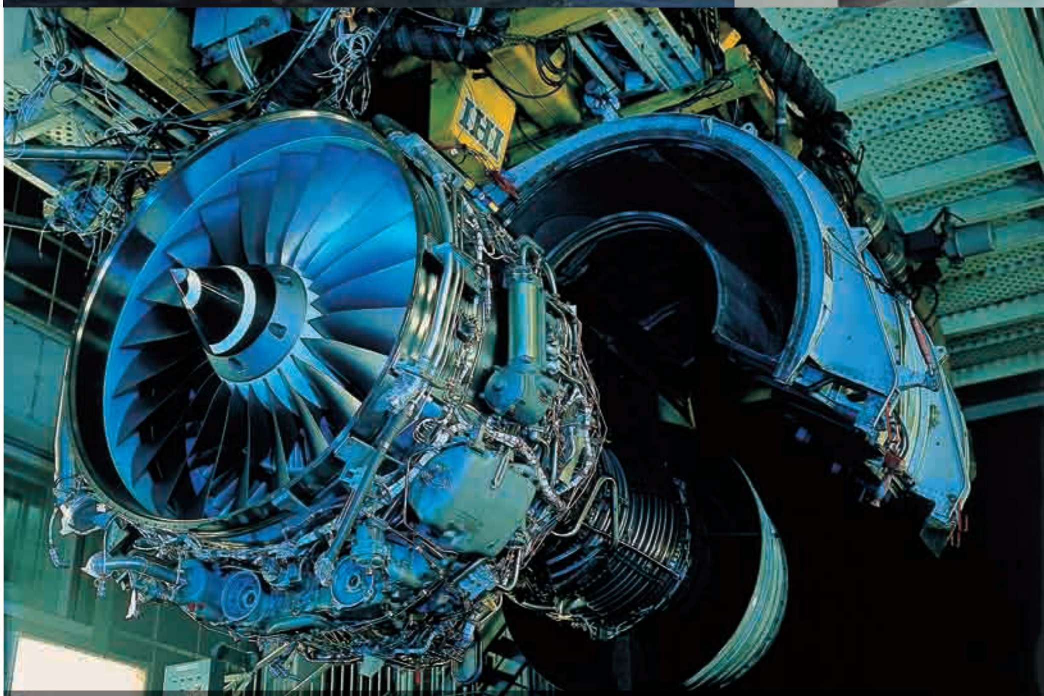
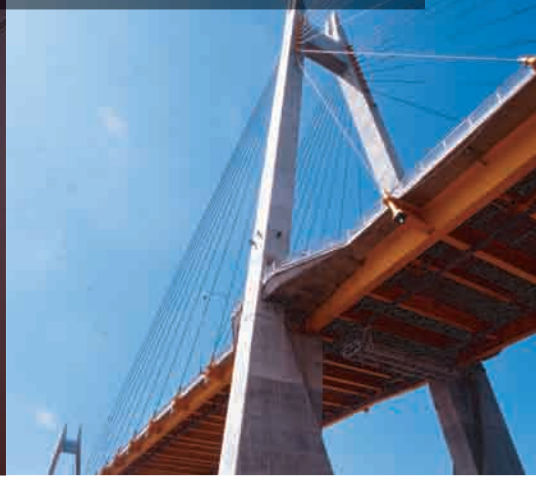




ANNUAL REPORT 2011

For The Year Ended March 31, 2011



Explore the Engineering Edge

IHI

IHI Corporation

Profile

Explore the Engineering Edge

The IHI Group explores unknown territory by consolidating the strengths of individuals who love manufacturing, and continues to create a prosperous future for humanity and the earth with its fresh, unrestricted thinking and highly crafted technological capabilities.

Contents

Cautionary Statements with Respect to Forward-Looking Statements

Statements made in this annual report with respect to IHI's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of IHI. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not place undue reliance on them. IHI cautions that a number of important factors, such as general economic conditions and exchange rates, could cause actual results to differ materially from those discussed in the forward-looking statements.

Financial Highlights

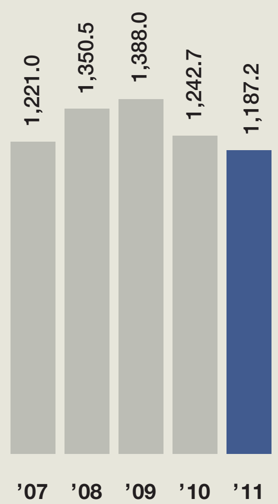
Years ended March 31, 2011, 2010 and 2009
IHI Corporation and Consolidated Subsidiaries

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Net sales	¥1,187,292	¥1,242,700	¥1,388,042	$14,278,918
Operating income	61,390	47,145	25,679	738,304
Net income (loss)	29,764	17,378	(7,407)	357,956
Total assets	1,361,441	1,412,421	1,489,342	16,373,314
Net assets	253,640	227,065	205,950	3,050,391

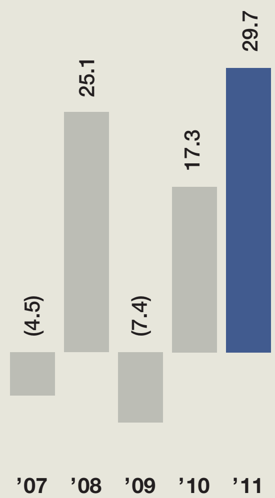
	yen			U.S. dollars
	2011	2010	2009	2011
Amounts per share:				
Net income (loss)	¥ 20.29	¥ 11.85	¥ (5.05)	$ 0.244
Cash dividends	¥ 3.00	¥ 2.00	¥ –	$ 0.036

Note: For convenience only, U.S. dollar amounts in this report have been converted from yen at the rate of ¥83.15=US$1, the approximate rate of exchange prevailing on March 31, 2011.

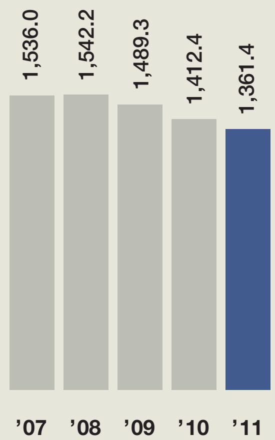
Net sales
(Billions of yen)



Net income (loss)
(Billions of yen)



Total assets
(Billions of yen)



Figures are for respective years ended March 31.

To Our Shareholders

We express our heartfelt sympathy to all persons stricken by the Great East Japan Earthquake, which occurred in March 2011, and sincerely hope for the earliest possible recovery of the affected areas.

Review of the Fiscal Year Ended March 31, 2011

The Japanese economy during the fiscal year ended March 31, 2011, improved steadily until the summer, supported by an expansion in exports amid a recovery in the overseas economy and by benefits from the government's economic stimulus measures for consumer durables. However, moving into early autumn, the economy stalled for a time mainly due to a slowdown in the overseas economy, a decline in demand for consumer durables in reaction to a previous rush before the termination of the government's consumption stimulus measures and the ongoing strong yen. But after this, through to early 2011, overseas economic growth rates began picking up again, exports returned to a growth trend and the economy was coming out of its temporary lull.

In the overseas economy, two distinctly different trends became more pronounced: the emerging countries and resource-rich countries continued to experience relatively high growth while the developed countries remained in a gradual recovery phase. The emerging countries of East Asia, particularly China, continued to see high growth primarily supported by strong domestic demand, but amid rising concerns of inflation, governments began tightening monetary policy. In the U.S. economy, consumer spending strengthened amid robust exports to emerging countries and the benefits of additional financial policy. However, credit continued to contract and the unemployment rate was persistently high. In Europe, the situation varied widely depending on the country. The German economy headed for a recovery, led by exports, but in France and the UK, the pace of recovery was moderate. In the Southern European countries, which faced fiscal problems, the economies remained sluggish. In addition, the prices of a wide range of international commodities, including crude oil, which moved back above the $100 per barrel level amid political instability in the Middle East and North Africa, rose owing to demand from the strong-growth emerging countries and excessive liquidity in developed countries arising from the loose monetary environment.

Despite these areas of concern in Japan and overseas, the economy generally remained on track for recovery, but close to the end of the fiscal year under review on March 11, 2011, the earthquake struck. As a result, manufacturing activity across the Japanese economy, including the IHI Group, contracted sharply over a short period of time, putting considerable downward pressure on exports and domestic private-sector demand. Amid considerable uncertainty about the path to recovery, the fiscal year came to a close.

The fiscal year under review marked the first year of the IHI Group's new three-year medium-term management plan, Group Management Policies 2010. IHI harnessed the combined strengths of the Group as it worked toward achieving the concrete management benchmarks of the plan: net sales of approx. ¥1,400 billion, ordinary income of ¥60 billion (operating income of approx. ¥70 billion), and interest-bearing debt of less than ¥400 billion, all on a consolidated basis. As a result, orders received in the fiscal year under review improved in all business segments, rising 23.8% from the previous fiscal year to ¥1,200.9 billion. Although sales from Rotating & Industrial Machinery Operations rose sharply, overall net sales declined slightly, falling 4.5% from the previous fiscal year to ¥1,187.2 billion, due mainly to lower sales from Energy & Resources Operations. Profits were weak in

Energy & Resources Operations and Aero Engine & Space Operations, but profitability improved in Ships & Offshore Facilities Operations and business expansion in Rotating & Industrial Machinery Operations contributed to profit growth. As a result, total operating income rose 30.2% from the previous fiscal year to ¥61.3 billion with the sharp increase in profits achieved in the previous fiscal year continuing into the fiscal year under review as well. Net income increased 71.3% from the previous fiscal year to ¥29.7 billion. This reflected the booking of extraordinary income of ¥19.8 billion for distribution from undisclosed association related to the repurchase of trust beneficiary rights for the Toyosu Center Building, and extraordinary losses of ¥10.5 billion for loss on disaster related to the earthquake, and ¥9.2 billion for loss on project taken over from the consortium partner in liquidation related to a boiler construction project for electric power generation in Germany. Ordinary income and net income on a consolidated basis were both record figures for IHI. Also, IHI achieved its target in its Group Management Policies 2010 for interest-bearing debt of less than ¥400 billion ahead of schedule, with interest-bearing debt at the end of the fiscal year totaling ¥373.3 billion.

Outlook for the Fiscal Year Ending March 31, 2012

The IHI Group incurred significant damage from the earthquake , which occurred on March 11, 2011, particularly at IHI Corporation's Soma business base (Soma City, Fukushima Prefecture), which is a manufacturing base for aero engine parts. Soma's two workshops were shut down immediately following the earthquake. On March 29, however, some operations were resumed. In early May, a full recovery of operations was achieved. Aiming to fulfill our mission as a corporate group that plays a part in the development of social infrastructure, the IHI Group is putting all efforts into utilizing the full extent of its resources to assist in the rehabilitation and reconstruction of the affected areas. As part of these efforts, we are giving top priority to restoring thermal electric power plants damaged by the earthquake as a response to concerns of electric power shortages in the Tokyo Metropolitan Area.

With respect to the future direction of the Japanese economy, we believe the impact of the earthquake will keep economic activity weak in the short term. However, once the supply chain is restored and there are no longer supply restrictions, we expect to see a gradual economic recovery led by an increase in exports amid a recovery in the overseas economy and the emergence of demand driven by the restoration of damaged capital stock. Facing such circumstances, the IHI Group shall proceed to steadily implement the three "Paradigm Shifts" outlined in Group Management Policies 2010 (business model focused on product lifecycles, product strategy focused on market requirements, and a global management approach) to secure greater revenues.

In the fiscal year ending March 31, 2012, our forecast for consolidated net sales is ¥1,200 billion. We forecast ¥43 billion for operating income, ¥33 billion for ordinary income and ¥20 billion for net income, all on a consolidated basis. In these forecasts we have taken into consideration the effect on consolidated earnings from the Group's nuclear power business based on information available at the time this report was published. However, if any new impact is judged to exist in the future, we plan to swiftly announce such information.

The earnings forecasts mentioned above assume exchange rates of US$1 = ¥85, and €1 = ¥110.

Dividend Policy

IHI's fundamental policy on the distribution of profits emphasizes the payment of stable dividends while taking into account the need to retain sufficient internal reserves to reinforce our operating base, which makes the payment of those dividends possible.

As a result of comprehensively considering the above policy, the results for this fiscal year and internal reserves requirements, IHI paid a dividend of ¥3 per share for the year ended March 31, 2011.

Although the future business environment is uncertain, a dividend of ¥3 per share is also planned for the year ending March 31, 2012.

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

June 24, 2011

Kazuaki Kama
President and Chief Executive Officer

President's Interview

IHI AR2011

Q1 Firstly, please explain the basic management policy of the IHI Group.

A1 In May 2009, the IHI Group formulated the "IHI Group Vision" to present an image of what the Group aspires to be. The IHI Group, first and foremost, aims to be a good corporate citizen that develops together with society. Based on the management philosophies of "contributing to the development of society through technology" and "human resources are the only and largest asset of the Company," it aims to become a globally-oriented corporate group which uses an engineering capacity grounded in *monozukuri** technology to solve the various environmental, industrial, social, and energy related problems of the 21st century, delivering safety and security for the benefit of both the environment and humanity.

*The word *monozukuri* means the process of making or creating things; having the spirit to produce excellent products and the ability to constantly improve a production system and process.

Q2 Please give an overview of the medium-term management plan, "Group Management Policies 2010," that is being carried out under the basic management policy.

A2 Group Management Policies 2010 is the medium-term management plan running from the fiscal year ended March 31, 2011 (fiscal 2010) until the fiscal year ending March 31, 2013 (fiscal 2012). Two important trends that we are facing today are the ever-strengthening global constraints of energy and environment, and the rising importance of the markets of emerging countries. This plan allows us to transform into a corporate group that can clearly identify the irreversible environmental changes that will have significant impact on business operations and respond to such changes.

In terms of concrete targets, this plan sets the target of achieving, on a consolidated basis, net sales of approx. ¥1,400 billion, ordinary income of ¥60 billion (operating income of approx. ¥70 billion), and interest-bearing debt of less than ¥400 billion for and at the end of fiscal 2012, while spending over the three years a cumulative amount of capital investment and research and development investment of ¥200 billion.

This management plan stresses the paramount importance of "Paradigm Shifts" in the execution of business strategies. These require a fundamental review of existing business styles and effecting change with a sense of urgency. The "Paradigm Shifts" are the following:

- In the construction of our business model, change the focus from equipment sales to product lifecycles.
- In the proposal of product strategies, adopt strategies focused on market requirements not new technologies.
- In business operations, replace our domestic business focus with a global management approach.

We shall carry out our various policies while maintaining our focus on the new "Paradigms".

For more information on the numerical targets and "Paradigm Shifts" of Group Management Policies 2010, please refer to the table.

Group Management Policies 2010—Numerical Targets

Targets (for fiscal 2012) on a consolidated basis:

Net sales	approx. ¥1,400 billion
Ordinary income	¥60 billion (Operating income approx. ¥70 billion)
Interest-bearing debt	Less than ¥400 billion

Group Management Policies 2010—Paradigm Shifts

	"Paradigm" to date	New "Paradigm"
Business model	Focus on equipment sales	Focus on product lifecycles
Product strategy	Focus on new technologies	Focus on market requirements
Business management	Domestic business focus	Global management approach

Q3 As the president and CEO, what is your personal assessment of the consolidated results of fiscal 2010, the first year of Group Management Policies 2010?

A3 I believe that the construction of a strict risk management system and a monitoring system for large-scale project works contributed in part to the excellent results. In particular, we achieved a record-high for net income.

My summary of fiscal 2010 was that we were able to start putting the IHI Group on a firm path to growth, which is an objective of Group Management Policies 2010.

Q4 Please explain the situation regarding the damage inflicted by the Great East Japan Earthquake and its impact on the IHI Group's results.

A4 The aero engine part production facilities Soma No. 1 Aero-Engine Works and Soma No. 2 Aero-Engine Works (both in Fukushima) were damaged by the earthquake and operations were temporarily suspended. However, the operations were completely restored in early May 2011. In fiscal 2010 consolidated settlement of accounts, extraordinary loss from the earthquake of ¥10.5 billion was recorded. For fiscal 2011, after factoring in the delay in production at the Soma facilities due to a temporary operational suspension, the lower level of sales of turbochargers and the decreased sales in the nuclear power business, we are forecasting a decline in operating income of ¥8 billion. However, we will strive to keep this decrease to a minimum by increasing production as the supply chain recovers.

Q5 Please tell us the initiatives and key measures for the second year of Group Management Policies 2010.

A5 In fiscal 2011, we will concentrate our efforts on making a firm business foundation that will enable us to achieve our targets for the medium-term management plan of consolidated net sales of ¥1,400 billion and consolidated ordinary income of ¥60 billion (consolidated operating income of ¥70 billion). To do this, we shall continue to further advance our paradigm shifts and establish a firm path to growth that the IHI Group can follow.

Specifically, we will concentrate our efforts on five points.

Firstly, we will accelerate our global management approach. Following the establishment of a regional headquarters in the Americas and a Chief Regional Officer for the Asian Region, we established a new local subsidiary in Brazil in 2010 and a Chief Regional Officer in China in April 2011. Through these efforts, by not only establishing

an organizational framework, but also globally developing a supply chain, the IHI Group is steadily expanding its business in various markets around the world.

Secondly, we realize our coordinated business plan. The Global Marketing Headquarters, business divisions and associated companies of the IHI Group shall collaborate with each other beyond the framework of organizations to provide comprehensive services. For projects that require a comprehensive response involving a combination of multiple machinery types and technologies, we will promote general sales by establishing project-type organizations that can proactively lead a business.

Thirdly, we will raise the competitiveness of our products and services. In addition to focusing efforts on cost reductions by standardizing design and expanding global procurement, we will form a business strategy and a technological strategy aimed at the entire product lifecycle from design to disposal.

Fourthly, we shall secure orders. While aiming to expand orders by concentrating our management resources on core businesses and growth and focus businesses, we shall expand our lifecycle business for each product.

Fifthly, we will respond to the changes in the business environment as a result of the earthquake. Due to the earthquake, we expect several businesses in the IHI Group to experience significant changes in their market environments. Specifically, we are expecting a switch in Japanese and global energy policy, a temporary slowdown in the economy and then resurgent demand following this. We are also concerned that taxes will increase and there will be changes in exchange rates and goods prices. We are working to ensure our business strategies swiftly and accurately reflect these changes.

Q6 Please provide a concrete example of initiatives carried out by the IHI Group for growth in the various business segments.

A6 In April 2011, aiming to strengthen competitiveness through the effective utilization of management resources, we merged two sectors to newly establish the sector of “Machinery, Environmental & Logistics Systems Operations.” The IHI Group now has seven segments for disclosure purposes: Energy & Resources Operations, Ships & Offshore Facilities Operations, Social Infrastructure Operations, Logistics Systems & Industrial Machinery Operations, Rotating Equipment & Mass-Production Machinery Operations, Aero Engine & Space Operations, and Other Operations.

In each of these segments, we are accelerating our efforts to establish a path to growth under Group Management Policies 2010.

For more information of “Specific Initiatives to Date in Each Segment.” please refer to the table.

Q7 In March 2011, IHI Corporation issued convertible bonds (Euro-yen-denominated convertible bonds with subscription rights to shares due 2016). What was the purpose and main usage of the funds?

A7 In order to flexibly respond to global environmental changes and successfully execute management strategies with financial agility, we judged it was important to further strengthen the financial standing of IHI and decided to issue convertible bonds. For this issue, we considered existing shareholders and set a convertible price at a level exceeding the market price to control dilution of profit per share after the issue. In addition the bonds were issued as zero-coupon bonds in order to reduce capital procurement costs.

Of the ¥23 billion procured, ¥15 billion will be allocated for facility investment, mainly related to vehicle turbocharger and aero engine businesses, and the remainder will be used to repay loans. The scheduled dates of payments will fall inside fiscal 2011 and fiscal 2012. By protecting our shareholder value and securing new funds for growth in the next generation, we believe this issuance will provide significant value for the future of the IHI Group.

Specific Initiatives to Date in Each Segment

Energy & Resources	•Boilers: Reopened activities for receiving orders for overseas EPC projects, concentrating on emerging countries. •*F-LNG*: Started capital investment for building aluminum SPB tanks, aiming for early participation in F-LNG business. •Participated in medium-small LNG liquefaction process projects. •Established local subsidiary in Brazil to engage in petroleum gas related projects.
Ships & Offshore Facilities	•Continuously received orders for naval vessels and coast guard ships, and developed a construction system accordingly. •Developed and sold *IHIMU-α*, an automation system for bending steel plates. •Established global marketing office in Istanbul taking the number of such overseas offices to four, and thereby reinforcing the global support system.
Social Infrastructure	•Bridges: The merge of three operating subsidiaries have been agreed, in order to strengthen the advanced maintenance business, for which demand is expected to grow. •Urban development business: Strengthened group management of real estate holdings in Toyosu, Tokyo, to secure stable revenue and cash flow.
Logistics Systems & Industrial Machinery	•Established Machinery, Environmental & Logistics Systems Operations in order to capture synergy in the industrial machinery field. •Started sales of an evolutionary new underground parking system. This has strengthened the lineup and put the IHI Group in a strong position as a leading manufacturer.
Rotating Equipment & Mass-Production Machinery	•Turbochargers: Captured the demand that is rapidly recovering, particularly in Europe and China; and invested capital to enlarge capacity. •General-purpose compressors: Concluded a sales alliance agreement with Atlas Copco.
Aero Engine & Space	•Supplied the *F7-IHI-10*, the first mass-produced engine of its type developed in Japan in 22 years, to the Ministry of Defense. •Achieved cumulative orders of 100 units of satellite engines for overseas customers. •Developed next-generation small-size solid-fuel rocket, the "*Epsilon Launch Vehicle*."
Others	•Industrial diesel engines: Established manufacturing company for engine parts in China. •Increased sales of agricultural machinery products, and other products for exports to China, Asia and Africa.

※The above segment is as of April 2011.

Q8 Please explain the basic policy on CSR and current status of CSR activities.

A8 The IHI Group considers CSR to be more than simply adhering to laws and regulations relating to our business activities, it is also about responding in a timely and appropriate manner in our business activities to respond to the expectations that society places on industry. Based on this philosophy, the IHI Group strives to fulfill its duties as a corporate citizen by conducting an extremely broad range of CSR activities from thorough adherence to corporate governance, to the promotion of environmental management and the training of global personnel.

In addition to adopting an executive officer system to realize both a management supervisory function and swift decision making simultaneously, we also established the Management Committee, an organization serving the function of supporting the business execution of the CEO. In addition, we are focusing on advancing our internal control systems to raise the effectiveness of corporate governance. With respect to environmental response, while striving to alleviate the environmental burden and reduce CO_2 in our productive activities, we are working to raise the efficiency of coal-fired electricity generation and expand the use of renewable energies by utilizing our excellent *monozukuri* technology. In our global business development, while respecting the culture and customs of the countries we operate in, we shall contribute to the social and economic expansion in the communities in which we operate.

All the IHI Group companies, led by the Corporate Social Responsibility Division, which was established in April 2010, shall continue to proactively conduct CSR activities to maintain society's trust as a good global corporate citizen.

In particular, our efforts to support the citizens stricken by the earthquake and assist companies and communities to recover are recognized as a social mission within the IHI Group, which places CSR as a pillar of management. For the restoration of stricken communities, we are able to offer the utilization of IHI Group's energy technologies and infrastructure related technologies. We are proactively providing rehabilitation plans based on new grand designs and putting all our efforts into the rehabilitation of Japan's economy and society.

Looking forward, the IHI Group will continue to increase its management efforts based on the IHI Group Vision to remain a company of value for all its stakeholders, primarily the shareholders.

We would like to thank our shareholders and other stakeholders in advance for their continuing support.

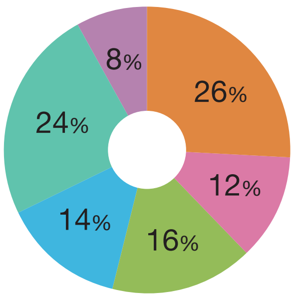
Review of Operations

At a Glance

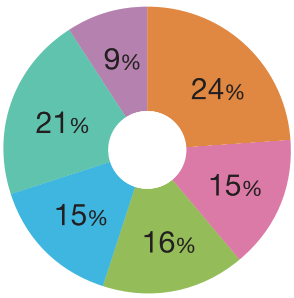
(billion of yen, Consolidated)

Segment	Orders received	Net sales	Operating income	Backlog of orders
Energy & Resources	332.8	306.4	22.4	363.5
Ships & Offshore Facilities	160.8	189.9	10.9	287.5
Physical Distribution Systems & Social Infrastructure	202.1	212.5	11.8	178.3
Rotating & Industrial Machinery	187.9	192.1	12.4	89.3
Aero Engine & Space	311.0	273.7	5.8	354.3
Others	109.5	114.3	2.1	25.5
Adjustment	△103.4	△101.9	△4.3	—
Total	1,200.9	1,187.2	61.3	1,298.6

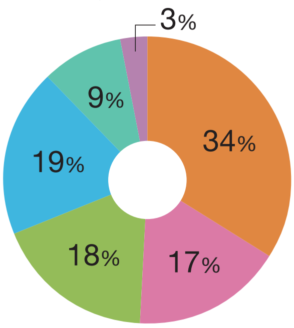
Orders received



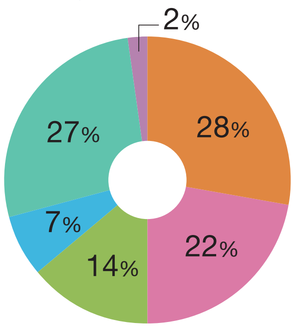
Net sales



Operating income



Backlog of orders



Change to disclosure of Segment Information

IHI Group changed the business segments to the following "New Segments" in the fiscal year ending March 31, 2011.

Former Segment \ New Segment		Energy & Resources	Ships & Offshore Facilities	Physical Distribution Systems & Social Infrastructure	Rotating & Industrial Machinery	Aero Engine & Space	Others
Logistics Systems and Structures Operations	F-LNG	●					
	Others			●			
Industrial Machinery Operations					●		
Energy and Plants Operations	Gas Turbine for naval vessels					●	
	Others	●					
Aero-Engine and Space Operations						●	
Shipbuilding and Offshore Operations			●				
Real Estate Operations				●			
Other Operations	Defense Equipment & Systems					●	
	Others						●

Energy & Resources

Main products and machinery	Boilers, gas turbines, components for nuclear power plants, storage facilities, process plants, power systems and floating LNG storage facilities

Highlights

Net Sales decreased 19.9% compared with the previous fiscal year to ¥306.4 billion. Operating income amounted to ¥22.4 billion. Orders increased 14.5% compared with the previous fiscal year to ¥332.8 billion.

Net Sales	¥306.4 Billion
Operating Income	¥22.4 Billion
Orders	¥332.8 Billion

Net Sales by Segment (Billions of yen)

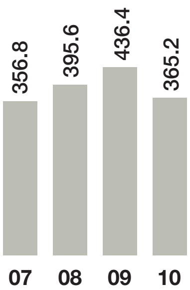
Orders by Segment (Billions of yen)

※The differences between former and new segment are shown on P9

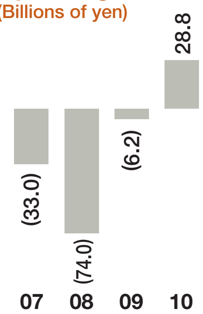
<Reference>

Energy & Resources (Former Segment)

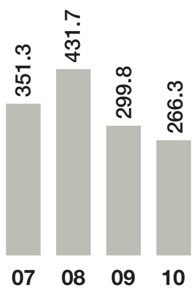
Net Sales (Billions of yen)



Operating Income (Billions of yen)



Orders (Billions of yen)



IHI Group Companies

•IHI Inspection & Instrumentation •Takashima Giken •IHI PACKAGED BOILER •IHI Plant construction •Japan Jurong Engineering •Kotobuki Tekkou •Toyosu Energy Service •TOSHIBA IHI Power Systems •Aomori Plant •IHI Plant Engineering •Kanamachi Purification Plant Energy Service •NIIGATA POWER SYSTEMS •NICO Seimitsu Kiki •JURONG ENGINEERING LIMITED •IHI Oxyfuel Australia Pty. Ltd. •IHI Power System Germany GmbH •IHI POWER SYSTEM MALAYSIA SDN.BHD. •PT Cilegon Fabricators •IHI Southwest Technologies, Inc. •IHI PHILIPPINES,INC.

Chevron orders FSO to be used in the Gulf of Thailand

IHI received an order for a Floating Storage and Offloading system (FSO)* from a joint venture made up of Chevron Global Energy Inc., a company affiliated with the major multinational oil and gas company, Chevron, and Mitsui Oil Exploration Co., Ltd. The contract covers engineering, procurement and construction (EPC). The FSO, which is planned as a substitute for an existing floating storage facility, will be 262m long and 46m wide with a depth of 24m and will be able to store 1 million barrels of condensate (a variety of crude oil), which is one and a half times the capacity of the existing facility. Construction started in April 2011 at IHI's Aichi Works (Chita-city, Aichi Prefecture). Following its delivery at the Works in April 2012, the FSO is scheduled to start operation in the Gulf of Thailand later that year. IHI will continue to make efforts to win orders for overseas projects such as LNG and LPG floating production facilities and LNG receiving terminals.

Image: FSO
(Floating Storage and Offloading system)

*A Floating Storage and Offloading system (FSO) is a specialized storage and offloading facility for producing oil at-sea from offshore oil fields. An FSO receives and stores the crude produced from offshore oil fields in its on-board tank facilities and offloads the oil to tankers for transportation.

Completion of the world's largest LPG plant in Algeria

In August 2010, IHI completed and delivered an expansion of a liquefied petroleum gas (LPG) plant (third stage construction, production capacity of 3 million tons per year) for the Algerian government-owned hydrocarbons company, Sonatrach. The project was a large-scale engineering work with an order value of approximately ¥120 billion and involved construction of raw materials storage tanks, separation and liquefaction facilities, storage tanks for output products propane and butane, and supplementary facilities. IHI will continue to make efforts in liquefaction and refining as well as projects involving production facilities for petrochemical products in Algeria, and thus contribute to the further development of the country's economic base.

LPG plant in Algeria

Four LM6000 Gas Turbines for power generation delivered to Australian mining company

In August 2010, IHI delivered four LM6000 Gas Turbines for a power generating plant (power output of 40,000 kW x 4 units) to Australia's Rio Tinto Group. Together with IHI Engineering Australia Pty. Ltd. (IEA), IHI and IEA handled all aspects of the Full Turn Key work: engineering, design, procurement and construction, including civil work.

A reduction in CO_2 emissions was realized through this project as an obsolete gas-fired power plant was replaced with our high-efficiency LM6000 Gas Turbines.

Since IHI Group had previously supplied three LM6000 Gas Turbines, the total is now seven following the current delivery. IHI and IEA will be providing the maintenance service going forward through Perth Service Center.

Gas turbines power plant in Australia

Ships & Offshore Facilities

Main products and machinery	Shipbuilding, ship repairs and offshore structures

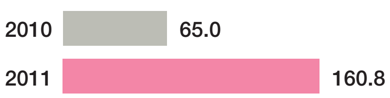
Highlights

Net Sales decreased 11.2% compared with the previous fiscal year to ¥189.9 billion. Operating income increased sharply compared with the previous fiscal year to ¥10.9 billion. Orders increased 147.4% compared with the previous fiscal year to ¥160.8 billion.

Net Sales	¥189.9 Billion
Operating Income	¥10.9 Billion
Orders	¥160.8 Billion

Net Sales by Segment (Billions of yen)

Orders by Segment (Billions of yen)

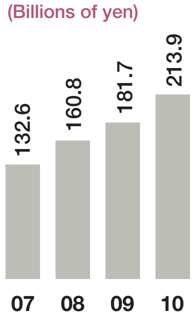


※The differences between former and new segment are shown on P9

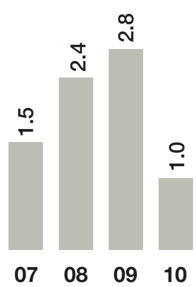
<Reference>

Ships & Offshore Facilities (Former Segment)

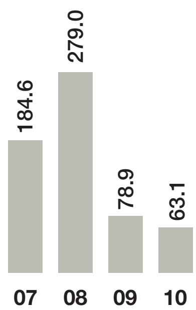
Net Sales (Billions of yen)



Operating Income (Billions of yen)



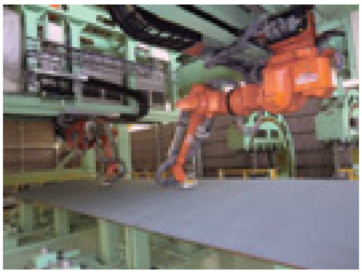
Orders (Billions of yen)



IHI Group Companies

•IHI Marine United •IHI Engineering Marine •IHI AMTEC •IHI MARINE •Shinkoh SBA

Development and commencement of sales of automated steel plate bending machine *IHIMU-α*



IHIMU-α system

Success in complete automation of steel plate bending—the process that up to now completely depended on skills of craftsmen.

In October 2010, IHI Marine United Inc. (IHIMU) completed development of *IHIMU-α*, an automated system for bending steel plate used in shipbuilding, and commenced sales of the system. The newly developed automated system for bending steel plate performs fully automated 3-dimensional bending of a vessel's curved external plates, a process that up to now completely depended on the skills of highly experienced craftsmen.

IHIMU will now be selling the system both domestically and overseas. The price of the system is approximately ¥300-500 million, depending on specifications.

Destroyer '*Ise*' delivered

Destroyer '*Ise*'

In March 2011, IHI Marine United Inc. (IHIMU) delivered the helicopter-carrying destroyer (DDH) '*Ise*', which the Japan Ministry of Defense ordered under its fiscal 2006 program, at its Yokohama Shipyard. The ship, which has a standard displacement of 13,500 tons, is the largest destroyer of the Japan Maritime Self-Defense Force, along with destroyer '*Hyuga*'. '*Ise*' has deck space for take-off and landing of four helicopters.

IHIMU will continue to build high value-added ships from destroyers on down that require advanced levels of technology.

Concept design of environmentally-friendly container carrier completed

Image: Environmentally-friendly container carrier *eFuture 13000C*

In June 2010, IHI Marine United Inc. (IHIMU) completed the concept design of an environmentally-friendly container carrier, *eFuture 13000C*. The newly developed ship achieves a 30% reduction in both greenhouse gas (GHG) emissions and fuel consumption compared with conventional vessels thanks to a newly developed twin-skeg hull and other energy saving additions.

The concept's distinguishing characteristic is that it achieves a 30% reduction in GHG emissions through a combination of technologies that can be readily implemented. In addition, its individual technologies can be employed in container ships of other sizes. IHIMU is looking forward to further development of high-value-added ships.

Physical Distribution Systems & Social Infrastructure

Main products and machinery | Material handling systems, physical distribution and factory automation systems, parking systems, bridges, construction materials, traffic systems and real estate sales and rental

Highlights

Net Sales increased 2.8% compared with the previous fiscal year to ¥212.5 billion.
Operating income amounted to ¥11.8 billion.
Orders increased 8.0% compared with the previous fiscal year to ¥202.1 billion.

Net Sales	¥212.5 Billion
Operating Income	¥11.8 Billion
Orders	¥202.1 Billion

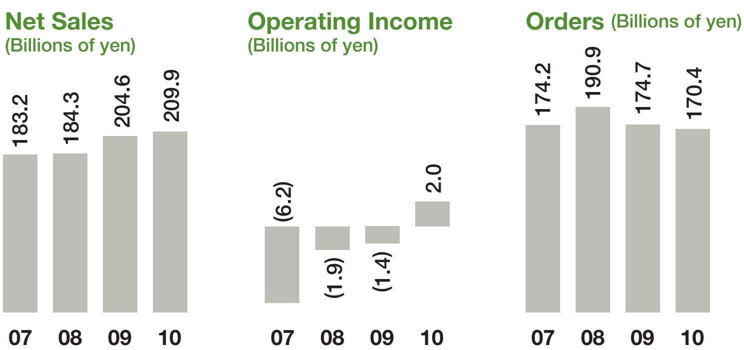
Net Sales by Segment (Billions of yen)

Orders by Segment (Billions of yen)

※The differences between former and new segment are shown on P9

<Reference>

Physical Distribution Systems & Social Infrastructure (Former Segment)



IHI Group Companies

•IHI Infrastructure Systems •ISMIC •MATSUO ENGINEERING •ISHIKAWAJIMA CONSTRUCTION MATERIALS •Kanto Segment •Livecon Engineering •Japan Tunnel Systems •Nishinihon Sekkei •PC BRIDGE •IHI Transport Machinery •IHI Logistic Technology •San-Etsu •CENTRAL CONVEYOR COMPANY •NIIGATA TRANSYS •Chiba warehouse •IHI Logistics System Technology Shanghai Co., Ltd. •IHI INFRASTRUCTURE ASIA CO., LTD.

Japan's largest refrigerated distribution center completed

Tosu refrigerated distribution center of Japanese Consumers' Cooperative Union

In June 2010, IHI Corporation completed and delivered distribution equipment installation work ordered by the Japanese Consumers' Cooperative Union for the Tosu refrigerated distribution center. This is a leading-edge distribution center capable of receiving, storing, conveying, sorting, selecting and dispatching refrigerated products. It is also the largest refrigerated distribution in Japan to employ high-speed sorting equipment capable of fetching single items thanks to the use of IC tags—all done under -25°C storage conditions. Going forward, IHI Corporation will continue to actively promote distribution systems that can help to improve efficiencies inside distribution centers and maintain the quality of customers' products.

New model of underground parking system developed and sales commenced

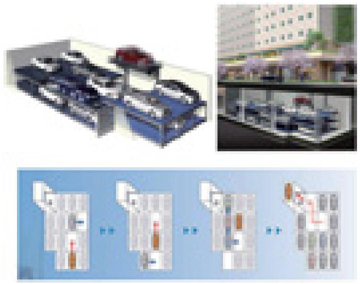
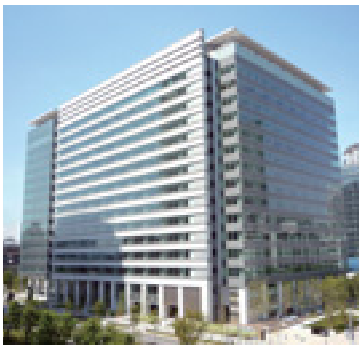


Image: *IHI Super Square Parking*

In February 2011, IHI Transport Machinery Co., Ltd. developed and commenced sales of a new horizontal circulation parking system *IHI Super Square Parking*, which allows available space to be utilized to its fullest. This parking system was developed with the goal of providing the greatest possible parking capacity, mainly in underground spaces. Through measures such as building parking spaces while avoiding columns and other structural elements, a process that was too difficult before, we made possible a layout that maximizes capacity in conformance with the structure. We thus raised parking capacity up to 25% and, moreover, shortened the waiting time required to park or retrieve a vehicle by approximately 25% compared to our previous models. We will now actively promote the new parking system primarily in the Tokyo metropolitan area.

Large-scale office building *TOYOSU FRONT* completed: Creation of the largest work space per floor of any domestic office building



Large-scale office building *TOYOSU FRONT*

In August 2010, IHI Corporation and Mitsubishi Estate Co., Ltd. completed the development of what was known under its provisional name as Toyosu 3-1 City Block Building Project in 3-chome of Tokyo's Koto Ward. Upon completion, the building was renamed *TOYOSU FRONT*.

Facing Harumi-dori, a major thoroughfare, *TOYOSU FRONT* is very conveniently located. It is a large-scale office building with shops occupying its first floor, and offices occupying the second to 15th floors. The usable floor space in a standard office floor in the building is 5,058m^2, which is the top of the range in domestic standards. Having a length of 110m and a width of 18-22m, the layout of *TOYOSU FRONT* is highly efficient. With features such as 2,850mm-high ceilings with enough space for 150mm-high raised floors for OA equipment, it is capable of accommodating a wide variety of needs.

In addition, the building achieves a 26% reduction in CO_2 emissions compared to ordinary Tokyo office structures. This is achieved through such means as the environmentally conscious planting of vegetation, which covers 36% of the site area, and the use of fresh air from outside and natural light.

Toyosu 3 City Block, which includes *TOYOSU FRONT*, is located in the preeminent business center of the Tokyo waterfront area. With the building's completion, Toyosu 2- and 3-chome's ability to live up to its concept of "Work - Live - Play - Study" has evolved further.

Rotating & Industrial Machinery

Main products and machinery	Vehicular turbochargers, compressors, steel manufacturing equipment, paper production machines and environmental control systems

Highlights

Net Sales increased 14.3% compared with the previous fiscal year to ¥192.1 billion.
Operating income increased considerably compared with the previous fiscal year to ¥12.4 billion.
Orders increased 36.5% compared with the previous fiscal year to ¥187.9 billion.

Net Sales	¥192.1	Billion
Operating Income	¥12.4	Billion
Orders	¥187.9	Billion

Net Sales by Segment (Billions of yen)

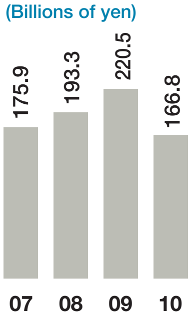
Orders by Segment (Billions of yen)

※The differences between former and new segment are shown on P9

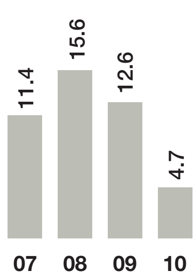
<Reference>

Rotating & Industrial Machinery (Former Segment)

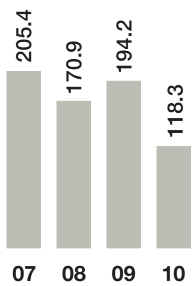
Net Sales (Billions of yen)



Operating Income (Billions of yen)



Orders (Billions of yen)



IHI Group Companies

•IHI Compressor and Machinery •IHI Turbo •IHI Kankyo Engineering •IHI Machinery and Furnace •Voith IHI Paper Technology •IMEC •Giken Technology •IHI METALTECH •Hauzer Techno Coating B.V. •IHI-Sullair Compression Technology (Suzhou) Co.,Ltd •Changchun FAWER-IHI Turbo Co., Ltd. •IHI Charging Systems International GmbH •IHI Turbo America Co. •IHI TURBO (THAILAND) CO., LTD. •JIANGSU ISHI TURBO CO., LTD. •Wuxi IHI Turbo Co., Ltd.

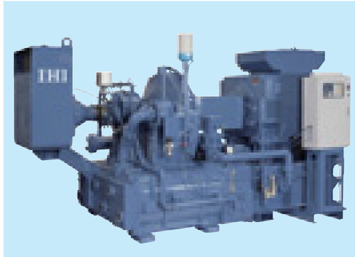
Sales tie-up agreement with Atlas Copco for general-purpose compressor business

IHI has entered into a tie-up with Atlas Copco Group (Atlas Copco) for sales of general-purpose compressors in the Japanese and global markets.

In the Japanese market, we will use our nationwide distribution network to sell, alongside our own products, Atlas Copco's specialty oil-injected general-purpose screw compressors as fully finished products.

For global markets, we will be supplying Atlas Copco with core units for our general-purpose turbo compressors, which achieve the highest standard of efficiency in the industry. Atlas Copco will incorporate these core units into finished products at their European plant and sell them to customers mainly in Europe, Africa, the Middle East and other areas.

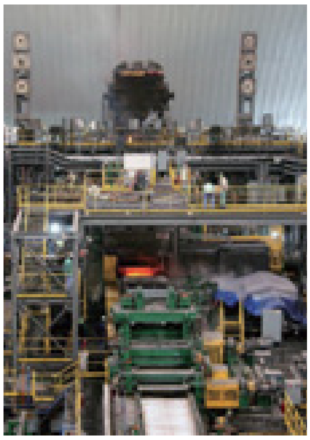
Thanks to this tie-up as well as our prior initiatives, we are planning to double production of core units for general-purpose turbo compressors in 2013.



IHI TRA series turbo compressor

No. 2 unit of world's first commercialized strip caster completed

IHI has delivered the No. 2 carbon steel production unit (capacity of 500,000-600,000 tons per year) for Nucor's Blytheville mill in Arkansas. The unit is *Castrip*®, the world's first commercialized strip caster (thin steel sheet production machine), which was jointly developed with Nucor Corporation of the U.S. and BlueScope Steel Limited of Australia. The unit can produce thin steel sheet directly out of molten steel by passing it through cooling rolls. As the total length of the unit is one tenth or less than that of conventional slab continuous casting machines, micro mills (mini mills), given their placement flexibility, resource-recycling benefits and low environmental impact, can be placed in numbers close to steel consumption areas. They are drawing attention worldwide for their promise to change the makeup of the traditional steel industry.



Castrip® No. 2 unit

Taiwan service center for slurry recycling system established

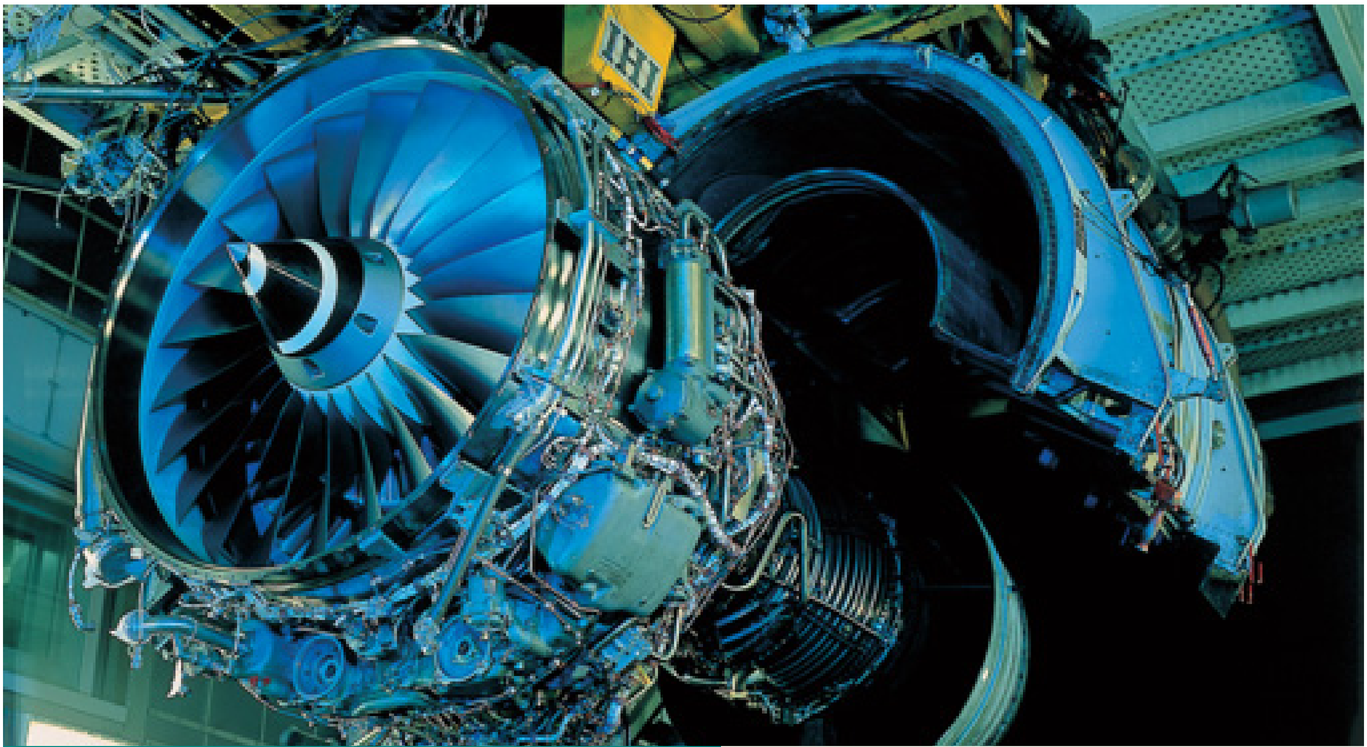
IHI Compressor and Machinery Co., Ltd. (ICM), an IHI Group company, established a joint venture, IHI System Technology Taiwan Co., Ltd., that commenced business on February 17, 2011 as a service center for the slurry recycling system, which has seen particularly large orders from Taiwan. Our slurry recycling system, where the slurry spent in the manufacturing process is collected and then put through a solid/liquid centrifugal separator that makes its reuse possible, is utilized by manufacturers of silicon wafers for use in solar cells and other manufacturers that sell both domestically and overseas.

The new company was set up in Taipei and is a joint venture with our local sales distributor, Panel Trading Co., Ltd. While we have supplied some 50 systems to Taiwan, we have not been providing service ourselves until now. The establishment of the new company gives us an opportunity to offer full customer service and quick response and, accordingly, win after-sales service business and raise customer satisfaction. We will also be aiming to raise orders for our systems now that a perfect after-sales service setup is in place.

Slurry recycling system

Aero Engine & Space

Main products and machinery	Jet engines, space-related equipment and defense machinery



Highlights

Net Sales decreased 5.6% compared with the previous fiscal year to ¥273.7 billion.
Operating income decreased 35.1% compared with the previous fiscal year to ¥5.8 billion.
Orders increased 6.1% compared with the previous fiscal year to ¥311.0 billion.

Net Sales	¥273.7 Billion
Operating Income	¥5.8 Billion
Orders	¥311.0 Billion

Net Sales by Segment (Billions of yen)

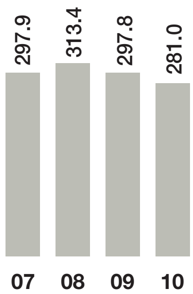
Orders by Segment (Billions of yen)

※The differences between former and new segment are shown on P9

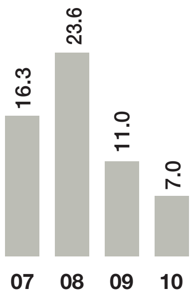
<Reference>

Aero Engine & Space (Former Segment)

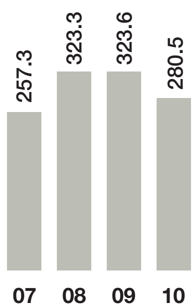
Net Sales (Billions of yen)



Operating Income (Billions of yen)



Orders (Billions of yen)



IHI Group Companies

•INC Engineering •IHI AEROSPACE •IHI AEROSPACE ENGINEERING •IHI Aero Manufacturing •IHI CASTINGS •IHI Jet Service •IHI MASTER METAL

Asteroid exploration probe *Hayabusa* returns to Earth

Asteroid exploration probe *Hayabusa*, whose return capsule was developed, designed and manufactured with the participation of IHI Aerospace Co., Ltd. (IA), returned to Earth on June 13, 2010 following a 7-year-long, 6-billion-kilometer voyage. The *Hayabusa* project was the first to succeed in returning to Earth from interplanetary orbit. This allowed the probe to bring samples from an asteroid back to Earth.

In the *Hayabusa* project, IA was in charge of development, design and manufacture of equipment involved in the launch and return of *Hayabusa* back to Earth. These included the solid-fuel *M-V rocket*, which launched *Hayabusa* in May 2003, the exploration vehicle *MINERVA*, which attempted a landing on the asteroid *Itokawa*, and the return capsule, which protected the samples and the electronic equipment from the heat when re-entering the atmosphere.

The IHI Group will continue to cooperate with the Japan Aerospace Exploration Agency (JAXA) and contribute to Japan's space development program.

Earth return capsule of *Hayabusa*
(Courtesy of JAXA)

Lockheed Martin orders four satellite engines — cumulative total of overseas satellite engine orders reaches 100 mark

In November 2010, IHI Aerospace Co., Ltd. (IA) won orders for four satellite engines, including the engine that will propel the *Vinasat-2* communications satellite, from Lockheed Martin Corporation of the U.S. *Vinasat-2* is Vietnam's second satellite and is expected to launch in 2012. This order takes the cumulative total of overseas satellite engine orders won by IA to 100.

The satellite engine ordered was independently developed by IA and has a thrust of 450N (newton) or approximately 45kgf (kilogram-force) and a specific impulse* of 329 seconds, which makes it the world's highest-performing satellite engine. For satellite engines, the higher the specific impulse, the better the fuel economy. Accordingly, the engine allows a lower satellite weight and longer operating time, among other benefits.

IA will continue its vigorous efforts to win overseas orders, primarily in Europe and America, where there is strong demand for satellite launches.

A satellite engine of the same type

*Specific impulse denotes fuel economy for rocket and satellite engines by showing how many seconds an engine can fire on a specific amount of fuel (1kg of propellant) to produce 1kgf of power. The higher the value, the higher the performance.

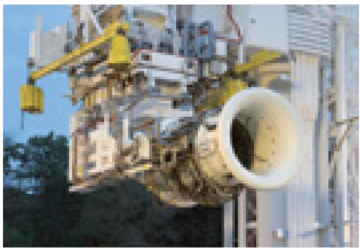
Development of latest model of engines for commercial airliners completed: *GEnx-2B* and *CF34-10A* awarded type certificates

The US Federal Aviation Administration (FAA) issued type certificates for commercial airliner engines *GEnx-2B* (for exclusive use in the Boeing 747-8) and *CF34-10A* (for exclusive use in the *ARJ21,* China's first passenger jet), which were developed by a joint international development program headed by GE of the U.S., in which IHI participates, in August 2010. Accordingly, the engines are now formally approved for use as jet engines.

GEnx-2B was in development since 2004. IHI participated in the engine's development, design and manufacture as a revenue sharing partner (RSP)* with a share of approximately 15%. IHI is in charge of the engine's low-pressure turbine module and the latter stages of its high-pressure compressor.

CF34-10A was in development since 2003. IHI participated in its development, design and manufacture as an RSP with a share of approximately 27%. IHI is in charge of the engine's low-pressure turbine module and parts of its high-pressure compressor.

Going forward, IHI will strive to expand its jet engine business through joint international development of commercial engines.



The *CF34-10A* undergoing ground tests
(courtesy of GE)

*RSP (Revenue Sharing Partner):
A participant in a revenue-sharing arrangement whereby revenues received from sales of engines or spare parts are allocated according to the share of expenses incurred in the development of the engine or its commercial production.

Others

Main products and machinery	Diesel engines, agricultural machinery, construction machinery, and other services

Highlights

Net Sales decreased 6.7% compared with the previous fiscal year to ¥114.3 billion.
Operating income increased 48.5% compared with the previous fiscal year to ¥2.1 billion.
Orders increased 22.1% compared with the previous fiscal year to ¥109.5 billion.

Net Sales	¥114.3 Billion
Operating Income	¥2.1 Billion
Orders	¥109.5 Billion

Net Sales by Segment (Billions of yen)

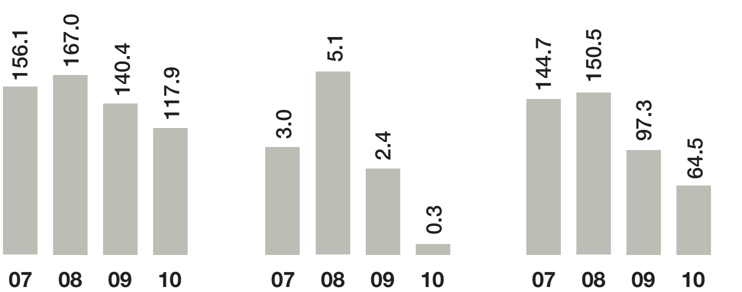
Orders by Segment (Billions of yen)

※The differences between former and new segment are shown on P9

<Reference>

Others (Former Segment)

Net Sales (Billions of yen) **Operating Income** (Billions of yen) **Orders** (Billions of yen)



IHI Group Companies

•IHI Technical Training Institution •IHI Construction Machinery •Kinki Ishiko •Diesel United •IHI Business Support •Seiban Kaihatsu •IHI Scube •IHI TECHNOLOGY SOLUTIONS •IHI Trading •IHI Shibaura Machinery •IHI Shibaura Technical Service •IHI STAR Machinery

New type of forestry forwarding machine developed

IHI Construction Machinery Limited (IK) has developed a heavy-duty forwarder, *F801*, which improves safety, efficiency and ease of operations in timber collecting and haulage work inside forests. The *F801* is also able to move more quickly without damaging the forest road infrastructure. By using the *F801*, which is equipped with a telescopic grappler as standard, only one machine is required to perform bundling, loading hauling and unloading, which reduces the impact on trails when traversing.

The new-concept machine's traverse system consists of wheels in the front and caterpillar tracks in the rear.

It is based on the following basic concepts: a traverse function suitable for Japanese mountains; increased productivity; safety and durability; and comfort and ease of maintenance. The *F801* has an articulated structure, a pivot chassis and a rotating operator seat, which all contribute to the improvement of productivity.

Forwarder 'F801'

IHI and UMN Pharma establish UNIGEN as a manufacturer of drug substance for influenza vaccines and commence joint operations

In May 2010, IHI Corporation and UMN Pharma jointly established UNIGEN as a manufacturer of cell culture-derived drug substance for influenza vaccines. UNIGEN is tasked with producing at its plant drug substance for influenza vaccines using a cell-culture method developed by UMN Pharma.

This cell culture method represents a large improvement over traditional eggs-based production method that can take six months or longer to yield product. UMN Pharma's vaccines can be produced in only 2 months.

With the aim of creating a setup capable of speedy supply of vaccines, we intend to realize operational efficiencies in our plant with the benefit of synergies provided by UMN Pharma's vaccine production knowledge and IHI's engineering skills.

Plant of drug substance for influenza vaccines in Akita

IHI Shibaura Machinery Corporation sets up an engine parts manufacturing company in China

In March 2011, our group company IHI Shibaura Machinery Corporation (ISM) established Ishikawajima Shibaura Machinery Changsyu Co., Ltd. in Jiangsu Province, China, to manufacture parts for industrial-use diesel engines.

The new company will supply parts to, among others, the industrial-use diesel engine plant in Wuxi in China which is a joint venture. We are thus aiming to improve our cost competitiveness, avoid currency fluctuation risk, and raise our ability to respond to the growing Chinese market.

Located on the grounds of the Changshu Southeast Economic Development Zone in Changshu, Jiangsu Province, the new plant is scheduled to start production from July 2011, with a planned maximum output of 70,000 units per year.

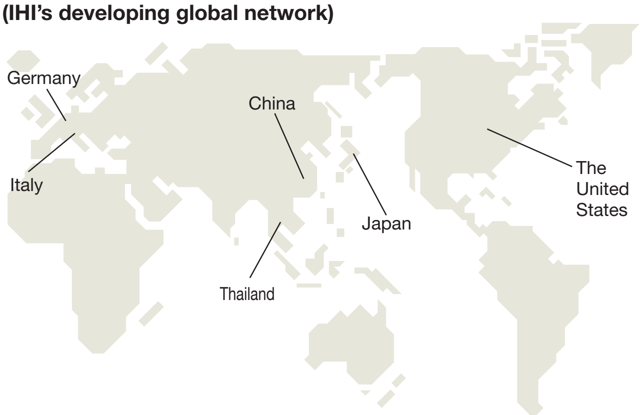
New plant in Jiangsu Province, China

Topics: Global Development of Turbocharger Business

As the awareness of global-scale environmental problems has risen in recent years, automotive engines have been downsized in an effort to improve fuel economy, and accordingly, demand for turbochargers is increasing worldwide.

In building up a system with the capability to respond promptly to such societal and customer needs, the IHI Group maintains domestic and overseas production bases for turbochargers in 6 countries, including Germany, Italy, the U.S., China and Thailand, and we are constructing a global business network.

(IHI's developing global network)



Particularly in Europe, diesel engines with low CO_2 emissions are in widespread use as fuel economy and emissions regulations have become stricter year after year for environmental protection reasons.

For such diesel engines, turbochargers are already indispensible. Downsized gasoline engines fitted with turbochargers are also growing more practical, and looking forward, it is predicted that their application will be expanded.

IHI Charging Systems International Germany GmbH (ICSG)—the German works of one of our EU bases of IHI Charging Systems International GmbH (ICSI)—was set up in Arnstadt, in the state of Thuringia, which has long prospered as a transportation hub, where the production of precision machinery and optical instruments is well established, and is a place with a flourishing culture and technology exchange. Taking advantage of its location, ICSG has secured excellent talent and is contributing to the revitalization of local employment.

The IHI Group defines globalization as the precise identification of needs in local markets around the world, ensuring the optimal deployment of both in-house and external management resources from a global perspective, and building networks to enable the efficient supply of products and services. Based on this idea, we are pursuing the vigorous global development of the turbocharger and various other businesses.

Turbocharger assembly (final process) line

The manufacturing line is set up with consideration to streamlined efficiency.

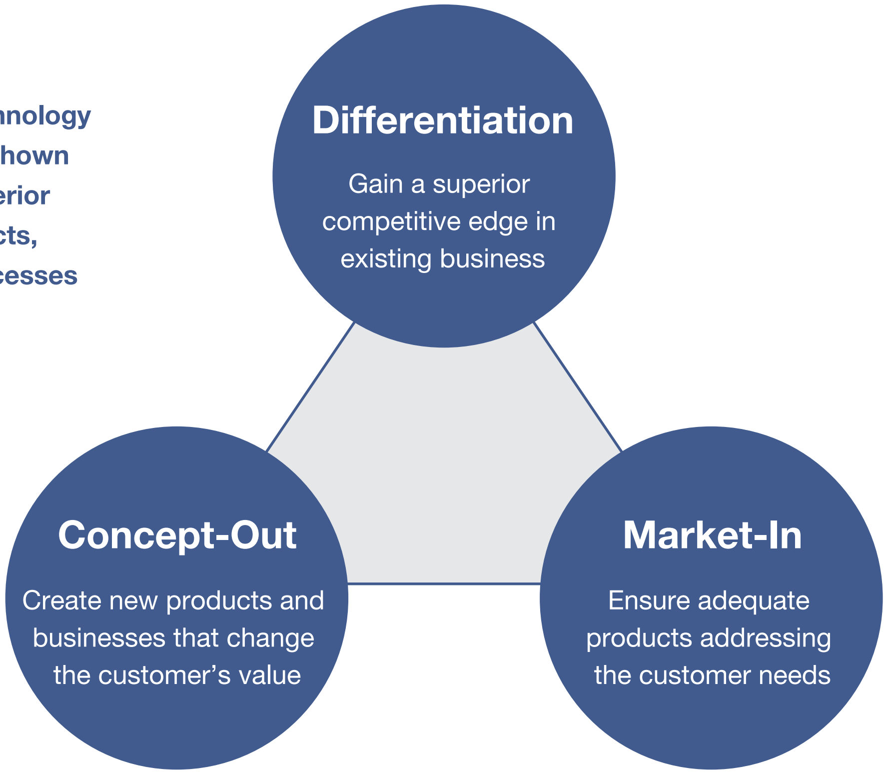
IHI Charging Systems International Germany GmbH (ICSG)

Research and Development Highlights

IHI Group Technology Strategy

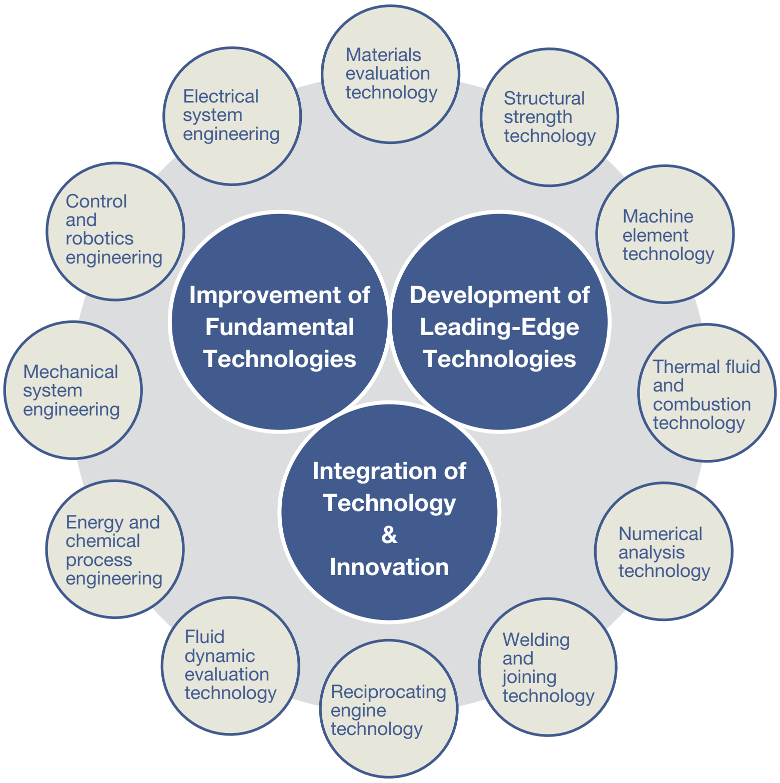
Research and development is the essential starting point for the IHI Group, as a technology leader.

The IHI Group has developed its technology strategy based on the basic policy, shown right, to gain differentiation and superior competitive edge in mainstay products, services and related production processes in the medium and long-term.



R&D Policy

IHI conducts research and development with three basic goals:
"to pioneer new fields of leading-edge technologies,"
"to advance common fundamental technologies," and
"to integrate technologies to develop new types of products."
By making constant efforts to increase efficiency, reliability and durability, while reducing the burden on the environment, we have achieved steady results that are leading to greater contributions to society through new technologies.
Research and development: the foundation of IHI.



Topics

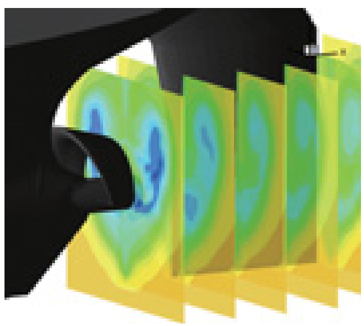
Energy saving devices for ships aiming 30% reduction of greenhouse gas emissions

Depending on the recent years' needs to reduce greenhouse gas emissions from ships, we are developing an energy saving semicircular duct installed around the propeller.

As part of this effort, we analyzed the flow field around semicircular ducts on real ships and model scale ships using CFD (Computational fluid dynamics), examined the scale effect by making comparisons with tank tests, and verified the impact of flow interaction between the duct and the ship's hull and the propeller on flow field.

As a result, in addition to clarifying mechanism of the energy saving behind the semicircular duct, we constructed a design method for the actual device after examining what duct shape, location and other aspects would optimally suit the flow fields in the wake of a real ship.

The technologies that we have developed can be used in the study of energy saving devices for other vessels, flow fields around the propeller and interaction among multiple energy saving devices.



Flow velocity distribution behind semicircular duct (CFD analysis)

Ultrasonic testing to detect unfilled parts of concrete

In the steel-concrete composite slabs, which are an essential structural element of bridges, the boundary between steel plates and concrete cannot be visually examined.

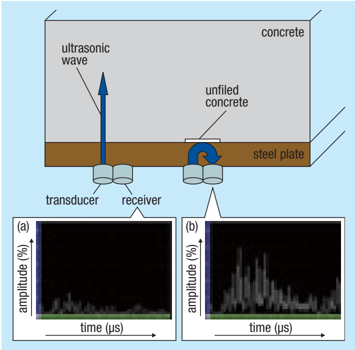
If there are unfilled parts of concrete at the boundary and water get into them, corrosion of steels and stiffeners might ensue and compromise the integrity of the structure.

It is thus necessary to develop the non-destructive inspection methods during the construction to detect reliably unfilled parts.

IHI has developed a method to distinguish between filled and unfilled parts of concrete by employing the ultrasonic waves with lower frequencies than those used in conventional ultrasonic testing.

After some tests, we examined the actual production of the bridge in February 2011 and confirm that concrete is filled at each inspection place by this method.

We will continue to have more experiences for our method and will work on improving its reliability.



Example of test results:
(a) Ultrasonic waves are transmitted almost entirely in case of concrete is filled
(b) Ultrasonic waves are reflected in case of concrete is unfilled

Development of Twin IHI Gasifier (TIGAR)

We have been focusing attention on the efficient utilization of low-rank coal, which has plentiful reserves but is limited in its uses. We are developing gasification technology (TIGAR: Twin Ihi GAsifieR) that provides an alternative to natural gas with syngas generated from lignite. Using circulating fluidized bed technology, TIGAR can gasify lignite and biomass at relatively low temperatures - between 850-1000°C - under atmospheric pressure.

Based on the result of the past bench-scale tests, in last year we constructed the pilot plant (lignite feed capacity: 6 tons per day) at the Yokohama Works and started its continuous operation. The plant, which includes not only the gasifier but also the gas clean-up and waste water treatment process, works as the total plant.

In 2011, TIGAR will enter its next stage, a demonstration plant (50 tons per day). In preparation for commercial plant, we will improve its operability and reliability as well as its economy in accordance with the needs of the user.

Panoramic view of the Twin IHI Gasifier pilot plant

Robot system developed that can flexibly handle multi-product assembly

We have developed an intelligent robot system equipped with a force sensor and a visual sensor and applied it on a turbocharger assembly line that requires multi-product variable-volume production.

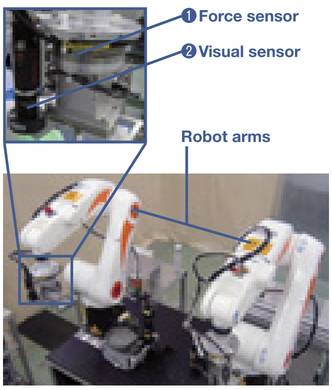
The robot system has the following characteristics:

(1) It is an all-purpose system that employs an industrial robot arm and carries out numerous operations on an automated basis, such as the assembly of precision parts and the handling of parts on the production line, which was previously done by workers.

(2) The combination of visual sensor technologies to measure the location of and inspect parts and force sensor technologies to control the contact force transmitted to the arm enables the robot to correct misaligned parts and screw holes and precisely fit parts with a tolerance of a few micrometers, without the need to accurately position the work.

(3) We realized space and labor savings without reducing production volumes by running several robot arms at high speed in close vicinity.

We are aiming to expand the employment of this system to factories inside and outside the IHI Group.



Assembly robot system

Development of laser and hot wire fillet welding technology

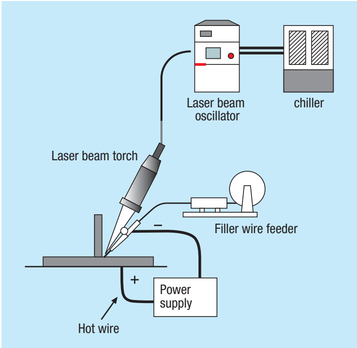
We successfully develop the new fillet welding process using laser beam technology, and that has been applied actual steel bridge fabrication. Using this developed laser process, both high welding speed and small distortion could be obtained, compare with conventional arc welding.

Applying large laser spot size, ϕ5mm-7mm, easy welding operation is achieved. And the hot wire heating device is also adopted to assist lack of energy density due to large spot size laser beam.

The first application to actual bridge member was composite slab, prepared for roadway. That is non-redundant parts of the heavy traffic viaduct. Performances and endurance of the parts have been checked under several loading condition that simulating self-weight and traffic load.

The newly developed welding process could be applied to another stiffened thin steel plate fabrication. For example, feasibility study applying to superstructure of ship has been conducting.

Fillet welding using laser hot wire



Schematic Diagram of laser hot wire welding process

Production Technology for Aluminum Alloy IHI-SPB Tanks

The time is ripe for the development of the world's first floating LNG production base to satisfy anticipated rapid growth in LNG demand. The SPB LNG tank, independently developed by IHI, is just the answer for floating LNG production platforms for various reasons, including its structural strength, and we plan to use it in many projects.

IHI has been working on technologies to further raise productivity of the SPB tank. For example, we developed a one-side welding process using the latest in aluminum welding power sources technology, which eliminated the need of turning over large plates. Further, we automated welding and improved productivity in the grand assembly process for the whole tank, in which blocks are joined on to each other to assemble the tank. For a complete review of the technologies we have developed, in fiscal 2010, we put together a half-scale mock-up (9m x 13m x 13m) and tested our welding equipment, robots and other equipment.

Through the above developments in production technology, we have established technologies that allow us to offer the all-aluminum alloy SPB tank at a level of reliability that is unmatched in the industry.

Mock-up during construction

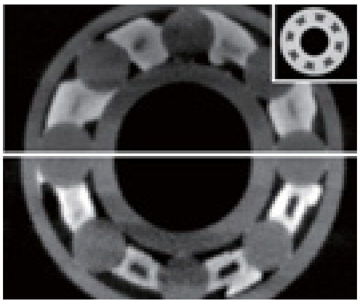
Non-destructive inspection technology with neutron beam

Neutron beam imaging technology is gaining attention as a core technology for next generation non-destructive inspection, and we are carrying out the development of dynamic imaging technology for analysis of the interior of machine component.

Compared with the traditional non-destructive inspection method— X-rays —neutron beams make it possible to see through the interior of metal containers and are superior in detecting organic matter, making things visible that could not be seen before.

As an example, we tried to visualize the lubricant in a rolling bearing and succeeded in filming it at an industry-leading speed of 1,000 frames per second.

In the future, we expect the technology to be used in inspections at places such as airports and customs, as well as in product quality assurance.



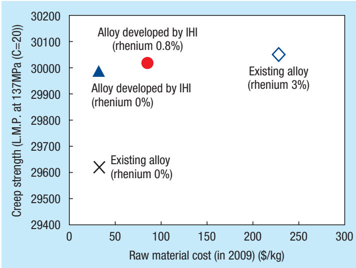
Neutron-beam and X-ray images
(Top: rolling bearing before rotation, bottom: after rotation, upper-right insert: X-ray image)

Rhenium-free nickel-based single-crystal superalloy developed in aim to cut rare metals consumption

Nickel-based single-crystal superalloys are used in components of jet engines. Recently, there is a need for alloys that use less of the expensive rare metals but have the same properties as the existing alloys.

We succeeded in developing new alloys (rhenium content of 0-0.8%) that matches the performance of the existing alloy (rhenium content of 3%) by adjusting the basic element content of alloy to its optimal value.

We are aiming to utilize the new alloy in the existing and newly developed engines.



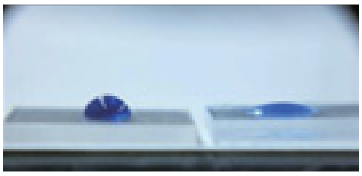
The relationship between raw material costs and creep strength.

Material surface modification using plasma irradiation

We are developing a novel surface treatment technology using microwave plasma to expand applications of materials. Compared to the present method, our method has some advantages. For example, the treatment damage to the surface of materials is lower, the effect of the plasma treatment is kept for longer time, and the various surface modifications are possible by this method.

Using microwave plasma under vacuum we established the modification process which improved to keep the treatment effect for long time compared with present process. And, we successfully confirmed the degradation mechanism of the plasma treatment effect.

In the future, we will work on expanding the various plasma sources to apply the technology in calendar lines, which is one of IHI's products.



Plastic before and after plasma surface treatment
Left: Before the treatment, Right: After the treatment
(Before the treatment, the plastic surface was hydrophobic. After the treatment, it has changed to hydrophilicity)

Development of high-efficiency confined gas heater

We are developing a high-efficiency radiant-energy confined gas heater for heat-treatment applications such as continuous furnaces used for paint-drying, heat treatment of electronic parts and baking foods.

By reengineering the shape of the combustion chamber, we improved combustion stability in a small sealed space, which contributed to an efficient recovery of exhaust heat inside the heater. In addition, we invented the shape for the heater itself with the view of maximizing radiation efficiency, achieving an up-to 80% reduction in fuel consumption relative to traditional infrared gas burner.

We will continue to develop the product and improve reliability to meet customers' needs.

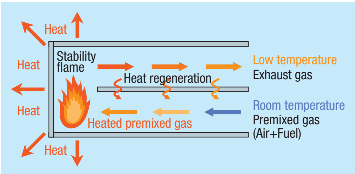


Diagram of confined gas heater

Gas heater

Intellectual Property

As of March 31, 2011

Basic Policy on Intellectual Property

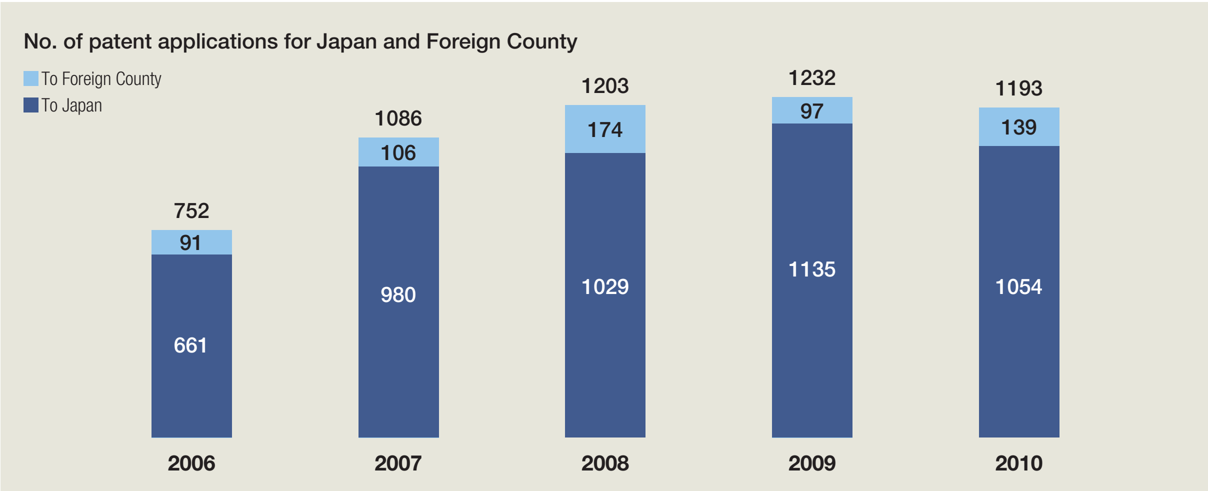
Based on the Group's Management Policies 2010, IHI Group has established the following basic policy concerning intellectual property (IP).

(1) Promote IP activities with integrated business and R&D strategies
(2) Carry out thorough IP risk management
(3) Invigorate IP activities in each business operation and improve internal organizational structures

Patent Application Filing Activities

According to the basic policy on intellectual property, IHI filed patent applications linked with business area and R&D subject. IHI filed some patent applications related on the subjects picked up on R&D topics, for example, robotic system, energy saving devices for ships and Twin IHI Gasifier.

The total number of the filed patent applications had increased since 2006 until 2009. In the last three years, the total number of the patent application of each year has been around 1,200.



IHI Brand Protection from an IP Perspective

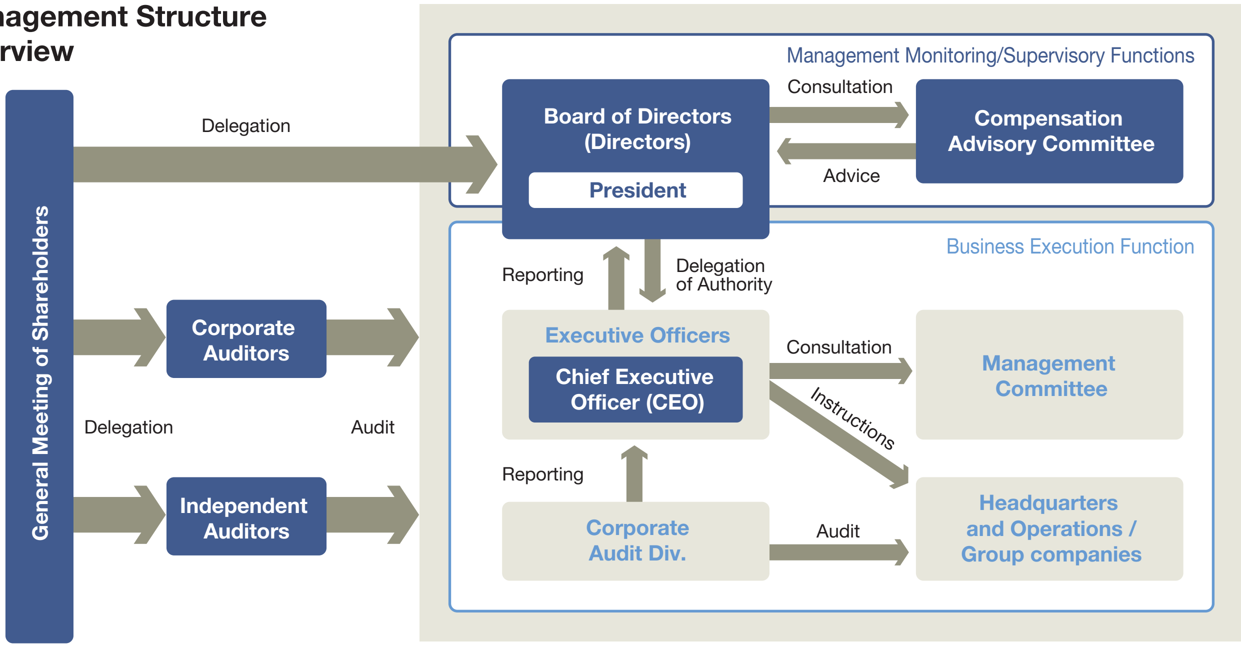
The IHI trademark is certified by the Japan Patent Office as an established trademark. In addition, IHI filed its trademark overseas and as a result it has been registered in 88 countries at the present day.

In July 2007, the Company name was changed to IHI, with some affiliated companies also adopting the IHI name and trademark. To improve IHI brand value, the IHI Group will continue to promote its brand by filing trademark applications for requisite products and services.

Compliance and Risk Management

Corporate Governance

Management Structure Overview



- Number of Directors: 15 (including two outside directors)
- Number of Corporate Auditors: 5 (including three outside corporate auditors)
- Number of Executive Officers Regarded as Top Management: 23 (including eight concurrently appointed as directors)

* As of July 1, 2011

The Corporate Governance System

IHI defines corporate governance as a system designed to maximize corporate value by increasing efficiency of management to leverage the company's capabilities as much as possible. Given this definition, recognizing that decision-making within industry must follow the law and appropriate procedures and the importance of systems to monitor operational execution, we are enhancing our corporate governance framework.

Under the terminology of the Companies Act in Japan, IHI is classified as a "company with auditors," and of its five corporate auditors, three are outside corporate auditors. Twenty-two members of the top management are selected to act as executive officers to concentrate purely on operational execution, and eight of them also serve as members of the board of directors (as of March 2011).

We have established a Management Committee, composed by persons appointed by the Chief Executive Officer (CEO) and charged with supporting the CEO in decision-making and operational execution.

We also established a Compensation Advisory Committee with the objective of guaranteeing the appropriateness of executive compensation. This organization consists of four members: an outside director, who acts as committee chair; one outside corporate auditor; the board member in charge of human resources; and the board member in charge of finances.

※'FY' is fiscal year, ended March 31 of respective years

The Support System for Outside Directors and Outside Corporate Auditors

In IHI, the roles of supporting outside directors and supporting outside corporate auditors go the Administrative Division and the Auditors' Office, respectively. The Administrative Division supports the outside directors by explaining the agendas for Board of Directors' meetings and assisting them perform their duties in other ways. In the Auditors' Office, IHI employees support the outside corporate auditors not only by assisting them perform their duties, but also by providing reports from the standing corporate auditors on the day-to-day status of the company and by sharing other information with them.

Compensation for Directors and Corporate Auditors

Compensation for directors takes into account their performance, position, and achievement of goals in their areas of responsibility, and the amount is determined within the framework approved at the General Meeting of Shareholders. In FY2010, total annual compensation for the board of directors was ¥630 million, while total annual compensation for the corporate auditors was ¥84 million.

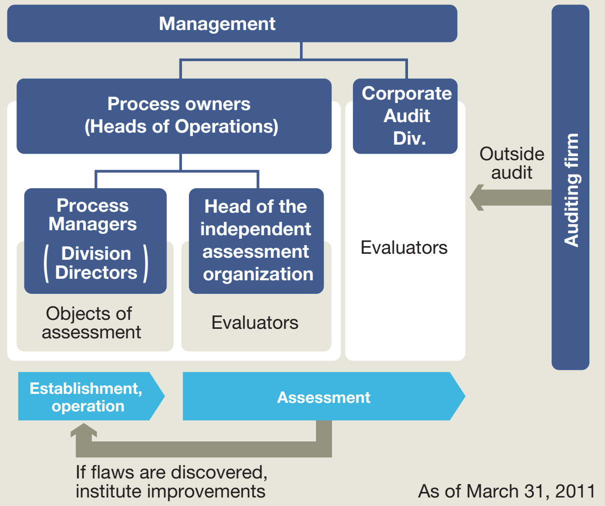
Internal Control

Internal Control System

In IHI, our fundamental policies in establishing internal control system aim at raising the effectiveness of corporate governance and increasing corporate value. These fundamental policies guide us in establishing the framework to achieve sound compliance and enhanced risk management and, further, in implementing and operating the control system common to all Group companies. At IHI, we realize that establishing dependable corporate governance system is essential to our efforts to expand the Group's businesses globally and we are proactively working on it.

As a response to prevent window dressing and other accounting improprieties, Japan has instituted the commonly called J-SOX system, an internal control reporting system based on the Financial Instruments and Exchange Act. The J-SOX system mandates the implementation and operation of internal controls for preparing proper financial statements and disclosing them, as well as the submission of a report evaluating effectiveness of such controls. According to the evaluation of IHI's internal controls for FY2010, no flaws in internal controls were found that were likely to have a significant effect on the Group's financial statements. The internal control report that summarized these evaluation results was subject to an external audit performed by an auditing firm. With regard to the monitoring functions of the internal control system, we merged the former Internal Control Office with the former Auditors' Office in April 2010 as part of an effort to strengthen and optimize the functions of the Head Office in managing the Group. The objective of the merger was to strengthen and raise the level of the internal control system of the executive division by centralizing independent monitoring functions, launching the Internal Auditors' Office, and unifying and optimizing monitoring functions. Monitoring will contribute to raising competitiveness of the Group companies and improvement of corporate value.

IHI Group's Internal Control system



Project Control System

We established the Project Audit Division in January 2008 for the purpose of assessing whether construction of large-scale projects (construction projects subject to the percentage of completion method *1), as of their implementation stage, is properly evaluated with regard to the management status of construction and the risks assessment, and whether the projects' estimated profitability is properly and transparently calculated. We examine the management status of construction of large-scale projects (subject to the percentage of completion method), domestic or overseas, including those by the affiliated companies, from the following viewpoints:

- Adequacy of the project's execution system after receipt of order
- Appropriateness of management status of intermediate cost*2 relative the project's progress of work
- Transparent appropriateness and timeliness of the project's estimated profitability

The results of the assessment and proposals for improvement, if any, go through the Management Committee and are then duly reported to the CEO.

In addition, by releasing the information about the items we examine and decision examples on the website, we share the information with the division charged with gathering cost information for various projects and thus assist in making possible proper intermediate cost and risk management.

In the course of FY2010 (ended March 31, 2011), 54 construction projects were audited, including all of the 36 projects, accounted for by the percentage of completion method, by the parent company IHI and 18 projects by 4 of our affiliated companies.

We will continue to strive to achieve proper and timely estimates of profitability of large-scale projects done on a consolidated basis.

*1 Construction projects subject to the percentage of completion method: large-scale projects, where sales and profits are not booked after construction is completed; instead, sales and profits are booked per year in line with the project's progress of work.
*2 Intermediate cost: an estimated final cost at completion of the project, calculated while the project is under construction by adding an estimate of the expenses that are expected to arise in the future to the expenses that have actually arisen.

Compliance

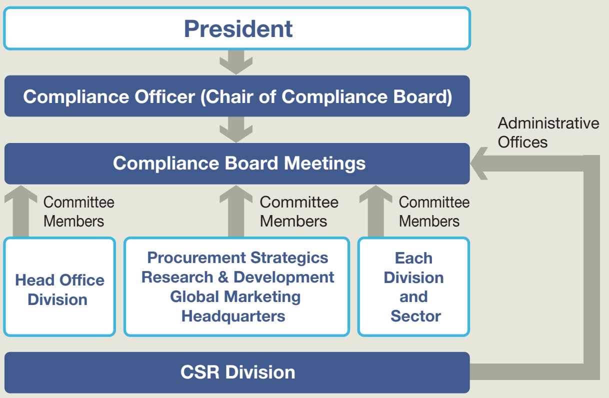
Our Policy on Compliance Activities

In FY2010, the IHI Group worked under the statement "The operating divisions and head office divisions will each reaffirm their respective roles and join with each other to 'thoroughly root out any hint of impropriety' within the Group." In the course of actual activities, we have been striving to reaffirm each and every role as it corresponds to each and every position, and make sure that what needs to be done is made clear and implemented without fail.

Compliance Board Meeting

The Compliance Board of the Group meets four times a year with the executive officer in charge of compliance as its chair. The Board identifies common activities and tasks in each division and strives for improvement to root out any improprieties using a PDCA cycle.

Compliance Organization Chart



Compliance Hotline

The IHI Group has established a Compliance Hotline (hereafter, the Hotline) in order to prevent illegal or improper actions in the course of operations or to discover them in their early stages and correct them in a timely manner. An expert outside organization, the Corporate Ethics Hotline, serves as the contact point and it is possible to use the Hotline anonymously.

During FY2010, 135 incidents were reported to the Hotline.

Most of the incidents had to do with interpersonal relations in the workplace, and there were none related to improprieties.

Message from the Management

The IHI Group designated October of every year as the Corporate Ethics Month to raise awareness of compliance and spread it further. In conjunction with the Corporate Ethics Month, IHI has sent a message from the President to divisional management in order to completely re-examine corporate behavior of the IHI Group and promote corporate ethics. This was an excellent opportunity to reflect again about what compliance is—in a particular workplace and in each respective organization.

Furthermore, our executive officer in charge of compliance for the Group has sent a message to the employees using in-house bulletins. With this, we further helped propagate proper understanding and the need to take action so that each and every employee can raise her or his sense of ethics and prevent improprieties.

Risk Management

Risk management is a top priority task for the IHI Group and we handle it on a global basis.

The IHI Group takes risk management as an activity in accord with the Basic Code of Conduct of the IHI Group. The CEO is charged with risk management's structure, organization and operation, and pursues these tasks vigorously.

We set up a risk management system with promulgating the Basic Risk Management Regulations in FY2008.

The CEO holds a meeting of the Risk Management Committee annually. The Committee identifies and analyzes the risks integral to the entire IHI Group and sets out those that should be managed on a priority basis as Priority Risk Management Policies of a year.

In line with the priority policies, IHI's business units and affiliated companies, including those overseas, determine their risk management plans in conjunction with their respective annual business plans, in order to carry out risk management tasks effectively.

FY2011 Priority Risk Management Policies list the following points as needing serious consideration: broadening scope and diversity of risks due to globalization of business, change in competitive environment due to industry reorganization, optimization of integrated management of IHI with affiliated companies, and others.

Further, with regards to risks common to the entire Group, IHI's Head Office uses its competencies to provide information and training. With this setup, the Head Office assists in risk management tasks of divisions and affiliated companies, monitors the status of activities, and advances risk management of the entire Group in a unified and effective way.

Moreover, the Internal Auditors' Office performs internal audits of every division and affiliated company, based their respective management plans, both efficiently and effectively.

By reviewing our policies and plans with consideration of the results from the above efforts, we will continuously improve and enhance our risk management each year.

Information Security and Protecting Intellectual Property

Information Security

The use of information technology has become essential for today's corporate activities, but companies also need to institute measures against information security risks such as system failure and information leaks. IHI is tackling these issues from three aspects: rules, tools, and education.

Information Security Measures

Among the rules we have established are Information Security Policy, Information Security Provision Criteria, and Information System User Regulations.

We have introduced a variety of security tools, such as antivirus software, and we update them to the newest versions. In order to enhance security outside the company, we installed security software for e-mail, USB memory and other external memory media.

Aiming to maintain and raise the employees' awareness of security, we hold annual e-learning sessions in order to give the IHI Group employees a deeper understanding of these rules and tools.

Organized and Planned Security Measures and Improvements

An Information Security Committee composed of representatives from IHI's major Divisions and Group companies meets four times a year and promotes information security measures in an organized and planned way.

Every year beginning in FY2005, the IHI Group has conducted an internal audit of the status of its information security measures and made efforts to improve. A primary survey (written survey) of all Group companies (61 companies) was conducted in September and October of FY2010, followed by a secondary survey (in-person interviews) of a selected smaller group of 9 companies conducted in January. The result of the audit was that no major flaws in security measures were found.

Obtaining International Certification (ISO 27001)

The IHI Group Divisions and companies that perform important work for the national government undergo a review by outside expert organizations every year. They have obtained and renewed their ISO 27001 certification, an international certification of information security, and strive to maintain a high level of information security.

Protecting Intellectual Property

Basic Concepts of Intellectual Property

The IHI Group is enhancing its intellectual activities on the basis of business strategies and R&D strategies and constructing a Group-wide intellectual property management system. It is IHI's basic principle to rigorously protect its intellectual property while giving respect to the intellectual property rights of third parties.

Efforts to Protect Intellectual Property

•Respecting the Intellectual Property Rights of Third Parties

The IHI Group respects the intellectual property rights of third parties.

In order to reduce business risk, we pay special attention to inculcating the principles of intellectual property management.

We are instituting a system that allows to search patents and monitor the patents of other companies and we are setting up the infrastructure needed to avoid business risks.

•Education about Intellectual Property

The IHI Group aims to protect its own intellectual property and respect the intellectual property rights of third parties, and to that end, it conducts in-house education for employees. These educational programs employ lecture sessions and e-learning systems and offer education on a wide variety of topics related to intellectual property in general, including patents, copyrights, brands, and trade secrets.

※'FY' is fiscal year, ended March 31 of respective years

Corporate Social Responsibility

Materials Balance of Business Activities

Through IHI business activities, we provide an array of products that support industrial and social development, ranging from machinery, equipment, facilities, and plants to distribution and transportation systems. The environmental impact of this production is summarized below. Applying an accurate understanding of how much electricity, fuel, water, and other resources are consumed in IHI production activities (input) and our environmental emissions in terms of CO_2, waste, and so on (output), we are working to reduce our environmental impact.

Use of resources

Energy consumed

Total energy consumption: **2,494 TJ**

Water consumption

General water supply: **883,000 m³**

Industrial water: **520,000 m³**

Ground water: **156,000 m³**

Business activities

R&D

Procurement

Distribution

Production

Installation

Environmental impact

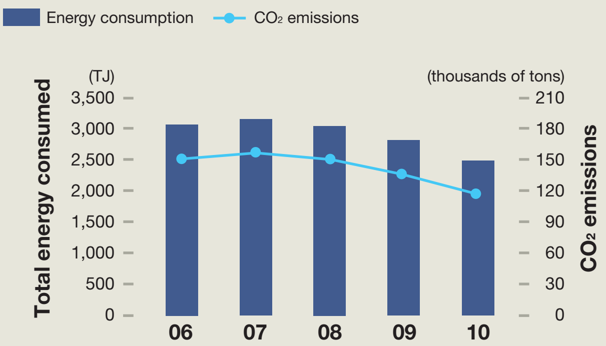
CO_2 Emissions

Emissions from production & Emissions from distribution: **117,718 t**

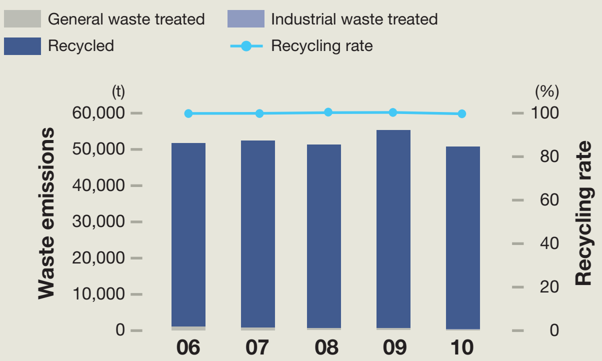
Waste: **50,719 t**

Recycled: **50,466 t**

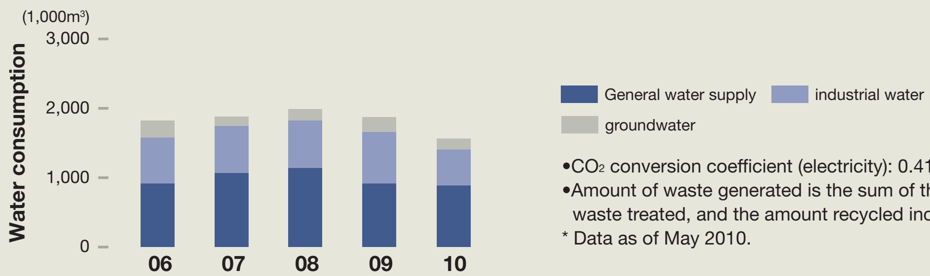
Changes in energy consumption (production activities) and CO_2 emissions



Changes in waste emissions and recycling rates



Changes in water consumption



•CO_2 conversion coefficient (electricity): 0.418 kg/kWh
•Amount of waste generated is the sum of the amount of general and industrial waste treated, and the amount recycled includes marketable metal scrap.
* Data as of May 2010.

※'FY' is fiscal year, ended March 31 of respective years

Global Warming Measures

Changes in CO_2 Emissions in Production Activities

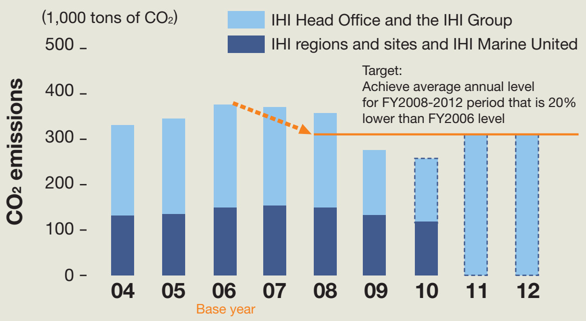
The IHI Group's target is "to reduce CO_2 emissions by 20% of the FY2006 level based on the average annual level for the FY2008–FY2012 period." As a result, we are working on cutting CO_2 emissions in our production activities.

All regions and sites of the IHI Group have long been reducing CO_2 emissions by implementing various energy-saving programs.

In FY2010, CO_2 emissions was 257,874 tons. They are expected to be below the target for the second consecutive year.

In order to reach our emissions target by FY2012, we will be strengthening our energy saving efforts, including installation of new equipment.

Changes in IHI Group's (domestic) CO_2 emissions and reduction target



•The FY2010 data for the IHI Group and its domestic group companies is currently being surveyed and includes a 10% allowance for error.
•In the future, a reassessment of the aggregate range may cause a change in the numerical values.
•We use a CO_2 conversion coefficient (electrical power) of 0.418kg-CO_2/kWh.

Improvement of Control Standards

In order to move forward with energy saving in our operations, we revised our control standards (equipment operation manuals that put stress on energy saving) in FY2009, and are now focusing on equipment replacement.

In FY2010, we continued our one-by-one visits to affiliated companies' facilities, and we also put our supervisors through energy control training.

In FY2011, we will continue our one-by-one visits, create the Energy Saving Subcommittee (tentative name), study establishing a medium-term energy saving plan and concrete energy saving measures for each plant and office building, and move ahead, as the entire Group, with our energy saving efforts.

* One-by-one visits and supervisor training were arranged with the cooperation of the Energy Conservation Center, Japan.

Guidance during a one-by-one visit

Reducing CO_2 Emissions during Transport

IHI has set the goal of reducing CO_2 in basic unit of energy for FY2011 to 5% below those of FY2006 and accordingly, is trying to reduce energy used in distribution operations. In specific terms, each site is taking measures to reduce emissions, such as increasing loading efficiency and modal shift.

Meeting on data management and transportation efficiency improvement

Measures against Environmental Harmful Substances

Management and Disposal of Devices That Use PCBs

Electrical devices containing PCBs (polychlorinated biphenyls) are handled properly at all Group companies. Those with high concentrations of PCBs had already been registered with the Japan Environmental Safety Corporation (JESCO), and we have been stripping them of harmful substances since FY2009. We also prepared a list of electrical devices that use minute amounts of PCBs in FY2009 and are now proceeding with replacing them with non-PCB devices.

Removal of harmful substances

Management of Chemical Substances in Products

IHI is strengthening management of chemical substances contained in our products following the European REACH (Registration, Evaluation, Authorization and Restriction of Chemical Substances) regulations that went into effect in 2007.

In FY2008, we examined our products for substances subject to the REACH regulations and confirmed that there were none subject to provisional registration. In FY2010, in line with our effort to build the framework to know and manage all chemical substances used in IHI Group's businesses within 3 Years by FY2012, we set up the Chemical Substances Management Committee, composed of the responsible personnel from all divisional headquarters and operations. We are conducting in-depth discussions and held a study meeting.

* The study meeting was conducted with the cooperation of Mizuho Information & Research Institute, Inc.

Chemical substances management study meeting

Reducing Pollutant Release and Transfer Register (PRTR) Substances

The solvents that the IHI Group uses for coatings of ships and bridges in its businesses include PRTR substances. The main substances in question are xylene, ethyl-benzene and toluene, which are emitted into the atmosphere. In FY2010, there were eight types of Class I Designated Chemical Substances, of which one ton or more (0.5 ton or more of Specified Class I Designated Chemical Substances) was used at each site and plant. The amounts emitted or transferred are shown on page 40. In FY2011, we will continue to substitute with non-solvent type coating materials and use airless coatings and thus reduce emissions.

Amounts of PRTR Act Class I Designated Chemical Substances Emitted or Transferred

(FY2010) Unit: tons

Ordinance number	Substances	Emission	Transfer
37	Bisphenol A-type epoxy resin	11.4	0.5
53	Ethylbenzene	217.4	2.0
71	Ferric chloride	0.0	17.8
80	Xylene	472.4	5.8
87	Chromium and trivalent chromium compounds	0.0	2.3
300	Toluene	87.2	1.9
374	Hydrogen fluoride and its water-soluble salt	0.3	4.4
412	Manganese and its compounds	1.1	21.4

Corporate Officers

As of July 1, 2011

President

Kazuaki Kama
Chief Executive Officer

Executive Vice Presidents

Yuji Hiruma
Senior Executive Officer

Ichiro Hashimoto

Tamotsu Saito

Fusayoshi Nakamura
Senior Executive Officer

Board Directors

Makoto Serizawa

Kazuo Tsukahara

Sadao Degawa
Managing Executive Officer

Joji Sakamoto

Ichiro Terai
Executive Officer

Tatsumi Kawaratani
Managing Executive Officer

Izumi Imoto
Managing Executive Officer

Toshinori Sekido
Managing Executive Officer

Tomokazu Hamaguchi

Tadashi Okamura

Executive Officers

Managing Executive Officer

Mitsukatsu Asaoka
Hiroshi Iwamoto

Executive Officer

Eiichi Yoshida
Naruto Takata
Akira Inoue
Osamu Abiko
Ichiro Murai
Yutaka Yoshida
Hiroshi Asakura
Nobuo Aoki
Tsugio Mitsuoka
Hiromitsu Hamamura
Hiroyuki Otani
Mikio Mochizuki
Kazuyoshi Matsui

Corporate Auditors

Teruo Shimizu
Masakazu Maruyama
Takeo Inokuchi
Nobuo Gohara
Hisatsugu Nonaka

Organization

As of July 1, 2011

- Board of Directors
  - President and Chief Executive Officer
  - Corporate Auditors

- Monozukuri Innovation Initiative
- Corporate Business Development Div.
- Project Audit Div.
- Information Systems Div.
- Finance & Accounting Div.
- Human Resources Div.
- Administration Div.
- Corporate Social Responsibility Div.
- Legal Div.
- Public Relations
- Corporate Planning Div.
- Secretariat Div.
- Corporate Audit Div.
- Procurement Strategics
- Corporate Research & Development
  - Research Laboratory
  - Production Engineering Center
  - Products Development Center
  - New Products Incubation Center
- Global Marketing Headquarters
  - Regional Headquarter for the America
  - Chief Regional Officer for Asia Region
  - Chief Regional Office in China
  - Corporate Sales & Marketing Dept.
  - Global Strategic Planning Dept.
  - Russia Project Dept.
  - Domestic Branch Offices
  - Overseas Branch & Representative Offices
- Defense Project Collaboration Div.
- Agricultural Machinery Business Administration
- Headquarters Representative's Offices

- Machinery, Environmental & Logistics Systems Operations
- Infrastructure Operations
  - Sunamachi Works
- Offshore Project & Steel Structures Operations
  - Aichi Works
- Rotating Machinery Operations
  - Yokohama Machinery Works
  - Casting Workshop
- Vehicular Turbocharger Operations
  - Engineering Center
- Energy Systems Operations
  - Power Plant Div.
  - Aioi Works
- Nuclear Power Operations
  - Yokohama Nuclear & Chemical Components Works
- Plant Engineering Operations
- Aero-Engine & Space Operations
  - Headquarters Representative's office, Soma District
  - Defense Systems Div.
  - Civil Aero-Engine Div.
  - Maintenance Div.
  - Space Development Dept.
  - Research & Engineering Div.
  - Manufacturing Div.
    - Mizuho Aero-Engine Works
    - Kure Aero-Engine & Turbo Machinery Works
    - Soma No.1 Aero-Engine Works
    - Soma No.2 Aero-Engine Works
- Urban Development Operations
- Power Systems Operations
  - Power Systems Div.

Directory

As of July 1, 2010

Head Office ···

Toyosu IHI Bldg., 1-1, Toyosu 3-chome, Koto-ku, Tokyo 135-8710 Japan

Offices

❶PARIS
17, Rue d'Orleans, 92200 Neuilly sur Seine, FRANCE

❷ALGER
Boulevard du 11 Decembre 1960, Lot No.12
Cooperative Essalam, Appartement No.02 ler etage,
El Biar, Alger ALGERIE

❸MOSCOW
Office E02-312, 2nd floor, 8, 4th Dobryninskiy Pereulok,
Moscow 119049, RUSSIA

❹BAHRAIN
Manama Centre, Entrance 1, 2nd Floor, Suite No. 208,
Government Road, P.O. Box 5837, Manama,
KINGDOM OF BAHRAIN

❺NEW DELHI
15th Floor, Dr. Gopal Das Bhawan, 28 Barakhamba
Road, New Delhi-110001, INDIA

❻BANGKOK
14th Floor, Ramaland Building, 952 Rama IV Road,
Suriyawongse, Bangrak, Bangkok 10500, THAILAND

❼KUALA LUMPUR
Letter Box No. 52, 27th Floor, UBN Tower, 10 Jln.
P. Ramlee, 50250 Kuala Lumpur, MALAYSIA

❽HANOI
Unit 515, Sun Red River, 23 Phan Chu Trinh Street,
Hoan Kiem District, Hanoi, VIETNAM

❾JAKARTA
Mid Plaza II, 17th Floor, JL. Jendral Sudirman Kav.
10-11, Jakarta 10220, INDONESIA

❿BEIJING
Room 1901, China Resources Building No. 8
Jianguomenbei Avenue, Beijing 100005 CHINA

⓫SHANGHAI
24th Floor, Hang Seng Bank Tower, 1000, Lujiazui Ring
Road, Pudong New Area, Shanghai 200120, CHINA

⓬TAIPEI
Room 1202, Chia Hsin Building, No. 96 Section 2,
Chung Shan North Road, Taipei, TAIWAN

⓭SEOUL
23rd Floor, Seoul Finance Center B/D, 84, 1-Ka,
Taepyung-ro, Chung-ku, Seoul 100-768, KOREA

Branch

SINGAPORE
❶IHI Corporation Singapore Branch
77 Robinson Road, #14-03 Robinson 77, Singapore 068896

Main Overseas Subsidiaries

U.K.
①IHI Europe Ltd.
2nd Floor, America House, 2 America Square,
London EC3N 2LU, U.K.

NETHERLANDS
②Hauzer Techno Coating BV
Van Heemskerckweg 22, 5928 LL Venlo,
THE NETHERLANDS

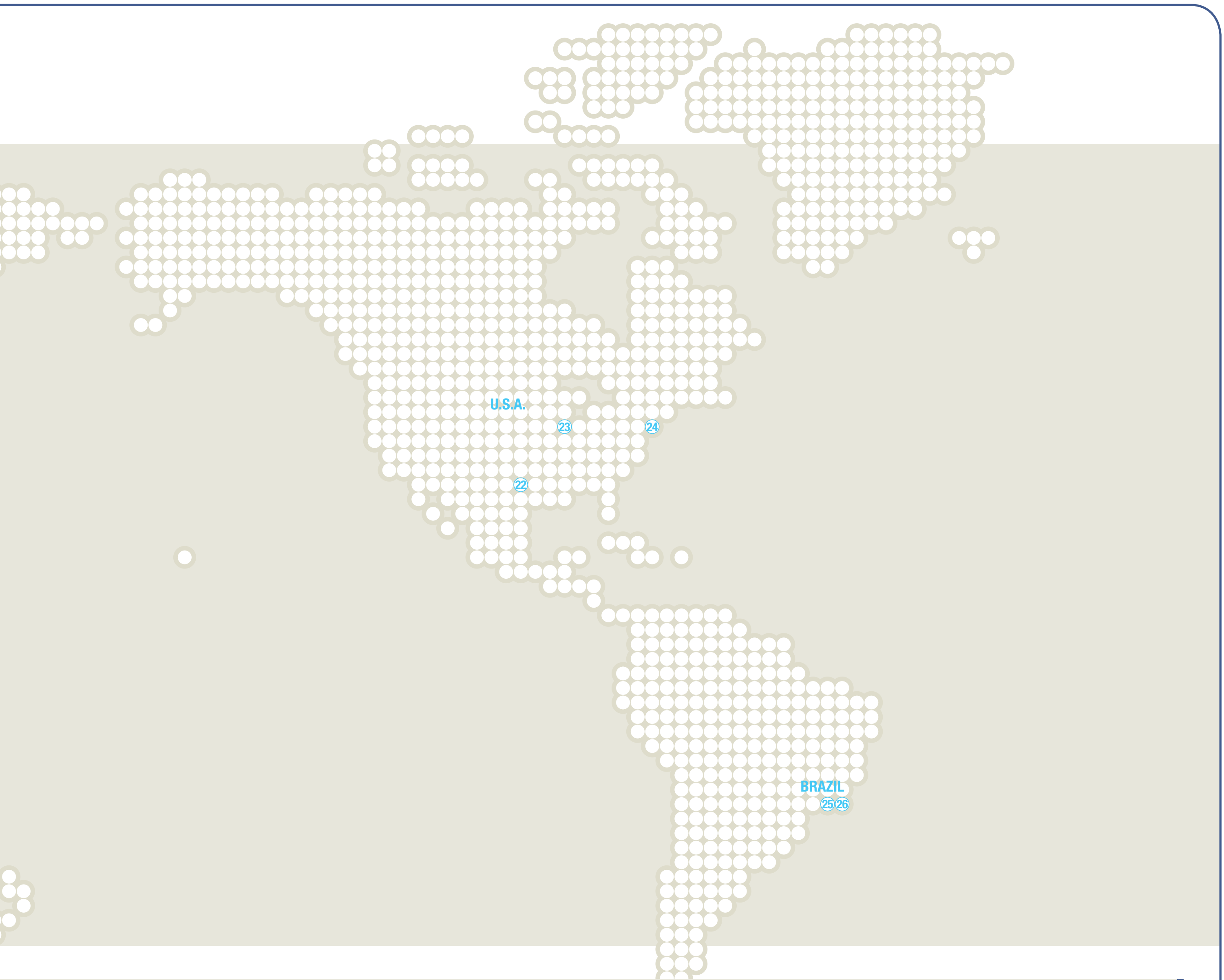
GERMANY
③IHI Charging Systems International GmbH
Haberstrasse 24, 69126 Heidelberg, GERMANY

④IHI Charging Systems International Germany GmbH
Wolff-Knippenberg-Strasse 2, D-99334, Ichtershausen,
GERMANY

⑤IHI Power System Germany GmbH
Waltherstraße 51, 51069 Köln, GERMANY

ITALY
⑥IHI Charging Systems International S.P.A.
Via Regina 25 23870 Cernusco Lombardone(LC) ITALY

THAILAND
⑦IHI TURBO (Thailand) Co., Ltd.
Amata Nakorn Industrial Estate, 700/487 Moo. 2,
Tumbol Bankao Amphure Phanthong, Chonburi 20160,
THAILAND



MALAYSIA

⑧IHI POWER SYSTEM MALAYSIA SDN. BHD.
Letter Box No.52, 27th Floor, UBN Tower, 10 Jln. P.Ramlee, 50250 Kuala Lumpur MALAYSIA

SINGAPORE

⑨Jurong Engineering Ltd.
25 Tanjong Kling Road, Jurong Town, SINGAPORE 628050

VIETNAM

⑩IHI INFRASTRUCTURE ASIA CO., LTD
9th Floor, Hoang Huy Building, 116 Nguyen Duc Canh, Cat Dai, Le Chan, Hai Phong, VIETNAM

INDONESIA

⑪PT Cilegon Fabricators
Jl.Raya Bojonegara Salira Desa Argawana Kecamatan Pulo Ampel Kabupatan Serang Banten 42454, INDONESIA

HONG KONG

⑫IHI (HK) Ltd.
Room 2203, 22/F., Causeway Bay Plaza 2, 463-483 Lockhart Road, Causeway Bay, HONG KONG

CHINA

⑬IHI-Sullair Compression Technology (Suzhou) Co., Ltd.
No. 262, Changyang Street, Suzhou Industrial Park, Suzhou, Jiang Su 215024, CHINA

⑭JIANG SU ISHI TURBO Co., Ltd.
Meiyu Road 110, Wuxi National Hi-Tech Industrial Development Zone, Jiangsu.p.r. 214028, CHINA

⑮Changchun FAWER-IHI Turbo Co., Ltd.
No.3377, Yangpu Street, Economy Tech Exploit zone Changchun P.C:130033, CHINA

⑯WUXI IHI TURBO CO., LTD
Meiyu Road 110, Wuxi National Hi-Tech Industrial Development Zone, Jiangsu.p.r. 214028, CHINA

⑰IHI Logistics System Technology Shanghai Co., Ltd.
Room041, 24th floor, Hang Seng Bank Tower, 1000, Lujiazui Ring Road, Pudong New Area Shanghai 200/20 CHINA

TAIWAN

⑱IHI Technical Consulting Co., Ltd.
Room 1202, Chia Hsin Building, No. 96 Section 2, Chung Shan North Road, Taipei, TAIWAN

PHILIPPINES

⑲IHI PHILIPPINES, INC.
Room 1104, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City, REPUBLIC OF THE PHILIPPINES

AUSTRALIA

⑳IHI Engineering Australia Pty. Ltd.
Suite 2201, Level 22, 111 Pacific Highway, North Sydney NSW 2060 AUSTRALIA

㉑IHI Oxyfuel Australia Pty. Ltd.
Suite 2201, Level 22, 111 Pacific Highway, North Sydney NSW 2060 AUSTRALIA

U.S.A.

㉒IHI Southwest Technologies Inc.
6766 Culebra Road, San Antonio, Texas 78238-4700, U.S.A.

㉓IHI Turbo America Co.
Route 16 West, R R 3, Box 36, Shelbyville, IL 62565-0580, U.S.A.

㉔IHI INC.
150 East 52nd Street, 24th Floor, New York, NY 10022, U.S.A.

BRAZIL

㉕ISHIKAWAJIMA-HARIMA SUL-AMERICA LTDA.
Av. Presidente Antonio Carlos, 607-sobreloja-Centro-Rio de Janerio-RJ-BRASIL

㉖IHI do Brasil Representacoes Ltda.
Rua da Quitanda, 59, 5° Andar, Centro Rio de Janeiro-RJ-BRASIL

Timeline of IHI

1800s	1853	Established Ishikawajima Shipyard
	76	Established Ishikawajima Hirano Shipyard
	89	Established Ishikawajima Shipbuilding & Engineering Co., Ltd., Tokyo (Ishikawajima S&E)
1900s	1907	Established Harima Dock Co., Ltd.; later renamed to Harima Shipbuilding & Engineering (Harima S&E) and merged with the Company
	39	Established Shibaura United Engineering Co., Ltd. (SUECO), to produce rolling mills, through a joint venture with Toshiba and United Engineering & Foundry in the U.S.; later merged with the Company
	41	Established Nagoya Shipbuilding Co., Ltd. (Nagoya Shipbuilding); later merged with the Company
	45	Changed Company name to Ishikawajima Heavy Industries Co., Ltd. (Ishikawajima Heavy Ind.)
	54	Established Kure Shipbuilding & Engineering Co., Ltd. (Kure S&E); later merged with the Company
1960s	1960	Merged Ishikawajima Heavy Ind. and Harima S&E; inaugurated Ishikawajima-Harima Heavy Industries Co., Ltd. (IHI)
	61	Established Nagoya Heavy Ind.
	63	Established Jurong Shipyard Ltd. (JSL) in Singapore
	64	Merged Nagoya Heavy Ind. and Nagoya Shipbuilding
	67	Merged with Shibaura United Engineering
	68	Merged with Kure S&E
1970s	1971	Established IHI Engineering Australia Pty. Ltd. (IEA)
	72	Established Ishikawajima Europe BV (IE) in the United Kingdom
	74	Established IHI Marine BV (IMBV) in the Netherlands
	75	Established Felguera-IHI SA (FI) in Spain
	77	Established IHI Marine Engineering Singapore Private Ltd.
	77	Established IHI INC. in the U.S.
1980s	1980	Established Warner-Ishi Corp. (WI) in a joint venture with Borg-Warner Automotive Inc. in the U.S.
	82	Established IHI (HK) Limited (IHL) in Hong Kong
	82	Established PT Cilegon Fabricators
	88	Established Diesel United, Ltd. in a joint venture with Sumitomo Heavy Industries Ltd. (SHI)
1990s	1992	Established IHI Europe Ltd. (IEL) in the United Kingdom
	95	Established IHI Technical Consulting Co., Ltd. (ITCC) in Taiwan
	95	Established Marine United Inc. (MU), which performs engineering for ships and naval vessels with SHI
	95	Established Warner-Ishi Europe S.p.A. (WIE) in Italy
	96	Established IHI PHILIPPINES, INC. (IPI) in the Philippines
	97	Established Jiang Su Ishi Turbo Company Ltd. (JIT) in China
	98	Established the Environmental Technical Center
	98	Established IHI Turbo Germany GmbH., in Germany
	98	Established IHI Turbo America, as a successor of Warner Ishi
	98	Established IHI Turbo Italy, as a successor of Warner Ishi Europe
	99	Established IHI Southwest Technologies, Inc. in the U.S. to undertake nondestructive inspections
	99	Established two subsidiaries to engage in industrial waste processing business
2000s	2000	Established joint venture with The Broken Hill Proprietary Company Limited (BHP) of Australia and Nucor Corporation of the U.S. to license strip-casting technology
	00	Purchased Nissan Motor's Aerospace and Defense Divisions and established IHI Aerospace Co., Ltd.
	00	Integrated three construction companies into Ishikawajima Plant Construction Co., Ltd.
	00	Established IHI-Verson Press Technology, LLC, in the U.S.
	00	Established SEC-IHI Desulfurization Engineering Co., Ltd. in China
	01	Established joint venture Voith IHI Paper Technology Co., Ltd. in Japan
	01	Established joint venture IHI Charging Systems International GmbH, as a successor of IHI Turbo Germany
	01	Established Beijing Municipal Ishikawajima Shield Engineering Limited Company; joint venture for manufacturing & selling shield tunneling machines
	01	IHI Turbo Italy became a subsidiary company of IHI Charging Systems International GmbH, and renamed to IHI Charging Systems International S.p.A.
	02	Established joint venture IHI TURBO (THAILAND), for manufacturing & selling turbochargers.
	02	Project formulated for redevelopment of land at site of former plant in Toyosu district of Tokyo
	02	Shipbuilding & Offshore Operations spun off as a separate company, IHI Marine United Inc.
	03	Established NIIGATA POWER SYSTEMS Co., Ltd. and Niigata Transys Co., Ltd. to take over and carry on a portion of the business of Niigata Engineering Co., Ltd.
	03	Aerospace development operations integrated with IHI Aerospace Co., Ltd.
	03	Established IHI-Chinfong Press Engineering Co., Ltd.
	04	Established Changchun FAWER-IHI Turbo Co., Ltd.
	04	Established IHI-Sullair Compression Technology (Suzhou) Co., Ltd.
	05	Established IHI Metaltech Co., Ltd.
	07	Changed name to IHI Corporation.
	08	Hauzer Techno Coating B.V. became a subsidiary company of IHI
	08	Established IHI Oxyfuel Australia Pty. Ltd.
	08	Established Wuxi IHI Turbo co., Ltd.
	08	Central Conveyor became a subsidiary of IHI
	09	Integrate Bridge and Water Gate business with Kurimoto and Matuso Bridge and established IHI Infrastructure Systems
	09	Agreed for integration of Shield Tunneling Machine business with JFE Engineering and established Japan Tunnel Systems
	10	Established a local subsidiary in Brazil
	11	Established TOSHIBA IHI Power Systems Corporation, a joint venture to manufacture steam turbine parts for nuclear power plants

Financial Section

Years ended March 31
IHI Corporation and Consolidated Subsidiaries

Consolidated Six-Year Summary

	Millions of yen					
	2011	2010	2009	2008	2007	2006
For the year:						
Net sales	¥1,187,292	¥1,242,700	¥1,388,042	¥1,350,567	¥1,221,016	¥1,127,075
Cost of sales	976,846	1,048,875	1,221,612	1,235,111	1,098,412	986,666
Gross profit	210,446	193,825	166,430	115,456	122,604	140,409
Operating (loss) income	61,390	47,145	25,679	(16,807)	(5,626)	21,771
Income (loss) before income taxes and minority interests	47,463	22,816	8,533	46,794	15,059	22,165
Net income (loss)	29,764	17,378	(7,407)	25,195	(4,593)	5,283
At year-end:						
Total assets	¥1,361,441	¥1,412,421	¥1,489,342	¥1,542,295	¥1,536,078	¥1,461,796
Current assets	853,405	941,742	1,036,428	1,082,624	1,044,642	1,005,974
Net property, plant and equipment	328,739	290,909	273,964	261,761	257,838	226,071
Current liabilities	691,131	758,164	898,181	898,682	893,276	774,037
Long-term liabilities	416,670	427,192	385,211	409,207	415,755	498,362
Total net assets*	253,640	227,065	205,950	234,406	227,047	169,237
Amounts per share (yen):						
Net income (loss)	¥ 20.29	¥ 11.85	¥ (5.05)	¥ 17.18	¥ (3.46)	¥ 3.93
Cash dividends	3.00	2.00	—	4.00	4.00	2.00
Shareholders' equity	162.33	144.66	130.96	149.96	144.70	130.36
Other data:						
Number of employees	26,035	24,890	24,348	23,722	23,190	23,364
Number of shares issued (millions)	1,467	1,467	1,467	1,467	1,467	1,298
Ratios:						
Return on average assets (%)	2.19	1.23	(0.49)	1.64	(0.30)	0.37
Return on average equity (%)	13.22	8.60	(3.60)	11.66	(2.41)	3.27
Total shareholders' equity ratio (%)	17.49	15.02	12.89	14.26	13.82	11.58

*The data previously presented as "Total shareholders' equity" are shown as "Total net assets" based on an accounting standard adopted from the year ended March 31, 2007.

Contents

Financial Review

Operating Results

In the fiscal year ended March 31, 2011, orders received improved in all business segments, rising 23.8% year on year to ¥1,200.9 billion.

Although sales in Rotating & Industrial Machinery Operations rose sharply, net sales declined 4.5% year on year to ¥1,187.2 billion, due mainly to lower sales in Energy & Resources Operations.

Domestic sales fell 6.0% year on year to ¥675.2 billion and overseas sales declined 2.4% year on year to ¥512.0 billion.

Operating income increased 30.2% year on year to ¥61.3 billion, mainly on the back of improved profitability in Ships & Offshore Facilities Operations and business expansion in Rotating & Industrial Machinery Operations.

Although the Company booked losses on disaster related to the Great East Japan Earthquake and, losses on a project taken over from the consortium partner to be liquidated related to a boiler construction project for electric power generation in Germany, net income increased 71.3% year on year to ¥29.7 billion, owing to an improvement in operating income and distribution from anonymous association related to the repurchase of trust beneficiary rights for the Toyosu Center Building.

Business Operation by Segment

In Energy & Resources Operations, segment sales declined 19.9% year on year to ¥306.4 billion due to a decline in boiler and plant related sales. Operating income dropped 17.3% year on year to ¥22.4 billion, reflecting the abovementioned decline in sales.

In Ships & Offshore Facilities Operations, segment sales declined 11.2% year on year to ¥189.9 billion, owing to a drop in sales from shipbuilding and despite an increase in sales from ship repairs. Although yen appreciation weighed on profits, operating income improved sharply from ¥1.3 billion in the previous fiscal year to ¥10.9 billion, owing to improved profitability in shipbuilding and higher sales from ship repairs.

In Physical Distribution Systems & Social Infrastructure Operations, segment sales increased 2.8% year on year to ¥212.5 billion, reflecting benefits from the integration of the bridge and water gate businesses with those of former Matsuo Bridge Co., Ltd. and Kurimoto Bridge, Ltd. The rise in sales and improved profitability of steel bridges contributed to an increase in operating income of 25.7% year on year to ¥11.8 billion.

In Rotating and Industrial Machinery Operations, segment sales increased 14.3% year on year to ¥192.1 billion, owing to a large increase in sales of vehicular turbochargers, although sales of steel manufacturing equipment were weak. Operating income improved considerably, rising from ¥4.3 billion in the previous fiscal year to ¥12.4 billion, thanks to the higher sales of vehicular turbochargers.

In Aero Engine & Space Operations, segment sales declined 5.6% year on year to ¥273.7 billion, reflecting the negative impact of yen appreciation on sales of civil jet engines. Operating income declined 35.1% year on year to ¥5.8 billion, affected by the abovementioned impact of yen appreciation.

In Other Operations, segment sales declined 6.7% year on year to ¥114.3 billion because although the downtrend in sales of construction machinery and agricultural machinery was halted, sales of other machinery were weak. Operating income increased 48.5% year on year to ¥2.1 billion, owing to a recovery in profitability of agricultural machinery.

Consolidated Profit/Loss Situation

Although net sales declined, the cost of sales reduced from ¥1,048.8 billion in the previous fiscal year to ¥976.8 billion in the fiscal year under review, leading to a 2.1 percentage point improvement in the cost of sales ratio from 84.4% to 82.3%.

Selling, general and administrative expenses (SG&A) increased from ¥146.6 billion in the previous fiscal year to ¥149.0 billion. This mainly reflected an increase in research and development expenses, leading to a rise in the SG&A ratio from 11.8% to 12.6%. As a result of the above, operating income rose 30.2% year on year to ¥61.3 billion.

Net financial expense (the amount after deducting interest expense from interest income and dividends) totaled ¥2.0 billion, an improvement of ¥0.3 billion compared with the previous fiscal year.

Although losses on foreign exchange deteriorated by ¥4.0 billion, since the sum of expenses for delayed delivery and compensation for damages recorded in the previous fiscal year improved by ¥5.6 billion, net non-operating income or expense, excluding net financial income or expense, improved from net expense of ¥11.7 billion in the previous fiscal year to net expense of ¥7.8 billion in the fiscal year under review.

Net extraordinary loss improved by ¥6.1 billion, from ¥10.2 billion in the previous fiscal year to ¥4.0 billion. Although the Company booked ¥10.5 billion for losses on disaster and ¥9.2 billion for losses on a project taken over from the consortium partner to be liquidated related to a boiler construction project for electric power generation in Germany, an extraordinary gain of ¥19.8 billion was recorded for distribution from anonymous association related to the repurchase of trust beneficiary rights for the Toyosu Center Building. There was also no loss booked for losses on discontinuation of GX project, for which ¥10.2 billion was recorded in the previous fiscal year.

As a result of the above, income before income taxes and minority interests (pre-tax profit) rose 108% year on year to ¥47.4 billion, and net income totaled ¥29.7 billion, an improvement of ¥12.3 billion from a net income of ¥17.3 billion in the previous fiscal year.

This resulted in net income per share of ¥20.29, versus net income per share of ¥11.85 in the previous fiscal year.

Financial Position

As of March 31, 2011, total assets stood at ¥1,361.4 billion, a decrease of ¥50.9 billion from the end of the previous fiscal year.

Current assets declined ¥88.3 billion compared with the end of the previous fiscal year to ¥853.4 billion, primarily reflecting an increase of ¥39.7 billion in cash and time deposits and declines of ¥46.2 billion in work in process, ¥29.7 billion in marketable securities and ¥29.1 billion in trade receivables.

Fixed assets rose ¥37.3 billion compared with the end of the previous fiscal year to ¥508.0 billion, mainly reflecting an increase of ¥37.8 billion for property, plant and equipment.

Total liabilities as of March 31, 2011 were ¥1,107.8 billion, down ¥77.5 billion compared with the end of the previous fiscal year. This mainly reflected declines of ¥47.4 billion in advances from customers and ¥38.6 billion in short-term loans and current portion of long-term loans.

Interest-bearing debt totaled ¥373.3 billion, down ¥58.6 billion compared with the end of the previous fiscal year.

As of March 31, 2011, net assets totaled ¥253.6 billion, an increase of ¥26.5 billion compared with the end of the previous fiscal year, reflecting the booking of net income of ¥29.7 billion and a decrease in unrealized holding gain on other securities of ¥2.9 billion due to sluggish share prices.

As a result, net assets per share increased by ¥17.67 compared with the end of the previous fiscal year to ¥162.33, and the ratio of equity to total assets was up 2.5 percentage points to 17.5%.

Cash Flows

In the fiscal year under review, the Company generated positive free cash flow of ¥17.7 billion, comprising net cash provided by operating activities of ¥95.5 billion and net cash used in investing activities of ¥77.7 billion.

Net cash used in financing activities was ¥25.9 billion, as a result of which cash and cash equivalents at the end of the fiscal year under review totaled ¥115.0 billion, down ¥9.8 billion compared with the end of the previous fiscal year.

The main factors affecting cash flows during the fiscal year under review were as follows:

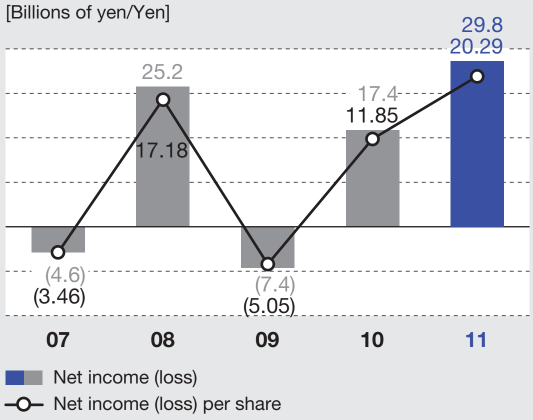
Net cash provided by operating activities amounted to ¥95.5 billion, an increase of ¥18.8 billion compared with the previous fiscal year. Cash increased mainly by income before income taxes and minority interests of ¥47.4 billion, a decrease in inventories of ¥38.8 billion and a decrease in notes and accounts receivable of ¥27.2 billion, while cash decreased mainly by a decrease in advances from customers of ¥44.2 billion.

Net cash used in investing activities amounted to ¥77.7 billion, an increase of ¥15.0 billion compared with the previous fiscal year. Cash was mainly used in purchases of property, plant and equipment and intangible assets of ¥51.3 billion and a purchase of trust beneficiary right of ¥40.7 billion, and provided by income from distribution due to end of anonymous association contract of ¥15.8 billion.

Net cash used in financing activities amounted to ¥25.9 billion, an increase of ¥24.1 billion compared with the previous fiscal year. This mainly reflected a drop in interest-bearing debt.

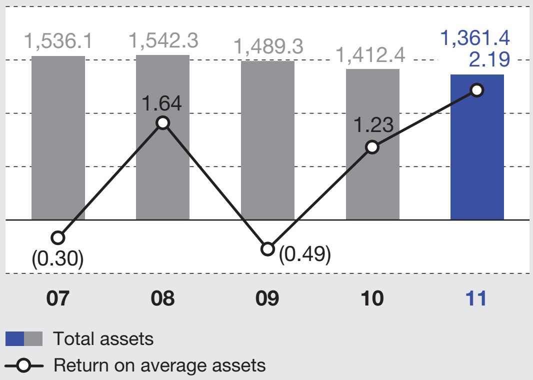
Net Income (Loss) and Net Income (Loss) per Share

[Billions of yen/Yen]



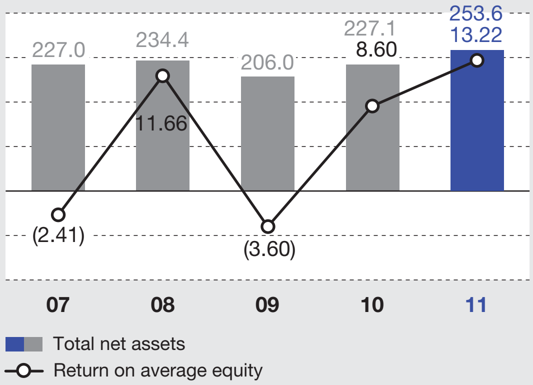
Total Assets and Return on Average Assets

[Billions of yen/%]



Total Net Assets and Return on Average Equity

[Billions of yen/%]



Consolidated Balance Sheets

March 31, 2011 and 2010
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
ASSETS			
Current assets:			
Cash and time deposits (Notes 3 and 13)	¥ 116,422	¥ 76,641	$ 1,400,144
Trade receivables (Notes 3,5 and 13)	291,033	320,227	3,500,096
Marketable securities (Notes 13 and 14)	1,183	30,894	14,227
Less allowance for doubtful receivables (Note 13)	(8,430)	(8,545)	(101,383)
Finished goods (Note 7)	20,733	20,823	249,345
Work in process (Note 7)	231,560	277,797	2,784,847
Raw materials and supplies (Note 3)	110,806	105,835	1,332,604
Deferred income taxes (Note 18)	35,177	42,384	423,055
Other (Note 3)	54,921	75,686	660,505
Total current assets	853,405	941,742	10,263,440
Property, plant and equipment (Notes 3,6,8,11,19 and 22)**:**			
Buildings and structures, net	154,851	107,616	1,862,309
Machinery and equipment, net	52,900	59,375	636,200
Land	88,275	91,212	1,061,635
Construction in progress	8,945	7,277	107,577
Other, net	23,768	25,429	285,845
Net property, plant and equipment	328,739	290,909	3,953,566
Intangible assets:			
Software	14,237	14,772	171,221
Goodwill	3,933	4,741	47,300
Other	2,886	3,603	34,708
Net intangible assets	21,056	23,116	253,229
Investments and other assets:			
Investment securities (Notes 4,13,14 and 22)	84,519	85,448	1,016,464
Deferred income taxes (Note 18)	46,073	42,254	554,095
Other (Notes 3 and 4)	38,067	53,551	457,811
Less allowance for doubtful receivables	(10,418)	(24,599)	(125,291)
Total investments and other assets	158,241	156,654	1,903,079
Total assets	¥1,361,441	¥1,412,421	$16,373,314

The accompanying notes to the consolidated financial statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade payables (Note 13)	¥ 269,445	¥ 241,185	$ 3,240,469
Short-term loans and current portion of long-term loans (Notes 3,13 and 26)	134,885	173,527	1,622,189
Current portion of long-term debentures (Notes 3 and 26)	10,000	20,500	120,265
Accrued expenses	35,959	39,231	432,460
Advances from customers	123,603	171,071	1,486,506
Accrued income taxes	10,273	11,250	123,548
Allowance for employees' bonuses	25,073	22,640	301,539
Reserve for guaranteed contracts	16,037	18,703	192,868
Reserve for losses on sales contracts (Note 7)	31,240	17,074	375,707
Provision for losses on disaster	4,864	—	58,497
Other provision	540	228	6,494
Other (Notes 3 and 26)	29,212	42,755	351,317
Total current liabilities	691,131	758,164	8,311,859
Long-term liabilities:			
Long-term debentures (Notes 13 and 26)	53,565	40,000	644,197
Long-term loans (Notes 3,13 and 26)	162,151	184,190	1,950,102
Allowance for employees' retirement benefits (Note 16)	132,347	135,217	1,591,666
Deferred tax liabilities from revaluation of land (Note 6)	6,660	6,661	80,096
Other provision	4,469	1,831	53,746
Other (Notes 3 and 26)	57,478	59,293	691,257
Total long-term liabilities	416,670	427,192	5,011,064
Total liabilities	1,107,801	1,185,356	13,322,923
Contingent liabilities (Note 5)			
Net assets (Note 23)**:**			
Shareholders' equity:			
Common stock			
Authorized: 3,300,000,000 shares			
Issued: 1,467,058,482 shares	95,762	95,762	1,151,678
Capital surplus	43,037	43,028	517,583
Retained earnings	95,973	65,933	1,154,215
Less treasury stock, at cost	(88)	(105)	(1,058)
Total shareholders' equity	234,684	204,618	2,822,418
Accumulated other comprehensive income:			
Unrealized holding gain on other securities	6,508	9,462	78,268
Deferred gains or losses on hedges	(75)	38	(902)
Revaluation reserve for land (Note 6)	3,872	3,844	46,567
Foreign exchange translation adjustments	(6,903)	(5,802)	(83,019)
Total accumulated other comprehensive income	3,402	7,542	40,914
Equity warrant (Note 17)	388	302	4,666
Minority interests in consolidated subsidiaries	15,166	14,603	182,393
Total net assets	253,640	227,065	3,050,391
Total liabilities and net assets	¥1,361,441	¥1,412,421	$16,373,314

Consolidated Statements of Operations

Years ended March 31, 2011 and 2010
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	**2010**	**2011**
Net sales	¥1,187,292	¥1,242,700	$14,278,918
Cost of sales (Notes 7 and 9)	976,846	1,048,875	11,747,998
Gross profit	210,446	193,825	2,530,920
Selling, general and administrative expenses (Note 9)	149,056	146,680	1,792,616
Operating income	61,390	47,145	738,304
Other income (expense):			
Interest and dividend income	3,995	4,242	48,046
Interest expense	(6,013)	(6,630)	(72,315)
Other, net (Note 10)	(11,909)	(21,941)	(143,223)
Income before income taxes and minority interests	47,463	22,816	570,812
Income taxes:			
Current	(12,716)	(14,071)	(152,928)
Deferred	(4,156)	8,781	(49,982)
Income before minority interests	30,591	17,526	367,902
Minority interests	(827)	(148)	(9,946)
Net income	¥ 29,764	¥ 17,378	$ 357,956
	Yen		U.S. dollars (Note 1)
Amounts per share (Note 24)**:**			
Net income	¥ 20.29	¥ 11.85	$ 0.244
Cash dividends	3.00	2.00	0.036

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2011 and 2010
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Income before minority interests	¥30,591	—	$367,902
Other comprehensive income:			
Unrealized holding gain on other securities	(2,955)	—	(35,538)
Deferred gains or losses on hedges	50	—	601
Foreign exchange translation adjustments	(918)	—	(11,040)
Share of other comprehensive income of associates accounted for using equity method	(404)	—	(4,859)
Total other comprehensive income	(4,227)	—	(50,836)
Comprehensive income	26,364	—	317,066
Comprehensive income attributable to:			
Comprehensive income attributable to equity holders of the parent	25,619	—	308,106
Comprehensive income attributable to non-controlling interest	¥ 745	—	$ 8,960

Notes:

i. Comprehensive income for the year ended March 31, 2010 is as follows:		
(1) Comprehensive income attributable to equity holders of the parent:	¥21,636 million	($260,205 thousand)
(2) Comprehensive income attributable to non-controlling interest:	¥ 233 million	($ 2,802 thousand)
Total:	¥21,869 million	($263,007 thousand)
ii. Other comprehensive income for the year ended March 31, 2010 is as follows:		
(1) Unrealized holding gain on other securities:	¥ 4,701 million	($ 56,536 thousand)
(2) Deferred gains or losses on hedges:	¥ -1,310 million	($ -15,755 thousand)
(3) Foreign exchange translation adjustments:	¥ 286 million	($ 3,440 thousand)
(4) Share of other comprehensive income of associates accounted for using equity method:	¥ 666 million	($ 8,010 thousand)
Total:	¥ 4,343 million	($ 52,231 thousand)

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2011 and 2010
IHI Corporation and Consolidated Subsidiaries

	Thousands	Millions of yen									
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on other securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign exchange translation adjustments	Equity warrant	Minority interests in consolidated subsidiaries
Balance at March 31, 2009	1,467,058	¥95,762	¥43,032	¥48,423	¥(155)	¥4,679	¥908	¥3,785	¥(4,391)	¥206	¥13,701
Net income for the year	—	—	—	17,378	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	2	—	—	—	—	—	—	—
Increase resulting from inclusion of subsidiaries in consolidation	—	—	—	3,063	—	—	—	—	—	—	—
Cash dividends	—	—	—	(2,933)	—	—	—	—	—	—	—
Change for the year	—	—	—	—	—	4,783	(870)	59	(1,411)	96	902
Purchase of treasury stock	—	—	—	—	(13)	—	—	—	—	—	—
Sales of treasury stock	—	—	(4)	—	63	—	—	—	—	—	—
Balance at March 31, 2010	1,467,058	95,762	43,028	65,933	(105)	9,462	38	3,844	(5,802)	302	14,603
Net income for the year	—	—	—	29,764	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	(28)	—	—	—	—	—	—	—
Increase resulting from inclusion of subsidiaries in consolidation	—	—	—	304	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	—	—	—	—	—	—	—
Change for the year	—	—	—	—	—	(2,954)	(113)	28	(1,101)	86	563
Purchase of treasury stock	—	—	—	—	(5)	—	—	—	—	—	—
Sales of treasury stock	—	—	9	—	22	—	—	—	—	—	—
Balance at March 31, 2011	1,467,058	¥95,762	¥43,037	¥95,973	¥ (88)	¥6,508	¥ (75)	¥3,872	¥(6,903)	¥388	¥15,166

		Thousands of U.S. dollars (Note 1)									
Balance at March 31, 2010		$1,151,678	$517,474	$ 792,940	$(1,263)	$113,794	$ 457	$46,230	$(69,778)	$3,632	$175,622
Net income for the year		—	—	357,956	—	—	—	—	—	—	—
Reversal of revaluation reserve for land		—	—	(337)	—	—	—	—	—	—	—
Increase resulting from inclusion of subsidiaries in consolidation		—	—	3,656	—	—	—	—	—	—	—
Cash dividends		—	—	—	—	—	—	—	—	—	—
Change for the year		—	—	—	—	(35,526)	(1,359)	337	(13,241)	1,034	6,771
Purchase of treasury stock		—	—	—	(60)	—	—	—	—	—	—
Sales of treasury stock		—	109	—	265	—	—	—	—	—	—
Balance at March 31, 2011		$1,151,678	$517,583	$1,154,215	$(1,058)	$ 78,268	$ (902)	$46,567	$(83,019)	$4,666	$182,393

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2011 and 2010
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Operating Activities:			
Income before income taxes and minority interests	¥ 47,463	¥ 22,816	$ 570,812
Depreciation and amortization	44,875	41,317	539,687
Amortization of long-term prepaid expenses	5,785	6,324	69,573
Losses on impairment of fixed assets	1,782	247	21,431
Losses on discontinuation of GX project	—	10,238	—
Losses on adjustment for implementation of accounting standard for asset retirement obligation	295	—	3,548
Losses on a project taken over from the consortium partner to be liquidated	9,270	—	111,485
Distribution from anonymous association	(19,842)	—	(238,629)
Losses on disaster	10,590	—	127,360
Losses on business restructuring	395	—	4,750
Increase (decrease) in allowance for doubtful receivables	(605)	3,932	(7,276)
Increase in allowance for employees' bonuses	2,462	1,837	29,609
Decrease in reserve for guaranteed contracts	(2,603)	(1,328)	(31,305)
Increase (decrease) in reserve for losses on sales contracts	4,997	(13,081)	60,096
Decrease in allowance for employees' retirement benefits	(2,835)	(3,894)	(34,095)
Interest and dividends income	(3,995)	(4,242)	(48,046)
Interest expense	6,013	6,630	72,315
Losses (gains) on foreign exchange	489	(52)	5,881
Gains on sale of marketable and investment securities	(1,170)	(730)	(14,071)
Losses on valuation of marketable and investment securities	2,602	2,341	31,293
Equity income of affiliates	(389)	(445)	(4,678)
Losses on disposal of property, plant and equipment	1,851	1,130	22,261
Changes in operating assets and liabilities:			
Notes and accounts receivable	27,287	43,242	328,166
Advances from customers	(44,251)	(45,288)	(532,183)
Advance payments	(2,335)	11,745	(28,082)
Inventories	38,895	67,535	467,769
Notes and accounts payable	(4,473)	(62,295)	(53,794)
Accrued expenses	1,114	68	13,398
Other current assets	1,736	1,422	20,878
Other current liabilities	(9,535)	(11,073)	(114,672)
Accrued consumption taxes	(6,483)	14,073	(77,967)
Other	1,731	—	20,818
Subtotal	111,116	92,469	1,336,332
Interest and dividends received	3,845	4,315	46,242
Interest paid	(6,150)	(6,588)	(73,964)
Income taxes paid	(13,246)	(13,488)	(159,302)
Net cash provided by operating activities	95,565	76,708	1,149,308
Investing Activities:			
Net decrease (increase) in time deposits due in more than three months	(998)	94	(12,002)
Purchases of marketable and investment securities	(3,950)	(3,479)	(47,505)
Proceeds from sale and redemption of marketable and investment securities	3,963	3,038	47,661
Purchases of property, plant and equipment and intangible assets	(51,398)	(52,589)	(618,136)
Proceeds from sale of property, plant and equipment and intangible assets	1,319	4,229	15,863
Payments for disposal of property, plant and equipment	(623)	(234)	(7,492)
Purchase of newly consolidated subsidiaries	—	(6,772)	—
Sale of consolidated subsidiaries	1,544	—	18,569
Purchase of trust beneficiary right	(40,755)	—	(490,138)
Income from distribution due to end of anonymous association contract	15,874	—	190,908
Net increase in short-term loans receivables	(222)	(3,471)	(2,670)
Increase in long-term loans receivables	(101)	(108)	(1,215)
Decrease in long-term loans receivables	164	348	1,972
Increase in other investments	(1,072)	(2,214)	(12,892)
Decrease in other long-term liabilities	(1,469)	(989)	(17,667)
Other	(74)	(607)	(890)
Net cash used in investing activities	(77,798)	(62,754)	(935,634)

Consolidated Statements of Cash Flows

Years ended March 31, 2011 and 2010 IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Financing Activities:			
Net decrease in short-term loans	(18,266)	(23,054)	(219,675)
Net decrease in commercial papers	—	(5,000)	—
Proceeds from issuance of long-term loans	35,912	111,410	431,893
Repayment of long-term loans	(40,187)	(56,737)	(483,307)
Proceeds from issuance of debentures	23,000	—	276,609
Expenditures for redemption of debentures	(20,500)	(25,000)	(246,542)
Repayments of lease obligations	(2,685)	(2,968)	(32,291)
Proceeds from stock issuance to minority shareholders	154	24	1,852
Decrease (increase) in treasury stock	(5)	42	(60)
Cash dividends paid	(2,910)	(12)	(34,997)
Dividends paid to minority interests	(527)	(505)	(6,338)
Other	107	—	1,287
Net cash used in financing activities	(25,907)	(1,800)	(311,569)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(2,025)	425	(24,354)
Net increase (decrease) in Cash and Cash Equivalents	(10,165)	12,579	(122,249)
Cash and Cash Equivalents, Beginning of Year	124,870	107,720	1,501,744
Increase in Cash and Cash Equivalents due to Newly Consolidated Subsidiaries	129	4,560	1,551
Increase in Cash and Cash Equivalents from Merger of Nonconsolidated Subsidiary	191	11	2,297
Cash and Cash Equivalents, End of Year	¥115,025	¥124,870	$ 1,383,343

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Notes:

(i)A reconciliation of cash and cash equivalents to the amounts shown in the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Cash and Cash Equivalents, End of Year			
Cash and time deposits	¥116,422	¥ 76,641	$1,400,144
Time deposits due in more than three months	(1,279)	(279)	(15,382)
Collateral deposits	(123)	(90)	(1,479)
Investment trust included in marketable securities	5	4,600	60
Negotiable deposits included in marketable securities	—	18,000	—
Commercial paper included in marketable securities	—	5,000	—
Sales under agreement to repurchase included in other current assets (short-term loans)	—	20,998	—
Cash and Cash Equivalents	¥115,025	¥124,870	$1,383,343

(ii)Summary of assets and liabilities excluded from consolidation because of sales of stock in subsidiaries is as follows:

IHI Finance Support Corporation, as of June, 30, 2010:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2011	2011
Current assets	¥79,446	$955,454
Fixed assets	204	2,453
Total assets	79,650	$957,907
Current liabilities	66,738	802,622
Long-term liabilities	11,866	142,706
Total liabilities	78,604	945,328

Notes to the Consolidated Financial Statements

1. Basis of financial statements

The accompanying consolidated financial statements of IHI Corporation (the "Company") and consolidated subsidiaries (together the "Companies") have been prepared from the financial statements filed with the Prime Minister as required by the Japanese Financial Instruments and Exchange Law in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. Certain reclassifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. The U.S. dollar amounts are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of U.S. $1=¥83.15, the rate of exchange prevailing on March 31, 2011. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate.

2. Significant accounting policies

(1) Scope of consolidation

The consolidated financial statements for the years ended March 31, 2011 and 2010 include the accounts of the Company and 95 and 92 subsidiaries, respectively. For the years ended March 31, 2011 and 2010, 42 and 47 subsidiaries, respectively, were excluded from the scope of the consolidation. The exclusion of these subsidiaries has not had a material effect on the consolidated financial statements.

(2) Special purpose companies ("SPCs") subject to disclosure

The outline of SPCs subject to disclosure and summary of transactions using such companies and the amounts of transaction with such companies are disclosed in Note 22. "Special purpose companies subject to disclosure."

(3) Application of the equity method of accounting

The consolidated financial statements for the years ended March 31, 2011 and 2010, included 17 and 16 affiliates, respectively, in the scope of the application of the equity method of accounting. For the years ended March 31, 2011 and 2010, investments in 42 and 47 unconsolidated subsidiaries, respectively, and 29 and 30 affiliates, respectively, for the two years were stated at cost because they did not have a material effect on the consolidated financial statements.

(4) Adoption of "Accounting Standard for Equity Method of Accounting for Investments"

Beginning from the year ended March 31, 2011, the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issues on March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No. 24, issued on March 10, 2008) are adopted.

As a result, there was immaterial impact on income before income taxes and minority interests.

(5) Consolidated subsidiaries having different fiscal year-ends

Several overseas subsidiaries close their books of account on December 31. The total number of those subsidiaries included in the consolidated financial statements for the years ended March 31, 2011 and 2010 were 46 and 41, respectively.

But no particular financial reports are prepared for consolidation to match the parent company's fiscal year. However, certain adjustments are made for the significant transactions that occurred from their fiscal year ends to March 31.

(6) Securities

Held-to-maturity securities are either amortized or accumulated to face value by the straight-line method.

Other securities with market prices available are carried at market value as of the balance sheet date, with the cost of sales computed by the moving-average method. The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, is recognized as a component of the net assets under "Unrealized holding gain on other securities."

Other securities without market prices available are stated at cost as determined by the moving-average method.

(7) Derivatives and hedge accounting

The Companies do not hold derivative financial instruments for trading purposes. Derivative financial instruments held by the Companies are composed principally of foreign exchange contracts to hedge currency risk, interest rate swaps to hedge interest rate risk and commodity swaps to hedge risk of material price fluctuation.

Japanese GAAP provides for two general accounting methods for hedging financial instruments. One method is to recognize the changes in fair value of a hedging instrument in earnings in the period of the change as a gain or loss together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The other method is to defer the gain or loss over the period of the hedging contract together with the offsetting loss or gain deferral of the hedged items. The Companies have adopted the latter accounting method, if applicable.

With respect to forward foreign exchange contracts, however, the Companies recognize changes in fair value of a hedging instrument in earnings in the period of the change as a gain or loss together with the offsetting loss or gain on the hedged item attributable to the risk being hedged.

The amounts of interest income or expense under the swap agreements are accrued and recognized as interest related to the assets and liabilities over the contract period.

The Companies use the above-defined method consistently throughout the hedge period, to assess at inception of the hedge and on an ongoing basis whether the ineffective part of the hedge is expected.

(8) Inventories

Finished goods and work in process are stated principally at identified cost, and raw materials and supplies are stated at cost being determined by the moving-average method. (For amounts shown on balance sheet, the book value write-down method based on decreased profitability is used.)

(9) Property, plant and equipment and intangible assets

Depreciation of plant and equipment is principally computed by the declining-balance method.

However, depreciation of lend-lease property, certain assets of consolidated subsidiaries and buildings (excluding building fixtures) acquired after April 1, 1998, are computed by the straight-line method.

Amortization of intangible assets is computed by the straight-line method. Software for internal use is amortized using the straight-line method over a useful life of five years.

(10) Leases

Lease assets related to finance lease transactions that do not transfer ownership are depreciated over the lease period using the straight-line method with no residual value. The Companies use the ordinary rental transaction method for finance lease transactions that do not transfer ownership contracted on and before March 31, 2008.

Lease assets related to finance lease transactions that transfer ownership are depreciated using the declining-balance method which is the same method as owned property, plant and equipment and intangible assets are depreciated.

(11) Allowance for doubtful receivables

The allowance for doubtful receivables is provided based on historical default rates for general receivables, plus individually estimated uncollectible amounts for specific receivables such as doubtful receivables.

(12) Allowance for employees' bonuses

For payment of employees' bonuses, the allowance for employees' bonuses is provided for in the amount that is expected to be paid.

(13) Allowance for directors' bonuses

For payment of directors' bonuses and bonuses to directors of consolidated subsidiaries in Japan, an allowance is provided for in the amount that is expected to be paid.

(14) Reserve for guaranteed contracts

To provide for guaranteed project expenses, the reserve for guaranteed contract is recorded as an estimate of future expenditures based on historical experience.

(15) Reserve for losses on sales contracts

Among sales orders on hand at the balance sheet date, for projects in which the estimated cost is expected to exceed the amount of the sales order by a wide margin, reserve for losses on sales contracts are recognized at the estimated aggregate amount of such losses.

(16) Provision for losses on disaster

To provide for expenses for the disposal of assets damaged by disaster and expenses for related recovery work, the reserve for losses on disaster is recorded in the estimated aggregate amount of such expenses.

(17) Allowance for employees' retirement benefits

An allowance for employees' retirement benefits is provided for based on the projected retirement benefit obligation and the pension fund assets.

Actuarial losses (gains) are amortized (accumulated) from the following year using the straight-line method over a certain number of years within the average remaining work period of employees.

Past service costs are amortized using the straight-line method over a certain number of years within the average remaining work period of employees.

(18) Reserve for directors' retirement allowance

Consolidated subsidiaries in Japan provide for the retirement allowance for directors and corporate auditors in an amount determined by those companies' internal guidelines.

(19) Provision for losses on businesses of subsidiaries and affiliates

To provide for losses related to the businesses of subsidiaries and affiliates, the reserve for losses on businesses of subsidiaries and affiliates is recorded in the amount of estimated losses to be borne by the Company by taking into consideration the contents of assets of subsidiaries and affiliates.

(20) Foreign exchange translations

The assets and liabilities of overseas subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date while the income and expenses of the same are translated at the average exchange rates during the period. Translation differences are included in components of foreign exchange translation adjustments and minority interests in consolidated subsidiaries under net assets.

<Change in accounting policies for foreign exchange translations >

Previously, the income and expenses of overseas subsidiaries were translated into Japanese yen at the exchange rates prevailing at the balance sheet date. However, to reflect the performance of overseas subsidiaries more accurately in the consolidated financial statements, the Company has changed the translation method into the new method where they are translated into Japanese yen at the average exchange rates during the period effective from the year ended March 31, 2011. As a result of this change, in the year ended March 31, 2011, net sales and operating income increased by ¥4,508 million ($54,215 thousand) and ¥61 million ($734 thousand), respectively, while income before income taxes and minority interests increased by ¥220 million ($2,646 thousand).

(21) Revenue recognition

Basis of recording revenues and costs of construction contracts:

Construction projects whose outcome of the progress by the end of the fiscal year deemed definite are recorded on the percentage-of-completion method (the percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost).

All other projects are accounted for on the completed construction method.

(22) Amortization of goodwill

Goodwill including negative goodwill is amortized through the estimated effective period of the investment, with the exception that when the amount of goodwill is immaterial, it is charged or credited to income as incurred.

(23) Scope of cash on the consolidated statements of cash flows

Cash (cash and cash equivalents) in the consolidated statements of cash flows consist of cash on hands, at-call deposits with banks, and short-term investments having maturities within three months from acquisition which are readily convertible to cash and involve only an insignificant risk in their value.

(24) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(25) Adoption of "Accounting Standard for Asset Retirement Obligations"

Beginning from the year ended March 31, 2011, the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008) are adopted.

As a result, in the year ended March 31, 2011, operating income decreased by ¥137 million ($1,648 thousand), and income before income taxes and minority interests decreased by ¥432 million ($5,195 thousand).

(26) Handling of items for profit appropriation

Although the dividends of surplus had previously been determined within the reporting fiscal year without a resolution by a general meeting of shareholders, beginning from the year ended March 31, 2011 it is determined based on the resolution by a general meeting of shareholders in order to expeditiously prepare consolidated financial statements.

As a result, retained earnings increased by ¥4,403 million ($52,952 thousand) compared with the figure under the previous method.

(27) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws, announced by the year-end.

(28) Amounts per share

Net income per share of common stock is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding during each period. Amounts per share of shareholders' equity are computed based on the number of shares of common stock outstanding at each balance sheet date. Cash dividends per share shown for each period in the consolidated statements of operations represent the dividends applicable to the respective year.

(29) Adoption of "Accounting Standard for Presentation of Comprehensive Income"

Beginning from the year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on June 30, 2010) is adopted. However, the amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" as of March 31, 2010 indicate the amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments," respectively.

3. Assets pledged as collateral

The following assets were pledged as collateral at March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash and time deposits	¥ 123	¥ 91	$ 1,479
Trade receivables	88	48	1,058
Raw materials and supplies	5	5	60
Miscellaneous current assets	3,251	3,070	39,098
Buildings and structures	5,161	3,835	62,069
Machinery and equipment	402	489	4,835
Land	26,822	27,205	322,574
Other property, plant and equipment	18	22	216
Other investments	10	10	120
Total	¥35,880	¥34,775	$431,509
Property, plant and equipment pledged as factory foundation mortgage included in the above assets:			
Buildings and structures	¥ 1,494	¥ 935	$ 17,968
Machinery and equipment	151	196	1,816
Land	5,979	5,979	71,906
Other property, plant and equipment	18	22	216
Total	¥ 7,642	¥ 7,132	$ 91,906

The obligations collateralized by the above assets at March 31, 2011 and 2010, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Short-term loans	¥ 7,548	¥12,130	$ 90,776
Current portion of long-term debentures	—	500	—
Other current liabilities	689	533	8,286
Long-term loans	5,058	5,758	60,830
Other long-term liabilities	4,704	5,394	56,572
Total	¥17,999	¥24,315	$216,464
Factory foundation mortgage included in the above liabilities:			
Short-term loans	¥ 3,935	¥ 8,475	$ 47,324
Current portion of long-term debentures	—	500	—
Long-term loans	500	—	6,013
Total	¥ 4,435	¥ 8,975	$ 53,337

4. Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2011 and 2010, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Investment securities	¥10,292	¥ 9,723	$123,777
Other investments	3,790	4,307	45,580
Total	¥14,082	¥14,030	$169,357

5. Contingent liabilities

Contingent liabilities for trade notes receivable discounted in the ordinary course of business amounted to ¥1,317 million ($15,839 thousand) and ¥596 million at March 31, 2011 and 2010, respectively.

Contingent liabilities for trade notes receivable endorsed in the ordinary course of business amounted to ¥158 million ($1,900 thousand) at March 31, 2011.

Contingent liabilities for guarantees for debts of unconsolidated subsidiaries and others amounted to ¥8,439 million ($101,491 thousand) and ¥28,036 million at March 31, 2011 and 2010, respectively.

Contingent liabilities arising from guarantees in kind for debts amounted to ¥14,465 million ($173,963 thousand) and ¥17,695 million at March 31, 2011 and 2010, respectively, of which ¥13,111 million ($157,679 thousand) and ¥14,439 million at March 31, 2011 and 2010, respectively, were for employee housing loans which were secured by life insurance and loan insurance, and therefore, the Companies were at low risk.

The presentation of joint guarantees and guarantees in kind for debts has been changed from this fiscal year.

The amounts of guarantees and guarantees in kind for debts at March 31, 2010 represented the amounts all guarantors are liable for, while those at March 31, 2011 represented the amounts the Company is liable for, in case the Company's liability is specifically stated and clarified in contract.

If presented on the same basis as the new presentation, the amount for guarantees for debts of unconsolidated subsidiaries and other the Company is liable for at March 31, 2010 is ¥10,837 million ($130,331 thousand) and that for the guarantees in kind for debts at March 31, 2010 is ¥16,985 million ($204,269 thousand)

6. Revaluation of land

In accordance with the "Law Concerning Revaluation of Land" enacted on March 31, 1998, land used for business owned by two of the consolidated subsidiaries has been revalued.

The Companies recorded the effect on the revaluation, after deducting deferred tax liabilities on land which were recorded as long-term liabilities, and minority interests which were included in minority interests in consolidated subsidiaries.

The difference between the fair value of land at the end of the year that was revalued in the previous year and book value after revaluation was ¥4,786 million ($57,559 thousand) and ¥4,546 million at March 31, 2011 and 2010, respectively.

7. Reserve for losses on sales contracts

Provision of reserve for losses on sales contracts, amounting to ¥21,970 million ($264,221 thousand) and 17,074 million, are included in cost of sales for the year ended March 31, 2011 and 2010, respectively.

Inventories related to sales contracts for construction for which losses are expected and relevant reserve for losses on sales contracts are presented separately without netting. Of inventories related to sales contracts for construction for which losses are expected, the amounts corresponding to the reserve for losses on sales contracts are ¥5,866 million ($70,547 thousand) comprising of ¥5,494 million ($66,073 thousand) of work in process and ¥372 million ($4,474 thousand) of finished goods and ¥5,452 million comprising of ¥5,217 million of work in process and ¥235 million of finished goods on March 31, 2011 and 2010, respectively.

8. Accumulated depreciation of property, plant and equipment

Accumulated depreciation of property, plant and equipment is amounted to ¥521,492 million ($6,271,702 thousand) and ¥518,711 million on March 31, 2011 and 2010, respectively.

9. Cost of sales and selling, general and administrative expenses

Cost of sales and selling, general and administrative expenses consists of the following:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2011**	**2010**	**2011**
Cost of sales (Notes: i)	¥976,846	¥1,048,875	$11,747,998
Selling, general and administrative expenses:			
Expenses in taking orders received	15,649	13,379	188,202
Provision of allowance for doubtful accounts	215	5,438	2,586
Salaries for directors and employees (Notes: ii)	56,072	54,418	674,348
Traveling and transportation expenses	5,345	5,049	64,281
Research and development expenses (Notes: iii)	24,643	21,698	296,368
Business consignment expenses	6,046	5,810	72,712
Contribution for expenses common to all business segments	4,050	3,545	48,707
Depreciation	4,781	5,618	57,499
Other	32,255	31,725	387,913
Total of selling, general and administrative expenses	¥149,056	¥ 146,680	$ 1,792,616

Notes:

i. The amount of inventories as of March 31, 2011 and 2010 are the value after a write-down based on decreased profitability of assets. The losses on valuation of inventories which is included in cost of sales are ¥1,859 million ($22,357 thousand) and ¥876 million for the years ended March 31, 2011 and 2010, respectively.

ii. Salaries for directors and employees include ¥9,000 million ($108,238 thousand) and ¥8,700 million of allowance for employees' bonuses and ¥5,400 million ($64,943 thousand) and ¥5,500 million of allowance for employees' retirement benefits for years ended March 31, 2011 and 2010, respectively.

iii. Research and development expenses, included in product cost, and selling, general and administrative expenses, are ¥29,260 million ($351,894 thousand) and ¥25,495 million for the years ended March 31, 2011 and 2010, respectively.

10. Other income (expenses) — other, net

Other income (expenses)—other, net, consists of the following:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2011**	**2010**	**2011**
Equity income of affiliates	¥ 389	¥ 445	$ 4,678
Amortization of negative goodwill (Notes: i.(1))	—	4,004	—
Expenses for delayed delivery (Notes: i.(4))	(2,874)	(5,162)	(34,564)
Compensation for damages (Notes: i.(2) and i.(5))	—	(3,879)	—
Losses on foreign exchange (Notes: i.(3) and i.(6))	(4,285)	—	(51,533)
Distribution from anonymous association (Notes: ii)	19,842	—	238,629
Gain on sales of subsidiary stock	898	—	10,800
Gains on sales of property, plant, land and equipment (Notes: iii)	—	1,151	—
Gains on sales of investment securities	—	717	—
Losses on disaster (Notes: iv)	(10,590)	—	(127,360)
Losses on a project taken over from the consortium partner to be liquidated (Notes: v)	(9,270)	—	(111,485)
Provision for losses on business of subsidiaries and affiliates	(2,180)	—	(26,218)
Losses on impairment of fixed assets	(1,782)	(247)	(21,431)
Losses on business restructuring	(395)	—	(4,750)
Losses on adjustment for implementation of accounting standard for asset retirement obligations	(295)	—	(3,548)
Losses on valuation of investment securities	(247)	(1,594)	(2,971)
Losses on discontinuation of GX project (Notes: vi)	—	(10,238)	—
Other, net	(1,120)	(7,138)	(13,470)
Total	¥(11,909)	¥(21,941)	$(143,223)

Notes:

i. (1)"Amortization of negative goodwill," which had been separately presented from other income until the previous fiscal year, amounted to 10% or less of total other income, and is therefore included in "Other, net" from other income for the year ended March 31, 2011. "Amortization of negative goodwill" included in "Other, net" from other income totaled ¥589 million ($7,084 thousand) for the year ended March 31, 2011.

(2)"Compensation for damages," which had been separately presented from other expense until the previous fiscal year, amounted to 10% or less of total other expense, and is therefore included in "Other, net" from other expense for the year ended March 31, 2011. "Compensation for damages" included in "Other, net" from other expense totaled ¥493 million ($5,929 thousand) for the year ended March 31, 2011.

(3)"Losses on foreign exchange," which was included in "Other, net" from other expense in the previous fiscal year, amounted to more than 10% of total other expense, and is therefore separately presented from other expense for the year ended March 31, 2011. "Losses on foreign exchange" included in "Other, net" from other expense totaled ¥272 million ($3,271 thousand) for the previous fiscal year.

(4)"Expenses for delayed delivery" which was included in "Other, net" from other expense in the previous fiscal year ended on March 31, 2009, amounted to more than 10% of total other expense, and is therefore separately presented from other expense for the year ended March 31, 2010. "Expenses for delayed delivery" included in "Other, net" from other expense totaled ¥55 million for the previous fiscal year.

(5)"Compensation for damages" which was included in "Other, net" from other expense in the previous fiscal year ended on March 31, 2009, amounted to more than 10% of total other expense, and is therefore separately presented from other expense for the year ended March 31, 2010. "Compensation for damages" included in "Other, net" from other expense totaled ¥604 million for the previous fiscal year.

(6)"Losses on foreign exchange" which had been separately presented from other expense until the previous fiscal year ended on March 31, 2009, amounted to 10% or less of total other expense, and is therefore included in "Other, net" from other expense for the year ended March 31, 2010. "Losses on foreign exchange" included in "Other, net" from other expense totaled ¥272 million for the year ended March 31, 2010.

ii. The Company recognized ¥19,842 million ($238,629 thousand) of distribution from anonymous association. This distribution was paid by a special purpose company (SPC) in which the Company is the investor under the anonymous association contract. The source of distribution came from buying back the trust beneficiary rights of the Toyosu Center Building (located at Koto-ku, Tokyo), which had been sold to the SPC by securitization by the Company on March 16, 2004, the SPC sold the trust beneficiary rights to the Company.

iii. Gains on sales of property, plant, land and equipment amounting ¥1,151 million for the year ended March 31, 2010 was mainly due to sales of the land.

iv. Losses on disaster amounting to ¥10,590 million ($127,360 thousand) indicate the losses caused by the Great East Japan Earthquake which occurred on March 11, 2011. The components are as follows:

(1) Loss on damage and repair expenses of inventories:	¥ 6,304 million	($ 75,815 thousand)
(2) Loss on damage and repair expenses of property, plant and equipment:	¥ 2,929 million	($ 35,225 thousand)
(3) Other	¥ 1,357 million	($ 16,320 thousand)
Total:	¥10,590 million	($127,360 thousand)

v. In association with the construction work of boilers for power generation in Germany, the consortium partner, which was in charge of local procurement and construction work, collapsed in the year ended March 31, 2011 and it was decided that the Company would assume the duties of the construction work of said partner based on the contract with the customer. The Company recognized the possibility loss of ¥9,270 million ($111,485 thousand) as a result of a close examination of assets, liabilities and various contracts to be succeeded by the Company.

vi. The Company's subsidiary, Galaxy Express Corporation (GALEX Co.), had devoted to research and development of the GX rocket as government-private sector joint project. However the project was cancelled by governmental decision. As a result, the Company recognized the losses amounting to ¥10,238 million on disposing cost of related assets, and liquidation cost of GALEX Co. caused by discontinuation of GX project.

11. Losses on impairment of fixed assets

(a) Groups of assets for which the Companies recognized impairment losses for the year ended March 31, 2011 and 2010 are as follows:

2011

Use	Location	Type of assets	Method to calculate	Millions of yen	Thousands of U.S. dollars
Idle assets	Kagoshima-city, Kagosima	Land and Building etc.	Net sales value	¥1,404	$16,885
Assets for business	Sakura-city, Tochigi	Land	Net sales value	271	$ 3,259
Assets for business	Futaba-gun, Fukushima	Land	Net sales value	102	$ 1,227
Idle assets	Chitose-city, Hokkaido	Land	Net sales value	5	$ 60

2010

Use	Location	Type of assets	Method to calculate	Millions of yen
Idle assets	Funabashi-city, Chiba	Land and Building etc.	Net sales value	¥207
Assets for rent	Taito-ku, Tokyo	Land etc.	Use value	31
Assets for business	Sapporo-city, Hokkaido	Building etc.	Use value	5
Idle assets	Chitose-city, Hokkaido	Land	Net sales value	4

(b) Method for grouping the assets

Assets are grouped principally by each business, and each renting or idle asset is treated as one group respectively.

(c) Reason why impairment losses were recognized

Since these assets have been idle and the market prices have been significantly decreased, the book value has been reduced to recoverable amount.

(d) Method for calculating the recoverable amounts

The recoverable amounts are the higher of its net sales value and its value in use (discount rate is mainly 5.0%).

(e) Impairment losses

The amounts of impairment losses for the year ended March 31, 2011 and 2010 are ¥1,782 million ($21,431 thousand) and ¥247 million, respectively and consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Land	¥1,511	¥170	$18,172
Buildings etc.	271	77	3,259
Total	¥1,782	¥247	$21,431

12. Leases

(a) Finance leases (Lessee)

Finance leases which transfer ownership

These leases are mainly logistic equipments (buildings and structures) for Aero Engine and Space Operations.

Leases are depreciated using the declining-balance method which is the same method as owned property, plant and equipment and intangible assets are depreciated.

(b) Finance leases (Lessee)

Finance leases which do not transfer ownership

These leases are mainly plants and equipments (machinery and delivery equipment) for Shipbuilding Operations.

Leases are depreciated over the lease period using the straight-line method with no residual value.

The Companies use the operating lease accounting method for the finance leases which do not transfer ownership contracted on and before March 31, 2008.

The following proforma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of the leased property as of March 31, 2011 and 2010, which would have been reflected in the balance sheets, if the finance lease accounting method had been applied to the finance leases currently accounted for by the operating lease accounting method.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Acquisition costs:			
Buildings and structures	¥ 2,065	¥ 1,952	$ 24,834
Machinery and equipment	12,160	7,827	146,242
Software	600	140	7,216
Other	2,796	1,376	33,626
Total	¥17,621	¥11,295	$211,918
Accumulated depreciation:			
Buildings and structures	¥ 593	¥ 418	$ 7,132
Machinery and equipment	8,564	5,256	102,994
Software	467	109	5,616
Other	2,371	1,133	28,515
Total	¥11,995	¥ 6,916	$144,257
Accumulated impairment loss:			
Machinery and equipment	¥ 2	¥ 2	$ 24
Software	3	4	36
Other	3	0	36
Total	¥ 8	¥ 6	$ 96
Net book value:			
Buildings and structures	¥ 1,472	¥ 1,534	$ 17,703
Machinery and equipment	3,594	2,569	43,223
Software	130	27	1,564
Other	422	243	5,075
Total	¥ 5,618	¥ 4,373	$ 67,565

Concerning the above finance lease transactions, the lease payments, reversal of allowance for impairment losses on leased property, estimated depreciation cost which is mainly calculated as ten-ninths of the amount computed by the declining-balance method over the respective lease terms and assuming a 10% scrap value, estimated interest expenses and losses on impairment of leased property for the years ended March 31, 2011 and 2010, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Lease payments	¥2,709	¥1,845	$32,580
Reversal of allowance for impairment losses on leased property	2	5	24
Estimated depreciation cost	1,764	1,409	21,215
Estimated interest expense	500	441	6,013

Future minimum lease payments subsequent to March 31, 2011 and 2010, for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Within one year	¥2,004	¥1,552	$ 24,101
Over one year	7,264	4,838	87,360
Total	¥9,268	¥6,390	$111,461
Lease assets of impairment losses outstandings	1	3	12
Total	¥ 1	¥ 3	$ 12

(c) Operating leases (Lessee)

Future minimum lease payments subsequent to March 31, 2011 and 2010, for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Within one year	¥ 4,150	¥ 4,088	$ 49,910
Over one year	21,407	25,487	257,450
Total	¥25,557	¥29,575	$307,360

(d) Finance leases (Lessor)

Information pertaining to lease income as of March 31, 2011 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current assets:			
Lease income	¥—	¥621	$—
Interest income		(72)	
Lease investment assets	¥—	¥549	$—

Finance leases which do not transfer ownership (Lessor)

The Companies use the operating lease accounting method for the finance leases which do not transfer ownership contracted on and before March 31, 2008.

The following proforma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2011 and 2010, which would have been reflected in the balance sheets, if the finance lease accounting method had been applied to those finance leases currently accounted for by the operating lease accounting method.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Acquisition costs:			
Buildings and structures	¥2,109	¥2,109	$25,364
Machinery and equipment	1,238	1,238	14,889
Other	6	6	72
Total	¥3,353	¥3,353	$40,325
Accumulated depreciation:			
Buildings and structures	¥ 877	¥ 796	$10,547
Machinery and equipment	848	763	10,199
Other	6	6	72
Total	¥1,731	¥1,565	$20,818
Net book value:			
Buildings and structures	¥1,232	¥1,313	$14,817
Machinery and equipment	390	475	4,690
Total	¥1,622	¥1,788	$19,507

Lease income, depreciation and estimated interest income for the years ended March 31, 2011 and 2010, for finance lease transactions accounted for by the operating lease accounting method are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Lease income	¥426	¥427	$5,123
Depreciation	166	193	1,996
Estimated interest income, assuming that the finance lease accounting had been adopted	244	259	2,934

Future minimum lease income subsequent to March 31, 2011 and 2010, for finance lease transactions accounted for by the operating lease accounting method are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Within one year	¥ 199	¥ 182	$ 2,393
Over one year	2,162	2,361	26,001
Total	¥2,361	¥2,543	$28,394

(e) Operating leases (Lessor)

Future minimum lease payments subsequent to March 31, 2011 and 2010, for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Within one year	¥ 571	¥ 571	$ 6,867
Over one year	4,702	5,273	56,549
Total	¥5,273	¥5,844	$63,416

(f) Sublease

Concerning the subleases, the following amounts are lease payment receivables and lease obligations before interests which would have been reflected in the balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Lease receivables:			
Current assets	¥—	¥2,525	$—
Investments	—	160	—
Lease obligations:			
Current liabilities	¥—	¥ 718	$—
Long-term liabilities	—	1,967	—

Note:Subleases as of March 31, 2011 are omitted due to the decreased materiality of subleases as IHI Finance Support Corporation, which was engaged in lease operations within the IHI Group, was excluded from the scope of consolidation.

13. Financial instruments

(a) Status of financial instruments

i. Policy on financial instruments

As a Group policy, the Companies manage funds only in short-term and highly safe financial assets such as bank deposits and finance mainly through bank borrowings and debenture issuance. Derivatives are utilized to hedge the fluctuation risks of foreign exchanges, interests and commodity prices, and the Companies do not enter into derivative contracts for speculative or trading purposes.

ii. Details of financial instruments and risks thereof

Trade notes and accounts receivable, which are operating receivables, are exposed to the customer credit risk. Operating receivables denominated in foreign currencies related to construction in abroad or the like are exposed to the fluctuation risk of foreign exchanges, which is, in principle, hedged by derivatives using forward foreign exchange contracts and foreign currency options for the position after netting operating payables denominated in foreign currencies. Marketable securities and investment securities mainly consist of held-to-maturity securities and equity securities associated with business-ties or capital-ties with companies to maintain business relationships and are exposed to the fluctuation risk of market price.

Trade notes and accounts payable, which are operating payables, are mostly settled within one year. Some of them are related to goods procured from overseas and denominated in foreign currencies, therefore they are exposed to the fluctuation risk of foreign exchanges. However, the amount is constantly, in general, less than the balance of trade accounts receivable denominated in the same foreign currency. Loans and debentures are made for the purpose of obtaining operating capital and funds for capital expenditures, and the redemption dates arrive within eight years after the balance sheet date. Although interests of some of them are carried with floating rates and are exposed to the fluctuation risk of interest rate, they are hedged by derivatives using interest rate swaps.

Derivatives the Companies use are forward foreign exchange contracts and foreign currency options to hedge the fluctuation risk of foreign exchanges pertaining to operating receivables and payables denominated in foreign currencies, and interest rate swaps to hedge the fluctuation risk of interest rate regarding loans payable. For details of hedge accounting, refer to Derivatives to which hedge accounting is applied in “15. Derivatives” and “2. Significant accounting policies (7) Derivatives and hedge accounting”.

iii. Risk management structure regarding financial instruments

a. Management of the credit risk (risk pertaining to customer’s non-performing of contracts)

To manage the credit risk for operating receivables, pursuant to the internal regulations related to receivable management, the department of the Companies in charge of collections in each business department periodically monitors the condition of major customers, manages the collectability and balances by customer or by project ordered, and thus seeks for an early identification and mitigation of collectability concern caused by deterioration in financial status.

The credit risk for held-to-maturity securities is minor because the Companies hold only securities with high ratings.

In derivative transactions, the Companies enter into contracts only with financial institutions with high ratings to reduce the counterparty risk.

The maximum credit risk amount as of the consolidated balance sheet date equals to the consolidated balance sheet amount of financial assets exposed to the credit risk.

b. Management of the market risk (the fluctuation risks of foreign exchanges or interest rate)

To manage the fluctuation risk of foreign exchanges for operating receivables and payables denominated in foreign currencies, the Companies hedge the fluctuation risk monthly identified by currency by utilizing forward foreign exchange contracts and foreign currency options. Hedge results are reported monthly to the executive in charge of the Finance & Accounting Division, and quarterly to the Management Meeting.

To reduce the fluctuation risk of interest rate regarding long-term loans payable, the Company and certain consolidated subsidiaries use interest rate swaps.

As for marketable securities and investment securities, their market prices and the financial condition of issuers (companies with which the Companies do business) are periodically monitored. Also, the Companies’ holding status of those other than held-to-maturity securities are continuously reviewed by taking into account the relationships with the companies with which the Companies do business.

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

c. Management of the liquidity risk pertaining to fund procurement (risk of non-performing of payments on due dates)

The Companies manage the liquidity risk by measures of timely forming and updating the cash flow plan.

iv. Supplementary explanation to fair values of financial instruments

While the fair value of financial instruments is based on the market price, such value may be estimated reasonably if the market price is not available. Because variable factors are counted in the estimation, the estimated value may differ if a different assumption is employed. Please note that notional amounts of derivatives in the note “15. Derivatives” do not, in themselves, indicate the market risk pertaining to derivatives.

(b) Fair values of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet and their fair values as of March 31, 2011 and 2010, respectively.

Financial instruments whose fair values are deemed to be extremely difficult to figure out are not included.

	Millions of yen						Thousands of U.S. dollars		
	2011			2010			2011		
	Amount recorded in the balance sheet	Fair value	Difference	Amount recorded in the balance sheet	Fair value	Difference	Amount recorded in the balance sheet	Fair value	Difference
Cash and time deposits	¥116,422	¥116,422	¥ —	¥ 76,641	¥ 76,641	¥ —	$1,400,144	$1,400,144	$ —
Trade receivables	291,033			320,227			3,500,097		
Less allowance for doubtful receivables (*1)	(4,744)			(3,953)			(57,054)		
	¥286,289	¥285,835	¥ (454)	¥316,274	¥315,770	¥ (504)	$3,443,043	$3,437,583	$ (5,460)
Marketable securities and investment securities	¥ 49,356	¥ 49,361	¥ 5	¥ 51,773	¥ 51,792	¥ 19	$ 593,578	$ 593,638	$ 60
Held-to-maturity securities	2,801	2,806	5	4,101	4,120	19	33,686	33,746	60
Other securities	46,555	46,555	—	47,672	47,672	—	559,892	559,892	—
Total assets	¥452,067	¥451,618	¥ (449)	¥444,688	¥444,203	¥ (485)	$5,436,765	$5,431,365	$ (5,400)
Trade payables	¥269,445	¥269,445	¥ —	¥241,185	¥241,185	¥ —	$3,240,469	$3,240,469	$ —
Short-term loans	134,885	134,885	—	173,527	173,527	—	1,622,189	1,622,189	—
Debentures	63,565	65,135	1,570	60,500	61,509	1,009	764,462	783,343	18,882
Long-term loans	162,151	163,939	1,788	184,190	185,836	1,646	1,950,102	1,971,606	21,503
Total liabilities	¥630,046	¥633,404	¥3,358	¥659,402	¥662,057	¥2,655	$7,577,222	$7,617,607	$40,385
Derivatives (*2)									
Derivatives to which hedge accounting is not applied	¥ 20	¥ 20	¥ —	¥ (341)	¥ (341)	¥ —	$ 241	$ 241	$ —
Derivatives to which hedge accounting is applied	(99)	(99)	—	(140)	(140)	—	(1,191)	(1,191)	—
Total derivatives	¥ (79)	¥ (79)	¥ —	¥ (481)	¥ (481)	¥ —	$ (950)	$ (950)	$ —

(*1) The amount of allowance for doubtful accounts, which is recorded individually for trade receivables, is excluded.

(*2) Assets and liabilities arising out from derivative transactions are stated on the net basis. The figures in parentheses indicate net liabilities.

(*3) Long-term loans associated with interest rate swaps that qualify for the exceptional treatment, are measured by discounting the total amount of principles and interests, at an interest rate of swaps.

Notes:

Method of measuring fair value

(1) Cash and time deposits

The fair values of cash and time deposits are assumed to approximate to their book value due to the short-term maturity.

(2) Trade receivables

The fair values are measured based on the present values calculated by discounting receivable amounts at a rate determined based on time to maturity and credit risk.

The fair values of receivables with special concern are measured by the present values of estimated cash flows discounted at the similar discount rates.

(3) Marketable securities and investment securities

The fair values of equity securities are based on the market prices at the exchange.

The fair values of debt securities are based on the market prices at the exchange or the prices provided by the financial institutions with which the Companies do business.

(4) Trade payables and Short-term loans

The fair values of these accounts are assumed to approximate to their book value due to the short-term maturity.

(5) Debentures

The fair value of debentures issued by the Company is measured based on the present value calculated by discounting the total amount of principles and interests at a rate determined based on time to maturity and the credit risk.

(6) Long-term loans

The fair values of long-term loans are measured by discounting the total amount of principles and interests (*3) at an assumed interest rate for similar new borrowings.

(7) Derivatives

Refer to the note "15. Derivatives."

(c) Unlisted stocks whose fair values are deemed to be extremely difficult to figure out amounted to ¥26,054 million ($313 thousand) and ¥31,846 million in the balance at March 31, 2011 and 2010, respectively.

(d) Redemption schedules after consolidated balance sheet dates for monetary receivables and securities by maturity date

	Millions of yen								Thousands of U.S. dollars			
	2011				2010				2011			
Classification	Within 1 year	After 1 year and within 5 years	After 5 years and within 10 years	After 10 years	Within 1 year	After 1 year and within 5 years	After 5 years and within 10 years	After 10 years	Within 1 year	After 1 year and within 5 years	After 5 years and within 10 years	After 10 years
Cash and time deposits	¥116,422	¥ —	¥ —	¥—	¥ 76,641	¥ —	¥ —	¥—	$1,400,144	$ —	$ —	$—
Trade receivables	281,816	8,566	648	3	313,854	5,541	780	52	3,389,248	103,018	7,793	36
Marketable securities and investment securities												
Held-to-maturity securities												
Government bonds and local government bonds	1,000	1,801	—	—	3,100	1,001	—	—	12,027	21,660	—	—
Commercial papers	—	—	—	—	5,000	—	—	—	—	—	—	—
Negotiable certificates of deposit	—	—	—	—	18,000	—	—	—	—	—	—	—
Other securities with maturity date												
Trust beneficiary rights	—	—	—	—	4,600	—	—	—	—	—	—	—
Total	¥399,238	¥10,367	¥648	¥ 3	¥421,195	¥6,542	¥780	¥52	$4,801,419	$124,678	$7,793	$36

(e) The redemption schedule for long-term loans and debentures are disclosed in Note 26.

14. Marketable securities and investment securities

(a) A summary of held-to-maturity securities with fair values at March 31, 2011 and 2010 is as follows:

	Millions of yen						Thousands of U.S. dollars		
	2011			2010			2011		
	Fair value	Amount recorded in the balance sheet	Difference	Fair value	Amount recorded in the balance sheet	Difference	Fair value	Amount recorded in the balance sheet	Difference
Held-to-maturity securities whose fair values exceed their amounts recorded in the balance sheet									
National and local government bonds	¥1,005	¥1,000	¥ 5	¥4,120	¥4,101	¥19	$12,086	$12,026	$ 60
Held-to-maturity securities whose fair values do not exceed their amounts recorded in the balance sheet									
National and local government bonds	¥1,801	¥1,801	¥ 0	¥ —	¥ —	¥—	$21,660	$21,660	$ 0
Total	¥2,806	¥2,801	¥ 5	¥4,120	¥4,101	¥19	$33,746	$33,686	$ 60

(b) A summary of other securities with stated market prices at March 31, 2011 and 2010 is as follows:

	Millions of yen						Thousands of U.S. dollars		
	2011			2010			2011		
	Acquisition cost	Amount recorded in the balance sheet	Difference	Acquisition cost	Amount recorded in the balance sheet	Difference	Acquisition cost	Amount recorded in the balance sheet	Difference
Other securities whose amounts recorded in the balance sheet exceed their acquisition cost									
Equity securities	¥13,082	¥37,840	¥24,758	¥15,953	¥37,733	¥21,780	$157,330	$455,081	$297,751
Subtotal	¥13,082	¥37,840	¥24,758	¥15,953	¥37,733	¥21,780	$157,330	$455,081	$297,751
Other securities whose amounts recorded in the balance sheet do not exceed their acquisition cost									
Equity securities	¥12,584	¥ 8,532	¥ (4,052)	¥12,429	¥9,751	¥ (2,678)	$151,341	$102,610	$(48,731)
Other	193	183	(10)	203	188	(15)	2,321	2,201	(120)
Subtotal	¥12,777	¥ 8,715	¥ (4,062)	¥12,632	¥9,939	¥ (2,693)	$153,662	$104,811	$ (48,851)
Total	¥25,859	¥46,555	¥20,696	¥28,585	¥47,672	¥19,087	$310,992	$559,892	$248,900

Note:Unlisted stocks are not included in the above table because there were no quoted market prices available and they are extremely difficult to determine the fair value. The amounts of unlisted stocks in the balance sheet are disclosed in Note 13.

(c) A summary of held-to-maturity securities which were sold in the years ended March 31, 2011 and 2010 is as follows:

There are no proceeds from the sale of held-to-maturity securities in the years ended March 31, 2011 and 2010.

(d) A summary of other securities which were sold in the years ended March 31, 2011 and 2010 is as follows:

	Millions of yen						Thousands of U.S. dollars		
	2011			2010			2011		
	Selling prices	Amount of gain on sales	Amount of loss on sales	Selling prices	Amount of gain on sales	Amount of loss on sales	Selling prices	Amount of gain on sales	Amount of loss on sales
Other securities	¥210	¥152	¥(10)	¥3,007	¥814	¥(69)	$2,526	$1,828	$120

Note: The sales amounts of unlisted stocks are not included.

(e) Impairment losses of other securities

Impairment losses of other securities for the year ended March 31, 2010 are ¥1,590 million ($19,122 thousand). Impairment losses of other securities are recognized in case the fair values at the end of the year declined over 50% compared to acquisition cost and recognition of impairment losses are necessary after taking into account the collectability.

For the year ended March 31, 2011 the disclosure is omitted because of its insignificance.

15. Derivatives

In the normal course of business, the Companies employ derivative financial instruments, including forward foreign exchange contracts, foreign currency options, interest rate swaps and commodity swaps to manage their exposures to fluctuation risks in foreign currency exchange rates, interest rates and material prices.

The Companies do not use derivatives for speculative or trading purposes.

The fair value information of derivatives as of March 31, 2011 and 2010 are as follows:

(a) Derivatives to which hedge accounting is not applied

(i) Foreign currency (transactions other than market transactions)

	Millions of yen								Thousands of U.S. dollars			
	2011				2010				2011			
	Notional amount	Over 1 year	Fair value	Valuation gain (loss)	Notional amount	Over 1 year	Fair value	Valuation gain (loss)	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Forward foreign exchange contracts												
Sell:												
U.S. dollar	¥ 4,881	¥ —	¥131	¥131	¥ 7,971	¥ —	¥ (54)	¥ (54)	$ 58,701	$ —	$1,575	$1,575
Buy:												
Euro	—	—	—	—	319	—	(64)	(64)	—	—	—	—
Korean won	426	426	9	9	413	413	33	33	5,123	5,123	108	108
Japanese yen	2,507	—	80	80	2,703	—	(7)	(7)	30,150	—	962	962
U.S. dollar	2,614	—	(9)	(9)	—	—	—	—	31,437	—	(108)	(108)
Foreign currency options												
Sell:												
Call U.S. dollar	36,987	—			24,299	—			444,823	—		
	(—)	(—)	(41)	(41)	(—)	(—)	(129)	(129)	(—)	(—)	(493)	(493)
Singapore dollar	2,498	—			—	—			30,042	—		
	(—)	(—)	(16)	(16)	(—)	(—)	—	—	(—)	(—)	(192)	(192)
Put U.S. dollar	237	—			77	—			2,850	—		
	(—)	(—)	1	1	(—)	(—)	0	0	(—)	(—)	12	12
Buy:												
Call U.S. dollar	117	—			77	—			1,407	—		
	(—)	(—)	1	1	(—)	(—)	(0)	(0)	(—)	(—)	12	12
Put U.S. dollar	23,214	—			15,514	—			279,182	—		
	(—)	(—)	(116)	(116)	(—)	(—)	(36)	(36)	(—)	(—)	(1,395)	(1,395)
Singapore dollar	1,158	—			—	—			13,927	—		
	(—)	(—)	(7)	(7)	(—)	(—)	—	—	(—)	(—)	(84)	(84)
Total	¥ —	¥ —	¥ 33	¥ 33	¥ —	¥ —	¥(257)	¥(257)	$ —	$ —	$ 397	$ 397

Notes:

i. Method of measuring fair values

(1) The fair values of forward foreign exchange contracts are calculated using the forward foreign exchange rates.

(2) The fair values of foreign currency options are calculated based on the prices provided by financial institutions with which the Companies do business.

ii. The option premium is stated for the amounts in parentheses in the rows of "Notional amount" and "Over 1 year," but the foreign currency option is a so-called zero-cost option and no premium is received or paid.

(ii) Interest rate (transactions other than market transactions)

	Millions of yen								Thousands of U.S. dollars			
	2011				2010				2011			
	Notional amount	Over 1 year	Fair value	Valuation gain (loss)	Notional amount	Over 1 year	Fair value	Valuation gain (loss)	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Interest rate swaps												
Receipts fixed payments floating	¥ —	¥ —	¥ —	¥ —	¥18,898	¥ —	¥ 124	¥ 124	$ —	$ —	$ —	$ —
Payments fixed receipts floating	405	135	(13)	(13)	19,724	495	(208)	(208)	4,871	1,624	(156)	(156)
Total	¥405	¥135	¥(13)	¥(13)	¥38,622	¥495	¥ (84)	¥ (84)	$4,871	$1,624	$(156)	$(156)

Note: The fair values are calculated based on the prices provided by financial institutions with which the Companies do business.

(b) Derivatives to which hedge accounting is applied

(i) Foreign currency

			Millions of yen						Thousands of U.S. dollars		
			2011			2010			2011		
Hedge accounting	Hedging instrument	Hedged item	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts										
	Sell:	Trade receivables									
	U.S. dollar		¥2,886	¥2,456	¥ 15	¥18,194	¥ 12	¥(137)	$ 34,708	$29,537	$ 179
	Euro		487	—	(47)	963	—	67	5,857	—	(565)
	Australian dollar		—	—	—	6	—	(1)	—	—	—
	Hong Kong dollar		8	—	0	35	—	(1)	96	—	0
	Taiwan dollar		—	—	—	171	—	(4)	—	—	—
	Buy:	Trade payables									
	U.S. dollar		3,656	111	(105)	6,321	864	(2)	43,969	1,335	(1,263)
	Euro		1,428	—	60	1,923	137	(71)	17,174	—	722
	British pound		475	—	(40)	123	—	(29)	5,713	—	(481)
	Australian dollar		—	—	—	93	—	10	—	—	—
	Swiss franc		—	—	—	84	—	4	—	—	—
	Hong Kong dollar		6	—	(0)	4	—	0	72	—	(0)
	Korean won		445	—	22	173	139	36	5,352	—	265
	Thai baht		—	—	—	28	28	2	—	—	—
Allocation treatment (*1)	Forward foreign exchange contracts										
	Sell:	Trade receivables									
	U.S. dollar		¥2,742	¥ —	¥ —	¥ 8,135	¥ —	¥ —	$ 32,977	$ —	$ —
	Euro		455	—	—	98	—	—	5,472	—	—
	Australian dollar		—	—	—	1,324	—	—	—	—	—
	Hong Kong dollar		98	—	—	—	—	—	1,179	—	—
	Buy:	Trade payables									
	U.S. dollar		1,375	—	—	931	—	—	16,536	—	—
	Euro		163	—	—	603	—	—	1,960	—	—
	Hong Kong dollar		—	—	—	81	—	—	—	—	—
	Thai baht		102	—	—	—	—	—	1,227	—	—
Total			¥ —	¥ —	¥ (95)	¥ —	¥ —	¥(126)	$ —	$ —	$(1,143)

(*1) The difference between the amount translated at contracted rate and that translated at the current rate of exchange on the date of the forward contract shall be allocated over the life of the forward contract.

Notes:

i. Method of measuring fair values

The fair values are calculated based on the prices provided by financial institutions with which the Companies do business.

ii. Fair values of transactions using the method such as forward foreign exchange contracts where transactions are recorded by translation at the contracted rate are included in the fair values of hedged items, either of trade receivables or trade payables, as these derivatives are accounted for together with the trade receivables or trade payables.

(ii) Interest rate

			Millions of yen						Thousands of U.S. dollars		
			2011			2010			2011		
Hedge accounting	Hedging instrument	Hedged item	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value
Deferral hedge accounting of interest rate swaps	Interest rate swaps Payments fixed receipts floating	Short-term loans	¥ —	¥ —	¥—	¥ 1,000	¥ 1,000	¥(14)	$ —	$ —	$ —
		Long-term loans	3,000	3,000	(4)	—	—	—	36,079	36,079	(48)
Exceptional treatment of interest rate swaps	Interest rate swaps Payments fixed eceipts floating	Long-term loans	¥56,885	¥47,263	¥—	¥56,743	¥47,121	¥ —	$684,125	$568,406	$ —
Total			¥ —	¥ —	¥ (4)	¥ —	¥ —	¥ (14)	$ —	$ —	$(48)

Notes:

i. Method of measuring fair values

The fair values are calculated based on the prices provided by financial institutions with which the Companies do business.

ii. Fair values of transactions by the exceptional treatment of interest rate swaps are included in the fair values of long-term loans, as these derivatives are accounted for together with the long-term loans.

16. Retirement benefits

The Companies have defined benefit pension plans, and lump-sum retirement payment plans.

In addition, an employee, if eligible, may receive additional payments upon retirement under certain situation.

The following information is a summary of the plans:

Retirement benefit obligation:

	Millions of yen		Thousands of U.S. dollars
March 31	**2011**	**2010**	**2011**
Projected benefit obligation	¥(152,823)	¥(156,653)	$(1,837,920)
Fair value of plan assets	1,045	1,126	12,568
Funded status	(151,778)	(155,527)	(1,825,352)
Unrecognized actuarial losses	17,645	17,943	212,207
Unrecognized past service costs	1,786	2,367	21,479
Obligation recognized in the consolidated balance sheet	¥(132,347)	¥(135,217)	$(1,591,666)
Allowance for employees' retirement benefits	¥(132,347)	¥(135,217)	$(1,591,666)

Components of net periodic pension cost:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2011**	**2010**	**2011**
Service cost during the year	¥ 8,718	¥ 8,617	$104,846
Interest cost on projected benefit obligation	3,055	3,099	36,741
Expected return on assets	(8)	(19)	(96)
Amortization of actuarial losses	3,311	3,228	39,819
Amortization of past service costs	295	230	3,548
Additional payments	187	49	2,249
Other	256	273	3,079
Net periodic pension cost	¥15,814	¥15,477	$190,186

	2011	2010
Assumptions used in the actuarial calculation were:		
Actuarial cost method:	Projected unit credit method	Projected unit credit method
Discount rate:	2.00%	2.00%
Expected rate of return:	1.50%	1.50%
Amortization period for past service costs (within the employees' average remaining years of service):	13 years	13 years
Amortization period for actuarial losses (within the employees' average remaining years of service):	13 years	13 years

17. Stock options

(a) The stock options outstanding at March 31, 2011 are as follows:

	2011 Stock option	2010 Stock option	2009 Stock option	2008 Stock option
Persons granted	Directors of the Company: 13 Executive officers of the Company: 13	Directors of the Company: 13 Executive officers of the Company: 14	Directors of the Company: 13 Executive officers of the Company: 11	Directors of the Company: 13 Executive officers of the Company: 13
Class and number of shares	Common stock 759,000 shares	Common stock 647,000 shares	Common stock 511,000 shares	Common stock 274,000 shares
Grant date	August 9, 2010	August 5, 2009	August 18, 2008	August 9, 2007
Vesting conditions	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.	In principle, stock option rights are vested on the day which one year has elapsed after losing their positions as directors or executive officers.
Service period	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.	No provisions since vesting day is not readily determinable.
Exercise period	From August 10, 2010 to August 9, 2040	From August 6, 2009 to August 5, 2039	From August 19, 2008 to August 18, 2038	From August 10, 2007 to August 9, 2037

Stock option expense included in "Selling, general and administrative expenses" for the years ended March 31, 2011 and 2010 amounted to ¥117 million ($1,407 thousand) and ¥107 million, respectively.

(b) The number of and changes in stock options during the years ended March 31, 2010 is as follows:

	2010 Stock option	2009 Stock option	2008 Stock option
Non-vested:			
Outstanding at previous consolidated fiscal year	—	511,000	205,000
Granted	647,000	—	—
Forfeited	—	—	—
Vested	—	—	20,000
Outstanding of non-vested at the end of the year	647,000	511,000	185,000
Vested:			
Outstanding at previous consolidated fiscal year	—	—	36,000
Vested	—	—	20,000
Exercised	—	—	22,000
Forfeited	—	—	—
Outstanding of non-exercised at the end of the year	—	—	34,000
Exercise price - yen	¥ 1	¥ 1	¥ 1
Average share price at exercise - yen	—	—	155
Fair value price at grant date - yen	165	185	462

(c) The number of and changes in stock options during the years ended March 31, 2011 is as follows:

	2011 Stock option	2010 Stock option	2009 Stock option	2008 Stock option
Non-vested:				
Outstanding at previous consolidated fiscal year	—	647,000	511,000	185,000
Granted	759,000	—	—	—
Forfeited	—	—	—	—
Vested	—	—	77,000	39,000
Outstanding of non-vested at the end of the year	759,000	647,000	434,000	146,000
Vested:				
Outstanding at previous consolidated fiscal year	—	—	—	34,000
Vested	—	—	77,000	39,000
Exercised	—	—	54,000	47,000
Forfeited	—	—	—	—
Outstanding of non-exercised at the end of the year	—	—	23,000	26,000
Exercise price - yen	¥ 1	¥ 1	¥ 1	¥ 1
(U.S. dollars)	($0.012)	($0.012)	($0.012)	($0.012)
Average share price at exercise - yen	—	—	¥146	¥147
(U.S. dollars)			($1.756)	($1.768)
Fair value price at grant date - yen	¥154	¥165	¥185	¥462
(U.S. dollars)	($1.852)	($1.984)	($2.225)	($5.556)

Because it is difficult to reasonably estimate the number of options that will forfeit in the future, the number of forfeited options are based on the actual data.

(d) Estimation method for stock options issued during the years ended March 31, 2011 and 2010 are as follows:

The fair value of stock options granted is estimated by using Black-Scholes option pricing model with the following assumptions:

	2011 Stock option	2010 Stock option
Volatility of stock price (*1)	50%	50%
Estimated remaining outstanding period (*2)	3.5 years	3.5 years
Estimated dividend (*3)	¥2 per share	—
Interest rate with risk free (*4)	0.21%	0.50%

(*1) Annual volatility rate estimated based on daily stock prices in the past 3.5 years (closing prices on each day from February 10, 2007 to August 9, 2010) for 2011 and (closing prices on each day from February 6, 2006 to August 5, 2009) for 2010, respectively.

(*2) Expected average period from grant date to exercise date

(*3) Based on actual year-end dividend for the preceding year

(*4) Annual rate, the yield on government bonds with remaining life of 3.5 years (the yield on August 9, 2010) for 2011 and (the yield on August 5, 2009) for 2010, respectively.

18. Deferred tax assets and liabilities

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Allowance for employees' bonuses	¥ 9,103	¥ 8,184	$ 109,477
Reserve for losses on sales contracts	12,309	6,394	148,034
Reserve for guaranteed contracts	6,499	7,505	78,160
Allowance for employees' retirement benefits	52,635	53,825	633,013
Allowance for doubtful receivables	3,625	6,412	43,596
Net loss carried forward	24,789	59,423	298,124
Losses on impairment of fixed assets	6,628	6,314	79,711
Losses on valuation of inventories	3,689	3,271	44,366
Adjustment for taxable income on percentage-of-completion method	2,242	3,818	26,963
Denial of accrued expense	3,094	—	37,210
Losses on disaster	3,846	—	46,254
Valuation losses on investment securities	2,221	—	26,711
Unrealized gain	3,574	—	42,982
Other	9,139	11,102	109,910
Valuation allowance	(47,382)	(65,960)	(569,838)
Total	¥96,011	¥100,288	$1,154,673
Deferred tax liabilities:			
Deferred gains on sales of property, plant and equipment	¥ 7,920	¥ 8,211	$ 95,250
Unrealized holding gain on other securities	8,291	9,007	99,711
Other	2,902	2,756	34,901
Total	19,113	19,974	229,862
Net deferred tax assets	¥76,898	¥ 80,314	$ 924,811

The reconciliations between the statutory tax rates and the effective income tax rates after applying deferred tax accounting for the years ended March 31, 2011 and 2010 are as follows:

	2011	2010
Statutory tax rates in Japan	40.6%	40.6%
Adjustments:		
Change in valuation allowance	(5.3)	(43.8)
Foreign tax credit	—	18.0
Expenses not deductible permanently (e.g. entertainment expenses)	1.7	4.2
Other	(1.5)	4.1
Effective income tax rates after applying deferred tax accounting	35.5%	23.1%

19. Investment and rental properties

Effective the fiscal year ended March 31, 2010, a new accounting standard for disclosures regarding fair value of investment and rental real estate properties and related implementation guidance have been adopted.

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

(a) The amounts recorded in the consolidated balance sheet and the fair values of these investment and rental properties are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2011			2010			2011		
Category of use	Fair value	Amount recorded in the balance sheet	Net change	Fair value	Amount recorded in the balance sheet	Net change	Fair value	Amount recorded in the balance sheet	Net change
Office buildings	¥126,025	¥72,232	¥50,273	¥ 52,017	¥21,959	¥ (980)	$1,515,634	$ 868,695	$604,606
Parking lots	33,772	2,677	68	64,791	2,609	(19)	406,158	32,195	818
Commercial facilities	34,553	1,216	(1)	34,531	1,217	(0)	415,550	14,624	(12)
Other	69,716	23,632	(1,430)	81,941	25,062	1,073	838,437	284,209	(17,198)
Total	¥264,066	¥99,757	¥48,910	¥233,280	¥50,847	¥ 74	$3,175,779	$1,199,723	$588,214

Notes:
i. The amount in consolidated balance sheet is calculated by subtracting accumulated depreciation from acquisition cost.
ii. The fair value is based on the values mainly in the appraisal report prepared by external real estate appraisers.
iii. Major increases and decreases to form the amounts of net change for the year ended March 31, 2011 are as follows:
(1) Office buildings Increase in association with the buying back of trust beneficiary rights of the Toyosu Center Building for ¥40,772 million ($490,343 thousand) and Increase due to new buildings for ¥10,914 million ($131,257 thousand)
(2) Others Decrease due to impairment losses for ¥1,404 million ($16,885 thousand)
iv. Major increase to form the amounts of net change for the year ended March 31, 2010 is as follows:
(1) Others Increase due to newly built condominium for ¥1,285 million.

(b) Income and expenses concerning investment and rental properties for this fiscal year are as follows:

	Millions of yen								Thousands of U.S. dollars			
	2011				2010				2011			
Category of use	Rental income	Rental expenses	Net rental income	Other income	Rental income	Rental expenses	Net rental income	Other income	Rental income	Rental expenses	Net rental income	Other income
Office buildings	¥4,482	¥2,223	¥2,259	¥ —	¥3,641	¥1,613	¥2,028	¥—	$ 53,902	$26,735	$27,168	$ —
Parking lots	866	270	596	—	596	149	447	—	10,415	3,247	7,168	—
Commercial facilities	532	245	287	—	364	224	140	—	6,398	2,947	3,451	—
Other	2,560	1,216	1,344	(1,404)	2,050	1,053	997	—	30,788	14,624	16,164	(16,885)
Total	¥8,440	¥3,954	¥4,486	¥(1,404)	¥6,651	¥3,039	¥3,612	¥—	$101,503	$47,553	$53,951	$(16,885)

Note: Major rental income is included in "Net sales," while major rental expenses are included in "Cost of sales."

20. Segment information

(a) Industry segments

Industry segment information of the Companies for the years ended or as of March 31, 2011 and 2010 is as follows:

	Millions of yen								
Year ended or as of March 31, 2011	(1)	(2)	(3)	(4)	(5)	(6)	Total	Eliminations and Corporate	Consolidated
Sales and operating income:									
Sales to outside customers	¥274,336	¥185,919	¥201,110	¥178,296	¥269,134	¥ 78,497	¥1,187,292	¥ —	¥1,187,292
Intersegment sales and transfers	32,098	3,991	11,456	13,860	4,622	35,881	101,908	(101,908)	—
Total	306,434	189,910	212,566	192,156	273,756	114,378	1,289,200	(101,908)	1,187,292
Operating income	¥ 22,482	¥ 10,996	¥ 11,890	¥ 12,433	¥ 5,826	¥ 2,160	¥ 65,787	¥ (4,397)	¥ 61,390
Others:									
Depreciation expense	¥ 5,675	¥ 3,686	¥ 4,116	¥ 5,646	¥ 12,906	¥ 2,262	¥ 34,291	¥ 1,805	¥ 36,096
Equity income of affiliates	295	—	—	174	—	(65)	404	(15)	389
Amount of increase in property, plant and equipment	7,685	5,888	51,718	6,706	9,584	2,647	84,228	2,141	86,369

Millions of yen

Year ended or as of March 31, 2010	(1)	(2)	(3)	(4)	(5)	(6)	Total	Eliminations and Corporate	Consolidated
Sales and operating income:									
Sales to outside customers	¥329,250	¥212,100	¥191,770	¥146,925	¥284,640	¥ 78,015	¥1,242,700	¥ —	¥1,242,700
Intersegment sales and transfers	53,486	1,848	15,082	21,130	5,490	44,529	141,565	(141,565)	—
Total	382,736	213,948	206,852	168,055	290,130	122,544	1,384,265	(141,565)	1,242,700
Operating income	¥ 27,182	¥ 1,340	¥ 9,457	¥ 4,392	¥ 8,982	¥ 1,455	¥ 52,808	¥ (5,663)	¥ 47,145
Others:									
Depreciation expense	¥ 4,805	¥ 3,425	¥ 3,262	¥ 6,034	¥ 14,745	¥ 2,632	¥ 34,903	¥ 3,203	¥ 38,106
Equity income of affiliates	25	—	(58)	108	—	303	378	67	445
Amount of increase in property, plant and equipment	7,447	4,488	4,123	6,667	10,182	3,172	36,079	1,365	37,444

Thousands of U.S. dollars

Year ended or as of March 31, 2011	(1)	(2)	(3)	(4)	(5)	(6)	Total	Eliminations and Corporate	Consolidated
Sales and operating income:									
Sales to outside customers	$3,299,291	$2,235,947	$2,418,641	$2,144,269	$3,236,729	$ 944,041	$14,278,918	$ —	$14,278,918
Intersegment sales and transfers	386,025	47,998	137,775	166,687	55,586	431,521	1,225,592	(1,225,592)	—
Total	3,685,316	2,283,945	2,556,416	2,310,956	3,292,315	1,375,562	15,504,510	(1,225,592)	14,278,918
Operating income	$ 270,379	$ 132,243	$ 142,994	$ 149,525	$ 70,066	$ 25,977	$ 791,184	$ (52,880)	$ 738,304
Others:									
Depreciation expense	$ 68,250	$ 44,330	$ 49,501	$ 67,901	$ 155,213	$ 27,204	$ 412,399	$ 21,708	$ 434,107
Equity income of affiliates	3,548	—	—	2,093	—	(782)	4,859	(180)	4,678
Amount of increase in property, plant and equipment	92,423	70,812	621,984	80,649	115,262	31,834	1,012,965	25,749	1,038,713

Notes:

i. The Companies operate in six industry segments as follows:

(1) Energy and Resources Operation
Boilers, gas turbines, components for nuclear power plants, storage facilities, process plants, power systems and floating LNG storage facilities

(2) Ships and Offshore Facilities Operation
Shipbuilding, ship repairs and offshore structures

(3) Physical Distribution Systems and Social Infrastructure Operation
Material handling systems, physical distribution and factory automation systems, parking systems, bridges, construction materials, traffic system and real estate and rental

(4) Rotating and Industrial Machinery Operation
Vehicular turbochargers, compressors, steel manufacturing equipment, paper production machines and environmental control systems

(5) Aero Engine and Space Operation
Jet engines, space-related equipment and defense machinery

(6) Other Operation
Diesel engines, agricultural machinery, construction machinery and other services

ii. Operating income of eliminations and corporate amounted to ¥-4,397 million ($-52,880 thousand), comprising of ¥42 million ($505 thousand) of intersegment adjustment and ¥-4,439 million ($-53,385 thousand) of corporate expenses which weren't allocated to each segment.

iii. Assets and liabilities of each segment are unquoted because there aren't examination object for determination of business resource allocation nor evaluation for business performance.

iv. Depreciation expenses indicate depreciation expense of fixed asset, excluding lease assets. Additionally, depreciation expenses of elimination and corporate indicate depreciation expenses of corporate which weren't allocated to each segment.

v. Amount of increase in property, plant and equipment excludes lease assets. Additionally, amount of increase in property, plant and equipment of elimination and corporate indicates amount of increase in property, plant and equipment of corporate which wasn't allocated to each segment.

vi. Beginning from the current fiscal year, the "Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No. 17, issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Guidance No. 20, issued on March 21, 2008) are adopted.

(b) Related information

Related information for the year ended March 31, 2011 is as follows:

1. Information of each goods and services:
Information of goods and services is omitted because the information is same as that of reporting industry segments.

2. Information of each area:

(1)Sales of each area

2. Information of each area:

(1)Sales of each area

	Millions of yen						
Year ended March 31, 2011	Japan	Europe	Asia	U.S.A	Central and South America	Other	Total
Sales	¥675,251	¥90,834	¥138,945	¥125,956	¥92,427	¥63,879	¥1,187,292

	Millions of yen						
Year ended March 31, 2010	Japan	Europe	Asia	North America	Central and South America	Other	Total
Sales	¥718,075	¥70,371	¥122,129	¥139,292	¥111,318	¥81,515	¥1,242,700

	Thousands of U.S. dollars						
Year ended March 31, 2011	Japan	Europe	Asia	U.S.A	Central and South America	Other	Total
Sales	$8,120,878	$1,092,411	$1,671,016	$1,514,805	$1,111,570	$768,238	$14.278,918

(2) Property, plant and equipment

Property, plant and equipment on each area is omitted because over 90% of property, plant and equipment of consolidated balance sheet is located in Japan.

3. Information of main customers:

Main customer is Ministry of Defense of Japan and its sales amounted to ¥124,038 million ($1,491,738 thousand) included in industry segments of "Aero Engine and Space Operation" and "Ships and Offshore Facilities Operation".

(c) Information of losses on impairment of fixed assets in each industry segments.

Information of losses on impairment of fixed assets in each industry segments for the year ended March 31, 2011 is as follows:

	Millions of yen								
Year ended or as of March 31, 2011	(1)	(2)	(3)	(4)	(5)	(6)	Total	Eliminations and Corporate	Consolidated
Losses on impairment of fixed assets	¥373	¥—	¥1,404	¥—	¥—	¥5	¥1,782	¥—	¥1,782

	Thousands of U.S. dollars								
Year ended or as of March 31, 2011	(1)	(2)	(3)	(4)	(5)	(6)	Total	Eliminations and Corporate	Consolidated
Losses on impairment of fixed assets	$4,486	$—	$16,885	$—	$—	$60	$21,431	$—	$21,431

(d) Information of the depreciation amount and the balance of goodwill

Information of the depreciation amount and the balance of goodwill for the year ended March 31, 2011 are as follows:

	Millions of yen								
Year ended or as of March 31, 2011	(1)	(2)	(3)	(4)	(5)	(6)	Total	Eliminations and Corporate	Consolidated
Depreciation amount of goodwill	¥ 38	¥232	¥118	¥ 510	¥—	¥—	¥ 898	¥—	¥ 898
Balance of goodwill	133	141	603	3,157	—	—	4,034	¥—	4,034

	Thousands of U.S. dollars								
Year ended or as of March 31, 2011	(1)	(2)	(3)	(4)	(5)	(6)	Total	Eliminations and Corporate	Consolidated
Depreciation amount of goodwill	$ 457	$2,790	$1,419	$ 6,134	$—	$—	$10,800	$—	$10,800
Balance of goodwill	1,600	1,696	7,251	37,968	—	—	48,515	—	48,515

Note: Depreciation amount and the balance of negative goodwill by corporate combination and the other for the year ended March 31, 2011 are omitted because of its insignificance.

(e) Information of the gains of negative goodwill

Information of the gains of negative goodwill for the year ended March 31, 2011 is omitted because of its insignificance.

21. Information about related parties

(a) Information about related parties for the year ended March 31, 2010 is as follows:

1. Related party transactions

Transactions between the Company and related parties

Directors/corporate auditors, major shareholders and other related parties of the Company

Type	Name	Location	Capital or contributions Millions of yen	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Notes: i) Millions of yen	Account title	Balance as of March 31 (Notes: i) Millions of yen
Director	Yasuyuki Watanabe	—	¥ —	Japanese Aero Engines Corporation ("JAEC") (Chairman)	Holding directly 0.00%	Representative director and executive vice president of the Company	Operating transactions with JAEC (Notes: ii)			
							-Subcontract of work from JAEC related to R&D of jet engines	¥3,153	–	¥ –
							-Payment of a portion of funding related to the above	1,393	–	–
							-Repayment of subsidies related to the above	1,265	Accrued expenses	4,096
									Long-term accrued expenses	24,369
							-Guarantee of JAEC's borrowings and lease obligations	(Guarantee amount) 22,248	Guarantee obligations	–
							-Manufacture of jet engine components and delivery thereof to JAEC	77,752	Trade receivables	8,129
									Advances from customers	2,864
							-Payment of a portion of expenses related to the above	34,357	–	–

Notes:

i. Transaction amount in the above does not include consumption taxes and balance as of March 31 includes them.

ii. The person conducted these transactions as a representative of a third party, and the transaction amounts and prices are subject to terms and conditions of general transactions.

2. Notes on parent company or significant affiliates

(1) Information about parent company: Not applicable

(2) Condensed financial information of significant affiliates: Not applicable

(b)Information about related parties for the year ended March 31, 2011 is as follows:

1. Related party transactions

(1) Transactions between the Company and related parties

(i) Unconsolidated subsidiaries, affiliates and other related parties of the Company

Type	Name	Location	Capital or contributions Millions of yen	Capital or contributions Thousands of U.S. dollars	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note: i) Millions of yen	Transaction amount (Note: i) Thousands of U.S. dollars	Account title	Balance as of March 31 (Note: i) Millions of yen	Balance as of March 31 (Note: i) Thousands of U.S. dollars
Affiliate	IHI Finance Support Corporation	Chuo-ku, Tokyo	¥200	$2,405	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Notes:ii)	¥36,363 (Notes:iii)	$437,318	Trade payables	¥17,768	$213,686
											Other current liabilities	824	9,910

(ii) Directors/corporate auditors, major shareholders and other related parties of the Company

Type	Name	Location	Capital or contributions		Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Notes: i)		Account title	Balance as of March 31 (Note: i)	
			Millions of yen	Thousands of U.S. dollars					Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Director	Yasuyuki Watanabe	—	¥—	$—	Japanese Aero Engines Corporation ("JAEC") (Chairman)	Holding directly 0.00%	Representative director and executive vice president of the Company	Operating transactions with JAEC (Notes: iv)					
								-Subcontract of work from JAEC related to R&D of jet engines	¥ 2,659	$ 31,978	–	¥ –	$ –
								-Payment of a portion of funding related to the above	697	8,382	–	–	–
								-Repayment of subsidies related to the above	1,779	21,395	Accrued expenses	2,818	33,891
											Long-term accrued expenses	23,220	279,254
								-Manufacture of jet engine components and delivery thereof to JAEC	76,500	920,024	Trade receivables	10,567	127,084
											Advances from customers	2,864	34,444
								-Payment of a portion of expenses related to the above	34,772	418,184	–	–	–

Notes:

i. In the tables (i) and (ii) above, transaction amount does not include consumption taxes and balance as of March 31 includes them.

ii. With regard to factorings, the Company, any customer and IHI Finance Support Corporation entered into a basic agreement concerning the Company's liabilities and settled the amount.

iii. This amount indicates the transaction amounts since July 1, 2010 on which IHI Finance Support Corporation became an affiliate of the Company.

iv. The person conducted these transactions as a representative of a third party, and the transaction amounts and prices are subject to terms and conditions of general transactions.

(2) Transactions between consolidated subsidiaries and related parties of the Company
Unconsolidated subsidiaries, affiliates and other related parties of the Company

Type	Name	Location	Capital or contributions		Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note: i)		Account title	Balance as of March 31 (Note: i)	
			Millions of yen	Thousands of U.S. dollars					Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Affiliate	IHI Finance Support Corporation	Chuo-ku, Tokyo	¥200	$2,405	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Notes:ii)	¥98,521 (Notes:iii)	$1,184,859	Trade payables	¥46,938	$564,498
											Other current liabilities	576	6,927

Notes:

i. Transaction amount does not include consumption taxes and balance as of March 31 includes them.

ii. With regard to factorings, a consolidated subsidiary, any customer and IHI Finance Support Corporation entered into a basic agreement concerning the consolidated subsidiary's liabilities and settled the amount.

iii. This amount indicates the transaction amounts since July 1, 2010 on which IHI Finance Support Corporation became an affiliate of the Company.

2. Notes on parent company or significant affiliates

(1) Information about parent company: Not applicable

(2) Condensed financial information of significant affiliates: Not applicable

22. Special purpose companies subject to disclosure

(a)Outline of special purpose companies subject to disclosure and summary of transactions using such companies

The Company executed the securitization of real estate properties in March 2004 and 2005, in order to obtain stable funding. In connection with these securitization, the Company used two special purpose companies (SPCs) which are classified as special limited liability companies. The SPCs are engaged in the business of the acquisition, the possession, the management and the sale of beneficiary rights of real estate in trust. Besides, the Company provides the SPCs with property management contract services.

For these securitization, the Company entered into anonymous association contracts with the SPCs and holds investments in capital in accordance with the contracts. The Company plans to collect all the investments in anonymous associations, and, as of the balance sheet date, believes that no future loss arising from the investments will be assumed.

As information to prepare our consolidated financial statements, total assets (simple summation) are ¥29,933 million ($359,988 thousand) and ¥30,275 million on most recent closing date for March, 31, 2011 and 2010, respectively. Total liabilities (simple summation) are ¥29,459 million ($354,287 thousand) and ¥29,788 million on most recent closing date for March, 31, 2011 and 2010, respectively. The Company has neither investments in capital with voting rights nor dispatching of corporate officers and employees to these SPCs.

The Company bought back the beneficiary rights of real estate in trust from one of the above two SPCs in March 2011. Consequently, the Company received the gain on sale of beneficiary rights of real estate in trust recognized at the SPC as a distribution from anonymous association.

(b) Amounts of transaction with SPCs during the year ended March 31, 2011 and 2010 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2011		2010		2011	
	Balance as of March 31, 2011	Amount of major Income or loss	Balance as of March 31, 2010	Amount of major income or loss	Balance as of March 31, 2011	Amount of major income or loss
Investments in capital	¥ 1,794	¥ 1,379	¥1,794	¥1,083	$ 21,575	$ 16,585
Property management contract services	—	3	—	3	—	36
Rent	—	198	—	180	—	2,381
Acquisition of beneficiary rights of real estate in trust	40,773	19,842 (Notes: iv)	—	—	490,355	238,629
Total	¥42,567	¥21,422	¥1,794	¥1,266	$511,930	$257,631

Notes:

i. Investments in capital refers to investments in anonymous associations. However, as it is treated as deemed securities, the amount is included in other securities

ii. Distribution from anonymous association is included in other income.

iii. The acquired beneficiary rights of real estate in trust are included in buildings and structures as trust assets on the consolidated balance sheet.

iv. Refer to Note10 (Notes: ii).

23. Net assets

Under the Japanese Corporate Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of capital surplus reserve and legal earnings reserve must be set aside as capital surplus reserve or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

24. Amounts per share

	Yen		U.S. dollars
Year ended March 31	**2011**	**2010**	**2011**
Net income per share	¥ 20.29	¥ 11.85	$0.244
Net income per share fully diluted	¥ 20.28	—	$0.244
Cash dividends	3.00	2.00	0.036
Shareholders' equity	162.33	144.66	1.952

Note: Fundamentals for calculating net income per share and net income per share fully diluted are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2011**	**2010**	**2011**
Net income per share			
Net income	¥29,764	¥17,378	$357,956
Amounts for non-common stock holders	—	—	—
Net income regarding common stock	29,764	17,378	357,956
Average number of shares of common stock	1,466,635 stocks	1,466,413 stocks	1,466,635 stocks
Net income per share fully diluted			
Adjustment amount of net income	(6)	—	(72)
(Interest income of the above)	(6)	—	(72)
Increase number of common stock	952 stocks	—	952 stocks
(Convertible bonds of the above)	878	—	878
(Stock options of the above)	74	—	74

25. Significant subsequent events

At a Board of Directors meeting held on May 23, 2011, the Company resolved a sale of a portion of land at Toyosu, Koto-ku, Tokyo for the purpose of further promoting the project of redeveloping Toyosu and raising the value of the entire Toyosu area. The summary is as follows:

(a) Name and location of assets to be sold:
A portion of land at 1-54, Toyosu 3-chome, Koto-ku, Tokyo (Approx. 10,880 sq. meters)
(b) Book value:
Approx. ¥600 million ($7,216 thousand)
(c) Planned sales price:
Approx. ¥14,100 million ($169,573 thousand)
(d) Purchaser:
Mitsubishi Estate Co., Ltd. or an SPC established by Mitsubishi Estate Co., Ltd.
(e) Time for conclusion of sales contract:
In the first half of fiscal year 2012 (planned)
(f) Time for transfer of the equity
In the first half of fiscal year 2012 (planned)

However, the subjective land and its sales price may be changed before the conclusion of the sales contract.

26. Short-term loans, long-term loans, debentures, and lease obligations

Short-term loans; current portion of long-term loans, debentures and lease obligations at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Short-term bank loans with the weighted-average interest rate of 0.89% and 0.98% at March 31, 2011 and 2010, respectively	¥ 82,188	¥131,432	$ 988,431
Current portion of long-term loans with the weighted-average interest rate of 1.71% and 1.60% at March 31, 2011 and 2010, respectively	52,697	42,095	633,758
Current portion of debentures with the weighted-average interest rate of 1.81% and 1.35% at March 31, 2011 and 2010, respectively	10,000	20,500	120,265
Current portion of lease obligations	2,427	3,132	29,188
Total	¥147,312	¥197,159	$1,771,642

Long-term loans, debentures and lease obligations at March 31, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current portion of Long-term loans with the weighted-average interest rate of 1.71% and 1.60% at March 31, 2011 and 2010, respectively	¥ 52,697	¥ 42,095	$ 633,758
Non-current portion of Long-term loans with the weighted-average interest rate of 1.66% and 1.74% at March 31, 2011 and 2010, respectively	162,151	184,190	1,950,102
Debentures, bearing interest rates from 1.81% to 2.13%	63,565	60,500	764,462
Lease obligations	12,788	13,823	153,795
Less current portion	(65,124)	(65,727)	(783,211)
Total	¥226,077	¥234,881	$2,718,906

The aggregate amounts of long-term loans, debentures and lease obligations by maturity (with five years) at March 31, 2011, are summarized as follows:

	Millions of yen					
Year ending March 31	2012	2013	2014	2015	2016	Total
Long-term loans	¥52,697	¥71,209	¥48,011	¥21,741	¥21,190	¥214,848
Debentures	10,000	10,000	—	20,000	23,000	63,000
Lease obligations	2,427	2,368	2,122	1,564	4,307	12,788
Total	¥65,124	¥83,577	¥50,133	¥43,305	¥48,497	¥290,636

	Thousands of U.S. dollars					
Year ending March 31	2012	2013	2014	2015	2016	Total
Long-term loans	$633,758	$ 856,392	$577,402	$261,467	$254,841	$2,583,860
Debentures	120,265	120,265	—	240,529	276,609	757,668
Lease obligations	29,188	28,479	25,520	18,809	51,798	153,794
Total	$783,211	$1,005,136	$602,922	$520,805	$583,248	$3,495,322

27. Quarterly results

A summary of quarterly results for fiscal years 2010-2011 is as follows:

	Millions of yen (Yen per share amounts)				Thousands of U.S. dollars (U.S. dollars per share amounts)			
	2010-2011				2010-2011			
Quarters ended	Jun. 30	Sep. 30	Dec. 31	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Mar. 31
Net sales	¥268,647	¥295,036	¥274,236	¥349,373	$3,230,872	$3,548,238	$3,298,088	$4,201,720
Income before income taxes and minority interests	11,355	10,055	5,596	20,457	136,561	120,926	67,300	246,025
Net income	7,861	5,633	5,484	10,786	94,540	67,745	65,953	129,718
Net income per share	5.36	3.84	3.74	7.35	0.064	0.046	0.045	0.089

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Report of Independent Auditors

The Board of Directors
IHI Corporation

We have audited the accompanying consolidated balance sheets of IHI Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31,2011, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IHI Corporation and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 25. to the consolidated financial statements, at a Board of Directors meeting held on May 23, 2011, the Company resolved a sale of a portion of land at Toyosu 3-chome, Koto-ku, Tokyo.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 24, 2011

Corporate Data

As of March 31, 2011

Head Office

IHI Corporation
Toyosu IHI Building, 1-1, Toyosu 3-chome,
Koto-ku, Tokyo 135-8710, JAPAN
Tel: +81-3-6204-7800 Fax: +81-3-6204-8800
URL: http://www.ihi.co.jp/en/index.html

Founded

1853

Incorporated

1889

Number of Employees

7,986 (consolidated: 26,035)

Transfer Agent

The Chuo Mitsui Trust and Banking Company, Ltd.

Consolidated Subsidiaries

95

Non-Consolidated Subsidiaries

42

Affiliates

46
(Includes 17 affiliates applying the equity method of accounting)

Stock Exchange Listings

Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

Shares Outstanding

1,467,058,482

Number of Shareholders

112,228

Independent Auditors

Ernst & Young ShinNihon

Major Shareholders

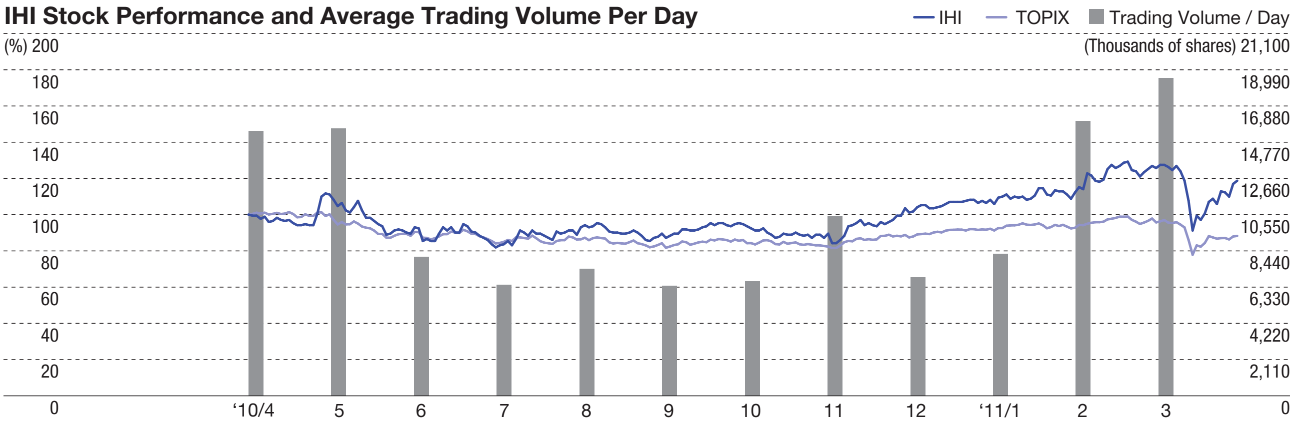
1	Japan Trustee Services Bank, Ltd. (Holder in Trust)	4.12%
2	Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account reentrusted by Chuo Mitsui Asset Trust and Banking Company, Limited)	3.77%
3	The Dai-ichi Life Insurance Company, Limited	3.68%
4	Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	2.97%
5	The Master Trust Bank of Japan, Ltd. (Holder in Trust)	2.71%
6	IHI Customer Stock Ownership Association	1.75%
7	Japan Trustee Services Bank, Ltd. (Holder in Trust No.9)	1.67%
8	Nippon Life Insurance Company	1.62%
9	Mitsui Sumitomo Insurance Co., Ltd	1.51%
10	Sumitomo Life Insurance Company	1.47%

(Notes) 1. Voting rights for 55,422,000 shares held by "Japan Trustee Services Bank, Ltd. (TOSHIBA Corporation Retirement Benefit Trust Account re-entrusted by Chuo Mitsui Asset Trust and Banking Company, Limited)" are exercised in accordance with the instructions of TOSHIBA Corporation because TOSHIBA is a consigner of the shares.
2. Voting rights for 43,680,000 shares held by "Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account reentrusted by Mizuho Trust and Banking Co., Ltd." are exercised in accordance with the instructions of Mizuho Bank Limited because Mizuho Bank is a consigner of the shares.
3. Shareholding ratios are calculated without including total number of treasury stock shares (408,509 shares).

Investor Relations

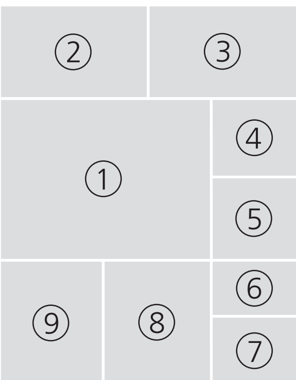
If you have any questions or would like copies of any of our reports, please contact:
Investor Relations Division
IHI Corporation
Toyosu IHI Building, 1-1, Toyosu 3-chome,
Koto-ku, Tokyo 135-8710, JAPAN
Tel: +81-3-6204-7030
Fax: +81-3-6204-8613

IHI Stock Performance and Average Trading Volume Per Day



	'10/4	5	6	7	8	9	10	11	12	'11/1	2	3
Opening Price	171	185	155	142	152	148	160	152	173	186	188	220
High	196	187	162	158	163	166	161	178	187	199	226	223
Low	160	150	140	139	145	148	148	141	172	183	188	140
Closing Price	190	156	143	152	149	160	153	173	181	186	214	203
Trading Volume / Day (Thousands of shares)	15,456	15,585	8,135	6,477	7,403	6,405	6,678	1,0467	6,896	8,289	16,019	18,542

Share price on the first trading day of April 2010 (April 1, 2010): ¥171 = 100%



Our products on the cover

① *V2500* Turbofan engine
② 300,000t Very large crude carrier
③ Bioengineering experiment facility
④ Turbocharger for Automobiles
⑤ Underground LNG Storage tank
⑥ *LM6000* Gas turbine power plant
⑦ Low floor light rail transit vehicles (LRV)
⑧ *Binh Bridge*, Vietnam
⑨ Contra-rotating propeller for vessels

IHI Corporation

Head Office

Toyosu IHI Bldg., 1-1, Toyosu 3-chome, Koto-ku, Tokyo 135-8710 Japan
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