

November 17, 2003

## CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2003

Ishikawajima-Harima Heavy Industries Co., Ltd. (IHI) is listed on the First Section of the Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange, Fukuoka Securities Exchange and Sapporo Stock Exchange with the securities code number 7013.

Representative: President and Chief Executive Officer Mototsugu Ito  
 For further information contact: Executive Officer General Manager Hiroyoshi Hiraga,  
 Finance & Accounting Division  
 Tel: +81-3-3244-5191

Semi-Annual Board of Directors Meeting: November 17, 2003

This consolidated financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures have been rounded off to eliminate amounts less than one million yen.

### PERFORMANCE

#### (1) Business Results

	(Millions of yen)					
	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
<b>Fiscal 2004 1H</b>	<b>¥ 447,081</b>	<b>10.3%</b>	<b>¥ 3,959</b>	<b>254.7%</b>	<b>¥(4,357)</b>	<b>%</b>
Fiscal 2003 1H	405,513	(10.7)	1,116	(54.1)	(7,416)	
Fiscal year 2003	1,019,061		24,640		9,644	

	(Millions of yen)			
	Net Income	Percentage Change	Net Income per Share	Diluted Net Income per Share
<b>Fiscal 2004 1H</b>	<b>¥(5,165)</b>	<b>%</b>	<b>¥(3.98)</b>	
Fiscal 2003 1H	(9,418)		(7.25)	
Fiscal year 2003	(9,672)		7.57	

Notes: 1. Equity in earnings (losses) of unconsolidated subsidiaries and affiliates

Six-month period ended Sept. 30, 2003: ¥ (149) million

Six-month period ended Sept. 30, 2002: ¥ 28 million

Fiscal year 2003: ¥ (10) million

2. Average number of shares outstanding (consolidated)

Six-month period ended Sept. 30, 2003: 1,298,325,858

Six-month period ended Sept. 30, 2002: 1,298,465,330

Fiscal year 2003: 1,298,418,402

3. Changes in accounting policies: No

4. Percentages shown for net sales, operating income, ordinary income and net income are the rates of increase or decrease from the previous fiscal year.

## (2) Financial Position

(Millions of yen, except per share figures)

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share of Common Stock (Yen)
<b>Sept. 30, 2003</b>	<b>¥1,384,317</b>	<b>¥180,992</b>	<b>13.1%</b>	<b>¥139.40</b>
Sept. 30, 2002	1,351,384	174,745	12.9	134.58
March 31, 2003	1,381,240	171,323	12.4	131.96

Note: Number of shares outstanding at the end of period (consolidated)

Six-month period ended Sept. 30, 2003:	1,298,324,505
Six-month period ended Sept. 30, 2002:	1,298,446,359
Fiscal year 2003:	1,298,327,270

## (3) Cash Flows

(Millions of yen)

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Period
<b>Fiscal 2004 1H</b>	<b>¥ 12,268</b>	<b>¥(12,786)</b>	<b>¥ (7,382)</b>	<b>¥76,110</b>
Fiscal 2003 1H	(31,561)	(34,327)	4,909	51,996
Fiscal year 2003	(6,125)	(46,816)	22,985	83,838

## (4) Consolidated Subsidiaries and Application of the Equity Method

Number of consolidated subsidiaries: 53

Number of non-consolidated subsidiaries accounted for by the equity method:

Number of affiliated companies accounted for by the equity method: 11

## (5) Changes in Scope of Consolidation and Application of the Equity Method

1. New consolidated companies:

Consolidated companies removed: 2

2. New companies accounted for by the equity method:

Companies accounted for by the equity method removed:

## FORECAST OF RESULTS FOR FISCAL YEAR ENDING MARCH 31, 2004

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
Fiscal year 2004	¥1,030,000	¥6,000	¥0

Reference: Estimated net income per share for the year: Consolidated: ¥0.00

### Cautionary Statement

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

**CONSOLIDATED STATEMENTS OF INCOME**

	(Millions of yen)			
	April 1, 2003– Sept. 30, 2003	April 1, 2002– Sept. 30, 2002	Increase (Decrease)	April 1, 2002– March 31, 2003
<b>Net sales</b>	<b>¥447,081</b>	¥405,513	¥41,568	¥1,019,061
<b>Cost of sales</b>	<b>382,649</b>	346,753	35,896	878,260
<b>Selling, general and administrative expenses</b>	<b>60,473</b>	57,644	2,829	116,161
Operating income	<b>3,959</b>	1,116	2,843	24,640
<b>Non-operating income:</b>				
Interest and dividend income	2,087	1,968	119	3,518
Equity in earnings of affiliates		28	(28)	
Other income	1,326	1,128	198	2,239
<b>Non-operating expenses:</b>				
Interest expenses	2,644	2,901	(257)	5,562
Equity in losses of affiliates	149		149	10
Other expenses	8,936	8,755	181	15,181
Ordinary (loss) income	<b>(4,357)</b>	(7,416)	3,059	9,644
<b>Extraordinary income:</b>				
Gain on sale of investment securities	2,826		2,826	1,407
Reversal of allowance for doubtful receivables	1,928		1,928	
Gain on sale of property, plant and equipment		773	(773)	11,441
<b>Extraordinary expenses:</b>				
Provision for employees' retirement allowances for prior period	2,212	2,237	(25)	4,459
Loss on disposal of property, plant and equipment	1,958	1,991	(33)	3,542
Restructuring-related losses	1,764		1,764	1,503
Extraordinary retirement benefits	1,287	2,356	(1,069)	2,551
Loss on performance of obligations of guarantee	1,105		1,105	
Loss on valuation of investment securities				16,958
(Loss) income before income taxes, minority interests and other	<b>(7,929)</b>	(13,227)	5,298	(6,521)
Corporation, inhabitants' and enterprise taxes	7,674	2,114	5,560	6,923
Adjustments to corporation taxes	<b>(10,624)</b>	(5,051)	(5,573)	(3,454)
Minority interests in consolidated subsidiaries	186	(872)	1,058	(318)
Net (loss) income	<b>¥ (5,165)</b>	¥ (9,418)	¥ 4,253	¥ (9,672)

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

	(Millions of yen)			
	April 1, 2003– Sept. 30, 2003	April 1, 2002– Sept. 30, 2002	Increase (Decrease)	April 1, 2002– March 31, 2003
<b>CAPITAL SURPLUS</b>				
Capital surplus, beginning of year	¥10,200	¥10,200	¥	¥10,200
Capital surplus, end of year	10,200	10,200		10,200
<b>RETAINED EARNINGS</b>				
Retained earnings, beginning of year	77,508	89,725	(12,217)	89,725
<b>Increase in retained earnings:</b>				
Net income				
Net increase from newly consolidated subsidiaries				50
<b>Decrease in retained earnings:</b>				
Net loss	5,165	9,418	(4,253)	9,672
Net decrease from newly consolidated subsidiaries		304	(304)	304
Net decrease from new equity-method subsidiaries				192
Cash dividends				1,947
Directors' bonuses				152
<b>Retained earnings, end of year</b>	<b>¥72,343</b>	<b>¥80,003</b>	<b>¥ (7,660)</b>	<b>¥77,508</b>

**CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

	Sept. 30, 2003	March 31, 2003	Increase (Decrease)	Sept. 30, 2002
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and time deposits	¥ 69,559	¥ 77,503	¥ (7,944)	¥ 53,031
Trade receivables	290,260	345,615	(55,355)	273,816
Marketable securities	4,035	2,037	1,998	244
Inventories	423,528	385,539	37,989	435,007
Deferred income taxes	22,256	17,663	4,593	21,421
Other current assets	59,581	50,097	9,484	53,248
Less allowance for doubtful receivables	(3,246)	(3,190)	(56)	(3,375)
Total current assets	865,973	875,264	(9,291)	833,392
<b>Fixed assets:</b>				
<b>Property, plant and equipment:</b>				
Buildings and structures	113,214	116,692	(3,478)	114,341
Machinery and equipment	56,802	59,883	(3,081)	61,970
Land	91,020	91,799	(779)	87,910
Construction in progress	2,801	1,628	1,173	7,135
Other tangible fixed assets	16,515	17,094	(579)	17,841
Total property, plant and equipment	280,352	287,096	(6,744)	289,197
<b>Intangible assets:</b>				
Software	12,503	11,820	683	10,612
Consolidation adjustment account	151		151	596
Royalties and other intangible assets	6,820	7,733	(913)	7,257
Total intangible assets	19,474	19,553	(79)	18,465
<b>Investments and other assets:</b>				
Investment securities	121,071	96,480	24,591	113,311
Deferred income taxes	56,421	60,703	(4,282)	54,674
Other	51,182	55,135	(3,953)	55,148
Less allowance for doubtful receivables	(10,156)	(12,991)	2,835	(12,803)
Total investments and other assets	218,518	199,327	19,191	210,330
Total fixed assets	518,344	505,976	12,368	517,992
<b>Total assets</b>	<b>¥1,384,317</b>	<b>¥1,381,240</b>	<b>¥ 3,077</b>	<b>¥1,351,384</b>

**CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

	Sept. 30, 2003	March 31, 2003	Increase (Decrease)	Sept. 30, 2002
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities:</b>				
Trade payables	¥ 252,110	¥ 291,111	¥ (39,001)	¥ 265,357
Short-term loans and current portion of long-term loans	202,283	214,668	(12,385)	205,274
Current portion of debentures	15,000	15,000		20,000
Accrued income taxes	7,866	5,818	2,048	3,075
Accrued expenses	24,588	26,043	(1,455)	26,141
Advances from customers	166,529	126,143	40,386	163,175
Allowance for employees' bonuses	18,791	18,723	68	20,667
Reserve for guaranteed contracts	6,770	5,182	1,588	6,364
Reserve for losses on sales contracts	818	1,160	(342)	1,509
Other current liabilities	41,403	37,556	3,847	28,163
Total current liabilities	736,158	741,404	(5,246)	739,725
<b>Long-term liabilities:</b>				
Debentures	100,000	85,000	15,000	100,000
Long-term loans	130,541	138,265	(7,724)	111,821
Allowance for employees' retirement benefits	153,388	157,236	(3,848)	158,940
Deferred tax liabilities from revaluation of land	4,092	4,092		4,189
Other long-term liabilities	59,079	63,277	(4,198)	45,329
Total long-term liabilities	447,100	447,870	(770)	420,279
Total liabilities	1,183,258	1,189,274	(6,016)	1,160,004
<b>Minority interests:</b>				
Minority interests in consolidated subsidiaries	20,067	20,643	(576)	16,635
<b>Shareholders' equity:</b>				
Common stock	64,925	64,925		64,925
Capital surplus	10,200	10,200		10,200
Retained earnings	72,343	77,508	(5,165)	80,003
Revaluation excess	5,487	5,487		5,397
Unrealized holding gain on other securities	29,558	14,778	14,780	16,212
Foreign exchange translation adjustments	(1,497)	(1,551)	54	(1,982)
Less treasury stock, at cost	(24)	(24)		(10)
Total shareholders' equity	180,992	171,323	9,669	174,745
<b>Total liabilities and shareholders' equity</b>	<b>¥ 1,384,317</b>	<b>¥ 1,381,240</b>	<b>¥ 3,077</b>	<b>¥ 1,351,384</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	(Millions of yen)		
	April 1, 2003– Sept. 30, 2003	April 1, 2002– Sept. 30, 2002	April 1, 2002– March 31, 2003
<b>Operating activities:</b>			
Net (loss) income before income taxes	¥ (7,929)	¥ (13,227)	¥ (6,521)
Depreciation and amortization	16,236	17,749	35,582
Amortization of long-term prepaid expenses	2,089	2,083	4,500
Increase (decrease) in allowance for bad debts	(12)	32	61
Increase (decrease) in allowance for employees' bonuses	68	(583)	(2,528)
Increase (decrease) in reserve for guaranteed contracts	1,588	(374)	(1,556)
Increase (decrease) in accrued losses on sales contracts	(342)	(974)	(1,323)
Increase (decrease) in accrued employees' retirement allowances	(3,848)	(6,543)	(8,247)
Interest and dividend income	(2,087)	(1,968)	(3,518)
Interest expense	2,644	2,901	5,562
Loss (gain) on foreign exchange	25	13	13
Loss (gain) on disposal of property, plant and equipment	1,776	1,218	(7,874)
Gain on sale of marketable and investment securities	(2,853)	(116)	(1,395)
Loss on valuation of marketable and investment securities and golf memberships	201	243	17,030
Equity in losses (earnings) of affiliates	149	(28)	10
Changes in operating assets and liabilities:			
Notes and accounts receivable	50,745	60,989	1,139
Advances received	40,386	30,429	(7,795)
Inventories	(38,374)	(55,598)	1,700
Advance payments	(3,355)	2,057	4,162
Notes and accounts payable	(39,001)	(46,145)	(25,048)
Other current assets	(8,085)	(3,616)	(2,288)
Other current liabilities	9,510	(15,370)	(2,648)
Accrued consumption taxes	(1,377)	(2,826)	147
Directors' and corporate auditors' bonuses	(179)	(172)	(172)
<b>Subtotal</b>	<b>17,975</b>	<b>(29,826)</b>	<b>(1,007)</b>
Interest and dividends received	2,317	1,961	3,550
Interest paid	(2,892)	(2,836)	(5,447)
Income taxes paid	(5,132)	(860)	(3,221)
<b>Net cash provided by (used in) operating activities</b>	<b>12,268</b>	<b>(31,561)</b>	<b>(6,125)</b>
<b>Investing activities:</b>			
Net decrease (increase) in time deposits due in more than three months	722	(60)	(1,186)
Purchases of marketable and investment securities	(453)	(1,487)	(5,167)
Proceeds from sale of marketable and investment securities	3,895	18	2,371
Decrease in cash due to change in scope of consolidation		(757)	(757)
Purchases of property, plant and equipment and intangible fixed assets	(11,968)	(35,484)	(48,938)
Proceeds from sale of property, plant and equipment	408	645	7,512
Expenditure for disposal of property, plant and equipment	(1,067)		
Expenditure for business transferred from Niigata Engineering Co., Ltd.	(2,162)		(4,209)
Net decrease (increase) in short-term loans	(449)	298	733
Increase in long-term loans	(692)	(1,386)	(1,440)
Decrease in long-term loans	341	1,474	1,526
Decrease (increase) in other non-current assets	(180)	1,658	345
Increase (decrease) in other fixed liabilities	(1,181)	754	2,394
<b>Net cash used in investing activities</b>	<b>(12,786)</b>	<b>(34,327)</b>	<b>(46,816)</b>

FORWARD

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

	(Millions of yen)		
	April 1, 2003– Sept. 30, 2003	April 1, 2002– Sept. 30, 2002	April 1, 2002– March 31, 2003
<b>Financing activities:</b>			
Net increase (decrease) in short-term debt	¥ 22	¥ (9,016)	¥ 2,298
Net increase (decrease) in commercial paper		(10,000)	(10,000)
Proceeds from issuance of long-term debt	7,608	16,414	57,226
Repayment of long-term debt	(27,739)	(18,453)	(35,446)
Proceeds from issuance of debentures	15,000	30,000	30,000
Expenditures for redemption of debentures			(20,000)
Purchases of treasury stock		(8)	(22)
Purchases of treasury stock of subsidiaries in consolidation		(2)	(5)
Dividends paid	(1,947)	(3,895)	(3,895)
Dividends paid to minority interests	(326)	(131)	(131)
Proceeds from minority interest payments			2,960
<b>Net cash provided by (used in) financing activities</b>	<b>(7,382)</b>	<b>4,909</b>	<b>22,985</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>172</b>	<b>(448)</b>	<b>41</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(7,728)</b>	<b>(61,427)</b>	<b>(29,915)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>83,838</b>	<b>111,063</b>	<b>111,063</b>
<b>Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries</b>		<b>2,360</b>	<b>2,690</b>
<b>Cash and cash equivalents, end of year</b>	<b>¥ 76,110</b>	<b>¥ 51,996</b>	<b>¥ 83,838</b>

Note: A reconciliation of cash and cash equivalents to the amounts shown in the consolidated balance sheets are as follows:

	Sept. 30, 2003	Sept. 30, 2002	March 31, 2003
Cash and time deposits	¥69,559	¥53,031	¥77,503
Time deposits due in more than three months	(1,484)	(1,080)	(2,206)
Convertible time deposits included in marketable securities			2,000
Commercial paper included in marketable securities	3,999		37
Investment trust included in marketable securities	36	45	6,504
Sales under agreement to repurchase included in other current assets (short-term loans)	4,000		¥83,838
<b>Cash and cash equivalents</b>	<b>¥76,110</b>	<b>¥51,996</b>	<b>¥83,838</b>

## BASIS FOR PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

### 1. Scope of Consolidation

Consolidated subsidiaries:

The consolidated accounts reflect the results of 53 consolidated subsidiaries. Major companies include IHI Aerospace Co., Ltd., IHI Marine United Inc., Ishikawajima Transport Machinery Co., Ltd., IHI Construction Machinery Co., Ltd., Ishikawajima Construction Materials Co., Ltd., Ishikawajima Shibaura Machinery Co., Ltd., Ishikawajima Ship & Chemical Plant Co., Ltd., Ishikawajima Mass-Produced Machinery Co., Ltd., Ishikawajima Hanyoki Service Co., Ltd., Ishikawajima Plant Construction Co., Ltd., Star Farm Machinery Manufacturing Co., Ltd., Niigata Power Systems Co., Ltd., Niigata Transys Co., Ltd., PC BRIDGE Co., Ltd., IHI Inc. and IHI Turbo America Co.

Other subsidiaries are not included in consolidation as their effect on consolidated results would not be material.

There were two mergers of consolidated subsidiaries during the period under review, which reduced the number of companies under consolidation by two. IHI Systems Co., Ltd. merged with Ishikawajima System Technology Co., Ltd., and the surviving company IHI Systems Co., Ltd. changed its corporate name to IHI Scube Co., Ltd. IHI Kure Marine Construction Co., Ltd. merged with IHI Marine Coating Co., Ltd., with IHI Kure Marine Construction Co., Ltd. the surviving company.

### 2. Application of the Equity Method of Accounting

Companies accounted for by the equity method comprise Jurong Engineering Limited and 10 other companies.

### 3. Consolidated Subsidiaries Having Different Fiscal Year-Ends

As Star Farm Machinery Manufacturing Co., Ltd. closes its books of account for the interim period on March 31, provisional interim financial statements are used for the purpose of consolidation. IHI Inc. and other overseas subsidiaries close their accounts for the interim period on June 30. As these periods do not exceed 3 months, interim financial statements as of that date are used.

### 4. Summary of Significant Accounting Policies

#### (1) *Securities*

Securities to be held until maturity are stated at cost with discounts or premiums amortized throughout the holding periods. Other securities with market prices available are stated at fair market value as of the interim balance sheet date, with the sale price computed by the moving-average method. Other securities without market prices available are stated at cost by the moving-average method.

#### (2) *Derivatives*

Derivatives are stated at fair market value.

#### (3) *Inventories*

Raw materials and supplies are stated principally at the lower of cost or market by the moving-average method, and finished goods, work in process and contracts in process are stated principally at identified cost.

#### (4) *Depreciation*

Depreciation of plant and equipment is principally computed by the declining-balance method. However, depreciation of the Toyosu Center Building (office building for lease) held by the parent company, lend-lease properties, certain assets of consolidated subsidiaries and buildings (excluding building fixtures) acquired after April 1, 1998, are computed by the straight-line method. Amortization of intangible assets is computed by the straight-line method.

#### (5) *Foreign currency translation*

The assets, liabilities, income and expenses of overseas subsidiaries are translated at the exchange rates prevailing at the interim balance sheet date. Translation differences are included as a component of minority interests in consolidated subsidiaries and shareholders' equity in foreign exchange translation adjustments.

#### (6) *Basis for recording significant allowances*

##### a. Allowance for doubtful receivables

To provide for losses on doubtful receivables, the allowance for doubtful receivables is provided based on historical default rates, plus additional estimated amounts to cover specific uncollectible receivables.

- b. Allowance for employees' bonuses  
For payment of employee bonuses, the allowance for employees' bonuses is provided for in the amount that is expected to be paid.
- c. Reserve for guaranteed contracts  
To provide for guaranteed project expenses, the allowance for guaranteed contracts is recorded as an estimate of future expenditures based on historical experience.
- d. Accrued losses on sales contracts  
Accrued losses on sales contracts are provided for in the amount of estimated losses for work in progress at the interim balance sheet date.
- e. Employees' retirement allowances  
The employees' retirement allowances are provided for based on the expected difference between estimated severance liabilities and pension fund assets at the end of the consolidated fiscal year, as of the consolidated interim balance sheet date. Differences arising from this change in accounting method will be disposed of as expenses over five years. Past service costs are disposed of as expenses using the straight-line method over a certain number of years within the average remaining work period of employees at the time of accrual. Actuarial differences are disposed of as expenses from the next fiscal year using the straight-line method over a certain number of years within the average remaining work period of employees, calculated for the fiscal year during which the difference accrues.

(7) *Recognition of revenues and related costs*

Net sales from contracts are recognized at the time the projects are completed, except for the net sales of projects with construction lasting more than two years and revenue of more than ¥ 5 billion, which are recorded using the percentage-of-completion method.

(8) *Leases*

Financial leases are accounted for by the operating lease accounting method, except lease agreements that stipulate the transfer of ownership of the leased property to the lessee.

(9) *Hedging transactions*

Gains or losses and evaluation differences related to hedging transactions accounted for at fair market value are deferred as assets or liabilities until recognized. Evaluation gains and losses on foreign exchange contracts are allocated to settlement periods throughout the period of the contract. Interest rate swaps are treated as special exceptions.

(10) *Consumption tax*

Consumption taxes are accounted for using the net-of-tax method.

**5. Valuation of Assets and Liabilities of Consolidated Subsidiaries**

The assets and liabilities of consolidated subsidiaries are stated as a whole at fair market value.

**6. Depreciation of Consolidated Adjustment Account**

Depreciation of consolidated adjustment account is calculated using the straight-line method based on the estimated period of investment return. However, immaterial amounts are depreciated with a one-time charge in the period in which they occur.

**7. Appropriation of Retained Earnings**

Appropriations with respect to each balance sheet date are retroactively reflected in the consolidated financial statements for each applicable period.

**8. Cash and Cash Equivalents**

Cash and cash equivalents include deposits that can be easily withdrawn and converted to cash and short-term investments with a maturity within three months of their acquisition that are not subject to significant price risk.

## SEGMENT INFORMATION

### (1) Performance by business segment

Six months ended September 30, 2003

(Millions of yen)

	Logistics Systems and Structures Operations	Industrial Machinery Operations	Energy and Plant Operations	Aero-Engine and Space Operations	Shipbuilding and Offshore Operations	Other Operations	Total	Eliminations and Corporate	Consolidated
<b>Sales and operating income :</b>									
Sales to outside customers	¥66,272	¥47,595	¥110,044	¥95,992	¥63,118	¥64,060	¥447,081	¥	¥447,081
Intersegment sales and transfers	4,406	6,163	7,817	1,719	2,776	11,666	34,547	(34,547)	
Total	70,678	53,758	117,861	97,711	65,894	75,726	481,628	(34,547)	447,081
Operating expenses	74,482	53,556	119,977	94,557	64,231	71,142	477,945	(34,823)	443,122
Operating income (loss)	¥ (3,804)	¥ 202	¥ (2,116)	¥ 3,154	¥ 1,663	¥ 4,584	¥ 3,683	¥ 276	¥ 3,959

Six months ended September 30, 2002

(Millions of yen)

	Logistics Systems and Structures Operations	Industrial Machinery Operations	Energy and Plant Operations	Aero-Engine and Space Operations	Shipbuilding and Offshore Operations	Other Operations	Total	Eliminations and Corporate	Consolidated
<b>Sales and operating income :</b>									
Sales to outside customers	¥74,736	¥34,451	¥112,897	¥93,128	¥28,440	¥61,861	¥405,513	¥	¥405,513
Intersegment sales and transfers	4,190	9,591	4,707	2,008	19,110	12,212	51,818	(51,818)	
Total	78,926	44,042	117,604	95,136	47,550	74,073	457,331	(51,818)	405,513
Operating expenses	81,543	45,372	119,047	93,441	45,296	71,101	455,800	(51,403)	404,397
Operating income (loss)	¥ (2,617)	¥ (1,330)	¥ (1,443)	¥ 1,695	¥ 2,254	¥ 2,972	¥ 1,531	¥ (415)	¥ 1,116

Fiscal year ended March 31, 2003

(Millions of yen)

	Logistics Systems and Structures Operations	Industrial Machinery Operations	Energy and Plant Operations	Aero-Engine and Space Operations	Shipbuilding and Offshore Operations	Other Operations	Total	Eliminations and Corporate	Consolidated
<b>Sales and operating income :</b>									
Sales to outside customers	¥200,561	¥ 91,226	¥260,588	¥239,124	¥ 92,921	¥134,641	¥1,019,061	¥	¥1,019,061
Intersegment sales and transfers	16,323	14,292	13,100	4,763	20,403	26,778	95,659	(95,659)	
Total	216,884	105,518	273,688	243,887	113,324	161,419	1,114,720	(95,659)	1,019,061
Operating expenses	212,922	106,769	271,458	233,707	108,586	156,178	1,089,620	(95,199)	994,421
Operating income (loss)	¥ 3,962	¥ (1,251)	¥ 2,230	¥ 10,180	¥ 4,738	¥ 5,241	¥ 25,100	¥ (460)	¥ 24,640

Notes:

1. Business segments are based on current classifications.
2. Main products and machinery included in each segment:
  - (1) Logistics Systems and Structures Operations  
Material handling systems, physical distribution and factory automation systems, parking systems, bridges and others
  - (2) Industrial Machinery Operations  
Iron and steel manufacturing equipment, vehicular turbochargers, mass-produced machinery and others
  - (3) Energy and Plant Operations  
Boilers, gas turbines, components for nuclear power plants, environmental control systems, storage facilities and others
  - (4) Aero-Engine and Space Operations  
Jet engines, space-related equipment and others
  - (5) Shipbuilding and Offshore Operations  
Shipbuilding, ship repairs, offshore structures and others
  - (6) Other Operations  
Diesel engines, agricultural machinery, construction machinery, construction materials, financing and service industry, marine transport and others
3. Operating expenses are entirely allocated to each business segment.

(2) Segment information by region

Six months ended September 30, 2003

Japan accounted for more than 90% of the total net sales of all segments. Consequently, disclosure of segment information of areas other than Japan is not required in accordance with generally accepted standards for the presentation of consolidated financial statements.

Six months ended September 30, 2002

Japan accounted for more than 90% of the total net sales of all segments. Consequently, disclosure of segment information of areas other than Japan is not required in accordance with generally accepted standards for the presentation of consolidated financial statements.

Fiscal year ended March 31, 2003

Japan accounted for more than 90% of the total net sales of all segments and the total amount of segment assets. Consequently, disclosure of segment information of areas other than Japan is not required in accordance with generally accepted standards for the presentation of consolidated financial statements.

(3) Overseas sales

(Millions of yen, %)

Six months ended September 30, 2003						Total
	Asia	North America	Central and South America	Europe	Others	
Overseas sales	¥21,806	¥37,339	¥50,725	¥18,285	¥9,103	¥137,258
Consolidated net sales						¥447,081
Overseas sales as a percentage of consolidated net sales	4.9%	8.4%	11.3%	4.1%	2.0%	30.7%

(Millions of yen, %)

Six months ended September 30, 2002						Total
	Asia	North America	Central and South America	Europe	Others	
Overseas sales	¥26,253	¥36,583	¥3,619	¥12,907	¥4,726	¥ 84,088
Consolidated net sales						¥405,513
Overseas sales as a percentage of consolidated net sales	6.5%	8.9%	0.9%	3.2%	1.2%	20.7%

(Millions of yen, %)

Fiscal year ended March 31, 2003						Total
	Asia	North America	Central and South America	Europe	Others	
Overseas sales	¥48,312	¥98,158	¥48,154	¥29,567	¥15,608	¥ 239,799
Consolidated net sales						¥1,019,061
Overseas sales as a percentage of consolidated net sales	4.8%	9.6%	4.7%	2.9%	1.5%	23.5%

Notes:

1. Countries and regions are classified according to geographical proximity.
2. The countries included in each segment are as follows:
  - (1) Asia: China, Taiwan, Korea, Thailand, Vietnam, Singapore, Malaysia, Indonesia, Philippines, India, Bangladesh, Pakistan, etc.
  - (2) North America: U.S.A., Canada
  - (3) Central and South America: Brazil, Panama, etc.
  - (4) Europe: U.K., Germany, France, Italy, Ireland, Belgium, Greece, Russia, Kazakhstan, Turkey, etc.
3. Overseas sales represents sales amounts for IHI and its consolidated subsidiaries in countries or regions outside of Japan.