard to disclosure of information is to disclose important information relating to the Company's management and/or operations to participants in capital markets promptly, accurately, continuously, and fairly, always from the investors' perspective. The basic policy also calls on the Company to show good faith in being accountable for its management course and key business operations.

System for Promoting Dialogue

The officer responsible for public relations and IR related matters oversees investor relations (IR) activities, while the officer responsible for administration related matters oversees shareholder relations (SR) activities.

The Company shares information about every aspect of IR activities, including the collection, sharing, disclosure and storage of material information, by holding meetings led by the officers responsible for public relations and investor relations, attended by the Public Relations Division, the Administration Division, the Corporate Planning Division, and the Finance & Accounting Division.

Timely and Proper Disclosure

Corporate Information

In addition to enhancing various disclosed materials, IHI does its best to disseminate the content of such materials via platforms such as the Internet to achieve proactive and fair disclosure.

To communicate timely and appropriately with investors and other stakeholders, IHI publishes the IHI Integrated Report, which discloses precise financial and non-financial information. Briefings for financial analysts and institutional investors are held when the financial results for the second quarter and full year are announced. IHI also organizes telephone conferences after announcing its financial results for the first and third quarters. At each briefing held this year, we provided approximately 100 people with an overview of the term's financial results, our progress in implementing ongoing business plans.

In addition to disclosing information as required by law IHI has established the "Information Delivery Service" for its individual shareholders to deepen their understanding of the IHI Group's businesses.

In FY2018, we distributed the IHI Integrated Report to shareholders and conducted a tour at our Mizuho and Aioi Works.

Reference  [IR](#)

Reference  [IHI Integrated Report](#)

Communication with Investors Overseas

IHI's proactive IR activities are deploying increasingly diverse communication channels, including direct meetings, investor conferences and one-on-one interviews.

In FY2018, IHI executive officers visited North America, Europe and Asia to strengthen relationships with institutional investors. Many investors expressed satisfaction with our briefings, as seen in feedback such as "We were extremely appreciative of the President's detailed explanation" and "The story we were told about reforms and improvements was very persuasive."

During FY2018, direct meetings, investor conferences, one-on-one interviews and other methods were also implemented to communicate with some 140 foreign institutional investors.

Dialogue with Shareholders

IHI Corporation engages in debate on important management policies, corporate governance, and other topics with major shareholders who have investment policies according with the medium to long-term interests of shareholders. Dialogues with investors are handled by the Public Relations Division, while dialogues with shareholders are handled by the Administration Division, and depending on who has applied to attend, and the purpose and content of the dialogue, directors or executive officers in charge may also attend. Important dialogue content is reported to the Board of Directors.

Plant Tour for Shareholders

In FY2018, IHI conducted a tour at its Mizuho and Aioi Works for shareholders registered to the "Information Delivery Service".

Showing shareholders where IHI manufactures its main products, such as aero engines and power generation boilers, enabled shareholders to sense firsthand our monozukuri (precision-manufacturing) capabilities, our connection with society and our future potential.

Risk Management

Basic Policy

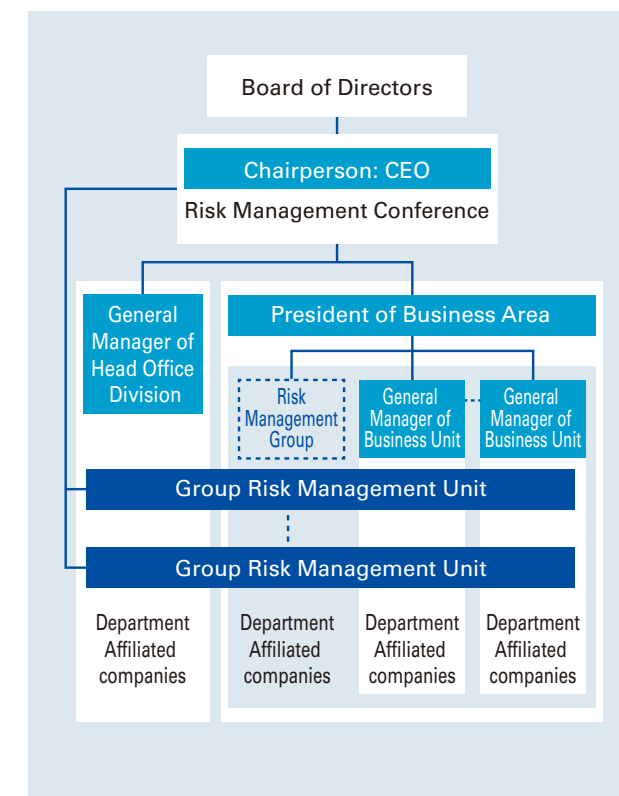
IHI recognizes that risk management is one of the top business priorities for the Group, and strives to reinforce its overall capabilities in that regard. The basic objectives of risk management are ensuring business continuity, ensuring the safety of executives, employees and their families, protecting managerial resources, and maintaining public trust in IHI Group companies. Also, IHI performs risk management in accordance with the “Basic Code of Conduct for the IHI Group”, as well as the following action guidelines.

1. Ensure the continuity of the IHI Group’s business operations
2. Improve the public reputation of the IHI Group
3. Protect the IHI Group’s managerial resources
4. Avoid jeopardizing stakeholders’ interests
5. Achieve recovery from damage as soon as possible
6. Take responsible action when an issue arises
7. Meet public requirements regarding risks

Management System

We established the Risk Management Conference under the leadership of the CEO. The Conference assesses key general risk management matters, and considers policies, annual plans, corrective measures, and other important matters. We formulated the IHI Group Key Risk Management Policies. All parent units and Group companies in Japan and abroad independently pursue risk management in keeping with those policies. Regarding commonly existing risks in the IHI Group, the Group Risk Management Units, which comprise parent divisions, take responsibility for supporting each group units, as well as monitoring the implementation of the rules and developing effective risk management measures. The Internal Audit Division assesses Group risk management structure deployments and progress to ensure their suitability.

Risk Management System



Risk Management

Key Policies for Risk Management in FY2019

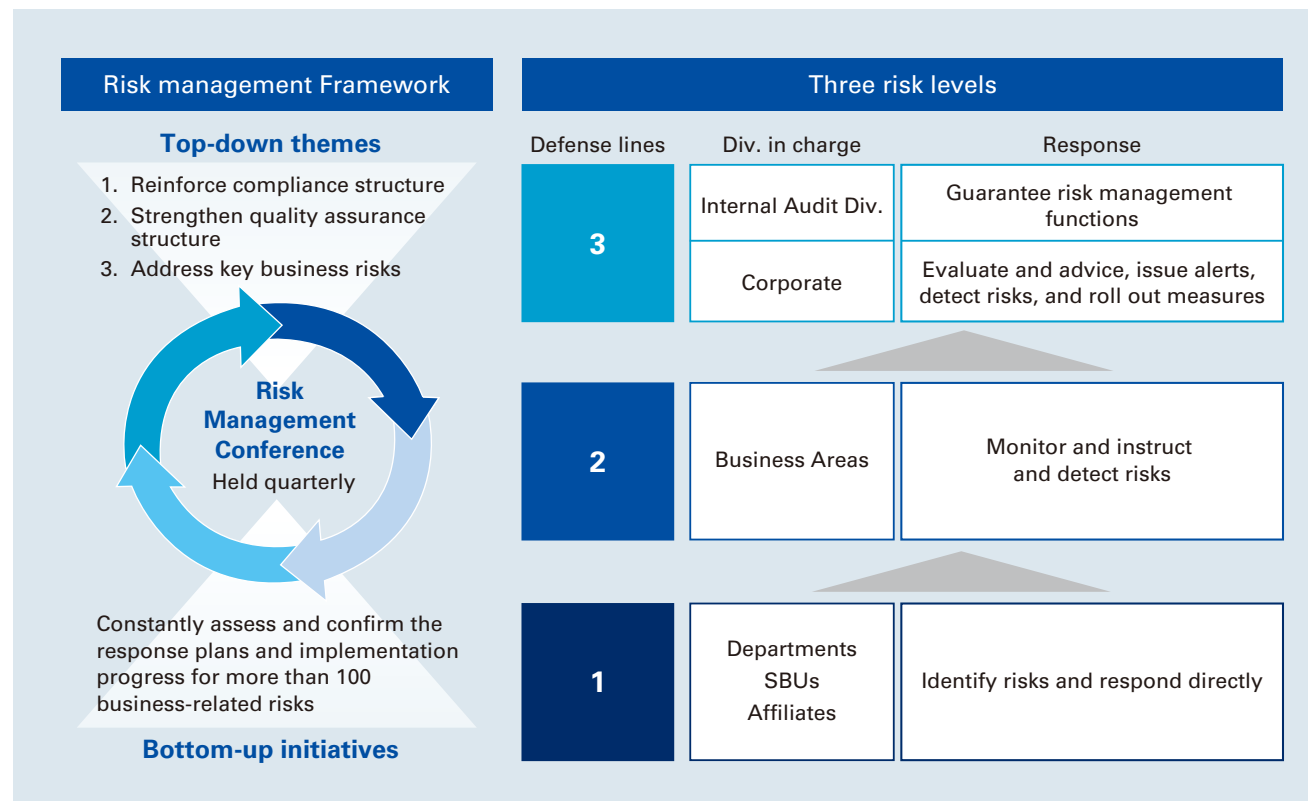
In response to the inadequate quality assurance practices occurring in civil aero engine maintenance business, IHI strengthens its compliance/QA systems and risk management of business operations, and promotes initiatives for recurrence prevention. After clarifying roles and responsibilities of corporate, business areas, and business divisions including affiliated companies in risk management, IHI promotes the below major themes of risk management.

Risk management planning and implementation responding to the themes defined by the top-down approach

1. Reinforce compliance structure
2. Strengthen quality assurance structure
3. Address key business risks

Risk management planning and implementation through checking business activities by the bottom-up approach

1. Thoroughly implementing and strengthening safety management
2. Strengthening of compliance
3. Reform of quality systems and operational systems
4. Response to changing management environment and competitive environment
5. Appropriate responses to risks associated with the execution of global strategy
6. Transforming to robust project implementation and risk management structures
7. Ensuring appropriateness of large-scale investments
8. Compliance with environmental law and environmental management
9. Elimination of long working hours and improvement of work efficiencies through the promotion of work style reforms
10. Prevention of the outflow of business proprietary, personal, and vital technical information
11. Ensuring information security
12. Appropriate development of the Business Continuity Plan in case of disasters/accidents
13. Maintaining and improving relationships of trust with stakeholders
14. Further promotion of improvement of diversity
15. Thorough implementation of measures against harassment
16. Promotion of human rights education and awareness activities



Risk Management

Anti-Disaster Initiatives

IHI Group's Approach to Anti-Disaster

As preparation for ordinance-designated disasters, IHI has established a system to secure the safety of its employees and ensure business continuity. To this end, we stipulated company rules, and had each business site/division/affiliate company formulate its own BCP (business continuity plan). These efforts were recognized by Japan's Cabinet Office in 2016 in the form of Resilience Certification. We are also making steady progress with capital investment for earthquake resistance of our plants and offices, as well as cooperation with local communities.

BCP Formulation and Improvement

In order to maintain and improve the effectiveness of BCP, IHI has declared every May as "BCP Review Month," whereby each division revises the BCP it has formulated, IHI promotes employees to register in the safety confirmation system, reconfirms the emergency contact network and various other revisions. Furthermore, every year in March, we hold IHI Group Extreme Disaster Countermeasure Training participated in by management executives including the President. By changing the presumed damage every year, we validate the effectiveness of BCP from various angles. At our affiliate companies also, the training is carried out as part of constant improvement of BCP.

FY2019 Action Plan

IHI holds training and verification to further improve BCP effectiveness and particularly focuses on establishing a system to rapidly share damage information.

Protecting Intellectual Property

Basic Policy

IHI is enhancing its intellectual property (IP) activities to support business and R&D. It also manages a Group-wide IP management system. The basic principle is to protect Group IP while respecting the rights of third parties.

To protect its technologies and trade secrets, the company is strategically managing business and product IP through rights acquisition and confidentiality measures.

IP Protection and IP Rights of Third Parties

IHI files patent applications both inside and outside of Japan in line with expanding global business. Moreover, to reduce related business risks, IHI researches patents owned by other companies and patent acquisition trends to ensure respect for third-party IP rights.

IP Education

Employees learn about IP in their first to fifth years at IHI via e-learning. Moreover, business operation divisions and group companies impart general education covering patent audits, rights acquisition policies, copyrights, trademark naming and more. In December 2018, outside speakers were brought in to lecture on IP that effectively made the workforce more aware and knowledgeable of IP strategies.

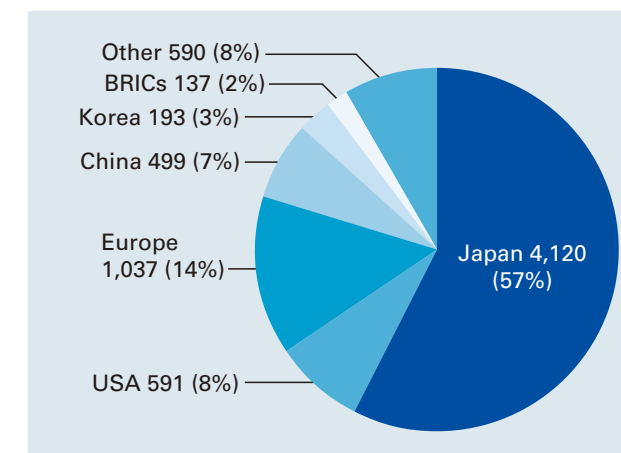
Performance Data

Owned patents

(IHI)

	FY2015	FY2016	FY2017	FY2018
Domestic patents	4,050	4,157	3,915	4,120
Overseas patents	2,622	2,744	2,598	3,047

Owned patents by location (FY2018)



Performance Objectives

Financial Summary	69
Non-financial Summary	71

Financial Summary

FY	2015	2016	2017	2018
Key financial highlights (billions of yen)				
Orders received	1,605.3	1,389.8	1,505.0	1,399.2
Sales	1,539.3	1,486.3	1,590.3	1,483.4
Operating income	22.0	47.3	72.2	82.4
Share of profit of entities accounted for using equity method	1.1	(3.5)	(33.0)	4.1
Net non-operating income	(12.3)	(25.3)	(50.8)	(16.7)
Ordinary income	9.7	22.0	21.4	65.7
Profit attributable to owners of parent	1.5	5.2	8.2	39.8
R&D expenses	41.6	35.5	38.6	36.5
Investment in plant and equipment	50.8	52.7	59.2	67.3
Depreciation	46.7	46.6	44.8	42.9
Total assets	1,715.0	1,692.8	1,633.4	1,664.5
Interest-bearing debt	374.5	371.9	322.2	355.0
Net assets	333.3	337.6	350.2	381.6
Employees	29,494	29,659	29,706	29,286
Per share data (yen)				
Profit attributable to owners of parent per share ¹	9.90	33.98	53.71	258.53
Book value per share ²	2,061.63	2,060.33	2,103.22	2,263.12
Annual dividends per share	30.00	0.00	60.00	70.00
Sales by region (billions of yen)				
United States	336.1	319.8	350.7	326.4

FY	2015	2016	2017	2018
Europe	139.9	116.1	132.6	102.2
Asia and other	320.9	321.5	324.7	284.9
Japan	742.4	728.9	782.3	769.9
Sales by business segment (billions of yen)				
Resources, Energy & Environment	452.4	427.3	490.4	377.0
Social Infrastructure & Offshore Facilities	168.1	157.7	154.5	143.1
Industrial Systems & General-Purpose Machinery	404.7	411.6	459.0	441.0
Aero Engine, Space & Defense	500.2	471.9	463.7	492.2
Financial index (%)				
Percentage of overseas sales	51.80	51.00	51.00	48.00
Operating margin	1.4	3.2	4.5	5.6
ROIC (return on invested capital) ³	2.3	5.0	7.7	8.7
ROA (return on assets) ⁴	0.1	0.3	0.5	2.4
ROE (return on equity) ⁵	0.5	1.6	2.6	11.8
Debt-to-equity ratio (times) ⁶	1.12	1.10	0.92	0.93
Equity to total assets	18.6	18.8	19.9	21.0

1. Profit attributable to owners of parent / total number of shares outstanding

2. Net assets / total number of shares outstanding

3. (Operating income + Interest and dividend income) after tax / (Owners' equity + Interest-bearing debt)

4. Profit attributable to owners of parent / (Average of total assets at end of previous term and end of current term)

5. Profit attributable to owners of parent / (Average of previous fiscal year-end and current fiscal year owners' equity)

6. Net interest-bearing debt / Net assets

Financial Summary

FY	2015	2016	2017	2018
Balance sheet-related information (billions of yen)				
Current assets	1,100.5	1,073.8	993.4	987.8
Non-current assets	614.5	618.9	640.0	676.6
Total assets	1,715.0	1,692.8	1,633.4	1,664.5
Current liabilities	882.7	876.2	811.6	823.1
Provision for construction warranties Provision for loss on construction contracts	97.5	85.2	80.9	69.1
Non-current liabilities	498.9	478.9	471.6	459.7
Total liabilities	1,381.6	1,355.2	1,283.2	1,282.8
Shareholders' equity	305.8	309.9	313.2	343.4
Total net assets	333.3	337.6	350.2	381.6
Total liabilities and net assets	1,715.0	1,692.8	1,633.4	1,664.5
Cash flow statement-related information (billions of yen)				
Cash flow from operating activities	95.3	65.3	99.0	46.4
Cash flow from investing activities	(35.5)	(28.9)	(47.9)	(79.2)
Cash flow from financing activities	(47.5)	(21.9)	(57.3)	16.4
Change in interest-bearing debt	(36.1)	(2.6)	(49.7)	32.8
Free cash flow ⁷	59.8	36.4	51.0	(32.8)

7. Cash flow from operating activities / Cash flow from investing activities



For more detailed information,
please refer to the website.



Financial <https://www.ihi.co.jp/en/ir/>

Non-financial Summary

Material issues	Theme and index		Results		
			FY2016	FY2017	FY2018
Governance – Principled corporate management –					
Strengthening of corporate governance	Corporate governance	Average attendance rate (%) of outside directors at Board of Directors’ meetings	94.0	95.3	96.6
		Average attendance rates of outside Audit & Supervisory Board members on the Board of Directors and Audit & Supervisory Board (%)	93.0	98.1	96.1
Strengthening of compliance	Legal compliance	No. of law violations / No. of guidance cases: Competition law	0	0	0
		No. of law violations / No. of guidance cases: Anticorruption law	0	0	0
	Whistleblowing	Compliance Hotline reports ¹	218	209	238
	Compliance training	No. of participants: Executives	55	50	47
		No. of participants: Line managers	73	83	75
		No. of participants: Employees (domestic)	18,859	18,020	18,234
		No. of participants: Employees (overseas)	1,392	1,261	1,126
Strengthening of information security	Information security training	Participatory rate (%) ²	98.5	98.0	96.8
Enforcement of risk management	Protection of intellectual property	No. of owned patents by region: Domestic ²	4,157	3,915	4,120
		No. of owned patents by region: Overseas ²	2,744	2,598	3,047
Environment – Reduce environmental impact –					
Climate change	CO ₂ emissions	CO ₂ emissions (t-CO ₂)	316,914	330,162	329,602
		CO ₂ emission intensity (t-CO ₂ /100 mill yen)	21.3	20.8	22.2
	Energy consumption	Energy consumption (TJ)	6,015	6,087	5,828
		Energy intensity (TJ/10 bill yen)	40.5	38.3	39.3
	Evaluation of CDP climate change		A- (Leadership)	B (Management)	B (Management)

1. Japan in FY2016. Some other countries are included since FY2017.

2. IHI

Non-financial Summary

Material issues	Theme and index		Results		
			FY2016	FY2017	FY2018
Circular economy	Waste generated	Waste generated (ton)	30,531	28,691	29,010
		Waste generated intensity (ton/100 mill yen)	2.05	1.80	1.96
	Water consumption	Water consumption (1,000 m²)	4,169	3,776	4,182
		Water consumption intensity (1,000 m²/10 bill yen)	28.0	23.7	28.2
Environmental protection	Compliance with environmental laws and regulations	Major environmental law/regulation violations/environmental incidents (cases)	0	0	0
	Environmental management	Nikkei Environmental Management Survey	429	431	437
		Participatory rate for environmental e-Learning (%) ³	84.3	85.3	85.6
Society – Materialize an affluent society –					
Corporate citizenship	Social contributions	Social contribution expense (100 mill yen)	2.06	3.31	6.35
Diverse human resources	Employment	New graduate employment ²	288	245	155
		Breakdown – Engineers: Men ²	208	174	110
		Engineers: Women ²	21	19	7
		Administrative: Men ²	40	36	25
		Administrative: Women ²	19	16	13
		Mid-career employment (people) ²	153	29	78
		Disabled people employment percentage (%) ²	2.14	2.03	2.21
		People selecting a retirement age of 61 or above (%) ²	84	87	84
	Gender diversity	Number of female managers ²	66	68	74
		Ratio of female managers (%) ²	2.5	2.6	2.8
		Female officers ²	2	4	4

2. IHI

3. Japan

Non-financial Summary

Material issues	Theme and index		Results		
			FY2016	FY2017	FY2018
Diverse human resources	Professional development	No. of participants in position-specific training (people) ³	Approx. 3,300	Approx. 2,900	Approx. 3,300
		No. of hours for position-specific training (hours) ³	Approx. 112,000	Approx. 101,000	Approx. 112,000
		No. of participants in open lectures (people) ³	Approx. 5,800	Approx. 5,800	Approx. 6,200
		No. of hours for open lectures (hours) ³	Approx. 46,000	Approx. 44,000	Approx. 47,000
Labor practices	Safety and hygiene	Health checkup prevalence rate (%) ⁴	70	69	70
		Stress check participation rate (%) ⁴	90	91	96
		Smokers (%) ⁴	29	28	28
		Lost time injuries frequency rate (%) ⁵ No. of fatalities or injuries through work-related accidents per million working hours (excluding non-loss-time accidents)	0.33	0.57	0.26
	Work-life balance	Employees with reduced work hours ²	149	159	158
		No. of people who have taken childcare leave (people) ²	674	677	689
		No. of people who have taken parental leave (people) ²	89	111	113
		Percentage returning to work after taking parental leave (%) ²	100	100	100
		No. of people who have taken nursing care leave (people) ²	11	18	6
		Average of annual paid vacation days acquired [regular employees] (days) ²	16.50	17.63	18.36
		Average monthly overtime work (hours) ²	23.90	22.90	22.50
	Labor-management partnership	No. of labor union members ²	7,884	7,851	7,564

2. IHI

3. Japan

4. 35 IHI Group companies

5. 32 IHI Group companies

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GRI Standards Reporting Requirements		SUSTAINABILITY DATA BOOK 2019 (SDB2019) Reference Pages/Website URL
102: General Disclosures		
1. Organizational profile		
102-1	Name of the organization	About IHI (Website) https://www.ihi.co.jp/en/company/outline/ P4: IHI Group Basic Information
102-2	Activities, brands, products, and services	Products (Website) https://www.ihi.co.jp/en/products/
102-3	Location of headquarters	About IHI (Website) https://www.ihi.co.jp/en/company/outline/ P4: IHI Group Basic Information
102-4	Location of operations	Offices (Website) https://www.ihi.co.jp/en/company/offices/
102-5	Ownership and legal form	About IHI (Website) https://www.ihi.co.jp/en/company/outline/ P4: IHI Group Basic Information
102-6	Markets served	Offices (Website) https://www.ihi.co.jp/en/company/offices/
102-7	Scale of the organization	P34: Human Resource Management P69: Performance Data About IHI (Website) https://www.ihi.co.jp/en/company/outline/ Financial Highlights(Website) https://www.ihi.co.jp/en/ir/ir_highlight/ Products (Website) https://www.ihi.co.jp/en/products/
102-8	Information on employees and other workers	P34: Human Resource Management
102-9	Supply chain	—
102-10	Significant changes to the organization and its supply chain	IR https://www.ihi.co.jp/en/ir/
102-11	Precautionary Principle or approach	P12: Environmental Management P21: Circular Economy P23: Environmental Protection P41: Labor Practices P45: Human Rights P57: Compliance P61: Information Security P65: Risk Management

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102-14	Statement from senior decision-maker	Message from the President https://www.ihi.co.jp/csr/english/topmessage/
102-15	Key impacts, risks, and opportunities	P9-10: IHI Group Material Issues P19: Climate Change P65: Risk Management
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102-16	Values, principles, standards, and norms of behavior	P6-7: IHI Group Basic Information Vision https://www.ihi.co.jp/en/company/policy/vision/ Basic Code of Conduct https://www.ihi.co.jp/en/company/policy/guideline/
102-17	Mechanisms for advice and concerns about ethics	P58: Compliance
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102-19	Delegating authority	P8: IHI Group Basic Information P48: Corporate Governance
102-20	Executive-level responsibility for economic, environmental, and social topics	P8: IHI Group Basic Information P48: Corporate Governance
102-21	Consulting stakeholders on economic, environmental, and social topics	P8: IHI Group Basic Information P63-64: Timely and Proper Disclosure
102-22	Composition of the highest governance body and its committees	P47: Corporate Governance Corporate Officers https://www.ihi.co.jp/en/company/executivelist/ Corporate Governance Report https://www.ihi.co.jp/var/ezwebin_site/storage/original/application/a4f15b9e115eb5d07a52d13156777f0a.pdf

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GRI Standards Reporting Requirements		SUSTAINABILITY DATA BOOK 2019 (SDB2019) Reference Pages/Website URL
102-23	Chair of the highest governance body	P48: Corporate Governance Corporate Officers https://www.ihj.co.jp/en/company/executivelist/ Corporate Governance Report https://www.ihj.co.jp/var/ezwebin_site/storage/original/application/a4f15b9e115eb5d07a52d13156777f0a.pdf
102-24	Nominating and selecting the highest governance body	P48-49: Corporate Governance Corporate Governance Report https://www.ihj.co.jp/var/ezwebin_site/storage/original/application/a4f15b9e115eb5d07a52d13156777f0a.pdf
102-25	Conflicts of interest	P49: Corporate Governance General Stock Information (Website) https://www.ihj.co.jp/en/ir/stock/information/ Corporate Governance Report https://www.ihj.co.jp/var/ezwebin_site/storage/original/application/a4f15b9e115eb5d07a52d13156777f0a.pdf
102-26	Role of highest governance body in setting purpose, values, and strategy	P8: IHI Group Basic Information
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102-28	Evaluating the highest governance body's performance	P54: Corporate Governance
102-29	Identifying and managing economic, environmental, and social impacts	P9-10: IHI Group Material Issues P66: Risk Management
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102-31	Review of economic, environmental, and social topics	—
102-32	Highest governance body's role in sustainability reporting	P8: IHI Group Basic Information
102-33	Communicating critical concerns	P65: Risk Management
102-34	Nature and total number of critical concerns	P65: Risk Management
102-35	Remuneration policies	P52: Corporate Governance Corporate Governance Report https://www.ihj.co.jp/var/ezwebin_site/storage/original/application/a4f15b9e115eb5d07a52d13156777f0a.pdf
102-36	Process for determining remuneration	P52: Corporate Governance
102-37	Stakeholders' involvement in remuneration	P52: Corporate Governance
102-38	Annual total compensation ratio	—
102-39	Percentage increase in annual total compensation ratio	—

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102-42	Identifying and selecting stakeholders	P8: IHI Group Basic Information
102-43	Approach to stakeholder engagement	P8: IHI Group Basic Information
102-44	Key topics and concerns raised	—
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303-2	Management of water discharge-related impacts	—
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403: Occupational Health and Safety		
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