

May 16, 2005

## CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED MARCH 31, 2005

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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Annual Board of Directors Meeting: May 16, 2005

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)						
Year ended March 31	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
<b>2005</b>	<b>¥1,089,047</b>	<b>4.0%</b>	<b>¥10,619</b>	<b>(-)%</b>	<b>¥4,273</b>	<b>(-)%</b>
2004	1,047,441	2.8%	(23,230)	(-)%	(42,466)	(-)%

(Millions of yen)							
Year ended March 31	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	Return on Equity (%)	Ordinary Income to Total Assets (%)	Ordinary Income to Net Sales (%)
<b>2005</b>	<b>¥2,180</b>	<b>(-)%</b>	<b>¥1.56</b>	<b>¥-</b>	<b>1.4%</b>	<b>0.3%</b>	<b>0.4%</b>
2004	(38,354)	(-)%	(29.67)	-	(23.8)%	(3.1)%	(4.1)%

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

Year ended March 31, 2005: ¥ 1,474 million

Year ended March 31, 2004: ¥ (148) million

2. Average number of shares outstanding (consolidated)

Year ended March 31, 2005: 1,298,279,617

Year ended March 31, 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 year.

## (2) Financial Position

(Millions of yen, except per share figures)

March 31	Total Assets	Shareholders' Equity	Shareholders' Equity to Total Assets (%)	Shareholders' Equity per Share of Common Stock (Yen)
<b>2005</b>	<b>¥1,387,838</b>	<b>¥153,716</b>	<b>11.1%</b>	<b>¥118.40</b>
2004	1,377,021	151,550	11.0%	¥116.73

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

Year 2005: 1,298,247,775 shares

Year 2004: 1,298,303,370 shares

## (3) Cash Flows

(Millions of yen)

Year ended March 31	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Period
<b>2005</b>	<b>¥(4,408)</b>	<b>¥(4,100)</b>	<b>¥24,654</b>	<b>¥139,684</b>
2004	36,184	39,427	(36,853)	122,738

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

Number of consolidated subsidiaries: 57

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

1. New consolidated companies: 1

Consolidated companies removed:

2. New companies accounted for by the equity method:

Companies accounted for by the equity method removed:

## FORECAST OF RESULTS FOR YEAR ENDING MARCH 31, 2006

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
Six months ended Sept. 30, 2005	¥490,000	¥(21,000)	¥(26,000)
Year ended March 31, 2006	¥1,080,000	¥10,000	¥2,500

Reference: Estimated net income per share for the year: Consolidated: ¥1.93

### 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– March 31, 2005	April 1, 2003– March 31, 2004	Increase (Decrease)
<b>Net sales</b>	<b>¥ 1,089,047</b>	¥1,047,441	¥ 41,606
<b>Cost of sales</b>	<b>962,127</b>	950,136	11,991
<b>Selling, general and administrative expenses</b>	<b>116,301</b>	120,535	(4,234)
Operating income (loss)	<b>10,619</b>	(23,230)	33,849
<b>Non-operating income:</b>			
Interest and dividend income	4,379	3,061	1,318
Equity in gains of affiliates	1,474	—	1,474
Other income	4,181	3,226	955
<b>Non-operating expenses:</b>			
Interest expenses	4,714	5,148	(434)
Equity in losses of affiliates	—	148	(148)
Other expenses	11,666	20,227	(8,561)
Ordinary income (loss)	<b>4,273</b>	(42,466)	46,739
<b>Extraordinary income:</b>			
Gain on sale of investment securities	15,301	17,475	(2,174)
Gain on sale of property, plant and equipment	10,449	3,778	6,671
Reversal of allowance for doubtful receivables	—	1,928	(1,928)
<b>Extraordinary expenses:</b>			
Restructuring-related losses	5,867	3,671	2,196
Provision for employees' retirement allowances for prior period	4,414	4,417	(3)
Loss on disposal of property, plant and equipment	3,098	8,565	(5,467)
Loss on valuation of investment securities	1,532	—	1,532
Extraordinary retirement benefits	—	1,958	(1,958)
Loss on performance of obligations of guarantee	—	1,105	(1,105)
Income before income taxes, minority interests and other	15,112	(39,001)	54,113
Corporation, inhabitants' and enterprise taxes	7,259	12,356	(5,097)
Adjustments to corporation taxes	5,313	(13,083)	18,396
Minority interests in consolidated subsidiaries	360	80	280
<b>Net income (loss)</b>	<b>¥ 2,180</b>	¥ (38,354)	¥40,534

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

	(Millions of yen)		
	April 1, 2004– March 31, 2005	April 1, 2003– March 31, 2004	Increase (Decrease)
<b>CAPITAL SURPLUS</b>			
Capital surplus, beginning of year	¥10,200	¥10,200	¥
Capital surplus, end of year	10,200	10,200	
<b>RETAINED EARNINGS</b>			
Retained earnings, beginning of year	38,909	77,508	(38,599)
<b>Increase in retained earnings:</b>			
Net income	2,180		2,180
Net increase from newly consolidated subsidiaries	660		660
<b>Decrease in retained earnings:</b>			
Net loss	—	38,354	(38,354)
Net decrease from newly consolidated subsidiaries	—	80	(80)
Cash dividends	—		—
Directors' bonuses	153	165	(12)
<b>Retained earnings, end of year</b>	<b>¥41,596</b>	<b>¥38,909</b>	<b>¥2,687</b>

**CONSOLIDATED BALANCE SHEETS**

	(Millions of yen)		
	March 31, 2005	March 31, 2004	Increase (Decrease)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits	¥ 121,588	¥ 117,970	¥ 3,618
Trade receivables	331,924	304,611	27,313
Marketable securities	11,609	4,532	7,077
Inventories	370,943	394,988	(24,045)
Deferred income taxes	32,029	33,430	(1,401)
Other current assets	73,249	53,372	19,877
Less allowance for doubtful receivables	(4,092)	(3,578)	(514)
Total current assets	937,250	905,325	31,925
<b>Fixed assets:</b>			
<b>Property, plant and equipment:</b>			
Buildings and structures	76,274	81,788	(5,514)
Machinery and equipment	52,373	55,265	(2,892)
Land	87,447	90,782	(3,335)
Construction in progress	3,362	2,460	902
Other tangible fixed assets	15,431	16,111	(680)
Total property, plant and equipment	234,887	246,406	(11,519)
<b>Intangible assets:</b>			
Software	14,002	14,404	(402)
Consolidated adjustment account	442	124	318
Patent royalties and other intangible assets	5,277	5,920	(643)
Total intangible assets	19,721	20,448	(727)
<b>Investments and other assets:</b>			
Investment securities	112,132	116,465	(4,333)
Deferred income taxes	43,550	47,152	(3,602)
Other	50,050	51,409	(1,359)
Less allowance for doubtful receivables	(9,752)	(10,184)	432
Total investments and other assets	195,980	204,842	(8,862)
Total fixed assets	450,588	471,696	(21,108)
<b>Total assets</b>	¥1,387,838	¥1,377,021	¥ 10,817

**CONSOLIDATED BALANCE SHEETS**

	March 31, 2005	March 31, 2004	(Millions of yen) Increase (Decrease)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Trade payables	¥ 289,134	¥ 285,897	¥ 3,237
Short-term loans and current portion of long-term loans	171,566	156,589	14,977
Current portion of debentures	25,000	20,000	5,000
Accrued expenses	25,555	28,123	(2,568)
Accrued income taxes	5,238	9,261	(4,023)
Advances from customers	143,565	134,283	9,282
Allowance for employees' bonuses	17,977	18,072	(95)
Reserve for guaranteed contracts	9,359	7,269	2,090
Accrued loss on sales contracts	20,627	39,677	(19,050)
Other current liabilities	44,930	45,047	(117)
Total current liabilities	752,951	744,218	8,733
<b>Long-term liabilities:</b>			
Debentures	88,000	98,000	(10,000)
Long-term loans	158,818	143,852	14,966
Deferred tax liabilities from revaluation of land	4,092	4,092	—
Allowance for employees' retirement benefits	150,088	152,257	(2,169)
Other long-term liabilities	59,962	63,373	(3,411)
Total long-term liabilities	460,960	461,574	(614)
Total liabilities	1,213,911	1,205,792	8,119
<b>Minority interests:</b>			
Minority interests in consolidated subsidiaries	20,211	19,679	532
<b>Shareholders' equity:</b>			
Common stock	64,925	64,925	—
Capital surplus	10,200	10,200	—
Retained earnings	41,596	38,909	2,687
Revaluation excess	5,487	5,487	—
Unrealized holding gain on other securities	34,301	33,907	394
Foreign exchange translation adjustments	(2,757)	(1,851)	(906)
Less treasury stock, at cost	(36)	(27)	(9)
Total shareholders' equity	153,716	151,550	2,166
<b>Total liabilities and shareholders' equity</b>	<b>¥1,387,838</b>	<b>¥1,377,021</b>	<b>¥10,817</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	(Millions of yen)	
	April 1, 2004– March 31, 2005	April 1, 2003– March 31, 2004
<b>Operating activities:</b>		
Net income (loss) before income taxes	¥ 15,112	¥ (39,001)
Depreciation and amortization	31,156	32,784
Amortization of long-term prepaid expenses	2,813	3,463
Increase (decrease) in allowance for doubtful receivables	535	452
Increase (decrease) in allowance for employees' bonuses	(95)	(651)
Increase (decrease) in reserve for guaranteed contracts	2,090	2,087
Increase (decrease) in accrued loss on sales contracts	(19,050)	38,517
Increase (decrease) in allowance for employees' retirement benefits	(2,169)	(4,979)
Interest and dividend income	(4,379)	(3,061)
Interest expenses	4,714	5,148
Loss (gain) on foreign exchange	(20)	137
Loss (gain) on disposal of property, plant and equipment	(7,351)	4,617
Gain on sale of investment securities	(15,301)	(17,476)
Loss on valuation of investment securities and golf memberships	1,532	268
Equity in losses (gains) of affiliates	(1,474)	148
Changes in operating assets and liabilities:		
Trade receivables	(27,310)	35,832
Advances received from customers	9,282	8,129
Inventories	26,868	(7,968)
Advance payments	(6,620)	(1,117)
Trade payables	3,494	(5,286)
Decrease (increase) in deposits from tenants	(1,215)	—
Other current assets	(1,143)	(4,658)
Other current liabilities	1,129	(934)
Accrued consumption taxes	(1,106)	801
Directors' and corporate auditors' bonuses	(205)	(179)
<b>Subtotal</b>	<b>11,287</b>	<b>47,073</b>
Interest and dividend received	2,811	3,319
Interest paid	(4,649)	(5,401)
Income taxes paid	(13,857)	(8,807)
<b>Net cash provided by (used in) operating activities</b>	<b>(4,408)</b>	<b>36,184</b>
<b>Investing activities:</b>		
Net decrease (increase) in time deposits due in more than three months	(248)	943
Purchases of marketable and investment securities	(1,479)	(1,155)
Proceeds from sale of marketable and investment securities	20,811	29,507
Proceeds from loan of marketable and investment securities	—	13,000
Purchases of property, plant and equipment and intangible fixed assets	(32,310)	(29,171)
Proceeds from sale of property, plant and equipment	12,854	34,726
Expenditure for disposal of property, plant and equipment	(1,137)	(5,600)
Expenditure for business transferred from Niigata Engineering Co., Ltd.	—	(2,162)
Net decrease (increase) in short-term loans	109	160
Increase in long-term loans	(405)	(743)
Decrease in long-term loans	565	1,080
Decrease (increase) in other non-current assets	(929)	(1,498)
Increase (decrease) in other fixed liabilities	(1,931)	340
<b>Net cash provided by (used in) investing activities</b>	<b>(4,100)</b>	<b>39,427</b>

FORWARD

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

	(Millions of yen)	
	April 1, 2004– March 31, 2005	April 1, 2003– March 31, 2004
<b>Financing activities:</b>		
Net increase (decrease) in short-term debt	¥ (386)	¥ (30,449)
Proceeds from issuance of long-term debt	60,570	36,353
Repayment of long-term debt	(30,241)	(58,479)
Proceeds from issuance of debentures	15,000	33,000
Expenditures for redemption of debentures	(20,000)	(15,000)
Purchase of treasury stock	(9)	(3)
Purchases of treasury stock of subsidiaries in consolidation	(3)	(2)
Dividends paid	—	(1,947)
Dividends paid to minority interests	(277)	(326)
<b>Net cash provided by (used in) financing activities</b>	<b>24,654</b>	<b>(36,853)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(496)</b>	<b>(246)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>15,650</b>	<b>38,512</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>122,738</b>	<b>83,838</b>
<b>Increase in cash and cash equivalents from consolidation of non-consolidated subsidiaries</b>	<b>1,296</b>	<b>388</b>
<b>Cash and cash equivalents, end of year</b>	<b>¥ 139,684</b>	<b>¥ 122,738</b>

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

	March 31, 2005	March 31, 2004
Cash and time deposits	¥121,588	¥117,970
Time deposits due in more than three months	(1,511)	(1,263)
Negotiable deposits included in marketable securities	5,000	—
Commercial paper included in marketable securities	6,608	4,500
Investment trust included in marketable securities	1	32
Sales under agreement to repurchase included in other current assets (short-term loans)	7,998	1,499
Cash and cash equivalents	¥139,684	¥122,738

## BASIS FOR PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

### 1. Scope of Consolidation

Consolidated subsidiaries:

The consolidated accounts reflect the results of 57 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.

From the year under review, one company was included in the scope of consolidation: Ishikawajima Europe B.V.

### 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 Year-Ends

As Star Farm Machinery Manufacturing Co., Ltd. closes its books of account for the year on September 30, provisional financial statements as of March 31 are used for the purpose of consolidation. IHI Inc. and other overseas subsidiaries (excluding ISHI Power Sdn. Bhd.) close their year on December 31, so their financial statements for the year are used, as they are within three months of the Company's year-end. However, adjustments are made on the consolidated financial statements as deemed necessary with regard to significant transactions occurring from their settlement day to March 31.

Niigata Power Systems Co., Ltd., Niigata Transys Co., Ltd., and NICO Precision Co., Inc. had closed their year on January 31, but changed their year-end to March 31.

### 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 balance-sheet date, with unrealized gains stated as a separate component of shareholders' equity and 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) Derivative

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. Software for internal use is amortized using the straight-line method over a usable life of five years.

#### (5) 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 loss on sales contracts

Accrued loss on sales contracts are provided for in the amount of estimated losses for work in progress at the balance-sheet date.

e. Allowance for employees' retirement benefits

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 year. 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 year using the straight-line method over a certain number of years within the average remaining work period of employees, calculated for the year during which the difference accrues.

*(6) 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.

*(Change in Accounting Method)*

Net sales of projects with construction lasting more than two years and revenue of more than ¥5 billion had been recorded using the percentage-of-completion method. From the year under review, however, net sales of projects with construction lasting more than two years and revenue of more than ¥3 billion will be recorded using the percentage-of-completion method. This change in accounting method was instituted to expand the scope of application of the percentage-of-completion method to further the recognition of revenues during the appropriate period, as IHI expects a reduction in large-scale projects that fell under the application of previous accounting methods due to the trend toward smaller project orders in line with changes in business conditions. The impact of this change in accounting method is immaterial on net sales and earnings.

*(7) 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.

*(8) 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.

*(9) 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

Year ended March 31, 2005

(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	¥176,247	¥ 124,520	¥301,221	¥233,190	¥120,957	¥132,912	¥1,089,047	¥ —	¥1,089,047
Intersegment sales and transfers	11,953	19,449	13,712	5,188	1,161	29,198	80,661	(80,661)	—
Total	188,200	143,969	314,933	238,378	122,118	162,110	1,169,708	(80,661)	1,089,047
Operating expenses	191,384	141,877	308,176	225,366	135,671	157,192	1,159,666	(81,238)	1,078,428
Operating income (loss)	¥ (3,184)	¥ 2,092	¥ 6,757	¥ 13,012	¥(13,553)	¥ 4,918	¥ 10,042	¥ 577	¥ 10,619
<b>Assets, depreciation expense and capital expenditures:</b>									
Assets	¥176,377	¥104,736	¥275,443	¥274,827	¥139,767	¥213,433	¥1,184,583	¥203,255	¥1,387,838
Depreciation expense	2,039	3,649	3,891	10,785	3,002	5,899	29,265	2,791	32,056
Capital expenditures	1,394	3,037	2,817	10,104	1,704	6,904	25,960	1,809	27,769

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
<b>Sales and operating income:</b>									
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)
<b>Assets, depreciation expense and capital expenditures:</b>									
Assets	¥182,140	¥107,663	¥234,098	¥286,544	¥142,482	¥205,475	¥1,158,402	¥218,619	¥1,377,021
Depreciation expense	2,148	3,070	3,836	11,269	2,997	6,453	29,773	3,011	32,784
Capital expenditures	2,162	2,573	3,570	7,621	2,048	7,397	25,371	3,504	28,875

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

Year ended March 31, 2005

Japan accounted for more than 90% of the total net sales of all segments and the total assets 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.

Year ended March 31, 2004

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(3) Overseas sales

(Millions of yen, %)

Year ended March 31, 2005	Asia	North America	Central and South America	Europe	Others	Total
Overseas sales	¥85,014	¥95,449	¥53,194	¥49,097	¥57,112	¥ 339,866
Consolidated net sales						¥1,089,047
Overseas sales as a percentage of consolidated net sales	7.8%	8.8%	4.9%	4.5%	5.2%	31.2%

(Millions of yen, %)

Year ended March 31, 2004	Asia	North America	Central and South America	Europe	Others	Total
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, South Korea, Hong Kong, Thailand, Vietnam, Singapore, Malaysia, Indonesia, Philippines, India, 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, Bulgaria, etc.
3. Overseas sales represents sales amounts for IHI and its consolidated subsidiaries in countries or regions outside of Japan.