

August 8, 2005

## CONSOLIDATED FINANCIAL REPORT

### FOR THE FIRST QUARTER OF THE YEAR ENDING MARCH 31, 2006

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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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.

#### MATTERS CONCERNING PREPARATION OF QUARTERLY FINANCIAL INFORMATION

**(1) Use of simple accounting methods: Yes**

Content: Tax expenses, recording of reserves, etc.

**(2) Recent changes in consolidated accounting method: Yes**

Content: One consolidated subsidiary was reclassified into different business segments in response to a closer matching of business segment classifications to management methods.

**(3) Changes in scope of consolidation and equity method: Yes**

Number of consolidated subsidiaries: 59

New consolidated subsidiaries: 3 Consolidated subsidiaries removed: 1

Number of affiliated companies accounted for by the equity method: 13

New companies accounted for by the equity method: 1 Companies accounted for by the equity method removed:

#### PERFORMANCE

**(1) Business Results**

(Millions of yen)						
	Net Sales	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
<b>Three months ended June 30, 2006</b>	<b>¥ 186,860</b>	<b>(2.5)%</b>	<b>¥ (3,968)</b>	<b>( )%</b>	<b>¥ (4,667)</b>	<b>( )%</b>
Three months ended June 30, 2005	191,714	4.4%	(6,918)	( )%	(8,110)	( )%
Year ended March 31, 2006	1,089,047		10,619		4,273	

(Millions of yen)				
	Net Income	Percentage Change	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
<b>Three months ended June 30, 2006</b>	<b>¥ (13,981)</b>	<b>(—)%</b>	<b>¥ (10.77)</b>	<b>¥</b>
Three months ended June 30, 2005	(6,523)	(—)%	(5.02)	
Year ended March 31, 2006	2,180		1.56	—

Note: Percentage change for net sales and operating income are for the corresponding period of the previous year.

### Qualitative Data Concerning Business Results

During the first quarter of the year ending March 31, 2006, the Japanese economy recovered gently with improvement in corporate earnings and a rebound in consumer spending. In addition, the global economy steadily recovered.

In this operating environment, consolidated net sales fell 2.5% year on year to ¥186.8 billion in the first quarter of the year ending March 31, 2006.

The Company recorded losses in logistics systems and structures operations, energy and plant operations, as well as shipbuilding and offshore operations, leading to operating losses of ¥3.9 billion, ordinary losses of ¥4.6 billion and net losses of ¥13.9 billion, due in part to a ¥13.0 billion loss on the impairment of fixed assets, which is factored into IHI's earnings estimates announced on May 16 for the year ending March 31, 2006.

The IHI Group completes and delivers a majority of its projects for government agencies during the second half of the year ending March 31, 2006. Accordingly, net sales differ significantly in the first half from the second half of the year, especially during the first quarter.

### (2) Financial Position

(Millions of yen, except per share figures)

	Total Assets	Shareholders' Equity	Shareholders' Equity to Total Assets (%)	Shareholders' Equity per Share of Common Stock (Yen)
<b>June 30, 2005</b>	<b>¥1,394,670</b>	<b>¥137,881</b>	<b>9.9%</b>	<b>¥106.21</b>
June 30, 2004	1,381,358	144,573	10.5	111.36
March 31, 2005	1,387,838	153,716	11.1	118.40

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

(Millions of yen)

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

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

### Qualitative Data Concerning Forecasts

IHI has not revised its consolidated and non-consolidated earnings estimates since announcing them on May 16, 2005. With regard to the alleged violation of the Antimonopoly Law on steel bridge construction projects, IHI is conducting a top-down review of its internal compliance structure to reinforce and thoroughly instill compliance. At this time, the impact of this incident on earnings is difficult to estimate, and has not been factored into the Company's forecasts.

### Cautionary Statement

Earnings estimates made in this report 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 politics, general economic conditions and currency exchange rates could cause actual results to differ materially from those discussed in the forward-looking statements, etc.