IHI
Realize your dreams

For further growth

ANNUAL REPORT 2013

For The Year Ended March 31, 2013

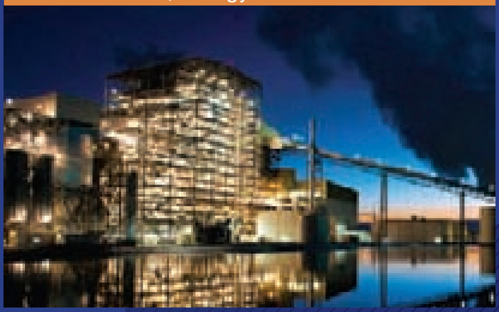
IHI Corporation

Profile

Realize your dreams

The IHI Group, which celebrates the 160th anniversary of its foundation in 2013, has announced its corporate message “Realize your dreams.” In this message, we have declared that our mission is to realize the dreams of society.
In order to fulfill this mission, based on its unceasing efforts to improve product/service quality and increase productivity in accordance with the “three actuals” principle (actual place, actual thing, and actual situation), the IHI Group will contribute to social development through manufacturing technology and, through the customer value creation, develop itself into a world-leading group of companies.

Resource, Energy and Environment



Social Infrastructure and Offshore Facilities

Four Business Areas of IHI Group

Industrial Systems and General-Purpose Machinery

Aero Engine, Space and Defense

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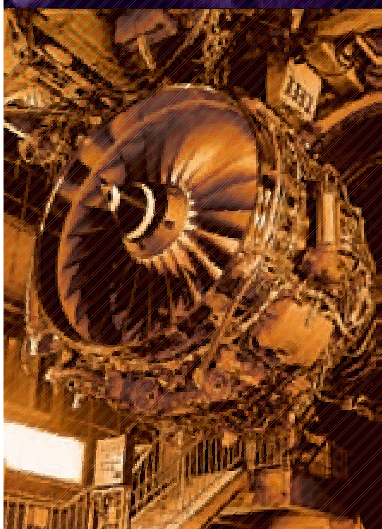


To Our Shareholders

Kazuaki Kama
Chairman of the Board

Tamotsu Saito
President, Chief Executive Officer

We are working with the Group on sustainable growth and to strengthen profitability.

Toward Stabilization of Business Foundation

The fiscal year ended March 31, 2013 (FY2012), marked the final fiscal year of the medium-term management plan, "Group Management Policies 2010." Due to the effects of factors such as the global economic slowdown, the strong yen and the Great East Japan Earthquake, we fell short of achieving the targets initially set. However, we do acknowledge that we achieved operating profit across all of our reportable segments for four consecutive fiscal years, and made progress in stabilizing our business foundation. In FY2012, we launched "Group Management Policies 2013" as our new medium-term management plan. With the goal of realizing growth underpinned by the results achieved up to now, we will utilize the IHI Group's overall capabilities and strive to achieve the targets we have set ourselves.

Summary of FY2012 Business Performance

The business environment surrounding the IHI Group during FY2012 was beset with difficulties in Japan due to such factors as slowness in post-earthquake reconstruction demand, stagnant private sector demand for capital investment, and a slump in exports brought about by the effects of the European sovereign debt crisis. There was a positive response to financial and economic policies in Japan following a change of government in December 2012, and encouraging signs were observed in year-end corrections to the strength of the yen and rising stock prices. It is expected, however, that it will take some time for these effects to be reflected in the real economy.

Overseas, the overall trend of economic slowdown continued. Despite the U.S. economy making a moderate recovery underpinned by firm internal demand, the downward trend in Europe remained due to a drop in demand that stemmed from the sovereign debt crisis. Likewise, emerging countries, including China, experienced economic slowdowns due to weakening exports.

To strengthen our competitiveness under these circumstances the IHI Group promoted three paradigm shifts: "a shift to a business model focused on product lifecycles," "a shift to product strategy focused on market needs," and "a shift to a global management approach." Along with these shifts the IHI Group also made concerted efforts, such as aggressively promoting business selection and concentration, toward achieving the goals set in the management policies.

Toward the Next Phase of Growth

FY2013 marks the milestone of the 160th anniversary of our foundation. We are positioning FY2013 as the year in which we will aim to realize growth underpinned by the results achieved up to now. In order to remain trusted in society, we will further enhance our businesses and operating structure to make the Group more responsive to changes in the business environment and continue to challenge ourselves to realize further advanced R&D and to make inroads into new business fields.

We would like to take this opportunity to humbly ask our valued shareholders and investors for their continued understanding and unwavering support over the year ahead.

K. Kama

Kazuaki Kama
Chairman of the Board

Tamotsu Saito

Tamotsu Saito
President, Chief Executive Officer

160

Thanks 160th Anniversary

160 Years of IHI That Has Continuously Supported Social Development with Unsurpassed Technologies

Dating back to 1853, when the modern age in Japan was dawning, IHI was established and has developed businesses in a wide range of fields—from ships, on-shore machinery, and plants to aero engines and space—and underpinned industrial development and people's affluent lifestyles not only in Japan but in the world through its advanced engineering capabilities. IHI is thus marking its 160th anniversary in 2013. In order to make dreams come true for people all over the world, the IHI Group will continue to draw on its technologies to contribute to the development of society in the years to come.

1800s>>

1853
Established Ishikawajima Shipyard, the predecessor to the current IHI

Forced to counter Western powers by arrival of fleet under U.S. Commodore Matthew Perry, Japan's feudal government instructed Mito clan to establish a shipyard.

1866
The first Japanese steam engine warship, "Chiyodamaru," completed.

Installed the first warship steam engine manufactured in Japan.

1800

1900s>>

1876

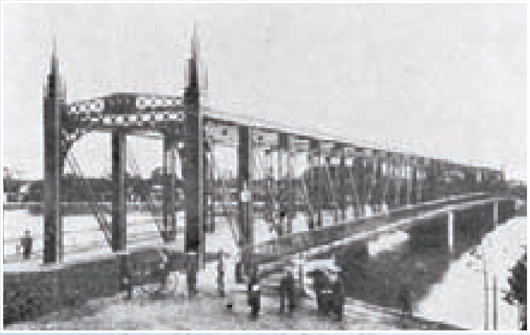
Established "Ishikawajima Hirano Shipyard"

Tomiji Hirano established the first civil shipyard in Japan.

1887

The largest iron bridge in Japan "Azuma Bridge"

Built by Japanese engineers from design to manufacture, it is the largest truss structure iron bridge in Japan.



1907

Established "Harima Dock Co., Ltd." another predecessor to the current IHI

Kiyotaro Karahata, then-head of Aioi village (now the Aioi City) in Hyogo Prefecture established Harima Dock Co., Ltd.

1911

Completed construction of steel structures for Tokyo Central Station

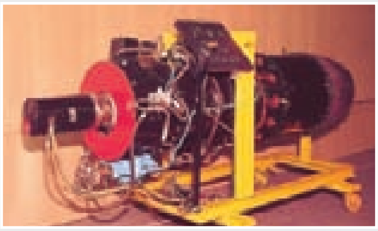
Breaking with conventional wisdom in steel building that you erect a scaffold, the method of using two movable cranes gained admiration of architecture world.

1900

1900s>>

1945
Japan's first turbojet engine, the "Ne-20"

The Ne-20 was successfully test flown in this year.



1959
Established "Ishikawajima do Brasil Estaleiros" in Brazil

The first Japanese shipyard overseas, and the forerunner of Japanese company's overseas expansion.

1960
Established "Ishikawajima-Harima Heavy Industries Co., Ltd."

With strengths in onshore machinery, Ishikawajima Heavy Industries Co., Ltd. merged with Harima Shipbuilding & Engineering Co., Ltd., a force in large ships.

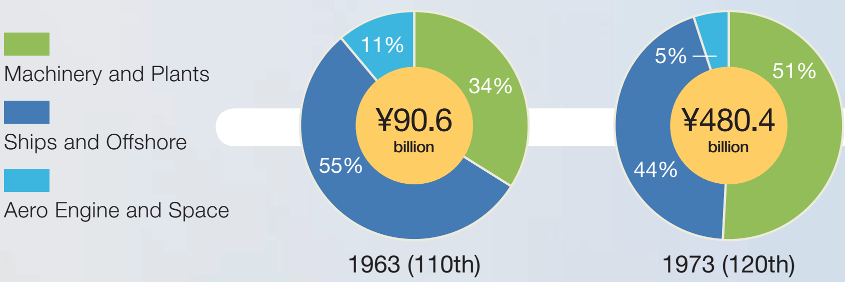
1978
The world's first barge-mounted pulp plant for Brazil

In a world-first attempt, a 230m-long pulp manufacturing plant was produced on site at an IHI works, mounted on board barge, and towed to Brazil.

1900

Trend of Net Sales and Breakdown Thereof by Business Segment

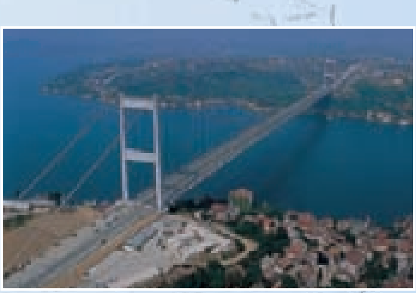
1963, 1973 : Non-Consolidated
1983- : Consolidated



2000s>>

1988
"Second Bosporus Bridge"

Linking Asia with Europe, a 1,510m-long suspension bridge was completed in Istanbul.



1997
Large-diameter shield tunneling machine for construction of "Tokyo Bay Aqualine"

Dug through 2,853m under seabed in Tokyo Bay with large-diameter (more than 14m) shield tunneling machine.

2002
Operation start of the first Japan's tower type boiler with 600MW

Isogo No. 1 power station boiler supplied to J-Power is the first of Japan's tower type with 600MW ultra supercritical configuration, and Isogo No. 2 boiler of the same tower type records the world highest steam condition.

Photo is provided by J-POWER (EPDC)

2007
The company name changed to "IHI Corporation"

IHI

The company name changed to create a global brand and transform IHI into a comprehensive engineering company.

2010
Astroid Explorer "HAYABUSA" returns to the earth.

Protecting the recovery capsule from temperatures that reach around 20,000°C, IHI Group-developed heat-shield led successful return to Earth.

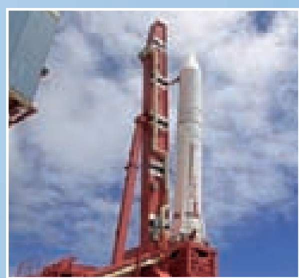
© JAXA

2011
Signed a Contract for the construction of Izmit Bay Crossing Bridge

Izmit Bay Crossing Bridge will be constructed as one of the world's largest suspension bridges with a total length of about 3,000 meters, connecting northern and southern coasts of Izmit Bay located to the east of Istanbul.

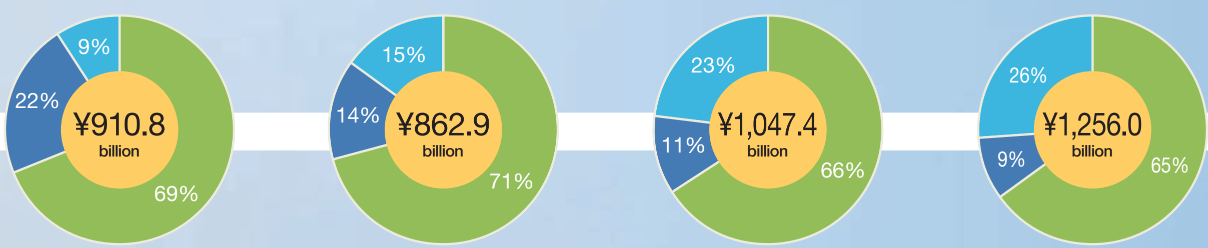
2013
Epsilon Launch Vehicle

The Epsilon Launch Vehicle is a solid propellant rocket suitable for a new age, delivering both high performance and low cost.



© JAXA

2000



1983 (130th) 1993 (140th) 2003 (150th) 2012 (FY ended March 31, 2013 (160th))

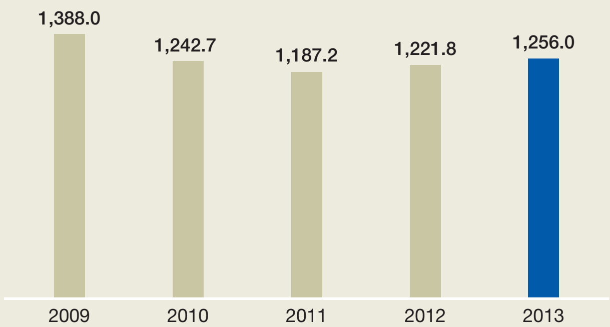
Financial Highlights

Years ended March 31 of respective years
IHI Corporation and Consolidated Subsidiaries

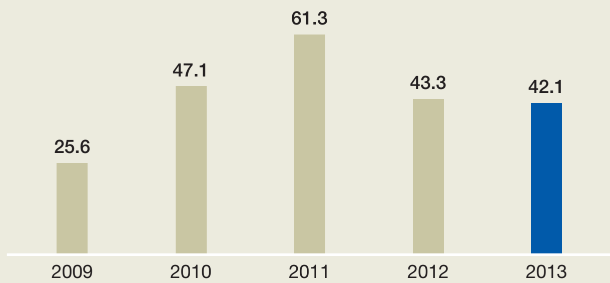
	Millions of yen					Thousands of U.S. dollars
	2009	2010	2011	2012	2013	2013
Financial performance						
Net sales	¥1,388,042	¥1,242,700	¥1,187,292	¥1,221,869	¥ 1,256,049	$13,355,120
Operating income	25,679	47,145	61,390	43,333	42,141	448,070
Net income (loss)	(7,407)	17,378	29,764	23,823	33,386	354,981
Financial positions and indicators						
Total assets	1,489,342	1,412,421	1,361,441	1,338,131	1,364,239	14,505,465
Net assets	205,950	227,065	253,640	258,475	299,282	3,182,158
Debt/Equity ratio (Times)	2.07	1.90	1.47	1.34	1.18	1.18
Return indicators (%)						
Return on average equity (ROE)	(3.60)%	8.60%	13.22%	9.76%	12.40%	12.40%
Return on average assets (ROA)	(0.49)%	1.20%	2.15%	1.77%	2.47%	2.47%
Free cash flow						
Net cash provided by operating activities	(17,638)	76,708	95,565	24,743	74,347	790,505
Net cash used in investing activities	(41,727)	(62,754)	(77,798)	(37,722)	(61,033)	(648,942)
Free cash flow	(59,365)	13,954	17,767	(12,979)	13,314	141,563
Amounts per share						
Net income (loss)	¥ (5.05)	¥ 11.85	¥ 20.29	¥ 16.26	¥ 22.81	$ 0.243
Cash dividends	¥ —	¥ 2.00	¥ 3.00	¥ 4.00	¥ 5.00	$ 0.053

Note:
For convenience only, U.S. dollar amounts in this report have been converted from yen at the rate of ¥94.05=US$1, the approximate rate of exchange prevailing on March 31, 2013.

Net sales (Billions of yen)



Operating income (Billions of yen)

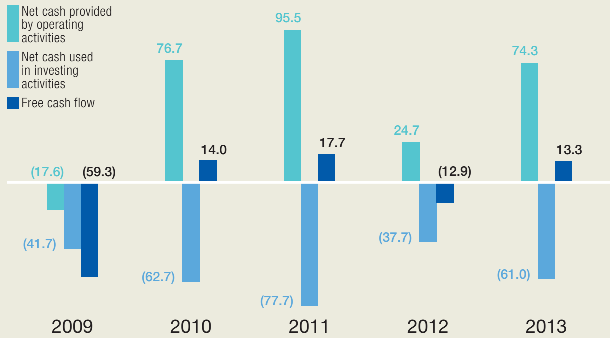


Net income (loss) (Billions of yen)

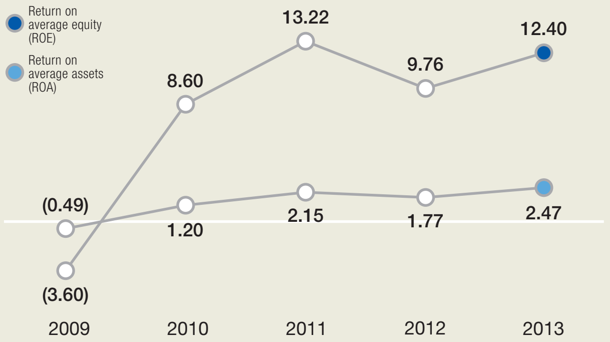
Total assets (Billions of yen)

Net assets (Billions of yen)

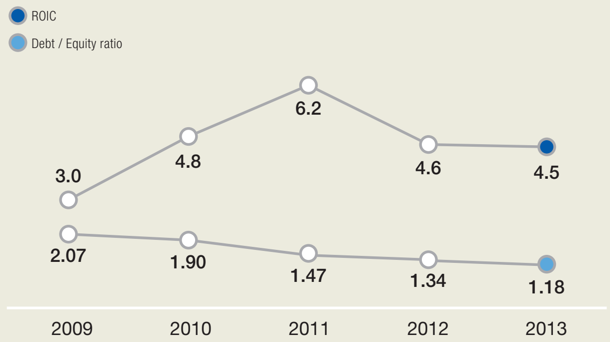
Free cash flow (Billions of yen)



ROE / ROA (%)



ROIC (%) / Debt / Equity ratio (Times)



1 One year has passed since I was appointed president.

Despite the prevailing weak and uncertain business environment, the IHI Group has focused on strengthening competitiveness in the three years of the “Group Management Policies 2010.” In the management policies, we promoted three paradigm shifts to react to the changing business environment: a shift to a business model focused on product lifecycles, a shift to product strategy focused on market needs, and a shift to a global management approach. The IHI Group has undertaken every effort to accomplish the goals raised in the management policies. We also aggressively carried out the selection and concentration of our businesses to strengthen our future foundation.

Aiming to expand our sales and procurement capabilities in Southeast Asia, in May 2012, we established the “Asia-Pacific Regional Headquarters” in Singapore. In June 2012 MEISEI ELECTRIC joined the IHI Group. The merger of MEISEI’s sensing technology with the IHI Group’s existing products has allowed us to provide new solutions to our customers. Finally, on January 1 of this year, IHI Marine United Inc. merged with Universal Shipbuilding Corporation to form Japan Marine United Corporation.

Through these activities, the business foundation and financial base of the IHI Group has become more robust. On the other hand, when we look at global economic growth, which is primarily driven by the emerging countries, we must admit that our growth rate in net sales and profit is not enough. The IHI Group plans to accelerate its business worldwide and aims to become a business group that grows along with the global economy.

2013 is a special year for us, marking the 160th anniversary of our foundation. The new corporate message “Realize your dreams” represents our will and determination to turn worldwide aspirations into reality. Along with

Leveraging the IHI Group's collective resources, we will make every effort to achieve the goals in "Group Management Policies 2013."

Tamotsu Saito President, Chief Executive Officer

the new corporate message, we have launched the new management policy "Group Management Policies 2013." The IHI Group has gained enough "nutrients" over the past years for its flowers to bloom in the coming years. With all the strength the IHI Group possesses, we will strive to realize the goals we have set.

Review of "Group Management Policies 2010"

	"2010" Target	Results	Status of Achievements
Net Sales	Approx. ¥1,400.0 billion	¥1,256.0 billion	•Target levels achieved for interest-bearing debt and investment during period ⇒Strengthening of financial base (improvement in D/E ratio) and investment toward establishing a growth trajectory •Net sales, ordinary income (operating income), and dividend targets not yet achieved [Factors leading to targets not being achieved] ✓Major changes in the external environment, e.g. economic slowdown, strong yen, Great East Japan Earthquake ✓Incidences of some unprofitable projects in Energy & Resources Operations ✓Lack of growth potential •Mostly completed internal control system ⇒Achieved profit in all business segments for 4 consecutive years
Ordinary Income (Operating Income)	¥60.0 billion (Approx. ¥70.0 billion)	¥36.2 billion (¥42.1 billion)	
Balance of interest-bearing debt	Below ¥400.0 billion D/E ratio: 1.5 or less	¥353.8 billion D/E ratio: 1.18	
Investment during Period (Investment in plant and equipment, R&D)	Approx. ¥200.0 billion	¥284.2 billion (FY12 ¥85.2 billion)	
Dividends	Early return to ¥6 per share	¥5 per share	

Paradigm Shifts	Status of Achievements
Business model Focus on product lifecycles	•Establishment overseas of maintenance bases for power generation gas turbines, heat treatment furnaces, aero engines, etc. •Stable number of orders gained in after-sales servicing area
Product strategy Focus on market needs	•Full-scale development of Twin IHI Gasifier business capable of effectively utilizing lignite (construction of verification plant in Indonesia has been decided) •Participation in development and production of PW1100G-JM engine for Airbus A320neo
Business management Global management approach	•Established China regional headquarters (Shanghai), Asia-Pacific regional headquarters (Singapore) and local subsidiary in Brazil •Singapore procurement function enlarged to expand global procurement •Achieved target of 50% increase in sales at overseas subsidiaries and affiliated companies

2 Looking Back at "Group Management Policies 2010"

During the period of "Group Management Policies 2007" the IHI Group set three goals in order to develop a business foundation for growth: enhancement of the revenue management system for each business, selection and concentration of the business portfolio, and further development of subsidiary and affiliated company management.

In the years of "Group Management Policies 2010" the three goals were: stabilization of the business foundation, further enhancement in the selection and concentration of businesses, and globalization of the IHI Group.

Under the "Group Management Policies 2010," we promoted three paradigm shifts to establish a growth trajectory. We established overseas maintenance bases for power generation gas turbines, heat treatment furnaces, and aero engines. Our business in the maintenance bases is growing steadily. Based on positive market assessments, full-scale development is currently underway of the Twin IHI Gasifier, which is capable of effectively utilizing lignite as a fuel feedstock. Also, IHI is participating in the development and production of an engine for the Airbus A320neo, a next-generation airliner. Finally, the IHI Group has established regional headquarters for China and other Asia-Pacific regions, established the Asia Procurement Center in Singapore to expand our activities abroad, and achieved a 50% increase in sales for our overseas subsidiaries and affiliated companies.

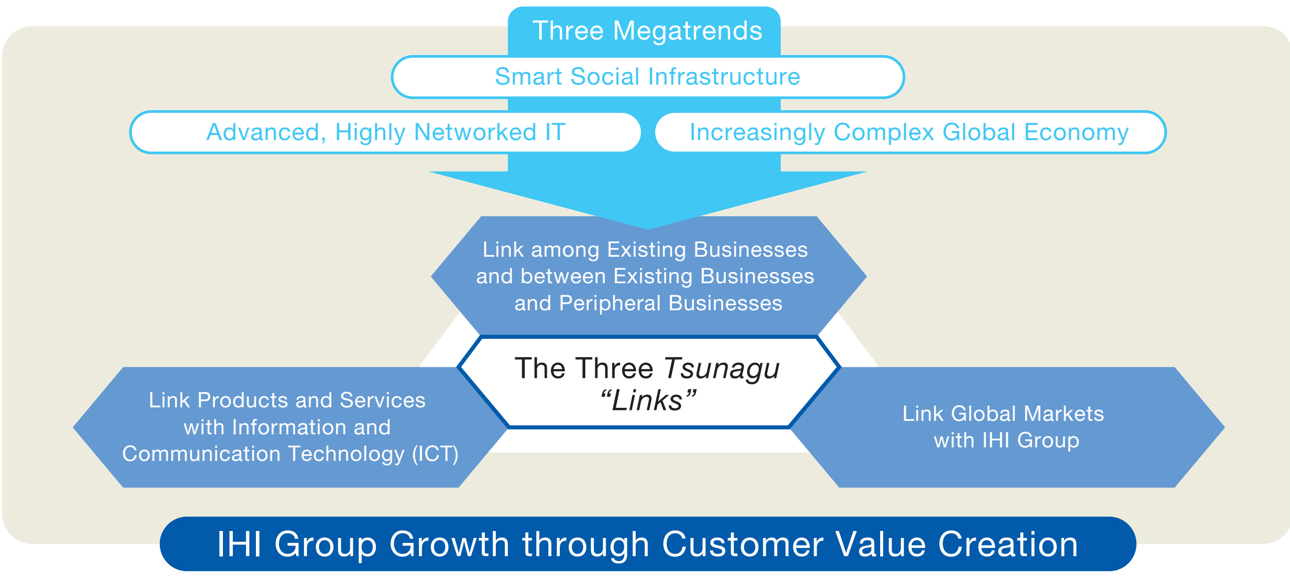
Due to the economic slowdown, the strong yen, and the Great East Japan Earthquake, we fell short of achieving our goals outlined in the "Group Management Policies 2010," namely, ¥1,400 billion in consolidated net sales and ¥60 billion in consolidated ordinary income. However, despite the challenging environment, we were able to achieve operating profit in all seven reportable segments for four consecutive years, and the business foundation of the IHI Group has been stabilized. Furthermore, we have managed to keep the balance of interest-bearing debt below ¥400 billion on an ongoing basis since FY2011. At the end of the fiscal year under review our interest-bearing debt stood at ¥353.8 billion.

3 Group Management Policies 2013

Overview (1)

Positioning of “Group Management Policies 2013”

Trend of Environment and Path toward Growth in “Group Management Policies 2013”



The main concept of the "Group Management Policies 2013" is to show how we will realize the growth of the IHI Group, as our management and financial foundation has been strengthened under the "Group Management Policies 2007" and "2010."

We recognize three megatrends in the world today: the demand for "Smart Social Infrastructure," the development of "Advanced, Highly Networked IT," and an "Increasingly Complex Global Economy."

We expect issues emerging from population growth, urbanization, and industrialization to be solved through the development of "Smart Social Infrastructure." Also, "Advanced, Highly Networked IT," represented by ideas such as "big-data" and "M2M (Machine to Machine)," are expanding our possibilities. The ability to apply these technologies to products and services will influence our competitive advantage. Finally, further advanced globalization requires companies to carry out business in an "Increasingly Complex Global Economy."

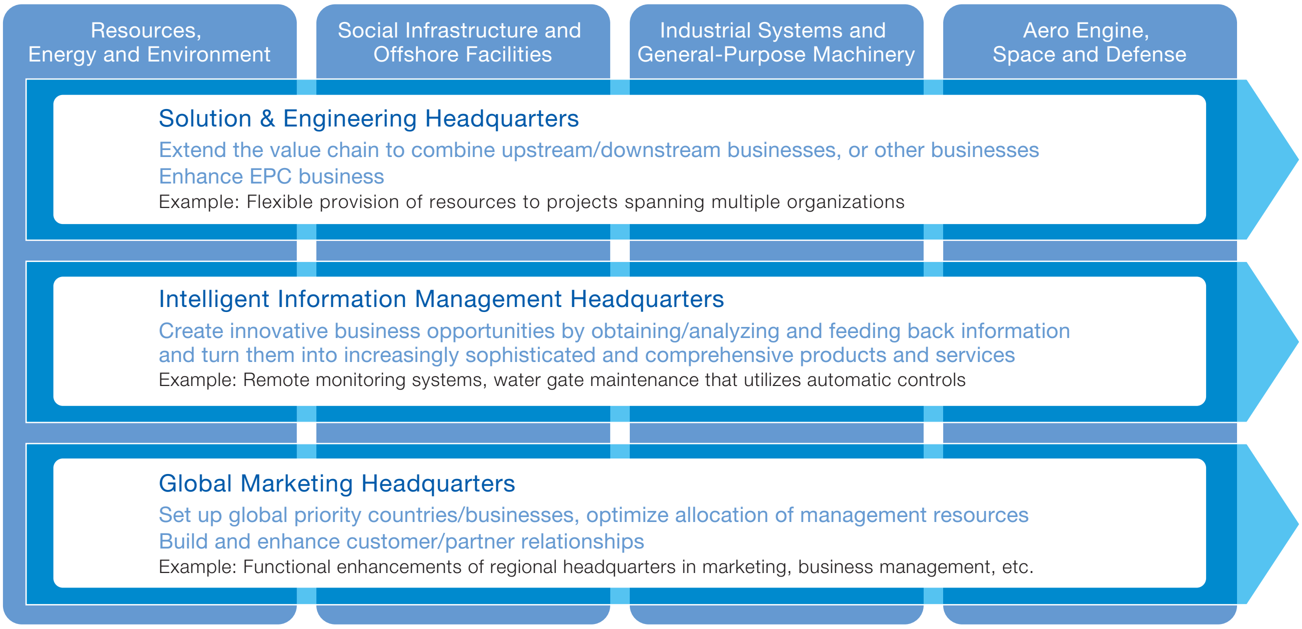
To provide value to our customers and realize the Group's growth, we will emphasize and enhance the three *Tsunagu* "links": the link among existing businesses and between existing businesses and peripheral businesses; the link of products and services with information and communication technology (ICT); and the link of global markets with the IHI Group. These "links" will play vital roles in our services and products through our *Manufacturing Technology*.

4 Four Business Areas and Strengthening the Group's Common Functions

In launching "Group Management Policies 2013," we reorganized our seven business segments into four business areas aligned in accordance with customer relationships and market characteristics: "Resources, Energy and Environment," "Social Infrastructure and Offshore Facilities," "Industrial Systems and General-Purpose Machinery," and "Aero Engine, Space and Defense." Also, to promote the three *Tsunagu* "links" and strengthen the IHI Group's common functions, we have established the "Solution & Engineering Headquarters," "Intelligent Information Management Headquarters," and "Global Marketing Headquarters."

The mission of the Solution & Engineering Headquarters is to extend the existing value chain by formulating projects that can be realized by concentrating the strength and expertise of the whole IHI Group. The Intelligent Information Management Headquarters will create innovative solutions through analysis and

Strengthening of Common Group Functions toward Growth (The Three *Tsunagu “Links”*)



feedback from the business units. The Global Marketing Headquarters will earmark and prioritize countries/businesses so that allocation of management resources may be optimized.

Market Recognition and Basic Strategy by Business Area

Resources, Energy and Environment

We will accelerate our business activities outside of Japan for new projects and maintenance services. What we see is increased demand for energy and distributed power generation in emerging countries (particularly in Southeast Asia), the growth of the shale gas market in the United States, and the growth of biomass power generation to answer the expanding needs to reduce CO_2 emissions. We therefore intend to further strengthen our efforts in the field of new energy, such as lignite gasification and biomass power generation.

Social Infrastructure and Offshore Facilities

The economic growth of the Southeast Asia region has created demand for new bridges, while major repair work is necessary for such infrastructure in Europe and the United States. Looking at the domestic market, aging urban infrastructure needs to be improved, and the experience of the Great East Japan Earthquake has heightened needs for disaster mitigation and prevention.

The IHI Group will reinforce its business activities for bridge construction projects outside of Japan, while assuring the smooth execution of the projects it is awarded, including the construction of Izmit bay crossing bridge in Turkey.

We will continue to enhance our production capabilities and efforts to win orders for Prismatic-shape IMO type B (SPB) tanks used for floating liquefied natural gas (F-LNG) facilities. In addition, the IHI Group continues to make headway in the execution of our domestic real estate business.

Industrial Systems and General-Purpose Machinery

Sophistication of petrochemical and industrial production in Southeast Asia will bring growth to the IHI Group's compressor business, while the expansion of the automotive industry in emerging countries will be an opportunity to expand our turbocharger, heat and surface treatment furnaces, and parking systems businesses. Increased demand for material handling equipment is also apparent with the development of infrastructure such as ports, power plants, and steel plants.

We will strengthen our partnerships overseas for compressors and make a full-scale entry into the contract manufacturing business for heat and surface treatment furnaces. Our turbochargers business will have the capability to meet demand around the world through the expansion of our factories in Europe and Thailand. We will accelerate the deployment of parking systems and material handling equipment in Southeast Asia to meet the infrastructure needs of the region.

Aero Engine, Space and Defense

Demand for air transport is expected to grow at an annual rate of 5% in the medium to long-term, requiring the development of next generation engines with higher fuel efficiency. We also expect growth in the space sector as utilization of outer space advances in the space services industry.

In keeping with these forecasts, IHI is involved in the development of two new engines, the PW1100G-JM and Passport20, along with their mass production system. Also, the development of the Epsilon rocket is progressing toward its first launch.

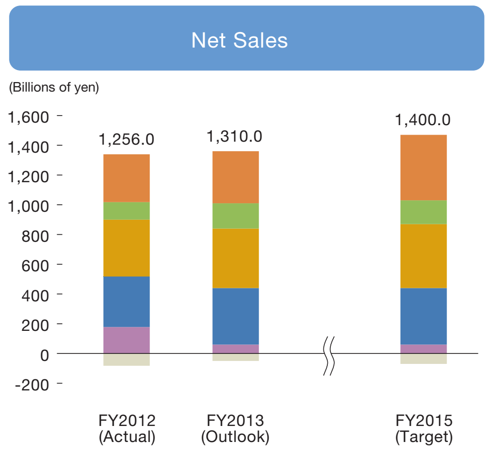
New Priority Business Areas

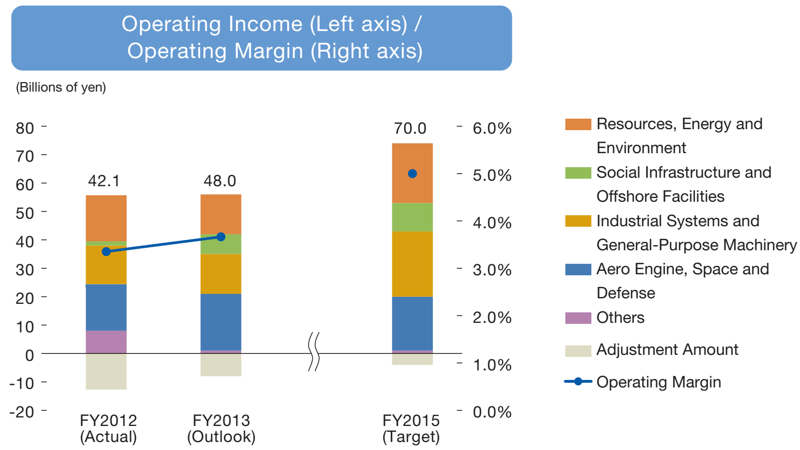
In addition to these four business areas, the IHI Group will also develop solutions in the “Life Science, Food, and Water” area as a field for future business.

Overview (2)

Targets | Consolidated Sales 1,400 Billion Yen
Consolidated Operating Income 70 Billion Yen

Achievements Targeted for FY2015





Overview (3)

Targets | Outlook and Numerical Targets by Segment

(Billions of yen)

	Net Sales			Operating Income		
	FY2012 (Actual)	FY2013 (Outlook)	FY2015 (Target)	FY2012 (Actual)	FY2013 (Outlook)	FY2015 (Target)
Resources, Energy and Environment	321.5	350.0	440.0	16.2	14.0	21.0
Social Infrastructure and Offshore Facilities	117.8	170.0	160.0	1.5	7.0	10.0
Industrial Systems and General-Purpose Machinery	382.5	400.0	430.0	13.6	14.0	23.0
Aero Engine, Space and Defense	338.4	380.0	380.0	15.4	20.0	19.0
Others	178.1	60.0	60.0	8.0	1.0	1.0
Adjustment Amount	(82.5)	(50.0)	(70.0)	(12.7)	(8.0)	(4.0)
Total	1,256.0	1,310.0	1,400.0	42.1	48.0	70.0
Exchange Rate	¥82.9/US$	¥95/US$	¥80/US$	¥82.9/US$	¥95/US$	¥80/US$

* Other segment for FY2012 (actual) includes the results of former Ships & Offshore segment (net sales ¥117.3 billion, operating income ¥6.5 billion).

5 Goals of the "Group Management Policies 2013"

Our goal is "¥1,400 billion in consolidated net sales and ¥70 billion in consolidated operating income by the end of FY2015." To achieve this, the IHI Group is planning to invest ¥190 billion in capital investment, ¥110 billion in R&D, and ¥100 billion in investments and loans in the three years of the management policies. In addition, to keep our D/E ratio under 1.2, these investments will be made through internal funding. Through fulfillment of these conditions, we aim to increase our ROIC to 6.5%, and achieve the early realization of a ¥6 per share dividend.

In conclusion, I would like to express my gratitude to all IHI Group stakeholders, in heartfelt appreciation and eager anticipation of your invaluable, ongoing support.

Review of Operations

Energy & Resources

Main products

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

(Billions of yen)

Orders received ¥290.1	Operating income ¥9.8
Net sales ¥317.2	Backlog of orders ¥340.1

Ships & Offshore Facilities

Main products

Shipbuilding, ship repairs and offshore structures

(Billions of yen)

Orders received ¥116.1	Operating income ¥6.5
Net sales ¥117.3	Backlog of orders ¥—

Social Infrastructure

Main products

Bridges, construction materials and real estate sales and rental

(Billions of yen)

Orders received ¥97.0	Operating income ¥5.8
Net sales ¥101.4	Backlog of orders ¥185.2

Logistics Systems & Industrial Machinery

Main products

Material handling systems, physical distribution and factory automation systems, parking systems, traffic systems, steel manufacturing equipment, paper production machines and environmental control systems

(Billions of yen)

Orders received ¥177.8	Operating income ¥9.9
Net sales ¥191.6	Backlog of orders ¥147.1

Rotating Equipment & Mass-Production Machinery

Main products

Vehicular turbochargers, compressors

(Billions of yen)

Orders received ¥165.7	Operating income ¥5.2
Net sales ¥169.8	Backlog of orders ¥15.1

Aero Engine & Space

Main products

Jet engines, space-related equipment and defense machinery

(Billions of yen)

Orders received ¥344.8	Operating income ¥15.4
Net sales ¥338.4	Backlog of orders ¥393.5

Others

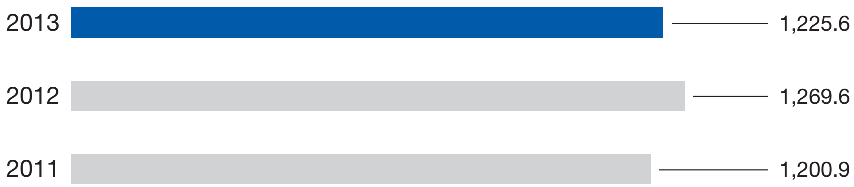
Main products

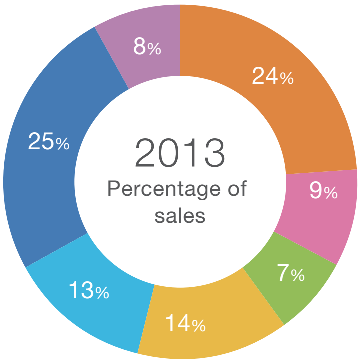
Diesel engines, agricultural machinery, construction machinery, and other services

(Billions of yen)

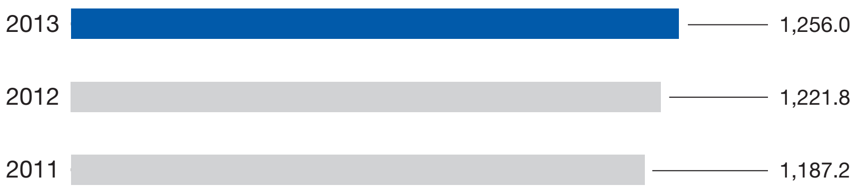
Orders received ¥110.0	Operating income ¥2.1
Net sales ¥107.9	Backlog of orders ¥32.7

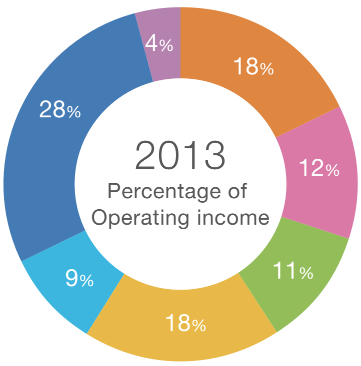
Orders received (Billions of yen, Consolidated)



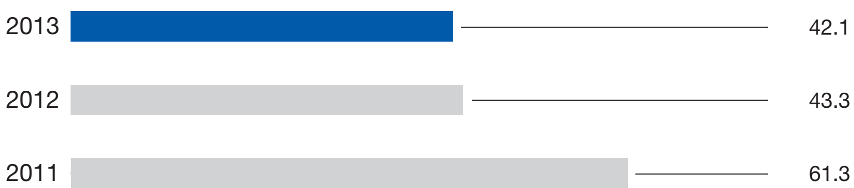


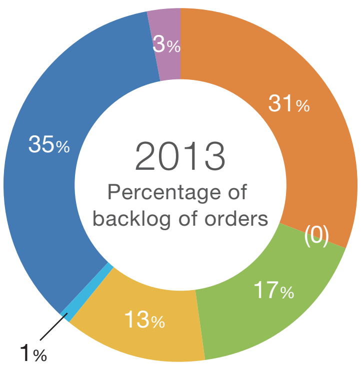
Net sales (Billions of yen, Consolidated)



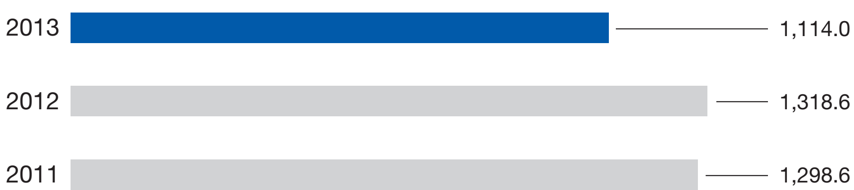


Operating income (Billions of yen, Consolidated)





Backlog of orders (Billions of yen, Consolidated)



- Energy & Resources
- Ships & Offshore Facilities
- Social Infrastructure
- Logistics Systems & Industrial Machinery
- Rotating Equipment & Mass-Production Machinery
- Aero Engine & Space
- Others

Energy & Resources

Increased revenue from process plants

Despite an increase in orders for power systems, orders received decreased 7.3% from the previous fiscal year to ¥290.1 billion owing to declines in orders for components for nuclear power plants and boilers.

Sales increased 1.6% from the previous fiscal year to ¥317.2 billion because of increased sales for process plants, despite decreases in storage facilities and power systems for land and marine use.

Operating income declined 10.5% from the previous fiscal year to ¥9.8 billion because of an increase in selling, general and administrative expenses, despite a positive impact from correction of strong yen.

IHI Group Companies

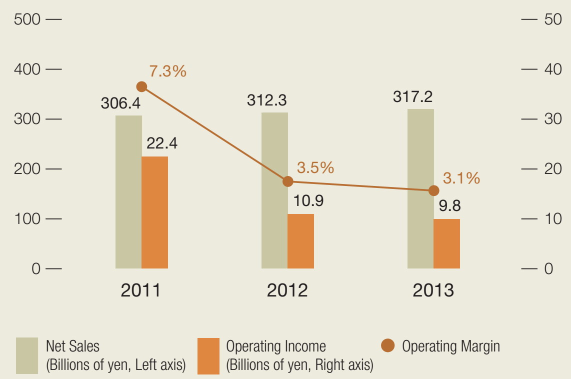
- IHI PACKAGED BOILER CO., LTD.
- Kotobuki Iron Works Co., Ltd.
- NIIGATA POWER SYSTEMS CO., LTD.
- NICO Precision Co., Inc.
- PT Cilegon Fabricators
- TOSHIBA IHI Power Systems Corporation
- IHI Inspection & Instrumentation Co., Ltd.
- IHI Plant Engineering
- Aomori Plant Co., Ltd.
- NIIGATA POWER SYSTEMS (SINGAPORE) PTE. LTD.
- IHI Plant construction Co., Ltd.
- ISHI POWER SDN. BHD.
- IHI Power System Germany GmbH
- JURONG ENGINEERING LIMITED
- IHI E & C International Corporation
- Kanamachi Purification Plant Energy Service Co., Ltd.
- Toyosu Energy Service Co., Ltd.

and other 23 companies

Steam generator for thermal power plant

Highlights

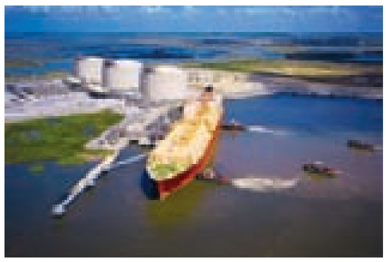
Net Sales	Operating Income	Orders
¥317.2 billion	¥9.8 billion	¥290.1 billion



TOPICS

Acquisition of Kvaerner America's Land-Based EPC Business Accelerates Natural Gas Business in the US

IHI Corporation acquired Kvaerner's Houston EPC Center which dealt with the onshore engineering, procurement, and established IHI E&C International Corporation. IHI and Kvaerner Americas have been working together on liquefied natural gas (LNG) terminal regasification projects in the United States since 2004 and had a track record in forming joint ventures that had won the orders to build the Cameron LNG receiving terminal (completed in 2009, pictured) and the GULF LNG receiving terminal (completed in 2011).



The Cameron LNG receiving terminal built for Sempra Energy (Louisiana, the United States)

Both companies have been working together in the LNG liquefaction business since 2010 and are currently engaged in a number of feasibility studies (FS) and front- end engineering design (FEED) projects that involve EPC project orders. IHI expects to be able to benefit from the mutual strengths of both companies businesses and plans to expand its area of business. By leveraging both companies' knowledge and experience, IHI will continue to work to become a forward-looking market leader in the world's EPC industry for years to come.

Ships & Offshore Facilities

Japan Marine United Corporation was launched on January 1, 2013, becoming an IHI equity method affiliate

In line with the launch of Japan Marine United Corporation, the net sales, operating income and orders received listed in the highlights on this page are the amounts as of the end of the nine months ended December 31, 2012.

Orders received increased from the previous fiscal year by 51.4% to ¥116.1 billion owing to shipbuilding orders at five units including naval and patrol vessels.

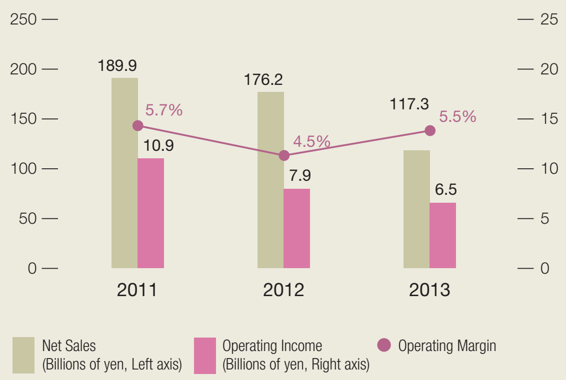
Sales declined 33.4% from the previous fiscal year to ¥117.3 billion because shipbuilding and ship repairs both decreased.

Regarding operating income, owing to the above-mentioned decrease in sales and others, there was a 17.6% decline from the previous fiscal year to ¥6.5 billion.

Future-56 bulk carrier

Highlights

Net Sales	Operating Income	Orders
¥117.3 billion	¥6.5 billion	¥116.1 billion



TOPICS

Japan Marine United Launched

Japan Marine United Corporation ("Japan Marine United") was launched in January 2013 through management integration of IHI Marine United Inc. ("IHI Marine United") and Universal Shipbuilding Corporation ("Universal Shipbuilding"), an affiliate of JFE Holdings, Inc. ("JFE Holdings").

Through the integration of our management, the new company will aim to enhance our line of products, improve productivity by consolidating the types of ships, and create synergies, including among others, accelerated new product development enabled by combining the two companies' capabilities in energy-saving and eco-friendly technologies and thereby, we will also endeavor to establish a solid business foundation and a highly competitive business platform. We believe that will lead us to continue our business operations and achieve further growth amidst intense competition.

IHI, as a shareholder of JMU, will support the initiatives of Japan Marine United and also strive to improve the business performance of the group by enhancing synergies with IHI's Power Systems businesses, etc.

Social Infrastructure


Second Bosporus Bridge in Turkey

The orders received decreased due to the order for the Izmit Bay Bridge (Turkey) having been received in the previous period

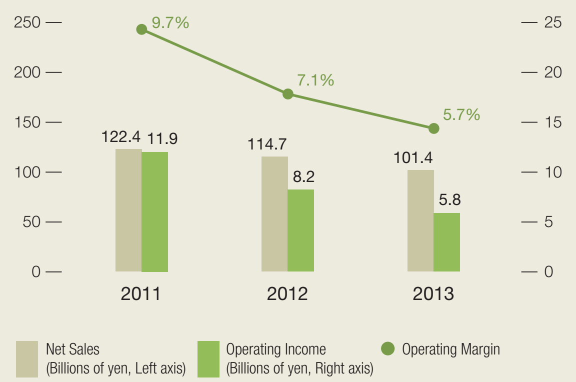
Orders received increased 51.4% from the previous fiscal year to ¥97.0 billion because of a large-scale order in the previous fiscal year for construction of the Izmit Bay Bridge (Turkey).

Sales decreased 11.6% from the previous fiscal year to ¥101.4 billion because of decreases in marine equipment and shield tunneling machines.

Operating income declined 29.8% from the previous fiscal year to ¥5.8 billion because of the above-mentioned decrease in sales and others.

Highlights

Net Sales	Operating Income	Orders
¥101.4 billion	¥5.8 billion	¥97.0 billion



IHI Group Companies

- IHI Infrastructure Systems CO., LTD.
- IHI Construction Service Co., Ltd.
- PC BRIDGE CO., LTD.
- IHI INFRASTRUCTURE ASIA CO., LTD.
- Japan Tunnel Systems Corporation
- Kanto Segment Co., Ltd.
- ISHIKAWAJIMA CONSTRUCTION MATERIALS Co., Ltd.
- IHI California Inc.
- Chiba Warehouse Co., Ltd.

TOPICS

Roadway-Widening Construction Work on Huey P. Long Bridge in Louisiana Completed


Huey P. Long Bridge in the U.S.

Having formed a joint venture with U.S. contractors Massman Construction Co. and Trailer Bros., Inc., IHI subsidiary IHI INC. recently completed deck-roadway widening construction work on the Huey P. Long Bridge (length: 726m; width after widening work: 26m) for the Louisiana Transportation Authority. The construction work involved widening the existing truss bridge that crosses the Mississippi River. In the more than 70 years since being opened to traffic in 1935 as a combined highway and rail bridge spanning the Mississippi, the Huey P. Long Bridge has served as a main traffic artery in the New Orleans suburbs. As the bridge had been showing an increased volume of traffic and advanced signs of aging in recent years, the construction work has widened and strengthened the bridge, the previous two-lane roadways having now been widened to three lanes in both directions. IHI's past track record in the United States includes the handing over of more than 20 major bridge projects, including the Luling cable-stayed bridge in Louisiana. Using the opportunity offered by the completion of the Huey P. Long project, IHI will continue to develop proactive initiatives to win bridge orders in the years to come.

Logistics Systems & Industrial Machinery

Continuous unloaders

Increased revenue and profit from steel manufacturing equipment, material handling systems, and parking systems

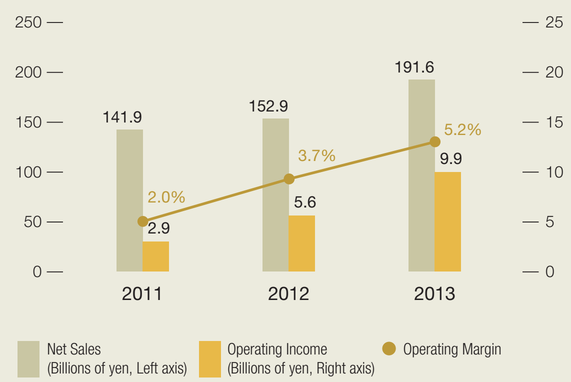
As a result of increases in orders for parking systems, material handling systems and paper production machines despite a decrease in physical distribution and factory automation systems, orders received increased 7.4% from the previous fiscal year to ¥177.8 billion.

Sales increased 25.3% from the previous fiscal year to ¥191.6 billion because of increases in sales of steel manufacturing equipment, material handling systems and parking systems.

Owing to the above-mentioned increases in sales despite an increase in selling, general and administrative expenses, operating income increased 75.8% from the previous fiscal year to ¥9.9 billion.

Highlights

Net Sales	Operating Income	Orders
¥191.6 billion	¥9.9 billion	¥177.8 billion



IHI Group Companies

- IHI Transport Machinery Co., Ltd. •IHI Enviro Corporation
- IHI Machinery and Furnace Co., Ltd. •IHI Hauzer Techno Coating B.V.
- Voith IHI Paper Technology Co., Ltd. •IHI METALTECH Co., Ltd.
- IHI Press Technology America, Inc. •CENTRAL CONVEYOR CO., LTD.
- NIIGATA TRSNSYS CO., LTD. •Indigo TopCo Limited •IHI Fuso Engineering Co., Ltd.
- IHI Logistic Technology Co., Ltd. •Nishi-Nihon Sekkei Engineering Co., Ltd.
- New Metal Engineering, LLC •IUK (HK) LIMITED and other 32 companies

TOPICS

Order for World's Largest Continuous Ship Unloaders Destined for Vietnamese Steelworks

Continuous ship unloaders of the type ordered for operation in Vietnam.

IHI Transport Machinery Co., Ltd. (IUK), an IHI subsidiary, recently secured an order from Formosa Ha Tinh Steel Corporation in Vietnam for two continuous ship unloaders (CSUs) to be used in ore and coal handling.

A steel manufacturing company established with 95% of its financing coming from the Formosa Plastics Group and 5% from China Steel Corporation, Formosa Ha Tinh Steel became Vietnam's first blast furnace integrated steel plant. Approximately 7 million tons of crude steel is to be produced annually under the first phase, the eventual aim being a system that can produce 20 million tons a year. Upon completion, Formosa Ha Tinh Steel will be the largest steel plant of its kind in Southeast Asia. The IUK order is for two CSUs to be positioned on a material handling wharf within the port dedicated for the steel plant and used in ore and coal handling. The CSUs have a world-leading unloading capacity, being designed to unload 3,000 tons of iron ore or 2,100 tons of coal per hour from ore carriers up to a maximum displacement of 300,000 tons. Taking the opportunity presented by this order, IUK will move ahead with activities designed to win orders for complete raw material and fuel bulk handling systems destined for steel and power projects, mainly concentrating on the Southeast Asia market.

Rotating Equipment & Mass-Production Machinery

Increased revenue from vehicular turbochargers

Orders received increased in vehicular turbocharger despite a decrease in compressors. As a result, orders received increased 2.6% from the previous fiscal year to ¥165.7 billion

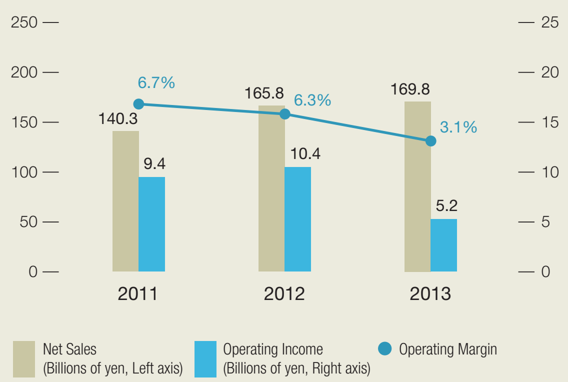
Sales increased 2.4% from the previous fiscal year to ¥169.8 billion because of an increase in sales of vehicular turbocharger despite decreases in compressors and separators.

Operating income decreased by 49.7% from the previous fiscal year to ¥5.2 billion, reflecting the abovementioned decreases in sales, an expense for increase in production and for defect correction of vehicular turbocharger.


LNG BOG Reciprocating Compressor

Highlights

Net Sales	Operating Income	Orders
¥169.8 billion	¥5.2 billion	¥165.7 billion



IHI Group Companies

- IHI Compressor and Machinery Co., Ltd.
- IHI-Sullair Compression Technology (Suzhou) Co., Ltd.
- IHI Turbo America Co.
- IHI Charging Systems International GmbH
- IHI Turbo Co., Ltd.
- IHI TURBO (THAILAND) CO., LTD.
- Changchun FAWER-IHI Turbo Co., Ltd.

and other 2 companies

TOPICS

New Turbocharger Plant Completed in Thailand


ITT's No. 3 Plant in Thailand

IHI has brought to completion a new plant at IHI Turbo (Thailand) Co., Ltd. (ITT)—its vehicular turbocharger joint venture located on the Amata Nakorn Industrial Estate in Chonburi province in southeast Thailand—and will commence its operation as the No. 3 Plant. Established in February 2002 to manufacture and sell turbochargers in Thailand, ITT produces them primarily for pickup trucks. Having achieved an annual production figure of 1.2 million units, ITT enjoys a more than 80% share of the Thai market. ITT's newly built No. 3 Plant will produce key turbocharger parts to build up a global production system and fulfill the parts supply function for all bases with a focus on supplying those in China. Steadily increasing its production capacity, in the years to come ITT will further strengthen its standing as an important base that plays a central role within the IHI Group.

Aero Engine & Space

GEnx turbofan engine

Increased revenue and profit from civil aero engines

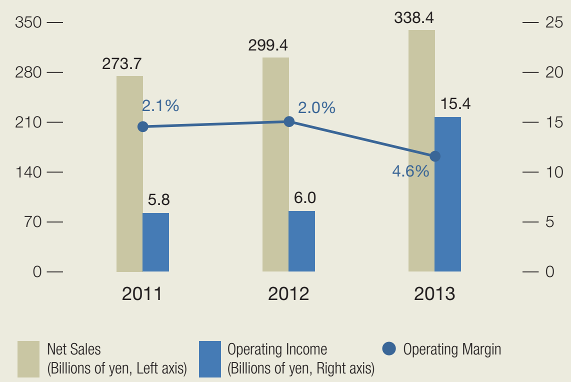
Orders received increased 4.1% from the previous fiscal year to ¥344.8 billion because of increased orders for space-related equipment and civil jet engines.

Sales increased 13.0% from the previous fiscal year to ¥338.4 billion, reflecting increases in civil jet engine and defense machinery sales.

Operating income increased by 154.6% from the previous fiscal year to ¥15.4 billion, mainly because of an increase in profit owing to correction of strong yen, the increased sales of civil jet engines and improved profitability overall.

Highlights

Net Sales	Operating Income	Orders
¥338.4 billion	¥15.4 billion	¥344.8 billion



IHI Group Companies

•IHI CASTINGS CO., LTD. •IHI MASTER METAL Co., Ltd.
•IHI Aero Manufacturing Co., Ltd. •IHI Jet Service Co., Ltd.
•INC Engineering Co., Ltd. •IHI AEROSPACE CO., LTD.
•IHI AEROSPACE ENGINEERING CO., LTD. •IHI-ICR, LLC.

TOPICS

IHI established a commercial aircraft engine repair facility in the U.S.

Commemorative photo at the signing ceremony

IHI and International Component Repair, LLC. ("ICR"), headquartered in Georgia, USA, which specializes in repairing aircraft components, established a joint venture, IHI-ICR, LLC. ("IHI-ICR"), to provide repair services for commercial aircraft engines. With US$ 1.5 million of investments in capital, 60% owned by IHI and 40% by ICR, the IHI-ICR is the first commercial aircraft engine repair facility in the United States for IHI. IHI-ICR repairs Fuel Diverter & Return Valve ("FDRV"), that is fuel control mode switching valve to control fuel temperature, which is one of the main components of V2500 aero engine that are mounted to Airbus A320 series, more than 5,000 aircrafts of which are in operation in the world. In addition, IHI-ICR is studying to expand the scope of business to include engine maintenance and components repair of other models of aero engines in addition to V2500, responding to strong demand for maintenance services on aero engines in North, Central and South America.

IHI sees this joint venture as the first phase in overseas business expansion, and will continue to aggressively expand the commercial aero-engine maintenance business going forward.

Others

Reel fairway mower

Revenue increased by having made Meisei Electric Co., Ltd. a subsidiary

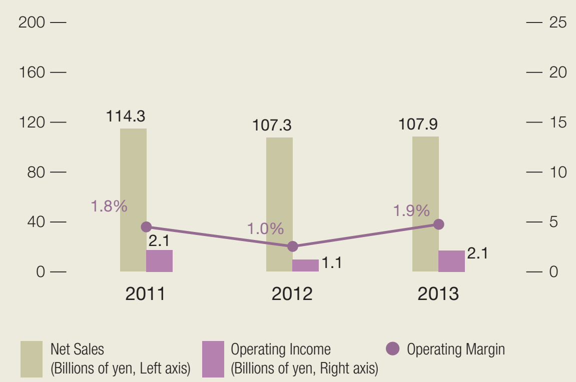
Orders received increased 4.6% from the previous fiscal year to ¥110.0 billion because of a stock acquisition in Meisei Electric to make it a subsidiary of IHI, despite a decrease in orders for agricultural machinery.

Sales increased 0.6% from the previous fiscal year to ¥107.9 billion, mainly because of MEISEI ELECTRIC becoming a subsidiary of IHI, despite decreases in sales of diesel engines and agricultural machinery.

Operating income increased 88.1% from the previous fiscal year to ¥2.1 billion reflecting mainly an improvement in profitability of construction machinery and the effect of making MEISEI ELECTRIC IHI's subsidiary.

Highlights

Net Sales	Operating Income	Orders
¥107.9 billion	¥2.1 billion	¥110.0 billion



IHI Group Companies

•IHI Construction Machinery Limited. •IHI Shibaura Machinery Corporation
•IHI STAR Machinery Corporation. •Diesel United, Ltd. •Algae Systems, LLC.
•IHI Trading, INC. •IHI Scube Co., Ltd •IHI Technical Training Institution
•IHI Shibaura Technical Service corporation •IHI Business Support Corporation
•ISM America Inc. •IHI New Energy Inc. •IHI Power Generation Corporation
•MEISEI ELECTRIC CO., LTD. and other 12 companies

TOPICS

Industrial-Use Engine Conforming with Next Emission Standards Developed, Receives EPA Certification

Industrial engine that conforms with the next emission standards

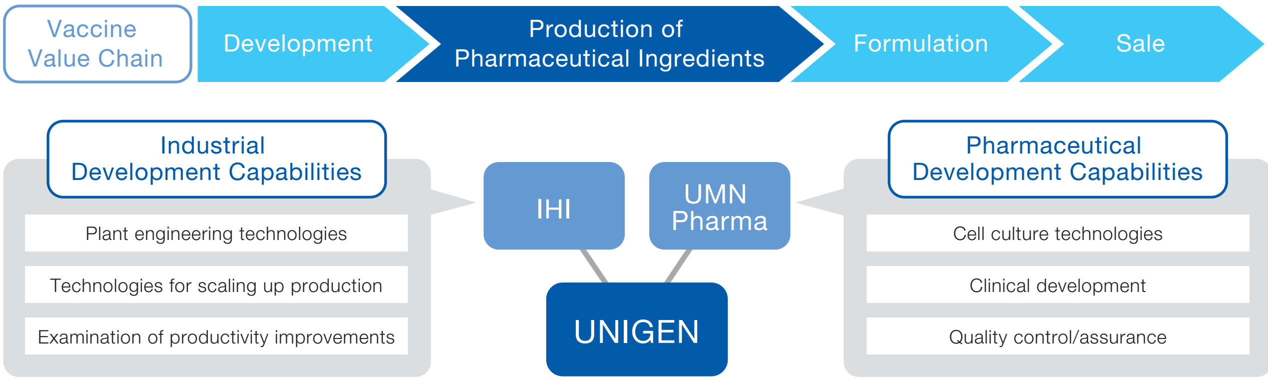
Having developed an industrial-use engine to meet the next emission standards, IHI and IHI Shibaura Machinery Corporation (ISM) recently received U.S. Environmental Protection Agency (EPA) Tier 4 emission standard conformity certification. A versatile engine with a greatly simplified exhaust gas aftertreatment device, this was the first time for certification conforming with the EPA Tier 4 emission standard to be awarded in Japan.

To pass the Tier 4 standard IHI and ISM utilized the technologies they possess in combustion, fluids, heat transfer, and structures from their existing simple and highly reliable diesel engines that have an abundant track record in the market. Blending in newest technologies, such as optimizing the shape of the combustion chamber, an ultrahigh-pressure fuel injection system, advanced fuel injection control, and optimized turbocharger specifications, IHI/ISM realized lowering of emissions and improvements in combustion efficiency by enhancing to the limit engine internal combustion.

IHI/ISM will commence sales of the newly developed engine focusing firstly on manufacturers of construction and agricultural machinery, power generators, compressors, forklift trucks, and turf maintenance equipment in North America and Europe, which are taking the lead in emission standards. Subsequently developing the market in Japan, sales are expected to reach 50,000 units in three years' time.

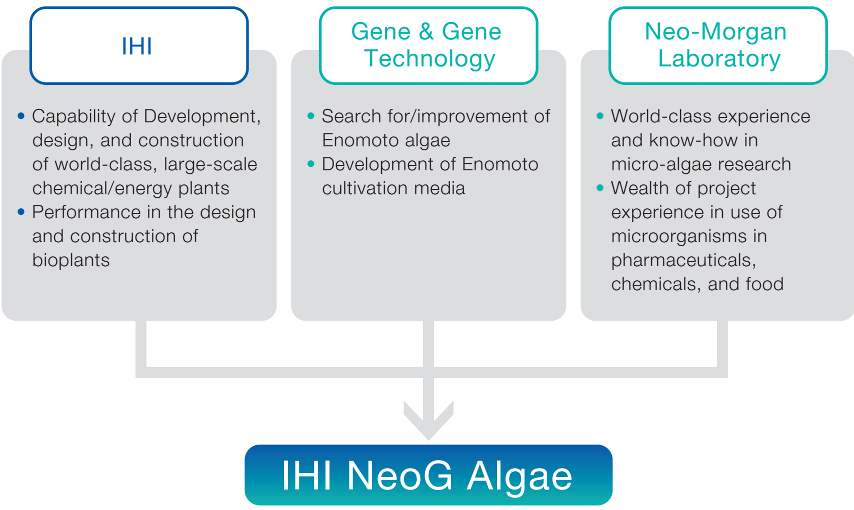
Influenza Vaccine Pharmaceutical Ingredients Business

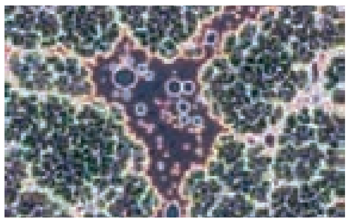
- Formed joint venture company UNIGEN in tie-up with drug discovery venture company UMN Pharma, developing manufacturing techniques for influenza vaccine pharmaceutical ingredients using cell culture technology
- IHI planning production facilities and examining the scaling up of production to leverage fundamental technologies
- UNIGEN built Akita plant to conduct research into production techniques and Gifu plant to undertake commercial production of vaccine. Currently carrying out trial production



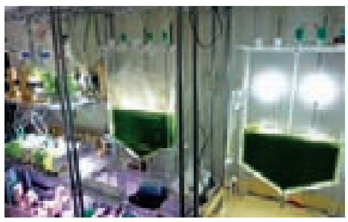
Biofuel from Algae Business

- Established joint venture limited liability company IHI NeoG Algae with bioventure enterprises in August 2011. Making progress with R&D related to biofuel business by cultivation of Enomoto algae, the algae type that has high fuel production capability
- Enomoto algae grows very rapidly and possesses the resilience to withstand contamination by various bacteria
- Biofuel from algae is expected to be used as jet fuel and heavy fuel oil, to reduce CO_2 emissions, and to provide a solution to soaring fuel and food price





Microscope photograph of Enomoto algae



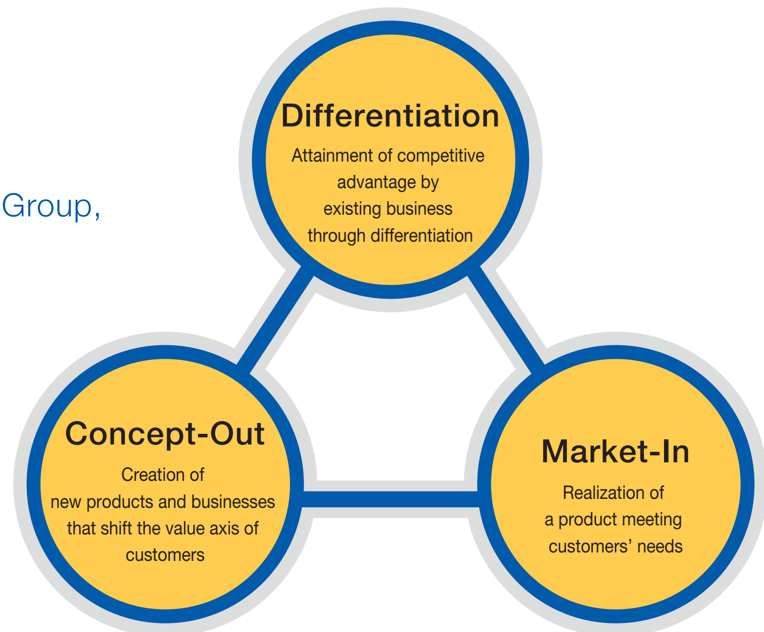
Cultivation test facilities

Research and Development Highlights

R&D Policy

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

Clarifying its aims in three parts—Differentiation, Market-In, and Concept-Out—the IHI Group is conducting strategic R&D centered on the trinity of management policies, technology strategies, and business strategies.



R&D Strategy

Smart Social Infrastructure

- Energy-saving, environmental load-reduction, efficient & economic utilization of diversified energies.
- Solve issues involving the safety & security of social infrastructures as well as their life cycles.

Advanced, Highly Networked IT

- Conversion of a mass of data into valuable information

Increasingly Complex Global Economy

- Management of competitive relationships and establishment of cooperative relationships
- Promotion of open innovation

Common Technologies to Upgrade Products and Services

•Control Technologies and ICT Utilization •Preventive Maintenance Technologies •Electrically driven Technologies
•Thermal Energy Management Technologies •Advanced Manufacturing Technologies

Focused Common Technologies to Encourage Growth

•Rotating Machinery Technologies •Chemical Process Technologies

Basic Technologies in IHI Group

•Structural Strength Technologies •Material Technologies •Combustion Technologies •Heat & Fluid Technologies
•Vibration & Machine Element Technologies •Welding Technologies

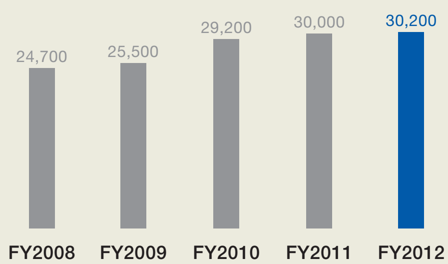
Possessing a clear technology strategy, the entire IHI Group shares a social megatrend-based, medium- to long-term R&D orientation.

Including such honest activities as increasing efficiency, reliability and durability, while reducing the burden on the environment, IHI is steadily reaping the new benefits of its research. What's more, IHI is continuing to sow the seeds and nurture the buds of innovative contributions to society.

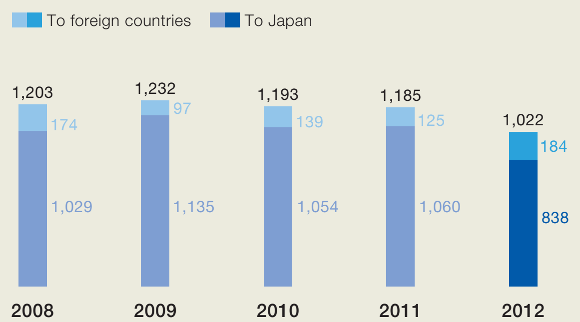
Research and development is the origin of IHI

R&D expenses

Millions of yen



Number of patent applications to Japan and foreign countries



Research and Development Highlights

Strengthening Technologies

TOPIC 1 Small Binary Power Generation Equipment

Over the years, IHI has accumulated top-class rotating machinery technologies, such as those in compressors and turbochargers. IHI utilizes these technologies as the basis for accelerating new product development.

IHI is currently developing small 20kW binary power generation equipment that is capable of generating power by utilizing the drop in heat between unused hot water at less than 100°C and cooling water. By using warm plant effluent water or geothermal heat, which up until now have been considered impractical for heat energy recovery, binary power generation equipment is intended to generate electricity to drive a turbine generator by causing a low boiling point medium to give off steam.

IHI developed the radial turbine for use with the medium from its turbo machinery technology that was developed for vehicular and ship turbochargers as well as industrial compressors. As its direct-drive structure directly connects the turbine impeller with a high-speed generator, there is little noise and hardly any vibration.

Making use of a previously untapped energy source, it is hoped that this piece of equipment will be applicable to saving energy by recovering and efficiently utilizing energy from low-grade heat and to creating energy by generating renewable energy.

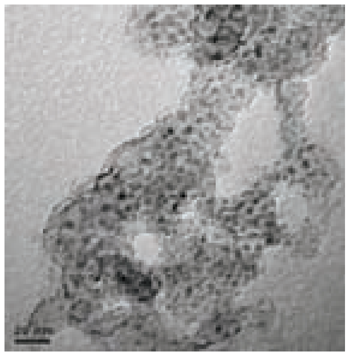
Left : Expander Generator
Right : Organic Rankine Cycle Power Generation Apparatus

TOPIC 2 Production of Clean Fuel by Highly Active and Robust Catalysts

Production of clean fuel and chemical raw materials from unused resources—such as low-rank coal and biomass—and unconventional fossil fuels such as shale gas is attracting much attention. By converting such resources into synthetic gas composed of mainly hydrogen and carbon monoxide by gasification and/or steam reforming, they can be further converted into synthetic clean fuels and chemicals by choosing optimal process and catalysts.

In collaboration with the Institute of Chemical and Engineering Sciences (ICES), a research entity of the Agency for Science, Technology and Research (A*STAR) in Singapore, IHI has made great effort in order to develop highly active yet robust catalysts for the production of clean fuels. By controlling the size of catalyst active sites precisely at the nanoscale, well-balanced catalytic activity and robustness has now been achieved.

Along with the verification of the catalyst durability by long-term evaluation tests, IHI will continue strenuous effort to apply this advanced technology for the development of new chemical processes.



Transmission electron microscopy (TEM) picture of newly developed catalyst

Interview 1

Technical Attaché—R&D Global Communicator

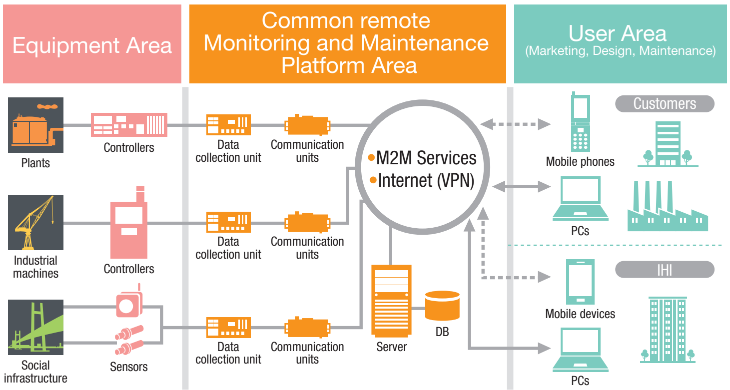
I worked in the United States for about two years, built a personal network—with universities, research institutes, academic societies, and companies—ascertained the market, and conducted exploratory research into a technological bud that will lead to the future. To bring to fruition innovative products that anticipate the needs of the world, IHI is engaged in R&D from a global perspective.

Akihiro Sato

Research Laboratory. Corporate Research & Development (Former technical attaché of IHI INC. (NY))

Common Technologies

TOPIC 3 Common Remote Monitoring and Maintenance Platform



It is necessary for the providers of equipment to give their customers full support and to provide them with security and safety once the customers start operating the equipment. This requires a framework that monitors and maintains equipment status over its entire life cycle.

IHI provides a wide variety of products, including industrial machines, energy plants, social infrastructure, and aircraft engines. To efficiently monitor and maintain all these products, IHI developed a common platform for the construction of remote maintenance systems that can be used across the IHI Group.

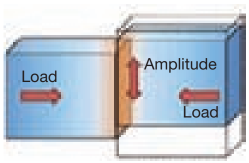
The common platform has the following four functions: equipment monitoring, preventive maintenance and diagnosis; maintenance work support; trouble response support; and remote access. A detailed picture of the equipment's status is built up by analyzing not only equipment operation information but also a combination of information related to maintenance performed by service engineers with a view to the equipment's safe operation. If by chance a problem does occur, the common platform features a function that enables a quick and precise response.

TOPIC 4 Linear Friction Welding Technologies

Against a backdrop of improved fuel efficiency and low cost, the next generation of aero engines are representing a paradigm shift in the adoption of integrated, lighter blisks (bladed disks) in their rotors.

Previously, the method used to form the blisks was to cut them out from a large piece of forging material, which resulted in excessive waste of material and the challenges of material availability. To solve the problem, IHI tackled the development of a blisk with a joint structure that utilized linear friction welding (LFW).

As its name suggests, LFW utilizes the frictional heat generated when rubbing the joint surface with a reciprocal motion. A method that bonds the pieces by uniformly generating heat without melting the joint surface, LFW has the benefit of not being confined to circular shapes, unlike normal rotational friction welding. Enabling bonding with good reproducibility and rapid fitting to the joint surface with a high dimensional accuracy and bonding strength, the joint remains highly robust during construction. It is thus expected that the technology will be applied to many aero engine parts in the years to come.



LFW Concept

Photo of joint cross section

Blisk's LFW welding structure

Interview 2

Wireless Charging for Electric Vehicles

We are applying highly coupled magnetic resonance technology to enable electric vehicles (EV's) charging without having to bother with clumsy cables.

Our development will contribute to realize environment-friendly society, where many EV's are charged at parking lot or during stop at traffic lights.

Susumu Tokura

Products Development Center, Corporate Research & Development

Basic Policy

IHI defines corporate governance as a system designed to maximize corporate value by increasing efficiency of management to leverage the company's capabilities to the fullest extent possible. To attain this, IHI clearly demarcates management oversight functions from task execution functions and works to make corporate decision making as effective as possible. In also building a corporate governance system that maintains and administers all related rules and regulations, IHI ensures appropriate operations across the entire Group.

Corporate Governance System

Classified as a "company with Audit & Supervisory Board," IHI elected 5 corporate auditors (three of whom are outside corporate auditors). Comprising 15 directors (two of whom are outside directors), the Board of Directors makes decisions related to important matters concerning the management of IHI and the Group in addition to overseeing directors in the execution of their duties.

Drawing on the wealth of experience and superior insight gained in their many years as managers, the outside directors participate in the Board of Directors' decision making. This they do from a position of independence from the management team that conducts the execution of business, to whom they offer advice and make recommendations.

IHI introduced an executive officer system to strengthen the decision making and supervisory functions of the Board of Directors as well as to improve the efficiency of business operations. Appointed by resolution of the Board of Directors, executive officers (twenty-three members, seven of whom also serve as members of the Board of Directors) execute the duties for which they are responsible under the CEO's guidance and supervision.

We have established a Management Committee, comprising persons appointed by the CEO, as a function supporting the CEO in decision making and operational execution.

To ensure propriety in director remuneration, IHI set up a Remuneration Advisory Committee that consists of four members: an outside director who acts as committee chair, an outside corporate auditor, the board member in charge of human resources, and the board member in charge of finance.

Outside Directors and Outside Corporate Auditors

IHI elects two outside directors and three outside corporate auditors. From the perspective of managers with a wealth of experience, the outside directors monitor IHI in the execution of its business. From the perspective of managers with a professional point of view and a wealth of experience in such areas as compliance, the outside corporate auditors and IHI's own standing corporate auditors perform audits in collaboration with, for example, the Corporate Audit Division to sufficiently ensure fairness in IHI's business.

To ensure outside director and outside corporate auditor impartiality, IHI takes into consideration the criteria related to outside director impartiality stipulated by Japan's Financial Instruments Exchange and the status of their business relationships with IHI and the companies from which they have come. Because IHI elects highly impartial outside directors and outside corporate auditors who have not come from the parent company, sister companies, major shareholder companies or main business partners, advisory and supervisory functions as well as checks and balances functions from an objective perspective related to IHI's business execution are sufficiently fulfilled.

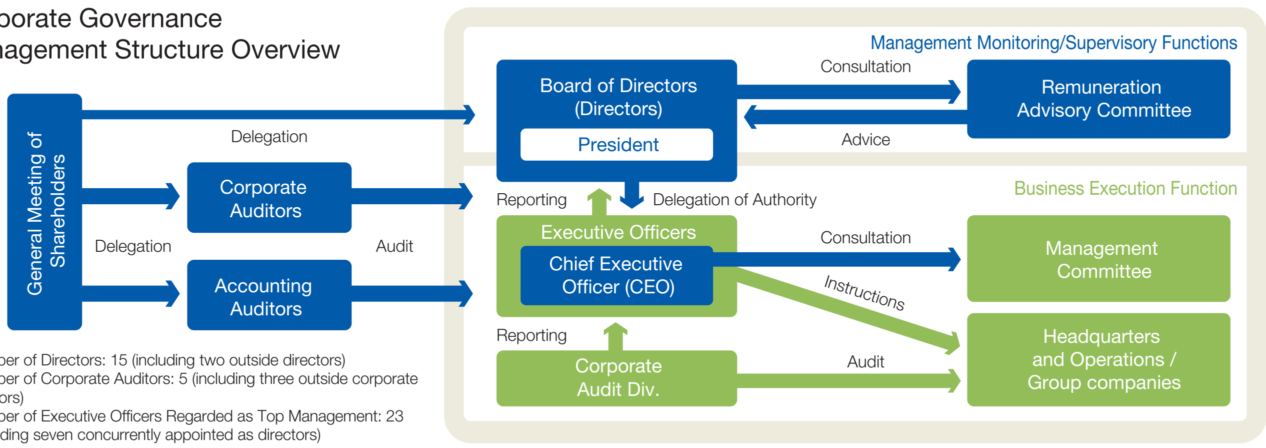
Outside directors and outside corporate auditors receive reports on the status of internal audits as required from the Corporate Audit Division at meetings of the Board of Directors and the Board of Corporate Auditors and exchange information. In addition, outside corporate auditors maintain a close liaison with independent auditors by regularly exchange information and opinions and receive reports of audit results from them. In its implementation of corporate governance measures, IHI considers the current system of outside directors and outside corporate auditors to be a fair one.

Compensation for Directors and Corporate Auditors

The amount limits of director and corporate auditor remuneration are determined by resolution at the General Meeting of Shareholders. Directors' remuneration is a reward system that considers the standard necessary to secure superior human resources, more strongly aspires towards improvements of the Group's business results and corporate value, and emphasizes sharing the risk and return of stock price fluctuations with shareholders. Directors' remuneration consists of a base amount, stock compensation-type stock options and performance based bonuses (outside directors receive a base amount only). The amounts and eligible recipients are determined at a meeting of the Board of Directors based upon recommendation reports from the Remuneration Advisory Committee (the "Committee").

Remuneration for corporate auditors is paid under a fixed-rate system as corporate auditors have responsibility for auditing operations throughout the Group. The amount is determined through discussions among corporate auditors.

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 seven concurrently appointed as directors)

* As of March 31, 2013

The Committee was established to ensure the adequacy of remuneration and the transparency of payment procedures. The Committee consists of 4 members: an outside director who acts as committee chair, an outside corporate auditor, the director in charge of human resources, and the director in charge of finance. The committee chair makes final decisions on the Committee's recommendations.

In FY2012, total annual compensation paid to the Board of Directors was ¥759 million, while total annual compensation to the corporate auditors was ¥87 million.

Internal Control System

At IHI, the fundamental policies underpinning the establishment of an internal control system are designed to raise the effectiveness of corporate governance and increase corporate value of IHI Group. These fundamental policies guided us in establishing the framework to achieve sound compliance and enhanced risk management. At IHI, we realize that establishing a dependable internal control system represents essential infrastructure in our efforts to expand the IHI Group's businesses globally and we are working to maintain and operate management systems that are shared within the Group.

In response to cases of window dressing and other accounting improprieties, Japan instituted an internal control reporting system (J-SOX) based on the Financial Instruments and Exchange Act. The J-SOX system mandates the implementation and operation of internal controls for the preparation and disclosure of proper financial statements, as well as the submission of a report evaluating the effectiveness of such controls. An evaluation of IHI Group's internal controls for FY2012 found no flaws that would have warranted disclosure.

The Corporate Audit Division is charged with contributing to efforts to strengthen and optimize the internal management systems of the executive division. From the monitoring standpoint, the Corporate Audit Division raises the competitiveness of Group companies and underpins improvements in corporate value.

Project Control System

We established a Project Audit Division for the purpose of assessing whether large-scale projects (for example, construction projects subject to the percentage of completion method*) have been properly evaluated at the implementation stage with regard to the management status of projects and risk assessment, and whether a project's estimated profitability has been properly and transparently calculated.

In the course of FY2012, a total of 67 Group construction projects was audited. With regard to the large-scale projects, the IHI Group audits their management status from the following viewpoints:

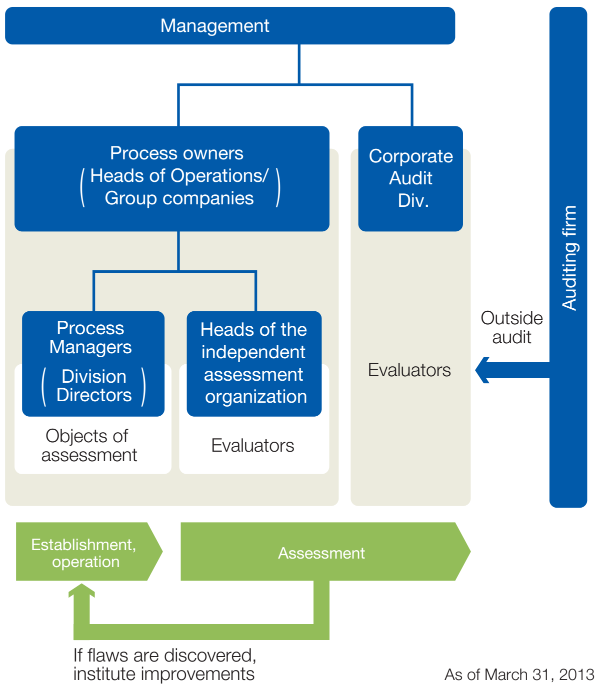
- Adequacy of the project's execution system and execution plan after receipt of order
- Appropriateness of management status of total construction cost (estimated final cost at completion of the project) relative to the project's progress
- Transparency, appropriateness and timeliness of the project's estimated profitability

At the estimation stage of large-scale projects, IHI implements a screening process related to project execution risk, which concentrates on the verification of project execution systems and the validity of the execution plan, and endeavors to maintain profitability after the receipt of an order.

For the sake of adequacy and timely rectification, we will continue to implement audits of the management status and risk assessments of works, including local assessments, and enhance audit quality. We will give prior notification of the items to be audited to promote each department's independent evaluation and continue to implement activities that will enhance the feedback of audit result, such as by the lateral communication of audit results and making public information as case studies.

* Construction projects subject to the percentage of completion method: construction of large-scale projects, where sales and profits are not booked after construction is completed but per year in line with the progress of work on the project.

IHI Group Internal Control System



As of March 31, 2013

TOPIC: Introduction of Audit Criteria by Project Level

In FY2012, IHI introduced audit criteria by project level. For the management status audits carried out by the Project Audit Division, the most appropriate audit is conducted by applying audit methods compatible with the particular characteristics (such as the extent of IHI's jurisdiction in and financial value of the received order) and execution conditions of individual projects. IHI works to improve the quality of audits for large projects, the number of which is expected to increase in the years ahead.

To better clarify the content and viewpoint of the audits, these are published internally, enabling views on project management to be shared within the Group. IHI maintains audit quality while working to streamline the project audit process.

Basic Policy

Compliance provides the foundation for a company to conduct its activities in society. The IHI Group's policy on compliance is based on the following:

- The importance of adhering to rules, such as laws and internal regulations
- Taking fair and responsible action as a corporate entity

This means not only remaining in compliance with laws and regulations, but also meeting the demands of society at large.

In FY2012, IHI engaged in activities that focused on reviews of its rules related to business tasks. This move was designed to reconfirm that there was no gap between existing rules and the current operational status in the business environment and others that have been changed and whether there was any possibility of an event that could develop into a case of compliance-related misconduct.

In addition, in response to the broadening scope and diversification of risks that could arise in the course of business globalization, the IHI Group as a whole tackled risk management with a focus on three areas: safe export controls, banning the bribery of overseas civil servants, and laws governing competition.

Compliance System

Compliance Committee

In accordance with the Basic Code of Conduct for the IHI Group and basic policies of compliance, IHI set up a Compliance Committee, which meets four times a year, with a view to deliberating, planning, and promoting important policies.

Receiving the Compliance Committee's courses of action on a fiscal year basis, each business unit undertakes division-level compliance activities, including the group companies for which it is responsible, depending on its own business structure. Sharing the status of activities and their challenges while utilizing the plan-do-check-act (PDCA) cycle, the Compliance Committee makes steady progress with initiatives throughout the IHI Group.

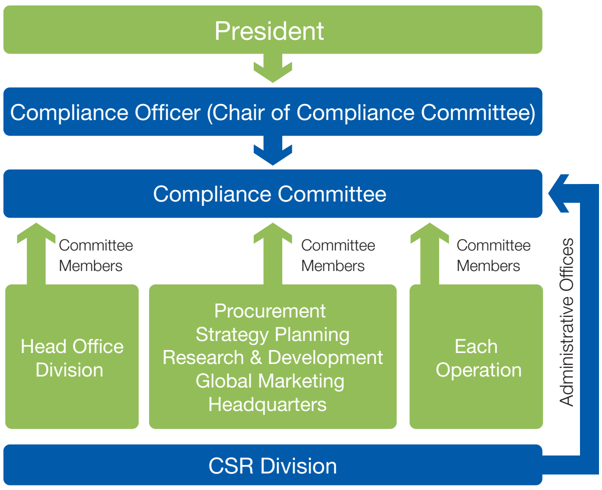
Compliance Hotline

The IHI Group has established a Compliance Hotline (hereinafter, the Hotline) in order to ascertain any wrongdoing or any behavior that causes concern that it might contravene laws, internal regulations or internal and external rules at an early stage or in advance and rapidly correct such situation. IHI employees have direct access through this hotline to an expert outside organization, the Corporate Ethics Hotline, to seek advice. It is common knowledge that Hotline Cards, which specify the Hotline mechanism and method of use, are distributed to all employees, including top management and temporary employees.

In FY2012, 166 incidents were reported to the Hotline. This represented an increase on the previous year, but we recognize this is attributed to the effect that the Hotline Card was renewed and redistributed at the end of FY2011 and awareness was raised by again covering the Hotline contact point during e-learning programs related to compliance.

Most of the advice imparted had to do with the callers' interpersonal relations in the workplace, and sincere efforts were made to rapidly solve each incident.

Compliance Organization Chart



Compliance Initiatives in Business Activities

Following the spread of globalization and the coming down of borders in corporate activities in recent years, fair international competition in terms of the price and quality of products and services has become necessary in plans to maintain and gain commercial opportunities in overseas markets. There is a growing international awareness that corrupt acts such as illegal payoffs should be prevented.

Against a backdrop of regional conflicts and terrorist acts by armed groups in the international community, security trade controls are increasing in importance.

To respond to social conditions of this nature, IHI is implementing compliance activities related to competition law and anti-corruption laws as well as and security export control efforts.

Competition Law Compliance Activities

In addition to extending training throughout the Group to remain in compliance with Japan's Antimonopoly Act, the American Sherman Antitrust Act, and EU competition law, the IHI Group is working to make the bidding process for public works projects more transparent as well as improving and strengthening activities to ensure that no violations occur.

In FY2012, there were no cases of IHI having contravened the laws on competition.

Anti-Corruption Law Compliance Activities

The IHI Group carried out awareness and training activities on the US's Foreign Corrupt Practices Act (FCPA), the UK's Bribery Act of 2010, and Japan's Unfair Competition Prevention Act. In addition, violation risk monitoring activities at both domestic and overseas sales offices are conducted throughout the IHI Group. Currently, IHI is formulating and putting into effect two sets of internal regulations: a Basic Policy that reflects the IHI Group's commitment to deploying measures to prohibit and prevent corruption, and Operational Standards that set out specific anti-corruption procedures.

In FY2012, there were no cases of IHI having contravened anti-corruption laws.

Basic Policy

The IHI Group manages risk in accord with its Basic Code of Conduct. The CEO is responsible for creating and operating risk management systems, and holds a meeting of the Risk Management Committee annually. Based on its discussions, 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 Risk Management Activity Priority Policies for the coming 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.

FY2012 Risk Management Activity Priority Policies included the following priorities: broadening scope and diversity of risks due to globalization, changes in the competitive environment due to industry reorganization, changes in the business environment due to natural disasters or nuclear accidents, and others.

Risk Management System

Furthermore, the Group-wide Risk Management Unit, which mainly comprises IHI head office divisions, leverages its expertise 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 activities of the entire Group in a unified and effective way. Moreover, the Corporate Audit Division performs internal audits of every division and affiliated company, based on 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.

Risk Management System

* The Group-wide Risk Management Unit comprises head office divisions, such as Personnel, Finance, Legal Affairs, and Procurement. With regard to risks common to the entire IHI Group, the unit leverages its expertise to support each Division by developing and maintaining regulations, providing information and training, and monitors risk management status.

BCP Formulation

The IHI Group had been formulating a business continuity plan (BCP) to respond, for example, to major disasters and influenza pandemics since 2008. In the aftermath of the March 2011 Great East Japan Earthquake, however, the IHI Group Basic Regulations for Serious Disaster Countermeasures were established to formulate preventive measures for and responses at the time of large-scale earthquakes in Japan with an intensity greater than 6 lower. Having established the following basic policy as a response for when a severe disaster occurs, we are planning to make further enhancements to the BCP.

(1) Safeguard the lives and ensure the safety of employees and their families, dispatched staff, assistants, and visitors as the top priority
(2) Safeguard company-owned assets, such as buildings and machinery facilities, and work to ensure the continuity of operations
(3) Work for the early resumption of operations and support the restoration of social infrastructure
(4) With regard to workplaces and works locations, support as much as possible to ensure the safety of local residents and provide relief assistance, etc.

Following this basic policy, a number of reviews are carried out at every business division in May every year, the "BCP review month," including reviews to update the BCP emergency call-tree and to secure emergency supplies. In addition, the IHI Group continuously verifies the BCP through regular drills, working to raise awareness of every employee.

Responses to the Latest Risks

Assuming such risks as disruption of the supply chain, the networks between procurement divisions and overseas procurement bases were utilized to draw up a system capable of rapidly sharing and responding to emergency arrangement information. As a result, at the time of a global shortage of helium, they were able to rapidly respond.

Progress was made with responses to risks related to the leak, theft, loss or destruction of information assets, caused by targeted cyber attacks and others, which consistently worked well with no damage such as critical information leakage incurred.

From the perspective of environmental preservation, progress was made with soil surveys undertaken at IHI Group production bases and surveys of all bases were completed.

Basic Policy

To fully protect the confidential information of its customers and business partners, and the management information and technical information of the Company, IHI has established an information security policy and thereunder works to appropriately manage information, maintain and improve information security.

Information Security Measures

IHI has implemented measures against information security risks by way of three aspects: rules, tools, and education.

In terms of the rules, we have established rules including Information Security Policy, Information Security Standards, and Information System User Regulations. Among the tools, we have introduced a variety of security tools, such as antivirus software, which we update to the latest versions as appropriate. In order to enhance security outside the Company, we installed security software for e-mails, USB memory sticks and other external memory devices across the IHI Group. Aiming to maintain and raise security awareness, we hold annual e-learning sessions designed to deepen employees' understanding of these rules and tools.

With regard to the computer virus infections caused by targeted e-mail attacks, which drew society's attention in 2011, the IHI Group has been collaborating with government agencies and specialist companies to institute a raft of measures since before then. By March 2013, no damage from leaked information had been identified.

Organized and Planned Security Measures and Improvements

An Information Security Committee composed of representatives from IHI's major divisions and group companies meets quarterly and implements plans, operations, and inspections on a yearly cycle.

Every year since FY2005, the IHI Group has conducted an internal audit of the status of its information security measures and provided guidance for improvement. A primary survey (written survey) of all group companies (55 companies) was conducted in FY2012, followed by a secondary survey (in-person interviews) of a selected smaller group of five companies. 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 and renew their international certification of information security (ISO 27001) annually by outside expert organizations, and strive to maintain a high level of information security.

FY2012 Activity TOPICS

Strengthened Information System Resilience

IHI reconfirmed the importance of having a Business Continuity Plan (BCP) in place following the Great East Japan Earthquake and implemented such measures as creating redundant facilities for information systems, ensuring operational manuals in place, and holding training sessions on restoring operations. In the case of the equipment, the Company introduced the latest technologies, such as data storage, remote operation, and cloud services.

Basic Policy

The IHI Group is enhancing its intellectual property 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.

Intellectual Property Protection Activities and Respecting the Intellectual Property Rights of Third Parties

In FY2006, the number of patent applications filed by the IHI Group in Japan stood at 511, but in protecting the IHI Group's IP the number has increased to around 1,000 applications annually in recent years.

Introducing a Group-wide system capable of searching for patents and monitoring other companies' patents has reduced business risks with respect to third-party IP rights by facilitating the infrastructure environment necessary for avoiding business risks.

Education about Intellectual Property

The IHI Group employs a five-step e-learning program over the five years from when an employee first joins the Company, offers training courses on IP, and conducts a range of educational programs related to IP in general, covering matters including patents, copyrights, brands, and trade secrets.

In December 2012, we welcomed as lecturer the former Kao Corporation director, Tetsuya Imamura, who delivered lectures related to human resources that bring innovation and the importance of intellectual property.

FY2012 Activity TOPICS

We issued a white paper on intellectual property and reports by business division, implemented a number of activities, including an intellectual property quiz and crossword timed for Intellectual Property Month in October, and worked to spread knowledge of the importance of intellectual property activities within the IHI Group.

Corporate Officers

As of June 27, 2013

Chairman

Kazuaki Kama

President

Tamotsu Saito
Chief Executive Officer

Executive Vice Presidents

Fusayoshi Nakamura

Kazuo Tsukahara

Sadao Degawa

Board Directors

Joji Sakamoto

Ichiro Terai
Managing Executive Officer

Tatsumi Kawaratani
Managing Executive Officer

Izumi Imoto
Managing Executive Officer

Toshinori Sekido

Hiroshi Iwamoto
Managing Executive Officer

Hiromitsu Hamamura
Managing Executive Officer

Eiichi Yoshida
Managing Executive Officer

Tomokazu Hamaguchi
Outside Director

Tadashi Okamura
Outside Director

Corporate Auditors

Hideo Ootaka

Makoto Serizawa

Takeo Inokuchi
Outside Auditor

Nobuo Gohara
Outside Auditor

Toshiharu Watanabe
Outside Auditor

Executive Officers

Managing Executive Officer

Naruto Takata
Hiroshi Asakura
Tsugio Mitsuoka
Hajime Kuwata

Executive Officer

Hiroyuki Otani
Mikio Mochizuki
Kazuyoshi Matsui
Junichi Sakaki
Akira Tateno
Naoya Domoto
Hiromu Furukawa
Akinori Abe
Taizo Suga
Tsutomu Yoshida
Takanori Kunihiro
Tomoharu Shikina

Organization

As of July 1, 2013

- Board of Directors
  - Chairman of the Board
    - President and Chief Executive Officer

Corporate Auditors

Headquarters

- Corporate Audit Div.
- Secretariat Div.
- Corporate Planning Div.
- Public Relations
- Legal Div.
- Corporate Social Responsibility Div.
- Administration Div.
- Human Resources Div.
- Finance & Accounting Div.
- Information Systems Div.
- Project Audit Div.
- Corporate Business Development Div.
- Procurement Strategy Planning
- Corporate Research & Development
- Sales Headquarters
- Solution & Engineering Headquarters
- Intelligent Information Management Headquarters
- Global Marketing Headquarters
- Small Power Systems Business Administration
- Headquarters Representative's Offices

Operations

- Aero-Engine & Space Operations
- Machinery & Logistics Systems Operations
- Infrastructure Operations
- Offshore Project & Steel Structures Operations
- Rotating Machinery Operations
- Vehicular Turbocharger Operations
- Energy & Plant Operations
- Nuclear Power Operations
- Urban Development Operations

Environment

It is important for IHI to not only prevent or decrease any adverse impact on the environment during the course of its business operations, but also to increase its business sustainability.

The Company therefore upgrades its management systems and promotes environmental activities with a view to reducing environmental impact, implementing global warming prevention measures and conserving biodiversity.

Basic Policy

IHI Group environmental activities are carried out according to a medium-term plan drawn up every three years based on the Group Management Policy.

In 2013, the IHI Group Environment Vision 2013 has been formulated and initiatives taken to realize the vision that the IHI Group has in its sights.

Main Activities

Environmental Management

Centered on the Environment Committee, the IHI Group promotes activities in keeping with the three-year medium-term management plan related to the environment.

Measures against Substances That Impact the Environment

Substances that impact the environment are appropriately managed and the environment is monitored so that none affect the air, soil, rivers, and marine waters.

Global Warming Measures

A variety of activities is promoted to reduce the amount of CO_2 emitted during the manufacturing process, office operations, and transporting of products.

Biodiversity Conservation

IHI promotes activities designed to preserve extensive ecosystems, such as those around its business sites.

TOPIC

Utilization of Solar Power Generation Facility

Drawing from the power restriction lessons learned following the Great East Japan Earthquake, IHI's Soma Works introduced a 1,100kW solar power generation facility and compact lithium-ion batteries in fiscal 2012. These commenced operations in late March 2013.

All of the power generated by the solar power facility is consumed in-house at the Soma Works, which contributes to a reduction in CO_2 emissions.

One of the reasons why IHI's Soma Works introduced the solar power generation facility was the renewable energy policy formulated and promoted by Fukushima Prefecture, which was in keeping with IHI Group policy of managing its works in an environment-friendly manner.

In the years to come, IHI's Soma Works will be managed as a site that balances the stable supply of electricity with environmental considerations.

We hope that the IHI Soma Works will inspire and give hope to the local children who will take over responsibility for the future of Soma city.

External view of solar power generation facility

Response to Management of Chemical Substances in Products

As inquiries from customers about "the management of chemical substances in products" had been on the increase, agricultural machinery manufacturer IHI STAR Machinery Corporation began to set up a company-wide management system in fiscal 2010.

By fiscal 2011, each division's roles for the management of chemical substances in the company's products had been identified. Having set "the complete eradication of eight hazardous chemical substances* from all models during fiscal 2014" as its own three-year vision, IHI STAR is now promoting activities.

In fiscal 2012, a plan was devised to "abolish hexavalent chromium plating from all models and conclude performance evaluation on replacements for the components that contain eight hazardous chemical substances in mainstay products." Activities were promoted at each division.

Using the IHI STAR example as a model case, the IHI Group is holding study sessions by business segment and has begun to examine the setting up of an internal system.

* The eight hazardous chemical substances are: asbestos, cadmium, hexavalent chromium, mercury, lead, polybrominated biphenyls (including polybrominated diphenyl ethers), and benzotriazole PFOS (including PFOSF)

Biodiversity Conservation Activities

Since fiscal 2010, IHI's Aichi Works has worked to maintain the greenbelt areas inside the works and promoting activities that show consideration for the conservation of biodiversity. These activities have included nature walks by local residents and plantings of native species by local university students.

Utilizing a vast cluster of greenbelt owned by companies along the coast of the Chita peninsula, the Aichi Works has developed these activities as the "One Life Project"—a collaboration between people from different perspectives, including government agencies, students, companies, and NPOs—that engages in biodiversity conservation.

In fiscal 2012, the "One Life Project" received high acclaim as pioneering initiatives and a model for biodiversity network building, which could be expected to produce ripple effect to other regions. Those efforts were awarded with an environmental excellence award from the Aichi governor.

IHI's Aichi Works plans to continue conducting biodiversity activities that show respect for biodiversity conservation in the years to come.

Nature walk with local residents

Materials Balance of Business Activities

Use of resources

Energy consumed

Total energy consumption 2,560 TJ

Water consumption

General water supply 860,000 m^3

Industrial water 558,000 m^3

Ground water 213,000 m^3

Business activities

Engineering

Procurement

Distribution

Production

Installation

Environmental impact

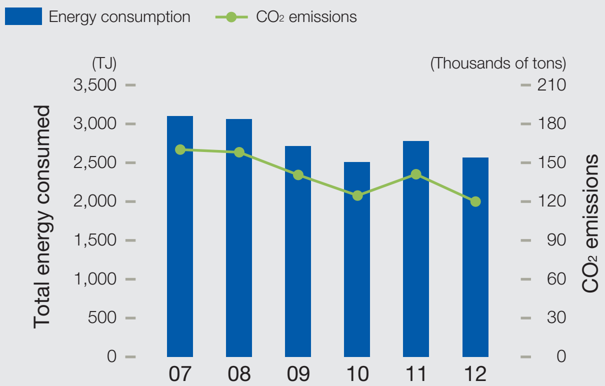
CO_2 Emissions

Emissions from production & Emissions from distribution 118,615 t

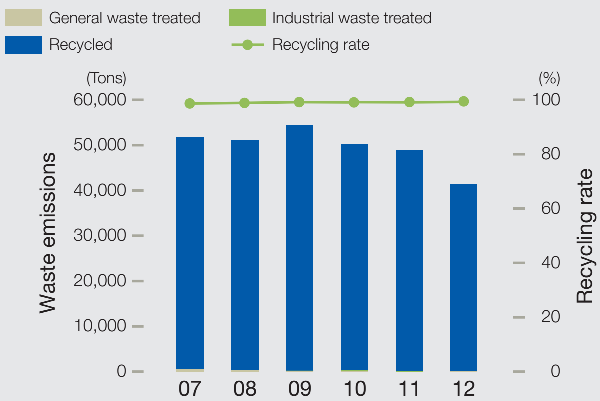
Waste 40,831 t

Recycled 40,699 t

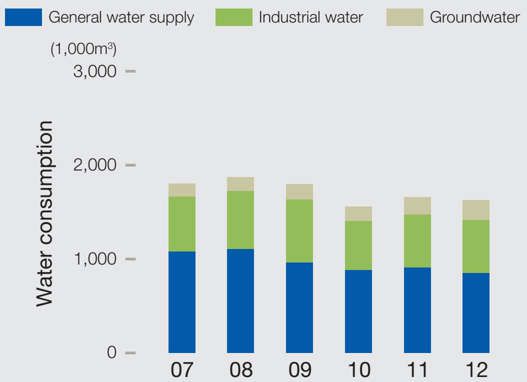
Changes in energy consumption (production activities) and CO_2 emissions



Changes in waste emissions and recycling rates



Changes in water consumption



Emissions/transfer of Class I Designated Chemical Substances under the PRTR Act (fiscal 2012)

(Tons)

Cabinet Order No.	Substance	Emissions	Transferred amount
20	2-Aminoethanol	0.0	4.5
37	Bisphenol A	0.0	2.9
53	Ethylbenzene	217.6	8.7
80	Xylene	381.6	14.7
87	Chromium and Chromium (III) compounds	0.0	44.2
300	Toluene	92.0	5.2
308	Nickel	0.0	1.3
374	Hydrogen fluoride and its water-soluble salts	0.3	4.1
392	Normal hexane	2.2	0.0
400	Benzene	1.0	0.0
410	Poly(oxyethylene) = Nonylphenyl ether	0.0	1.8
412	Manganese and its compounds	1.0	17.0

•The data were collected from IHI regions and worksites, and Japan Marine United Inc.
•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.

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Years ended March 31
IHI Corporation and Consolidated Subsidiaries

Consolidated Six-Year Summary

	Millions of yen					
	2013	2012	2011	2010	2009	2008
For the year:						
Net sales	¥1,256,049	¥1,221,869	¥1,187,292	¥1,242,700	¥1,388,042	¥1,350,567
Cost of sales	1,059,279	1,025,884	976,846	1,048,875	1,221,612	1,235,111
Gross profit	196,770	195,985	210,446	193,825	166,430	115,456
Operating (loss) income	42,141	43,333	61,390	47,145	25,679	(16,807)
Income before income taxes and minority interests	57,245	54,315	47,463	22,816	8,533	46,794
Net income (loss)	33,386	23,823	29,764	17,378	(7,407)	25,195
At year-end:						
Total assets	¥1,364,239	¥1,338,131	¥1,361,441	¥1,412,421	¥1,489,342	¥1,542,295
Current assets	814,786	844,364	853,405	941,742	1,036,428	1,082,624
Net property, plant and equipment	321,057	334,745	328,739	290,909	273,964	261,761
Current liabilities	665,452	689,693	691,131	758,164	898,181	898,682
Long-term liabilities	399,505	389,963	416,670	427,192	385,211	409,207
Total net assets	299,282	258,475	253,640	227,065	205,950	234,406
Amounts per share (yen):						
Net income (loss)	¥ 22.81	¥ 16.26	¥ 20.29	¥ 11.85	¥ (5.05)	¥ 17.18
Cash dividends	5.00	4.00	3.00	2.00	—	4.00
Shareholders' equity	197.08	170.84	162.33	144.66	130.96	149.96
Other data:						
Number of employees	26,618	26,915	26,035	24,890	24,348	23,722
Number of shares issued (millions)	1,467	1,467	1,467	1,467	1,467	1,467
Ratios:						
Return on average assets (%)	2.47	1.77	2.15	1.20	(0.49)	1.64
Return on average equity (%)	12.40	9.76	13.22	8.60	(3.60)	11.66
Total shareholders' equity ratio (%)	21.14	18.69	17.49	15.02	12.89	14.26

Operating Results

In the fiscal year ended March 31, 2013, orders decreased 3.5% year on year to ¥1,225.6 billion due to the significant decrease in orders received in Social Infrastructure Operations explained by an order on a large project (the Izmit Bay Bridge in Turkey) received in the previous fiscal year. Although there were declines in Ships & Offshore Facilities Operations and Social Infrastructure Operations, there was a slight increase in sales as a whole (up 2.8% year on year) to ¥1,256.0 billion due to increases in Logistics Systems & Industrial Machinery Operations and Aero Engine & Space Operations. Domestic sales rose 9.8% year on year to ¥769.7 billion, but overseas sales decreased 6.7% year on year to ¥486.3 billion, representing 39% of sales.

In terms of profits, although profitability increased for Aero Engine & Space Operations and Logistics Systems & Industrial Machinery Operations, operating income for the entire Group decreased 2.8% year on year to ¥42.1 billion, while ordinary income also decreased, down 13.2% to ¥36.2 billion due to declines in profitability in Rotating Equipment & Mass-Production Machinery Operations and Social Infrastructure Operations. Net income was up 40.1% year on year to a record high of ¥33.3 billion, due mainly to the recording of a ¥13.5 billion gain from the sale of a co-ownership interest in land at Toyosu 3-chome (in Tokyo, Japan) under extraordinary income.

Business Operation by Segment

In Energy and Resources Operations, sales increased 1.6% year on year to ¥317.2 billion because of increased sales for process plants, although there are decreases in sales of storage facilities and motors for land and marine use. Operating income declined 10.5% year on year to ¥9.8 billion due to an increase in selling, general and administrative expenses, despite the positive impact from the strong yen's correction.

In Ships & Offshore Facilities Operations, IHI subsidiary IHI Marine United Inc. was merged with Universal Shipbuilding Corporation on January 1, 2013. As a result, IHI Marine United Inc. and its three subsidiaries were excluded from the scope of consolidation. The newly integrated company, Japan Marine United Corporation, and its three subsidiaries are now associates accounted for by the equity method. As a result, the following figures for sales and operating income listed below are the amounts as of the end of the first nine months ended December 31, 2012. Sales declined 33.4% year on year to ¥117.3 billion because shipbuilding and ship repairs both decreased. Owing to the above-mentioned decrease in sales and other factors, there was a 17.6% decline in operating income year on year to ¥6.5 billion.

Sales in Social Infrastructure Operations decreased 11.6% year on year to ¥101.4 billion because of decreases in marine machinery and shield tunneling machines. Operating income declined 29.8% year on year to ¥5.8 billion because of the decrease in sales and other factors.

In Logistics Systems & Industrial Machinery Operations, sales increased 25.3% from the previous fiscal year to ¥191.6 billion because of increases in sales of steel manufacturing machinery, materials handling equipment and parking systems. Despite an increase in selling, general and administrative expenses, operating income increased 75.8% year on year to ¥9.9 billion due to the increased sales.

In Rotating Equipment & Mass-Production Machinery Operations, despite decreased sales of compressors and separation equipment, overall sales increased 2.4% year on year to ¥169.8 billion because of an increase in vehicular turbocharger sales. Operating income decreased by 49.7% year on year to ¥5.2 billion, reflecting the decreases in compressor sales, and expenses incurred by increased production of vehicular turbochargers and by the correction of certain products defect.

Sales in Aero Engine & Space Operations increased 13.0% year on year to ¥338.4 billion, reflecting increases in sales of civil aircraft engine and defense systems. Operating income increased by 154.6% year on year to ¥15.4 billion, mainly because of an increase in profit owing to the correction of the strong yen, the increased sales of civil aircraft engines and improved profitability overall.

In Other Operations, despite decreases in sales of diesel engines and agricultural machinery, sales edged up 0.6% year on year to ¥107.9 billion, mainly because of an effect from Meisei Electric Co., Ltd. becoming an IHI subsidiary. Operating income jumped 88.1% year on year to ¥2.1 billion, mainly reflecting an improvement in construction machinery profitability and the effect of making Meisei Electric a subsidiary of IHI.

Consolidated Profit/Loss Situation

Although net sales increased 2.8% year on year, the cost of sales ratio worsened slightly from 84.0% to 84.3% due to such factors as the decreases in sales from Ships & Offshore Facilities Operations and Social Infrastructure Operations as well as a decrease in construction profitability. Although selling, general and administrative expenses (SG&A) improved slightly, from 12.5% to 12.3%, operating income fell 2.8% year on year to ¥42.1 billion.

Net non-operating expense worsened ¥4.3 billion to ¥5.9 billion from ¥1.6 billion in the previous fiscal year. This was mainly due to ¥6.0 billion recorded in expenses for delayed delivery under non-operating expenses, despite an upturn in foreign exchange that resulted in income of ¥4.5 billion. As a result, ordinary income decreased 13.2 % year on year to ¥36.2 billion.

Net extraordinary income or loss stood at ¥21.0 billion of net income, an improvement of ¥8.4 billion from ¥12.6 billion of net income in the previous fiscal year. This was due to such factors as the recording, under extraordinary income, of a ¥13.5 billion gain from the sale of a co-ownership interest in land at Toyosu 3-chome (in Tokyo, Japan) and a ¥11.8 billion in gain on change in equity associated with the management integration through merger of subsidiaries, despite the absence of the ¥14.1 billion in gain on sales of investment securities recorded in the previous fiscal year.

As a result of the above, net income increased by ¥9.5 billion to ¥33.3 billion from ¥23.8 billion in the previous fiscal year. This resulted in net income per share of ¥22.81, versus net income per share of ¥16.26 in the previous fiscal year.

Financial Position

As of March 31, 2013, total assets stood at ¥1,364.2 billion, an increase of ¥26.1 billion from the end of the previous fiscal year.

Current assets declined ¥29.5 billion compared with the end of the previous fiscal year to ¥814.7 billion, primarily reflecting an increase of ¥9.1 billion in cash and time deposits and a decline of ¥27.6 billion in work in process.

Total noncurrent assets increased ¥55.6 billion year on year to ¥549.4 billion. Although total property, plant and equipment decreased ¥13.6 billion, the increase in noncurrent assets was due to such factors as increases in goodwill and investment securities of ¥17.5 billion and ¥60.3 billion, respectively.

Total liabilities as of March 31, 2013 were ¥1,064.9 billion, down ¥14.6 billion compared with the end of the previous fiscal year. This mainly reflected increases in accrued expenses of ¥16.1 billion, in bonds payable of ¥9.8 billion and in long-term loans payable of ¥9.4 billion. The principal decreases were ¥27.1 billion in notes and accounts payable-trade, ¥13.6 billion in provision for retirement benefits and ¥9.2 billion in short-term loans payable.

Interest-bearing debt totaled ¥353.8 billion, up ¥8.6 billion compared with the end of the previous fiscal year.

As of March 31, 2013, net assets totaled ¥299.2 billion, an increase of ¥40.8 billion compared with the end of the previous fiscal year, mostly explained by net income for the period of ¥33.3 billion, a decease of ¥5.8 billion by distribution of dividends from surplus and an increase of ¥12.4 billion in net changes of items other than shareholders' equity.

As a result, net assets per share increased by ¥26.24 compared with the end of the previous fiscal year to ¥197.08, and the shareholders' equity to total assets improved from 18.7% at the end of the previous fiscal year to 21.1%.

Cash Flows

In the fiscal year under review, the Company generated positive free cash flow of ¥13.3 billion, comprising net cash provided by operating activities of ¥74.3 billion and net cash used in investing activities of ¥61.0 billion. Net cash used in financing activities was ¥31.0 billion, as a result of which cash and cash equivalents at the end of the fiscal year under review totaled ¥72.0 billion, up ¥8.5 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:

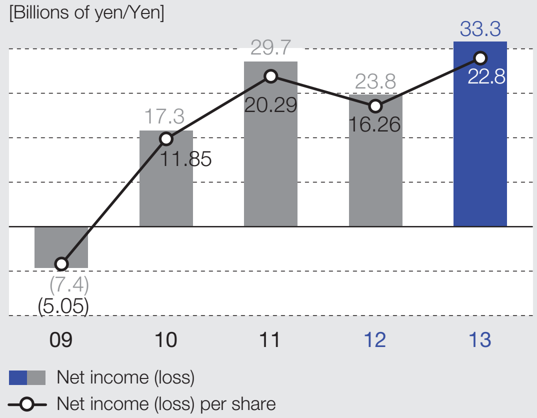
Net cash provided by operating activities amounted to ¥74.3 billion, an increase of ¥49.6 billion compared with the previous fiscal year. Cash increased mainly by income before income taxes and minority interests of ¥57.2 billion, a decrease in inventories of ¥29.1 billion, while cash decreased mainly by an increase in notes and accounts receivable-trade of ¥38.0 billion and a decrease in gain on change in equity of ¥11.8 billion.

Net cash used in investing activities amounted to ¥61.0 billion, an increase of ¥23.3 billion compared with the previous fiscal year. Cash was mainly used in purchase of property, plant and equipment and intangible assets of ¥53.2 billion, purchase of newly consolidated subsidiaries of ¥15.2 billion, and purchase of investments in capital of subsidiaries of ¥3.5 billion.

Net cash used in financing activities increased ¥35.3 billion compared with the previous fiscal year, to ¥3.1 billion. The main elements were proceeds from long-term loans payable of ¥60.8 billion, a net increase in short-term loans payable of ¥10.2 billion, repayment of long-term loans payable of ¥69.4 billion and ¥10.0 billion from the redemption of bonds.

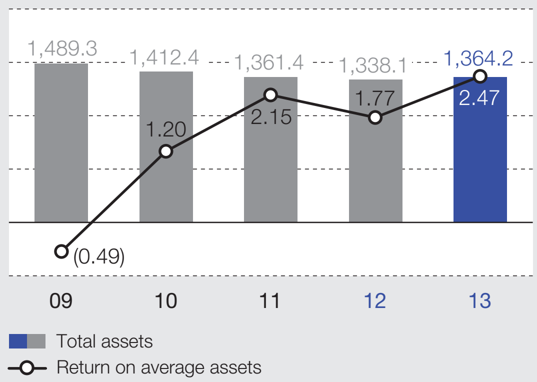
Net Income (Loss) and Net Income (Loss) per Share

[Billions of yen/Yen]



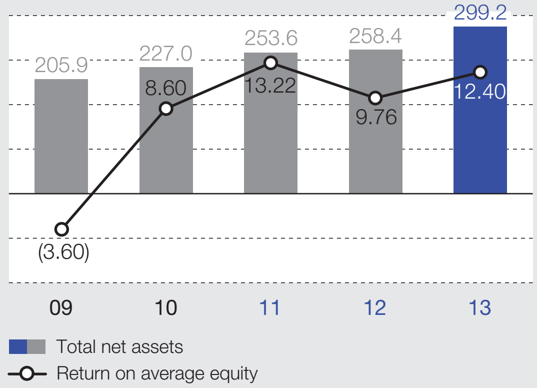
Total Assets and Return on Average Assets

[Billions of yen/%]



Total Net Assets and Return on Average Equity

[Billions of yen/%]



Consolidated Balance Sheets

March 31, 2013 and 2012
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
ASSETS			
Current assets:			
Cash and time deposits (Notes 3 and 13)	¥ 73,032	¥ 63,914	$ 776,523
Notes and accounts receivable—trade (Notes 3 and 13)	348,350	348,671	3,703,881
Marketable securities (Notes 13 and 14)	395	2,736	4,200
Finished goods (Note 8)	19,741	23,320	209,899
Work in process (Note 8)	190,594	218,224	2,026,518
Raw materials and supplies (Note 3)	105,968	109,500	1,126,720
Deferred tax assets (Note 18)	31,358	29,597	333,418
Other (Note 3)	52,083	54,684	553,780
Less allowance for doubtful receivables (Note 13)	(6,735)	(6,282)	(71,611)
Total current assets	814,786	844,364	8,663,328
Property, plant and equipment (Notes 3, 6, 7, 11, 12 and 20)**:**			
Buildings and structures, net	132,416	153,596	1,407,932
Machinery, equipment and vehicles, net	58,191	59,214	618,724
Land	88,370	88,792	939,607
Lease assets, net	16,537	14,034	175,832
Construction in progress	11,323	5,914	120,393
Other, net	14,220	13,195	151,196
Total property, plant and equipment, net	321,057	334,745	3,413,684
Intangible assets:			
Goodwill	22,608	5,073	240,383
Software	12,184	14,784	129,548
Other	4,351	3,755	46,263
Total intangible assets	39,143	23,612	416,194
Investments and other assets:			
Investment securities (Notes 4, 13 ,14 and 23)	128,879	68,568	1,370,324
Deferred tax assets (Note 18)	36,383	42,946	386,847
Other (Notes 3 and 4)	26,248	30,043	279,086
Less allowance for doubtful receivables	(2,257)	(6,147)	(23,998)
Total investments and other assets	189,253	135,410	2,012,259
Total fixed assets	549,453	493,767	5,842,137
Total assets	¥1,364,239	¥1,338,131	$14,505,465

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)
	2013	2012	2013
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable—trade (Note 13)	¥ 266,299	¥ 293,493	$ 2,831,462
Short-term loans and current portion of long-term loans (Notes 3, 13 and 27)	114,927	124,194	1,221,978
Commercial papers (Notes 13 and 27)	6,000	—	63,796
Current portion of long-term debentures (Notes 13 and 27)	—	10,000	—
Accrued expenses	56,851	40,737	604,476
Accrued income taxes	11,984	13,208	127,422
Advances from customers	106,377	104,393	1,131,069
Allowance for employees' bonuses	22,443	24,700	238,628
Reserve for guaranteed contracts	18,948	15,526	201,467
Reserve for losses on sales contracts (Note 8)	21,510	29,189	228,708
Other provision	740	868	7,868
Other (Notes 3 and 27)	39,373	33,385	418,639
Total current liabilities	665,452	689,693	7,075,513
Long-term liabilities:			
Long-term debentures (Notes 13 and 27)	63,335	53,450	673,418
Long-term loans (Notes 3, 13 and 27)	151,449	141,967	1,610,303
Lease obligations (Notes 12 and 27)	14,431	12,407	153,440
Deferred tax liabilities from revaluation of land (Note 7)	6,312	5,811	67,113
Allowance for employees' retirement benefits (Note 16)	115,408	129,037	1,227,092
Other provision	4,217	4,392	44,838
Other (Note 3)	44,353	42,899	471,590
Total long-term liabilities	399,505	389,963	4,247,794
Total liabilities	1,064,957	1,079,656	11,323,307
Net assets (Note 24)**:**			
Shareholders' equity:			
Common stock			
Authorized: 3,300,000,000 shares			
Issued: 1,467,058,482 shares	95,762	95,762	1,018,203
Capital surplus	43,047	43,044	457,703
Retained earnings	144,675	116,083	1,538,278
Less treasury stock, at cost	(736)	(547)	(7,826)
Total shareholders' equity	282,748	254,342	3,006,358
Accumulated other comprehensive income:			
Unrealized holding gains or losses on other securities	6,158	(361)	65,476
Deferred gains or losses on hedges	(810)	(55)	(8,612)
Revaluation reserve for land (Note 7)	4,665	4,665	49,601
Foreign exchange translation adjustments	(4,377)	(8,452)	(46,539)
Total accumulated other comprehensive income	5,636	(4,203)	59,926
Subscription rights to shares (Note 17)	563	462	5,986
Minority interests in consolidated subsidiaries	10,335	7,874	109,888
Total net assets	299,282	258,475	3,182,158
Total liabilities and net assets	¥1,364,239	¥1,338,131	$14,505,465

Consolidated Statements of Income

Years ended March 31, 2013 and 2012
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Net sales	¥1,256,049	¥1,221,869	$13,355,120
Cost of sales (Notes 8 and 9)	1,059,279	1,025,884	11,262,935
Gross profit	196,770	195,985	2,092,185
Selling, general and administrative expenses (Note 9)	154,629	152,652	1,644,115
Operating income	42,141	43,333	448,070
Other income (expenses):			
Interest and dividend income	2,871	3,396	30,526
Interest expense	(4,438)	(5,258)	(47,187)
Other, net (Note 10)	16,671	12,844	177,257
Income before income taxes and minority interests	57,245	54,315	608,666
Income taxes:			
Current	(19,166)	(16,003)	(203,786)
Deferred	(3,280)	(13,144)	(34,875)
Income before minority interests	34,799	25,168	370,005
Minority interests	(1,413)	(1,345)	(15,024)
Net income	¥ 33,386	¥ 23,823	$ 354,981

	Yen		U.S. dollars (Note 1)
Amounts per share (Note 25)**:**			
Net income	¥ 22.81	¥ 16.26	$ 0.243
Cash dividends	5.00	4.00	0.053

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

Consolidated Statements of Comprehensive Income

Years ended March 31, 2013 and 2012
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Income before minority interests	¥34,799	¥25,168	$370,005
Other comprehensive income:			
Unrealized holding gains or losses on other securities	5,876	(6,847)	62,477
Deferred gains or losses on hedges	(924)	(12)	(9,824)
Revaluation reserve for land	—	837	—
Foreign exchange translation adjustments	4,260	(1,532)	45,295
Share of other comprehensive income of associates accounted for using equity method	953	(49)	10,133
Total other comprehensive income	10,165	(7,603)	108,081
Comprehensive income	¥44,964	¥17,565	$478,086
Comprehensive income attributable to:			
Equity holders of the parent	¥43,028	¥16,280	$457,501
Minority interests	1,936	1,285	20,585

Note:
Reclassification adjustments and tax effects relating to other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Unrealized holding gains or losses on other securities:			
Amount arising during the year	¥ 7,899	¥ 783	$ 83,987
Reclassification adjustments:	(201)	(12,693)	(2,137)
Before tax effects	7,698	(11,910)	81,850
Tax effects relating to other comprehensive income	(1,822)	5,063	(19,373)
Unrealized holding gains or losses on other securities	¥ 5,876	¥ (6,847)	$ 62,477
Deferred gains or losses on hedges:			
Amount arising during the year	(1,333)	31	(14,172)
Tax effects relating to other comprehensive income	409	(43)	4,348
Deferred gains or losses on hedges	¥ (924)	¥ (12)	$ (9,824)
Revaluation reserve for land:			
Tax effects relating to other comprehensive income	¥ —	¥ 837	$ —
Foreign exchange translation adjustments:			
Amount arising during the year	¥ 4,260	¥ (1,532)	$ 45,295
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	950	(56)	10,101
Reclassification adjustments	3	7	32
Share of other comprehensive income of associates accounted for using equity method	¥ 953	¥ (49)	$ 10,133
Total other comprehensive income	¥10,165	¥ (7,603)	$108,081

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012
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 gains or losses on other securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign exchange translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries
Balance as of April 1, 2011	1,467,058	¥95,762	¥43,037	¥ 95,973	¥ (88)	¥6,508	¥ (75)	¥3,872	¥(6,903)	¥388	¥15,166
Net income for the year	–	–	–	23,823	–	–	–	–	–	–	–
Reversal of revaluation reserve for land	–	–	–	14	–	–	–	–	–	–	–
Increase resulting from inclusion of subsidiaries in consolidation	–	–	–	673	–	–	–	–	–	–	–
Cash dividends	–	–	–	(4,400)	–	–	–	–	–	–	–
Change for the year	–	–	–	–	–	(6,869)	20	793	(1,549)	74	(7,292)
Purchase of treasury stock	–	–	–	–	(484)	–	–	–	–	–	–
Sales of treasury stock	–	–	7	–	25	–	–	–	–	–	–
Balance as of March 31, 2012	1,467,058	95,762	43,044	116,083	(547)	(361)	(55)	4,665	(8,452)	462	7,874
Balance as of April 1, 2012	1,467,058	95,762	43,044	116,083	(547)	(361)	(55)	4,665	(8,452)	462	7,874
Net income for the year	–	–	–	33,386	–	–	–	–	–	–	–
Reversal of revaluation reserve for land	–	–	–	–	–	–	–	–	–	–	–
Increase resulting from inclusion of subsidiaries in consolidation	–	–	–	1,063	–	–	–	–	–	–	–
Cash dividends	–	–	–	(5,857)	–	–	–	–	–	–	–
Change for the year	–	–	–	–	–	6,519	(755)	–	4,075	101	2,461
Purchase of treasury stock	–	–	–	–	(212)	–	–	–	–	–	–
Sales of treasury stock	–	–	3	–	23	–	–	–	–	–	–
Balance as of March 31, 2013	1,467,058	¥95,762	¥43,047	¥144,675	¥ (736)	¥6,158	¥ (810)	¥4,665	¥(4,377)	¥563	¥10,335

		Thousands of U.S. dollars (Note 1)									
Balance as of April 1, 2012		$1,018,203	$ 457,671	$1,234,269	$(5,816)	$ (3,838)	$ (585)	$49,601	$(89,867)	$4,912	$ 83,721
Net income for the year		–	–	354,981	–	–	–	–	–	–	–
Reversal of revaluation reserve for land		–	–	–	–	–	–	–	–	–	–
Increase resulting from inclusion of subsidiaries in consolidation		–	–	11,303	–	–	–	–	–	–	–
Cash dividends		–	–	(62,275)	–	–	–	–	–	–	–
Change for the year		–	–	–	–	69,314	(8,027)	–	43,328	1,074	26,167
Purchase of treasury stock		–	–	–	(2,255)	–	–	–	–	–	–
Sales of treasury stock		–	32	–	245	–	–	–	–	–	–
Balance as of March 31, 2013		$1,018,203	$ 457,703	$1,538,278	$(7,826)	$65,476	$(8,612)	$49,601	$(46,539)	$5,986	$109,888

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

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Operating Activities:			
Income before income taxes and minority interests	¥ 57,245	¥ 54,315	$ 608,666
Depreciation and amortization	48,315	46,213	513,716
Amortization of long-term prepaid expenses	3,641	4,560	38,713
Gain on change in equity	(11,848)	—	(125,976)
Losses on impairment of fixed assets	1,260	2,182	13,397
Cost of environment conservation measures	1,280	4,157	13,610
Decrease in allowance for doubtful receivables	(408)	(2,139)	(4,338)
Decrease in allowance for employees' bonuses	(307)	(476)	(3,264)
Increase (decrease) in reserve for guaranteed contracts	4,170	(502)	44,338
Decrease in reserve for losses on sales contracts	(1,990)	(2,005)	(21,159)
Decrease in allowance for employees' retirement benefits	(1,179)	(3,627)	(12,536)
Interest and dividend income	(2,871)	(3,396)	(30,526)
Interest expense	4,438	5,258	47,188
Gains on foreign exchange	(596)	(39)	(6,337)
Losses (gains) on sale of marketable and investment securities	188	(15,204)	1,999
Losses on valuation of marketable and investment securities	2,447	3,256	26,018
Equity income from affiliates	(4,333)	(614)	(46,071)
Gains on disposal of property, plant and equipment	(10,414)	(1,262)	(110,728)
Changes in operating assets and liabilities:			
Notes and accounts receivable - trade	(38,011)	(54,972)	(404,157)
Advances from customers	4,684	(18,169)	49,803
Advance payments	1,427	(4,242)	15,173
Inventories	29,192	11,110	310,388
Notes and accounts payable - trade	(8,821)	21,179	(93,791)
Accrued expenses	15,698	638	166,911
Other current assets	(1,843)	1,461	(19,596)
Other current liabilities	3,119	(4,559)	33,163
Accrued consumption taxes	1,704	(3,251)	18,118
Others	(267)	(4,890)	(2,839)
Subtotal	95,920	34,982	1,019,883
Interests and dividends received	3,028	4,186	32,196
Interest paid	(4,531)	(5,134)	(48,177)
Income taxes paid	(20,070)	(9,291)	(213,397)
Net cash provided by operating activities	74,347	24,743	790,505
Investing Activities:			
Net decrease in time deposits due in more than three months	¥ 23	¥ 997	$ 245
Purchases of marketable and investment securities	(5,862)	(3,656)	(62,329)
Purchases of investments in subsidiaries	(868)	(7,320)	(9,229)
Purchase of investment in capital of a subsidiary	(3,538)	—	(37,618)
Proceeds from sale and redemption of marketable and investment securities	3,722	21,348	39,575
Purchases of property, plant and equipment and intangible assets	(53,231)	(51,356)	(565,986)
Proceeds from sale of property, plant and equipment and intangible assets	17,850	7,089	189,793
Payments for disposal of property, plant and equipment	(1,705)	(780)	(18,129)
Payments for transfer of business	(735)	—	(7,815)
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(15,263)	(2,954)	(162,286)
Net decrease (increase) in short-term loan receivables	(758)	335	(8,060)
Increase in long-term loan receivables	(381)	(22)	(4,051)
Decrease in long-term loan receivables	85	156	904
Increase in investments and other assets	(4,185)	(534)	(44,498)
Increase (decrease) in other long-term liabilities	4,007	(512)	42,605
Others	(194)	(513)	(2,063)
Net cash used in investing activities	¥ (61,033)	¥ (37,722)	$ (648,942)

(Continues on the next page)

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012
IHI Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Financing Activities:			
Net increase (decrease) in short-term loans	¥10,254	¥ (28,361)	$ 109,027
Net increase in commercial paper	6,000	—	63,796
Proceeds from issuance of long-term loans	60,805	51,280	646,518
Repayment of long-term loans	(69,449)	(53,263)	(738,426)
Proceeds from issuance of debentures	10,000	10,000	106,326
Expenditures for redemption of debentures	(10,000)	(10,000)	(106,326)
Repayments of lease obligations	(3,773)	(2,838)	(40,117)
Increase in treasury stock	(212)	(484)	(2,254)
Cash dividends paid	(5,829)	(4,377)	(61,978)
Proceeds from stock issuance to minority interests	52	—	553
Dividends paid to minority interests	(998)	(499)	(10,611)
Net cash used in financing activities	(3,150)	(38,542)	(33,493)
Effect of foreign exchange rate changes on cash and cash equivalents	4,083	(1,279)	43,413
Net increase (decrease) in cash and cash equivalents	14,247	(52,800)	151,483
Cash and cash equivalents, beginning of year	63,498	115,025	675,152
Increase in cash and cash equivalents from newly consolidated subsidiaries	598	1,273	6,358
Decrease in cash and cash equivalents due to exclusion of subsidiaries from consolidation resulting from merger	(6,340)	—	(67,411)
Increase in cash and cash equivalents resulting from merger with a nonconsolidated subsidiary	67	—	713
Cash and cash equivalents, end of year	¥72,070	¥ 63,498	$766,295

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

Notes to consolidated statement of cash flows:

1. A reconciliation of cash and cash equivalents to the amounts shown in the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Cash and cash equivalents, end of year			
Cash and time deposits	¥73,032	¥63,914	$776,523
Time deposits due in more than three months	(259)	(282)	(2,753)
Collateral deposits	(708)	(139)	(7,528)
Investment trusts included in marketable securities	5	5	53
Cash and cash equivalents	¥72,070	¥63,498	$766,295

2. Assets and liabilities of major companies included in consolidation following the purchases of their shares for the year ended March 31, 2013

The following is the summary of assets acquired and liabilities assumed through the acquisition of shares of Meisei Electric Co., Ltd. for the year ended March 31, 2013, related acquisition cost of shares and net disbursement:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2013	2013
Current assets	¥6,837	$72,695
Fixed assets	2,393	25,444
Goodwill	3,703	39,373
Current liabilities	(2,248)	(23,902)
Long-term liabilities	(2,025)	(21,531)
Minority interests	(2,429)	(25,827)
Acquisition cost of shares	6,231	66,252
Cash and cash equivalents	(172)	(1,829)
Net disbursement for the share acquisition	¥6,059	$64,423

The following is the summary of assets acquired and liabilities assumed through the acquisition of shares of Indigo TopCo Ltd. and its 28 subsidiaries for the year ended March 31, 2013, related acquisition cost of shares and net disbursement:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2013	2013
Current assets	¥ 5,068	$ 53,886
Fixed assets	6,051	64,338
Goodwill	9,743	103,594
Current liabilities	(11,631)	(123,668)
Long-term liabilities	(665)	(7,071)
Foreign exchange translation adjustments	(55)	(584)
Minority interests	(19)	(202)
Acquisition cost of shares	8,492	90,293
Cash and cash equivalents	(1,552)	(16,502)
Net disbursement for the share acquisition	¥ 6,940	$ 73,791

3. Assets and liabilities of companies excluded from consolidation following the merger for the year ended March 31, 2013

On January 1, 2013, IHI Marine United Inc. ("IHIMU") merged with Universal Shipbuilding Corporation ("USC"). The new company was named Japan Marine United Corporation ("JMU"). As a result of this merger, JMU (formerly, IHIMU) and its 3 subsidiaries were excluded from the scope of consolidation and became equity method affiliates. The summary of assets and liabilities of IHIMU and its 3 subsidiaries as of December 31, 2012, is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	December 31, 2012	December 31, 2012
Current assets (Note)	¥ 78,727	$ 837,076
Fixed assets	44,484	472,982
Total assets	123,211	1,310,058
Current liabilities	(64,633)	(687,220)
Long-term liabilities	(21,477)	(228,357)
Total liabilities	¥ (86,110)	$ (915,577)

Note:
The cash and cash equivalents in the amount of ¥6,340 million ($67,411 thousand) are included in "Current assets" in the above table, which are presented as "Decrease in cash and cash equivalents due to exclusion of subsidiaries from consolidation resulting from merger" in the consolidated statement of cash flows for the year ended March 31, 2013.

Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012
IHI Corporation and Consolidated Subsidiaries

1. Basis of consolidated 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 Financial Instruments and Exchange Act in Japan in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), 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=¥94.05, the rate of exchange prevailing on March 31, 2013. 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, 2013 and 2012 include the accounts of the Company and 143 and 99 subsidiaries, respectively. For the years ended March 31, 2013 and 2012, 39 and 43 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 the Note 23. "Special purpose companies subject to disclosure."

(3) Application of the equity method of accounting

The consolidated financial statements for the years ended March 31, 2013 and 2012, included 32 and 16 affiliates, respectively, in the scope of the application of the equity method of accounting. For the years ended March 31, 2013 and 2012, investments in 39 and 43 nonconsolidated subsidiaries, respectively, and 38 and 27 affiliates, respectively, for the two years were stated at cost because they did not have a material effect on the consolidated financial statements.

(4) 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, 2013 and 2012 were 96 and 49, respectively.

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.

(5) 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 gains or losses on other securities."

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

(6) 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.

(7) 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.)

(8) 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 on or 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.

(9) 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 operating lease accounting method for finance lease transactions that do not transfer ownership contracted on or 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.

(10) 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 highly doubtful receivables.

(11) 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.

(12) 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.

(13) 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.

(14) 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, the reserve for losses on sales contracts is recognized at the estimated aggregate amount of such losses.

(15) 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.

(16) Reserve for directors' retirement allowance

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

(17) 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.

(18) 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.

(19) Revenue recognition

Basis of recording revenues and costs of construction contracts:

(i) 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).

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

(20) Amortization of goodwill

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.

(21) Scope of cash on the consolidated statement of cash flows

Cash (cash and cash equivalents) in the consolidated statement of cash flows consists 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.

(22) Consumption taxes

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

(23) Accounting change

In accordance with an amendment to the Corporation Tax law effective April 1, 2012, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012, other than certain buildings, to reflect the methods prescribed in the amended Corporation Tax Law. The previously applied 250% declining-balance method was changed to the 200% declining-balance method. As a result of this change, operating income and income before income taxes and minority interests increased by ¥574 million ($6,103 thousand) for the year ended March 31, 2013.

(24) Standard issued but not effective

On May 17, 2012, the ASBJ issued “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1988 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009. The major changes are as follows:

(i) Overview

Actuarial gains and losses and prior service cost that have yet to be recognized in profit or loss shall be recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

In addition, the standard and guidance allows a choice for the method of attributing estimated retirement benefits to periods of either the straight-line basis or the plan's benefit formula basis. Furthermore, the assumption in calculation of the discount rate was amended.

(ii) Application schedule

The standard and guidance will be adopted from the consolidated financial statements as of March 31, 2014. The amendment of the attribution method for estimated retirement benefits will, however, be applied from the beginning of the year ending March 2015.

(iii) Effect of application

The effect of applying the standard and guidance on the consolidated financial statements was under evaluation at the time of preparing accompanying consolidated financial statements.

(25) Reclassifications

Certain prior-year amounts have been reclassified to conform to the presentation of the consolidated financial statements for the year ended March 31, 2013.

3. Assets pledged as collateral

The following assets were pledged as collateral at March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and time deposits	¥ 709	¥ 144	$ 7,538
Notes and accounts receivables - trade	103	96	1,095
Raw materials and supplies	5	5	53
Other current assets	2,510	2,744	26,688
Buildings and structures	2,714	2,784	28,857
Machinery, equipment and vehicles	256	323	2,722
Land	11,187	11,055	118,947
Other property, plant and equipment	9	20	96
Investment securities (Note)	646	—	6,869
Other investments and other assets	—	6	—
Total	¥18,139	¥17,177	$192,865
Property, plant and equipment pledged as factory foundation mortgage included in the above assets:			
Buildings and structures	¥ 263	¥ 284	$ 2,796
Machinery, equipment and vehicles	88	115	936
Land	2,613	2,613	27,783
Other property, plant and equipment	9	20	96
Total	¥ 2,973	¥ 3,032	$ 31,611

Note: The common stocks of Kagoshima Mega Solar Power Corporation ("Kagoshima Mega Solar Power") were pledged as collateral for all obligations to be incurred accompanying line-of-credit agreements entered into between by Kagoshima Mega Solar Power and the financial institutions.

The obligations collateralized by the above assets at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Short-term loans	¥ 5,765	¥ 5,586	$ 61,297
Other current liabilities	840	504	8,931
Long-term loans	1,958	3,257	20,819
Other long-term liabilities	3,360	4,200	35,726
Total	¥11,923	¥13,547	$126,773
Factory foundation mortgage included in the above liabilities:			
Short-term loans	¥ 2,475	¥ 2,475	$ 26,316
Total	¥ 2,475	¥ 2,475	$ 26,316

4. Investments in nonconsolidated subsidiaries and affiliates

Investments securities and investments in capital in nonconsolidated subsidiaries and affiliates at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Investment securities (Common stocks)	¥63,126	¥ 9,338	$671,196
Other investments and other assets (Investments in capital)	3,323	2,561	35,332
Total	¥66,449	¥11,899	$706,528

5. Contingent liabilities

(a) Contingent liabilities for guarantees for debts of nonconsolidated subsidiaries and others at March 31, 2013 and 2012 are as follows,

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Japanese Aero Engines Corporation ("JAEC")	¥ 5,675	¥ 4,785	$ 60,340
UNIGEN Inc.	5,000	4,410	53,163
ALPHA Automotive Technologies LLC	1,600	1,823	17,012
IHI group health insurance society	983	1,081	10,452
Japan Aeroforge, Ltd.	944	118	10,037
IHI Logistics System Technology Shanghai Co., Ltd.	416	904	4,423
Contingent liabilities for lease contracts with customers of construction machineries	120	150	1,276
Contingent liabilities for employee housing loans	88	106	936
Chubu Segment Co., Ltd.	50	—	532
Kinki Ishiko Co., Ltd.	17	19	181
Giken Technology Co., Ltd.	—	237	—
Total	¥14,893	¥13,633	$158,352

(b) Contingent liabilities arising from guarantees in kind for debts at March 31, 2013 and 2012 are as follows,

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Contingent liabilities for employee housing loans	¥ 9,721	¥11,837	$103,360
IHI group health insurance society	1,025	1,116	10,898
Turbo Systems United Co., Ltd.	40	60	425
Total	¥10,786	¥13,013	$114,684

Note: The amount of joint guarantees and guarantees in kind for debts at March 31, 2013 and 2012 represented the amounts the Companies are liable for, in case the Companies' liabilities are specifically stated and clarified in contract.

(c) Notes receivable—trade discounted in the ordinary course of business amounted to ¥450 million ($4,785 thousand) and ¥2,018 million at March 31, 2013 and 2012, respectively.

6. Property, plant and equipment

Amounts of subsidies received principally from government and directly deducted from property, plant and equipment are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Machinery, equipment and vehicles	¥ 114	¥—	$ 1,212
Other property, plant and equipment	36	—	383
Total	¥ 150	¥—	$ 1,595

Accumulated depreciation of property, plant and equipment amounted to ¥477,912 million ($5,081,467 thousand) and ¥533,947 million on March 31, 2013 and 2012, respectively.

7. Revaluation reserve for land

In accordance with the “Act on Revaluation of Land” promulgated on March 31, 1998, 2 consolidated subsidiaries have revalued their land used for business. These companies recorded the effect of 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 ¥-5,270 million ($-56,034 thousand) and ¥-5,100 million at March 31, 2013 and 2012, respectively.

8. Reserve for losses on sales contracts

Provision of reserve for losses on sales contracts, amounting to ¥21,510 million ($228,708 thousand) and ¥29,189 million, are included in cost of sales for the years ended March 31, 2013 and 2012, 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 ¥6,635 million ($70,548 thousand) comprising of ¥6,110 million ($64,965 thousand) of work in process and ¥525 million ($5,582 thousand) of finished goods, and ¥5,452 million comprising of ¥5,032 million of work in process and ¥420 million of finished goods on March 31, 2013 and 2012, respectively.

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

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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2013	2012	2013
Cost of sales (Note: i)	¥1,059,279	¥1,025,884	$11,262,935
Selling, general and administrative expenses:			
Expenses in taking orders received	¥ 12,861	¥ 15,191	$ 136,746
Provision (reversal) of allowance for doubtful accounts	0	(1,766)	0
Salaries for directors and employees (Note: ii)	60,325	58,418	641,414
Traveling and transportation expenses	5,752	5,728	61,159
Research and development expenses (Note: iii)	26,364	27,239	280,319
Business consignment expenses	7,424	6,485	78,937
Contribution for expenses common to all business segments	4,235	4,093	45,029
Depreciation	4,642	4,708	49,357
Other	33,026	32,556	351,154
Total of selling, general and administrative expenses	¥ 154,629	¥ 152,652	$ 1,644,115

Notes:

i. The amount of inventories as of March 31, 2013 and 2012 are the value after a write-down based on decreased profitability of assets. Net reversal of losses and net losses on valuation of inventories which are included in cost of sales for the years ended March 31, 2013 and 2012 are ¥1,376 million ($14,631 thousand) and ¥1,066 million, respectively.

ii. Salaries for directors and employees include ¥9,100 million ($96,757 thousand) and ¥9,200 million of allowance for employees’ bonuses and ¥5,500 million ($58,480 thousand) and ¥5,600 million of allowance for employees’ retirement benefits for the years ended March 31, 2013 and 2012, respectively.

iii. Research and development expenses, included in product cost, and selling, general and administrative expenses, are ¥30,280 million ($321,956 thousand) and ¥30,053 million for the years ended March 31, 2013 and 2012, 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	2013	2012	2013
Equity income from affiliates	¥ 4,333	¥ 614	$ 46,071
Gain on negative goodwill	—	1,416	—
Gains on foreign exchange	4,571	55	48,602
Gain on sales of subsidiaries and affiliates stocks	—	1,103	—
Gains on sales of property, plant, land and equipment (Note: i)	14,137	3,468	150,314
Gains on sales of investment securities	—	14,104	—
Charge of research and development expenses from third parties	—	2,295	—
Insurance received due from disaster	—	2,000	—
Gain on change in equity (Note: ii)	11,848	—	125,975
Provision for losses on business of subsidiaries and affiliates	(987)	(1,288)	(10,494)
Losses on impairment of fixed assets (Note: iii)	(1,260)	(2,182)	(13,397)
Losses on valuation of investment securities	(1,432)	(1,864)	(15,226)
Cost of environment conservation measures	(1,280)	(4,157)	(13,610)
Compensation for delayed delivery	(6,062)	(143)	(64,455)
Other, net	(7,197)	(2,577)	(76,523)
Total	¥16,671	¥12,844	$177,257

Notes:

i. Gains on sales of property, plant, land and equipment mainly relate to sales of a portion of land at 1-54, Toyosu 3-chome, Koto-ku, Tokyo, Japan for the year ended March 31, 2013, and mainly relate to sales of land for the year ended March 31, 2012.

ii. Refer to Note 19.

iii. Refer to Note 11.

11. Losses on impairment of fixed assets

(a) Groups of assets for which the Companies recognized impairment losses for the years ended March 31, 2013 and 2012 are as follows:

2013

Use	Location	Type of assets	Value of assets	Impairment loss (Millions of yen)	Impairment loss (Thousands of U.S. dollars)
Assets held to sale or pending disposal	Koto-ku, Tokyo, Japan	Building etc.	Memorandum value	¥650	$6,911
Idle assets	Matsumoto City, Nagano, Japan	Building etc.	Net sales value	244	2,594
Assets held to sale or pending disposal	Chuo-ku, Tokyo, Japan	Building etc.	Memorandum value	176	1,871
Assets held to sale or pending disposal	Kamiina-gun, Nagano, Japan	Land	Net sales value	118	1,255
Assets held to sale or pending disposal	Takasago City, Hyogo, Japan	Land and Building etc.	Net sales value	62	659
Idle assets	Hiroshima City, Hiroshima, Japan etc.	Land and Building etc.	Net sales value	10	106

2012				
Use	Location	Type of assets	Value of assets	Impairment loss (Millions of yen)
Assets for business	Yokohama City, Kanagawa, Japan	Land and building etc.	Value in use	¥704
Others	Nukata-gun, Aichi, Japan	Goodwill	Revalued enterprise value	498
Idle assets	Kagoshima City, Kagoshima, Japan	Land and building etc.	Net sales value	485
Assets for rent	Kagoshima City, Kagoshima, Japan	Land and building etc.	Net sales value	232
Assets for rent	Hiroshima City, Hiroshima, Japan	Land and building etc.	Net sales value	173
Others	Aioi City, Hyogo, Japan etc.	Land and building etc.	Net sales value and value in use	90

(b) Method for grouping assets

Assets are grouped principally by each business or each place of business, and idle assets, assets held to sale and assets pending disposal are treated, in principle, as one group on an individual basis.

(c) Reasons why impairment losses were recognized

Fiscal year ended March 31, 2013
Due to significant decrease in market prices, the book value of idle assets has been reduced to recoverable amount. The book value of assets held to sale or pending disposal has been reduced to recoverable amount.

Fiscal year ended March 31, 2012
Due to deterioration in profitability or significant decrease in market prices, the book value of certain assets has been reduced to recoverable amount. For goodwill, the book value has been reduced to recoverable amount since income originally envisaged in the business plan that was formulated when the shares were acquired can no longer be expected.

(d) Method for measuring recoverable amounts

The recoverable amounts are the higher of its net sales value and its value in use (discount rate is mainly 5.0%). For goodwill, the recoverable amount is measured by revalued enterprise value. Assets pending disposal is measured by memorandum value.

(e) Impairment losses

The amounts of impairment losses for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Land	¥ 143	¥ 719	$ 1,520
Buildings etc.	1,117	965	11,877
Goodwill	—	498	—
Total	¥1,260	¥2,182	$13,397

12. Leases

(a) Finance leases (Lessee)

Finance leases which transfer ownership
These leases are mainly plants and equipments of nuclear power plants’ components (machinery, equipment and vehicles) for Energy & Resources 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, equipment and vehicles) for Aero engine & space 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 or 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, 2013 and 2012, which would have been reflected in the balance sheet, 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
	2013	2012	2013
Acquisition costs:			
Buildings and structures	¥ 1,979	¥ 2,023	$ 21,042
Machinery, equipment and vehicles	7,418	10,912	78,873
Software	361	411	3,838
Other (Tools, furniture, fixture and other)	398	1,286	4,232
Total	¥10,156	¥14,632	$107,985
Accumulated depreciation:			
Buildings and structures	¥ 722	¥ 657	$ 7,677
Machinery, equipment and vehicles	5,835	7,934	62,042
Software	323	341	3,434
Other (Tools, furniture, fixture and other)	335	1,112	3,562
Total	¥ 7,215	¥10,044	$ 76,715
Accumulated impairment loss:			
Buildings and structures	¥ —	¥ —	$ —
Machinery, equipment and vehicles	—	—	—
Software	—	—	—
Other (Tools, furniture, fixture and other)	—	—	—
Total	¥ —	¥ —	$ —
Net book value:			
Buildings and structures	¥ 1,256	¥ 1,366	$ 13,355
Machinery, equipment and vehicles	1,584	2,978	16,842
Software	38	70	404
Other (Tools, furniture, fixture and other)	63	174	670
Total	¥ 2,941	¥ 4,588	$ 31,271

Future minimum lease payments subsequent to March 31, 2013 and 2012, for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Within one year	¥1,112	¥1,964	$11,823
Over one year	3,480	5,257	37,002
Total	¥4,592	¥7,221	$48,825
Balance of impairment losses on lease assets	¥ —	¥ —	$ —

Concerning the above finance lease transactions, the lease payments, reversal of allowance for impairment losses on leased property, estimated depreciation cost, estimated interest expenses and losses on impairment of leased property for the years ended March 31, 2013 and 2012, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lease payments	¥1,597	¥2,353	$16,980
Reversal of allowance for impairment losses on leased property	—	1	—
Estimated depreciation cost	852	1,461	9,059
Estimated interest expense	393	492	4,179
Losses on impairment	—	—	—

Estimated depreciation cost 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 expense is calculated as the amount of total lease payments less estimated acquisition costs. Allocation of the estimated interest expense to each accounting period is based on the interest method.

(c) Operating leases (Lessee)

Future minimum lease payments subsequent to March 31, 2013 and 2012, for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Within one year	¥ 4,266	¥ 4,199	$ 45,359
Over one year	14,320	17,595	152,259
Total	¥18,586	¥21,794	$197,618

(d) Finance leases (Lessor)

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 or 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, 2013 and 2012, which would have been reflected in the balance sheet, 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
	2013	2012	2013
Acquisition costs:			
Buildings and structures	¥2,109	¥2,109	$22,424
Machinery, equipment and vehicles	1,048	1,048	11,143
Other (Tools, furniture, fixture and other)	6	6	64
Total	¥3,163	¥3,163	$33,631
Accumulated depreciation:			
Buildings and structures	¥1,033	¥ 956	$10,983
Machinery, equipment and vehicles	789	739	8,389
Other (Tools, furniture, fixture and other)	6	6	64
Total	¥1,828	¥1,701	$19,436
Net book value:			
Buildings and structures	¥1,076	¥1,153	$11,441
Machinery, equipment and vehicles	259	309	2,754
Other (Tools, furniture, fixture and other)	0	0	0
Total	¥1,335	¥1,462	$14,195

Future minimum lease income subsequent to March 31, 2013 and 2012, for finance lease transactions accounted for by the operating lease accounting method are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Within one year	¥ 188	¥ 179	$ 1,999
Over one year	1,795	1,983	19,086
Total	¥1,983	¥2,162	$21,085

Lease income, depreciation and estimated interest income for the years ended March 31, 2013 and 2012, for finance lease transactions accounted for by the operating lease accounting method are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lease income	¥385	¥426	$4,094
Depreciation	127	160	1,350
Estimated interest income, assuming that the finance lease accounting had been adopted	209	227	2,222

The total estimated interest income is calculated as the gross amount of total lease payments and estimated residual value less purchase prices. Allocation of the estimated interest income to each accounting period is based on the interest method.

Any impairment loss is booked at the assets which are leased for the years ended March 31, 2013 and 2012, respectively.

(e) Operating leases (Lessor)

Future minimum lease income subsequent to March 31, 2013 and 2012, for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Within one year	¥ 564	¥ 566	$ 5,997
Over one year	3,543	4,106	37,671
Total	¥4,107	¥4,672	$43,668

(f) Sublease transactions

The disclosure is omitted because of its insignificance.

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

Notes and accounts receivable - trade, which are operating receivables, are exposed to the customer credit risks. Operating receivables denominated in foreign currencies related to construction in abroad or the like are exposed to the fluctuation risks 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 risks of market price.

Notes and accounts payable - trade, 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 risks of foreign exchanges. However, the amount is constantly, in general, less than the balance of notes and accounts receivable - trade denominated in the same foreign currency. Loans, commercial papers and debentures are made for the purpose of obtaining operating capital and funds for capital expenditures, and the redemption dates arrive within ten years after the balance sheet date. Although some of loans are exposed to the fluctuation risks of interest rate and foreign exchanges, they are hedged by derivatives using interest rate swaps and foreign currency swaps.

Derivatives the Companies use are forward foreign exchange contracts and foreign currency options to hedge the fluctuation risks of foreign exchanges pertaining to operating receivables and payables denominated in foreign currencies, and interest rate swaps to hedge the fluctuation risks of interest rate regarding loans payable. For details of hedge accounting, refer to "Derivatives to which hedge accounting is applied" in Note 15. "Derivatives" and Note 2. "Significant accounting policies (6) Derivatives and hedge accounting."

iii. Risk management structure regarding financial instruments

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

To manage the credit risks 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 risks.

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 risks.

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

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

To reduce the fluctuation risks of interest rate and foreign exchanges regarding long-term loans payable, the Company and certain consolidated subsidiaries use interest rate swaps and foreign currency 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 risks pertaining to fund procurement (risks of non-performing of payments on due dates)

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

iv. Supplementary explanation to fair value 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 risks pertaining to derivatives.

(b) Fair value of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet and their fair value as of March 31, 2013 and 2012, respectively.

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

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	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	¥ 73,032	¥ 73,032	¥ —	¥ 63,914	¥ 63,914	¥ —	$ 776,523	$ 776,523	$ —
Notes and accounts receivable - trade	348,350			348,671			3,703,881		
Less allowance for doubtful receivables (Note: i)	(3,974)			(3,958)			(42,254)		
	¥344,376	¥344,189	¥ (187)	¥344,713	¥344,480	¥ (233)	$3,661,627	$3,659,639	$ (1,988)
Marketable securities and investment securities	¥ 40,893	¥ 40,897	¥ 4	¥ 36,354	¥ 36,354	¥ 0	$ 434,801	$ 434,843	$ 42
Held-to-maturity securities	1,999	2,003	4	2,100	2,100	0	21,255	21,297	42
Other securities	38,894	38,894	—	34,254	34,254	—	413,546	413,546	—
Total assets	¥458,301	¥458,118	¥ (183)	¥444,981	¥444,748	¥ (233)	$4,872,951	$4,871,005	$ (1,946)
Notes and accounts payable - trade	¥266,299	¥266,299	¥ —	¥293,493	¥293,493	¥ —	$2,831,462	$2,831,462	$ —
Short-term loans	114,927	114,927	—	124,194	124,194	—	1,221,978	1,221,978	—
Commercial papers	6,000	6,000	—	—	—	—	63,796	63,796	—
Debentures	63,335	68,113	4,778	63,450	64,776	1,326	673,418	724,221	50,803
Long-term loans	151,449	152,742	1,293	141,967	143,059	1,092	1,610,303	1,624,051	13,748
Total liabilities	¥602,010	¥608,081	¥6,071	¥623,104	¥625,522	¥2,418	$6,400,957	$6,465,508	$64,551
Derivatives (Note: ii)									
Derivatives to which hedge accounting is not applied	¥ (1,105)	¥ (1,105)	¥ —	¥ (991)	¥ (991)	¥ —	$ (11,750)	$ (11,750)	$ —
Derivatives to which hedge accounting is applied	(631)	(631)	—	(77)	(77)	—	(6,709)	(6,709)	—
Total derivatives	¥ (1,736)	¥ (1,736)	¥ —	¥ (1,068)	¥ (1,068)	¥ —	$ (18,459)	$ (18,459)	$ —

Notes:

i. The amount of allowance for doubtful receivables that is recorded individually for notes and accounts receivable—trade, is excluded.

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

iii. Methods of measuring fair value are as follows:

(1) Cash and time deposits

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

(2) Notes and accounts receivable—trade

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

(3) Marketable securities and investment securities

The fair value of equity securities are based on the market prices at the exchange. The fair value 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. For information on securities classified by holding purpose, please refer to the Note 14. "Marketable securities and investment securities."

(4) Notes and accounts payable—trade, Short-term loans and Commercial papers

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

(5) Debentures

As for the fair value of debentures issued by the Company, marketable debentures are measured based on the market price and non-marketable debentures are 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 value of long-term loans is measured by discounting the total amount of principles and interests (*1) at an assumed interest rate for similar new borrowings.

*1 Long-term loans associated with either designated hedge accounting of forward exchange contracts, etc., or interest rate swaps that qualify for the exceptional treatment are measured depending on the conditions of cases where they are accounted for together with its derivatives.

(7) Derivatives

Refer to the Note 15. "Derivatives."

(c) Amounts recorded in the balance sheet of financial instruments whose fair value is deemed to be extremely difficult to figure out

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unlisted stocks	¥25,255	¥25,612	$268,527
Stocks of subsidiaries and affiliates	63,126	9,338	671,196
Total	¥88,381	¥34,950	$939,723

Note: The above financial instruments are not included in "Marketable securities and investment securities" in "(b)Fair value of financial instruments" because determining their fair value was deemed to be extremely difficult, due to the fact that they do not have market prices and their future cash flow cannot be estimated.

(d) Redemption schedules after consolidated balance sheet dates for monetary receivables and held-to-maturity securities

	Millions of yen								Thousands of U.S. dollars			
	2013				2012				2013			
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	¥ 73,032	¥ –	¥–	¥ –	¥ 63,914	¥ –	¥ –	¥–	$ 776,523	$ –	$ –	$ –
Notes and accounts receivable – trade	342,024	6,266	60	–	343,176	5,081	414	–	3,636,619	66,624	638	–
Marketable securities and investment securities												
Held-to-maturity securities												
National and local government bonds	300	1,500	–	–	1,800	300	–	–	3,190	15,949	–	–
Company bonds	90	–	–	109	–	–	–	–	957	–	–	1,159
Total	¥415,446	¥7,766	¥60	¥109	¥408,890	¥5,381	¥414	¥–	$4,417,289	$82,573	$638	$1,159

(e) The redemption schedule for long-term loans and debentures are disclosed in Note 27.

14. Marketable securities and investment securities

(a) A summary of trading securities at March 31, 2013 and 2012 is as follows:

No trading securities were held at March 31, 2013 and 2012.

(b) A summary of held-to-maturity securities with fair value at March 31, 2013 and 2012 is as follows:

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	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 value exceed their amounts recorded in the balance sheet									
National and local government bonds	¥1,501	¥1,500	¥ 1	¥1,800	¥1,800	¥ 0	$15,960	$15,949	$11
Company bonds	112	109	3	—	—	—	1,190	1,159	32
Subtotal	¥1,613	¥1,609	¥ 4	¥1,800	¥1,800	¥ 0	$17,150	$17,108	$43
Held-to-maturity securities whose fair value does not exceed their amounts recorded in the balance sheet									
National and local government bonds	300	300	(0)	300	300	(0)	3,190	3,190	(0)
Company bonds	90	90	—	—	—	—	957	957	—
Subtotal	¥ 390	¥ 390	¥(0)	¥ 300	¥ 300	¥(0)	$ 4,147	$ 4,147	$ (0)
Total	¥2,003	¥1,999	¥ 4	¥2,100	¥2,100	¥ 0	$21,297	$21,255	$43

(c) A summary of other securities with stated market prices at March 31, 2013 and 2012 is as follows:

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	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	¥13,495	¥28,400	¥14,905	¥12,148	¥25,402	¥13,254	$143,488	$301,967	$158,479
Subtotal	¥13,495	¥28,400	¥14,905	¥12,148	¥25,402	¥13,254	$143,488	$301,967	$158,479
Other securities whose amounts recorded in the balance sheet do not exceed their acquisition cost									
Equity securities	¥13,507	¥10,494	¥ (3,013)	¥14,636	¥ 8,812	¥ (5,824)	$143,615	$111,579	$ (32,036)
Other	—	—	—	40	40	—	—	—	—
Subtotal	¥13,507	¥10,494	¥ (3,013)	¥14,676	¥ 8,852	¥ (5,824)	$143,615	$111,579	$ (32,036)
Total	¥27,002	¥38,894	¥11,892	¥26,824	¥34,254	¥ 7,430	$287,103	$413,546	$126,443

Note: Unlisted stocks and stocks of subsidiaries and affiliates are not included in the above table because there were no quoted market prices available and their fair value is deemed to be extremely difficult to figure out. The amounts of unlisted stocks and stocks of subsidiaries and affiliates recorded in the balance sheet are disclosed in Note 13.

(d) A summary of held-to-maturity securities which were sold in the years ended March 31, 2013 and 2012 is as follows:

No proceeds from the sale of held-to-maturity securities were recognized in the years ended March 31, 2013 and 2012.

(e) A summary of other securities which were sold in the years ended March 31, 2013 and 2012 is as follows:

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	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	¥67	¥11	¥ (1)	¥15,325	¥14,100	—	$712	$117	$ (11)

Note: The sales amounts of unlisted stock and stocks of subsidiaries and affiliates are not included.

(f) Impairment losses of other securities

Impairment loss of ¥743 million ($7,900 thousand) and ¥1,567 million on other securities were recorded at March 31, 2013 and 2012, respectively. If market value at the end of the fiscal year has dropped by 50% or more compared to its acquisition value, all of the impairment loss is recognized and if it has dropped around 30~50% compared to its acquisition value, impairment loss is recognized in the amount deemed necessary taking into account recoverability of those securities.

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, foreign currency swaps and commodity swaps to manage their exposures to fluctuation risks of 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, 2013 and 2012 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			
	2013				2012				2013			
	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	¥1,782	¥ –	¥ 53	¥ 53	¥ 2,894	¥380	¥(126)	¥(126)	$ 18,947	$ –	$ 563	$ 563
Buy:												
U.S. dollar	–	–	–	–	1,650	–	(10)	(10)	–	–	–	–
Korean Won	12	–	2	2	351	13	1	1	128	–	21	21
Japanese yen	3,360	–	(198)	(198)	1,484	–	81	81	35,726	–	(2,105)	(2,105)
Foreign currency options												
Sell:												
Call U.S. dollar	15,643	–			37,192	–			166,326	–		
	(–)	(–)	(1,035)	(1,035)	(–)	(–)	(752)	(752)	(–)	(–)	(11,005)	(11,005)
Euro	192	192			–	–			2,041	2,041		
	(–)	(–)	2	2	(–)	(–)	–	–	(–)	(–)	21	21
Put U.S. dollar	2,545	–			114	–			27,060	–		
	(–)	(–)	46	46	(–)	(–)	1	1	(–)	(–)	489	489
Euro	711	–			–	–			7,560	–		
	(–)	(–)	11	11	(–)	(–)	–	–	(–)	(–)	117	117
Buy:												
Call U.S. dollar	2,640	–			–	–			28,070	–		
	(–)	(–)	143	143	(–)	(–)	–	–	(–)	(–)	1,520	1,520
Put U.S. dollar	7,255	–			22,391	–			77,140	–		
	(–)	(–)	(123)	(123)	(–)	(–)	(186)	(186)	(–)	(–)	(1,308)	(1,308)
Euro	182	182			–	–			1,935	1,935		
	(–)	(–)	1	1	(–)	(–)	–	–	(–)	(–)	11	11
Total	¥ –	¥ –	¥(1,098)	¥(1,098)	¥ –	¥ –	¥(991)	¥(991)	$ –	$ –	$(11,676)	$(11,676)

Notes:

i. Method of measuring fair value
   (1) The fair value of forward foreign exchange contracts are measured using the forward foreign exchange rates.
   (2) The fair value of foreign currency options are measured based on the prices provided by financial institutions with which the Companies do business.

ii. The option premiums are stated for 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			
	2013				2012				2013			
	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												
Payments fixed receipts floating	¥385	¥385	¥(7)	¥(7)	¥–	¥–	¥–	¥–	$4,094	$4,094	$(74)	$(74)
Total	¥–	¥–	¥(7)	¥(7)	¥–	¥–	¥–	¥–	$–	$–	$(74)	$(74)

Note: The fair value is measured 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		
			2013			2012			2013		
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:	Accounts receivable —trade									
	U.S. dollar		¥ 13,900	¥ 709	¥(853)	¥ 9,878	¥ 1,158	¥(233)	$147,794	$ 7,539	$ (9,070)
	Euro		667	–	(61)	4,214	–	(61)	7,092	–	(649)
	Singapore dollar		–	–	–	1,764	–	2	–	–	–
	Buy:	Accounts payable —trade									
	U.S. dollar		2,396	152	192	4,407	355	115	25,476	1,616	2,042
	Euro		1,976	40	104	1,839	119	102	21,010	425	1,106
	Singapore dollar		13	–	0	–	–	–	138	–	0
	Canadian dollar		16	–	0	–	–	–	170	–	0
	Thai Baht		42	–	0	–	–	–	447	–	0
	Hong Kong dollar		–	–	–	70	–	4	–	–	–
	Korean Won		–	–	–	167	–	9	–	–	–
Allocation treatment (*1)	Foreign currency swaps contracts:										
	U.S. dollar-Japanese yen	Long-term loans	15,597	14,547	–	2,510	2,510	–	165,837	154,673	–
	Forward foreign exchange contracts										
	Sell:	Accounts receivable —trade									
	U.S. dollar		13,132	707	–	16,144	235	–	139,628	7,517	–
	Euro		331	–	–	3,063	322	–	3,519	–	–
	Hong Kong dollar		2,310	1,863	–	–	–	–	24,561	19,809	–
	Buy:	Accounts payable —trade									
	U.S. dollar		1,210	–	–	1,421	–	–	12,865	–	–
	Euro		1	–	–	–	–	–	11	–	–
	Thai Baht		18	–	–	15	–	–	191	–	–
Total			¥ –	¥ –	¥(618)	¥ –	¥ –	¥ (62)	$ –	$ –	$ (6,571)

(*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 value
The fair value of forward foreign exchange contracts is calculated using the forward foreign exchange rates.

ii. Fair value of transactions using the method such as forward foreign exchange contracts where transactions are recorded by translation at the contracted rate is included in the fair value of hedged items, either of long-term loans, accounts receivable - trade or accounts payable - trade, as these derivatives are accounted for together with the long-term loans, accounts receivable - trade or accounts payable - trade.

(ii) Interest rate

			Millions of yen						Thousands of U.S. dollars		
			2013			2012			2013		
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	Long-term loans	¥ 3,000	¥ 3,000	¥(13)	¥ 3,000	¥ 3,000	¥(15)	$ 31,898	$ 31,898	$(138)
Exceptional treatment of interest rate swaps (Note: ii)	Interest rate swaps Payments fixed receipts floating	Long-term loans	¥78,609	¥68,587	¥ —	¥60,043	¥48,421	¥ —	$835,821	$729,261	$ —
Total			¥ —	¥ —	¥(13)	¥ —	¥ —	¥(15)	$ —	$ —	$(138)

Notes:

i. Method of measuring fair value
The fair value are measured based on the prices provided by financial institutions with which the Companies do business.

ii. Fair value of transactions by the exceptional treatment of interest rate swaps is included in the fair value 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, lump-sum retirement payment plans and defined contribution 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
Year ended March 31	2013	2012	2013
Projected benefit obligation	¥(130,350)	¥(146,440)	$(1,385,965)
Fair value of plan assets	475	189	5,051
Unfunded retirement benefit obligation	(129,875)	(146,251)	(1,380,914)
Unrecognized actuarial losses	13,362	15,827	142,073
Unrecognized past service cost	1,105	1,387	11,749
Allowance for employees' retirement benefits	¥(115,408)	¥(129,037)	$(1,227,092)

Components of net periodic pension cost:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2013	2012	2013
Service cost during the year (Note: i)	¥ 8,302	¥ 8,229	$ 88,272
Interest cost on projected benefit obligation	2,737	2,950	29,102
Expected return on assets	—	(2)	—
Amortization of actuarial losses	3,767	3,487	40,053
Amortization of past service cost	866	446	9,208
Additional payments	610	160	6,486
Net periodic pension cost	¥16,282	¥15,270	$173,121
Net loss on transfer of retirement benefit plans (Note: ii)	—	45	—
Other (Note: iii)	153	169	1,626
Total	¥16,435	¥15,484	$174,747

Notes:

i. In computing the projected benefit obligation, small companies are permitted to adopt certain simplified methods and certain consolidated subsidiaries have done so. The periodic pension cost for the consolidated subsidiaries to adopt such simplified methods has been included in "Service cost during the year."

ii. Certain consolidated subsidiaries have transferred their retirement benefit plans and recognized a net loss for the year ended March 31, 2012.

iii. "Other" in the above table is payment of contribution for defined contribution plan.

	2013	2012
Assumptions used in the actuarial calculation were:		
Actuarial cost method:	Projected unit credit method	Projected unit credit method
Discount rate:	2.0%	2.0%
Expected rate of return:	—%	1.5%
Amortization period for past service cost (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) Expenses for stock options and account titles at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2013	2012	2013
Selling, general and administrative expenses	¥127	¥106	$1,350

(b) The stock options outstanding at March 31, 2013 are as follows:

	2013 Stock option	2012 Stock option	2011 Stock option
Persons granted	Directors of the Company: 13 Executive officers of the Company: 15	Directors of the Company: 13 Executive officers of the Company: 14	Directors of the Company: 13 Executive officers of the Company: 13
Class and number of shares	Common stock 798,000 shares	Common stock 593,000 shares	Common stock 759,000 shares
Grant date	August 16, 2012	August 17, 2011	August 9, 2010
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.
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.
Exercise period	From August 17, 2012 to August 16, 2042	From August 18, 2011 to August 17, 2041	From August 10, 2010 to August 9, 2040

	2010 Stock option	2009 Stock option	2008 Stock option
Persons granted	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 647,000 shares	Common stock 511,000 shares	Common stock 274,000 shares
Grant date	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.
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.
Exercise period	From August 6, 2009 to August 5, 2039	From August 19, 2008 to August 18, 2038	From August 10, 2007 to August 9, 2037

(c) The numbers of and changes in stock options during the years ended March 31, 2013 are as follows:

	2013 Stock option	2012 Stock option	2011 Stock option	2010 Stock option	2009 Stock option	2008 Stock option
Non-vested:						
Outstanding at March 31, 2012	—	593,000	759,000	549,000	351,000	106,000
Granted	798,000	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Vested	—	—	42,000	36,000	31,000	11,000
Outstanding of non-vested at March 31, 2013	798,000	593,000	717,000	513,000	320,000	95,000
Vested:						
Outstanding at March 31, 2012	—	—	—	52,000	67,000	30,000
Vested	—	—	42,000	36,000	31,000	11,000
Exercised	—	—	—	52,000	44,000	19,000
Forfeited	—	—	—	—	—	—
Outstanding of non-exercised at March 31, 2013	—	—	42,000	36,000	54,000	22,000
Exercise price - yen (U.S. dollars)	¥ 1 ($0.011)	¥ 1 ($0.011)	¥ 1 ($0.011)	¥ 1 ($0.011)	¥ 1 ($0.011)	¥ 1 ($0.011)
Average share price at exercise - yen(U.S. dollars)	—	—	—	¥172 ($1.829)	¥172 ($1.829)	¥172 ($1.829)
Fair value price at grant date - yen(U.S. dollars)	¥159 ($1.691)	¥178 ($1.893)	¥154 ($1.637)	¥165 ($1.754)	¥185 ($1.967)	¥462 ($4.912)

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 year ended March 31, 2013 is as follows:

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

	2013 Stock option
Volatility of stock price (Note: i)	40%
Estimated remaining outstanding period (Note: ii)	3.5 years
Estimated dividend (Note: iii)	¥4 per share
Interest rate with risk free (Note: iv)	0.12%

Notes:

i. Annual volatility rate estimated based on daily stock prices in the past 3.5 years (closing prices on each day from February 17, 2009 to August 16, 2012).

ii. Expected average period from grant date to exercise date

iii. Based on actual year-end dividend for the preceding year (March 31, 2012 year-end dividend).

iv. Annual rate, the yield on national government bonds with remaining life of 3.5 years (the yield on August 16, 2012).

18. Deferred tax assets and liabilities

(a) Significant components of the Companies' deferred tax assets and liabilities at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Losses on valuation of inventories	¥ 4,161	¥ 3,733	$ 44,242
Losses on impairment of fixed assets	5,735	5,242	60,978
Allowance for employees' bonuses	7,610	8,495	80,914
Reserve for guaranteed contracts	6,980	5,803	74,216
Reserve for losses on sales contracts	7,931	10,974	84,327
Denial of accrued expense	6,044	3,536	64,264
Valuation losses on investment securities	1,558	2,048	16,566
Allowance for employees' retirement benefits	40,730	45,978	433,068
Net loss carried forward	19,991	23,044	212,557
Unrealized gain	3,205	2,788	34,078
Other	12,316	11,419	130,952
Valuation allowance	(37,425)	(41,947)	(397,927)
Total	¥78,836	¥81,113	$838,235
Deferred tax liabilities:			
Unrealized holding gain on other securities	¥ (4,334)	¥ (3,226)	$ (46,082)
Deferred gains on sales of property, plant and equipment	(6,259)	(6,624)	(66,550)
Other	(3,358)	(2,495)	(35,704)
Total	(13,951)	(12,345)	(148,336)
Net deferred tax assets (Note)	¥64,885	¥68,768	$689,899

Note: Net deferred tax assets and liabilities as of March 31, 2013 and 2012 are included in the following accounts in the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets—Deferred tax assets	¥31,358	¥29,597	$333,418
Investment and other assets—Deferred tax assets	36,383	42,946	386,847
Current liabilities—Other	(108)	(33)	(1,148)
Long-term liabilities—Other	(2,748)	(3,742)	(29,218)
Total (Net deferred tax assets)	¥64,885	¥68,768	$689,899

(b) The reconciliation between the statutory tax rate and the effective income tax rate after applying deferred tax accounting for the year ended March 31, 2012 is as follows:

	2012
Statutory tax rate in Japan	40.6%
Adjustments:	
Reduction of deferred tax asset due to change in corporate tax rate of Japan	11.9
Change in valuation allowance	0.8
Expenses not deductible permanently (e.g. entertainment expenses)	1.5
Other	(1.2)
Effective income tax rate after applying deferred tax accounting	53.6%

Note: For the year ended March 31, 2013, the disclosure is omitted because the difference between the statutory tax rate and the effective income tax rate after applying deferred tax accounting is 5% or less of the statutory tax rate.

19. Business combinations

Business combination of subsidiary

IHIMU (which was a consolidated subsidiary of the Company) carried out management integration through merger with USC on January 1, 2013. JMU, the new company after merger, became an equity method affiliate of the Company. The outline of the merger is as follows:

(1) Outline of business combination

(a) Company profile

	Surviving company: USC	Merged company: IHIMU
Business lines	•Design, manufacture, sale and repair of ships, floating oil storage facilities, steel structures including mega-floats, marine equipment, industrial robots and defense equipment •Design and supervision of contracted civil engineering and construction work •Sale of technologies related to the above •Business incidental or related to the above	•Design, manufacture, purchase, sale, lease, installation, repair, maintenance and preservation of ships, naval vessels/patrol vessels, marine floaters (LNG/LPG production systems, oil drilling units, etc.), marine equipment, defense equipment, industrial robots, floating/underwater equipment, marine structures and other steel structures •Design and supervision of civil engineering and construction work •Consulting and engineering related to above, and provision of other technical know-how •Business incidental or related to the above

(b) Primary reasons for business combination

The management integration was conducted in order to strengthen both competitiveness and profitability in areas such as the shipbuilding industry, particularly new shipbuilding, and engineering and lifecycle industry, and to realize further growth as an established industry leader by enhancing development capabilities, gathering the respective design capabilities of USC and IHIMU, and pursuing an optimized production system that takes maximum advantage of shipyard characteristics.

(c) Date of business combination

January 1, 2013

(d) Overview of transaction including legal form

Management integration through merger whereby USC is the surviving company

(2) Outline of accounting treatment

Accounting treatment for the business combination was carried out in accordance with the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

As a result, the gain on change in equity in IHIMU of ¥11,848 million ($125,975 thousand) was recorded on the consolidated statement of income for the year ended March 31, 2013.

(3) Name of reportable segment in which the subsidiary was included

Ships & Offshore Facilities Operations

(4) Amounts of net sales and operating income of the subsidiary included in the consolidated statement of income for the year ended March 31, 2013

Net sales: ¥115,177 million ($1,224,636 thousand)

Operating income: ¥6,535 million ($69,484 thousand)

(5) Outline of new company

Trade name	Japan Marine United Corporation
Head office	36-7, Shiba 5-chome, Minato-ku, Tokyo, Japan
Representatives	President & CEO: Shinjiro Mishima Representative Director: Yoshio Otagaki
Capital	¥25,000 million ($265,816 thousand)
Fiscal year-end	March 31
Net assets	¥131,718 million ($1,400,510 thousand, as of January 1, 2013)
Total assets	¥323,441 million ($3,439,032 thousand, as of January 1, 2013)
Business lines	Design, manufacture, purchase and sale of ships, naval/patrol vessels, marine floaters, etc.
Major shareholders and ratio of shareholding (Note)	The Company 45.93% JFE Holdings, Inc. 45.93% Hitachi Zosen Corporation 8.15%

Note: The total figure of ratio of shareholding exceeds 100% as each figure is rounded up to two decimal places.

20. Investment and rental properties

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 value of these investment and rental properties at March 31, 2013 and 2012 are as follows:

	Millions of yen								Thousands of U.S. dollars			
	2013				2012				2013			
	Amount recorded in the balance sheet			Fair value	Amount recorded in the balance sheet			Fair value	Amount recorded in the balance sheet			Fair value
Category of use	Balance as of April 1, 2012	Net change	Balance as of March 31, 2013	as of March 31, 2013	Balance as of April 1, 2012	Net change	Balance as of March 31, 2013	as of March 31, 2013	Balance as of April 1, 2012	Net change	Balance as of March 31, 2013	as of March 31, 2013
Office buildings	¥70,641	¥(2,274)	¥68,367	¥132,488	¥72,232	¥(1,591)	¥70,641	¥124,722	$ 751,101	$(24,179)	$ 726,922	$1,408,698
Parking lots	1,970	(1,395)	575	9,698	2,677	(707)	1,970	30,191	20,946	(14,832)	6,114	103,115
Commercial facilities	1,499	2,177	3,676	43,385	1,216	283	1,499	35,458	15,938	23,147	39,085	461,297
Other	22,329	3,148	25,477	66,445	23,632	(1,303)	22,329	66,869	237,416	33,472	270,888	706,486
Total	¥96,439	¥ 1,656	¥98,095	¥252,016	¥99,757	¥(3,318)	¥96,439	¥257,240	$1,025,401	$ 17,608	$1,043,009	$2,679,596

Notes:
i. The amount recorded in consolidated balance sheet is calculated by subtracting accumulated depreciation and impairment losses from acquisition cost.
ii. The fair value at fiscal year-end is based on the values mainly in the appraisal report prepared by external real estate appraisers.

(b) Income and expenses concerning investment and rental properties during the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen								Thousands of U.S. dollars			
	2013				2012				2013			
Category of use	Rental income	Rental expenses	Net rental income	Other	Rental income	Rental expenses	Net rental income	Other	Rental income	Rental expenses	Net rental income	Other
Office buildings	¥ 8,351	¥5,333	¥3,018	¥13,443	¥ 8,585	¥ 4,824	¥ 3,761	¥ –	$ 88,793	$56,704	$32,089	$142,935
Parking lots	677	162	515	(2)	781	326	455	2,900	7,198	1,722	5,476	(21)
Commercial facilities	1,041	340	701	–	754	281	473	–	11,069	3,615	7,454	–
Other	2,796	1,277	1,519	(192)	2,572	1,194	1,378	(890)	29,729	13,578	16,151	(2,042)
Total	¥ 12,865	¥7,112	¥5,753	¥13,249	¥12,692	¥ 6,625	¥ 6,067	¥ 2,010	$ 136,789	$75,619	$61,170	$ 140,872

Notes:
i. Major rental income is included in “Net sales,” while major rental expenses are included in “Cost of sales.”
ii. For the year ended March 31, 2013, “Other” in the above table is composed of gains on sales of property, plant, land and equipment, and losses of disposal of property, plant and equipment, and included in both other income (expenses) on the consolidated statement of income. For the year ended March 31, 2012, “Other” in the above table is composed of gains on sales of property and impairment loss, plant, land and equipment, and included in other income (expenses) on the consolidated statement of income.

21. Segment information

(a) Segment information

1. Overview of reportable segments

The reportable segments are constituent units of the IHI Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and evaluating operating performance.

The Company organizes operation divisions by products and services and the operation divisions deploy business activities formulating both domestic and overseas strategies for each product and service comprehensively.

The IHI Group therefore categorizes reportable segments based on the grouping together of operation divisions classified by markets and other similarities of products and services. The seven reportable segments are as follows: Energy & Resources, Ships & Offshore Facilities, Social Infrastructure, Logistics Systems & Industrial Machinery, Rotating Equipment & Mass-Production Machinery, Aero Engine & Space, and Others.

On January 1, 2013, IHIMU merged with USC. The new company was named JMU. As a result of this merger, JMU (formerly, IHIMU) and its 3 subsidiaries, which previously made up Ships & Offshore Facilities Operations, were excluded from the scope of consolidation and have become affiliated companies accounted for by the equity method.

Main products and services belonging to each segment

(i) Energy & Resources
Boilers, gas turbines, components for nuclear power plants, storage facilities, process plants, power systems for land and marine use and floating LNG storage facilities

(ii) Ships & Offshore Facilities
Shipbuilding, ship repairs and offshore structures

(iii) Social Infrastructure
Bridges, construction materials and real estate sales and rental

(iv) Logistics Systems & Industrial Machinery
Material handling systems, physical distribution and factory automation systems, parking systems, traffic systems, steel manufacturing equipment, paper production machines and environmental control systems

(v) Rotating Equipment & Mass-Production Machinery
Compressors and vehicular turbochargers

(vi) Aero Engine & Space
Jet engines, space-related equipment and defense machinery

(vii) Others
Diesel engines, agricultural machinery, construction machinery and other services

2. Calculation method used for sales, profit or loss, assets and liabilities, and other items by reportable segment
The accounting method used for reportable business segments is roughly the same as the method stated in Note 2. “Significant accounting policies.” Profits from reportable segments are figures based on operating income. Intersegment income and transfers are based on actual market pricing.

3. The information about sales, profit or loss, assets and liabilities, and other items by reportable segment
Fiscal year ended or as of March 31, 2013

	Millions of yen									
	Energy & Resources	Ships & Offshore Facilities (Note: v)	Social Infrastructure	Logistics Systems & Industrial Machinery	Rotating Equipment & Mass-Production Machinery	Aero Engine & Space	Others	Total	Adjustments (Note: i)	Consolidated
Sales and operating income:										
Sales to outside customers	¥283,421	¥115,177	¥ 96,287	¥189,328	¥160,600	¥328,447	¥82,789	¥1,256,049	¥ —	¥1,256,049
Intersegment sales and transfers	33,808	2,181	5,195	2,325	9,207	10,034	25,202	87,952	(87,952)	—
Total	317,229	117,358	101,482	191,653	169,807	338,481	107,991	1,344,001	(87,952)	1,256,049
Segment profit (Operating income)	¥ 9,818	¥ 6,535	¥ 5,819	¥ 9,907	¥ 5,236	¥ 15,423	¥ 2,186	¥ 54,924	¥(12,783)	¥ 42,141
Other:										
Depreciation (Note: iii)	¥ 6,700	¥ 2,752	¥ 5,247	¥ 1,445	¥ 5,353	¥ 14,643	¥ 2,232	¥ 38,372	¥ 3,404	¥ 41,776
Equity income from affiliates	301	3,577	—	261	141	—	30	4,310	23	4,333
Increase in property, plant and equipment (Note: iv)	8,144	2,639	3,710	2,494	12,303	16,241	2,904	48,435	6,611	55,046

	Thousands of U.S. dollars									
	Energy & Resources	Ships & Offshore Facilities (Note: v)	Social Infrastructure	Logistics Systems & Industrial Machinery	Rotating Equipment & Mass-Production Machinery	Aero Engine & Space	Others	Total	Adjustments (Note: i)	Consolidated
Sales and operating income:										
Sales to outside customers	$3,013,514	$1,224,636	$1,023,785	$2,013,057	$1,707,602	$3,492,259	$ 880,267	$13,355,120	$ —	$13,355,120
Intersegment sales and transfers	359,468	23,189	55,237	24,721	97,895	106,688	267,964	935,162	(935,162)	—
Total	3,372,982	1,247,825	1,079,022	2,037,778	1,805,497	3,598,947	1,148,231	14,290,282	(935,162)	13,355,120
Segment profit (Operating income)	$ 104,391	$ 69,484	$ 61,872	$ 105,338	$ 55,673	$ 163,987	$ 23,243	$ 583,988	$(135,918)	$ 448,070
Other:										
Depreciation (Note: iii)	$ 71,239	$ 29,261	$ 55,789	$ 15,364	$ 56,917	$ 155,694	$ 23,732	$ 407,996	$ 36,193	$ 444,189
Equity income from affiliates	3,200	38,033	—	2,775	1,499	—	320	45,827	244	46,071
Increase in property, plant and equipment (Note: iv)	86,592	28,060	39,447	26,518	130,813	172,685	30,877	514,992	70,292	585,284

Notes:
i. Adjustments of segment profit represents intersegment transactions of ¥62 million ($659 thousand) and unallocated corporate expenses of ¥-12,845 million ($-136,576 thousand).
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
ii. Reportable segment assets and liabilities have not been disclosed, as they are not used as the basis for deciding the allocation of management resources or evaluating operating performance.
iii. Depreciation represents depreciation of property, plant and equipment. Adjustments of depreciation represents unallocated corporate depreciation of property, plant and equipment.
iv. Adjustments of increase in property, plant and equipment represents unallocated corporate increase in property, plant and equipment.
v. For sales, segment profit (operating income), depreciation and increase in property, plant and equipment in Ships & Offshore Facilities Operations, are those for the period from April 1, 2012 to December 31, 2012.
Furthermore, equity income from affiliates in Ships & Offshore Facilities Operations consists of equity income from JMU and its 3 subsidiaries for the period from January 1, 2013 to March 31, 2013, in which negative goodwill credited to income arising from the integration through the merger with USC in the amount of ¥1,947 million ($20,702 thousand) is included.

Fiscal year ended or as of March 31, 2012

	Millions of yen									
	Energy & Resources	Ships & Offshore Facilities (Note: v)	Social Infrastructure	Logistics Systems & Industrial Machinery	Rotating Equipment & Mass-Production Machinery	Aero Engine & Space	Others	Total	Adjustments (Note: i)	Consolidated
Sales and operating income:										
Sales to outside customers	¥273,763	¥169,613	¥106,541	¥148,030	¥154,107	¥294,325	¥75,490	¥1,221,869	¥ –	¥1,221,869
Intersegment sales and transfers	38,593	6,639	8,222	4,907	11,721	5,137	31,820	107,039	(107,039)	–
Total	312,356	176,252	114,763	152,937	165,828	299,462	107,310	1,328,908	(107,039)	1,221,869
Segment profit (Operating income)	¥ 10,968	¥ 7,932	¥ 8,291	¥ 5,635	¥ 10,405	¥ 6,057	¥ 1,162	¥ 50,450	¥ (7,117)	¥ 43,333
Other:										
Depreciation (Note: iii)	¥ 6,165	¥ 4,242	¥ 5,063	¥ 1,561	¥ 5,612	¥ 14,033	¥ 2,292	¥ 38,968	¥ 2,187	¥ 41,155
Equity income from affiliates	206	–	–	126	79	–	132	543	71	614
Increase in property, plant and equipment (Note: iv)	9,346	5,694	4,375	1,021	8,814	17,563	2,662	49,475	4,048	53,523

Notes:
i. Adjustments of segment profit represents intersegment transactions of ¥143 million and unallocated corporate expenses of ¥-7,260 million.
Corporate expenses mainly consist of general and administrative expenses that are unattributable to reportable segments.
ii. Reportable segment assets and liabilities have not been disclosed, as they are not used as the basis for deciding the allocation of management resources or evaluating operating performance.
iii. Depreciation represents depreciation of property, plant and equipment. Adjustments of depreciation represents unallocated corporate depreciation in property, plant and equipment.
iv. Adjustments of increase in property, plant and equipment represents unallocated corporate increase in property, plant and equipment.

(b) Related information

I. Fiscal year ended March 31, 2013
1. Product and service information
Product and service information is omitted, as classification is the same as for reportable segments.

2. Information by geographical area
(1) Net sales

	Millions of yen						
	Japan	U.S.A.	Asia	Central and South America	Europe	Other	Total
Net sales	¥769,746	¥147,153	¥173,598	¥52,895	¥93,004	¥19,653	¥1,256,049

	Thousands of U.S. dollars						
	Japan	U.S.A.	Asia	Central and South America	Europe	Other	Total
Net sales	$8,184,434	$1,564,625	$1,845,805	$562,414	$988,878	$208,963	$13,355,120

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

Information with regard to property, plant and equipment is omitted, as the value of property, plant and equipment located in Japan exceeds 90% of the value of property, plant and equipment recorded on the consolidated balance sheet as of March 31, 2013.

3. Information by major customer

Ministry of Defense of Japan is the major customer to be disclosed. The sales to the customer for the year ended March 31, 2013 amounted to ¥149,914 million ($1,593,982 thousand), which are included in industry segments of "Aero Engine and Space Operation" and "Ships and Offshore Facilities Operation."

II. Fiscal year ended March 31, 2012

1. Product and service information

Product and service information is omitted, as classification is the same as for reportable segments.

2. Information by geographical area

(1) Net sales

	Millions of yen						
	Japan	U.S.A.	Asia	Central and South America	Europe	Other	Total
Net sales	¥700,859	¥125,738	¥188,307	¥81,750	¥99,406	¥25,809	¥1,221,869

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

Information with regard to property, plant and equipment is omitted, as the value of property, plant and equipment located in Japan exceeds 90% of the value of property, plant and equipment recorded on the consolidated balance sheet as of March 31, 2012.

3. Information by major customer

Ministry of Defense of Japan is the major customer to be disclosed. The sales to the customer for the year ended March 31, 2012 amounted to ¥128,323 million, which are included in industry segments of "Aero Engine and Space Operation" and "Ships and Offshore Facilities Operation."

(c) Information about impairment loss on fixed assets by reportable segment

	Millions of yen									
Year ended or as of March 31, 2013	Energy & Resources	Ships & Offshore Facilities	Social Infrastructure	Logistics Systems & Industrial Machinery	Rotating Equipment & Mass-Production Machinery	Aero Engine & Space	Others	Total	Adjustments	Consolidated
Losses on impairment of fixed assets	¥—	¥—	¥710	¥62	¥117	¥—	¥371	¥1,260	¥—	¥1,260

	Millions of yen									
Year ended or as of March 31, 2012	Energy & Resources	Ships & Offshore Facilities	Social Infrastructure	Logistics Systems & Industrial Machinery	Rotating Equipment & Mass-Production Machinery	Aero Engine & Space	Others	Total	Adjustments	Consolidated
Losses on impairment of fixed assets	¥29	¥—	¥893	¥498	¥—	¥—	¥762	¥2,182	¥—	¥2,182

Note: The figure for Logistics Systems & Industrial Machinery mainly represents impairment loss on goodwill.

	Thousands of U.S. dollars									
Year ended or as of March 31, 2013	Energy & Resources	Ships & Offshore Facilities	Social Infrastructure	Logistics Systems & Industrial Machinery	Rotating Equipment & Mass-Production Machinery	Aero Engine & Space	Others	Total	Adjustments	Consolidated
Losses on impairment of fixed assets	$—	$—	$7,549	$659	$1,244	$—	$3,945	$13,397	$—	$13,397

(d) Information about goodwill amortization amount and year-end balance by reportable segment

Year ended or as of March 31, 2013	Millions of yen									
	Energy & Resources	Ships & Offshore Facilities	Social Infrastructure	Logistics Systems & Industrial Machinery	Rotating Equipment & Mass-Production Machinery	Aero Engine & Space	Others	Total	Adjustments	Consolidated
Amortization amount of goodwill	¥102	¥—	¥14	¥669	¥—	¥—	¥297	¥1,082	¥—	¥1,082
Balance of goodwill	1,070	—	56	14,233	3,520	—	3,729	22,608	—	22,608

Year ended or as of March 31, 2012	Millions of yen									
	Energy & Resources	Ships & Offshore Facilities	Social Infrastructure	Logistics Systems & Industrial Machinery	Rotating Equipment & Mass-Production Machinery	Aero Engine & Space	Others	Total	Adjustments	Consolidated
Amortization amount of goodwill	¥40	¥141	¥49	¥551	¥106	¥—	¥—	¥887	¥—	¥887
Balance of goodwill	101	—	72	4,900	—	—	—	5,073	—	5,073

Year ended or as of March 31, 2013	Thousands of U.S. dollars									
	Energy & Resources	Ships & Offshore Facilities	Social Infrastructure	Logistics Systems & Industrial Machinery	Rotating Equipment & Mass-Production Machinery	Aero Engine & Space	Others	Total	Adjustments	Consolidated
Amortization amount of goodwill	$1,085	$—	$149	$7,113	$—	$—	$3,158	$11,505	$—	$11,505
Balance of goodwill	11,377	—	595	151,334	37,427	—	39,649	240,383	—	240,383

Disclosure of amortization amount and year-end balance of negative goodwill that was recognized through business combination before April 1, 2010, is omitted since they were not material for the years ended March 31, 2013 and 2012.

(e) Information about gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2013

Information about gain on negative goodwill by reportable segment is omitted since it was not material for the year ended March 31, 2013.

Fiscal year ended March 31, 2012

¥1,416 million of gain on negative goodwill was recognized in the year ended March 31, 2012. This is the total of ¥906 million of gain on negative goodwill recognized in the Social Infrastructure segment through the tender offer of common shares in Ishikawajima Construction Materials Co., Ltd. and ¥510 million of gain on negative goodwill recognized in the Logistics Systems & Industrial Machinery segment through the tender offer of common shares in IHI Transport Machinery Co., Ltd.

22. Information about related parties

(a) Related party transactions

1. Information about related parties for the year ended March 31, 2013 is as follows:

(1) Transactions between the Company and related parties

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

2013

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 at 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 ("IFS")	Chuo-ku, Tokyo, Japan	¥200	$2,127	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note: ii)	¥75,997	$808,049	Notes and accounts payable - trade	¥28,091	$298,682
											Other current liabilities	943	10,027

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

2013

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
Director	Kazuaki Kama	–	¥–	$–	JAEC (Chairman)	Held directly 0.0%	Representa-tive director and president of the Company	Operating transactions with JAEC (Notes: iii, v)					
								-Subcontract of work from JAEC related to R&D of jet engines	¥ 8,100	$ 86,124	–	¥ –	$ –
								-Payment of a portion of funding related to the above	7,382	78,490	–	–	–
								-Reception of subsidies related to the above	6,011	63,913	Other current liabilities	2,834	30,133
											Other long-term liabilities	23,196	246,635
								-Manufacture of jet engine components and delivery thereof to JAEC	96,324	1,024,179	Notes and accounts receivable —trade	18,120	192,663
											Advances from customers	4,370	46,465
								-Payment of a portion of expenses related to the above	50,427	536,172	–	–	–

Notes:

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

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

iii. 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
Nonconsolidated subsidiaries, affiliates and other related parties of the Company

2013

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	IFS	Chuo-ku, Tokyo, Japan	¥200	$2,127	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note: ii)	¥154,743	$1,645,327	Notes and accounts payable —trade	¥50,228	$534,056

Notes:

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

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

2. Information about related parties for the year ended March 31, 2012 is as follows:

(1) Transactions between the Company and related parties

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

2012

Type	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note: i) (Millions of yen)	Account title	Balance as of March 31 (Note: i) (Millions of yen)
Affiliate	IFS	Chuo-ku, Tokyo, Japan	¥200	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note: ii)	¥59,729	Notes and accounts payable - trade	¥23,573
									Other current liabilities	1,468

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

2012

Type	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note: i) (Millions of yen)	Account title	Balance as of March 31 (Note: i) (Millions of yen)
Director	Yasuyuki Watanabe	–	¥–	JAEC (Chairman)	Holding directly 0.0%	Advisor of the Company	Operating transactions with JAEC (Notes: iii, iv)			
							-Subcontract of work from JAEC related to R&D of jet engines	¥ 258	–	¥ –
							-Payment of a portion of funding related to the above	223	–	–
							-Reception of subsidies related to the above	254	–	–
							-Manufacture of jet engine components and delivery thereof to JAEC	18,668	–	–
							-Payment of a portion of expenses related to the above	9,645	–	–

2012

Type	Name	Location	Capital or contributions (Millions of yen)	Nature of business or occupation	Voting rights holding or held	Relationship	Transaction	Transaction amount (Note: i) (Millions of yen)	Account title	Balance as of March 31 (Note: i) (Millions of yen)
Director	Kazuaki Kama	–	¥–	JAEC (Chairman)	Holding directly 0.0%	Representative director and president of the company	Operating transactions with JAEC (Notes: iii, v)			
							-Subcontract of work from JAEC related to R&D of jet engines	¥ 2,775	–	¥ –
							-Payment of a portion of funding related to the above	1,372	–	–
							-Repayment of subsidies related to the above	292	Other current liabilities	2,918
									Other long-term liabilities	20,833
							-Manufacture of jet engine components and delivery thereof to JAEC	59,588	Notes and accounts receivable - trade	10,963
									Advances from customers	2,949
							-Payment of a portion of expenses related to the above	25,900	–	–

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 IFS entered into a basic agreement concerning the Company's liabilities and settled the amount.

iii. 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.

iv. Yasuyuki Watanabe retired from the Chairman of JAEC on June 30, 2011. The transaction amounts above are pertaining to his tenure in the fiscal year ended March 31, 2012.

v. Kazuaki Kama became the Chairman of JAEC on July 1, 2011. The transaction amounts above are pertaining to his tenure in the fiscal year ended March 31, 2012.

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

2012										
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					Millions of yen		Millions of yen
Affiliate	IFS	Chuo-ku, Tokyo, Japan	¥200	Lease, factoring, etc.	Holding directly 33.5%	Factoring	Factoring (Note: ii)	¥150,982	Notes and accounts payable - trade	¥54,621
									Other current liabilities	301

Notes:
i. The transaction amount does not include consumption taxes and the balance as of March 31 includes them.
ii. With regard to factorings, a consolidated subsidiary, any customer and IFS entered into a basic agreement concerning the consolidated subsidiary's liabilities and settled the amount.

(b) Notes on parent company or significant affiliates

1. Information about parent company
   Not applicable
2. Condensed financial information of significant affiliates
   JMU was a significant affiliate for the year ended March 31, 2013. The condensed financial information of JMU, a significant affiliate of the Company, for the years ended March 31, 2013 is as follows:

	Millions of yen (note: i)	Thousands of U.S. dollars
Year ended March 31	2013	2013
Current assets	¥176,989	$1,881,861
Fixed assets	160,998	1,711,834
Current liabilities	134,465	1,429,718
Long-term liabilities	66,587	707,996
Net assets	136,935	1,455,981
Net sales (Note: ii)	71,843	763,881
Income before income taxes and minority interests (Note: ii)	2,323	24,700
Net income (Note: ii)	3,885	41,308

Notes:
i. JMU was established as a result of the merger between IHIMU and USC on January 1, 2013, and is a significant affiliate accounted for by the equity method.
ii. The figures are those for the period from January 1, 2013 through March 31, 2013.

23. 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 2005 in order to obtain stable funding, and used one special purpose company (SPC) which was classified as a special limited liability company in connection with this securitization. The SPC is engaged in the business of the acquisition, the possession, the management and the sale of beneficiary rights of real estate in trust. In addition, the Company provides the SPC with property management contract services.

For this securitization, the Company enters into an anonymous association contract with the SPC and holds investments in capital in accordance with the contract. The Company plans to collect all the investments in the anonymous association, and as of the end of the year ended March 31, 2013, considers that no future loss will be assumed.

Total assets and total liabilities of this SPC, at its most recent closing date at March 31, 2013, are ¥5,182 million ($55,098 thousand) and ¥4,733 million ($50,324 thousand), and at its most recent closing date at March 31, 2012, are ¥5,564 million and ¥5,050 million, respectively. The Company has neither investments in capital with voting rights nor dispatching of executives and employees to this SPC.

The Company used another SPC for a securitization of real estate property executed in March 2004. However, the Company bought back the beneficiary rights of real estate in trust from said SPC in March 2011, and it was dissolved in June 2011. As a result, the Company received reimbursements with regard to investments in capital under the anonymous association contract during the year ended March 31, 2012.

(b) Amounts of transaction with SPC during the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
	Balance as of March 31, 2013	Amount of major income or loss	Balance as of March 31, 2012	Amount of major income or loss	Balance as of March 31, 2013	Amount of major income or loss
Investments in capital (Notes: i, ii)	¥308	¥142	¥ 308	¥207	$3,275	$1,510
Property management contract services	—	3	—	3	—	32
Reimbursement of investment in capital (Note: iii)	—	—	1,486	—	—	—
Total	¥308	¥145	¥1,794	¥210	$3,275	$1,542

Notes:
i. Investments in capital is treated as deemed securities, and the amount is included in other securities.
ii. Distribution from anonymous association is included in other income.
iii. Reimbursement of investment in capital represents investments in capital under the anonymous association contract, which was recorded as other securities.

24. Net assets

Under the Companies Act of Japan, 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 sheet.

25. Amounts per share

	Yen		U.S. dollars
Year ended March 31	2013	2012	2013
Net income per share	¥22.81	¥16.26	$0.243
Net income per share fully diluted	21.58	15.37	0.229
Cash dividends	5.00	4.00	0.053
Shareholders' equity	197.08	170.84	2.095

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

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 statement of income represent the dividends applicable to the respective year.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net income per share			
Net income	¥33,386	¥23,823	$354,981
Amounts for non-common stock holders	—	—	—
Net income regarding common stock	33,386	23,823	354,981
Average number of shares of common stock	1,463,401 thousand shares	1,465,316 thousand shares	1,463,401 thousand shares
Net income per share fully diluted			
Adjustment amount of net income	(71)	(68)	(755)
(Interest income of the above)	(71)	(68)	(755)
Increase number of shares of common stock	80,574 thousand shares	80,401 thousand shares	80,574 thousand shares
(Convertible bonds of the above)	80,139 thousand shares	80,139 thousand shares	80,139 thousand shares
(Stock options of the above)	434 thousand shares	261 thousand shares	434 thousand shares

26. Significant subsequent events

(a) Issue of the 38th bonds

The Company determined to issue the 38th bonds at the Board of Directors meeting held on May 27, 2013.
The terms of the issues are as follows:

The 38th unsecured bonds (7-years bonds)	
Total amount of issue	¥10 billion ($106 million)
Issue price	¥100 ($1.06) per face value of ¥100 ($1.06)
Interest rate	1.11% per annum
Payment date	June 14, 2013
Maturity date	June 12, 2020
Use of fund	Redemption of commercial papers
Method of offering	Public offering

(b) Establishment of subsidiary for the purpose of investing in a Brazilian shipbuilder

Based on a resolution at its Board of Directors meeting, the Company, JGC Corporation ("JGC") and JMU, an equity-method affiliate of the Company, jointly established a new subsidiary, JAPAN EAS INVESTMENTOS E PARTICIPAÇÕES LTDA ("JEI"), in June 2013 for the purpose of making an equity investment in Brazilian shipbuilder, Estaleiro Atlântico Sul S.A. ("EAS").

1. Purpose of establishing the subsidiary

The IHI Group and EAS have strengthened their business relationship through JMU (formerly, IHIMU before reorganization) based on a technical cooperation agreement. Recently, EAS shareholders approached the Company seeking a capital injection.

Consequently, after careful consideration, the Company decided to accept the request to invest in EAS, because it is expected that EAS will achieve further growth and that the investment will be fully recovered. Such expectation is due to the fact that EAS is currently the only shipyard in Brazil where large ships and offshore structures can be built, and EAS has a large order backlog, including seven drill ships and 20 tankers for Petróleo Brasileiro S.A. ("Petrobras"), the state-owned oil company in Brazil, for oil resource development. Furthermore, EAS plans to participate in the construction of the Floating Production, Storage and Offloading System ("FPSO") offshore oil and gas project. In order to undertake the investment in EAS, the Company, JGC and JMU jointly established JEI, and subsequently JEI will subscribe to a third-party allotment of shares in EAS in the total amount of BRL201,000 thousand.

The Company has built a business network in Brazil over many years through Ishikawajima do Brasil Estaleiro S.A., a shipbuilding yard. With this investment in EAS, the Company will strengthen its relationships with major construction companies in Brazil (EAS shareholders) and Petrobras (a major customer of EAS) and build an enhanced network enabling the Company to offer products and services more efficiently.

2. Overview of the subsidiary and investee

(1) Overview of the subsidiary established

Trade name	JAPAN EAS INVESTMENTOS E PARTICIPAÇÕES LTDA	
Head office	State of Rio de Janeiro, Brazil	
Representative	President: Osami Imai	
Capital (Note i)	BRL 207,000 thousand	
Business line	Investment in EAS	
Major shareholders and ratio of shareholding (Note ii)	The Company JGC JMU	60.45% 24.63% 14.93%
Amount of Investment (Note i)	BRL 125,127 thousand	
Date of establishment	June, 2013	

Notes:

(i) The Company, JGC and JMU have agreed to the additional investment corresponding to the respective shares, which will be executed in and after July, 2013 for the increase in JEI's capital. Thereafter, JEI's capital will increase to BRL 207,000 thousand.

(ii) The total figure of ratio of shareholding exceeds 100% as each figure is rounded up to two decimal places.

(2) Overview of the investee

Trade name	Estaleiro Atlântico Sul S.A.
Head office	State of Pernambuco, Brazil
Representative	CEO: Otoniel Silva Reis
Capital	BRL 1,651,658 thousand
Business lines	Design, manufacture, sale, etc. of ships, marine floating structures and others
Major shareholders and ratio of shareholding	CAMARGO CORRÊA Group CAMARGO CORRÊA NAVAL PARTICIPAÇÕES LTDA. 49.65% CONSTRUÇÕES E COMÉRCIO CAMARGO CORRÊA S.A. 0.35% QUEIROZ GALVÃO Group QUEIROZ GALVÃO CONCESSÕES – PARTICIPAÇÕES S.A. 49.63% CONSTRUTORA QUEIROZ GALVÃO S.A. 0.37%
Date of establishment	November, 2005

27. Short-term loans, long-term loans, debentures, lease obligations and asset retirement obligations

(a) Short-term loans, current portion of long-term loans, and lease obligations at beginning and end of the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars	
	2013		2013	
	Balance as of March 31, 2013	Balance as of April 1, 2012	Balance as of March 31, 2013	Balance as of April 1, 2012
Short-term loans with the weighted-average interest rate of 0.72% as of March 31, 2013	¥67,441	¥53,390	$717,076	$567,677
Current portion of long-term loans with the weighted-average interest rate of 1.66% as of March 31, 2013	47,486	70,804	504,901	752,834
Current portion of debentures	—	10,000	—	106,326
Current portion of lease obligations	3,700	3,225	39,341	34,290
Current portion of commercial papers with the weighted-average interest rate of 0.22% as of March 31, 2013	6,000	—	63,796	—
Total	¥124,627	¥137,419	$1,325,114	$1,461,127

(b) Long-term loans, debentures and lease obligations at beginning and end of the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars	
	2013		2013	
	Balance as of March 31, 2013	Balance as of April 1, 2012	Balance as of March 31, 2013	Balance as of April 1, 2012
Long-term loan (excluding current portion) with the weighted-average interest rate of 1.18% as of March 31, 2013	¥151,449	¥141,967	$1,610,303	$1,509,484
Debentures (excluding current portion), bearing interest rates from 0.74% to 2.13%	63,335	53,450	673,418	568,315
Lease obligations (excluding current portion)	14,431	12,407	153,440	131,919
Total	¥229,215	¥207,824	$2,437,161	$2,209,718

(c) Aggregate amounts of long-term loans, debentures and lease obligations outstanding at March 31, 2013 by annual maturity

	Millions of yen					
Year ending March 31	2014	2015	2016	2017	Thereafter	Total
Long-term loans	¥41,798	¥22,953	¥36,136	¥36,968	¥13,594	¥151,449
Debentures	20,000	23,000	10,000	10,000	—	63,000
Lease obligations	3,024	2,583	2,199	1,946	4,679	14,431
Total	¥64,822	¥48,536	¥48,335	¥48,914	¥18,273	¥228,880

Year ending March 31	2014	2015	2016	2017	Thereafter	Total
			Thousands of U.S. dollars			
Long-term loans	$444,423	$244,051	$384,221	$393,068	$144,540	$1,610,303
Debentures	212,653	244,551	106,326	106,326	—	669,856
Lease obligations	32,153	27,464	23,381	20,691	49,750	153,440
Total	$689,229	$516,066	$513,928	$520,085	$194,290	$2,433,599

(d) Asset retirement obligations

The amounts of asset retirement obligations at April 1, 2012 and March 31, 2013 were less than 1% of total liabilities and net assets at April 1, 2012 and March 31, 2013, respectively. As a result, the schedule of asset retirement obligations is not required to be disclosed in accordance with accounting principles generally accepted in Japan.

28. Quarterly results

A summary of cumulative quarterly results for the fiscal years 2012-2013 is as follows:

	Millions of yen (Yen per share amounts)			
	2012-2013			
	Jun. 30	Sep. 30	Dec. 31	Mar. 31
Net sales	¥272,849	¥564,994	¥868,142	¥1,256,049
Income before income taxes and minority interests	7,176	21,618	34,110	57,245
Net income	4,354	11,842	17,992	33,386
Net income per share	2.97	8.09	12.29	22.81

	Thousands of U.S. dollars (U.S. dollars per share amounts)			
	2012-2013			
	Jun. 30	Sep. 30	Dec. 31	Mar. 31
Net sales	$2,901,106	$6,007,379	$9,230,643	$13,355,120
Income before income taxes and minority interests	76,300	229,856	362,679	608,666
Net income	46,295	125,912	191,302	354,981
Net income per share	0.032	0.086	0.131	0.243

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Independent Auditor's Report

The Board of Directors
IHI Corporation

We have audited the accompanying consolidated financial statements of IHI Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IHI Corporation and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 26. (b) to the consolidated financial statements, which describes the following subsequent event:

Based on a resolution at its Board of Directors meeting, IHI Corporation, JGC Corporation and Japan Marine United Corporation, an equity-method affiliate of IHI Corporation, jointly established a new subsidiary, JAPAN EAS INVESTMENTOS E PARTICIPAÇÕES LTDA, in June 2013 for the purpose of making an equity investment in Brazilian shipbuilder, Estaleiro Atlântico Sul S.A.

Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 27, 2013
Tokyo, Japan

Corporate Data

as of March 31, 2013

Head Office

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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	7,982 (consolidated: 26,618)
Transfer Agent	Sumitomo Mitsui Trust Bank
Consolidated Subsidiaries	143
Non-Consolidated Subsidiaries	39
Affiliates	70 (Includes 32 affiliates applying the equity method of accounting)
Stock Exchange Listings	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
Shares Outstanding	1,467,058,482
Number of Shareholders	104,446
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 re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	3.78%
3	The Dai-ichi Life Insurance Company, Limited	3.69%
4	The Master Trust Bank of Japan, Ltd. (Holder in Trust)	3.42%
5	Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	2.98%
6	IHI Customer Stock Ownership Association	1.92%
7	Nippon Life Insurance Company	1.63%
8	Sumitomo Life Insurance Company	1.47%
9	Mizuho Corporate Bank, Ltd.	1.42%
10	GOLDMAN, SACHS & CO. REG	1.34%

(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 Sumitomo Mitsui Trust Bank, Limited)" are exercised in accordance with the instructions of TOSHIBA Corporation because TOSHIBA Corporation 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 re-entrusted by Mizuho Trust and Banking Co., Ltd." are exercised in accordance with the instructions of Mizuho Bank because Mizuho Bank is a consigner of the shares.

3. Shareholding ratios are calculated without including total number of treasury stock shares (3,748,665 shares).

Investor Relations

If you have any questions or would like copies of any of our reports, please contact:
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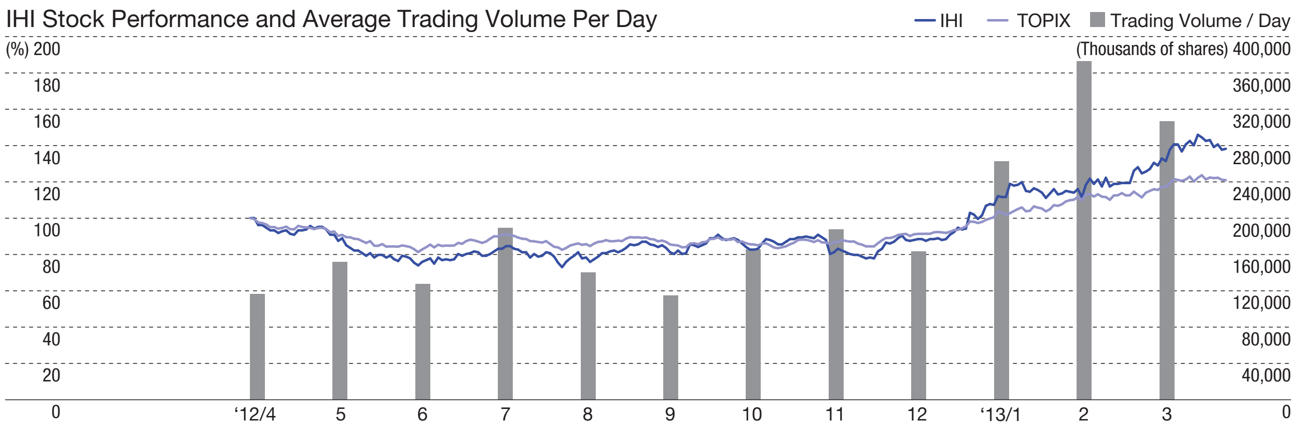
IHI Stock Performance and Average Trading Volume Per Day



	'12/4	5	6	7	8	9	10	11	12	'13/1	2	3
Opening Price	210	191	159	174	166	168	172	168	184	230	239	260
High	211	192	172	177	181	189	189	187	227	250	268	310
Low	187	157	150	150	156	164	166	158	179	227	231	259
Closing Price	194	161	169	168	168	174	168	183	222	237	260	286
Trading Volume / Day (Thousands of shares)	116,106	151,449	127,701	189,075	140,362	114,670	165,405	187,301	163,377	262,133	372,958	306,832

Share price on the first trading day of April 2012 (April 1, 2012): ¥207 = 100%

IHI Corporation

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