

November 5, 2004

CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2004

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.

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Semi-Annual Board of Directors Meeting: November 5, 2004

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
Fiscal 2005 1H	¥ 463,422	(3.7)%	¥(11,753)	()%	¥(15,837)	()%
Fiscal 2004 1H	447,081	(10.3)	3,959	(254.7)	(4,357)	()
Fiscal year 2004	1,047,441		(23,230)		(42,466)	

	(Millions of yen)			
	Net Income	Percentage Change	Net Income per Share	Diluted Net Income per Share
Fiscal 2005 1H	¥(15,143)	()%	¥(11.66)	
Fiscal 2004 1H	(5,165)	()	(3.98)	
Fiscal year 2004	(38,354)		(29.67)	

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

Six-month period ended Sept. 30, 2004: ¥ 41 million
 Six-month period ended Sept. 30, 2003: ¥ (149) million
 Fiscal year 2004: ¥ (148) million

2. Average number of shares outstanding (consolidated)

Six-month period ended Sept. 30, 2004: 1,298,296,376
 Six-month period ended Sept. 30, 2003: 1,298,325,858
 Fiscal year 2004: 1,298,320,424

3. Changes in accounting policies: Yes

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)
Sept. 30, 2004	¥1,339,814	¥134,513	10.0%	¥103.61
Sept. 30, 2003	1,384,317	180,992	13.1	139.40
March 31, 2004	1,377,021	151,550	11.0	116.73

Note: Number of shares outstanding at the end of period (consolidated)
 Six-month period ended Sept. 30, 2004: 1,298,287,419
 Six-month period ended Sept. 30, 2003: 1,298,324,505
 Fiscal year 2004: 1,298,303,370

(3) Cash Flows

(Millions of yen)

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Period
Fiscal 2005 1H	¥(39,891)	¥(15,423)	¥ 14,551	¥ 81,724
Fiscal 2004 1H	12,268	(12,786)	(7,382)	76,110
Fiscal year 2005	36,184	39,427	(36,853)	122,738

(4) Consolidated Subsidiaries and Application of the Equity Method

Number of consolidated subsidiaries: 56
 Number of non-consolidated subsidiaries accounted for by the equity method:
 Number of affiliated companies accounted for by the equity method: 12

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

New consolidated companies: Consolidated companies removed:
 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, 2005

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
Fiscal year 2004	¥1,050,000	¥5,000	¥3,000

Reference: Estimated net income per share for the year: Consolidated: ¥2.31

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, 2004– Sept. 30, 2004	April 1, 2003– Sept. 30, 2003	Increase (Decrease)	April 1, 2003– March 31, 2004
Net sales	¥463,422	¥447,081	¥16,341	¥1,047,441
Cost of sales	418,658	382,649	36,009	950,136
Selling, general and administrative expenses	56,517	60,473	(3,956)	120,535
Operating (loss) income	(11,753)	3,959	(15,712)	(23,230)
Non-operating income:				
Interest and dividend income	1,834	2,087	(253)	3,061
Equity in earnings of affiliates	41		41	
Other income	2,674	1,326	1,348	3,226
Non-operating expenses:				
Interest expenses	2,415	2,644	(229)	5,148
Equity in losses of affiliates		149	(149)	148
Other expenses	6,218	8,936	(2,718)	20,227
Ordinary loss	(15,837)	(4,357)	(11,480)	(42,466)
Extraordinary income:				
Gain on sale of investment securities		2,826	(2,826)	17,475
Reversal of allowance for doubtful receivables		1,928	(1,928)	1,928
Gain on sale of property, plant and equipment				3,778
Extraordinary expenses:				
Provision for employees' retirement allowances for prior period	2,208	2,212	(4)	4,417
Loss on disposal of property, plant and equipment	1,478	1,958	(480)	8,565
Restructuring-related losses		1,764	(1,764)	3,671
Extraordinary retirement benefits		1,287	(1,287)	1,958
Loss on performance of obligations of guarantee		1,105	(1,105)	1,105
Loss before income taxes, minority interests and other	(19,523)	(7,929)	(11,594)	(39,001)
Corporation, inhabitants' and enterprise taxes	1,930	7,674	(5,744)	12,356
Adjustments to corporation taxes	(5,944)	(10,624)	4,680	(13,083)
Minority interests in consolidated subsidiaries	(366)	186	(552)	80
Net loss	¥ (15,143)	¥ (5,165)	¥ (9,978)	¥ (38,354)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	(Millions of yen)			
	April 1, 2004– Sept. 30, 2004	April 1, 2003– Sept. 30, 2003	Increase (Decrease)	April 1, 2003– March 31, 2004
CAPITAL SURPLUS				
Capital surplus, beginning of year	¥10,200	¥10,200	¥	¥10,200
Capital surplus, end of year	10,200	10,200		10,200
RETAINED EARNINGS				
Retained earnings, beginning of year	38,909	77,508	(38,599)	77,508
Decrease in retained earnings:				
Net loss	15,143	5,165	9,978	38,354
Net decrease from newly consolidated subsidiaries				80
Directors' bonuses				165
Retained earnings, end of year	¥23,766	¥72,343	¥(48,577)	¥38,909

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	Sept. 30, 2004	March 31, 2004	Increase (Decrease)	Sept. 30, 2003
ASSETS				
Current assets:				
Cash and time deposits	¥ 78,422	¥ 117,970	¥ (39,548)	¥ 69,559
Trade receivables	280,140	304,611	(24,471)	290,260
Marketable securities	5,032	4,532	500	4,035
Inventories	414,025	394,988	19,037	423,528
Deferred income taxes	37,899	33,430	4,469	22,256
Other current assets	60,895	53,372	7,523	59,581
Less allowance for doubtful receivables	(3,778)	(3,578)	(200)	(3,246)
Total current assets	872,635	905,325	(32,690)	865,973
Fixed assets:				
Property, plant and equipment:				
Buildings and structures	79,301	81,788	(2,487)	113,214
Machinery and equipment	52,815	55,265	(2,450)	56,802
Land	90,256	90,782	(526)	91,020
Construction in progress	4,199	2,460	1,739	2,801
Other tangible fixed assets	15,621	16,111	(490)	16,515
Total property, plant and equipment	242,192	246,406	(4,214)	280,352
Intangible assets:				
Software	14,077	14,404	(327)	12,503
Royalties and other intangible assets	5,840	6,044	(204)	6,971
Total intangible assets	19,917	20,448	(531)	19,474
Investments and other assets:				
Investment securities	114,500	116,465	(1,965)	121,071
Deferred income taxes	50,579	47,152	3,427	56,421
Other	50,242	51,409	(1,167)	51,182
Less allowance for doubtful receivables	(10,251)	(10,184)	(67)	(10,156)
Total investments and other assets	205,070	204,842	(228)	218,518
Total fixed assets	467,179	471,696	(4,517)	518,344
Total assets	¥1,339,814	¥1,377,021	¥ (37,207)	¥1,384,317

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	Sept. 30, 2004	March 31, 2004	Increase (Decrease)	Sept. 30, 2003
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Trade payables	¥ 257,554	¥ 285,897	¥ (28,343)	¥ 252,110
Short-term loans and current portion of long-term loans	158,182	156,589	1,593	202,283
Current portion of debentures	30,000	20,000	10,000	15,000
Accrued income taxes	2,425	9,261	(6,836)	7,866
Accrued expenses	22,692	28,123	(5,431)	24,588
Advances from customers	157,064	134,283	22,781	166,529
Allowance for employees' bonuses	17,462	18,072	(610)	18,791
Reserve for guaranteed contracts	8,532	7,269	1,263	6,770
Reserve for losses on sales contracts	32,011	39,677	(7,666)	818
Other current liabilities	38,995	45,047	(6,052)	41,403
Total current liabilities	724,917	744,218	(19,301)	736,158
Long-term liabilities:				
Debentures	103,000	98,000	5,000	100,000
Long-term loans	141,940	143,852	(1,912)	130,541
Allowance for employees' retirement benefits	149,996	152,257	(2,261)	153,388
Deferred tax liabilities from revaluation of land	4,092	4,092		4,092
Other long-term liabilities	62,167	63,373	(1,206)	59,079
Total long-term liabilities	461,195	461,574	(379)	447,100
Total liabilities	1,186,112	1,205,792	(19,680)	1,183,258
Minority interests:				
Minority interests in consolidated subsidiaries	19,189	19,679	(490)	20,067
Shareholders' equity:				
Common stock	64,925	64,925		64,925
Capital surplus	10,200	10,200		10,200
Retained earnings	23,766	38,909	(15,143)	72,343
Revaluation excess	5,487	5,487		5,487
Unrealized holding gain on other securities	32,206	33,907	(1,701)	29,558
Foreign exchange translation adjustments	(2,041)	(1,851)	(190)	(1,497)
Less treasury stock, at cost	(30)	(27)	(3)	(24)
Total shareholders' equity	134,513	151,550	(17,037)	180,992
Total liabilities and shareholders' equity	¥ 1,339,814	¥ 1,377,021	¥ (37,207)	¥ 1,384,317

CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Millions of yen)		
	April 1, 2004– Sept. 30, 2004	April 1, 2003– Sept. 30, 2003	April 1, 2003– March 31, 2004
Operating activities:			
Net loss before income taxes	¥ (19,523)	¥ (7,929)	¥ (39,001)
Depreciation and amortization	14,494	16,236	32,784
Amortization of long-term prepaid expenses	1,342	2,089	3,463
Increase (decrease) in allowance for bad debts	267	(12)	452
Increase (decrease) in allowance for employees' bonuses	(610)	68	(651)
Increase (decrease) in reserve for guaranteed contracts	1,263	1,588	2,087
Increase (decrease) in accrued losses on sales contracts	(7,666)	(342)	38,517
Increase (decrease) in accrued employees' retirement allowances	(2,261)	(3,848)	(4,979)
Interest and dividend income	(1,834)	(2,087)	(3,061)
Interest expense	2,415	2,644	5,148
Loss (gain) on foreign exchange	9	25	137
Loss (gain) on disposal of property, plant and equipment	1,411	1,776	4,617
Gain on sale of marketable and investment securities	(13)	(2,853)	(17,476)
Loss on valuation of marketable and investment securities and golf memberships	153	201	268
Equity in losses (earnings) of affiliates	(41)	149	148
Changes in operating assets and liabilities:			
Notes and accounts receivable	24,471	50,745	35,832
Advances received	22,781	40,386	8,129
Inventories	(19,037)	(38,374)	(7,968)
Advance payments	(8,619)	(3,355)	(1,117)
Notes and accounts payable	(28,343)	(39,001)	(5,286)
Other current assets	(251)	(8,085)	(4,658)
Other current liabilities	(8,290)	9,510	(934)
Accrued consumption taxes	(1,715)	(1,377)	801
Directors' and corporate auditors' bonuses	(205)	(179)	(179)
Subtotal	(30,376)	17,975	47,073
Interest and dividends received	1,515	2,317	3,319
Interest paid	(2,264)	(2,892)	(5,401)
Income taxes paid	(8,766)	(5,132)	(8,807)
Net cash provided by (used in) operating activities	(39,891)	12,268	36,184
Investing activities:			
Net decrease (increase) in time deposits due in more than three months	(1,466)	722	943
Purchases of marketable and investment securities	(602)	(453)	(1,155)
Proceeds from sale of marketable and investment securities	27	3,895	29,507
Decrease in cash due to change in scope of consolidation			13,000
Purchases of property, plant and equipment and intangible fixed assets	(13,511)	(11,968)	(29,171)
Proceeds from sale of property, plant and equipment	349	408	34,726
Expenditure for disposal of property, plant and equipment	(360)	(1,067)	(5,600)
Expenditure for business transferred from Niigata Engineering Co., Ltd.		(2,162)	(2,162)
Net decrease (increase) in short-term loans	(124)	(449)	160
Increase in long-term loans	(159)	(692)	(743)
Decrease in long-term loans	48	341	1,080
Decrease (increase) in other non-current assets	1,655	(180)	(1,498)
Increase (decrease) in other fixed liabilities	(1,280)	(1,181)	340
Net cash used in investing activities	(15,423)	(12,786)	39,427

FORWARD

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Millions of yen)

	April 1, 2004– Sept. 30, 2004	April 1, 2003– Sept. 30, 2003	April 1, 2003– March 31, 2004
Financing activities:			
Net (decrease) increase in short-term debt	¥ (3,194)	¥ 22	¥ (30,449)
Proceeds from issuance of long-term debt	16,235	7,608	36,353
Repayment of long-term debt	(13,360)	(27,739)	(58,479)
Proceeds from issuance of debentures	15,000	15,000	33,000
Expenditures for redemption of debentures	—	—	(15,000)
Purchases of treasury stock	(3)	—	(3)
Purchases of treasury stock of subsidiaries in consolidation	(1)	—	(2)
Dividends paid	—	(1,947)	(1,947)
Dividends paid to minority interests	(126)	(326)	(326)
Net cash provided by (used in) financing activities	14,551	(7,382)	(36,853)
Effect of exchange rate changes on cash and cash equivalents	(251)	172	(246)
Net (decrease) increase in cash and cash equivalents	(41,014)	(7,728)	38,512
Cash and cash equivalents, beginning of year	122,738	83,838	83,838
Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries			388
Cash and cash equivalents, end of year	¥ 81,724	¥ 76,110	¥ 122,738

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

	Sept. 30, 2004	Sept. 30, 2003	March 31, 2004
Cash and time deposits	¥78,422	¥69,559	¥117,970
Time deposits due in more than three months	(2,729)	(1,484)	(1,263)
Commercial paper included in marketable securities	5,000	3,999	4,500
Investment trust included in marketable securities	32	36	32
Sales under agreement to repurchase included in other current assets (short-term loans)	999	4,000	1,499
Cash and cash equivalents	¥81,724	¥76,110	¥122,738

BASIS FOR PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of Consolidation

Consolidated subsidiaries:

The consolidated accounts reflect the results of 56 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.

2. Application of the Equity Method of Accounting

Companies accounted for by the equity method comprise Jurong Engineering Limited and 11 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. Niigata Power Systems Co., Ltd., Niigata Transys Co., Ltd., NICO Precision Co., Inc. close their interim accounts on July 31, and IHI Inc. and other overseas subsidiaries (excluding Ishi Power Sdn. Bhd.) close their interim accounts on June 30. As the difference between these periods does not exceed 3 months, interim financial statements as of that date are used. However, significant transactions that occur between these closing dates are adjusted for as necessary on the consolidated financial statements.

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 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.

(Additional Information)

With regard to estimated losses for work in progress at the interim balance sheet date, the Company had provided reserves for accrued losses on sales contracts in excess of ¥1 billion. From the six-month period ended March 31, 2004, however, the Company began to provide reserves for accrued losses on sales contracts in excess of ¥0.3 billion.

If the new accounting method were applied to the six-month period ended March 31, 2004, operating income and income before income tax would have decreased by approximately ¥2 billion.

e. Employees' retirement allowances

Employees' retirement allowances are provided for based on 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 changes 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 ¥3 billion, which are recorded using the percentage-of-completion method.

(Changes in Accounting Method)

Regarding the scope of application of construction-in-progress standards, the Company had recorded long-term large-scale projects in excess of ¥5 billion and lasting more than two years. From the six-month period ended September 30, 2004, however, the Company changed the scope of application to projects in excess of ¥3 billion and lasting more than two years. This change in accounting method was implemented to further clarify profits and losses during specific periods by widening the scope of application of construction-in-progress standards, due to expectations for a decline in orders for large-scale projects that fall under the scope of application as a result of smaller order scale due to recent changes in the operating environment. The impact of this change in accounting method is immaterial on net sales and profits and losses.

(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, 2004

(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
Sales and operating income :									
Sales to outside customers	¥61,792	¥53,416	¥126,956	¥100,173	¥57,357	¥63,728	¥463,422	¥	¥463,422
Intersegment sales and transfers	4,481	9,270	5,291	2,544	791	13,456	35,833	(35,833)	
Total	66,273	62,686	132,247	102,717	58,148	77,184	499,255	(35,833)	463,422
Operating expenses	75,462	60,757	137,262	98,215	65,605	74,339	511,640	(36,465)	475,175
Operating income (loss)	¥ (9,189)	¥ 1,929	¥ (5,015)	¥ 4,502	¥(7,457)	¥ 2,845	¥(12,385)	¥ 632	¥(11,753)

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
Sales and operating income :									
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

Fiscal year ended March 31, 2004

(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
Sales and operating income :									
Sales to outside customers	¥186,369	¥ 115,562	¥248,488	¥236,881	¥112,533	¥147,608	¥1,047,441	¥	¥1,047,441
Intersegment sales and transfers	16,427	14,150	20,385	4,565	5,486	25,515	86,528	(86,528)	
Total	202,796	129,712	268,873	241,446	118,019	173,123	1,133,969	(86,528)	1,047,441
Operating expenses	200,471	133,514	288,599	232,103	138,754	164,358	1,157,799	(87,128)	1,070,671
Operating income (loss)	¥ 2,325	¥ (3,802)	¥ (19,726)	¥ 9,343	¥ (20,735)	¥ 8,765	¥ (23,830)	¥ 600	¥ (23,230)

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 and others
3. Operating expenses are entirely allocated to each business segment.

(2) Segment information by region

Six months ended September 30, 2004

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, 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.

Fiscal year ended March 31, 2004

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, 2004						Total
	Asia	North America	Central and South America	Europe	Others	
Overseas sales	¥34,192	¥45,008	¥18,479	¥21,620	¥21,436	¥140,735
Consolidated net sales						¥463,422
Overseas sales as a percentage of consolidated net sales	7.4%	9.7%	4.0%	4.7%	4.6%	30.4%

(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, %)

Fiscal year ended March 31, 2004						Total
	Asia	North America	Central and South America	Europe	Others	
Overseas sales	¥58,302	¥86,712	¥74,035	¥35,233	¥28,700	¥282,982
Consolidated net sales						¥1,047,441
Overseas sales as a percentage of consolidated net sales	5.5%	8.3%	7.1%	3.4%	2.7%	27.0%

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, Hong Kong, Thailand, Vietnam, Singapore, Malaysia, Indonesia, Philippines, India, Bangladesh, Sri Lanka, etc.
 - (2) North America: U.S.A., Canada
 - (3) Central and South America: Brazil, Panama, etc.
 - (4) Europe: U.K., Germany, France, Italy, Ireland, Greece, Kazakhstan, Sweden, etc.
3. Overseas sales represents sales amounts for IHI and its consolidated subsidiaries in countries or regions outside of Japan.